CITY OF LEE'S SUMMIT

FIRST TIME HOMEBUYER
MORTGAGE ASSISTANCE PROGRAM

PROGRAM INFORMATION PACKET

(Program Year 2010-11)

A complete First Time Homebuyer Program participation packet

1. **Program Information Packet (Information Only)**
2. **Application Packet (Required for Application Submission)**
3. **Participating Lender List (Information Only)**
4. **Other Forms and Documents (Required as Directed after Application Approval)**
5. **EPA's Pamphlet "Protect Your Family From Lead In Your Home" (Information Only)**

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MORTGAGE ASSISTANCE PROGRAM
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PROGRAM INFORMATION

PROGRAM DESCRIPTION

This program is a collaborative effort between the City of Lee's Summit and area mortgage lenders to bring home ownership within reach of low to moderate income families and individuals who are first time homebuyers by disbursing annual Community Development Block Grant Entitlement funds through the Department of Housing and Urban Development (HUD). A description of the main components, the principal participants and their roles are shown below.

PRIVATE PARTICIPATION

The City enters into a Memorandum of Understanding with various lenders to partner in the First Time Homebuyer Program. Lending institutions provide mortgage loans to individuals who are qualified borrowers. See the List of Participating Lenders that currently have a Memorandum of Understanding filed with the City (Separate Document).

PUBLIC PARTICIPATION

The City of Lee's Summit provides funds not to exceed $3,000.00 for qualified individuals and families with an annual combined income at 80% or less than the median income adjusted for household size as determined by HUD for Jackson County (See Income Limits table on Page 5), to be disbursed as follows:

1. **Down Payment Assistance**
   The City will fund 50% of any down payment up to $3,000 toward the purchase price of a home; and/or
2. **Closing Costs Assistance**
   The City will fund reasonable closing costs normally associated with the purchase of the home (not to exceed $3,000); and/or
3. **Combination of 1 and 2**
   Total not to exceed $3,000.

The grant amount is paid directly to the mortgage lender or the title company at closing. Only qualified borrowers who are purchasing a residential housing unit within the corporate limits of Lee's Summit to be used as the borrowers' primary residence are eligible for this program.

APPLICATION AND APPROVAL PROCEDURE

THE BUYER:

- Obtains the Program Information Packet and the Application Packet from Planning & Development Department at City Hall or via online download at http://cityofls.net/Development.aspx and completes all required forms for participation in the First Time Homebuyer Mortgage Assistance Program;
- Attaches to the application documentation of income, including, but not limited to, a copy previous two years' Federal tax returns for all adults in the household, pay stubs of the most recent two (2) months, and a copy of Verification of Employment from the employer(s). Additional documentation may be requested on a case by case basis for

determining eligibility. **Income eligibility will be determined based on the anticipated total household gross income to be earned during the 12-month period immediately following the date of application.** The Buyer's total estimated household income must not exceed 80% of current median income for Jackson County, adjusted for household size, as defined by U.S. Department of Housing and Urban Development (*see Page 5*);

- Provides certification that the Applicant is a first time homebuyer according to the definitions located at Page 5;
- Completes and includes the Applicant Confidential Information form located at Page 5 of the FTHB application, pursuant to 24 C.F.R. § 570.506(g)(2);
- Attaches documentation as proof that the Applicant has been a Lee's Summit resident for no less than one year prior to the date of the application (documentation of residency, including, but not limited to, a rental agreement and water bills);
- Submits a copy of the Pre-approval/Commitment Letter from a Participating Lender with the application (The Buyer qualifies for a mortgage through a Participating Lender under standard lending practices. A list of Participating Lenders is available as a separate document. If the Buyer's lender is not listed as a Participating Lender, the lender will need to execute a Memorandum of Understanding with the City);
- Submits the fully completed application form to the Planning & Development Department located at City Hall.

A completed application must include the following:

- Income Eligibility Form A, with supporting income documentation;
- Residency documentation;
- Certificate of First Time Homebuyer;
- Applicant Confidential Information form;
- Pre-approval/Commitment Letter; and, if necessary,
- Memorandum of Understanding from the Buyer's lender.

The Buyer must provide on the application form the current mailing address, telephone number, and other contact information as required to ensure that the City Staff is able to contact the Buyer if needed. **Failure to provide this information will constitute an incomplete application**. The City Staff will date and time stamp the applications, which will be reviewed for completeness on a first-come/first-served basis.

Incomplete applications will not be considered for approval, and will be returned to the applicants for the required information, only if mailing addresses have been provided in the applications.

According to available funds, the City will accept the first fully completed applications for review in the approval process. Allocation of program funds is subject to annual review and approval by the appropriate governing bodies. The City will approve qualified applicants on a first-come/first-served basis commensurate with the funds available. If completed applications are submitted to the City and the applicants are determined to be eligible, they will be placed on the waiting list in the order as they are received, if funds are not available.

Once the application is approved, the Buyer then finds a detached single family home, an attached single family unit (such as in a duplex or triplex structure), a townhome unit, or a condominium unit within the city limits of Lee's Summit. **If the residential structure was constructed before 1978, a lead-based paint inspection for deteriorated paint must be conducted**. Please refer to LEAD-BASED PAINT REQUIREMENTS AND PROCEDURES section for additional information. Please note that some residences are located in the

unincorporated areas in the county but with Lee's Summit addresses. These residences are not eligible because they are not located within of the city limits.

After locating a home that meets the requirements listed above, the Buyer must then coordinate with the Lender to provide necessary paperwork to the City's CDBG Administration Staff. The CDBG Administration Staff will review the information and determine the amount eligible for Grant Approval.

The Buyer has six (6) months from the time of approval to close on a home. If closing does not occur before the six-month period expires, the Buyer forfeits the homebuyer assistance funds on reserve, and these reserved funds are released by the City for other homebuyer applications. A current Pre-approval/Commitment Letter shall be on file at all times with the City during the six-month eligibility process.

The Buyer must coordinate with either the Realtor or Lender and provide the "Seller's Disclosure" form to the City Staff's contact person. The "Seller's Disclosure" form must be completed and notarized. The property must be occupied by the owner or must have been vacant for over 90 days before the date of Grant Approval to ensure no displacement of tenant has occurred. THE SELLER'S DISCLOSURE FORM MUST BE COMPLETED PRIOR TO CLOSING ON THE PROPERTY.

THE LENDER:

The Lender must execute a Memorandum of Understanding with the City to become a Participating Lender for this program. If a Memorandum of Understanding has not been executed with the City, the Lender must do so by obtaining a copy of the form from Planning & Development Department at City Hall or downloading it at http://cityofls.net/Development.aspx, completing it and filing it with the City. The Lender qualifies the Buyer for a mortgage according to standard lending practices. The Lender provides the Buyer with a Pre-approval/Commitment letter to attach to the application. The following forms are required from the Lender for the First Time Homebuyer program:

- Copy of Good Faith Estimate
- Copy of Residential Loan Application
- Copy of Appraisal

The approval process will take a minimum of ten (10) business days after the paperwork is accepted by the City. This time frame runs from the date that Staff receives paperwork to time payment is available to be rendered. Delays in receiving the above paperwork or paperwork which is incorrectly completed will extend the ten (10) business day estimate. This time frame should be considered when scheduling closings.

Payment of the City of Lee's Summit First Time Homebuyer Grant is made directly to the lending institution or Title Company. The check will be issued and shall be picked up by the Buyer or Lender immediately prior to closing. Note that checks are available on Friday afternoon each week.

CITY STAFF:

After receiving the completed paperwork, City Staff will verify that the house was constructed after 1977 or that the house passed the paint inspection and that the house is situated within the City of Lee's Summit. After Grant Approval, the funds will be reserved for the property until closing, or for six (6) months, whichever occurs first; contingent upon the Buyer maintaining a current Pre-approval/Commitment letter on file with the City.

City Staff will send the Grant Agreements to the City Manager (or an authorized representative) for his/her signature. Once the City Manager has signed the documents, the check will be processed for payment according to standard City practices. A signed copy of the grant

agreement will be provided to the Buyer or mailed to the property address after closing.

CLOSING:

Grant funds will not be released without all of the required forms. The Buyer or Lender should communicate with City Staff regarding the scheduling of closing including the time, date and location of closing. Grant funds, the Subordinate Deed of Trust and the Subordinate Promissory Note will be provided by the City for closing.

THE SUBORDINATE DEED OF TRUST AND THE SUBORDINATE PROMISSORY NOTE MUST BE RECORDED AND THE ORIGINALS MUST BE RETURNED TO THE CITY.

AFTER CLOSING:

After closing, the participating lender or Title Company will record the Subordinate Deed of Trust and have the Recorder's Office return the original to the CDBG Administration Staff, Planning & Development Department, City of Lee's Summit, 220 S.E. Green Street, Lee's Summit, MO 64063.

LEAD-BASED PAINT AND OTHER ENVIRONMENTAL COMPLIANCE REQUIREMENTS AND PROCEDURES

Properties to be purchased which were constructed prior to January 1, 1978 may have been painted with paint containing lead. To protect you and your family, the U.S. Department of Housing and Urban Development has adopted regulations and procedures when federal funds are being used to acquire property (24 CFR Part 35). Federal regulation requires that the Seller disclose the presence of lead-based paint and lead-based paint hazards to prospective buyers and provide them with all documentation on known lead-based paint and lead-based paint hazards in the dwelling unit. The Seller must allow the Buyer 10 days to inspect the dwelling for lead-based paint or lead-based paint hazards. The City is required to provide the Buyer with the Lead Hazard Information Pamphlet (24 CFR 35.130). In addition, a Lead-Based Paint Visual Assessment, performed by a certified inspector will be required for all properties constructed prior to 1978 to be acquired under the First Time Homebuyer Program of the City of Lee's Summit. If deteriorated paint surfaces are identified, lead paint testing will be required and if lead is found, lead abatement (removal) and clearance (retesting for complete removal) will be required. This must be completed prior to closing on the purchase of the home. Abatement can be expensive and could put a purchase option in jeopardy.

To avoid this potentially serious complication, the Buyer is encouraged to inspect the property thoroughly for signs of deteriorated paint both inside and out. Paint that is peeling, chipping, chalking or walls that are cracked would be considered deteriorated and potentially hazardous. If you want to purchase a home that has deteriorated paint, include language in your Purchase Agreement requiring that the lead-based paint hazards be properly tested and eliminated according to the EPA and HUD regulations and the Buyer. The City must receive Notice of Lead Hazard Evaluation and Notice of Lead Hazard Reduction Activity and, if abatement is performed, a copy of the Clearance Report must be received. The Visual Assessment will be performed by an agent at no charge to the purchaser or the property owner. VISUAL ASSESSMENT, STABILIZATION AND CLEARANCE MUST OCCUR BEFORE CLOSING/SETTLEMENT.

Prior to closing, a Seller's Disclosure of Lead Base Paint and/or Lead Base Hazards Form shall be completed by the Seller and submitted to the City by the Buyer. This form is provided by the City if the property to be purchased was built prior to 1978 and it may also be found on the City's website at http://cityofls.net/Development.aspx.

The City will determine if the property to be acquired is located in the 100-year floodplain as established by FEMA and inform the Buyer if it is. Flood hazards should also be determined and made known to the Buyer by the Lender. The City will also determine if the property is

located within or near an airport clear zone and provide the information to the Buyer.

DEFINITIONS

First Time Homebuyer - An individual or an individual and his or her spouse who *have not* had ownership interest in a property (see definition of Home Ownership below) during the 3-year period before the purchase of a home with program funds except that:

> "Any individual who is a single parent (as defined below) may not be excluded from consideration as a first-time buyer under this paragraph on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse."

Home Ownership - Possession of real property or a residential unit in any one of the following manners:

- **Fee simple interest;**
- **Participation in a condominium or townhouse arrangement (but not membership in a homeowner's association); or**
- **A "99-year" leasehold interest.**

Whether or not such interest is subject to any of the following interests or restrictions: mortgages, deeds of trust, promissory notes, other liens or instruments securing debt, or any restriction on resale established under any federal, state, or local home ownership program.

Single parent - An individual who:

- **Is unmarried or legally separated from a spouse; and**
- **Has one or more minor children for whom the individual has custody or joint custody; or**
- **Is pregnant.**

Displaced Homemaker - An individual who:

- **Is an adult;**
- **Has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and**
- **Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.**

INCOME LIMITS (AS OF MAY, 2010)

# of Persons in Household	Maximum Income	# of Persons in Household	Maximum Income
1	$39,500	5	$60,950
2	$45,150	6	$65,450
3	$50,800	7	$69,950
4	$56,400	8	$74,450