

## **Amended Madison American Dream Downpayment Program**

Working within the 2005-2006 Program Funding Framework for Community and Neighborhood Development, the American Dream Downpayment program will help to achieve the goal of increasing homeownership opportunities for low-income households. This program is funded by the Federal Department of Housing and Urban Development (HUD) and will begin after receiving approval from the CDBG Commission and the Common Council. In 2005, the Community Development Office is estimating that 25 loans will be completed using \$140,000 in funding.

The American Dream Downpayment Program provides qualified, first-time homebuyers with a long-term deferred loan to assist with down payment and eligible closing costs. Qualified homebuyers must have an annual gross household income that does not exceed 80% of the Area Median Income as established by HUD, have not owned a home in the last three years or are a displaced homemaker and are documented United States residents.\*

Properties eligible for the American Dream program include single family attached or detached dwellings, a condominium or part of a duplex located within the Madison city limits. 50% of the American Dream Downpayment total funds will be reserved for buyers of Inclusionary Zoning Units for the first 6 months of each year. The maximum home purchase price is established by HUD according to the Single Family Mortgage Limits under Section 203(b) of the National Housing Act (12 U.S.C. 1709 b). For 2005, the maximum home purchase price is \$203,200.

An eligible property must also be safe and sanitary, as verified by a City of Madison Minimum Housing and Property Maintenance Code inspection report. All properties built before 1978 will be inspected for lead paint and be determined to be lead safe prior to acquisition. All properties will also be required to pass an environmental review conducted by the City of Madison Community Development staff.

The American Dream Downpayment loan will range from a minimum of \$1,000 to a maximum amount of 5% of the purchase price not to exceed \$10,000. The assistance is used to cover the home down payment and eligible closing costs. In addition, the Community Development Office will not invest more per housing unit than the maximum amount of funding from all sources as approved in the CD Framework for Community and Neighborhood Development. For 2005, the total amount is \$44,400.

The downpayment loan is a second mortgage, which will become due and payable to the City of Madison when the property is sold, transferred or ceases to be the primary residence of the homebuyer. For Inclusionary Zoning Units, the loan may become a third mortgage if the City of Madison Community Development Office takes a second mortgage on the property. The loan to value ratio limit ~~will be~~ shall not exceed 100% from all sources.\* All homebuyers will be assessed a \$250 non-refundable application fee.

The mortgage will require a repayment equal to the amount of American Dream Downpayment funds invested or the percent of appraised value, which the American Dream Downpayment funds represent in the value of the property, whichever amount is higher. The anticipated loan default rate is 4%.

The homebuyer may appeal any staff denial of an American Dream Downpayment loan to the CDBG Commission at their next regularly scheduled Commission meeting following the denial of a loan. The decision made by the CDBG Commission will be final.

\* If the Common Council adopts a resolution permitting CDBG Office assistance to ~~undocumented immigrants~~ persons with a federal Individual Taxpayer Identification Number (ITIN) who otherwise meet the guidelines of the program, the following guideline will be integrated to this program:

~~undocumented immigrants persons with a federal Individual Taxpayer Identification Number (ITIN) will be eligible for the program. The loan to value limit for undocumented buyers will be 95%.~~