

CDBG Homebuyer Assistance Program Guidelines

The Iowa Economic Development Authority (IEDA) has initiated a CDBG Homebuyer Assistance Program. Communities may submit a Homebuyer Assistance application independently or in conjunction with a CDBG Housing Sustainability application.

Projects will be funded through IEDA's Housing set-aside (HSG) from the State's Community Development Block Grant (CDBG) Program and will be accepted and reviewed on an on-going basis, as funds are available.

National Objectives:

- CDBG National Objective - All projects must meet the national objective of "Primarily benefits persons of low and moderate income – Housing". Households assisted under this program must be at or below 80% of the area median income limits (LMI) by household size as established by HUD for the jurisdiction in which the home is located.
- For LMI Income limits:
 - IEDA website for CDBG Median Income Levels (MFI) Income Limits:
<https://www.iowaeda.com/cdbg/management-guide/>
 - HUD Income Calculator:
<https://www.hudexchange.info/incomecalculator/>

Definitions:

"Low and Moderate-Income" – Persons with income at or below 80% of the area median income as defined by the US Department of Housing and Urban Development (HUD)

"Lender" – An Accredited Financial Institution

Program Overview:

- The Homebuyer Assistance Program is to facilitate and expand homeownership among low and moderate-income homebuyers.
- The maximum number of Homebuyers to receive assistance under any one CDBG contract is five (5).
- ELIGIBLE activities covered by this program are:
 - Maximum amount of homebuyer assistance per household is limited to \$24,999.
 - Up to 50% of the down payment required by the homebuyer's lender. (Based on eligible financing, not the purchase price of the home.)
 - Required closing costs up to \$3500 per household. Per Loan Estimation Worksheet: Closing Costs are to include Total Loan Costs or A. Loan Costs, B. Services Borrower Did Not Shop For and C. Services Borrower Did Shop For. **NOT**,

- Total Other Costs or E. Taxes & Other Government Fees, F. Prepays, G. Initial Escrow Payments at Closing and H Other
 - Property inspection fees up to \$300 per household
- Technical services including radon testing plus lead hazard reduction carrying costs CANNOT exceed \$5,500 in total federal funds. Total federal fund costs per unit may not exceed \$38,500. Radon testing may be at the discretion of the Homebuyer. Please note, no funds are available under this program for mitigation.
- The homebuyer's conventional loan must be fixed rate, with a term between 15-30 years with no balloon payments.
- Homes to be purchased must be inspected to ensure the property meets local/state building codes.
- Homes to be purchased may be new, however, they must be constructed & complete at the time the property is purchased. IEDA will consider a unit complete if a certificate of occupancy has been issued for the unit.

Eligibility:

- To be eligible, applicants applying for assistance must have a household income that does not exceed 80% of the area median household income as established by the U.S. Department of Housing and Urban Development (HUD)
- The property being purchased must be the applicant's principal place of residence.
- The applicant does not have to be a first-time homebuyer.
- Income verifications must be completed in accordance with 24 CFR 5.609 (Part 5 Annual Income). Income verifications are valid for twelve months from the date verification is completed.
- Residential properties containing businesses and/or any kind of rental unit are not eligible for assistance.
- CDBG funds cannot be used to assist with the purchase of properties located in a 100-year floodplain. This must be documented using a flood plan map.
- CDBG funds may not be used to assist land contract purchases.
- CDBG assistance may be provided to homebuyers purchasing manufactured homes only if all the following criteria are met:
 - The manufactured home was constructed after 1976.
 - The manufactured home is permanently affixed to a site-built permanent foundation and has had its towing hitch and running gear removed.
 - The homeowner will own the land on which the manufactured home is installed.
 - The manufactured home is taxed as real estate (real property) by the community.

Application Requirements:

- The community will ensure that CDBG assistance is made available on a non-discriminatory basis without regards to race, color, religion, sex, disability, familial status, age, or national origin.
- Applications must be submitted to IEDA through the municipality in which the program is located, and in coordination with a CDBG experienced Grant Administrator. All CDBG regulations as outlined in IEDA's annual CDBG Management Guide and guidance provided by IEDA shall apply to all projects.
- Applications will be accepted and reviewed on an on-going basis, as funds are available.
- Applications must be thorough and complete. All items identified in the application checklist must be provided as applicable, and all signatures included. Incomplete applications will not be reviewed.
- Cities/Counties applying for funds must complete and submit the following at the time of application:
 - Administrative plan approved by the city council that meets all IEDA's plan requirements
 - Cities/Counties must have completed procurement for technical services.
 - Cities/counties must have completed procurement for grant administrative services, if applicable. If a Council of Governments (COG) is approved to be the Grant Administrator, no procurement is required. However, a resolution approving said COG to act in this capacity should be uploaded.
- If awarded CDBG funding, cities/counties will be required to submit a final budget for review at the end of month 18 of the grant award to determine if there are any funds that may need to be de-obligated.
- Contracts between city and IEDA will be 2-year agreements. All projects must be completed within this time frame.
- Environmental Review: This program is Categorically Excluded Not Subject to 24 CFR 58.35(b)(5).

Form/ Terms of Assistance:

- The form of financial assistance (CDBG funds) to the homebuyer will be a five (5)-year receding, forgivable loan. The property must remain the applicant's principal residence for five years following the project acceptance date for the loan to be fully forgiven. The community must file a lien/security interest against the property in the amount of the CDBG assistance received. The five-year receding forgivable loan bears no interest.

Homeowners that refinance the property within the five (5)-year period may only do so for the purpose of lowering their interest rate and not for the purpose of receiving funds. If the homeowner receives funds from refinancing, the homeowner will be required to repay all CDBG funding. Refinancing to lower a homeowner's interest rate requires verification from the lender that no funds will be received and a subordination agreement between the homeowner and the community.

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- The City does have the discretion to decide in what extenuating circumstances it will allow the lien to be forgiven prior to the five years. All processes must be outlined in the Administrative Plan.
- The CDBG funded forgivable loan may be recorded in junior position to the principal conventional loan.

Additional Requirements:

- These CDBG funds are subject to the requirements of the Federal Lead Safe Housing regulations, impacting all dwelling units that were constructed prior to January 1, 1978. As such, this program is designed to limit projects to those that either work under Lead Safe Interim Controls or as qualified for under the exemption for National Register listed or eligible properties, under 24 CFR 35 Subpart A and K. Visual Assessment will need to be performed. ONLY paint stabilization and/or interim controls are allowed when treating hazards. There may not be any construction, replacement, or rehabilitation activity.
- All awarded projects are subject to the standard State and Federal Regulations associated with the expenditure of Federal Community Development Block Grant (CDBG) funds. Grant Administrators for these projects should be familiar with these regulations and should ensure that all projects are in compliance with the CDBG regulations and IEDA contract.