



It's real.

City Employee Homebuyer Residency Incentive Program POLICIES AND PROCEDURES

1. PURPOSE AND ADMINISTRATION

The City of Seguin establishes this incentive program as part of an initiative to encourage employees to live where they work, in the City of Seguin.

The program provides funding for down payment and related closing cost assistance in the form of a forgivable loan to qualified employees who agree to purchase a home in the City of Seguin and to maintain the home as their primary, homestead residence for at least five years. Financial assistance is subject to the appropriation of funding for the program during each fiscal year.

Recipients of financial assistance under the program may be eligible to apply for other forms of financial assistance available from the City of Seguin or other sources. Each employee household can receive only one city-sponsored homebuyer incentive.

2. APPLICANT ELIGIBILITY

- A. The primary applicant must be a regular, full-time City of Seguin employee. Only one household member will be eligible for the incentive.
- B. The primary applicant must be in good standing with the City. To be eligible for this benefit, the employee shall not be on or have a pending performance improvement plan or have received a disciplinary action in the past six months.
- C. The primary applicant may not have owned a home in the City of Seguin during the one-year period immediately preceding the date of application.
- D. Applications will be accepted on a first-come, first-serve basis until program funds are exhausted. City staff will review the applications for completeness and eligibility before the application is formally accepted.
- E. The applicant must not owe any **outstanding taxes or debts** to the City prior to the award of the assistance and must have satisfied any prior City housing program requirements.

3. AMOUNT OF ASSISTANCE AND ELIGIBLE EXPENSES

Loans to qualified applicants shall be **\$5,000 per applicant**.

Eligible expenses include:

- Down payment applied toward the sales price
- Origination/application fees
- Document preparation/attorney fee
- Title policy/insurance
- Appraisal
- Survey
- Buyer's home inspection fee/termite inspection

- Recording fees
- Escrow fees

Pre-paid items that are eligible for funding include:

- Hazard insurance (maximum 12 months)
- Flood insurance (maximum 12 months) where required
- Property taxes (maximum 12 months)

4. FORGIVABLE LOAN

The loan shall be provided as a **zero interest, deferred forgivable loan** for a single-family home to be purchased under fee simple title provisions. The loan will be forgiven at a rate of twenty percent (20%) or \$1,000.00 following each full year after the date of closing that the buyer complies with the loan terms. After the fifth full year of compliance, the loan will be deemed paid in full.

The eligible city employee will be the primary applicant. All persons included as co-borrowers on the primary mortgage loan must also be included as co-applicants for the City's homebuyer loan.

The homebuyer must execute a Residency Incentive Forgivable Loan Agreement, a promissory note and a deed of trust lien in favor of the City of Seguin. The loan will be filed as a second position mortgage lien during the closing process. Disbursement of funds will occur through the Title Company conducting the closing on the property.

5. LOAN TERM, PAYMENTS & REPAYMENT PROVISIONS

- A. The employee must remain continuously employed in an eligible position with the City of Seguin and maintain, own and occupy the home as his or her principal place of residency for a minimum period of **five (5) years** after the purchase date. The property purchased must be designated as "Homestead" for property tax purposes. The failure of the Borrower to remain continuously employed in an eligible position and to occupy the property as his or her principal residence, failure to comply with the terms of the note and deed of trust, and/or defaults in payments on the first mortgage, property taxes and/or hazard insurance constitute a default and may result in foreclosure.
- B. No interest will be charged on the deferred principal. In the event of a default, the City may recover certain expenses incurred in enforcing the note and deed of trust as provided therein.
- C. No payment will accrue or be payable during the loan term provided there is no default. The note will mature and become finally due and payable upon the expiration of the five-year term, provided, however, that if no default has occurred which remains uncured, the amount of the deferred principal will be forgiven at the expiration of the term.
- D. In the event of any default, the balance of the deferred principal will be immediately due and payable. The balance of the deferred principal at the time of default, including the sale, lease or transfer of the property shall be the total loan amount of \$5,000.00 less the amounts forgiven at the end of each full year of compliance. If a default occurs before the end of the second year following the purchase of the property, for example, \$1,000.00 will be forgiven for compliance during the first full year, but no amount is eligible to be forgiven for the second year (regardless of when during the second year the default occurs). Thus, the balance of the deferred principal due and payable would be \$4,000.00.
- E. The City will verify compliance with the residency and employment requirements periodically.
- F. In the event of employment termination, resignation and/or retirement, the balance of the deferred principal will be immediately due and payable. Balance accruals eligible to be paid out thru payroll on a staff member's final check upon leaving employment with the City of Seguin, will be withheld, and applied towards the balance of the deferred principal due. It will be at the City's

discretion to enter in and accommodate a repayment plan if requested by the staff member.

The balance of the deferred principal at the time of the employee's termination, resignation and/or retirement shall be the total loan amount of \$5,000.00 less the amounts forgiven at the end of each full year of compliance. If employment ends before the end of the second year following the purchase of the property, for example, \$1,000.00 will be forgiven for compliance during the first full year, but no amount is eligible to be forgiven for the second year (regardless of when during the second year employment ends). Thus, the balance of the deferred principal due and payable would be \$4,000.00.

6. PROPERTY ELIGIBILITY STANDARDS

- A. Homes must be located inside the Seguin city limits.
- B. The home must be a new or existing single-family dwelling as defined in the City's Land Development Code.
- C. Homes located within the 100-year floodplain must be elevated so that the structure is at or above the established base flood elevation to be eligible for the program.
- D. A Certificate of Occupancy must be submitted prior to closing for new construction and the home must otherwise be habitable under applicable laws or City of Seguin ordinances.
- E. Owner-financed sales of properties are subject to review by the City to determine whether the sale is a bona fide arm's length transaction. The City, in its sole discretion, may decline funding of any owner-financed sale. Lease-purchase agreements or contracts for deed/sale are not eligible for assistance.
- F. In order for the City to insure its second lien position, the home must have clear title as shown by title insurance accompanying the documents that are part of the closing process.

7. APPLICANT RESPONSIBILITIES

- A. The applicant is responsible for providing all information that is necessary for the City to verify his or her program eligibility, which may include:
 - Documentation of applicant's employment status with City of Seguin.
 - Contract for the purchase of real property.
 - A driver's license or other photo identification.
 - Documentation regarding the first lien holder.
 - Documentation regarding the title company, escrow or closing agent.
- B. By accepting a loan through the residency incentive program, the applicant agrees:
 - to occupy the home as the applicant's principal (homestead for property tax purposes) residence for the entire five-year term loan term;

- to immediately notify the City if the home ceases to be the applicant's primary residence during the 5-year period.
- to remain continuously employed by the City of Seguin in an eligible capacity;
- to maintain the use of the home as a single-family residence in compliance with the City's zoning, land use, and other applicable ordinances and laws;
- to complete an annual certification of residency form to be provided by the City;
- to repay the deferred principal balance immediately upon employment termination, resignation and/or retirement.
- to apply balance accruals eligible to be paid out thru payroll on the final check upon leaving employment with the City of Seguin towards the balance of the deferred principal due; and,
- to acknowledge it will be at the City's discretion to enter in and accommodate a repayment plan if requested by the staff member.

8. LENDER / FIRST LIEN MORTGAGE REQUIREMENTS

- A. The applicant must obtain their own mortgage financing for the purchase.
- B. Any creditable lending institution may be used for the first-lien mortgage. The lender may be asked to provide to the City a copy of their appropriate approval letter based on the type of first-lien loan to be made (FHA, VA, Rural Housing, Conventional, etc.)
- C. The first-lien loan must be a fully amortized loan for up to 30 years with an interest rate that does not exceed the prevailing market rates for conforming loans.
- D. The applicant will not be permitted to receive a reimbursement or cash back at closing. All proceeds from the City loan will be disbursed through closing to cover eligible expenses.
- E. The title company, escrow agent or closing agent will provide the City a copy of the Good Faith Estimate (HUD-1) of fees due at closing ("GFE"). The GFE must show the property address being purchased, interest rate, and type of loan. In addition, it must show an itemized breakdown of the estimated closing costs and the total amount of down payment that will be required. The itemization should clearly show the items and amounts that will be funded through the residency incentive program.
- F. The Lender will immediately report to the City any information which it may receive which indicates that a misrepresentation may have been made in applying for a residency incentive program loan or that may affect the applicant's continued eligibility for a residency incentive program loan.
- G. The title company, escrow agent or closing agent, will provide the final HUD-1 form to the City prior to the actual date of closing to allow time for the City's review. Incomplete or inaccurate information will delay the process. Charges left out or incorrectly reported on the settlement statement, are not the City's responsibility.

9. CITY'S RESPONSIBILITIES

- A. The City will review the application and submitted documentation to verify eligibility for program assistance.
- B. The City will verify that the applicant owes no debts to the City of Seguin.
- C. The City will provide funding on a first-come/first-serve basis; the receipt of the lender's GFE will be the triggering event for establishing applicant funding priority.
- D. The City will prepare all loan documents for the residency incentive program loan and will make them available to the closing agent.
- E. The City will periodically verify continued compliance with program requirements over the course of the five-year loan term.
- F. After the City has verified that the borrower has successfully completed all requirements of the five-year loan term, a release will be prepared and delivered to the borrower to clear the City's lien against the property.

10. AFFIRMATIVE MARKETING & FAIR HOUSING

The City will affirmatively market the residency incentive program to all eligible employees. Affirmative marketing shall include steps to ensure that all groups and individuals are included in the marketing efforts.



The City of Seguin promotes Equal Housing Opportunities in accordance with the Federal Fair Housing Act. **FAIR HOUSING is the Law.** Individuals who refuse to rent or sell homes to people based on race, color, national origin, religion, sex, familial status, or disability are violating federal law.

Complaints can be filed with the U. S. Department of Housing and Urban Development (HUD) toll free at 1-800-669-9777 (1-800-927-9275 -TDD) or by reporting the violation to the Texas Work Force Commission at 512-437-3850.

11. APPLICATION PROCESS

- A. Applicants should complete the Application & Eligibility Verification form when a home has been selected and an application for the primary loan has been submitted for processing.
- B. The applicant is free to select the lender of his/her choice for the primary mortgage loan.
- C. The applicant will turn in the completed application form, along with a copy of the primary loan lender's Good Faith Estimate, to the Human Resource Department.
- D. The City will verify that the application is complete and that the applicant and the home to be purchased meet eligibility requirements.
- E. The City's date of receipt of a completed application including the good faith estimate will serve to establish an eligible applicant's place in line for available funding.
- F. The City's Legal Department will work with the title company to coordinate closing activities for the Homebuyer Incentive Loan.

The City must receive and review the final HUD-1 closing statement prior to funding.