

SUMMIT LAKE PAIUTE TRIBE

DOWN PAYMENT & CLOSING COSTS ASSISTANCE PROGRAM POLICY



These Policies and Procedures were adopted by the governing body by Resolution SL-09-2018 and revised by Resolution SL-06-2019.

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I. PURPOSE

Policy Statement

The purpose of the Summit Lake Paiute Tribe's Down Payment & Closing Costs Assistance Program is to provide the members of the Summit Lake Paiute Tribe (SLPT) with affordable homeownership financing opportunities to help improve their quality of life in their communities.

Program Purpose

To establish the policies for administering the *Down Payment and Closing Cost Assistance Program* to assist eligible low-income applicants to overcome barriers when purchasing their own home.

We intend to provide the members of the Summit Lake Paiute Tribe (SLPT) with affordable homeownership financing opportunities to help improve their quality of life in their communities by assisting applicants to qualify for affordable, long term financing from the lender of their choice.

The funding for this program is provided through the Native American Housing Assistance and Self Determination Act (NAHASDA) and other resources as they become available. The Program will comply with all applicable regulations of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) along with other applicable rules and regulations. The SLPT Housing Manager with the approval of the Tribal Council (governing body) shall be responsible for periodically amending this policy to comply with any applicable laws or regulations.

In order to meet these objectives, the following sections outline policy to govern administration of homebuyer assistance program.

II. POLICY

The Policy of the Down Payment and Closing Cost Assistance Program is:

A. GENERAL POLICY

1. Use of Grant Funds

The SLPT Housing Program will seek to make the best possible use of all grant funds availability:

- a. Participation is limited to low income Summit Lake Tribal member applicants. Low income is defined annually by the U.S. Department of Housing and Urban Development – Office of Native American Programs (HUD-ONAP) according to the relevant statutes for annual income by household size. Participants are required to provide documentation to verify their low-income status.
- b. The applicant must be able to obtain a mortgage loan with an eligible lender for the minimum affordable amount. The lending institution must be willing to participate in the Down Payment & Closing Cost Assistance Program and its' requirements. The borrower will sign a Release of Information form so that SLPT Housing Manager is able to share information with the lending institution.

- c. Providing applicants with funding to meet individual applicant needs.
- d. Maintaining grant terms and agreements that discourage and prevent speculation in housing.
- e. The applicant shall not own any other residential property. An exception may be made for inherited property on a case by case basis as determined by the SLPT Council.
- f. All members of the Summit Lake Paiute Tribe are eligible for loans under this program. The SLPT's Tribal Council will approve all such loan applications. Employees, agents, officers or elected or appointed officials must comply with 24CFR 1000.30, 1000.32, and 1000.34 regarding conflict of interest.

2. Home Inspections

The Summit Lake Paiute Tribe shall require that all homes assisted under this program be inspected prior to release of grant funds to ensure the home meets SLPT's Housing Quality Standards Policy or at least the minimum health and safety criteria of the HUD Section 184 Program and to ensure the best interest of applicants/homebuyer is adequately protected, as well, as to ensure the efficient and prudent use of federal and/or tribal funds.

3. Homebuyer Counseling

The Summit Lake Paiute Tribe shall strongly encourage all applicants under this program to attend homeownership education course by a HUD approved counseling agency as part of, and prior to, the application for assistance award under this policy. SLPT shall provide resources and/or personal homebuyer counseling to a prospective applicant to prepare the applicant for homeownership.

4. Recipient Agreement

Prior to commitment or obligation of funding under this policy, the recipient of assistance must sign an agreement with the Summit Lake Paiute Tribe Housing Dept. which certifies his/her understanding of the terms and conditions of receiving assistance, including but not limited to the applicant certifying under penalty of perjury or fraud, that the home is not being purchased for purposes of speculation or rental income.

B. QUALIFICATIONS FOR ASSISTANCE

1. General Eligibility

For the purpose of this policy, the term "applicant" and "owner" shall stand for all persons who will be recorded on the title to the property as owner.

General eligibility requirements as follows:

- a. At least one applicant must be an enrolled member of the Summit Lake Paiute Tribe.
- b. The annual income from all sources of each member of the applicant's household must not exceed eighty percent (80%) of the median income. Median income is defined as the greater of: (1) The median income for the county where the home is located; or (2) The median income for the United States.

- c. Applications for homebuyer assistance grants will be accepted year-round until the goals of the program have been met and/or all available funds have been obligated. Generally, applicant will be processed on a first-come, first-serve basis. SLPT will implement and maintain a waiting list from which to receive and log all applications.

2. Eligible Property

- a. Eligible property must be within the *Indian Service Area*. The Indian Service Area is designated annually in the Summit Lake Indian Housing Plan (IHP). Each program may have a different Indian Service Area. Refer to the Summit Lake Indian Housing Plan (IHP) for the definition as the defined area is subject to change.
- b. Eligible Property types include any property that will serve as the purchaser's principle residence, including:
 - (1) a single-family property that is here defined as a single unit family residence, detached or attached to other housing structures. Multifamily properties (buildings that contain two or more individual units) are not eligible.
 - (2) A condominium or townhome unit; or
 - (3) No manufactured and/or mobile homes.
- c. Maximum Property Value – NAHASDA statute requires that all housing acquired under this program be of *moderate design*. For these purposes, *moderate design* is defined as housing that is of a size and with amenities consistent with unassisted housing offered for sale in the Indian tribe's general geographic area to buyers who are at or below the area median income. To document this, the Summit Lake Housing Dept will use as a criteria, one-hundred and fifty percent (150%) of the maximum Federal Housing Administration (FHA) mortgage limit for the area.
- d. Property Standards – this policy incorporates the minimum property standards of the Section 184 Loan Guarantee Program. Property purchased with any other lending will be required to meet the Summit Lake Paiute Tribe's Housing Quality Standards Policy. The following is the property minimum level of housing quality standards required for Section 184 Loan Guarantee Program:
 - (1) Heating System. The heating system must:
 - (a) Have a capacity to maintain a minimum temperature of 65 degrees (65) Fahrenheit during the coldest weather in the area.
 - (b) Be safe to operate and maintain.
 - (c) Deliver a uniform distribution of heat.
 - (d) Conform to any applicable Tribal heating code and/or conform to the applicable county, state or national code.
 - (2) Plumbing System. The plumbing system must:

- (a) Use a properly installed system of piping.
 - (b) Include a kitchen sink and a separate bathroom with sink, toilet, and bath or shower.
 - (c) Use water supply, plumbing, and sewage disposal systems that conform to the minimum standard for applicable county or state code. If water and sewer systems cannot be connected to public systems, the water well and septic system must meet requirements of the local health authority with jurisdiction.
- (3) Electrical System. The electrical system must use wiring and equipment that is properly installed and safely supplies electric energy for lighting and operation of appliances. The electrical system must comply with an appropriate county, state or national code.
- (4) Unit size. The Section 184 statute specifies minimum unit sizes for the Program. The statute does not state a maximum size, although all units should be modest in size and design (see paragraph c of this section). Borrowers should select homes that are within their budget and meet the needs of the family.

The size of the unit shall be no smaller than:

- (a) 570 square feet in size, if the unit is designed for a family of one to four persons.
- (b) 850 square feet in size if the unit is designed for a family of between five to seven persons.
- (c) 1,020 square feet in size if the unit is designed for a family of eight or more persons.

A waiver may be requested and approved by Council in extenuating circumstances with relevant justification from the applicant. If the action involves the Section 184 program, the waiver will be requested from HUD ONAP Office.

- (5) Energy Efficiency. For new construction or substantial rehabilitation (rehabilitation costing more than \$25,000 or more), the dwelling unit must comply with the energy performance standards for new construction established by the Department under section 526(a) of the National Housing Act.
- e. The applicant/borrower shall be responsible for the all insurance required by the lending institution or the Summit Lake Paiute Tribe's Housing Department.
 - f. The property must remain the borrowers' primary residence throughout the term of this loan. Borrowers will be required to sign a Certification of Residency statement annual, stating the amount of time they lived in the house as their primary residence during the previous year. If they did not live in the house for at least 11 of the previous 12 months, the loan will be considered to be in default, SLPT's Housing Manager will review each default and consider the appropriate course of action.
 - g. The property must substantially meet all of the above-listed standards before borrowers will be allowed to move in. It is possible that a few minor "items" may remain incomplete at the time the borrower takes possession of the property. If that is the case, the applicant must ensure that these final improvements are completed.

3. Eligibility Assistance

Funds are available from SLPT to pay all, or a substantial part of, the closing costs of the first mortgage loan. This assistance is limited to actual, reasonable closing costs.

- a. Funding will be provided by means of payment directly to the Title Company selected to handle the applicant's escrow. The loan on the home purchase must pass all federal government qualified mortgage rules. Any customary fee may be included in the loan and applied toward the down-payment assistance including, title costs, escrow cost, inspections, and loan fees (not to exceed two points). Financing loan packages shall not exceed one-hundred percent (100%) of the fair market value of the dwelling unit, including the site acquisition. All loans to be assisted through down payment shall be made through lenders approved by FHA, Fannie Mae, Freddie Mac, Rural Development, or any farm credit system institution with direct lending authority or any lender participating in other federal loan programs.
- b. The lender will be required to submit approval and loan information to the Summit Lake Tribe's Housing Department for review prior to Council's approval and release of funding. The Summit Lake Tribe's Housing Dept. will review and respond to the lender and the applicant within 10 working days of receipt of the loan proposal for eligible determination of the loan for down payment assistance funding. The required documents shall include: The home inspection reports, including copies of the termite inspection, septic inspection if applicable, and/or lead-based paint inspection as applicable, and any clearance required by law by seller to disclose whether the property was used as a site of use and/or manufacture of illegal drugs. A copy of the appraisal and the good faith estimate, which includes the disclosure of all costs related to the escrow, title and loan closing and a loan commitment letter contingent upon the provision of down payment assistance.
- c. For down payment assistance, the grantee shall retain a qualified, licensed housing inspector. A copy of the written inspection report shall be submitted to the Housing Department Manager, prior to the Council's loan approval. Should the home be found to be ineligible for funding, based on failure to pass the inspection, a grant will not be made on a unit that fails to pass inspection criteria. Payment for the home inspection can be a portion of the grant, however, where the unit fails to pass inspection, the Summit Lake Paiute Tribe's Housing Dept. will not pay for the inspection. Grantees are advised to make it a condition of the purchase that the unit passes the home inspection and that upon passing, the Housing Dept will reimburse the Seller for the inspection cost in escrow.
- d. Other information regarding down payment assistance:
 - (1) Maximum Assistance. The maximum level of assistance that can be provided to the borrower under this program is twenty-five thousand dollars (\$25,000.00). Minimum loan amount for this program is one thousand dollars (\$1,000.00).
 - (2) Interest rates buy-down is a form of gap financing used when applicants have a steady income that is insufficient to cover the monthly payment. The lender to reduce the interest rate on the applicants' loan which will decrease the amount of the

monthly payment. SLPT will provide funds directly to the lender if required in this case.

- (3) Other eligible soft costs. Reasonable and necessary costs (paid to a third party) includes but is not limited to: finance related cost – origination fees, preparation and filing of legal documents, credit reports, title reports and updates, recordation fees, appraisal, attorney's fees, loan processing fees, insurance and other customary fees.
- (4) Nearly all lenders will require a down payment when purchasing a home. Part of this down payment may be provided by SLPT, however, homebuyers may have to pay a portion from their own cash. The amount may depend on the requirements of the first mortgage lender.

4. Repayment of the Loan

- a. There shall be no monthly repayment or interest associated with SLPT's Down Payment & Closing Cost Assistance Program loans. A ten percent (10%) of the original down payment & closing costs assistance loan amount will be forgiven on each annual or monthly anniversary of the loan. At the end of the ten years the loan balance will be forgiven in full.
- b. If the property is sold or the title is otherwise transferred and ceases to be the borrower's primary residence, the unforgiven portion of the loan will be due and payable to the Summit Lake Paiute Tribe Housing Dept.
- c. Resale Restriction documentation for the Down Payment & Closing Costs Assistance Program shall include resale restrictions and an option to purchase granted to SLPT. If, at any time during the first 10 years of the forgivable loan term, the owner sells or transfers title to the home, the owner must repay the SLPT any balance due.

5. Waiting List/ Applicant Pool

- a. The Down Payment & Closing Costs Assistance Program is operated on a first-come first-served basis subject to the availability of funds.
- b. SLPT will maintain a wait list of applicants interested in the Housing Programs. The time and date of the beginning of the application process will be noted. The date and time will be noted again for eligible applicants who submit a complete application upon receipt by the SLPT Housing Department. Those completed applicants will go on to the Council for approval and funding when available.
- c. If funds are unavailable for the Down Payment & Closing Costs Assistance Program, SLPT may suspend or discontinue accepting applications until funds become available.

6. Reservation of Funds

- a. Funds 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. Funds will be reserved for 60 days and may be extended for 30 days at a time.

7. Insurance

- a. If the owner selects a home in a flood plain, flood insurance must be obtained in an amount adequate to cover the first and second mortgage loan in compliance with 24CFR 1000.38. The owner must provide a certification of insurance to SLPT annually.

Under the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. 4001-4128), a recipient may not permit the use of Federal financial assistance for acquisition and construction purposes (including rehabilitation) in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, unless the following conditions are met: (a) The community in which the area is situated is participating in the National Flood Insurance Program in accordance with section 202(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106(a)). For this purpose the "community" is the governmental entity such as an Indian Tribe, or a municipality or county, that has authorized to adopt and enforce flood plain management regulations for the area; and (b) Where the community is participating in the National Flood Insurance Program, flood insurance on the building is obtained in compliance with section 102(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012(a)); provided, that if the financial assistance is in a form of a loan or insurance guaranty of a loan, the amount of flood insurance required need not exceed the outstanding principal balance of the loan and need not be required beyond the term of the loan.

- b. The owner shall be responsible for any insurance coverage required by the SLPT or the lending institution.

8. Assumption of Loan

- a. If the property is sold during the term of SLPT's loan assistance, the SLPT loan may be assumed by a qualified low-income borrower. Generally, the assumption approval will be based on the following:
 1. The new owners must assume the first mortgage and be contractually obligated to satisfy the mortgage.
 2. The new owners must be low income, as defined by the SLPT. The definition of low-income shall be the same as defined in the SLPT Eligibility, Admissions & Occupancy Policy.

11. Transfer of Home

- a. If the homebuyer no longer desires to own the property and intends to sell or otherwise transfer title, the homebuyer must notify SLPT of their intent in writing. Upon receipt of the notice, SLPT shall then have the right to exercise its Purchase Option by delivery of notice to the homebuyer of such exercise at any time within thirty (30) days from its receipt of such written notice from the homebuyer of interest to sell or otherwise transfer the residence.
- b. If SLPT exercises its Option to Purchase the property, closing shall be through an escrow with the title insurance company issuing the owners title insurance policy. The closing shall be within sixty (60) days of the opening of escrow. In the event SLPT decides to assign the

Purchase Option, the opening of the escrow will be within thirty (30) business days after the homebuyer is notified of SLPT's intent to exercise the Purchase Option. In the event SLPT postpones opening of escrow and is unable to select an assignee, SLPT retains the right to open escrow and complete the purchase provided the escrow is opened within thirty (30) business days and the sales transaction is completed within ninety (90) days from the homebuyer's notice of intent to sell.

- c. Up to ten (10) days before close of escrow, the homebuyer may give notice to SLPT of the homebuyer's intent to terminate the escrow. SLPT shall retain the right by notice to the homebuyer to complete the purchase of the property for an additional period of ten (10) days commencing from the date of the receipt of notice the homebuyer's intent to terminate the escrow.

In the event the SLPT does not exercise its Purchase Option within thirty (30) business days of the homebuyer's notice pursuant to the Resale Restriction and Purchase Option, the homebuyer may offer the residence to anyone.

Any attempt by the homebuyer to make a prohibited transfer of title or interest in the property in violation of the Down Payment & Closing Costs Assistance Program documents, the transfer will be void and subject to exercise of the purchase option described in Section VI of that document.

- d. Permitted Transfer by Owner

The following transfers are not prohibited and therefore are not subject to exercise by the Optionee of the Purchase Option:

1. Transfer by gift or inheritance to the homebuyer's spouse or children;
2. Transfer of title by a homebuyer's death to a surviving joint tenant, tenant by entireties, or surviving spouse of community property;
3. Transfer of title to a spouse as part of divorce or dissolution proceedings;
4. Granting of leasehold interest or rental of the residence for a period of less than a year; or Transfer of title or interest in the residence to the spouse in conjunction with marriage.
5. The above transfers are allowable if the Second Mortgage Document covenants continue to run with the title to the property following said transfers, and any transfer documents must contain the following covenant:
6. This residence is subject to the Resale Restrictions Agreement and Option to Purchase and Transferee, on behalf of Transferee and Transferee's successors and assigns, covenants and agrees to be bound by and perform the Agreement, and to include in any further transfer of the residence the covenant required by the Agreement.
7. The homebuyer must notify SLPT at least thirty (30) business days prior to the sale or transfer of the property. SLPT will approve or disapprove of the proposed Transferee within thirty (30) business days after receiving the notification.

12. Counseling

- a. All applicants will be required to attend an SLPT approved homebuyer counseling class prior to loan approval. The purpose of this requirement is:

1. To enable the applicant to understand the responsibilities that accompany participation in SLPT's Down Payment & Closing Costs Assistance Program.
 2. To enable the applicant to understand the home buying process,
 3. To enable the applicant to understand and prepare to assume homeownership responsibilities and tasks,
 4. To develop an understanding of the Down Payment & Closing Costs Assistance Program with a goal of promoting feelings of self-respect, pride and community responsibility.
- b. If available, applicants may elect to attend Post-Occupancy counseling. The cost of this counseling may be included in closing costs paid by SLPT if the homeowner makes arrangements before the loan closing. Post-Occupancy counseling may include the following:
1. Budget Counseling
 2. Home Maintenance
 3. Refresher review of SLPT's Down Payment & Closing Costs Assistance Program requirements.
- c. Any counseling required by the lender or the SLPT shall be at no cost to the homebuyer.

13. Payment Oversight

- a. SLPT shall work with the homebuyer to ensure the success of their home ownership. If, for any reason, the first mortgage loan becomes delinquent, the lender will contact SLPT. Upon receipt of any delinquent notices, SLPT staff may contact the homebuyer to assist in resolving the problem. This intervention does not, in any way, diminish the homeowner's responsibilities to the first mortgage lender.
- b. If a homebuyer is found to be in default of any portion of the first mortgage documents, SLPT may provide or refer the home buyer to financial counseling in an effort to resolve the problem, and may:
 1. Arrange a meeting with the home buyer to discuss the default;
 2. Work with the home buyer to develop a specific plan of action to correct the default;
 3. Monitor the homebuyer's plan of action until the default is corrected.

C. ENVIRONMENTAL REVIEW

The property must be reviewed by SLPT for environmental impact in accordance with the National Environmental Policy Act (NEPA) (42 U.S.C. 4321) and Hud's implementing regulations at 24 CFR 1000.18 and 24 CFR parts 50 and 58. No funds may be committed to a grant activity or project before completion of the environmental review and approval and approval of the request for release of funds and related certification required by sections 105(b) and 105(c) of NAHASDA, except as authorized by 24 CFR part 58 such as for the costs of environmental reviews and other planning and administration expenses.

D. FLOOD INSURANCE

If the applicant selects a home in the flood plain, flood insurance must be obtained in an amount adequate to cover the first and second mortgage loan in compliance with 24CFR 1000.38 and the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012(a)). The borrower must provide a certification of flood insurance to SLPT Housing Dept. annually if applicable.

E. LEAD BASED PAINT REQUIREMENTS

The dwelling unit must comply with lead-based paint rules at 24 CFR Part 35 (i.e., no cracking, peeling, scaling paint). The Environmental Protection Agency (EPA) lead-based paint pamphlet must be given to borrowers purchasing pre-1978 units before executing the sales contract and including an acknowledgement signed by the borrower. The EPA Pamphlet, "Protecting Your Family From Lead In Your Home" may be obtained through EPA online or from instructions at EPA's website under FRL-4966-6.

F. INELIGIBILITY

Applicants will be considered ineligible for not meeting items in Section 2 above or for any of one or more of the following:

- (1) Providing false information on the application.
- (2) Failing to complete required forms or to supply requested information.
- (3) Committing fraud in connection with any SLPT program or failing to disclose previously committed fraud in connection with any SLPT program.
- (4) Appearing on the Federal government's Excluded Parties List System (EPLS).
- (5) Having a record of eviction from any government assisted housing program.
- (6) Having an outstanding debt owed to any public or Indian housing authority or tribally designated housing entity.
- (7) The prohibitions in 24 CFR part 24 on the use of debarred or suspended or ineligible contractors apply to assistance provided under this policy.

G. APPEAL PROCESS

Should the Council disapprove any application for the Down Payment & Closing Costs Assistance Program and who, for any reason, have been determined to be ineligible will be notified in writing within 10 business days. The notification shall state the reason(s) for ineligibility along with appeal rights. All information relative to the disapproval of the application shall be documented and placed in the applicant's file.

An applicant, who has been determined ineligible for the Down Payment & Closing Costs Assistance Program, may request a second determination within 30 calendar days of the date on the written notice. The appeal request to the Council will be acknowledged and a time set at a future Council Meeting to hear the appeal. During the appeal before Council (in executive session) the applicant may resubmit eligibility documentation at that time for a second determination. Applicant shall be entitled to present oral or written communication with regard to the reconsideration. Council will provide a second written notification of selection or denial

based on the information submitted by the applicant within 10 days.

The decision of the Summit Lake Council shall be considered final action on the appeal. Other recourses for appealing a SLPT decision may also be available and will be described in each letter of denial sent to the applicant according to the Grievance Policy.

H. LABOR PROVISIONS

When NAHASDA assistance is used to assist homebuyers to acquire single family housing, Davis Bacon Act Prevailing Wage Rates apply to the construction of housing only if there is a written agreement with the owner/developer of the housing that NAHASDA assistance will be used to buy the home.

I. NON-DISCRIMINATION

In carrying out assistance under this policy, the SLPT will comply with Provisions of 24 CFR section 1000.12.

J. CONFLICT OF INTEREST

In carrying out assistance under this policy, the SLPT will comply with the provisions of 24 CFR sections 1000.30; 1000.32; 1000.34; and 1000.36.