

**CITY OF EL PASO, TEXAS**  
**AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM**

**DEPARTMENT:** Community and Human Development

**AGENDA DATE:** September 23, 2008

**CONTACT PERSON/PHONE:** Bill Lilly, 541-4643

**DISTRICT(S) AFFECTED:** 4

**SUBJECT:**

Request to approve the First-Time Home Buyer New Construction Program Guidelines (Self-Help Component) Summerlin Subdivision.

**BACKGROUND / DISCUSSION:**

This item relates to the approval of the First-Time Home Buyer New Construction Guidelines (Self-Help Component). The program includes the acquisition of thirty (30) lots and construction of thirty (30) affordable single family homes in the Summerlin Subdivision in Northeast El Paso (79924). Homebuyers must qualify for a first mortgage approved by a registered lender in the City's First Time Homebuyer Program.

Eligible homebuyers will receive \$35,000 in a second mortgage and \$5,000 in down payment and closing cost (DPCC) assistance. A portion of the second mortgage may be deferred until sale or lease of the property. The determining factor in the proportion of the City's deferred second lien is the affordability ratio (aka housing ratio) of 35%. These calculations work similarly to the calculations currently used and approved by City Council for the First Time Homebuyer Program. DPCC assistance will be given to eligible homebuyers in the amount of \$5,000. If the homebuyer occupies the home for ten (10) years, the DPCC assistance is forgiven. Each home will be subsidized with \$40,000 in HOME funds.

These homes will be available for households between 60%- 80% of Area Median Income (AMI). Total cost of this project is estimated to be \$3,000,000. Characteristics of proposed homes are as follows:

- 3 BDRM/2 BATH with single car garage
- 3 floor plans will be made available: 1193 sq. ft. floor plan, 1201 sq. ft floor plan, 1220 sq. ft. floor plan
- Estimated sales price of each home is \$101,925.44
- Estimated price of construction per square footage is \$52.91 sq. ft.
- 3 landscaping designs will be available to qualified homebuyers
- Accessible and sensory floor plans will be available for those homebuyers with special needs

**PRIOR COUNCIL ACTION:**

On August 26, 2008 City Council approved a funding commitment for the Summerlin Subdivision land acquisition and affordable housing development

**AMOUNT AND SOURCE OF FUNDING:**

The acquisition will be funded through HOME funds and are available in accounts: 09758-71150036/G7105HM; 09758-71150036/G7106HM; 09758-71150036/G7107HM

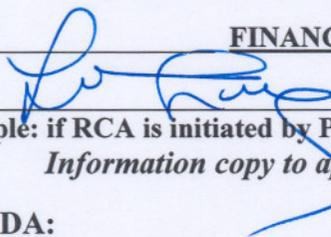
**BOARD / COMMISSION ACTION:**

Enter appropriate comments or N/A

N/A

\*\*\*\*\*REQUIRED AUTHORIZATION\*\*\*\*\*

**LEGAL:** (if required) \_\_\_\_\_ **FINANCE:** (if required) \_\_\_\_\_

**DEPARTMENT HEAD:**  \_\_\_\_\_  
(Example: if RCA is initiated by Purchasing, client department should sign also)

*Information copy to appropriate Deputy City Manager*

**APPROVED FOR AGENDA:**

**CITY MANAGER:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

**RESOLUTION**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:**

That the City Council approve the First-Time Home Buyer New Construction Program (Self-Help Component) and incorporation into the Housing Programs Handbook adopted by the City Council and any amendments adopted thereto and authorize the Director of Community and Human Development to approve First-Time Home Buyer New Construction Program (Self-Help Component) Applications provided that the approvals are in accordance application criteria and requirements identified in the Program Guidelines, with the review and approval of the City Attorney's Office.

**ADOPTED this \_\_\_\_\_ day of September, 2008**

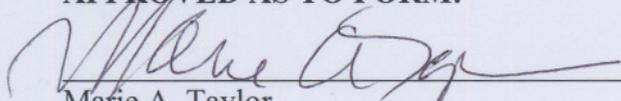
**THE CITY OF EL PASO**

\_\_\_\_\_  
John F. Cook,  
Mayor

**ATTEST:**

\_\_\_\_\_  
Richarda Duffy Momsen,  
City Clerk

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
Marie A. Taylor,  
Assistant City Attorney

**APPROVED AS TO CONTENT:**

  
\_\_\_\_\_  
William L. Lilly, Director  
Community and Human Development

**City of El Paso**

**COMMUNITY AND HUMAN DEVELOPMENT**

**FIRST-TIME HOMEBUYER**

**NEW CONSTRUCTION PROGRAM**

**SUMMERLIN**

**(SELF-HELP COMPONENT)**

## **FIRST-TIME HOMEBUYER NEW CONSTRUCTION**

**PUBLIC PURPOSE.** City Council finds that the development of affordable housing for low-moderate income persons constitutes an important municipal public purpose to the City and the expenditure of United States Department of Housing and Urban Development HOME Investment Partnerships Program (HOME) funds is authorized as appropriate. Further, the Texas Local Government Code-Section 272.001(g) provides; [that a political subdivision may acquire or assemble land or real property interest, except by condemnation, and sell, exchange, or otherwise convey the land or interests to an entity for the development of low-income or moderate-income housing. The political subdivision shall determine the terms and conditions of the transactions so as to effectuate and maintain public purpose. If the conveyance of land under this subsection serves a public purpose, the land may be conveyed for less than its fair market value. In this subsection, "entity" means an individual, corporation, partnership, or other legal entity],

**PROGRAM DESCRIPTION.** The First-Time Home Buyer New Construction Program has been specifically designed to assist low-moderate First-Time Home Buyers to acquire a newly constructed home in the City of El Paso. The program is designed to assist at least thirty (30) First-Time Home Buyers to construct a home in the Summerlin subdivision, in the City of El Paso. The purpose of the City of El Paso's First Time Homebuyer New Construction Program is to assist low and moderate income individuals and families in achieving their goal of homeownership as well as to promote affordability. The City of El Paso ("City"), Department of Community and Human Development, uses Federal funds to administer this First Time Homebuyer Program ("FTHB") new construction program. The FTHB New Construction Program is designed to provide assistance to eligible homebuyers in purchasing homes, also referred to herein as "housing units", and located within the Summerlin subdivision in the City of El Paso's City Limits. An eligible First-Time Home Buyer may be eligible to receive up to \$40,000 in assistance to assist in the purchase/construction of a new home. The City's FTHB New Construction Program provides assistance in the form of a Principal Reduction Program and/or a Down Payment and Closing Cost Program. Each program consists of a loan and/or deferred payment "silent" second priority loans known as "Gap" financing, toward the purchase price, down payment and closing costs of affordable housing units that will be occupied by the homebuyers. The City's FTHB New Construction Program will be administered by the Department of Community and Human Development, Housing Programs Division. This program includes a component whereby the First-Time Home Buyer will be required to contribute approximately \$3,000 in Sweat- Equity labor. Sweat Equity Labor is defined as "equity in property earned by virtue of carrying out manual work to improve the property or make it habitable".

To be eligible for participation in the City of El Paso's First Time Homebuyer Program, applicants must meet and/or comply with all the following Program criteria:

### **I. GENERAL REQUIREMENTS**

#### **A. HOMEBUYER EDUCATION**

Providing the future homebuyer with informative homebuyer education training, can bring success to the City's FTHB Program and most importantly, the homebuyer. Applicant(s) must complete a "Guide to Homeownership Course" offered by the YWCA Home Ownership Center or a similar counseling program approved by the City of El Paso prior to submitting an application. The homebuyer education class may cover such topics as the following: preparing for homeownership; available financing; credit

analysis; loan closing; homeownership responsibilities; home maintenance; and loan servicing.

## **B. APPLICANT QUALIFICATION**

**1. Income Qualification:** The gross annual household income of the applicant's family must be between 60% - 80% of the median income for the City of El Paso, as published by HUD on an annual basis. Other applicants may be considered if other secondary financing is being utilized (i.e., Sec. 8 Homeownership, IDA's, Home Program for People with Disabilities) as long as the housing cost ratio does not exceed 35% of applicants' monthly gross income. **Household** means one or more persons occupying a housing unit.

**2. Definition of Eligible Home Buyer:** An eligible homebuyer means an individual(s) who meet(s) the income eligibility requirements and is/are not currently on the title to any real property. Individuals who own a manufactured home that is not permanently affixed to the ground, may be eligible to apply for this program if: 1) they do not own the land on which the manufactured home is located and 2) the manufactured home is sold and/or the title is transferred prior to loan closing. Documentation of homebuyer status will be required for all homebuyers. City's FTHB Program will use the following definition of an eligible homebuyer, which is a "first-time homebuyer" **Title 24, Part 92.2 Definitions:**

First-time homebuyer (Applicant) means an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home. The term first-time homebuyer also includes an individual who is a displaced homemaker or single parent.

**3. Tenancy:** Applicants must occupy the home to be purchased under this Program as their principal residence for the required period of affordability as defined by the applicable HUD guidelines.

**4. Residency Requirements:** Applicants must provide proof of residency within the city limits of the City of El Paso. Applicants must provide copies of the following: a lease, rent receipts, utility receipts, voter registration card, driver's license, state identification card, credit card statements or medical bills indicating residency in the City of El Paso and a notarized affidavit attesting to residency in the City of El Paso.

**5. Non - US Citizen Acceptable Documentation:** See attachment "D"

**6. Assets:** Applicants may not hold more than \$5,000.00 in non-pension savings, investment property, or any other form of account (i.e. CD, money market, mutual fund, stocks, bonds, etc.). Any amount in excess of \$5,000.00 shall be used by the applicant to pay down the principal. Gifts from family or friends will also be used \$1.00 for \$1.00 in reducing City's contribution, under this Program.

**7. Purchase Price Limits:** The maximum sales price of a home to be purchased under the Program may not exceed the Single Family Mortgage Limits under Section 203(b) of the National Housing Act (12 U.S.C. 1709 (b)) or the HOME 221(d)(3) Limits for the City of El Paso per HUD established guidelines.

The maximum sales price for the City of El Paso is \$121,000.00, which is based on 95% of the average median purchase price for the area. The maximum sales price will be adjusted annually. The property value will be determined through the use of a licensed State of Texas appraiser.

**8. Location and Characteristics:** Property to be purchased under this Program must be located within the Summerlin subdivision located within the geographical limits of the City of El Paso. Property to be purchased must be a single family property. The property must comply with Section R304 (Minimum Room Areas) of the International Residential Code as adopted by the City of El Paso. In addition, new construction must also comply with the International Energy Conservation Code, as adopted by the City of El Paso, which meets or exceeds HUD's Model Energy Code requirements. Generally accepted HUD occupancy guidelines will determine the number of bedrooms required for a particular size of qualifying household.

**9. Property Codes/Compliance:** Property must pass a residential inspection conducted by a Texas licensed Real Estate Inspector that is paid for by the applicant. An additional inspection will be conducted by the Housing Programs Division to insure compliance with the City Property Codes/Standards (at no cost to the applicant). All required inspections must be completed prior to closing.

**10. Primary Lender:** Applicants must meet the Underwriting Criteria (i.e. creditworthiness, debt to income ratios, employment) of the Lender that will finance the first lien mortgage to purchase the property. **INTEREST RATE:** The rate of interest shall be fixed (not an adjustable rate mortgage, ARM) and may not exceed 2.1% of the current market rate. **Ratios:** The housing cost ratios shall be no more than 35% of the applicant's gross monthly income. This percentage includes PITI (which is the loan principal, interest, property taxes and insurance) plus estimated utility expense of \$150.00. The applicant's total outstanding debt ratio shall not exceed 55% of their gross monthly income. This percentage includes the cost of PITI, utilities and any other monthly debt.

**Applicants must furnish a pre-approval letter from the lender.** Lender must be registered with the City of El Paso and adhere to City policies and procedures, as outlined in the program guidelines.

**11. Home Maintenance Course:** Applicant(s) must be strongly encouraged to complete training on home maintenance conducted by the Housing Programs Division or its designee prior to closing.

**12. Post Counseling Session:** Applicants are strongly encouraged to complete a post counseling session after purchasing their home with a HUD approved housing counseling agency of their choice.

## II. PRINCIPAL REDUCTION ASSISTANCE PROGRAM

### A. LOAN ASSISTANCE DESCRIPTION

- 1. Subsidy Limits and Loan Structure: The minimum assistance is \$1,000.00 and the maximum assistance is \$35,000.00 which is provided only for the purpose of principal reduction.** The structure of the loan will be determined

based on 35% housing cost ratio (The applicant's housing cost ratio is determined by dividing the PITI plus utilities by the applicant's gross monthly income). The portion that will be payable represents the amount that falls within the 35% housing cost ratio. This amount will be in the form of a 3% interest loan amortized up to thirty (30) years. A \$10.00 late fee will be added to any payment that is not made during the month that it is due.

The amount that is above the 35% housing cost ratio will be deferred and due upon the sale, lease, or transfer of ownership. **The Program requires the applicant to execute a Note(s) in the amount of the deferred payment loan.**

2. **Deferred Payment Loan Structure:** For the deferred payment loan, there are two repayment options available for the applicants' selection: (1) zero percent (0%) interest with shared appreciation or (2) three percent (3%) interest without shared appreciation for a term up to thirty (30) years. The outstanding balance on the indebtedness must be repaid to the City if the property is sold, leased, transferred, or it ceases to be the principal residence of the borrower(s).
3. **Funds and Restriction Requirements: Applicants must have a minimum investment amount of \$1,000.00 of their own funds.** Applicants are not allowed to pay for the Realtor's sales commission or any closing costs required by FHA, that the sellers normally pay. Applicants are not allowed to negotiate to pay any amount of the seller's closing costs.
4. **Commitment Term: The City of El Paso's financial commitment under this Program will be valid for 90 consecutive calendar days, starting with the first working day after preliminary approval.** Applicants who do not have an acceptable Earnest Money Contract with a seller within the 90 days will be inactivated.

#### A. INCOME GUIDELINES

The gross annual household income of an applicant's family must be between 60% - 80% of median income for the City of El Paso, as published by HUD on an annual basis.

<u>Person(s)</u>	<u>60% Annual Gross Income</u>	<u>80% Annual Gross Income</u>
1	\$18,300	\$24,450
2	\$20,940	\$27,900
3	\$23,520	\$31,400
4	\$26,160	\$34,900
5	\$28,260	\$37,700

**Note: Income guidelines may change on an annual basis.**

#### B. USE OF ADDITIONAL HOME FUNDS

In accordance with HUD regulations, no additional HOME funds may be utilized for each project, after the first year of sale of the property.

### **III. DOWN PAYMENT AND CLOSING COSTS ASSISTANCE PROGRAM**

#### **A. ELIGIBILITY**

To be eligible for participation in this Program, applicants must meet and/or comply with all of the Program criteria set forth in Chapter 5, Section I. B items 1-12, and Section II of the City of El Paso First-Time Homebuyer Guidelines.

#### **B. LOAN ASSISTANCE DESCRIPTION**

1. The maximum assistance is \$5,000.00 which will be in the form of a 3% interest forgivable loan with a term of 10 years.
2. The amount of closing cost assistance will be calculated at 3% of the purchase price of the home. The remaining amount may be applied as down payment assistance.
3. Full amount of this loan is due and payable upon sale, transfer, first mortgage payoff, or lease, in years 1-5. The loan will be forgiven 20% each year in years 6-10, when used as the buyer's principal residence.

#### **C. ALLOWABLE DOWN PAYMENT AND CLOSING COSTS**

Applicant/Buyer can only be charged the following closing costs. City funds may be utilized to pay the following allowable costs. The following items are also summarized in "Attachment A."

##### **1. CLOSING COSTS**

- \* A maximum amount of one (1%) percent origination fee or processing fee (based on 1% of the loan amount). Only one of these fees will be allowed to be charged to the buyer.
- \* Buyer's portion of the attorney's fee associated with the transaction.
- \* Mortgagee's title fee/City's title policy.
- \* Escrow fee (maximum \$200.00).
- \* Recording fees (determined by number of pages).
- \* Survey (maximum \$300.00).
- \* HUD Homeownership Counseling application review fees (\$100).
- \* Mortgage Insurance Premium fee.
- \* TREC Re-Inspection fee (final).

##### **2. PREPAIDS (Items to be deposited into the escrow account prior to closing)**

- \* Interest due on closing date.
- \* Hazard Insurance for first year.
- \* Flood Insurance (when applicable).
- \* Escrow items (Insurance, etc.) excluding real estate taxes.
- \* Mortgage Insurance payment in escrow.

##### **3. DOWN PAYMENT**

The minimum amount of cash required from the buyer for down payment and closing cost will depend on the requirements of the first mortgage lender.

**4. NON-PAYABLE CLOSING COSTS WITH PROGRAM FUNDS**

No Program funds can be used to pay the following:

- \* Appraisal
- \* Credit Report (Max \$70)
- \* Lender's Inspection Fees and/or Buyer's Initial Inspection Fees.
- \* Prepaid taxes or any other City, State, Federal Tax.
- \* Photographs (Max \$20)
- \* Amortization Schedule (Max \$10)
- \* Restrictions
- \* Courier Fee (Max \$50)
- \* Good Funds Cost (Except if buyer requests table funding).
- \* Any other cost not specifically mentioned in Allowable Closing Costs and Prepaid Sections.

**5. NON-PAYABLE CLOSING TO APPLICANT/BUYER**

**The applicant/buyer shall not be charged "Cost of Doing Business Fees"**

(i.e., Funding Fees, Tax Service Fee, Warehousing Fee, Underwriting Fee, Loan Discount Fee, Mortgage Broker Fee, Wire Transfer Fee, Mortgage Insurance Application Fee, Assumption Fee, Commitment Fee, Lender's Rate Lock-In Fee, Abstract or Title Search Fee, Title Examination, Notary Fee, Intangible Tax - Wholesale Lender's Cost, etc.).

**D. LENDER APPROVAL**

All lenders participating in the City of El Paso First Time Homebuyer's New Construction Program for Summerlin must be registered and will adhere to the requirements noted in "Attachment B".

#### **IV. GENERAL REQUIREMENTS**

The City of El Paso ("City"), Department of Community and Human Development, uses Federal funds to administer its First Time Homebuyer Program ("FTHB"). The FTHB Program is designed to provide assistance to eligible homebuyers in purchasing homes, also referred to herein as "housing Units" and located in the Summerlin Subdivision in City of El Paso City Limits. The City's FTHB Program provides this assistance in the form of a Principal Reduction Program and/or a Down Payment and Closing Cost Program. The City's FTHB Program will be administered by the Department of Community and Human Development, Housing Programs Division.

##### **A. HOMEBUYER WRITTEN AGREEMENT**

A FTHB Agreement must be signed between the City and the Applicant/Homebuyer describing the terms, affordability period, recapture for enforcement, etc.

##### **B. CITY'S FTHB PROGRAM OUTREACH AND MARKETING**

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the City's FTHB Program. No person shall, on the grounds of age, color, disability, familial status, national origin, race, religion, be excluded, denied benefits or subjected to discrimination under the City's FTHB Program. The City of El Paso will ensure that all persons, including those qualified individuals with disabilities have access to the City's FTHB Program.

1. The Fair Housing Lender logo will be placed on all outreach materials. The City has implemented a HOME Fair Housing Education and Outreach Program. Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents, will be widely distributed in the City's FTHB Program-eligible areas and will be provided to any local social service agencies. The City's FTHB Program may sponsor homebuyer classes to help educate homebuyers about the home buying process and future responsibilities. Persons who have participated in local homebuyer seminars will be notified about the City's FTHB Program.
2. The Housing Programs Division will work closely with local real estate agents and primary lenders to explain the City's FTHB Program requirements for eligible housing units and homebuyers, and to review the City's FTHB Program processes. Local real estate agents and primary lenders will also be encouraged to have their customers participate in the City's FTHB Program.
3. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any City's FTHB Program receiving Federal funds. The City's FTHB Program will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

**E. CONFLICT OF INTEREST REQUIREMENTS**

The City's FTHB Program contains Federal funds, in accordance with Title 24, Section 570.611 of the Code of Federal Regulations, no member of the governing body and no official, employee or agent of the City of El Paso, nor any other person who exercises policy or decision-making responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the City's FTHB Program shall directly or indirectly be eligible for this City's FTHB Program. Exceptions to this policy can be made only after public disclosure and formal approval by the City Counsel of El Paso.

**F. NON-DISCRIMINATION REQUIREMENTS**

The City's FTHB Program will be implemented in ways consistent with the City's commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any City's FTHB Program or activity funded in whole or in part with Federal funds on the basis of his or her religion or, race, familial status (children), disability, or national origin.

**G. DUE UPON SALE OR TRANSFER**

1. Loans are due upon sale or transfer of title or when borrower no longer occupies the home as his/her principal residence or upon the loan maturity date. The loan will be in default if the borrower fails to maintain required fire or flood insurance or fails to pay property taxes.
2. City's FTHB Program loans are not assumable.

**H. SUBORDINATION**

When an applicant/borrower wishes to refinance the property, they must submit a subordination request to the City. The City will only subordinate their loan when there is no "cash out" as part of the refinance. Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third party debt pay offs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate and the total indebtedness on the property should not exceed the current market value.

Upon receiving the proper documentation from the refinance lender, the request will be considered by the Housing Programs Division. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender.

**I. LOAN TO VALUE RATIO**

The combined loan-to-value ratio for a City's First Time Homebuyers Program shall not exceed 105 percent.

## **J. DISPUTE RESOLUTION AND APPEALS PROCEDURE**

Any applicant denied assistance from the City's FTHB Program has the right to appeal. The appeal must be made in writing to the **Director of Community and Human Development**.

If the Director of Community and Human Development disapproves an application pursuant to the authority granted to the Director, the applicant shall have the right to appeal to the City Manager for the City of El Paso.

## **V. PROJECT PARAMETERS**

All housing units developed/purchased in this program must be on land purchased by the City of El Paso for the First-Time Home Buyer New Construction Program located in the Summerlin Subdivision, located in the City of El Paso. All housing units constructed must be from a selection of housing plans made available by the City of El Paso and specific to the Summerlin Subdivision. The City of El Paso will acquire lots within the Summerlin Subdivision and make them available to First-Time Home Buyers whom have qualified for the City of El Paso's First Time Homebuyer New Construction Program. The lots will be made available to First-Time Homebuyers on a first-come first-serve basis based on evidence of the homebuyers completion of a HUD approved Homebuyer Education Program.

Participating homebuyers must submit pre-approval letter from a participating Lender for standard mortgage product sufficient in an amount along with City financing to construct an approved housing unit in the Summerlin Subdivision and cover all ancillary closing costs. The City of El Paso Community and Human Development will solicit competitive proposals for the construction of housing units in accordance with the Code of Federal Regulations Title 24 Part 85.36. The City of El Paso Community and Human Development will select a developer/contractor to construct the homes. The Community and Human Development will assist First-Time Home Buyers with the selection of a home for construction, entering into a contract with the developer/contractor for the construction of a home and monitoring of the construction to ensure the construction meets all required standards.

### **A. Land Acquisition**

The City of El Paso will acquire thirty (30) lots in the Summerlin Subdivision in the City of El Paso for inclusion in the First-Time Home Buyer New Construction Program. Lots will be acquired at or below Fair Market Value as established by a qualified appraiser licensed in the State of Texas. It is the intent to have all lots secured for the program by November 15, 2008.

### **B. Conveyance of Land to First-Time Home**

The City of El Paso will convey title of lots to First-Time Homebuyers on a first-come first-serve basis based on evidence of the homebuyers completion of a HUD approved Homebuyer Education Program and participating homebuyers pre-approval letter from a participating Lender for standard mortgage product sufficient in an amount along with City financing to construct an approved housing unit in the Summerlin Subdivision and cover all ancillary closing costs. The conveyance will be secured by a Promissory Loan

Note and Vendors Lien in favor of the City of El Paso. The lots will be conveyed to the First-Time Homebuyer for an amount to include lot acquisition costs, appraisal costs, Commitment for Title Insurance, closing costs and recording costs. The City of El Paso may subordinate its lien position to a second lien position to allow for construction financing and/or permanent mortgage financing after construction. The conveyance of lots to the First-Time Home Buyer must be approved by City Council.

#### **C. PROCUREMENT FOR HOUSING CONSTRUCTION**

The City of El Paso Community and Human Development will secure prices from qualified developers/contractors for the construction of First-Time Homebuyer New Construction homes. Procurement will be by competitive proposals.

1. Request for proposals will be will be publicized and will identify all evaluation factors and their relative importance.
2. Proposals will be solicited from an adequate number of qualified sources
3. The City of El Paso will have a method of conducting technical evaluations of the proposals received and for selecting awardee(s)
4. Award will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered
5. It is the intent to issue a Request for Proposal, no later than October 7, 2008 with an award to be made no later than November 18, 2008

#### **D. SELECTION OF HOME FOR CONSTRUCTION BY FIRST-TIME HOMEBUYER**

The Community and Human Development will assist First-Time Home Buyers with the selection of a home for construction on a first-come first-serve basis based on evidence of the homebuyers completion of a HUD approved Homebuyer Education Program and participating homebuyers pre-approval letter from a participating Lender for standard mortgage product sufficient an in amount along with City financing to construct an approved housing unit in the Summerlin Subdivision and cover all ancillary closing costs. The available and approved housing plans and specifications will be provided by the City of El Paso. The First-Time Homebuyer will enter into a HOME Construction Contract or other construction contract approved by the City of El Paso with the Developer/Contractor approved by the City of El Paso.

#### **E. ADDITIONAL FINANCING AFTER CONSTRUCTION**

After completion of construction of the housing unit and at the closing the City of El Paso will provide additional financing to the First-Time Home Buyer, the difference between the amount of funding provided to the First-Time Homebuyer for acquisition of the lot upon which the house is constructed and Forty Thousand Dollars (\$40,000). The funds will be provided through either Down Payment and Closing Costs Assistance or Principal Reduction Assistance and must be secured by a Promissory Loan Note and Deed of Trust in favor of the City of El Paso.

#### **F. OTHER FINANCING**

The City of El Paso may provide interim construction financing to the Developer. Any construction financing assistance must be approved by the City Council

**G. TIMELINE FOR CONSTRUCTION AND PROJECT COMPLETION**

All construction associated with the First-Time Home Buyer New Construction Program must commence on or before September 29, 2009 and must be complete no later than August 31, 2010. The estimated time period for the construction of a house under the First-Time Home Buyer New Construction Program is six (6) months.

**ATTACHMENT "A"**

<b>ALLOWABLE CLOSING COSTS FOR BUYER TO PAY</b>	
1. Mortgage title policy, tax clause deletion, title policy guarantee fee, environmental protection (T36) special recoupment, and sales tax on closing documents.	Actual amount set by state itemized cost.
2. Recording Note, Deed of Trust, etc.	Actual cost.
3. Attorney fee for preparing Note and Deed of Trust/Documentation.	Actual cost only.
4. Escrow Fee - (Max \$200).	
5. Survey - (Max \$300).	Actual bill from surveyor.
6. Survey with flood elevation (Max \$350).	Actual bill only.
7. Origination Fee (1% maximum) or Processing Fee.	Allowed only one to be charged to Buyer.
8. Credit Report - City will not pay (Max \$70).	Actual cost only.
9. Home Inspection (TREC). Initial inspection to be paid by Buyer prior to closing. Final inspection (Max \$100)	FHA-VA Set Rate.
10. Photographs - City will not pay (Max \$20).	
11. Amortization Schedule - City will not pay (Max \$10).	
12. Restrictions - City will not pay.	
13. Tax Certification - City will not pay.	
14. Courier Fee - City will not pay (Max \$50).	
15. Good funds cost - City will not pay.	
16. Appraisal - City will not pay	

**NOTE:** If closing costs are not listed above, Buyer cannot pay. The Applicant (Buyer) shall not be charged "Cost of Doing Business Fees" (i.e., Funding Fees, Tax Service Fee, Warehousing Fee,

Underwriting Fee, Loan Discount Fee, Mortgage Broker Fee, Wire Transfer Fee, Mortgage Insurance Application Fee, Assumption Fee, Commitment Fee, Lender's Rate Lock in Fee, Abstract or Title Search Fee, Title Examination, Notary Fee, Intangible Tax-Wholesale Lender's Cost, etc.).

(Rev. 05/01/07)

**CITY OF EL PASO  
COMMUNITY AND HUMAN DEVELOPMENT DEPARTMENT  
FIRST TIME HOMEBUYER'S PROGRAM NEW CONSTRUCTION  
PROGRAM (SUMMERLIN SUBDIVISION)**

**REQUEST FOR LENDER ACKNOWLEDGMENT LETTER**

The City receives federal funds to assist eligible homebuyers in the purchase of their principal residences under the U.S. Department of Housing and Urban Development, HOME Investment Partnerships Program, American Dream Down payment Initiative ("ADDI"), and Community Development Block Grant ("CDBG") Program (collectively herein referred to as "HOME funds"). The City's First Time Homebuyer Program ("Program") provides two levels of assistance: (1) Principal Reduction Assistance and (2) Down Payment and Closing Cost Assistance. In order to maximize the efficient use of the City's HOME funds, the City prefers that eligible homebuyers receive first mortgage financing from lending institutions who are willing to offer standard home mortgage products to participating homebuyers and who seek to promote affordable housing in El Paso, Texas.

By participating in the City's Program as a registered Lender, the Lender will be able to meet the credit needs of eligible lower income homebuyers who will receive principal reduction assistance ("gap financing") and/or down payment and closing cost assistance from the City.

If the Lender desires to register with the City as a registered Lender, the Lender must send the City a letter on official letterhead, in which the Lender acknowledges the following:

1. Receipt of the City's Program Guidelines and Lender Packet and state that the Lender has reviewed and understands all the terms and conditions for participating lenders in the City's Program.
2. The City will require participating homebuyers to obtain pre-approval or prequalification letters from participating Lenders for standard mortgage products. Further, Lender must acknowledge that non-standard mortgage products such as ARMS, interest-only mortgages, reverse mortgages, or other products the City determines to be non-standard will not be allowed as the first mortgage for homebuyers participating in the Program.

3. Participating homebuyers cannot be charged an interest rate that exceeds 2.1% above the market rate on their first mortgage loan. Participating homebuyers may only be charged those costs that the City has determined are allowable closing costs under the Program Guidelines and Lender Packet.

**ATTACHMENT "B" Pg. 2**

Upon receipt of the Lender's acknowledgement letter, the City will register the Lender and include the Lender in its promotional materials and its prospective homebuyer referral list. The Lender must execute and/or renew its acknowledgement letter every two years. The Lender's acknowledgement letter will be kept on file with the Community and Human Development Department and will remain in effect for two years unless the City receives written notification of its termination. If the Department determines that the Lender is not abiding by the terms and conditions of the City's Program Guidelines and Lender Packet, the Lender's designation as a registered Lender will be cancelled.

Any acknowledgement/renewal letter or termination notice must be sent to the following address:

City of El Paso  
Community and Human Development Department  
Attn: Housing Programs Manager  
2 Civic Center Plaza  
El Paso, TX 79901

## Sample Lender Letter

This letter should be printed on official lender/bank letterhead. Each participating branch location should submit an original letter and lender contact form and mail to:

City of El Paso Housing Programs Division  
2 Civic Center Plaza, 8<sup>th</sup> Floor  
El Paso, TX 79901

1. We have received a copy of the City's First Time Homebuyer Program Guidelines and Lender Packet and have reviewed and understand all the terms and conditions for participating in the City's First Time Homebuyer Program.
2. We acknowledge that the City will require participating homebuyers to obtain a pre-approval letter or commitment from participating Lenders for standard mortgage products. We acknowledge that non-standard mortgage products such as ARMS, interest-only mortgages, reverse mortgages, or other products the City determines to be non-standard will not be allowed as the first mortgage product for homebuyers participating in the Program.
3. We acknowledge that participating homebuyers cannot be charged an interest rate that exceeds 2.1% above the market rate on their first mortgage loan.
4. We acknowledge that participating homebuyers may only be charged those costs that the City has determined are allowable closing costs under the Program Guidelines and Lender Packet.

\_\_\_\_\_  
Name of Representative

\_\_\_\_\_  
Title

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Signature

Date

## LENDER CONTACT FORM

### Branch Manager

Name:

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Address:

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Phone #:

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Fax #:

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Email:

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List Loan Officers who will participate in this program:

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If there are any changes/announcements to the City's First Time Homebuyer Program, who is the contact person at your company who should be notified?

Name/Title:

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Address:

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Phone #:

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Fax #:

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Email:

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## NON-US CITIZEN VERIFICATION REQUIREMENTS

Requirements for documentation can be found in Title IV of the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA) (42 USC 601) also known as the Welfare Reform Act. The Welfare Reform Act prohibits the provision of federal public benefits to "Unqualified Aliens".

A federal public benefit includes any grant, contract, loan, professional license, commercial license, retirement, welfare, health, disability, public or assisted housing, post-secondary education, food assistance, unemployment benefit, or any other similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit. Qualified Aliens may receive benefits and are lawful permanent residents, aliens who are granted asylum, refugees, parolees admitted for at least one year, aliens granted conditional entry, certain Cuban or Haitian entrants and certain battered aliens and alien parents of battered children under certain conditions.

City of El Paso's Policy: All program beneficiaries for HUD/HOME/CDBG programs shall be a U.S. Citizen or Resident/Qualified Alien and must submit proper identification documentation in order to receive assistance. All households that apply for benefits that contain illegal aliens as part of the household will be prorated disallowing the illegal aliens in the family count of persons living in the household BUT WILL include all income if any as part of the household.

The following documents are the **ONLY** types of documentation that will be accepted for clients who are not **US CITIZENS** for the **HUD** funded HOME or CDBG Programs.

### A. Qualified Alien:

1. Texas Drivers License or Texas Department of Public Safety ID card
2. AND Social Security Number and card plus **ONE** of the following:
  - a. USCIS Form I-551, Alien Registration Card (Permanent resident aliens)

**ATTACHMENT "C" Pg. 2**

b. USCIS form 1-688B, Employment Authorization Card which must be annotated "Provision of Law: followed by one of the provisions listed below:

- 274a.12©(11)                      271a.12(a)(4)
- 274a.12(a)(1)                    271a.12(a)(5)
- 274a.12(a)(3)                    271a.12(a)(10)

c. USCIS form I-765 (Employment Authorization Document) annotated as follows:

- A3    A5    A10

d. USCIS form I-571 (Refugee Travel Document)

e. USCIS form 1-94 Arrival Departure Record with one of the following annotations:

- Admitted as Refugee Pursuant to Section 207
- Section 208 or Asylum
- Section 243(h) or Deportation stayed by Attorney General
- Paroled Pursuant to Section 212(d)(5) of the INA
- Admitted under Section 203(a) of the INA

f. A receipt issued by the USCIS indicating that an application for issuance of a replacement document in one of the above listed categories has been made and the applicant "entitlement to the document has been verified.