

OWN YOUR OWN Program Guidelines

PRODUCT DESCRIPTION

The Own Your Own (OYO) Program is a zero percent deferred payment second mortgage to help income eligible home buyers purchase and rehabilitate foreclosed homes located in specific areas of Fairview, Maywood Park, Portland, Troutdale and Wood Village. The purpose of the program is to revitalize local neighborhoods by encouraging low and moderate income households to purchase, improve and occupy vacant foreclosed properties in these areas. The OYO Program is funded with a federal Neighborhood Stabilization Program (NSP) grant from the U.S. Department of Housing and Urban Development (HUD) and Oregon Housing and Community Services (OHCS). The program is a collaborative partnership made up of the City of Portland, City of Gresham, Multnomah County and the Portland Development Commission. The City of Portland and Multnomah County have allocated \$1.1 Million in funds to help a minimum of 23 households purchase an eligible home.

PRODUCT SPECIFIC GUIDELINES

Loan Details

Type of Loan: Secured second mortgage with a zero percent interest rate and deferred payments.

Maximum Loan: For properties not requiring rehabilitation, the maximum loan amount is 20% of the purchase price plus reasonable closing costs and pre-paid expenses, but in no case may it exceed \$50,000. For properties that require rehabilitation the maximum loan amount is \$50,000.

Interest Rate: 0.00% simple interest with a 0.00% Annual Percentage Rate (APR).

Monthly Payments: This is a deferred payment loan for as long as the borrower occupies the property as their primary residence and maintains ownership of the property.

Repayment:

1. upon refinance the principal plus any applicable share of appreciation is due and payable.
2. Upon ceasing to occupy the property as the borrower's primary residence, the principal plus any applicable share of appreciation is due and payable.
3. Upon sale or transfer of the property, the principal plus any applicable share of appreciation is due and payable.

Fees: No loan fees but there will be recording fees and other third party costs.

**Loan Originator/
Lender:**

City of Portland, by and acting through the Portland Development Commission.

Funder:

Oregon Housing and Community Services and the US Department of Housing and Urban Development.

Eligible Uses:

Down payment (max of 20% of the purchase price), allowable lender closing costs and pre-paid expenses and necessary home repair costs.

**Subordinate
Financing:**

Other subordinate financing is permitted provided they are in a subordinate lien position to the OYO loan and are permitted by the first mortgage loan product and lender.

Recapture of funds: The principal, plus any applicable share of appreciation, must be repaid when the property is sold, the title is transferred, the property is refinanced, or when the borrower no longer occupies the home.

Windfall Profits:

If the borrower sells or refinances the home in the first three years of ownership, the amount of profits they may retain from the sale or refinance of the home is capped at \$10,000 per year of ownership according to the chart below:

Timing of Sale	Cap on Profit
Before the first anniversary of closing	\$10,000
On or after the 1st anniversary of closing, but before the 2 nd anniversary	\$20,000
On or after the 2nd anniversary of closing, but before the 3 rd	\$30,000

“Profit” is calculated by subtracting the transactional costs from the net proceeds from the sale or refinance of the property.

First Mortgage:

Participating lenders must comply with regulator’s guidance for non-traditional mortgages as noted in the Statement on Subprime Mortgage Lending issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve Systems, Federal Deposit Insurance Corporation, Department of the Treasury and National Credit Union Administration at the following link:
www.fdic.gov/regulations/laws/rules/5000-5160.html. A signed Certification Statement of Compliance with this requirement must be maintained in the borrower’s loan file.

**First Mortgage
Loan Types:**

Fixed rate loans with a minimum of a 30 year loan term. The lender may not charge a loan origination fee in excess of 1%. In addition they may not charge more than \$1,000 for other fees accrued to the lender or broker, such as a document preparation fees, application fees, administration fees, underwriting fees or any other related fees paid to the lender and or the mortgage broker. A strong preference of the program is to use the Oregon Bond Loan from Oregon Housing and Community Services if the product is available. If OYO is coupled with an Oregon Bond First Mortgage Loan, the lender may also charge up to a .75% discount fee.

**Ineligible Loan
Types:**

No refinances, ARM's, Interest-Only, sub-prime, or hybrid loan products allowed.

**Yield Spread
Premiums:**

Mortgage brokers may charge up to a 1% yield spread premium.

Down Payment:

Borrower must make a minimum contribution of at least 1% of the purchase price and no less than \$1,000. This may include a gift from a family member or employer.

Ratios:

Maximum debt-to-income ratio cannot exceed 45% (no exceptions).

Assumable:

This loan is not assumable.

CLTV:

Maximum allowable by first mortgage lender and or loan type.

Impounds:

As required by first mortgage lender

**Mortgage
Insurance:**

As required by first mortgage lender

Seller credits:

Allowed subject to the first mortgage requirements and limitations.

Loan Fees:

Not allowed on the second mortgage.

**Prepayment
Penalties:**

No prepayment penalty, but there is a five year share of appreciation clause.

Property Taxes:

Must be current at origination and during the term of the loan.

Title Insurance:

Is required, must be reviewed by PDC and must list the "**City of Portland, by and acting through the Portland Development Commission**" as second mortgage holder.

Hazard Insurance:

Hazard and liability insurance in the minimum amount of the tax assessed value with the full replacement cost of the rental unit and have

the “**City of Portland, by and acting through the Portland Development Commission**” named as additional insured.

Flood Insurance: Required if in a 100-year flood plain.

Eligible Borrowers

First –Time Buyer: Subject to approval from OHCS, PDC will give preference to first-time homebuyers, meaning those households who have not owned or occupied a home in the past three years, when selecting eligible households for the program.

Owner Occupancy: The borrower must occupy the property as their primary principal residence. If the borrower no longer occupies the property they will need to repay the full OYO loan to the City of Portland plus any applicable share of appreciation.

Income Limit: Gross annual household income may not exceed 120% of the HUD median income, adjusted by size. HUD 2009 median income figures are listed below

One person	\$58,800	Five person	\$90,720
Two person	\$67,200	Six person	\$97,440
Three person	\$75,600	Seven person	\$104,160
Four person	\$84,000	Eight person	\$110,880

Low- Income Households:

Subject to approval by OHCS, PDC will give a selection preference to households earning 80% or less than the Median Family Income (MFI) adjusted for size.

Homebuyer Education:

Prior to closing, Borrower must complete at least 8 hours of homebuyer counseling from a HUD-approved or OHCS approved agency; such as ABC’s of Home buying or realizing the American Dream. The following local organizations offer the required homebuyer education and counseling: Acorn Housing; African American Alliance for Homeownership; Community Housing Resource Center, Hacienda Community Development Corporation; Native American Youth and Family Center (subject to approval from OHCS); Open Door Counseling Center; and Portland Housing Center.

Credit:

Borrower(s) must comply with credit standards determined by the first mortgage lender and first mortgage loan program. In the event PDC has any concerns about a borrower’s creditworthiness, PDC reserves the right to require the lender or the borrower to provide additional documentation and/or explanation. In reviewing the first mortgage lender’s determination of creditworthiness, PDC will apply standard lending underwriting practices consistent with Fannie Mae Underwriting Guidelines.

Ratios: Maximum debt-to-income ratio cannot exceed 45% (no exceptions) and the front end housing payment ratio (PITI) may be no less than 30% of the borrower gross monthly income. The monthly house payment includes any applicable Home Owners Association Fee and/or monthly mortgage insurance premiums.

Liquid Assets: Upon closing the loan the borrower may have no more than \$15,000 in liquid assets after loan closing including cash, bonds, certificate of deposits, stocks and other non-retirement related investments and assets that can be converted to cash without penalty.

Accepted Offer: Prior to getting a final commitment of funds the borrower must obtain an accepted offer to purchase an eligible property.

Eligible Properties

Eligible Areas: NSP targeted areas located within Multnomah County Oregon include portions of Fairview, Maywood Park, Portland, Troutdale and Wood Village. For a map of these areas visit www.pdc.us/oyo. If OHCS changes the NSP Target Areas PDC will revise these areas accordingly.

Property Types: Foreclosed upon Single Family Residence (SFR), including condominiums and townhomes. Foreclosed properties mean the properties where the mortgage or tax foreclosure proceedings have been complete; title for the property has been transferred from the former homeowner. Manufactured homes are not eligible for this program.

Ineligible Properties: Two or more unit properties, investment properties and second homes.

Purchase Price Discount: *Purchase price* must be at least 1% below the property's recently documented appraised value. The appraisal establishing the 1% discount must be completed no more than 60 days prior to the final offer being accepted and be performed by a licensed appraiser and be consistent with the Uniform Standards of Professional Appraisal Practice, the Uniform Relocation Act (URA) at 49 CFR 24.103.

Purchase Price/ After Rehab Value: There is no purchase price or acquisition cost limit for this loan but the first mortgage loan program limits, if applicable, apply.

Property Inspections: Properties must pass a Lead Based Paint (LBP) Visual Assessment (pre 1978 houses only); Housing Quality Standards (HQS); Pest and Dry Rot inspection(s), Environmental review including flood plain certification, and

any inspections required by the first mortgage loan or as outlined in the EMA/Sales Agreement. These inspections and/or reports **must** be completed prior to loan closing.

Vacant Properties: Properties must be vacant at the time of purchase by the borrower and prior tenants may not have been illegally evicted without cause.

Flood Plain: Properties located in a 100 year flood plain must obtain flood insurance.

Historic Preservation: Properties built more than 50 years ago (currently 1960) must comply with the State Historic Preservation Office (SHPO) requirements.

Environmental Review: U.S. Housing and Urban Development (HUD) environmental review must be completed and proper documentation included in the file before **any** funds (including non-NSP funds associated with the activity) are released.

Rehabilitation: A foreclosed-upon home or residential property shall be rehabilitated to the extent necessary to assure safety, quality, and habitability. OHCS will require a thorough assessment of all properties. The assessment must examine the major building components and describe the work necessary to bring each building component to the level of maximum expected life span. HUD's Housing Quality Standards (HQS) outlined in 24 CFR 982.401, (http://www.access.gpo.gov/nara/cfr/waisidx_00/24cfr982_00.html) will be the minimum standard for judging the actual physical condition of a property and determining the scope of work.

Rehabilitation of a residential property must be performed in compliance with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability. If work requires building permits, all rehabilitation must be performed to current building code(s). A property inspection must be conducted by a disinterested third party to determine the scope of work needed prior to rehabilitation. The factors to be considered in the inspection include HQS (Form NSP#8 – HQS Inspection Report), a pest and dry rot report, roof inspection if deemed appropriate, and a site specific review of environmental concerns including lead-based paint assessment if built prior to 1978.

General property improvements, such as painting and replacement of cabinets and flooring may be completed only after all code deficiencies, health and safety items and lead-based paint hazards (if needed) have been cured. General improvements must have durable fit and finish with reasonable cost expectations.

All NSP recipients are encouraged to use green building techniques and make all NSP assisted properties more energy efficient. Providing accessibility features which promote aging in place may also be considered.

Escrow Holdback: If a property requires post closing home repair the City of Portland/ Portland Development Commission will hold the home funds as an escrow holdback. All work will be completed no more than 90 days after closing. Following completion of home repair the property must pass a final compliance inspection and HQS re-inspection prior to occupancy.

Maintenance and Repair.

The property must be kept in good repair and maintained in good, safe condition, suitable for residential use. The condition of the property must meet the requirements of all the laws, ordinances, rules, and regulations of any government authority with the right to examine or inspect the property.

More information: Portland Development Commission, 503-823-3400 or visit www.pdc.us/oyo.

The Own Your Own Program is a made possible with by funding and contributions from the US Department of Housing and Urban Development, Oregon Housing and Community Services and...

