

Section I. Program Overview

To be eligible for HOP funding from the Subrecipient, a homebuyer's household annual income may not exceed 80% of the area median income, as determined by HUD, adjusted for family size and the homebuyer must be able to contribute a minimum of \$1,000 towards the purchase of the property. The homebuyer must own and occupy the property being purchased with the assistance of HOP funds as their primary residence. Homebuyers receiving HOP assistance must execute a Note and Deed of Trust securing the property as collateral for the loan, an Assistance Agreement, and other documents specified by AHFC or the Subrecipient pertaining to the processing of the HOP activity.

HOP assistance is provided to qualifying homebuyers in the form of a zero-interest rate, conditionally-forgivable loan. Up to \$10,000 is provided to the homebuyer as a forgivable loan over a five year period. For every full year the homeowner continues to own the home and make it his or her primary residence, the loan will be forgiven by a maximum of \$2,000 or twenty percent (20%) of the loan, whichever is less, in accordance with this Policy and Procedure Manual. Assistance exceeding \$10,000 is repayable at time of sale, transfer or default.

AHFC services HOP loans and enforces the ownership and occupancy period requirements and implements a recapture policy. Under the recapture option in the event that the homebuyer sells the property (or otherwise transfers title to the property), HOP funds provided must be repaid (recaptured) in accordance with recapture provisions identified in the Policy and Procedure Manual and the HOP Note and Deed of Trust. If the homebuyer fails to occupy the property during the Affordability Period, but retains ownership, the full amount of HOP assistance is due and payable.

AHFC only implements the resale option when a homebuyer has received HOP assistance under the Greater Opportunities for Affordable Living (GOAL) or Homeownership Development Program. Under the resale option in the event the homebuyer sells the property (or otherwise transfers title to the property) during the ownership and occupancy period, the purchasing household must qualify as a low-income household, and restrictions on the property remain in effect.

Properties purchased with HOP assistance must meet minimum property standards identified in this Policy and Procedure Manual. The purchase price of the property may not exceed the limitations specified in this Policy and Procedure Manual.

HOP funds may not be provided to a homebuyer purchasing a property which is currently occupied, or has been occupied within the ninety (90) days prior to the date of the sales agreement, by anyone other than the legal owner of the property being purchased. Additionally, notwithstanding this ninety day provision, HOP funds may not be provided to a homebuyer purchasing a property which will result in the displacement of the occupant of the property being purchased (other than the legal owner of the property being purchased).

The maximum assistance per homebuyer project is \$30,000. This limit may be reached using various combinations of project hard and soft costs.

Project hard costs include HOP downpayment assistance, closing costs and a principal buy down subsidy. The amount of HOP downpayment assistance provided to an eligible family may not exceed 2% of the property's purchase price or appraised value or \$3,800, whichever is less. Out of the \$30,000 for which the homebuyer may be eligible, up to \$3,000 may be used for buyer closing costs (costs typically considered to be the responsibility of the buyer). The remainder of the HOP funds may be used, if necessary to achieve affordability, to "buy-down" the principal amount of the primary loan. In no circumstance may a HOP loan exceed \$30,000.

Project soft costs include inspections, credit reports, and homebuyer counseling. Soft costs cannot exceed fifteen percent (15%) of the hard costs for specific homebuyer project. The combined amount of all HOP funds for a single homebuyer may not exceed \$30,000.

The Subrecipient must conduct an inspection of the proposed property to be purchased to determine whether it meets the minimum HOP program property standards. Any improvements necessary to meet the minimum HOP program property standards must be completed prior to HOP loan closing. The homebuyer must also agree to participate in a homebuyer counseling program for a minimum of eight (8) hours.

Upon determining that the homebuyer is eligible for HOP assistance and that the property to be purchased meets minimum HOP program property standards, the Subrecipient may submit the project to AHFC's HOP program staff for approval. Procedures for project approval are identified in this Policy and Procedure Manual. HOP funding requested by the Subrecipient for a project must represent the estimated amount of HOP funds necessary to pay for eligible HOP-related costs, i.e., 2% of the purchase price, up to \$3,000 in buyer closing costs, principal buy down amount if necessary, and estimated inspection costs and counseling costs. AHFC will review the project data submitted and notify the Subrecipient upon approval or denial of the HOP project.

Subrecipients may request disbursement of HOP funds in conjunction with the project approval request or after the project is approved. However, requests for disbursement of HOP funds may be submitted by the Subrecipient no more than 90 days prior to the scheduled loan closing date. Approved disbursement requests are included in AHFC's normal accounts payable process.

Subrecipients should anticipate that the disbursement of HOP funds for an approved project may take up to 30 days, dependent on the day of the week that the disbursement request is received by AHFC. Any unused committed HOP funds for the closed project must be returned to AHFC with project closing documentation as required by this Policy and Procedure Manual.