



## HOMEBUYER ASSISTANCE PROGRAM

### How the Program Works

The City of Salem offers HUD funded, low interest loans up to \$14,000 to assist with down payment, closing costs and loan fees. Essentially, the first mortgage's principal balance is reduced, thereby reducing the monthly payment amount. The interest rate is 3% and there are no monthly payments. Loan repayment is due at time of sale, transfer of title or default. Interest accrues for twenty years.

The property must be the primary residence of the borrower. After the purchase, the borrower cannot rent or lease the property to other persons, even on a temporary basis. Should the borrower sell, lease, or transfer title of the property, the loan will become due and payable in full.

There are three main requirement categories which must be met to receive assistance under the Homebuyer Assistance Program:

- 1) the household or applicant must qualify;
- 2) the home to be purchased must qualify; and
- 3) the applicant must have the financial ability to make monthly payments on the proposed home.

### Requirements for the Household / Applicant to Qualify

- Eligible applicants must be a first time home buyer as defined by HUD regulations.
- Eligible applicants must have an annual gross household income which does not exceed 80% of the median income for Salem, as adjusted for household size. Current maximum limits are:

Household Size	Annual Income
1 person	\$31,800
2 persons	\$36,350
3 persons	\$40,900
4 persons	\$45,450
5 persons	\$49,100

- Eligible applicants must make a minimum contribution of \$500 to be used toward the purchase of the property. Gifts and seller injections are permitted, but are excluded from the minimum contribution.
- Applicants must provide certification they have completed a City of Salem approved educational home buying course at time of application.
- Applicants must be able to obtain approval from a primary lending institution for the purchase of the home. Private land sales contracts or adjustable rate mortgages are not allowed.

### **Requirements for the Home to Qualify**

- Eligible properties must be located within the city limits of Salem or Keizer and can either be a single family home, condominium, or a manufactured home placed upon a permanent foundation. The manufactured home and land it sits upon must be one tax account. Multi-family units; such as, duplexes do not qualify.
- Properties must have a sales price *and* appraised value which does not exceed \$200,160.00.
- The property must be in a decent, safe, sanitary condition and meet HUD's Housing Quality Standards. Inspection is performed by City staff. There is no cost for the first inspection. Subsequent inspections have a \$50 fee. Required repairs must be completed and inspected prior to final loan approval.
- The home must pass a lead hazard inspection performed by City staff. All homes built prior to 1978 will be visually inspected for cracking, chipping and peeling paint. Homes not passing initial lead inspection will not qualify. Please review web site for important lead hazard information at:  
<http://www.hud.gov/offices/lead/training/visualassessment/h00201.htm>
- Home must pass an independent pest and dry rot inspection.
- The property must comply with the National Flood Disaster Protection Act and the National Environmental Policy Act.

### **Requirements Regarding the Applicant's Ability to Afford the Home**

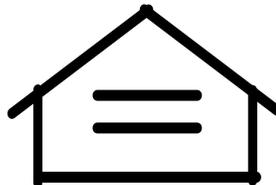
The principal, interest, taxes, insurance and mortgage insurance can not exceed 30% of the applicant's household income. This percentage is calculated by taking the monthly mortgage payment (principal, interest, taxes, property insurance and mortgage insurance) and dividing it by the household gross monthly income.

### **Form of Subsidy and Recapture Provisions**

If there is a default on the loan, property is to be sold at fair market value as determined through a market comparison conducted by a real estate agent or value determined by certified appraisal. The Homebuyer Assistance Program subsidy is to be repaid from the "net proceeds" as defined by HUD. Should the net proceeds be insufficient to repay the City of Salem during the five-year affordability period, the City will forgive the difference between the City loaned amount plus interest, and the net proceeds. (See City of Salem "Resale Guidelines" for further details.)

For additional information, please call the Urban Development Department at 503-588-6178.

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