

First Time Home Buyer Program



What to Bring to the Community Development Office

- ✓ Completed and signed application
Under the assets and liabilities section, make sure you include dollar amounts and account information.
- ✓ W-2 forms
- ✓ Federal Tax Return
- ✓ Pay stubs for the past two months
- ✓ Home buyer education Certificate of Completion
- ✓ Buy-Sell Agreement
- ✓ Good Faith Estimate
- ✓ Appraisal

FAQs

I applied for the program last year. Do I need to apply for the program again?
We can only keep an application active for six months. **After that time you will need to fill out a new application with any updated tax returns and W-2's. Please also include pay stubs from the past two months.**

How long do I have to find a home? Once I'm approved, the City holds the funds for me, correct? No. Funds are not committed until the City receives a copy of the **Buy-Sell Agreement** and a **Good Faith Estimate** from an applicant who has received preliminary approval. At that time, staff issues a final approval letter which authorizes the lender to proceed; this commits the funds.

Funds are committed on a first-come, first-served basis after allocation, which occurs on July 1. In recent years, funds have been expended by November. You will need to talk to your lender or call our office regarding the status of funding before making an offer to purchase. Good communication can help avoid a major disappointment.

Do I have to pay the loan back to the City? Yes. The City's funds are given as a deferred loan. Upon issuance, you will sign a Trust Indenture and Deed Restriction outlining the terms and conditions. If you sell the home, rent it, or refinance, you'll trigger repayment of the loan. If you pay back the loan, you only pay the amount that was loaned. There is no interest charged, and no payments are due, until the home is sold, refinanced, or no longer occupied by the owner.

Community Development Division

Office Location - 2825 3rd Avenue North (Miller Building) 6th Floor

PHONE 406.657.3045

FAX 406.294.7595

Montana Relay 711

Email: harmond@ci.billings.mt.us

Website: www.ci.billings.mt.us/homebuyer



Current as of June 2, 2017

The City of Billings offers a loan program that provides financial assistance to low income households to assist them in qualifying for traditional housing financing programs to purchase their first home. The First Time Home Buyer program is designed to close an affordability gap for many low income households currently unable to purchase their first home without assistance.

Funding for this program is provided by the U.S. Department of Housing and Urban Development (HUD) through the HOME Investment Partnerships program (HOME) and the Community Development Block Grant (CDBG). **The funding sources have different requirements; please review this booklet thoroughly.**

Funding is typically available for commitment to approved households by the end of July and is allocated on a first-come, first-served basis until funding runs out.

City staff managing this program can be reached at 406-657-3045.

To register for a homebuyer education class, please contact The Home Center at 406-206-2717.

Female headed households, minorities, and people with disabilities are encouraged to apply.

This document will be provided in an alternative, accessible format upon request. The City of Billings makes reasonable accommodations for any known disability.

The City's Community Development Division programs are open to all eligible persons, regardless of Race, Color, National Origin, Disability, Familial Status, Sex, Religion, Creed, Marital Status, Age, Sexual Orientation, or Gender Identity.

Eligibility Guidelines

Eligible Applicants

- Applicants are required to bring a personal, financial investment to the purchase of the home. **The amount of required applicant investment ranges from a minimum \$1,000 to approximately \$2,500.** Please refer to page three, *Differences in using HOME versus CDBG funding.*
- Applicants must meet the definition of a *first time home buyer*. **This means they have not owned a home in the past 3 years.**
- Primary applicant must be 18 years old or older, and have the minimum income necessary to qualify for a loan from a lender, given the amount of assistance available under the program.
- **Households (or individuals) must not have assets exceeding \$15,000.** Households (or individuals) with an annual income of less than or equal to 80% of the Area Median Income (see chart below) as established by HUD.

Household Size	Income Limit Up to \$15,000 Loan	Income Limit Up to \$10,000 Loan
1	\$28,440	\$37,950
2	\$32,520	\$43,350
3	\$36,600	\$48,750
4	\$40,620	\$54,150
5	\$43,920	\$58,500
6	\$47,160	\$62,850
7	\$50,400	\$67,150
8+	\$53,640	\$71,500

Updated annually, current as of June 2, 2017

- Income is based on Gross Income as determined by your most recent tax returns and is projected out from current earnings for the next twelve months.
- Applicants may only pay up to 42% of their gross income for a housing payment, including principal, insurance, taxes and interest (PITI).
- Applicants must attend an approved homebuyer education class prior to closing on a home. Certificates of completion must be submitted to the Community Development office. **Contact The Home Center at 206-2717 to pre-register.**
- Applicants must intend to use the property purchased as their principal residence and must live in the property on a year-round basis. **Therefore, applicants may not utilize this program to purchase homes they intend to rent / sublet in the future or to utilize as a second home.**
- Preference will be provided to applicants who meet the following criteria: large families consisting of five or more individuals; and households which include a disabled individual.

Before you fill out an application...

Are you prepared to face the responsibilities of homeownership?



- **Are you prepared to stay put?**
 - Home ownership is a long term investment.
 - When you own a home, it is more difficult to sell your home than it is to give a landlord notice that you are moving.
- **Are you prepared to maintain a home?**
 - Replacement of appliances, yard work, doing repairs, etc.
 - What would happen if your furnace suddenly stopped working?
 - When you own a home, you are responsible for all necessary repairs.
 - It is very important to make sure you're saving money because repairs can be expensive and are often unexpected.
- **Are you prepared to create a budget and stick with it?**
 - Are you prepared to pay your mortgage payment first?
 - Nothing will ruin your credit score like making a house payment late. You'll also be paying utilities, heat, property taxes, repairs, insurance etc.
- **Are you aware that your home may depreciate in value?**

This does not happen often, but you need to keep in mind that it is a possibility due to the following:

 - Deterioration of the home.
 - Economic hardship - since less people will be buying homes during a recession, the value of homes may go down because there is less demand.
 - High interest rates - when interest rates are high, people can't afford to pay as much for homes because borrowing money costs more.
 - Excess supply - when there are a lot of homes for sale, sellers will often lower the price of the home so their price is competitive.

Housing Counseling & Rental Assistance Budget Counseling & Debt Repayment

District VII HRDC
7 North 31st Street
247-4700

Housing Authority of Billings
2415 1st Avenue North
245-6391

Consumer Credit Counseling Service
71 25th Street West, #1
656-4370

Consumer Financial Counseling of MT, Inc.
1620 Alderson Avenue, #28
252-1020

The following may be used in addition to the City's assistance.

Home\$tart

Home\$tart and Home\$tart Plus promote homeownership by helping homebuyers earning up to 80 percent of area median income, adjusted for family size, purchase a home. The program assists Home\$tart or Home\$tart Plus eligible households, who, but for the receipt of Home\$tart Program subsidy, would not be able to afford to purchase or rehabilitate a home.

The Home\$tart Program provides a maximum grant of \$7,500.

The Home\$tart Plus Program provides homebuyers currently receiving public housing assistance with a maximum grant of \$10,000.

Home\$tart and Home\$tart Plus grants may be used for downpayments, closing costs, or rehabilitation of an owner-occupied housing unit—including a condominium or cooperative housing unit—to be used as the homebuyer's primary residence. Grants may be used in combination with funds from other sources.

Neighborhood Housing Services, Inc.

Loan programs are available from this organization for down payment and closing cost assistance. Interest rates can be as low as 1% interest on a \$20,000 loan. *Equity share loans* provide 4± deferred interest loans that do not have to be paid back on a monthly basis, but are repaid when the home is sold, is no longer the principal residence or when the first mortgage is refinanced. Please call 406-761-5861 for additional information or visit www.nwmt.org.

Montana Board of Housing (MBOH)

Low interest financing for first mortgages may be available through MBOH. The interest rate for this program is typically lower than the market rate. There are no origination fees, discount points or reservation fees charged for this loan. Financing is available through MBOH approved lenders. Please contact your lender for more information.



Eligible Property

- Located within the City of Billings limits.
- Residentially zoned, single-family residence.
- The home must have permanent FHA foundation and the appraised value of the home must be equal to or greater than the sales price. The house must be suitable for the size of the household purchasing the house.
- The house cannot be providing housing for a tenant at the time of listing or sale, or the property cannot be assisted through this program.
- **The current maximum purchase price for an existing home is \$209,000;** 95% of the current median sales price of homes in the area, as determined by HUD.
- Property value must be supported by a certified appraisal.
- All homes must meet property standards at the time of initial occupancy.
- **Homes built prior to 1978 with chipping / peeling paint are not eligible for the program.** Please take the time to read thoroughly the Lead-Based Paint information provided with the application materials.

Loan Assistance

- **All homebuyer assistance is provided in the form of a NON-forgivable loan,** which will be secured with a Promissory Note, Deed Restriction and Trust Indenture (mortgage).
- **THIS LOAN MUST BE REPAID IN FULL,** when the homeowner sells, refinances or no longer occupies the home.
- **The City does not charge fees** to the household for obtaining this loan.
- **There are no monthly payments due on this loan.** The loan must be repaid in full if the homeowner sells, refinances or no longer occupies the home.
- **No interest is accrued on the loan.** Therefore, a household borrowing \$10,000 will only have to repay \$10,000.
- **If you refinance your home, you must first repay the City in full.** The City does not subordinate First Time Home Buyer Loans.

Differences in using HOME versus CDBG funding:

- HOME requires a minimum \$1,000 investment from the applicant towards the acquisition.
- CDBG requires 50% of required down payment from applicant, which can be \$2,500 or more.
- Both CDBG and HOME may be used to pay for 100% of reasonable closing costs normally associated with the purchase of a home.

Program Process Flowchart

