

## **City of New Albany's Homeownership Assistance Program**

### **Policies and Procedures**

The process begins with the Department of Redevelopment sending prospective applicants a Homeownership Assistance Program Brochure and Application. Once the application is returned, preliminary eligibility is determined based on income data provided and the current address (to ensure New Albany residency). Income verification forms are sent to confirm employment and other income sources, with copies retained in the applicant's file.

Eligibility is assessed using Part 5 (Section 8) Income and Asset Inclusions/Exclusions. (Appendix A) To qualify for the Homeownership Assistance Program, applicants must meet the following income eligibility criteria: The applicant's total household annual income must not exceed 120% of the Area Median Income (AMI) as determined by the U.S. Department of Housing and Urban Development (HUD) for the applicable household size.

Applicants must complete the New Albany Housing Authority HUD Certified Housing Counseling Program within the last six months and provide their certificate. Additionally, a pre-qualification letter from a bank or lending institution is required, along with a valid purchase agreement that includes a minimum of 45 days to close. The applicant must also submit an appraisal, title opinion, and formal loan approval letter.

Once eligibility is confirmed, the New Albany Redevelopment Commission (NARC) sends an approval letter to the applicant and their bank. A home inspection is required and must be conducted by a certified inspector, such as one affiliated with the American Society of Housing Inspectors (ASHI). NARC reimburses 50% of the inspection cost, which will be deducted from the total Homeownership assistance award of up to \$10,000, provided proof of payment and the inspector's certification are submitted. Proof of payment for home inspection must be submitted along with a complete W-9 for reimbursement. Any code deficiencies identified during the inspection are addressed in the Homeownership Assistance Grant Agreement and must be corrected within 90 days of closing.

The dwelling purchased must be a single-family home located within the New Albany city limits, and the transaction must not displace any existing residents. Properties occupied by tenants are not eligible for assistance. The program prohibits the purchase of homes under rent-to-own agreements or contracts for deed. A Voluntary Sales Acknowledgment or Waiver of Relocation Benefits must be signed by the seller if the home is occupied or certified vacant.

The Homeownership Assistance Grant Agreement is then executed. The Redevelopment Department collects the closing agent's details and prepares an invoice for the Homeownership assistance. A claim is submitted for the funds, and the settlement statement is reviewed for accuracy before delivering the check at closing.

Following the closing, the applicant must occupy the home as their principal residence within 90 days and maintain it as such for at least five years. The City of New Albany provides a zero-interest second mortgage of up to \$10,000. This loan is forgivable over five years, with equal portions forgiven annually. If the home is sold before the five-year period ends, the applicant must repay a prorated portion of the loan.

## **Claw back Policy**

If an applicant fails to occupy the home within 90 days of closing, the City of New Albany will require the full amount of assistance to be repaid within 30 days of notification. Interest at an annual rate of 3% will accrue from the closing date until repayment is completed. In cases of non-payment, the City reserves the right to pursue legal action to recover the funds, including attorney fees and court costs.

Additionally, a lien equivalent to the Homeownership assistance amount will be placed on the property until repayment is made. If the property is sold before repayment, the City will recover the assistance through the sale proceeds. Applicants may request an appeal within 15 days of notification, citing extenuating circumstances, such as emergencies or natural disasters, for review by the Director of Redevelopment. Exceptions to the claw back policy may be granted at the discretion of the City for verified emergencies.

## **Program Procedures**

1. **Client Communication:**
  - Send Homeownership Assistance Program Application with FAQ to prospective applicants.
2. **Application Submission:**
  - Applicant completes and returns the Homeownership Assistance Application.
3. **Income Verification:**
  - Verify Application was sent with Proof of Identity, Proof of Income, and Proof of Residence.
  - Retain copies for the file.
4. **Eligibility Determination:**
  - Use Part 5 (Section 8) Income and Asset Inclusions/Exclusions to determine eligibility (See Appendix A).
5. **Housing Counseling Certification:**
  - Applicant must provide proof of completing the New Albany Housing Authority HUD Certified Housing Counseling Program within the past six (6) months.
6. **Bank Pre-Qualification:**
  - Applicant must submit a pre-qualification letter from a bank or lending institution.
7. **Purchase Agreement:**
  - Applicant must submit a valid purchase agreement with a minimum of 45 days to close.
8. **Home Inspection:**
  - Require a home inspection by a certified inspector (e.g., ASHI-certified).
  - Address code deficiencies in the Homeownership Assistance Grant Agreement, with a 90-day correction period post-closing.
  - Proof of payment for the inspection must be submitted to staff to along with a complete W-9 for reimbursement.
9. **Appraisal & Loan Approval:**
  - Applicant must provide an appraisal, title opinion, and formal loan approval letter.
10. **Approval Notification:**
  - Notify the applicant and their bank of approval via letter.
11. **Eligible Dwelling Criteria:**
  - Dwelling must be a single-family home within New Albany city limits.
  - No displacement of existing residents; tenant-occupied properties are ineligible unless the tenant is the buyer.

**12. Grant Agreement:**

- Execute a Homeownership Assistance Agreement.

**13. Closing Process:**

- Collect the closing agent's details and prepare an invoice for payment.
- Submit a claim for Homeownership Assistance funds.
- Review the settlement statement for accuracy and deliver the check at closing.
- Closing agent will be provided the Mortgage Lien and Restrictive Covenant Agreement from the City of New Albany to be signed at closing.

**14. Occupancy Requirements:**

- Applicant must occupy the dwelling as their primary residence within **90 days** of closing.
- Maintain the home as their principal residence for at least **five (5) years**.

**15. Forgivable Loan Terms:**

- The City of New Albany provides a zero-interest second mortgage of up to **\$10,000** for purchasing a pre-existing or reconstructed home.
- The loan is forgivable over five years, with equal portions forgiven annually.
- If sold within five years, a prorated amount must be repaid to the City of New Albany.

**16. Lien:**

- A Restrictive Covenant Lien will be placed on the home after closing through the Records office. If sold within five years, a prorated amount must be repaid to the City of New Albany.

**Claw back Clause for Non-Compliance with Occupancy Requirement**

If the applicant fails to occupy the home within 90 days:

**1. Full Repayment:**

- The applicant must repay the full amount of assistance within 30 days of notification.

**2. Interest Accrual:**

- A **3% annual interest** rate applies from the closing date until repayment is completed.

**3. Legal Remedies:**

- The City reserves the right to initiate legal action to recover funds.

**4. Lien Enforcement:**

- A Restrictive Covenant Lien equal to the assistance amount will remain on the property for 5 years. Less 20% each year

**5. Appeals Process:**

- Applicants may appeal within 15 days of notification, citing extenuating circumstances for review by the Director of Redevelopment.

**6. Exceptions:**

- Exceptions may be granted for verified emergencies, such as natural disasters or health crises.