

2021-2022



**Home Buyer Assistance Program Statement and Lender Instructions  
For Those Earning up to 80% of The Mecklenburg County Area Median Income**

**I. Program Description**

This program is designed to assist low-income households earning up to 80% of the Mecklenburg County area median income in Davidson with down payment and closing costs to purchase a home. The assistance from the Town of Davidson Home Buyer Assistance program is in the form of a no payment, no interest loan that is forgiven in increments during the occupancy/ownership of the home. Funds for the program are from the Department of Housing and Urban Development (HUD).

**II. Program Eligibility**

Persons that wish to receive assistance must attend a homebuyer education class and counseling that are approved by the Town of Davidson. This includes all household members that will be on the loan. The combined gross annual income of all household members must be below the limits outlined below. Household size includes all members living in the household and does not include anticipated births or adoptions. The income limits are subject to change on an annual basis.

- 1 person household gross maximum income - \$47,150
- 2 person household gross maximum income - \$53,900
- 3 person household gross maximum income - \$60,650
- 4 person household gross maximum income- \$67,350
- 5 person household gross maximum income - \$72,750
- 6 person household gross maximum income - \$78,150

The applicant's liquid cash assets cannot exceed 20% of the purchase price of the property. Cash assets include, but are not limited to: checking and savings accounts, certificates of deposits, earnest money deposit, gift funds, residential property assets, and cash on hand of all adult members. Individual Retirement Accounts or other similar retirement investments, attributed to the household that are less than \$100,000 and to which access is limited or restricted, will not be considered cash assets. The buyer may not own any other property or have an ownership interest in any real estate at the time of closing. This includes, for example, mobile homes, timeshares, or vacant land.

### **III. Eligible Property**

The property must be part of the Town of Davidson's affordable housing inventory.

Eligible properties are existing or newly constructed, one unit, single family residences, including condominiums and modular homes on a permanent foundation.

### **IV. Use of funds**

The funds can only be used to assist with the Buyer's down payment or closing costs. Costs that are normally associated with the seller are ineligible. The Buyer may only receive cash back for the following prepaid items: appraisal fee, credit report fee, first year hazard insurance premium.

### **V. Level of Assistance**

The assistance is up to \$10,000, which includes a \$50 lender processing fee that is paid by the Buyer. Closing costs include the lender processing fee and document recording fees, attorney fees, etc. The assistance from the Town of Davidson is in the form of a five year no interest declining loan and the Town will require a written loan recapture agreement with the Buyer.

### **VI. Recapture**

Recapture is a mechanism for the Town to recover all or a portion of the direct assistance if the Buyer voluntarily or involuntarily (through a foreclosure) sells the house during the affordability period. A note and deed of trust will be taken in favor of the Town of Davidson for the amount of the assistance. The amount of the loan will be forgiven on a declining, sliding scale basis for the time the Buyer occupies the residence. For example, on a loan of \$10,000, 20% will be forgiven the first year reducing the loan to \$8,000, 20% will be forgiven the second year reducing the loan to \$6,000 and so on. If, at the end of five years, the home is owned and occupied by the Buyer, the loan will be completely forgiven.

### **VII. Subordination Policy**

The Town will consider subordinating its homebuyer assistance mortgage to a position lower than a second in the following circumstances:

- If the homeowner is refinancing the original mortgage in order to obtain a lower interest rate and/or overall mortgage cost. To be eligible for subordination, a refinancing cannot result in any cash out to the homeowner.
- If the homeowner is borrowing money to make additional improvements to the property. Documentation must be provided to identify the type and cost of the improvements to be made.
- If the homeowner is securing a loan that includes funds for home improvements and for reasons other than home improvements (ex. Debt consolidation, medical expenses, vehicle purchase, etc.), the Town will only consider subordination if a valuation of the property shows that the equity in the home is sufficient to cover the value of all mortgages against the property, and if the homeowner has been in

- the home for at least three years.
- The Town will not subordinate if the loan only covers non-home improvement related items.

### **VIII. Reservation of Funds**

Loans will be offered through participating lenders and will be available on a first-come, first-serve basis. To request that funds be set aside for a particular applicant, a lender must submit a Request for Reservation of Funds. A Reservation Request must include:

- The Reservation Request.
- A copy of the loan application.

This process will only reserve Home Buyer Assistance funds; it does not mean that the applicant has been approved to receive funds. A separate approval letter will be sent.

### **IX. Documents**

The Note, Deed of Trust and Deed Restrictions will be prepared by the Town of Davidson and will be available to be picked up in the Planning Office. The Town will rely on the Lender for notification of the date of closing. The Lender should allow 10 working days for the Note, Deed of Trust, Deed Restrictions, and funds to be prepared.

The Home Buyer Assistance loan should be recorded so as to assure it is inferior only to the lender's first mortgage. The recording fees for this mortgage can be paid from the Home Buyer Assistance funds.

### **Loan reservations and applications should be submitted to:**

Eugene L. Bradley, Housing and Equity Director  
Town of Davidson  
216 South Main Street  
PO Box 579  
Davidson NC 28036  
Phone: 704-940-9653  
[ebradley@townofdavidson.org](mailto:ebradley@townofdavidson.org)

The Down Payment Assistance Program has been approved by:

---

Jamie Justice  
Town Manager

*\*The Town also sponsors a down payment program for households that earn between 80% and 120% AMI. This assistance comes from the Town's affordable housing trust fund. See the Town's website for more information about this program.\**