Mobile County, Alabama

Homeownership Down Payment Assistance Program Guide

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Executive Summary

The Community Development Block Grant - Disaster Recovery (CDBG-DR) Homeownership Down Payment Assistance Program (HDPA) aims to support low- to moderate-income households recovering from both Hurricane Sally and Zeta that hit Mobile County in 2020, by facilitating access to affordable homeownership. This program is funded through the US Department of Housing and Urban Development (HUD) and administered by the State of Alabama's Department of Economic and Community Affairs (ADECA). The Mobile County Commission (the County), Subrecipient to ADECA, will implement HDPA to ensure effective, localized support to impacted communities. The HDPA will provide an opportunity for households to purchase affordable housing by providing up to 100% of the downpayment required by the mortgage lender and/or subsidizing mortgage interest rates to make mortgage payments more affordable. Households with income up to 120% Area Median Income (AMI) may qualify based on need. Attendance at an eight-hour homeownership education course provided by a HUD Certified Housing Counseling Agency will be required of eligible homebuyers.

This Program Guide is intended to outline the requirements for prospective HDPA homebuyers, program's eligibility requirements, application process, and the range of assistance available to homebuyers. Eligible participants can receive financial support for down payments and closing costs, which reduces the initial financial burden and promotes sustainable homeownership. The guide also covers important compliance elements, including income verification, property selection criteria, and ongoing maintenance requirements, ensuring that all program activities align with CDBG-DR regulatory standards and HUDs commitment to promoting fair housing.

It is important to note that HDPA is modeled after the County’s current Down-Payment Assistance Program funded by HUD’s HOME Investment Partnerships (HOME) Program. Where possible, rules and regulations have remained in place for the HDPA for consistency and administrative purposes.

Homeownership Downpayment Assistance Program Overview

The Homeownership Downpayment Assistance Program (HDPA) will address the needs of homeowners who lost their homes in the 2020 hurricanes and support affordable homeownership for low- and moderate-income renters impacted by the storms. While this program will give priority to LMI homeowners and renters who were impacted by the 2020 hurricanes, LMI individuals who are on the path to homeownership are also encouraged to apply. Coordination between the County and units of local government or non-profit organizations will occur to provide housing counseling, training/homeowner education, homebuyer program delivery, and financial management services, including homebuyer down payment and closing cost assistance. This program will provide forgivable loans to LMI homeowners who lost their homes in the disaster and have insufficient downpayment funds from other sources. Where appropriate, participating organizations will coordinate with developers funded through other affordable housing programs to match displaced homeowners and prospective homeowners with new housing units.

Program Goals and Priorities

HDPA is designed to assist LMI individuals in achieving homeownership. By delivering assistance to the targeted LMI population, the activities funded under this program will meet the LMI Housing national objective pursuant to 24 CFR 570.483(b)(3) and related provisions of the applicable HUD Federal Register Notices. The following goals and priorities guide program implementation, ensuring alignment with HUD regulations, community needs and sustainable recovery efforts:

	Increase Access to Homeownership
	Promote Fair and Equitable Housing Opportunities
	Enhance Disaster Resilience
	Provide Clear Guidance and Technical Assistance to Homebuyers
	Establish Program Compliance

Funding Requirements

Eligible Activities

HDPA will be administered by the County with the primary objective of providing non-construction forms of affordable housing assistance to support eligible households in achieving homeownership in hurricane impacted areas. HDPA will assist with:

- Down Payment Assistance – Provision of grants, low-interest rate mortgage loans, or tax incentives to assist eligible home buyers purchase a home.
- Gap Financing– An interim loan given to finance the difference between the borrower's primary loan and available cash on hand.
- Principle Reduction – A decrease in the amount owed on a loan, most often a mortgage.
- Housing Counseling and Homebuyer Education – Independent, expert advice customized to the need of the consumer to address the consumer's housing barriers and help achieve their housing goals.
- Property Inspection– Address costs associated with any property inspection. Aproperty inspection needs to be conducted by a third party prior to closing.
- Legal and Title Services – Cover any legal or titling costs for an eligible homebuyer include residential title searches, title insurance, judgment and lien searches, and any other services necessary to research and clear a title so that a property can be sold.
- Closing Cost Assistance - Financial assistance to cover the certain buyer expenses associated with closing a real estate transaction.

These activities are eligible pursuant to the applicable HUD Federal Register Notices, 24 CFR 570.482, and Title I of the Housing and Community Development Act of 1974 (42 USC 5301 et seq.).

Award Limits

The maximum amount of assistance that will be provided through HDPA will not exceed $50,000 per homebuyer.

Total Allocation

HDPA has been allocated **$3,000,000** of CDBG-DR funding with an additional 13.5 percent for Activity Delivery Cost of $405,000, totaling $3,405,000.

HDPA funding will be made available on a first-come, first-served basis as long as funds remain available. Once a homebuyer's eligibility is confirmed, funding will be reserved for a period of 60 days. This reservation period is intended to provide sufficient time for the homebuyer, lender, and other stakeholders to complete the necessary steps towards closing. During this 60-day period, reserved funds will be tied to the specific homebuyer and property. On a case-by-case basis, the County may grant a 30-day extension on the reserve funding if the homebuyer is actively working on taking the steps towards closing.

The lender will be notified of a buyer's eligibility and will be responsible for managing reservations to maintain the program's efficiency. If the lender becomes aware that a homebuyer will not proceed to closing, the lender is responsible for canceling a HDPA reservation as soon as they become aware.

Application and Award Process

HDPA has established a clear, streamlined application and award process designed to assist eligible households in eligible areas in securing the financial support needed for homeownership.

Application Process

When applying for the first mortgage, the homebuyer will complete the HDPA application and submit all required information and documentation to the First Mortgage Lender (Lender). After mortgage commitment, the completed HDPA application, purchase agreement, Lender's loan application and loan estimate will then be submitted by the Lender to the County.

Eligibility Review

The homebuyer's eligibility for HDPA is subject to final review for compliance by the County. The County reserves 15 working days to review and approve completed applications. If any of the required information or documentation is not submitted with the application, it will be considered incomplete. The 15 working day clock will not start until the file is complete. If the HDPA application is approved, the County will notify the homebuyer, Lender, and the designated title company. If the application is rejected, a letter will be sent to the homebuyer and Lender with specific reasons for rejection.

Property Selection and Homebuying Process

Following program approval, the homebuyer will have 90 days to select a property and begin the homebuying process. The Lender will be the responsible party for cancelling the HDPA reservation if the loan cannot close.

Closing and Disbursement of Funds

Closings will only be scheduled after the County has reviewed and approved the final Closing Disclosure Statement.

Post-Award Monitoring and Compliance

The County is required annually to verify occupancy of HDPA assisted homebuyers for a five-year affordability period. Homebuyers who are found in non-compliance with the occupancy requirements during the affordability period will be required to pay back the full CDBG-DR direct downpayment assistance amount received.

Key Administrative Requirements

Nondiscrimination

In accordance with provisions of the Civil Rights Act of 1964, the Fair Housing Act and implementing regulations including 24 CFR 5, 24 CFR 6, and certifications executed by the State, the County does not discriminate on the basis of race, color, national or ethnic origin, age, religion, disability, sex, sexual orientation, gender identity and expression, veteran status, characteristics of personal identity, or any other characteristic protected under applicable federal or state law, and is an equal opportunity employer.

Affirmative Marketing

The County is required to affirmatively market their individual local HDPA, by identifying those populations least likely to apply and targeting outreach and advertising to those populations in accordance with 24 CFR 570.601.

Reasonable Accommodation

The County is subject to the requirements of Section 504 of the Rehabilitation Act of 1973 and related implementation regulations. When needed to provide homebuyers with disabilities reasonable access to the program the County will provide homebuyers the opportunity to request reasonable accommodations. Accommodation examples include, but are not limited to, allowing homebuyers to complete an application in a different location, providing an interpreter for meetings or completing program documentation.

Confidentiality

Except as may be required by law or regulation, the County must maintain client files, both electronic and paper, and must be kept in a confidential manner to protect personal identifiable information. However, all files are made available to HUD, the HUD Office of Inspector General, the Government Accountability Office, or any of their designees for all monitoring and audit purposes (see 24 CFR 570.490(b) and 2 CFR 200.303(e)).

Homebuyer and Household Eligibility Requirements

Low to Moderate Income (LMI) Homebuyers

To ensure that potential homebuyers meet minimum eligibility requirements, the following qualifications will apply:

- Must have been a Mobile County resident during Hurricanes Sally & Zeta
- Meet income requirements as specified by HUD Income Guidelines
- Receive pre-purchase counseling.
- Agree to occupy the property as the primary residence during the period of affordability. (Note: Must not own any additional property.)
- Assisted homebuyers should have good credit and qualify for competitive lending products on par with those offered to credit-worthy unassisted buyers in the local market.
- Assisted buyers should make reasonable and meaningful contributions to their home purchase in terms of both up-front investment and monthly payment without being left without cash reserves after closing or overburdened by their monthly payment.
- Have a reserve of at least one month mortgage after closing.

Citizenship Status

All individuals on the property's legal title (inclusive of non-homebuyers and minors) must be citizens of the United States or qualified aliens eligible to receive federal public benefits under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (''PRWORA'').

Income

To qualify for HDPA and to meet the LMI National Objective, a homebuyer must have a gross income that does not exceed more than 120% of the Area Median Income (AMI)[1].

HUD annually publishes income limits, adjusted for household size, for the CDBG program. [2] Homebuyer income eligibility is determined using the definition of income found at 24 CFR § 5.619 (often referred to as the "Section 8" definition). The gross household income is used for determining program eligibility and must be documented with at least three (3) months of source documentation (e.g., paystubs, benefit records, bank statements) or third-party verifications (e.g., verification of employment). Income attributable to all household members aged eighteen (18) years and older, whether related by blood or marriage or not, are included for eligibility purposes

[1] The area median income (AMI) is the midpoint of a region's income distribution, meaning that half of the households in a region earn more than the median and half earn less than the median. A household's income is calculated by its gross income, which is the total income received before taxes and other payroll deductions.

[2] HUD's income limits are published and available at https://www.huduser.gov/portal/datasets/il.html.

regardless of whether a given household member is on the title or is a party to the homebuyer's mortgage.

However, for underwriting purposes only (i.e., to determine the appropriate level of assistance), the following adjustments to income are made:

- Significant sources of income such as social security benefits, child support payments, or the like that are not expected to continue for three years are excluded. For example, child support received for a sixteen-and-a-half (16 ½) year old is included in the Part 5 definition of income because it continues over the upcoming twelve (12) months but is not counted in homebuyer underwriting as the income will cease when the child turns eighteen (18).
- Any imputed income from assets is excluded for underwriting purposes.

Income determinations are good for six (6) months. Homebuyers must be income eligible under the income limits in effect at the time of executing a "Homebuyer Agreement" with the County.

Counseling

Potential homebuyers must successfully complete a homebuyer counseling class provided by a County designated agency (which is HUD approved) as the first step in participating in the County's HDPA. There are three options available to receive the homebuyer counseling class, (1) Workshops, (2) One-on-one Counseling and (3) Online Counseling. The classes are provided at no cost to the homebuyer with the exception of the On-line Counseling class, which may require an access fee. The designated agency will refund the fee after completion of the training session is verified. The County will absorb the fees for the Workshops and One-on-one counseling from its CDBG-DR funds. Homebuyers will also receive the HUD required Lead Hazard Information Pamphlet, Lead Disclosure Notice and the Notice of Lead Reduction (as applicable).

A HUD approved housing counseling agency designated by the County will provide the homebuyer counseling class and will issue a certificate of completion. The certificate is valid for the purposes of the HDPA program for two (2) years.

Materials used for housing counseling will be in accordance with the National Industry Standards for Homeownership Education Counseling (NISHEC) and will include, but are not limited to, the following topics: Eligibility and Requirements of the Mobile County homebuyer assistance program as established by the County, Money Management/Budgeting, Credit Reports, Shopping for a Home, Home Inspections, Obtaining a Mortgage, Mortgage Loan Closings, Insurance, Fair Housing and Predatory Lending Issues. In accordance with NISHEC benchmarks, counseling should include at least one session of 4 to 8 hours, with a 6-hour minimum requirement.

Unless otherwise approved by the County, all adult household members who will be on the title and party to the first mortgage must attend the homebuyer counseling course. The County will not consider an application for HDPA without this certificate of completion.

Underwriting Requirements

To ensure that homebuyers are likely to sustain homeownership, assisted homebuyers are expected to:

- Purchase a home for a reasonable price that does not exceed the fair market value as determined by a appraisal conducted consistent with Uniform Standards of Professional Appraisal Practice (USPAP).
- Obtain a fixed rate first mortgage loan that meets the Responsible Lending policy below for which, the total debt burden (i.e., back-end ratio) is not in excess of 43% of monthly underwriting income.; and one of the following
    - The monthly housing expenses do not exceed 33% of the buyer’s monthly underwriting income (i.e., front-end ratio); or
    - In cases where a buyer’s debt-to-income ratios limit the first mortgage amount for which they qualify, the buyer’s monthly housing payment is at least 25% of their monthly underwriting income OR the first mortgage is limited by the loan-to-value ratio and not the buyer’s payment capacity.
- Contribute at least $500 toward down payment and/or closing costs. Documented costs (e.g. an appraisal) “paid outside of closing” by the buyer will be credited toward this requirement.
- In addition to cash toward purchase, buyers must have sufficient cash resources after closing to cover at least one (1) month of their total monthly housing payment. For the purposes of this requirement, liquid assets are those readily convertible to cash, including but not limited to savings or checking accounts, certificates of deposit, stocks and bonds, cryptocurrency, etc. Liquid assets, however, exclude life insurance policies and any savings held in a tax-preferred retirement account (e.g. pension, 401(k), IRA, etc.), college savings plan (e.g. 529 account), or health savings accounts recognized by the Internal Revenue Service.
- Invest liquid assets in excess of $15,000 toward the purchase of the home before receiving CDBG-DR assistance.
- Complete Pre-Purchase Homeownership Counseling.

County staff will underwrite the homebuyer's deal according to the following requirements:

A complete application package must contain all the required information and documentation requested before the application is considered. All applications will be time and date stamped and processed on a first come, first served basis within 15 business days.

Financial Considerations

Debts and Expenses

Prospective homebuyers will be required to disclose all debts and expenses.

Debts will include items for which money has been borrowed and will include (but not be limited to) car loans, student loans, credit cards, payday loans, and revolving credit accounts. Debts are generally subject to a written contract and require payments over a specified period of time. Those debts that are due to expire within 10 months or less will not be considered in the calculation of the back-end ratio (unless these are critical to the ability to pay the mortgage during this timeframe); however, future housing debt will be included in both the front and back-end ratios and will include principal, interest, taxes and insurance.

Expenses differ from debts, as these involve an outflow of money to pay for an item or service. Homebuyers will be asked to provide information on regular expenses of $100 or more for consideration of the residual income calculation. These will vary by homebuyer but include things such as transportation (auto-maintenance, gas, etc.); food (groceries); healthcare (prescriptions, doctor co-pays, personal items (barber/beauty, clothing, etc.); childcare (tuition, school supplies, etc.); and miscellaneous (entertainment, pets, insurance etc.).

Required Homebuyer Investment

Participating homebuyers are required to invest at least $500 in cash towards down payment or closing costs. To receive credit for this investment, a buyer's contribution must be shown on the Closing Disclosure Statement. Credits may include earnest money deposit, cash at closing, or cost "paid outside of closing" such as an appraisal, home inspection, or other eligible costs.

Liquid Asset Limits

The maximum liquid assets held by the homebuyer, at the time of application cannot exceed $15,000. The assistance will be reduced by any amount over the $15,000 limit. For the purposes of this requirement, liquid assets will include any assets, of the adults who will hold title to the home, that are convertible to cash (including but not limited to savings or checking accounts, certificates of deposit, cryptocurrency, stocks and bonds, etc.). Liquid assets, however, will not include any assets held in a tax-preferred retirement or health savings account recognized by the Internal Revenue Service.

First Mortgage Requirements

To ensure that homebuyers receive a mortgage that is sustainable over time, the County requires that the Lender provides a "Qualified Mortgage" that is consistent under the requirements of the Consumer Financial Protection Bureau (CFPB), as codified at 12 CFR 1026(43)(e). Qualified Mortgages, among other features, limit balloon payments and the loan term as well as total points and lender fees to reasonable levels.

The mortgage lender is required to complete the First Mortgage Certification which is located in the HDPA application package.

Interest rates must be competitive and cannot be a "Higher Priced" loan as defined by CFPB[3].

The first mortgage is preferably a fully amortized 30-year fixed rate loan. Loans from USDA may be a 33-year fully amortized fixed rate loan.

When the first mortgage is limited by the loan-to-value ratio (LTV) rather than by the homebuyer's ability to afford the monthly payment, the first mortgage must allow an LTV of at least 95%. As an example, HUD FHA first mortgage loans permit an LTV up to 96.5%.

Financing Ratios

- The first mortgage monthly payment (includes Principal, Interest, Taxes, and Insurance a.k.a. P.I.T.I.) **cannot exceed 33%** of the anticipated gross annual income. This is known as the "front end ratio" and it is used to determine the maximum allowable P.I.T.I.
- The first mortgage, combined with other consumer debt, **cannot result in a total debt to income ratio (a.k.a. "back-end ratio") greater than 43%** (per 12 CFR 1026.43e).
- The residual income will be calculated based on deducting the total monthly reoccurring expenses, projected P.I.T.I. and other monthly debt obligations (as used in the back-end ratio calculation) from net income (take home pay) to determine if a minimum of $100 remains.
- When the homebuyer's first mortgage is limited by debt-to-income ratio and/or the residual income calculation, the first mortgage monthly payment (P.I.T.I.) **cannot be less than 25%** of gross annual income.

Qualified Mortgage Financing

Acceptable first mortgage financing can be conventional private, Federal Housing Administration (FHA), U.S. Department of Agriculture Rural Development (USDA RD), Veterans' Affairs (VA), or equivalent.

[3] What is a "higher-priced mortgage loan"? | Consumer Financial Protection Bureau

Interest Rates

Interest rates must be competitive and cannot be a "Higher Priced" loan as defined by the Consumer Financial Protection Bureau (CFPB). Higher Priced loans are those that exceed the Average Prime Offer Rate by more than 1.5% as of the date of the loan's rate lock. Loans can be checked against the Average Prime Offer Rate by visiting the following website: https://ffiec.cfpb.gov/tools/rate-spread.

Co-Signers

The applying homebuyer(s) must qualify for the home on their own merit without a co-signer. HDPA assistance will not be provided if a co-signer is needed to make the closing occur.

Terms

The minimum amount of assistance available is $1,000 and the maximum amount will not exceed $50,000. This assistance is in the form of a no-interest deferred loan forgiven in equal monthly installments for up to ten years. Since CDBG-DR funds are intended to be used in conjunction with other funds to ensure that no more than the necessary amounts of funds are invested in one project, not every participating household will receive the maximum amount of assistance. The level of homebuyer assistance will be determined by the homebuyer's need for gap financing, as determined by the front and back-end ratios.

An acceptable loan for this program will be 30-year fixed rate mortgage loans (or 33 years for USDA loans). While some homebuyers may prefer shorter loans (e.g., 15-year), the County will only consider such loans on an exception basis if it determines that the homebuyer's payment is sustainable and that the use of a shorter-term loan does not require more than 10 percent greater CDBG-DR assistance when compared to a 30-year loan.

The deferred loan will be secured by a promissory note and junior mortgage to be executed at closing. No monthly payments are required. A prorated portion of the loan amount is forgiven for each full month that the homebuyer retains ownership of and occupies the home on a full-time permanent basis. If the homebuyer retains ownership and occupies the home for a period of up to ten (10) years, depending on the period of affordability, the full amount of the loan assistance provided is completely forgiven and the mortgage released. No application fees will be charged to obtain this loan.

The homebuyer is required to have a minimum cash reserve equivalent to at least one month's payment of principal, interest, taxes and insurance at the time of closing.

Loan Structure

HDPA assistance will be provided to homebuyers in the form of an interest-free deferred payment loan which is due upon any sale or transfer of the home within the loan term which runs concurrently with the required period of affordability. The loan is forgiven on a monthly prorated basis over the ten-year loan period.

The County will be guided by the provisions of HUD's HOME program at 24 CFR 92.254 (a)(5)(ii)(2) and (4) regarding recapture of proceeds.

If the homebuyer **transfers title** of the property either voluntarily (including by sale) or involuntarily (including by foreclosure) during the period of affordability, the homebuyer will be required to pay the County the remaining balance of the total direct CDBG-DR assistance provided. However, the homebuyer will not be required to repay the County more than the net proceeds of the sale. This remedy of the County is called "recapture net of proceeds". The term net proceeds are defined as the sale price less the balance due on the first mortgage and special liens due there under; reasonable and customary expenses of sale; and the value of the homebuyer's initial investment in the home. The County reserves the right to determine whether the sales price is comparable to the sales price in an arms-length transaction for a similar unit. If there are no net proceeds, repayment is not required and the HDPA requirements are considered to be satisfied.

Direct subsidy will be in the form of a deferred loan or loans, each secured by a promissory note and mortgage. The loan(s) will be forgiven pro rata, in equal monthly increments over the period of affordability, as set out in the promissory note(s), mortgage(s), and required written agreement(s) (collectively, the loan documents) as long as the home remains the principal residence of the homebuyer and no other events of default, are also set out in the loan documents, occur.

If the homebuyer **ceases to occupy** the home, leases the home, converts the home to non-residential use.

Should the home be destroyed by fire or another disaster, the CDBG-DR investment (i.e., amount provided for down payment and closing costs assistance) is subject to repayment at the appropriate prorated amount.

Period of Affordability

The HDPA establishes a length of time called the period of affordability for all CDBG-DR assisted homebuyer housing. The period of affordability is based upon the amount of direct CDBG-DR assistance provided to the homebuyer that enables the homebuyer to purchase the house. The maximum period of affordability is ten (10) years for assistance amounts up to $50,000.

Homeownership Downpayment Assistance Program Agreement

In addition to a mortgage and note securing the HDPA investment, all buyers will be required to execute a Homeownership Downpayment Assistance Program Agreement. The agreement is a standalone document from the first mortgage note and deed of trust, is independently enforceable, and applies largely overlapping provisions. If a homebuyer repays the first mortgage prior to the end of the HDPA term as specified in the HDPA Agreement, the HDPA Agreement will remain in effect through its term unless the remaining HDPA balance is repaid.

Refinancing and Subordination

The County has ongoing interests in the success of its HDPA, limiting the loss of CDBG-DR funds, and avoiding the impact of foreclosures on the jurisdiction's residents and neighborhoods. Refinancing of first mortgages is permissible and the forgivable HDPA loan will be subordinated to the new first mortgage only under the following conditions:

- No cash out of the new first mortgage to the homeowner
- The new loan will result in a lower monthly payment for the homeowner by reducing the rate and/or extending the term of the existing loan.
    - The proposed new loan must result in a lower monthly payment for the assisted owner.
    - The new loan may allow the assisted homeowner to finance their closing costs without being considered cash out. Nominal cash back at closing of less than $500 resulting from last-minute adjustments to payoff figures, closing costs, tax/insurance escrows and the like will not be considered "cash out."
    - The proposed new loan may cover the cost of home improvements.
- Any new loan must meet all requirements in the Primary Loan Expectations section above and be approved by the County.
- Income eligibility is not required for any refinancing. If the owner's income has risen above 120% AMI, there is no violation of HDPA.

Principal Residency

To obtain assistance from the HDPA, the qualified homebuyer must agree to maintain the home as their primary residence. The property cannot be leased, rented, or converted for commercial purposes. The qualified homebuyer must not move from the assisted property or establish residency at another location. If the qualified homebuyer does not maintain the home as their primary residence, the County may declare a default in HDPA terms and could lead the County to enforcing the terms set forth in the Homeownership Downpayment Assistance Agreement.

The County is required to verify occupancy of the HDPA-assisted units throughout the affordability period. Homebuyers who do not comply with occupancy requirements during the affordability period may be required to pay back the full amount of CDBG-DR direct assistance received.

Property Review

Location

At the time of application, the property must be located within the boundaries of Mobile County[4], but not within the City of Mobile[5]. Which includes the following locations:

- Mobile County Unincorporated
- City of Bayou La Batre
- City of Chickasaw
- City of Citronelle
- City of Creola
- Town of Dauphin Island
- Town of Mount Vernon
- City of Prichard
- City of Saraland
- City of Satsuma
- City of Semmes

The environmental review is conducted at no cost to the homebuyer.

Sales Price

The County will utilize the purchase price limits of the County's HOME program to guide the price limits for HDPA. All purchases assisted by HDPA must have a sales price less than or equal to the applicable adjusted HOME Homeownership Value Limits as determined by the County for property located in Mobile County. These vary for newly constructed homes and existing homes, and the value limits are updated by HUD annually. The County will adjust the value limits annually in proportion to the limits determined by HUD. The home must be within the value limit determined by the County in effect at the time the assisted homebuyer executes a Homeownership Downpayment Assistance Agreement.

Appraised Value

To ensure responsible use of HDPA funds and to protect homebuyers from overpaying, the County requires that the purchase price of any home funded through HDPA be justified by an independent appraisal. The appraisal, performed by a state-licensed appraiser, verifies that the sales price aligns with the fair market value of the property.

If the homebuyer's first mortgage lender does not require an appraisal that can be adopted by the HDPA, then the County shall coordinate an appraisal to be conducted. If the appraisal shows that the home has a value of less than the asking price, then the seller will need to agree to the appraisal price prior to HDPA funds being provided for the purchase of that property.

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[4] It is important to note that homes purchased within a coastal community will be subject to flood insurance and deed restriction requirements. Homeowners must be willing and able to accommodate these requirements prior to the commitment of CDBG-DR funding being awarded.

[5] The City of Mobile received a direct CDBG-DR allocation from ADECA and this program does not extend to the city limits.

Property Type

HDPA funding must be used to purchase a detached, single-family home on a permanent foundation. The property to be purchased may be new construction, owner-occupied, purchaser-occupied (e.g. if currently being leased by the homebuyer), or vacant.

Rental property is not eligible unless the tenant is the purchaser.

Ineligible Property Types

	Manufactured homes, condominiums, town houses and duplex or multi-plex units.
	Single-family dwellings located on a private road.
	Foreclosure property subject to a right of redemption.
	Single-family dwelling that is a “short sale”.
	Properties located in a flood zone.

Property Standards

To promote sustainable homeownership and comply with federal requirements, the County requires that homes purchased using HDPA funding, meeting certain property standards[6], and not result in the displacement of any existing tenant.

Home Inspection

It is recommended that the homebuyer obtain an independent home inspection. The cost of the inspection may not be included as a closing cost.

The property to be acquired must also be inspected by the County’s designated home inspector. The County’s home inspection will be done in accordance with the prevailing HOME program property standards (24 CFR 92.251). If the property was built prior to January 1, 1978, the home

[6] The County will utilize the standards put in place by the HOME program. Handout - HOME Monitoring: Property Standards for HOME-Assisted Housing

inspector will conduct a visual lead assessment to identify any deteriorated lead-based paint, dust, debris, and residue issues.

In the event of any code violations, repairs related to deferred maintenance or defects, or lead-based paint issues are discovered during the initial County inspection, the seller will be required to correct/repair each, at the seller's expense prior to closing. In accordance with the Environmental Protection Agency (EPA) guidelines, at least one EPA certified renovator must be at the job site or available when work is being performed to correct any lead-based paint issues using lead safe work practices.

Once all the identified corrective work is performed, the property will be re-inspected to confirm that the code violations, repairs, and lead-based paint issues have been satisfactorily completed. If the seller chooses not to make the required repairs or the home fails two (2) re-inspections, the request for HDPA will be denied.

The County's inspection is conducted at the County's expense and is for the County's use only. The enumeration of necessary repairs revealed by the inspection, or the absence thereof, does not constitute a representation, guaranty, or warranty of the condition of the property. It is not to be construed as or relied upon as the home inspection (if any) required under the terms of the homebuyer's purchase agreement or upon which the purchase of the home or the homebuyer's first mortgage application may be contingent. A copy of the County's inspection will be provided to the homebuyer, first mortgage lender and realtor.

Neither the first mortgage lender nor Mobile County shall have any liability for costs incurred by any party for repairs. The County may issue a contingent loan approval subject to satisfactory completion of repairs prior to settlement.

Insurance

The homeowner will be required to carry hazard insurance for the term of the junior mortgage and note, in an amount sufficient to pay all outstanding liens and naming the County as an additional loss payee in primary coverage. Flood insurance is required for property in a 100-year flood plain (a.k.a. Special Flood Hazard Area as designated by FEMA) pursuant to 24 CFR 58 and is recommended for all other properties. Evidence of insurance, naming the County as an additional loss payee, must be provided at closing and annually thereafter.

Flood Insurance

Section 582 of the National Flood Insurance Reform Act of 1994 prohibits flood disaster assistance in certain circumstances. Requiring that no Federal disaster relief assistance is made available in a flood disaster area may be used to make a payment (including any loan assistance payment) to a person for repair, replacement, or restoration for damage to any personal, residential, or commercial property if that person at any time has received flood disaster assistance that was conditional on the person first having obtained flood insurance under applicable Federal law and subsequently having failed to obtain and maintain flood insurance as required under applicable Federal law on such property.

Section 582 of the National Flood Insurance Reform Act requires that subrecipients must inform property owners receiving disaster assistance that triggers the flood insurance purchase requirement that they have a statutory responsibility to notify any transferee of the requirement to obtain and maintain flood insurance, and that the transferring owner may be liable if he or she fails to do so. The requirement to maintain flood insurance shall apply during the life of the property, regardless of transfer of ownership of such property.

Section 102(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) mandates that flood insurance must be purchased for any HUD-assisted property within a Special Flood Hazard Area. Therefore, assisted applicants with structures located in a Special Flood Hazard Area must obtain and maintain flood insurance in the amount and duration prescribed by FEMA's National Flood Insurance Program.

Compliance

Duplication of Benefits

Duplication of Benefits (DOB) occurs when an individual or entity receives financial assistance from multiple sources for the same purpose, and the total amount received exceeds the need or eligible costs for that purpose. Under Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) and HUD's CDBG-DR guidelines, the County and its subrecipients must take steps to prevent and remedy any instances of DOB.

DOB compliance is essential to ensure that HDPA funds are used efficiently, meeting legitimate needs, and avoid the improper use of federal resources. This is to prevent "double dipping" or excessive funding, which can occur if HDPA funds are combined with other financial aid, grants, or benefits without proper analysis. The following steps will be used to ensure that DOB does not occur under this program:

✔	Review all available funding sources	✔	Coordination with other assistance
✔	Calculation of Unmet Needs	✔	Recovery of excess funds
✔	Monitoring and Verification	✔	Documentation

Davis Bacon and Related Acts

As a Subrecipient to ADECA, the County is responsible for adhering to Davis Bacon and Related Acts (DBRA) regulations. However, DBRA will not apply to activities under HDPA because the program will not fund construction-based projects or activities.

Affirmatively Furthering Fair Housing

The MCC is committed to affirmatively further fair housing (AFFH) in all programs and activities funded under CDBG-DR programs, including HDPA, and this commitment is consistent with previously discussed compliance with various civil rights and fair housing requirements. By integrating AFFH principals into HDPA, the County seeks to expand equitable homeownership opportunities, particularly for low- to moderate- income (LMI) households and individuals from historically marginalized groups impacted by the 2020 hurricanes.

Record Retention

To remain consistent with HUD requirements, the County must maintain records for at least three years following the closeout of ADECA's CDBG-DR grant with HUD.

Program Toolkit List

- Application for Funding
- Income Determination
- Eligibility Verification Checklist
- Eligibility Determination Memo
- Property Inspection Form
- Closing Disclosure Statement
- DOB Affidavit
- Homeowner Downpayment Assistance Agreement