



Home Purchase Rehabilitation Pilot Program Procedures Manual



Department of Housing and Community Development
Home Purchase Assistance Program (HPAP)
Residential and Community Services Division
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HOME PURCHASE REHABILITATION PILOT PROGRAM

Procedures manual for the Home Purchase Rehabilitation Pilot Program to be used in conjunction with HPAP

I. PURPOSE

The Home Purchase Rehabilitation Pilot Program will provide applicants under the Department of Housing and Community Development's suite of Home Purchase Assistance Programs an additional option for becoming a first-time homebuyer.

The purpose of the Home Purchase Rehabilitation Pilot Program is to allow first time homebuyers in the District to purchase homes that require limited repairs to address health, safety and building code violations. This program enables the use of the Federal Housing Administration's (FHA) 203(k) Streamline Rehabilitation Program as a first trust lending product, in conjunction with an HPAP or other DHCD purchase assistance second trust loans. Applicants will receive a combined purchase money loan for acquisition and repairs (limited to the 203(k) guidelines) from the first trust lender. The HPAP or other DHCD program loans will continue to be a second trust loan for downpayment and closing cost assistance. The applicant must meet all DHCD eligibility requirements.

This pilot program can be used with the following DHCD Homebuyer Programs: Home Purchase Assistance Program (HPAP), Employer Assisted Housing Program (EAHP) and the Negotiated Employee Affordable Home Purchase Program (NEAHP). HPAP reserves the right to decline repairs that do not meet the FHA 203(k) streamline limited rehabilitation program standards.

a. What is the HUD FHA 203(k) Streamline Rehabilitation Program?

The 203(k) streamline loan program offers borrowers the resources to rehabilitate a home that may be in need of limited repairs. It allows the borrower to finance that "fixer-upper home" by rolling the cost into one first trust purchase money loan. The Streamline 203(k)

Rehabilitation Program permits homebuyers to finance up to an additional \$35,000 into their mortgage to improve or upgrade the home that they purchase. The 203(k) is made available to certain lenders by the U.S. Department of Housing and Urban Development and is available to borrowers of all income levels.

II. PROCEDURES FOR THE 203(k) BORROWER

1. The potential HPAP borrower will apply at one of the Community Based Organizations (CBO) that accepts HPAP applications (see page 10 for the CBO listing). The applicant must complete the application and meet HPAP requirements. The applicant must also indicate if they plan to apply for a streamline application.
2. The HPAP application will be forwarded to the Greater Washington Urban League (GWUL) processing center to determine eligibility for HPAP and the applicant will receive a notice of eligibility letter in the mail.

The applicant must attend general HPAP training. The applicant must also attend a separate mandatory 203(k) streamline class prior to signing a rehabilitation contract and sending it to the GWUL for approval. HPAP applicants who have received a Notice of Eligibility from the GWUL are eligible for the Pilot Program.

The training will give the applicant the requirements of the Streamline 203(k) Program and educate the applicant on the following program details.

The training will give the applicant the requirements of the Streamline 203(k) Program and educate the applicant on the following program details:

- a. The property selected must be eligible to participate in the 203(k) Streamline Program. (See Section III).
- b. The applicant must complete an application with an FHA approved lender.
- c. A 203(k) streamline consultant is required when financing with an HPAP loan. The 203(k) consultant will prepare a detailed scope of work along with a cost estimate for the needed repairs.

- d. The borrower is responsible for the oversight and management of the rehabilitation project. The borrower must hire licensed and certified contractors to complete the work. The contractor and borrower must sign an agreement and other documents that are required by HUD and the lender. All documents are forwarded to the lender along with the scope of work, cost estimate and the sales contract.
- e. The lender must also forward the 203(k) streamline related documents to the GWUL for review, along with a complete credit package. GWUL will notify DHCD when they receive the work order for review.
- f. In cases where the home is uninhabitable during the repairs, the borrower must show the requisite number of rental payment reserves necessary to cover the housing costs during rehabilitation timeline. This can be evidenced within the 203(k) financing or shown in the borrowers own reserves reflected in a current bank statement(s).
- g. After the project is completed, the borrower and the loan consultant must notify the lender and GWUL. GWUL in turn will notify DHCD that the work has been completed and GWUL will proceed to schedule the Home Quality Inspection (HQI). The file is completely closed out once a clear inspection report is provided.

III. QUALIFICATIONS:

HPAP applicants must have a Notice of Eligibility from GWUL.

Minimum Repair Cost for a 203(k) Streamline Rehabilitation Loan is \$5,000.

Maximum Repair Cost, inclusive of reserves and fees, for a 203(k) Streamline Rehabilitation Loan is \$35,000.

IV. LENDER REQUIREMENTS:

1. FHA approved lender in 203(k) streamline financing of purchases.

2. Maximum lender FHA ratios of 31/43 are required.
3. Lenders may not finance any required repairs that arise from the appraisal that do not appear on the list of eligible work items for a streamline 203(k) or that would:
 - a. require a plan review;
 - b. require plan architectural exhibits;
 - c. require more than six months to complete;
 - d. result in work not starting within 30 days after loan closing; or
 - e. cause the borrower to be displaced from the property for more than 30 days during the time the rehabilitation work is being conducted. (FHA and HPAP anticipate that, in a typical case, the borrower would be able to occupy the property after the loan closing.)
4. Rehabilitation Escrow Set up.

V. ELIGIBLE PROPERTIES: Single Family Dwellings, Townhomes, and Condominiums

Ineligible Properties: Cooperative Units

VI. MAXIMUM FIRST TRUST LOAN LIMIT WHEN UTILIZING HPAP: \$417,000

VII. ELIGIBLE REHABILITATION REPAIRS WITH 203(K) LOAN:

- Repair/replacement of roofs, gutters, and downspouts
- Repair/replacement/upgrade of existing HVAC systems
- Repair/replacement/upgrade of plumbing and electrical systems
- Repair/replacement of flooring
- Minor remodeling of kitchen that does not involve structural repair

- Painting, both interior and exterior
- Weatherization, including storm windows and doors, insulation, weather stripping, etc.
- Purchase and installation of appliances, including free-standing ranges, refrigerators, washers/dryers, dishwashers and microwave ovens
- Accessibility improvements for persons with disabilities
- Basement finishing and remodeling that does not involve structural repairs
- Lead-based stabilization or abatement of lead-based hazards
- Repair/replace existing exterior decks, patios, or porches
- Basement waterproofing
- Window and door replacements and exterior wall residing
- Septic system repair or replacement

VIII. INELIGIBLE REHABILITATION REPAIRS WITH 203(K) STREAM LINE LOAN:

- Major rehabilitation or major remodeling; such as the relocation of a load-bearing wall
- New constructions to include room additions
- Repair of structural damage
- Repairs requiring detailed drawings or architectural exhibits
- Landscaping or similar site amenity improvements
- Any repair or improvement requiring a work schedule longer than 6 months
- Rehabilitation activities that require more than two (2) payments per specialized contractor

IX. REHABILITATION TIMELINE AND FUNDING DRAWS:

Work must begin 30 days after closing and all work repairs must be completed within six (6) months after closing.

Draw Schedule:

- A draw specialist will be assigned.
- The streamline 203(k) will only have two draws permitted.
- A maximum of 35% can be released for materials.
- Final payment will be released after clearance of final inspection.

X. HELPFUL HINTS:

- Consult your real estate agent and your home mortgage lender as soon as possible to determine if the renovation program will meet your needs.
- If there is a work change order, you will be required to pay for all work that is completed outside of the original scope of work unless it is approved by the Lender and under \$35,000. Renovation funds may not be used to pay for changes unauthorized by the Lender.
- Pay close attention to the draw schedule and the process as it may vary by lender.
- You are responsible for the selection of your general contractor. Please contact your lender for helpful hints in obtaining a contractor. Neither the lender nor DHCD accepts any liability for any inferior workmanship and/or non-performance by any contractor you select. You may also check with the websites listed on page 11 for information on how to select a contractor.
- Work cannot begin until the loan closes. Work must begin within 30 days of loan closing and must continue until completion without a lapse for any period that is more than 30 days. All work must be completed within 6 months.
- If you decide to change contractors prior to or during the course of renovation, any renovation work in progress must stop until the property is inspected and a new contractor is validated. You will be responsible for the cost of the new contractor. Each additional validation may cost you directly, and this cost may vary by lender.
- Permits are required to begin work on the repairs.
- Certifications are required after the work is completed are required by the lender prior to the disbursements of the final draw.
- **Neither the Lender nor DHCD accepts any liability from any inferior workmanship and/or non-performance by any contractor selected.**

XI. WHERE TO APPLY

If you are interested in applying for the Home Purchase Rehabilitation Pilot Program for first time homebuyers using the HPAP program or any of the DHCD Homebuyer Programs, please contact one of the following Community Based Organizations listed below to apply.

Housing Counseling Services
2410 17th St, NW
Washington, DC 20009
202-667-7006 | www.housingetc.org

Latino Economic Development Corporation
2316 18th Street, NW
Washington, DC 20009
202-588-5102 | www.ledcdc.org

Lydia's House
3939 South Capitol Street, SW
Washington, DC 20032
202-373-1050 | www.lydiashousendc.org

**University Legal Services
220 I Street, NE, Suite 130
Washington, DC 20002
202-547-4747 | www.uls-dc.org

**University Legal Services
1800 Martin Luther King, Jr. Avenue, SE, 1st Floor
Washington, DC 20020
202-889-2196 | www.uls-dc.org

**University Legal Services
Far NE at Lloyd E. Smith Center
3939 Benning Road, NE
Washington, DC 20019
(202) 396-1201 | www.uls-dc.org

**The Home Purchase Rehabilitation Pilot Program training will be offered at these locations.

Note: DHCD adheres to all federal and local laws and regulations which offer consumer protections from prohibited predatory lending practices. DHCD does not require potential applicants to accept private financing that is priced above the market rate or that is not from a reputable lender. Potential applicants should never accept an offer of private financing without discussing the offer with one of housing counseling agencies listed.

Non-discrimination clause: In accordance with the D.C. Human Rights Act of 1977, as amended, D.C. Official Code, Section 2-1401.01 et seq., (Act) the District of Columbia does not discriminate on the basis of actual or perceived: race, color, religion, national origin, sex, age, marital status, personal appearance, sexual orientation, familial status, family responsibilities, matriculation, political affiliation, disability, source of income, or place of residence or business.

Please visit the websites below for more information on the FHA 203(k) Streamline Rehabilitation Program:

- www.fhainfo.com/fha203k.htm
- www.dhra.dc.gov
- <https://entp.hud.gov/idapp/html/f17cnsldata.cfm>

Note: This information has been provided to you as a guide and as a courtesy of the D.C. Department of Housing and Community Development. The 203(k) Streamline Rehabilitation Program is a U.S. Department of Housing and Urban Development, sponsored program under the Federal Housing Administration. Please refer your questions regarding your rehabilitation project to your specific lender.

APPENDICES

I. EIGHT STEPS TO HOMEOWNERSHIP

- Step 1:** Contact a Community-Based Organization (CBO) for a pre-application housing counseling session.
- Step 2:** Gather the required documentation requested by the housing counselor and complete the Homebuyer Program application.
- Step 3:** When the Greater Washington Urban League (GWUL) approves the application, the employee will receive a Notice of Eligibility, which will indicate the financial assistance amount and the qualifying price range for the new home.
- Step 4:** Complete Homeownership Training and, if applicable the 203(k) Streamline Rehabilitation training with the CBO and receive a certificate.
- Step 5:** Find a house, condominium, or cooperative apartment and enter into a sales agreement to purchase it. Forward a copy of the sales contract to GWUL for approval. Upon approval of the sales agreement, the property must be inspected by a licensed home inspector. Submit passing home inspection to GWUL.
- Step 6:** Complete the mortgage application from a carefully selected financial institution. If you are participating in the 203(k) Streamline Rehabilitation Program complete all documentation with the lender and forward to GWUL. Be sure to include a copy of the Notice of Eligibility and sales agreement.
- Step 7:** Complete the transfer of ownership from the current homeowner, which is known as settlement.
- Step 8:** Move into your new home and/or if a 203(k) streamline rehabilitation purchase begin your rehabilitation process with your lender.

If the application is denied by GWUL, you should consider asking your housing counselor the following two (2) questions:

- (1) Is there anything I can do to correct the factor(s) responsible for my denial?
- (2) How can I strengthen my application?

II. OTHER DHCD HOMEBUYER PROGRAMS THAT CAN BE USED IN CONJUNCTION WITH THE FHA 203(K) STREAMLINE.

1) Home Purchase Assistance Program

a. What is HPAP?

The Home Purchase Assistance Program (HPAP) assists lower- and moderate-income individuals and families to purchase affordable housing in Washington, D.C. Qualified HPAP applicants can receive up to \$40,000 in down payment assistance and an additional \$4,000 of assistance for closing costs to purchase a single-family house, condominium, or cooperative unit.

The HPAP is a no interest, 5 year deferred loan that is amortized for 40 years.

Loan amounts are determined by a combination of factors, including income, household size, and the amount of assets that an applicant can commit toward the purchase price of a home. In addition, all loan recipients are required to maintain their properties in compliance with D.C. Housing Codes.

To be eligible for HPAP assistance, you must meet the following criteria:

1. Be the head of the household and a first-time homebuyer;
2. Be a low-to-moderate income resident, based on program regulations;
3. Applicant cannot have had ownership interest in any residential real estate within the three years prior to application;
4. The purchased home must be the borrower's primary residence and must

be located within the District of Columbia;

5. Possess a good credit rating; and
6. Applications are prioritized based on the following:
 - a. low-income, elderly, handicapped, disabled or displaced District residents;
 - b. other District residents;
 - c. non-residents who have been employed in the District for one year prior to application; and
 - d. non-residents who have lived in the District for three years as an adult.

b. How Much Assistance is Available?

The total amount of financial assistance for down payment provided to very low-, low-, and moderate-income eligible households shall not exceed \$40,000 based upon household income, need, the availability of funds, and prevailing trends in the real estate market. Closing cost assistance is provided separately, and will be calculated for eligible households up to \$4,000.

c. How Much Will I Need to Contribute to Qualify?

HPAP recipients contribute \$500 or 50% of liquid assets greater than \$3,000. For very low- and low-income applicants, the contribution in excess of five hundred dollars (\$500) may be waived by the Director where there is demonstrated need and the applicant is elderly, handicapped, disabled, or displaced.

d. How is the Loan Repaid?

Payments on loans made to any income-eligible household under this program are deferred for the first five years. Monthly principal-only payments begin at the start of the sixth year of the loan, amortized over a 40-year period.

e. Conditions

The entire amount of the loan is immediately due and payable if the:

- Borrower transfers the property;
- Property is refinanced (unless the refinance meets certain conditions);
or
- Property ceases to be the borrower's principal place of residence.

f. HPAP Income Guidelines

Go to: <http://www.dhcd.dc.gov> or <http://www.gwul.org>

2) THE EMPLOYER ASSISTED HOUSING PROGRAM (EAHP)

a. What is EAHP?

The Employer Assisted Housing Program (EAHP) provides Government of the District of Columbia employees with an increased opportunity to become first-time homeowners in Washington, D.C. Through EAHP, the Department of Housing and Community Development (DHCD) provides eligible applicants with:

- Matching down payment funds of up to \$1,500 (\$500 for each \$2,500 saved by an employee);
- Deferred second trust loan of up to \$10,000;
- Property tax reduction based on a sliding scale for the first five years; and
- Income tax deduction for the first five years.
- EAHP applicants can select a first trust lender of their choice.

b. Eligibility

To be eligible for EAHP assistance, an applicant must:

- Be a full-time Government of the District of Columbia employee;
- Be a first-time homebuyer in the District of Columbia;
- Have sufficient income to afford a mortgage loan from a private lender;
- Possess a good credit rating; and
- Be employed by the Government of the District of Columbia for one year (note that EAHP is available to police officers, teachers, fire fighters and EMTs upon appointment).

3) NEGOTIATED EMPLOYEE AFFORDABLE HOME PURCHASE PROGRAM (NEAHP)

a. What is NEAHP?

Recognizing the need to assist and encourage employees to live and work in the District of Columbia, the Government of the District of Columbia included a non-traditional affordable housing assistance incentive, the Negotiated Employee Affordable Home Purchase Program (NEAHP), as part of the collective bargaining agreement. Compensation Units 1 and 2 agreements cover approximately 10,000 employees. In addition, NEAHP was negotiated in other collective bargaining agreements.

The NEAHP contemplates that eligible bargaining unit employees will apply for financial assistance to be used towards the down payment for the purchase of a primary residence in the District of Columbia. Assistance provided through the NEAHP will be in addition to any assistance provided by the District of Columbia Department of Housing and Community Development or any other housing program(s) for which the employee qualifies.

b. Grant Limits

NEAHP Amount of Assistance	Individual	Married, Common Law or Domestic Partnership (Partner Spouse must also be eligible)		
		Primary	Secondary	Total
2–4 years of service	\$3,000	\$3,000	\$2,500	\$5,500
5-10 years of service	\$6,000	\$6,000	\$3,500	\$9,500
11–14 years of service	\$8,000	\$8,000	\$4,500	\$12,500
15–19 years of service	\$10,000	\$10,000	\$5,500	\$15,500
20 + years of service	\$20,000	\$20,000	\$6,500	\$26,500

For more information on the NEAHP program, please contact your CBO.

CONTACT US FOR MORE INFORMATION:

GREATER WASHINGTON URBAN LEAGUE

Kimberly T. Henderson
Director of Housing and Community Development
Greater Washington Urban League
2901 14th Street NW, Washington, DC 20009
Phone: (202) 265-8200 x242
Fax: (877) 349-7034
Email: kimhenderson@gwul.org

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Janice L. Blassingame
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District of Columbia Dept. of Housing and Community Development
1800 Martin Luther King, Jr. Avenue, SE, Washington, DC 20020
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Email: Janice.Blassingame@dc.gov
Websites: www.dhcd.dc.gov or www.dchousingsearch.org

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DISTRICT OF COLUMBIA GOVERNMENT