

## Provo Loan-to-Own Program Underwriting Criteria

Provo City is offering a mortgage loan product to assist income-eligible families to become homeowners. The program consists of the following:

First Mortgage: First mortgages shall be obtained through the buyer's lender of choice. This must be a 30 year, fixed-rate mortgage. The market will determine the interest rate for this loan at the time a rate lock can be obtained.

Second Mortgage: Provo City will provide a second mortgage to be used as down-payment assistance that will fund **up to 20% of the purchase price or \$40,000 if the mid credit score is 700 or higher, or if the mid score is 650-699, up to \$25,000, whichever is less, based on need (based on HUD formula)**, city wide. This loan will be at 0% interest and the payments are deferred until the home ceases to be the primary residence of the homeowner. When this occurs, the entire loan balance is due in a lump-sum payment.

### Targeted Ratios

Loan to Value:	‘A’ Loans: <b>103%</b> ;	‘B’ Loans: <b>103%</b>
Total Debt to Income:	‘A’ Loans: 45%;	‘B’ Loans: 43%
Housing Expense Ratio:	‘A’ Loans 35%;	‘B’ Loans: 33%

**A Loans**      Maximum allowable debt to income is 45%.  
 Maximum allowable housing expense ratio is 35%  
 Mid credit score of 700 or above, no unsatisfied judgements, clean credit for one year, no late payments, bankruptcies or repossessions within the last one year. Greater than six (6) months current employment, or new job related to education and previous work history. Must be able to show stability in employment history. Cannot be on probation.

**B Loans**      Maximum allowable debt to income is 43%.  
 Maximum allowable housing expense ratio is 33%  
 Mid credit score of 650-699, no unsatisfied judgements, clean credit for one year, no late payments, bankruptcies or repossessions in the past two years. No additional bankruptcies.  
 Greater than six (6) months current employment, or new job related to education **and** previous work history. Must be able to show stability in employment history. Cannot be on probation.

### NEW EXCEPTIONS TO UNDERWRITING CRITERIA ARE AS FOLLOWS:

Lowest decision Credit Score	Maximum Qualifying Ratios %	Acceptable Compensating Factors
650 and Above	37/47	<b>One</b> of the following:

		<ul style="list-style-type: none"> <li>• Verified and documented cash reserves (minimum of \$1,000 and no more than \$15,000);</li> <li>• Minimal increase in housing payment (no more than 100\$ or 5%); or</li> <li>• Residual income (minimum of 20% of Gross Income according to RI calculator).</li> </ul>
650 and Above	40/40	No discretionary debt
650 and Above	40/50	<b>Two</b> of the following: <ul style="list-style-type: none"> <li>• Verified and documented cash reserves (minimum of \$1,000 and no more than \$15,000);</li> <li>• Minimal increase in housing payment (no more than 100\$ or 5%); or</li> <li>• Residual income (minimum of 20% of Gross Income according to RI calculator). Verified and documented cash reserves;</li> </ul>

#### Other Requirements

- Income eligibility based on the current income chart. Income is figured as a projected income for a year. Unborn children shall not be included in the household size.
- Must qualify as first-time-homebuyer.
- Property must be located in a city in Utah County with the exception of Eagle Mountain, Woodland Hills, Alpine, Highland, and Provo.
- Home must pass our home health and safety inspection.
- Purchase price of existing and new homes must be less than **\$330,600** (may be adjusted from time to time).
- Purchase price must be less than or equal to appraised value.
- Buyer must put down at least \$1,000 of their own money (i.e., earnest money, closing costs, prepaids). This can be a gift and a gift letter must be provided. Buyer cannot bring in more to closing than we are loaning. Loan must be a fixed-rate mortgage. Will only subordinate to a refinance if it is a no-cash out deal. No consumer debt included.
- Home may not be currently occupied or have been occupied by renters within six months to the date of contract, who would be displaced by the sale.
- Must take Home Ownership Counseling course offered by NWP or Community Action before closing on any loan for the purchase of the house.
- Property can be a single-family residence, a home with a legal-accessory apartment, or one half of a twin home, town house or condo. If property has a legal-accessory apartment, the owner must live in the main unit and net rental income will be included in the projected income.

Home buyers using the Loan-to-Own Program who sell the property within two years of closing date shall incur a \$5,000 penalty due and payable additional to and at the same time the loan is paid-off.

The following documentation is required to determine eligibility:

- Completed Loan-to-Own application
- Home Ownership Counseling course certificate
- Federal tax returns (1040) for the last three years
- Pay stubs for the three most recent months (for anyone over 18)
- Form 1003 (copy of first mortgage application)
- Appraisal (no more than 30 days old)
- Credit report for each person over 18 years of age whose income is included in the eligibility. Even if spouse has no income, they are required to be on title for the loan and a qualifying credit score is required.
- Preliminary Title Report
- Real Estate Purchase Contract
- Loan Estimate
- Verification of Employment
- Verification of Deposit or current bank statement
- Verification that all members of the household are US Citizens, i.e., birth certificate, current US passport, permanent resident card
- Social Security card for each member of the household
- Flood Determination Form

All required documents (except appraisal and PR) must be received before any inspection will be scheduled. All inspections are to be scheduled through the Redevelopment Agency.

Committee approval requires a majority vote. Loans cannot be closed until final approval is given.

Provo City reserves the right to not use title companies that have title policies outstanding for more than six months.