

SOUTH JORDAN RDA

DOWN PAYMENT ASSISTANCE PROGRAM MANUAL

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Table of Contents

A. DOWN PAYMENT ASSISTANCE POLICY.....	5
1.0 Purpose.....	5
2.0. Definitions	5
2.1 Provision of Down Payment Assistance Availability	6
2.2 Agreement Term and Conditions.....	6
2.3 Down Payment Assistance Amounts and Payment	7
2.4 Qualifications.....	7
2.5 Occupancy	7
3.0 Discretionary Funding	8
4.0 Singular and Plural	8
5.0 Right to Appeal.....	8
6.0 Statement of Nondiscrimination.....	9
7.0 Compliance with Utah Code, Title 17C....	9
B. PROGRAM OVERVIEW	10
1. Introduction	10
2. Purpose.....	10
3. General Program Information.....	10
4. Additional Definitions.....	11

C. APPLICATION PROCESS	15
D. ADMINISTRATIVE POLICIES	18
1. Applicant/Borrower Eligibility and Responsibilities	18
2. Eligible Property	23
3. Non-Discrimination	26
4. Application Process.....	27
5. Zoning Compliance Verification.....	27
6. Eligible Costs	27
7. Underwriting	28
8. Approval of DPA Loan.....	28
9. Determining Whose Income to Count.....	28
10. Determining Household Size	29
11. Loans	29
12. Outstanding Debts.....	30
13. Points (Buy-Downs).....	30
14. Self-Employed Income	30
15. Permanently Absent Family Members...	31
16. Ineligibility.....	31
17. Waiting List/Applicant Pool.....	31
18. Reservation of Funds	31
19. Projected Obligations	32
20. Grounds for Denial of Financial Assistance	32
21. Accessory Apartments	33
22. Employment History	33
23. Assessing Income Information	33
24. Initial Certifications	34
25. Assets, Inclusions and Exclusions.....	35
26. Subordination Requirements	36

27. Default..... 37

28. Repeat Applicant 38

29. Appeal Process 38

30. Other Requirements to the Down Payment Assistance Program 40

31. Partial Applications..... 40

32. Non-Traditional Credit 40

APPENDIX 41



A. DOWN PAYMENT ASSISTANCE POLICY

Adopted January 21, 2020

Redevelopment Agency of the City of South Jordan
RDA Board Policy No. 01
Housing Down Payment Assistance Program Policy

I.0 Purpose

A successful workforce-housing inventory requires long-term commitment and consistent administration through periods of economic downturn as well as economic growth. South Jordan City is anticipated to remain a highly desirable place to live even as housing costs outpace local wages. The purpose of this Housing Down Payment Assistance Program Policy (**Policy**) is to establish processes and guidelines for the awarding of Redevelopment Agency (**RDA**) Housing Funds to improve the quality of life for families and the quality of the community, by helping moderate-income wage-earning Families who qualify to purchase housing in South Jordan City.

2.0. Definitions

2.0.1 Agreement shall mean the written contract between the RDA and successful Applicant stating the terms under which the Down Payment Assistance is awarded. If a Residence is to be jointly owned, all owners must enter into the Agreement with the RDA;

2.0.2 Appeal shall mean a written request by an Applicant to review, modify, or reverse any written determination or decision by the RDA on an Application or a determination of default of the Agreement by the Applicant;

2.0.3 Applicant shall mean the person who applies with the RDA for Housing Down Payment Assistance;

2.0.4 Application shall mean the form provided by the RDA, completed by the Applicant, with all requested attached information;

2.0.5 Customary Mortgage Lender means a Bank, Credit Union, Savings and Loan, Mortgage Company or other financial institution, which provides a loan for the purchase of the Residence, approved by the RDA staff;

2.0.6 Down Payment Assistance (DPA) shall mean an amount of money, up to \$20,000.00, offered to the Homebuyer to aid in the purchase of a Residence under this Policy and the ensuing Agreement;

2.0.7 Family or Household shall mean one or more persons related by blood, marriage, adoption or approved foster care, and up to two (2) unrelated persons; or a group of not more than four (4) unrelated persons occupying a dwelling unit or a group of persons as defined by state law as elderly or disabled;

2.0.8 Homebuyer shall mean the successful Applicant approved by the RDA staff under the provisions of this Policy who enters into an Agreement with the RDA and will purchase a Residence with Down Payment Assistance from the RDA;

2.0.9 Housing Funds shall mean monies collected by the RDA, that must be used according to Utah Code §17C-1-411 and §17C-4-112, or successor provisions, which are allocated by the RDA Board to the Housing Down Payment Assistance Program. However, the RDA Board may but is not required to allocate other RDA funds to the Housing Down Payment Assistance Program;

2.0.10 RDA shall mean the Redevelopment Agency of the City of South Jordan, a separate body corporate and politic which is a political subdivision of the state of Utah; and

2.0.11 Residence shall mean a single-family dwelling, townhome, or condominium, to be purchased by the Homebuyer, who will receive Down Payment Assistance under the provisions of this Policy.

2.1 Provision of Down Payment Assistance Availability

This Down Payment Assistance Program is available only when RDA Housing Funds are available and may, at any time, be discontinued either temporarily or permanently, at the sole discretion of the governing Board or executive director of the RDA. Nothing in this Policy creates an entitlement to Housing Down Payment Assistance from the RDA to any Applicant until a successful Applicant enters into a written Agreement with the RDA.

2.2 Agreement Term and Conditions

2.2.1 The term of the Agreement shall be for 10 years (see Section 2.5.3 for repayment upon resale or rental); and

2.2.2 The Agreement shall be recorded with the Salt Lake County Recorder's Office, as a lien and covenant of restriction enforceable by the RDA against the Homebuyer's Residence, until the terms of the Agreement are fulfilled.

2.3 Down Payment Assistance Amounts and Payment

2.3.1 The maximum amount of a Down Payment Assistance award is 7.5% of the actual purchase price of the Residence or \$20,000.00, whichever is less;

2.3.2 Only one Housing Down Payment Assistance Agreement is allowed per Residence or Applicant during the term of the Agreement; and

2.3.3 Payment of the Down Payment Assistance will be made directly to the title company handling the closing transaction of the Residence for the Applicant and lender.

2.4 Qualifications

2.4.1 The Applicant, along with all others over the age of eighteen, who will reside in the Residence shall have a combined Family-income, which qualifies the Applicant(s) for “income targeted housing” as defined in Utah Code § 17C-1-102(32) which is currently no more than 80% of the current median annual income for Salt Lake County, as published from time to time by the US Department of Housing and Urban Development (HUD) for the size of Family at the time of Application;

2.4.2 The Residence, for which the Application is being made, must be within the corporate limits of South Jordan City to be approved. The RDA may reject an Application if the Residence is located within a flood plain, or an area with geologic or other hazards, or if a determination by the RDA Staff that the Residence violates South Jordan City or state codes or is unfit or unsound for occupancy;

2.4.3 The Homebuyer must pay a down payment towards the purchase of the Residence of at least \$1,000.00;

2.4.4 The Applicant must qualify for and receive fixed-rate financing for the purchase of the Residence, other than an amount paid by Applicant’s own savings, through a Customary Mortgage Lender; and

2.4.5 The Applicant must submit a Completed Application and all requested financial, employment, and tax payment information requested by the RDA Procedures, have a credit rating acceptable to the RDA Staff, and be otherwise approved by RDA staff.

2.5 Occupancy

2.5.1 The Residence shall become the permanent and primary Residence of the Homebuyer after closing, and Homebuyer shall continue to reside in the Residence throughout the Term of the Agreement;

2.5.2 The Residence shall not be conveyed, sold, leased, rented, sublet or the like during the Term of the Agreement; and

2.5.3 Conveyance or Sale of the Residence by the Homebuyer during the Term of the Agreement shall require a prorated repayment to the RDA of the Housing Down Payment Assistance. Leasing, renting, subletting or the like of the Residence by the Homebuyer during the Term of the Agreement shall require the full repayment to the RDA of the Housing Down Payment Assistance. In addition, if the sale or rental occurs within the first two years of the Term, RDA Staff may assess a penalty of up to \$5,000. A Residence that is occupied by the Homeowner through the end of the Term of the Agreement shall require no repayment of the Housing Down Payment Assistance upon resale or rental thereafter.

3.0 Discretionary Funding

Housing Down Payment Assistance is subject to the discretionary funding of the Housing Down Payment Assistance Program by the RDA governing board. Nothing in this Policy shall require any present or future funding by the RDA governing board.

4.0 Singular and Plural

Wherever appropriate or required by the context in this Policy a singular term shall also refer to the plural form of the same term and vice versa.

5.0 Right to Appeal

An Applicant shall have the right to Appeal any written decision or determination by the RDA on an Application. Any decision or determination on an Application, unsatisfactory to the Applicant must be first appealed to the Executive Director of the RDA before any other legal recourse or relief may be sought. The Executive Director may either hear and decide an Appeal or appoint a hearing officer to hear the Appeal and make a written recommendation to the Executive Director who may accept, modify or reject the recommendation of the hearing officer in deciding the Appeal. All Appeals will be conducted in accordance with the Appeals Process defined in Section 29 of this Manual. After the close of the Appeal Period, set forth in Section 29, the decision or action becomes final and non-appealable, An Appeal and obtaining a decision on Appeal is mandatory before an Applicant may seek any other relief or remedy. Failure to Appeal within the Appeal Period shall preclude any other relief or remedy on the decision or action by the RDA.

6.0 Statement of Nondiscrimination

It is the intent of this Policy to comply with The Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§ 3601 – 3619), as amended, which prohibits discrimination against individuals because of race, color, religion, sex, familial status, national origin, or handicap status. Nothing in this Policy shall be construed to violate the Fair Housing Act.

7.0 Compliance with Utah Code, Title 17C

This Policy, and the use or expenditure of Housing Funds under this Policy, shall be construed and interpreted to comply with Utah Code Title 17C the “Limited Purpose Local Government Entities - Community Reinvestment Agency Act” (**Act**). No Housing Funds may be used or expended in violation of the Act.

B. PROGRAM OVERVIEW

1. Introduction

This Manual sets forth policies and procedures for South Jordan Redevelopment Agency Down Payment Assistance Program. All use of the RDA's Housing Funds must comply with the Act. The Down Payment Assistance programs are administered by the RDA and are designed to provide home-ownership opportunities to low- and moderate-income buyers within the City of South Jordan. This Manual shall be revised as new policies and procedures are established.

2. Purpose

The purpose of the Policies and Procedures Manual is to establish and clarify the Down Payment Assistance (DPA) program guidelines to be applied across the City. These guidelines cover the following: income qualification, home-buyer eligibility criteria, First Mortgage requirements, occupancy standards, and other relevant items.

3. General Program Information

The goal of the DPA is to expand homeownership opportunities for eligible low- and moderate-income households and to increase home ownership within the City. The Program seeks to give assistance to households who otherwise would not be able to become homeowners, while ensuring home ownership as a long-term successful goal.

Program funding is provided as a Loan which converts to a grant if all terms of the program are met. A lien in favor of the RDA will be recorded against the property in second position to that of the First Mortgage. To qualify, an Applicant must have a First Mortgage with a fixed interest rate which includes in the repayment an escrow for payment of taxes and insurance on the Residence. As a condition of the loan, the property must remain the Homebuyer's principal place of residence at all times. Homebuyers are required to repay a prorated portion of the amount of the Loan if they vacate, sell, transfer or assign any legal or equitable interest in the property at any time within ten years after the closing date of this mortgage product. The prorated amount shall be immediately due and payable in full. Leasing, renting, subletting or the like of the Residence by the Homebuyer at any time during the Term of the Agreement shall require immediate repayment of the entire amount of the Loan. Additionally, Homebuyers are required to keep and live in the property a minimum of two years; failing to

do so will require them to pay a penalty of \$5,000 in addition to any repayment required. Individuals or families who desire to purchase an eligible property may apply for DPA funds after they have been pre-qualified by a first-mortgage lender. A home owner cannot apply for DPA funds after the first mortgage loan has been closed. DPA funds cannot be provided to a homeowner who is refinancing an existing mortgage or land contract. All properties are subject to inspection for minimum life and safety standards. All homes built prior to 1978 may be subject to meeting lead-based paint safety requirements.

4. Additional Definitions

As used in this Manual and other literature and forms, the words and terms listed below are defined as follows and are in addition to the terms defined in DPA Policy 2.0 (see Section 1 above).

Affordable: In reference to housing costs, this means that the financial obligation can be paid by the person or household, along with all other financial responsibilities of that person/household, without endangering the financial stability of the person/household.

Anticipated Annual Gross Income: The total income of a household including all working persons 18 years of age and older, which is calculated for the 12-month period following the date of determination of income.

Applicant: Any person who applies for Down Payment Assistance (DPA) for any of the programs administered by the RDA. This term may be used interchangeably with “Buyer.”

Borrower: A successful Applicant who receives a DPA Loan.

Certification: A written statement of fact filed in connection with DPA programs administered by the RDA attesting that the information provided has been verified as true, correct, and complete, and subject to penalties of perjury.

City: The City of South Jordan

Closing Date: The date when the Borrower(s) signs the DPA Program Agreement and other required documents.

Co-Applicant: A person who joins the Applicant in applying for the DPA. Spouse/Partners must be included as Co-Applicants even if they do not appear on the loan.

Complete Application: The form provided by the RDA, completed by the Applicant, with all requested attached information.

Debt to Income (DTI): A measure (percentage) that compares Borrowers’ total debt payments (including house payments, student loans, credit cards, gas and store cards, and any other consumer-debt payments) to the monthly income they generate. This calculation gives the RDA an idea of how likely it is that the Borrowers will repay the financing obtained to purchase their home. This term is also known as “back-end ratio.”

Disabled: An individual, single, head of household, or spouse who has a disability as defined in Section 223 of the Social Security Act or in Section 102(5) of the Developmental Disabilities Services and Facilities Construction Amendments of 1970.

Displaced Homemaker:

Is a divorced adult 18 years old or older; and

Has not worked full time for a 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; and

While married, owned a home with his/her spouse and in the divorce settlement the residence was awarded to the spouse or required to be sold.

Drug-Related Criminal Activity: Drug trafficking or illegal use, or possession for personal use, of a controlled substance (as defined in section 102 of the Controlled Substances Act (21 USC 802)).

Economic Hardship: A drastic reduction or loss of income caused by the loss of employment, serious or chronic illness or health conditions, and/or similar, verifiable circumstances. Reduction of value of the home and inability to sell will also be considered.

Eligible Homebuyer: An individual (and his or her Spouse/Partner) that meet applicable criteria specific to the DPA program funding.

Eligible Property: Real property located within the City, which also meets additional criteria relative to the DPA program.

First Mortgage:

A mortgage or loan which is secured by a first lien position, taking priority over all other liens; and

An extension of credit for which a Deed of Trust is recorded and the proceeds of which are used to finance the purchase of an eligible property which meets the requirements set forth in this Manual.

Gross Annual Income: The anticipated total annual income, before deductions, from all sources received by an individual or household (even if temporarily absent) and received by each additional member of the household over 18 years of age, including all net income derived from assets for the 12-month period following the effective date of the initial determination of income.

Household Member: All individuals who will live in the house purchased with down payment assistance. All individuals must be listed in the section "Household Composition" of the Completed Application.

Housing Expense Ratio (HER): A measure (percentage) that compares Borrower's gross monthly income to their housing expenses. The housing expense measure includes

mortgage principal and interest payments, property taxes, hazard insurance, and mortgage insurance costs. This term is also known as the “front-end ratio.”

Lender: An organization which provides financing for the acquisition of eligible properties in accordance with the provisions of this Manual.

Loan: The Housing Funds paid by the RDA to a successful Applicant.

Loan to Value (LTV): A risk assessment ratio calculated by comparing the appraised value of the property to the total mortgage debt on the home (including the DPA).

Low- and Moderate-Income Household: Persons and families whose income does not exceed the qualifying limits as established by HUD and amended from time to time. Such limits are defined as 80% of the area median income as adjusted for household size and revised annually.

Liquid Assets: The total amount of funds that are in the form of cash or can quickly be converted to cash. These include: (1) cash, (2) demand deposits, and (3) time and savings deposits.

Ownership Interest: Any of the following interests in residential property:

- Fee simple estate with right of survivorship

- Joint tenancy

- Tenancy in common

Ownership does not include a remainder interest, a lease with or without an option to purchase or any interest acquired on the execution of the purchase contract.

Owner-Occupied Residence: A dwelling intended and used for occupancy by one household which is the owner of the property.

Purchase Price: Amount for which the purchased home will be sold.

Principal (Primary) Place of Residence: The home where you spend the majority of your time, a minimum of 51% of the time. This is not the only test; other factors that will be relevant to the determination include, but are not limited to:

- The address on your valid driver’s license;

- Your place of employment (city, state);

- Where your immediate family lives;

- The address you use to file your federal and state income tax return;

- Where you are registered to vote;

- The property where you claim your homeowner’s property tax exemption (many states and counties allow for the payment of property taxes on your principal residence);

- The mailing address you use for general mail, bills, cell phone statements, and other general bills (utility bills do not necessarily establish residency);

- Where you maintain your bank accounts, brokerage statements, and other banking or financial relationships, i.e. credit cards, etc.;

Where you maintain social memberships, such as health and/or country clubs, religious affiliations, etc.

All facts and circumstances will be considered when making the determination.

Spouse/Partner: Includes two persons who are legally married, in a common law marriage, or reside together in a marriage or domestic partner type relationship.

Term: Ten-year period of agreement between the buyer and the RDA. Also referred to as “full-term.”

C. APPLICATION PROCESS

1. The Applicant must have a pre-approval for a first-mortgage loan from a lender of his/her choice. DPA is not available for use with refinancing of existing mortgages.
2. An eligibility review and loan qualification will be performed to ensure that the Applicant meets the requirements of the program. Loans are made available on a first-come, first-served basis, as determined from date a Complete Application is received. When all available program funds have been tentatively committed, Applications may no longer be accepted.
3. Potential Homebuyer must deliver a Complete Application for the DPA along with all the listed documentation in the Application's checklist. An incomplete Application package will not be processed. The Complete Application package includes, but may not be limited to:
 - a. Completed and signed Application;
 - b. Signed agreement;
 - c. Copies of Federal Tax Returns for the immediately preceding three years;
 - d. Proof of income: Copies of paystubs for the immediately preceding three months for all working household members over 18 years of age. Statements for all other types of income must also be submitted for the last three months, including but not limited to wages, commissions, tips, bonuses, interest, social security, self-employment income, pension/retirement, unemployment, workers compensation, child support/alimony, adoption credits, etc.
 - e. Copies of bank statements for the previous three months (all checking, savings, and investments must be included regardless of current balance);
 - f. Home Ownership Class certificate or receipt indicating course has begun;
 - g. Loan pre-approval letter from lender (dated within the last 30 days);
 - h. Documentation for all debts, showing outstanding amount and terms, including but not limited to credit card statements, loan balances, etc.;
 - i. Proof of identity: birth certificate, driver's license, US-issued passport or permanent resident card for all household members plus Social Security Cards. Scanned copies are okay.
4. RDA Staff will make an eligibility determination that the Applicant meets the minimum qualifications for the program and will advise the Applicant and lender no later than 15 business days after receiving the Complete Application. This eligibility determination includes:

- a. Verification of household income eligibility, including debt-to-income and housing-expense ratios;
 - b. Verification of household liquid assets (must be under \$15,000 after closing);
 - c. Background checks for all household members over 18 years of age;
 - d. Property is an eligible type and is located within an eligible area.
5. Once eligibility determination is verified and completed, RDA staff will contact the first-mortgage lender and request the following documentation and any additional documentation as appropriate to determine qualification to receive the loan:
 - a. First Mortgage Application (HUD-1003 form);
 - b. Loan Estimate (LE);
 - c. Verification(s) of Employment (VOE);
 - d. Credit Reports (**Mid credit score must be 650 or higher**);
 - e. If the home is under contract, the following must also be submitted:
 - i. Real Estate Purchase Contract (REPC), including seller's disclosure form;
 - ii. Appraisal;
 - iii. Preliminary Title Report or Commitment for Title Insurance (PR) for Down Payment Assistance;
 - iv. Standard Flood Hazard Determination Form; and
 - v. Home inspection report
6. When the eligibility determination and loan qualification is verified and completed, the loan will be submitted to the DPA Approval Committee for review and approval.
7. RDA Staff may send a conditional approval to the Applicant/Homebuyer, copying the first-mortgage lender, if the inspection report is not finalized and/or the appraisal has not been received by the RDA staff, or the Applicant does not yet have a home under contract. The conditional approval letter will state that a final approval is necessary and will be issued when a home is under contract and the REPC, PR, flood hazard determination form, inspection report, and appraisal are received. The Homebuyer has 90 days from the date of conditional approval to have a contract signed for purchase of a home. Once these items are received, the RDA Staff will send a "Final Approval" letter to Homebuyer, copying the first-mortgage lender, indicating the maximum loan amount for which the Applicant/Homebuyer is qualified and the loan terms. The letter will reiterate that the property must remain the Homebuyer's principal residence.
8. Upon notification of Final Approval by the first mortgage lender, the lender must inform the RDA which title company will be closing the loan. RDA Staff will send an instruction letter informing the title company that the RDA will transfer the DPA funding directly to them.

Careful coordination is a must to ensure timing for funding of the DPA. The letter will include the following instructions and request of documents:

- a. A Preliminary Title Report (PR) must be ordered for the loan in the amount of the DPA. The buyer must pay for the PR at the first-mortgage closing. The Loan from the DPA must not be used to cover that cost.
- b. The Homebuyer cannot receive any cash back from the purchase, including Earnest Money Deposit (EMD).
- c. Homebuyer is required to invest a minimum of \$1,000 in the purchase of the home before any DPA funds can be used.
- d. A signed copy of the Closing Disclosure must be submitted to the RDA to verify that the DPA funds and the title policy charge have been correctly included.
- e. Submit wiring instructions to the RDA; payment is made only to the Title Company which holds the Loan in escrow until funding is finalized.
- f. RDA Staff will contact the title company to request recording information from the first mortgage which must be included in RDA's Notice of Lien.
- g. After RDA Staff has received the requested documentation from the title company:
 - i. RDA Staff prepares Notice of Lien;
 - ii. After execution of the final agreement, RDA Staff requests City's finance department to wire funds to the title company that is closing the first mortgage;
- h. Upon successful recordation of RDA DPA Notice of Lien, RDA Staff will send a copy of the recorded Lien and request the issuance of the title insurance policy to the Applicant.

D. ADMINISTRATIVE POLICIES

The South Jordan RDA reserves the right to evaluate and underwrite Applicant/Homebuyer(s) eligibility based on the following criteria in a manner consistent with the intent and purpose of the Down Payment Assistance Program (DPA) and Utah Code Title 17C the “Limited Purpose Local Government Entities - Community Reinvestment Agency Act.” No Housing Funds may be used or expended in violation of the Act.

I. Applicant/Borrower Eligibility and Responsibilities

A. Age Requirement

Applicant(s) must be at least 18 years of age or older.

B. Eligible Homebuyer Certification

Except under an approved economic hardship and/or a displaced homemaker, present ownership interest shall disqualify an Applicant from eligibility. The following shall constitute a present ownership interest:

- a. A fee simple interest;
- b. A joint tenancy, tenancy in common, tenancy in the entirety, or community property interest;
- c. The interest of a tenant-shareholder in a cooperative;
- d. A life estate;
 - i. A land contract (i.e. a contract pursuant to which a possession and the benefits and burdens of ownership are transferred even though legal title is not transferred until some later time; and
 - ii. An interest held in trust for the Applicant (whether or not created by the Applicant) that would constitute a present ownership interest if held directly by the Applicant.

C. Positive Identification

- a. Proof of identity must be shown for all household members who will reside in the property for which DPA is requested. For security purposes, faxed or copied documents are not accepted unless approved by RDA staff. All original documents provided to the RDA will be returned to the Applicant. Any name variation from source documentation must be accompanied by legal authorizing documents identifying the updated information (marriage, divorce or court order).
- b. Identity and Legal/Lawful Status Verification (must provide one):

- a. Valid unexpired Utah Driver's License or other State issued ID;
 - b. Valid unexpired U.S. passport or passport card;
 - c. Birth Certificate (household members under the age of 18); or
 - d. Permanent Resident card.
- c. Social Security Verification (must provide one):
- a. Social Security card issued by the U.S. government that has been signed and has not been laminated; or
 - b. If the Social Security card is not available, the Applicant may present one of the following documents which contain the Applicant's name and SSN:
 - i. W-2 Form;
 - ii. SSA-1099 Form;
 - iii. Non SSA-1099 Form;
 - iv. Pay stub showing Applicant's name and SSN; or
 - v. Letter from the Social Security Administration indicating ineligible to obtain a Social Security Number as a result of their legal/lawful presence status.

D. Credit Scores, Reports, and Title Holders

To meet underwriting criteria, credit reports will be required and evaluated to determine credit worthiness for both Head of Household and Spouse/Partner. The determination is effective for the DPA even if Spouse/Partner is not included in first mortgage.

Frequently, lenders use a three repository merged credit report (TRMCR) to determine a mid-credit score. These reports include scoring information from three different agencies: TransUnion, Equifax and Experian. The RDA will use the lowest mid credit score of the applicant and co-applicant (if applicable) as it evaluates credit worthiness from Applicant(s). Scores of 649 and below will result in an automatic denial of the Applicant. The mid credit score will also be used to determine if conditional exceptions to the debt ratio apply.

Credit reports will also be required from other household members over 18 years of age whose income is required to make the loan feasible and meet underwriting criteria and/or to qualify for the DPA Loan or any superior lien interest. Designated Head of Household and Spouse/Partner must be on title for the RDA assistance.

E. Debt Ratios

Monthly Housing Expense Ratio (HER), or front-end ratio: The mortgage payment, including HOA fees, escrows for taxes and insurance, cannot exceed 33% of Applicant's gross monthly income if their mid credit score is 650-699, and cannot exceed 35% if their

mid credit score is 700 or higher. Applicant's total monthly fixed debt-to-income ratio (DTI) cannot exceed 43% of Applicant's gross monthly income if their mid credit score is 650-699 and 45% if their mid credit score is 700 or higher. Any Applicant whose DTI exceeds the established limits must reduce their ratios before they will be eligible to receive the DPA Loan. The amount a person can receive is up to 7.5% of the purchase price, not to exceed \$20,000.

BASE REQUIREMENTS

Credit Score	Maximum Qualifying Ratios % (HER/DTI)
650-699	33/43
700 and Above	35/45

Conditional Exceptions to the above ratios may be considered if any of the following apply:

CONDITIONAL EXCEPTIONS

Credit Score	Maximum Qualifying Ratios % (HER/DTI)	Acceptable Compensating Factors
650 and Above	40/47	One of the following: <ul style="list-style-type: none"> • Verified and documented cash reserves (minimum of \$1,000 and no more than \$15,000); • Minimal increase in housing payment (no more than \$100 or 5%); or • Residual income (minimum of 20% of Gross Income according to RI calculator)
650 and Above	43/43	No discretionary debt (for example: credit card debt)
650 and Above	43/50	Two of the following: <ul style="list-style-type: none"> • Verified and documented cash reserves (minimum of \$1,000 and no more than \$15,000); • Minimal increase in housing payment (no more than \$100 or 5%); or • Residual income (minimum of 20% of Gross Income according to RI calculator)

Loan to Value not to exceed 103%.

Further exceptions may be considered for applicants with credit scores above 740. Financial counseling may be required to obtain exceptions. Any exceptions granted must be documented in writing by DPA staff and approved by the Executive Director of the RDA or designee.

F. Guarantors

Applicant(s) must meet credit and underwriting criteria established by the South Jordan RDA, and must be able to qualify for the DPA on their own credit history. The Program does not allow for co-signers that will not be owner-occupants of the house being purchased.

G. Applicant Contribution

Applicant(s) shall make a cash contribution toward the down payment and closing costs of at least \$1,000. A maximum of \$20,000 of the Applicant's own funds may be contributed toward the purchase of the property. Down payment, closing costs subsidies available to Applicant(s) as gifts from relatives, seller-paid closing costs, employer assistance, other government subsidies, church assistance, etc. are acceptable and allowed as long as they do not exceed the \$20,000.

H. Homeowner Education

Prior to closing, Applicants will be required to participate in a homeowner's education class designed to assist new homeowners. The RDA will only accept certificates of completion from approved homeowner education course providers. (See appendix A for a list and contact information of approved homeowner education providers). Applicants who have begun but not yet finished the course may be conditionally approved but must submit completion certificate before closing. The purposes of this requirement are:

- a. To enable the Applicant to understand the responsibilities that accompany participation in the South Jordan RDA's Down Payment Assistance program;
- b. To enable the Applicant to understand the home buying process;
- c. To enable the Applicant to understand and prepare to assume homeownership responsibilities and tasks;
- d. To develop an understanding of homeownership with a goal of promoting feelings of self-respect, pride, and community responsibility.

I. Homeowner Tax and Insurance Requirements

Applicant shall agree to have taxes and homeowner's insurance escrowed as part of the first mortgage monthly payment. Insurance must be in an amount acceptable and comparable to the value of the home and covering all existing buildings and structures

present on the property, as determined by the first mortgage lender. The South Jordan Redevelopment Agency shall be listed as a Lien Holder on all property damage policies with usual loss payable to Mortgagee.

J. Household Assets

Applicant's total household liquid assets after closing shall not be more than \$15,000 in excess of the Applicant's required minimum \$1,000 contribution toward the purchase of the property. Liquid assets include:

- a. Savings accounts;
- b. Checking accounts;
- c. Stocks, bonds, savings certificates, money market funds and other investment accounts, not including retirement accounts;
- d. Lump-sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements and other claims; and
- e. Cash value of trusts available to household members.

K. Household Income

The RDA will use the annual income definition found at 24 CFR Part 5 to determine program eligibility. The Part 5 definition of annual income is the gross amount of income of all household members over the age of 18 that are anticipated to be received during the coming 12-month period. This definition also states that income of minors or live-in aides will not be included.

- a. **Gross Amount.** For those types of income counted, gross amounts (before any deductions have been taken) are used;
- b. **Income of all adult household members.** The Part 5 definition of annual income contains "inclusions"—types of income to be counted—and "exclusions"—types of income that are not considered (for example earned income of minors);
- c. **Anticipated to be received.** The Part 5 annual income is used to determine eligibility and use a household's expected ability to pay, rather than past earnings; and
- d. **Income Verification.** All income must be fully documented and verified. Stated income is not allowed.

L. Income Limits

The Down Payment Assistance Program is available on a one-time basis, to low- and moderate-income households and individuals whose gross income does not exceed 80% of the median income level adjusted for family size as determined by HUD for Salt Lake City, UT HUD FMR Area and updated annually. The total household income of an

Applicant/Homebuyer must not exceed the income limit established for the program or project.

M. Marital Status

Applicants may be single, divorced or married. Applicants with a Spouse/Partner must co-apply for the DPA even if only one of them is obtaining the first mortgage. (A credit check will be performed on all Applicants to determine qualification for DPA Loan. A mid score under 650 for any of the Applicants will result in denial of DPA Loan.)

N. Pre-Approved for First Mortgage

Applicant(s) shall be pre-approved for a first mortgage prior to making Application for a DPA Loan.

O. Principal (Primary) Residence

Borrower(s) shall agree to occupy the property as their primary place of residence for as long as the DPA agreement is in place but no less than two years from closing date. The DPA **prorated amount** shall be immediately due and repayable in full **at any time** the Borrower(s) does not use the subsidized property as their Principal (Primary) Place of Residence (See section 2.d for the definition).

Leasing, renting, subletting or the like of the Residence by the Homebuyer during the Term of the Agreement (ten years) shall require the repayment of **the full amount** of the Housing Down Payment Assistance Loan to the RDA.

It is the Borrower's responsibility to inform the RDA if they lease, rent, sublet, vacate, sell, transfer, and/or assign any legal or equitable interest in the property. **If Borrowers vacate the property prior to two years from closing date, they will incur a \$5,000 penalty above and beyond the outstanding DPA repayment amount, which must be paid at the same time the DPA is paid off. No exceptions will be made for partial time lived in the property that is less than two years from the closing date.**

A Residence that is occupied by the Homeowner through the end of the Term of the Agreement (ten years) shall require no repayment of the Housing Down Payment Assistance upon resale or rental thereafter.

2. Eligible Property

- A. Properties shall meet all applicable requirements of the DPA Program, including but not limited to:
- a. **Environmental Clearance.** No portion of the property being purchased with DPA Loan may lie within the 100-Year Flood Plain. This means not only that the structure

may not lie within the designated flood zone(s) but also that no part of the land being financed may lie within the designated flood zone(s).

- b. **Inspections.** A Certificate of Occupancy will be verified by RDA staff and a home inspection report performed by a professional home inspector shall be submitted by the Applicant before final approval of the DPA Loan. If substantial repairs are deemed necessary by RDA Staff, the completion and cost shall be negotiated between buyer and seller. Repairs must be completed prior to closing and occupancy of any property subsidized with DPA Loan. A DPA Loan may be denied if construction on the property has taken place for which no Certificate of Occupancy exists or if repairs cannot be made by the time of the closing and occupancy of the property.
- c. **Location.** Properties must be located within South Jordan City limits.
- d. **Unit Characteristics.** Properties shall be situated on a permanent foundation with a permanent utility hook-up.
 - i. Eligible properties include:
 - Single-family detached property;
 - Single-family detached property with a City approved legal-accessory dwelling unit (as long as part of the unit is owner occupied); and
 - Single-family attached properties (i.e. one half of a twin home or a town home or condominium).
 - ii. Ineligible properties
 - Duplexes or larger multi-unit buildings under single ownership; and
 - Mobile homes.

Occupancy Status (prior to purchase). Single-family units are eligible provided the property is vacant, occupied by the existing owner and/or occupied (rented) by the Applicant/Borrower.

B. Appraisals. Utah State licensed appraisers must perform all appraisals, and all appraisals must be dated within six (6) months of closing date. The DPA Loan plus the first mortgage amount cannot exceed appraised value. All appraisals used to determine Fair Market Value must meet the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970 (URA) definition of an appraisal (see *49 CFR 24.2(a)(3)*) and the five following requirements (see *49 CFR 24.103(a)(2)*):

- a. An adequate description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, an adequate description of the remaining property), including items identified as personal property, a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use, and at least 5-year history of sales of the property.

- b. All relevant and reliable approaches to value. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser's opinion of value.
- c. A description of comparable sales, including a description of all relevant physical, legal, and economic factors, such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.
- d. A statement of value of the real property to be acquired and, for a partial acquisition, a statement of the value of the damages and benefits, if any, to the remaining real property, where appropriate.
- e. The effective date of valuation, date of appraisal, signature, and certification of the appraiser.

C. **Occupancy.** After closing, the property must be the principal residence of all Applicants and household members which were included in the Complete Application.

D. **Agreement Period.** Housing purchased with a DPA Loan under the DPA Program must remain the principal place of residence of the Borrower for at least 10 years.

E. **Seller Responsibilities.** Individuals selling a property in a transaction which is to be assisted with a DPA shall agree to comply with all local requirements as applicable and corresponding to the funding source including the following:

- a. Inspection/Repairs & Corrections. Seller must make any corrections needed for the property to obtain a Certificate of Occupancy for any construction on the property not covered by such. A DPA Loan cannot be committed until RDA Staff has reviewed and approved an inspection of the property performed by a professional home inspector.

F. **Lender Responsibilities.**

- a. Scheduling the Closing Date. The Lender shall schedule a closing date no earlier than two (2) days from the RDA Agreement execution date. Lender must notify the RDA of the closing date so that the Agreement execution date can also be scheduled. Failure to notify the RDA could result in a delay in funding. A commitment shall expire 90 days from the date of the Final Approval. A 15-day extension may be requested by submitting a written request to the Program Administrator. The RDA shall make a single subsidy payment to the title company engaged in closing the First Mortgage to the property. If the requested loan amount is in excess of the actual amount needed at closing, the title company will be requested to return the difference to the City at closing. If it is determined by the RDA after closing that the Borrower has not contributed a minimum of \$1,000

to the closing costs or down payment, the RDA will request the Borrower to return the Loan to the RDA in an amount that would satisfy the \$1,000 requirement.

- b. Misrepresentation. If Lender becomes aware of mis-statements, whether negligently or intentionally made, it shall be their responsibility to immediately notify the City. The City will take appropriate action which may include denial or cancellation of the DPA Loan.

G. RDA Responsibilities.

- a. Compliance with Utah Code, Title 17C. This Policy, and the use or expenditure of Housing Funds under this Policy, shall be construed and interpreted to comply with Utah Code Title 17C the “Limited Purpose Local Government Entities - Community Reinvestment Agency Act”. No Housing Funds may be used or expended in violation of the Act.
- b. Conflict of Interest. No person who exercises or has exercised any functions or responsibilities with respect to activities of the DPA program or who are in a position to participate in a decision-making process of the DPA program, may obtain a financial interest or benefit from a DPA assisted activity, or have an interest in any contract, subcontract or agreement with the RDA, or the proceeds from a DPA program, either for themselves or an immediate family member (a spouse, parent, child), during their tenure or for one(1) year thereafter. The conflict of interest provisions apply to any person or family member, defined above, who is an employee, agent, consultant, officer, elected official, appointed official or any person who exercises policy or decision-making responsibilities in the DPA program on behalf of the RDA (including members of the RDA Board or Loan Committee). Exceptions to this policy can be made only after local public disclosure and formal approval by the Executive Director. RDA Staff shall provide to the Executive Director the following information:
 - i. A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and
 - ii. An opinion of the RDA’s attorney that the interest for which the exception is sought would not violate State or local law.

3. Non-Discrimination

Implementation of the Down Payment Assistance Program will be consistent with the RDA/City commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination on the basis of religious affiliation, age, race, color,

creed, gender, sexual orientation, marital status, familial status (children), physical or mental disability, national origin, ancestry, source of income.

4. Application Process

RDA staff shall review the Borrower(s) Complete Application package to determine both Borrower and property eligibility as outlined in this Manual.

5. Zoning Compliance Verification

A zoning compliance verification will be obtained for all DPA properties by submitting a Zoning Verification Request Form from South Jordan City to ensure that all properties are eligible.

6. Eligible Costs

Proceeds from the DPA Loan must be used for down payment and closing costs. The City reserves the right to determine the eligibility of all closing costs and to request lender documentation of normal and reasonable costs. Following is a list of items for which assistance can be provided if all DPA program eligibility and qualification requirements are met. Prepaid items are not eligible.

A. Down Payment

Loans shall primarily be used to reduce the principal borrowed by the Buyer from Lender.

B. Eligible Closing Costs

- a. Title Company Settlement or Closing Fees;
- b. Recording Fees;
- c. Surveying Fees;
- d. Loan Origination Fees;
- e. Credit Reports;
- f. Appraisal Fees;
- g. Property Inspections;
- h. Underwriting Fees;
- i. Document Preparation Fees;

C. Ineligible Closing Costs and Pre-Paid Items

- a. Real Estate Agent/Broker Fees & Commissions;
- b. Lender's Title Insurance;
- c. Daily Interest Charges;
- d. Aggregate Adjustment Amounts;

- e. Mortgage Insurance Premiums;
 - f. Homeowner's Insurance Premiums and Fees;
 - g. Property Taxes;
 - h. Delinquent Property Taxes;
- D. Personal Property
DPA proceeds **cannot** be used to finance the acquisition of furnishings, appliances or other personal property.
- E. Consumer Debt/Judgments
DPA proceeds **cannot** be used to pay off all or any portion of Borrower's consumer debt, liens or judgments.
- F. Corrections and Repairs
DPA proceeds cannot be used to pay for any required corrections or repairs to the property.

7. Underwriting

The RDA reserves the right to evaluate an Applicant/Borrower(s) eligibility based on the following criteria in a manner consistent with the intent and purpose of the Down Payment Assistance program.

8. Approval of DPA Loan

Once all required documentation has been received from the lender and the loan processor has determined that the Applicant(s) meets all the requirements, the loan is submitted to the Approval Committee for review and approval. If a special exception to the above approval conditions need to be made, an email will be sent to all Approval Committee members showing all appropriate information and the exception being requested. A majority vote of approval is required to approve a special exception. Once approval has been received, a letter will be sent to Applicant, copying lender, stating approval and terms of the loan.

9. Determining Whose Income to Count

The income of all family members over 18 who will occupy the home purchased must be included in the determination of "annual income." In practice, this means that the RDA staff member determining income must first determine the number of persons comprising the family, and then calculate the income of all persons in the family over 18 years of age. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and Spouse/Partner) are not included in the household's annual income.

10. Determining Household Size

Some households may include persons who are not counted as family members for the purposes of the Program Income Limits and whose income, if any, is not considered when calculating Anticipated Gross Annual Income. Therefore, the following household members **DO NOT COUNT** when determining household size for the purpose of comparing “annual income” to Program Income Limits:

- Foster Children;
- Live-in Aides;
- Children of Live-in Aides;
- Unborn Children;
- Children being pursued for legal custody or adoption who are not currently living with the household; or
- A child who is subject to a shared-custody agreement in which the child resides with the household at least 51 percent of the time can be counted.

11. Loans

CREDIT	Credit score must be above a 650 mid score. No unsatisfied judgments; clean credit within the last 12 months including late payments; no bankruptcies or repossessions.
CAPACITY	6 months of employment. Same line of employment or related education if new job is less than six months. No probationary period. 33% or less of gross income is for monthly housing costs—Housing Expense Ratio (HER). 43% or less of gross income is for total monthly debt costs—Debt to Income Ratio (DTI).
MAXIMUM LOAN	Up to \$20,000 or 7.5% of purchase price whichever is less as needed.
COLLATERAL	Loan to Value (LTV) must not exceed 103% including down-payment assistance.

Housing monthly payments used to calculate the Housing Expense Ratio (HER) include:

- a. Principal and interest;
- b. Escrow deposits for real estate taxes;

- c. Hazard insurance;
- d. Mortgage insurance premium;
- e. Homeowner's association duties; and
- f. Special assessments.

Expenditures used to calculate the Debt to Income Ratio (DTI) include:

- a. All housing payments above;
- b. Long-term installment debt (beyond 10 months remaining to be paid) including student loans, unless Applicant(s) can provide documentation of at least one-year deferment;
- c. Revolving accounts and lines of credit;
- d. Alimony, child support or maintenance payments, as applicable;
- e. Stock pledges, if applicable.

A loan will be automatically denied if any of the following conditions exist:

- a. Mid credit score equal to or less than 649;
- b. Unsatisfied local, state or federal tax liens;
- c. Bankruptcy or repossessions within the past year;
- d. Clouded credit history over past 12-24 months (i.e. unsatisfied judgments or collections, derogatory comments or a history of late payments);
- e. Current employment history less than six months;
- f. Unsatisfactory response from employer concerning probability of job retention;
- g. Probationary status of current employment.

All available resources of an Applicant must be disclosed (i.e. verification of deposit).

12. Outstanding Debts

All outstanding debt for both Applicants must be counted toward the ratios unless there is less than 10 months left on the terms of the loan. Student loan payments do not count as long as the Applicant can provide proof that they are deferred for one year.

13. Points (Buy-Downs)

No points or interest rate buy-downs will be allowed. First mortgages must be a fixed rate.

14. Self-Employed Income

Net Income from the operation of a business or profession is considered annual income. To determine this type of income, the previous two years of itemized expenditures must be provided as well as current balance sheet and profit & loss statements. Self-employed income will only be accepted when it can be verified for at least one year prior to Application. In order to determine

capability, if the Applicant has been in business less than one year, employment history for the prior two years must be presented.

I 5. Permanently Absent Family Members

Documentation will be required to substantiate that the family member is no longer residing at the household address. This documentation may consist of a legal separation agreement, prior year's tax return showing separate filing, or any other documentation which adequately verifies a separate residence for the absent family member.

I 6. Ineligibility

Applicants will be considered ineligible for one or more of the following:

- A. Providing false information or previously providing false information under oath;
- B. Failing to complete required forms or to supply requested information;
- C. Having previously received Down Payment Assistance from the City or RDA programs, except in extreme cases where applicant is granted an exception by the RDA;
- D. Failure to successfully pass the required background check;
- E. Unsatisfied judgements.

I 7. Waiting List/Applicant Pool

- A. The DPA is operated on a first-come, first-served basis subject to availability of funds.
- B. City will maintain a list of eligible Applicants based on the date and time the Complete Application is received by City.
- C. If funds are unavailable for the DPA, the City may suspend or discontinue accepting Applications until funds become available.

I 8. Reservation of Funds

- A. A Loan will be reserved for each Applicant when the loan application is complete, including a copy of the Earnest Money Agreement and all information required by the first mortgage lender.
- B. A Loan will be offered for 45 days and may be extended for 15 days at a time with a total maximum of 90 days.

19. Projected Obligations

Debt payments such as a student loan or balloon note scheduled to begin or come due within 12 months of the mortgage loan closing must be included by the lender as anticipated monthly obligations during the underwriting analysis.

Debt payments do not have to be classified as projected obligations if the Borrower provides written evidence that the debt will be deferred to a period outside the 12-month timeframe.

Obligations Not Considered Debt

Obligations not considered debt, and therefore not subtracted from gross income, include:

- Federal, state and local taxes;
- Federal Insurance Contributions Act (FICA) or other retirement contributions, such as 401(k) accounts (including repayment of debt secured by these funds);
- Commuting costs;
- Union dues;
- Open accounts with zero balances;
- Automatic deductions to savings accounts;
- Child care; and
- Voluntary deductions.

20. Grounds for Denial of Financial Assistance

A. Rationale

The City and the RDA works with residents and non-profit partners to create healthy neighborhoods of choice. A cornerstone of the healthy neighborhood strategy is providing opportunities for sustainable home ownership. Program development focuses on providing opportunities for new home ownership and strengthening and maintaining existing homeowners. Neighborhood management and the development of strong social connections within neighborhoods are essential to building unity and encouraging homeowners to make the choice to invest their time, money, and energy into their neighborhood and community. Providing financial assistance to those required to register as sex offenders and those with serious and/or violent criminal records or Drug-Related Criminal Activity would undermine our goal of attracting new homeowners and encouraging existing homeowners to stay in the neighborhoods.

B. Policy

The South Jordan RDA will deny assistance to Applicants who:

- a. Do not meet the established eligibility/underwriting criteria; or
- b. Have engaged in or threatened abusive or violent behavior towards any RDA/City staff; or

- c. Have been convicted of any violent crime against a person which includes, but is not limited to, murder, sexual assault, aggravated assault, or any offence of a sexual nature including any individual required to register as a sex offender; or
 - d. Have been convicted of any Drug-Related Criminal Activity.
- C. Background Check

In this screening of Applicants, the City shall perform criminal history background checks necessary to determine criminal history and whether any household member is required to register as a sex offender in the State of Utah or in other States where the household members are known to have resided.

21. Accessory Apartments

Housing stock with a City approved accessory dwelling unit are an eligible type of housing allowed as long as the home remains owner occupied. Anticipated rent must be included in the calculation of projected income to determine income eligibility.

22. Employment History

All Applicants must have a minimum of six months employment with current employer and the employer must certify they are not in a probationary period. If any of the Applicants have less than six months employment with current employer they must verify employment in the same line of work (position, duties and responsibilities) for at least six months prior. Education, technical or professional, may be taken into account when Applicants are employed for less than six months only if it relates to the current position. RDA Staff may take economic hardships such as change in marital status or similar situations into consideration if this requirement is not met. An applicant who has changed jobs to advance within the same line of work, which maintains income continuity, and is successful in that work (i.e. is retained beyond a probationary period for that position), will also receive favorable consideration.

The Applicant's probability for continued employment should be evidenced in the file. In the case of negative comments received from the employer, RDA staff must perform a detailed investigation. A summary of their findings should be provided in the file and the underwriting decision should be supported by comments in the file.

23. Assessing Income Information

All facts underlying the income information collected shall be assessed using the following considerations:

Pay Periods. Determine the basis on which employees are paid:

- Hourly, weekly, or monthly
- With or without overtime
- Bonus, shift differentials and other forms of payment

An employee who gets paid “twice a month” may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year). The calculation will bear a significant difference. Be sure to get clarification!

An annual salary is counted as annual income regardless of the payment schedule. For example, if a teacher’s annual salary is \$30,000, this is the amount used to calculate annual (gross) income regardless of whether the teacher is paid over a nine- or 12-month period.

Variation in pay: For Applicants whose jobs provide steady employment (e.g., 40 hours a week, 52 weeks a year), it can be assumed that there will only be slight variations in the amount of earnings reflected in monthly or bi-weekly pay stubs. In such cases, three consecutive months of income documentation is an appropriate amount upon which to base a projection of income over the following 12-month period.

For those whose annual employment is less stable or does not conform to a twelve-month schedule (e.g., seasonal laborers, construction workers, teachers), the City will examine income documentation that covers the entire previous twelve-month period. Such workers can experience substantial variations in earned income over the course of a year. As such, an examination of three months of income documentation may not provide an accurate basis upon which to project the Applicant’s income for the following 12 months.

Sources of earned income: In addition to hourly earnings, RDA staff will account for all earned income. In addition to the base salary, this will include annual cost of living adjustments (COLAs), bonuses, shift differentials and overtime pay. In the case of overtime, it is important to clarify whether overtime is sporadic or a predictable component of an employee’s income. If it is determined that an Applicant has earned and will continue to earn overtime pay on a regular basis, the RDA will calculate the average amount of overtime pay earned by the Applicant over the pay period the RDA is using to calculate income eligibility (3 months or 12 months). This average amount is then to be added to the total amount of projected earned income over the following 12-month period.

24. Initial Certifications

Households must qualify as low- or moderate-income at the time of Application.

The RDA will not re-examine a household’s income, unless more than six months have elapsed since the household’s income was certified by the RDA Staff.

A preliminary determination of eligibility is made to verify that Applicant(s) meets the minimum requirements of the Program.

25. Assets, Inclusions and Exclusions

A. Determining Assets Income

The RDA counts the actual income generated by the asset, such as interest on a savings or checking account, for the purpose of determining “annual income.” The income is counted even if the household elects not to receive it. For example, though an Applicant may elect to reinvest interest or dividends from an asset, the interest or dividends are still counted as income. In the same manner as with other forms of income, the income from assets that is included in determining “annual income” is the income that is anticipated to be received from the asset during the coming 12 months.

Many Applicants are surprised to learn that checking account balances (as well as savings account balances) are considered an asset. This rule is not intended to count monthly income as an asset, but rather, it recognizes that some households keep assets in their checking accounts. To avoid counting monthly income as an asset, the RDA will use the average monthly balance over a three-month period as the cash value of the checking account.

When Assets Produce Little or No Income: An “imputed” income will be calculated on assets with little or no income based on the “Passbook Rate” (established by HUD—currently 2%) applied to the cash value of assets. This rule only applies if the total cash value of all assets is more than \$5,000.

B. Computing the Value of Assets

Assets have both a market value and a cash value. Only the cash value (rather than the market value) of an item is counted as an asset. The market value of an asset is simply its dollar value on the open market.

C. Inclusions

- a. Cash held in savings and checking accounts, safe deposit boxes, homes, etc. For savings accounts the current balance will be used. For checking accounts the average three-month balance will be used.
- b. Cash value of revocable trusts available to the Applicant, or any adult household member.
- c. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.
- d. Cash value of life insurance policies available to household members before death (e.g. surrender value of a whole life or universal insurance policy).

- e. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
- f. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
- g. Income from retirement and pension payouts.

D. Exclusions

- a. Necessary personal property, such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
- b. Interest in Indian trust lands.
- c. Assets not effectively owned by the Applicant (or an adult household member). That is, when assets are held in an individual's name, but the assets or any income they generate is accrued to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
- d. Equity in cooperatives in which the family lives.
- e. Assets which are not accessible and that provide no income for the Applicant.
- f. Term life insurance policies (i.e. where there is no cash value).
- g. Assets that are part of an active business.
- h. Balances of retirement and pension funds.

26. Subordination Requirements

The outstanding DPA funds will not be due upon prepayment or refinance of the first loan, provided that such refinancing of the property, the principal balance of the new first mortgage and the DPA proceeds does not exceed the appraised value of the property. Evaluate LTV upon refinancing.

Subordination of RDA's down-payment assistance to a new first mortgage is allowed when the loan is a streamline loan with no cash out. Borrower's account must be current, which in the case of deferred loans means continuing to be owner occupants of the property for which the assistance was provided. The new loan must have a fixed rate and must have a 30-, 20- or 15-year term. Homebuyer must intend to continue occupying the property as their principal (primary) place of residence. A comparison of the old and new loans must be provided including loan amounts, interest rates, monthly payments and terms for both loans. The interest rate and monthly payment must be lower than the previous loan. CD's and LE must also be provided for the proposed new loan. A copy of the pay-off from the mortgage to be paid must be included.

The RDA will subordinate once in a three-year period for free. If additional subordinations are requested or required, a \$250.00 fee each must be paid. Templates for the Subordination Agreement and Request for Notice will be provided by the RDA.

27. Default

A. Conditions of Default

Conditions of default include:

- a. Transfer of title, sale or lease of the property;
- b. Ceasing to occupy the property as the principal place of residence, for any reason without authorization from the Program Administrator;
- c. Default on the payment of property taxes;
- d. Failing to maintain current, valid and sufficient homeowner's insurance against the property;
- e. Failing to adhere to any other deed restrictions agreed upon by signing all the closing documents.

B. Determination of Default on an Agreement

DPA Loans are normally retired either by conversion to a grant when Borrower fully satisfies the terms of the Agreement or repaid in the normal course of business as the Borrowers contract to sell their property to a new owner. On occasion, borrowers will move out of the property for other reasons without remembering that vacating the property puts them in default and that it triggers immediate repayment of the DPA funds received to acquire the property.

Once the RDA has learned of a possible default, staff will contact borrowers to verify that borrowers have indeed vacated the property and to ascertain facts as to the circumstance that caused them to move out.

C. Repayment of DPA Loan in Default

Once it has been established that a Loan for DPA is in default the Borrower must commit to repay the DPA Loan either in full or prorated, depending on the situation under the contract.

The offer of a payment plan by the RDA is to assist Borrowers in fulfilling their responsibility to repay the Loan. The terms for repayment established here are to cause the quickest repayment possible as the RDA is responsible to account for the Affordable Housing Funds under the Act if the DPA Agreement period is not met.

Lump sum payments are the ideal repayment method and will be accepted without charging the default interest percentage if paid within 60 days or sooner.

Options may be presented when beneficiaries find themselves in situations where full payment is not immediately possible:

- a) 0% interest if repaid within 12 months or less
- b) 2.0% interest if repaid in 13 to 24 months
- c) 3.5% interest if repaid in 25 to 36 months
- d) 5.5% interest if repaid in 37 to 48 months
- e) 7.5% interest if repaid in 49 to 60 months
- f) 8.5% interest if repaid in 61 to 72 months

Options offered will vary depending on the outstanding loan amount.

- For amounts of \$5,000 or less only options a) through c) may be offered
- For amounts between \$5,000 and \$15,000 only options a) through e) may be offered
- For amounts between \$15,000 and \$20,000 only options a) through f) may be offered

28. Repeat Applicant

Only in extreme cases, Applicants who have previously received assistance from RDA Down Payment Assistance program administered by the RDA may be eligible to receive further assistance.

- A. Consideration will only be given to Applicants where the original established Agreement Period has expired for the property to which they received assistance.
- B. History of their previous account with RDA must be satisfactory; bankruptcy, foreclosure, short sale and/or any other form of delinquency shall immediately disqualify Applicants from consideration to receive further assistance.
- C. Need must be evident and backed-up with reasonable documentation.

If Applicants are afforded consideration to a second opportunity, in addition to meeting eligibility requirements for the program to which they are applying, they must submit a letter to the DPA Funding Committee providing specific information as to why they are seeking additional assistance from the RDA program and why they think another opportunity should be afforded to them. Documentation must be included verifying the reasons included in the letter.

29. Appeal Process

Applicants who have applied for Down Payment Assistance and who, for any reason, have been determined to be ineligible will be notified by the RDA in writing. The notification shall state the reason for ineligibility. All information relative to the rejection of the Application shall be documented and placed in the Applicant's file.

An Applicant who has been determined ineligible for Down Payment Assistance or disagrees with any written decision or action by the RDA may initiate an Appeal by requesting a review by

the Executive Director of the decision or action within thirty (30) days of the date on the written notification being appealed (Appeal Period). The Appeal to the Executive Director must be in writing and received by the City Recorder on or before the expiration of the Appeal Period. If the last day of the Appeal Period falls on a weekend or City holiday the Appeal Period will be extended until the next following City business day. After the close of the Appeal Period the decision or action becomes final and non-appealable, An Appeal and the decision on Appeal is mandatory before Applicant may seek any other relief or remedy. The Appeal shall state the basis for the Appeal and why the decision or action being appealed should be reversed or modified. The right to Appeal will be identified and described in all written decisions or actions of the RDA sent to the Applicant.

A. Notice of Right to Appeal. All written decisions or actions of the RDA shall contain a notice provision substantially similar to the following:

As the Applicant for a Down Payment Assistance Loan, you have the right to Appeal any decision or action on your Application for a Down Payment Assistance Loan. , You may Appeal the decision or action communicated herein to the Executive Director of the RDA by filing a written notice of Appeal and statement of the grounds for the Appeal with the South Jordan City Recorder within thirty (30) days from the date of decision or action set forth above (Appeal Period). If the last day of the Appeal Period falls on a weekend or City holiday the Appeal Period will be extended until the next following City business day. After the close of the Appeal Period the decision or action communicated herein becomes final and non-appealable, An Appeal and the decision on Appeal is mandatory before seeking any other relief or remedy. Failure to Appeal within the thirty (30) day Appeal Period may preclude any other relief or remedy. To pursue your Appeal additional information regarding your Appeal may be required. For further information regarding your right to Appeal please contact the RDA or legal counsel of your choosing.

B. Appeal Process: The Executive Director of the RDA, or designee, shall conduct a hearing on the Appeal within thirty (30) days of receipt of the Notice of Appeal by the City Recorder. Written notice of the date, time and location of the hearing will be provided at least ten (10) days prior to the hearing. The Executive Director or designee hear all evidence regarding the Appeal presented by the Applicant, or Applicant's attorney or designee, and the RDA staff or legal counsel both oral or written provided at or prior to the hearing. The Applicant and the RDA may call witnesses. The Executive Director, or designee, shall determine whether or not the decision or action being appealed was in error or if special circumstances exist that would justify approval of the Application. A written decision on the Appeal and the reasons therefore shall be issued within fourteen

(14) days from the date of the hearing on the Appeal. . The written decision on the Appeal shall be mailed, emailed, or hand delivered to the Applicant.

C. Failure to Render Decision: If a written decision by the Executive Director or designee is not issued within thirty (30) days of the hearing the Appeal is deemed denied and the decision or action being Appeal is upheld.

30. Other Requirements to the Down Payment Assistance Program

- A. No co-signers who will not be owner-occupants are allowed.
- B. No interest buy-downs allowed.
- C. Purchase price may not exceed appraisal valuation.
- D. No pre-paid items may be paid with loan proceeds.
- E. Self-employed Applicants must show one year of signed and dated individual tax returns, plus all applicable schedules and signed and dated copies of federal business income tax returns with all applicable schedules and a 12-month Profit and Loss Statement.

31. Partial Applications

No partial Applications will be accepted. Once the Complete Application is signed and turned in with all the pertinent documentation no other documents may be submitted that would alter the determination of eligibility or qualification. Applications submitted remain “active” for six months from date of submission. At the end of that period a denied Applicant may submit a new Application.

32. Non-Traditional Credit

Non-traditional credit will be reviewed if an Applicant does not have a credit score from any of the three bureaus. Lack of non-traditional credit will not be grounds for denial as no credit history is deemed better than a derogatory credit history.

APPENDIX

1. 2020 HUD AREA MEDIAN INCOME CHART

HUD publishes income limits to determine eligibility for different HUD programs. The income limits are based on the median family income for an area. The City of South Jordan is in the Salt Lake City, UT HUD Metro FMR Area. The median income for the Salt Lake County area, as published by HUD, for FY 2022 is \$102,400. The table below shows the income limit categories based on the number of persons in the family.

FY 2024 Income Limits Table (Salt Lake City, UT HUD Metro FMR Area)

Income Category	1	2	3	4	5	6	7	8
Extremely Low (30%) Income (\$)	25,800	29,450	33,150	36,800	39,750	43,150	48,650	54,150
Very Low (50%) Income (\$)	42,950	49,100	55,250	61,350	66,300	71,200	76,100	81,000
Low (80%) Income (\$)	68,750	78,550	88,350	98,150	106,050	113,900	121,750	129,600

(Source: <https://www.huduser.gov/portal/datasets/il.html>)

Effective: July 1, 2025 through June 30, 2026

2. APPROVED HOMEBUYER EDUCATION PROVIDERS

Applicants can take any HUD approved homebuyer education course (see list at <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>) or any of the following courses:

Utah Housing Corporation

<https://utahhousingcorp.org/homebuyer/education>

Utah State University Extension

<https://extension.usu.edu/hbe/homebuyer-course-certificate/index>

Home Trek Online Homebuyer Education

<https://www.hometrek.org/>

Framework

<https://cdcutah.frameworkhomeownership.org/>

NeighborWorks

<https://neighborworksmchs.org/counseling-services/home-buyer-education-class/>