



HOME Down Payment Assistance

Sponsored by Habitat for Humanity of Iowa

HOMEBUYER ASSISTANCE AGREEMENT

Homebuyer Assistance Agreement (the "Agreement"), made as of this ___ day of _____, 20___, by and between _____ (the "Homebuyer"), whose mailing address is _____, and Habitat for Humanity of Iowa, having its principal offices at 5191 Maple Dr., Ste L, Pleasant Hill, IA 50327.

1. **PURPOSE.** Habitat for Humanity of Iowa (the Subrecipient) has applied for funds from the Iowa Finance Authority ("IFA"), as administrator of the HOME Investment Partnerships Program (the "HOME Program"), as authorized by Title II of the National Affordable Housing Act of 1990 (P.L. 101-165), the regulations contained in 24 CFR Part 92, and IFA's HOME rules, all as may be amended and supplemented from time to time. HOME funds are provided to the Homebuyer in the form of a loan with a portion to be **conditionally-forgivable** for the purpose of assisting the Homebuyer in meeting the down-payment, closing cost, and/or rehabilitation requirements associated with the purchase of an eligible home located at _____ (the "Property") to be owned and occupied by the Homebuyer.

2. **HOMEBUYER REPRESENTATIONS AND WARRANTIES.** The Homebuyer represents and warrants to the Subrecipient as follows:

- (a) The Homebuyer household "annual income" does not exceed 50% of the area median income adjusted for family size, as determined by the Section 8 (Part 5) definition of income. In compliance with program requirements, the income of all residents in the household has been reported.
- (b) The Property to be purchased with the assistance of HOME funds will be the primary residence of the Homebuyer.
- (c) The Homebuyer acknowledges that the purchase price of the home shall not exceed the lesser of i) the appraised value of the Property, or ii) HOME Homeownership Value Limits for single family housing as determined by HUD in accordance with the HOME final rule at 24 CFR 92.254.
- (d) The Homebuyer shall list Habitat for Humanity of Iowa as loss payee on the homeowner's insurance for the duration of the required ownership and occupancy period.

- (e) The Homebuyer shall contribute at least \$500.00 towards the purchase of the Property.
- (f) The Homebuyer acknowledges that at the time of the loan closing, no cash may go back to the Homebuyer or a family member.
- (g) The Homebuyer shall obtain a fee simple deed in favor of every Homebuyer subject to this Agreement. A spouse or other party cannot be a grantee in the deed unless included in this Agreement as a Homebuyer.
- (h) The Property purchased shall be marketable as demonstrated by a lien search, title opinion, title certificate, or any other appropriate real estate title documentation approved by Subrecipient.
- (i) The homebuyer acknowledges that should their home built prior to 1978 undergo rehabilitation or lead-based paint hazard reduction, there are limitations on entrance and occupancy. Unless specifically allowed under 24CFR Part 35 Section 35.1345, at no time can occupants be permitted into the work site, unless they are employed in the work, until after work is complete and clearance, if required, has been achieved. The homebuyer also acknowledges that they may not move their belongings into the home or occupy the home until clearance has been achieved.
- (j) The Homebuyer has read and understands the Terms and Conditions identified below and agrees to abide by such Terms and Conditions as part of this Agreement.

3. **TERMS AND CONDITIONS OF LOAN.** The loan and the conditionally forgivable portion of the loan shall be subject to the following terms and conditions:

- (a) **DURATION OF COMMITMENT.** This Agreement shall constitute an agreement by the Subrecipient to provide HOME funds to the Homebuyer, subject to Subrecipient's receipt of HOME Program funds, continued eligibility of the Homebuyer, environmental review in accordance with 24 CFR Section 58.5 and 58.6, and other eligibility requirements identified in the Habitat for Humanity of Iowa Administrative Plan, for a period not to exceed 180 calendar days, beginning on _____. This is the date the Subrecipient determined the Homebuyer was initially income qualified. At the sole discretion of the Subrecipient, and subject to re-verification of the Homebuyer's eligibility, the Subrecipient may extend this commitment by executing a new Homebuyer Assistance Agreement for this purpose.
- (b) **AMOUNT.** The original HOME loan amount shall be equal to the direct subsidy provided to the Homebuyer. Except as provided in subsection (c) below, the amount of HOME funds to be provided may not exceed \$35,000.
- (c) At the discretion of the Subrecipient, the amount in subsection (b) above may be amended, subject to funding limitations and subsidy layering requirements specified in the Habitat for Humanity of Iowa Administrative Plan, due to unforeseen and exceptional circumstances which have resulted in the need for a reduction in HOME funds necessary to complete the purchase transaction. In the event of an increase in the amount in subsection (b) above, the Homebuyer must submit to the Subrecipient a request for any increase, which increase must be approved by the Subrecipient and the Homebuyer must execute a new Agreement to reflect the increased amount.

- (d) Except as provided in section 4(g) of this Agreement, the loan shall have an interest rate of zero percent (0%).
- (e) Every Homebuyer subject to this Agreement must execute the **Promissory Note** securing the HOME loan and other documents specified by IFA or the Subrecipient pertaining to the processing and/or closing of the HOME loan.
- (f) Every Homebuyer and spouse, if applicable, must execute and file of record a **Mortgage** and any other documents specified by IFA or the Subrecipient securing the Property as collateral for the HOME loan.
- (g) A payment credit, equal to the amount specified in subsection (i) below, will be applied against the principal balance outstanding each year if the Homebuyer continues to **OWN AND OCCUPY** the Property purchased with the assistance of HOME funds for the required ownership and occupancy period, beginning on the date that IFA closes the loan in the HUD financial reporting system.
- (h) **OWNERSHIP AND OCCUPANCY PERIOD.** The ownership and occupancy period commences on the day that IFA closes the loan in the HUD financial reporting system. The required ownership and occupancy period is as follows:

Loan Amount	Ownership and Occupancy Period
Under \$15,000	5 full years
\$15,000 to \$40,000	10 full years

- (i) **RECAPTURE.** The forgiveness period is based on the required affordability period. A payment credit will be applied against the principal balance for each full year of the forgiveness period.

5 Year Affordability Period

Forgiveness Period	Forgiveness Amount
1 Full Year	20% of the loan
2 Full Years	20% of the loan
3 Full Years	20% of the loan
4 Full Years	20% of the loan
5 Full Years	20% of the loan

10 Year Affordability Period

Forgiveness Period	Forgiveness Amount
1 Full Year	10% of the loan
2 Full Years	10% of the loan

3 Full Years	10% of the loan
4 Full Years	10% of the loan
5 Full Years	10% of the loan
6 Full Years	10% of the loan
7 Full Years	10% of the loan
8 Full Years	10% of the loan
9 Full Years	10% of the loan
10 Full Years	10% of the loan

- (j) In the event the Homebuyer either sells or transfers the Property during the ownership and occupancy period, a pro-rata amount of the HOME loan provided, shall become immediately due and payable. The pro-rata amount due and payable is calculated based on the period of time the Homebuyer did not continue to own and occupy the Property as his/her primary residence (as determined by Habitat for Humanity of Iowa) measured against the required ownership and occupancy period. For the purpose of calculating the pro-rata amount due and payable, only each full year, rounded down to the nearest full year, of ownership and occupancy shall be used. For instance, a Homebuyer who owned and occupied the property for two years and seven months would be given credit only for two full years. The amount subject to recapture is limited to what is available from net proceeds. Net proceeds are defined as the sales price minus superior non-HOME loan repayments and any seller closing costs.
- (k) The homebuyer **must provide immediate notice** to Habitat for Humanity of Iowa and ___AFFILIATE___ when entering into a contract to sell the property so that they may be able to provide the homebuyer with the required amount of recapture. In the event the Homebuyer fails to occupy the Property as his/her primary residence but retains ownership of the Property during the required ownership and occupancy period, the full amount of the loan is due and payable without any pro-rata reduction.
- (l) HOME loan funds may be used only to assist the Homebuyer in meeting down payment, closing cost, and rehabilitation requirements associated with the purchase and/or rehabilitation of an eligible property, subject to all applicable terms, conditions, and requirements specified in the Habitat for Humanity of Iowa Administrative Plan.
- (m) All loan funds provided under this Agreement must be repaid immediately to IFA in the event the loan is terminated by any Homebuyer for any reason.
- (n) The Homebuyer must qualify for and obtain other primary loan financing. The primary loan(s) plus any other funding contributed by the Homebuyer or other sources, when combined with the amount of HOME funds that may be provided through this Agreement, must be sufficient to complete a purchase transaction on a property meeting the eligibility requirements of the Habitat for Humanity of Iowa Program.

4. **ADDITIONAL TERMS AND CONDITIONS OF THIS AGREEMENT**

- (a) **INSPECTION.** The Subrecipient shall have the right to inspect the Property during reasonable hours prior to HOME funds being provided to determine the eligibility of the Property, in accordance with the Habitat for Humanity of Iowa Administrative Plan.
- (b) **RECORDS.** At the request of the Subrecipient, the Homebuyer shall furnish records and other information in connection with Homebuyer and Property eligibility determinations as may be requested by the Subrecipient and/or IFA.
- (c) **INDEMNIFICATION.** The Homebuyer hereby indemnifies, holds harmless, and will defend IFA, the State, the Subrecipient, their officers, agents, and employees from all liability, including costs and expenses, for all actions or claims resulting from injuries or damages by any person or property arising directly or indirectly as a result of any error, omission, or negligent act of any Homebuyer, its contractors, or anyone directly or indirectly employed by any Homebuyer in the performance of this Agreement.
- (d) **VIOLATION OF AGREEMENT.** Upon violation of any of the provisions of this Agreement by any Homebuyer, the Subrecipient shall give written notice thereof to the Homebuyer, as provided in subsection (f) below. If such violation is not corrected to the satisfaction of the Subrecipient within thirty (30) days after the date such notice is given, or within such further time as the Subrecipient, in its sole discretion, permits, the Subrecipient may declare a default under this Agreement, effective on the date of such declaration of default and notice thereof to the Homebuyer. Upon such default the Subrecipient may:
- (i) terminate this Agreement;
 - (ii) exercise such other rights or remedies as may be available to the Subrecipient, at law or in equity.
- (e) **AMENDMENT.** This Agreement shall not be altered or amended except in writing signed by the parties hereto.
- (f) **NOTICE.** Any notice, demand, request or other communication that any party may desire or may be required to give to any other party hereunder shall be given in writing, at the addresses set forth above, by any of the following means: (a) personal service; (b) electronic communication together with confirmation of receipt; (c) overnight courier; or (d) registered or certified United States mail, postage prepaid, return receipt requested. Such addresses may be changed by notice to the other party given in the same manner as herein provided. Any notice, demand, request or other communication sent pursuant to either subsection constitute one and the same agreement.
- (g) **RECOVERY OF FUNDS.** In the event of a default or violation of any of the terms of this Agreement by any Homebuyer, the Subrecipient may institute action to recover all or part of the funds paid under this Agreement. Repayment by the Homebuyer of loan funds under this recovery provision shall occur within thirty (30) days of demand. In addition, if the Homebuyer is required to repay the full amount or any portion of the HOME funds due to a default by any Homebuyer, interest shall accrue at the rate of 2% per annum from the date of default on the principal remaining unpaid until paid in full.

- (h) ASSIGNABILITY. The Homebuyer may not assign or delegate this Agreement, or any part of it, or any right to any compensation or reimbursement paid under it without the express written consent of the Subrecipient. The Subrecipient may assign or delegate this Agreement to IFA.
- (i) INCOME TAXES. The Homebuyer is responsible for any State or Federal income taxes that may be assessed as a result of this loan and is advised that a Form 1099 may be provided.

The parties hereto have caused this Agreement to be executed on the date first above written.

Signature: _____ Date _____

Signature: _____ Date _____

Signature: _____ Date _____
Lisa Houser, Habitat for Humanity of Iowa