



CITY OF SAN ANTONIO  
**NEIGHBORHOOD & HOUSING  
SERVICES DEPARTMENT**

**HOUSING PROGRAM GUIDE**

**HOMEOWNERSHIP INCENTIVE PROGRAM  
(HIP)**

July 2017



## **Introduction**

HOME Investment Partnerships Program (HOME) are funds allocated by HUD to eligible State and Local governments to expand the supply of decent, safe, sanitary and affordable housing (24CFR Part 92).

The Neighborhood & Housing Services Department (NHSD) administers the Homeownership Incentive Program a down payment and closing cost assistance program out of HOME funds. The Homeownership Incentive Program (HIP) are federal funds made available to eligible first-time homebuyers. The HIP program provides homeownership opportunities for low to moderate-income homebuyers.

Homebuyers with income below 80% of the Area Median Income (AMI), may qualify for an FHA 203B, FHA, VA or a Conventional loan to finance the purchase of an existing or newly constructed home. However, some homebuyers are unable to save the money needed for the down payment and closing costs that are required from the lender.

Assistance will be provided in the form of a 25% perpetual loan and a 75% forgivable loan. This loan is 0% interest and no payments are required. 25% of the loan must be repaid if the home changes ownership, and 75% of the loan will be forgiven over a 10 year period with 1/10<sup>th</sup> being forgiven each year.

Loans funds are subject to availability.

Policy clarifications or general questions should be addressed to NHSD and the Housing Loan Coordinator at (210) 207-6459.

## **Who Qualifies for Assistance?**

To be eligible for participation in the Homeownership Incentive Program (HIP), homebuyers must meet all the following criteria:

1. First-time homebuyers who will purchase their primary residence.
2. Homebuyers' total household income from all sources must be below 80% of the Area Median Income threshold set each year.
3. Must be a U.S. Citizen, Permanent Resident Alien or Temporary Resident Alien with permission to work in the U.S.
4. Homebuyer must complete a Homebuyer Education Course approved by the Department of Housing and Urban Development (HUD).
5. Homebuyer may not have had a Chapter 7 Bankruptcy in the 5 years prior to seeking HIP assistance, or a Chapter 13 Bankruptcy in the prior 2 years. Qualifying debt to income ratios are 30% on the front end and 41% on the back end.
6. Homebuyer must submit all required documentation allowing NHSD staff to make a loan determination.

## **What Type of Home Qualifies?**

1. The home to be purchased must be located within the city limits of San Antonio.
2. Maximum purchase price limits for Existing Homes and New Homes are set annually by the Department of Housing and Urban Development (HUD).
3. A newly constructed unit is a property, which received a Certificate of Occupancy within a one-year period prior to the commitment of HIP funds. Newly constructed properties must meet the Model

Energy Code and certification must be submitted to NHSD by the builder or the lender before closing. New construction must also meet COSA universal design ordinance.

4. Unit must contain adequate living space. HIP funds are governed by certain Federal Regulations to ensure that funds are not used to contribute to overcrowded housing conditions.
5. Condition of unit must be safe, decent and sanitary. A HIP Property Review will be completed prior to HIP funds being committed.

### **Terms of Assistance**

1. Homebuyers must occupy the home as their primary residence and declare the property as their homestead.
2. Homebuyer must make a minimum \$500 non-refundable deposit on the home purchase. This must be stipulated on the purchase contract and on the final Closing Disclosure.
3. Homebuyers must qualify for an FHA, VA or Conventional mortgage loan from a private mortgage lender. Owner finance or “rent-to-own” schemes are not eligible for this program.
4. HIP funds range between \$1,000 and \$12,000. The amount of HIP funds committed will vary based on the financial need of the homebuyer.
5. HIP loan will be in the form of a forgivable loan and a perpetual loan. 25% of the loan will be a 0% perpetual loan and will be due upon a change in ownership, loan refinance, or death of homeowner. 75% of the loan will be forgiven over a 10 year period with 1/10<sup>th</sup> forgiven each year.
6. The homebuyer may initiate payback by making arrangements with COSA.

### **General Loan Processing**

Upon receipt of a “credit approved” packet from a mortgage lender, NHSD begins processing the request for assistance. Files are processed on a first-come first-served basis. The following describes the general processing steps:

1. Lender’s loan file is received and logged in.
2. If loan funds are available, the file will be assigned to a NHSD Loan Officer.
3. Packet is reviewed to ensure completeness, accuracy and eligibility.
4. NHSD Loan Officer will qualify both the homebuyer and subject property based on published guidelines and will underwrite the loan to assign the appropriate loan amount.
5. NHSD Loan Officer will approve the loan, and provide the lender with a Loan Commitment Letter.
6. After lender’s approval of 2nd lien loan, NHSD will submit a request to generate a funds check and supply that check directly to the title company to be used at the transaction closing.
7. Once loan has funded, the NHSD Loan Officer will complete the loan file and retain the loan documents.

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