



HOME Opportunity Program



Sponsored by

HOME BUYER ASSISTANCE AGREEMENT

HUD IDIS Project Number: _____

This **HOME Opportunity Program Home Buyer Assistance Agreement** (the "Agreement"), made as of this ____ day of _____, by and between _____ (the "Home Buyer"), whose mailing address is _____, and _____ (the "Subrecipient"), having its principal offices at _____.

1. **PURPOSE.** The Subrecipient has applied for funds from the Alaska Housing Finance Corporation ("AHFC"), 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 AHFC's rules for the HOME Opportunity Program ("HOP"), all as may be amended and supplemented from time to time. HOP funds are provided to the home buyer in the form of a loan with a portion to be a **conditionally-forgivable loan** for the purpose of assisting the home buyer in meeting the down payment and closing cost requirements associated with the purchase of an eligible home located at _____ (the "property") to be owned and occupied by the home buyer.

2. **HOME BUYER REPRESENTATIONS AND WARRANTIES.** The Home Buyer represents and warrants to the Subrecipient as follows:

- (a) The Home Buyer's household "annual income" does not exceed 80% of the area median income, as determined by the U. S. Department of Housing and Urban Development (HUD), adjusted for family size.
- (b) The property to be purchased with the assistance of HOP funds will be the Home Buyer's primary residence.
- (c) The Home Buyer acknowledges that the purchase price of the home shall not exceed the lesser of i) the appraisal value of the property, or ii) 95 percent of the area median purchase price for single family housing as determined by AHFC in accordance with the HOME final rule at 24 CFR 92.254.
- (d) The Home Buyer shall list AHFC as a loss of payee on their homeowner's insurance for the duration of the required ownership and occupancy period.
- (e) The Home Buyer shall attend and complete an AHFC-approved home buyer education workshop as a condition of, and prior to, receipt of HOP funds.
- (f) The Home Buyer shall contribute at least \$1,000 towards the purchase of the property.
- (g) The Home Buyer acknowledges that at the time of the loan closing, no cash may go back to the Home Buyer; any unused HOP funds, regardless of the amount, must be returned to AHFC.
- (h) The Home Buyer has read and understands the Terms and Conditions identified below and agrees to abide by such Terms and Conditions as part of this Agreement.

- (i) The Home Buyer acknowledges that the HOP-funded property is not an eligible property under AHFC's New Home Rebate program; the Home Buyer warrants that he/she will not apply for or receive AHFC's New Home Rebate subsidy.
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 HOP funds to the Home Buyer, subject to continued eligibility of the Home Buyer, environmental review in accordance with 24 CFR Section 58.5 and 58.6, and other eligibility requirements identified in the HOP Policy and Procedure Manual, for a period not to exceed 180 days calendar days, beginning on ____/____/____. This is the date the Subrecipient determined the Home Buyer was income qualified. At the sole discretion of the Subrecipient, and subject to re-verification of the Home Buyer's eligibility, the Subrecipient may extend this commitment by executing a new Home Buyer Assistance Agreement for this purpose.
- (b) **AMOUNT.** The original HOP loan amount shall be equal to 100% of the HOP funds provided to the Home Buyer. Except as provided in subsection (c) below, the amount of HOP funds to be provided may not exceed \$_____.
- (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 HOME Opportunity Program Policy and Procedures Manual, due to unforeseen and exceptional circumstances which have resulted in the need for a reduction in HOP funds necessary to complete the purchase transaction. In the event of an increase in the amount in subsection (b) above, the Home Buyer must submit to the Subrecipient a request for any increase, which increase must be approved by the Subrecipient and the Home Buyer must execute a new Assistance 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 (0) percent.
- (e) The Home Buyer must execute a **Note and Deed of Trust** securing the property as collateral for the HOP loan, this Assistance Agreement, and other documents specified by AHFC or the subrecipient pertaining to the processing and/or closing of the HOP loan.
- (f) A payment credit, equal to the amount specified in subsection (h) below, will be applied against the principal balance outstanding each year (for the first five years) if the Home Buyer continues to **OWN AND OCCUPY** the property purchased with the assistance of HOP funds for the required ownership and occupancy period, beginning on the date that AHFC closes the loan in the HUD financial reporting system.
- (g) **OWNERSHIP AND OCCUPANCY PERIOD.** The ownership and occupancy period commences on the day that AHFC closes the loan in the HUD financial reporting system. AHFC will notify the borrower of this date in writing. The required ownership and occupancy period is as follows:

Loan Amount	Ownership and Occupancy Period
Under \$15,000	5 full years
\$15,000 to \$30,000	10 full years

- (h) **FORGIVENESS PERIOD AND PAYMENT CREDIT.** The forgiveness period is the first five (5) years of the ownership and occupancy period. A payment credit will be applied against the principal balance for each full year of the forgiveness period. The payment credit is applied up to the first \$10,000, and will be provided to the Home Buyer as a forgivable loan. For every full year of the first five (5) years of the ownership and occupancy period, the loan will be forgiven by a maximum of \$2,000 or twenty percent (20%) of the loan, whichever is less.

Forgiveness Period	Forgiveness Amount
1 Full Year	20% of the loan or \$2,000, whichever is less
2 Full Years	20% of the loan or \$2,000, whichever is less
3 Full Years	20% of the loan or \$2,000, whichever is less
4 Full Years	20% of the loan or \$2,000, whichever is less
5 Full Years	20% of the loan or \$2,000, whichever is less

- (i) In the event the Home Buyer either sells or transfers the property during the ownership and occupancy period, all original loan funds in excess of \$10,000, and a pro-rata amount of the first \$10,000 original HOP loan provided, shall become immediately due and payable. The pro-rata amount due and payable is calculated based on the period of time the Home Buyer did not continue to own and occupy the property as his/her primary residence (as determined by AHFC) 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 Home Buyer who owned and occupied the property for two years and seven months would be given credit only for two full years.
- (j) Any remaining HOP assistance (the amount in excess of \$10,000) will be provided to the Home Buyer as a loan with zero percent (0%) interest, repayable at time of sale or transfer (voluntary or involuntary) of the property by the Home Buyer. However, the amount due and payable may be reduced if the Home Buyer can show that the appraised value of the home is insufficient to pay off the HOP loan in addition to any other liens in superior position, and standard and customary seller's closing costs
- (k) In the event the Home Buyer 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 of the first \$10,000.
- (l) HOP loan funds may be used only to assist the Home Buyer in meeting down payment (including possible primary loan buy-down through a second deed of trust if necessary to achieve affordability) and closing cost requirements associated with the purchase of an eligible property, subject to all applicable terms, conditions, and requirements specified in AHFC's HOP Policy and Procedure Manual.
- (m) All loan funds provided under this Assistance Agreement must be repaid immediately to AHFC in the event the loan is terminated by the Home Buyer for any reason.

- (n) The Home Buyer must qualify for and obtain other primary loan financing. The primary loan(s) plus any other funding contributed by the Home Buyer or other sources, when combined with the amount of HOP 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 HOME Opportunity 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 HOP funds being provided to determine the eligibility of the Property, in accordance with the HOP Policy and Procedure Manual.
- (b) **RECORDS.** At the request of the Subrecipient, the Home Buyer shall furnish records and other information in connection with Home Buyer and Property eligibility determinations as may be requested by the Subrecipient and/or Alaska Housing Finance Corporation.
- (c) **INDEMNIFICATION.** The Home Buyer hereby indemnifies, holds harmless, and will defend Alaska Housing Finance Corporation, 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 the Home Buyer, its contractors, or anyone directly or indirectly employed by the Home Buyer in the performance of this agreement.
- (d) **VIOLATION OF AGREEMENT.** Upon violation of any of the provisions of this Agreement by the Home Buyer, the Subrecipient shall give written notice thereof to the Home Buyer, 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 Home Buyer. 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, whether by telegram or telecopier, 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 the Home Buyer, the Subrecipient may institute action to recover all or part of the funds paid under this Assistance Agreement. Repayment by the Home Buyer of loan funds

under this recovery provision shall occur within thirty (30) days of demand. In addition, if the Home Buyer is required to repay the full amount or any portion of the HOP funds due to a default by the Home Buyer, 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 Home Buyer 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 AHFC.
- (i) INCOME TAXES. The Home Buyer 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: _____
Home Buyer's Name Typed Date

Signature: _____
Home Buyer's Name Typed Date

Signature: _____
Subrecipient Name and Title Typed Date