

## Hamilton Municipal Down Payment Assistance Program Guidelines (2018)

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### Background

The Housing and Homelessness Action Plan includes strategies that ensure affordability and a range of housing options for low to moderate income households in Hamilton. Action Plan Strategy 2.3 recommends down payment assistance programs to increase homeownership opportunities for renters, enhancing affordability for households with financial barriers to homeownership.

Recent federal legislation aimed at cooling the housing market has made it more difficult to qualify for a mortgage by establishing a higher interest rate threshold for mortgage approval. Borrowers must now pass a stress test when prequalifying for a mortgage by qualifying for a 2% higher interest rate than the current interest rate. The stress test is to ensure that purchasers will still be able to afford their mortgage payments if interest rates increase at renewal time. This test also means borrowers will qualify for less financing and there will be fewer low-moderate income earners qualifying for a mortgage.

These challenges, as well as current market indicators, were considered in the development of the 2018 Municipal Down Payment Assistance Program (MDPAP), including eligibility criteria. The new criteria reflects the current housing market.

### Program Description

The Municipal Down Payment Assistance Program provides down payment assistance to households currently meeting their rent and shelter costs but struggling to accumulate the down payment necessary to purchase a home.

### Program Benefits

There are benefits that result from homeownership not only for the individual household, but for the broader community, including:

1. Social housing (rent-geared-to-income) units are made available for other households on the social housing waiting list as a result of households moving into homeownership, and market rental units are made available to new renters;
2. Enables households to build assets and personal wealth;
3. Increases the demand for lower cost ownership housing options by increasing the pool of potential first-time homebuyers with moderate incomes;
4. Increases citizen engagement and participation in the community; and,
5. Demonstrates City leadership by focusing on pragmatic, cost-effective initiatives that make a tangible difference in addressing affordable housing concerns.

## **Eligibility Criteria**

### **The Applicant(s):**

1. must be over the age of 18
2. must have rented in Hamilton for at least the last 6 months
3. must not currently own a home or property
4. must be a legal resident of Canada and intend to have this home as their one and only residence
5. must be pre-approved for a mortgage from a Canada Mortgage and Housing Corporation (CMHC) approved lender
6. must not be in a spousal relationship (including a same-sex spousal relationship) with a person that has any form of interest in ownership of a property

### **Home Type on Property:**

- The Property being purchased may only contain a single detached dwelling, semi-detached dwelling, apartment condominium dwelling unit, townhouse dwelling or row house dwelling. Mobile homes and co-op units are not eligible dwellings for this program. (Home inspections are required)

### **Purchase Price**

The purchase price of the Property must not exceed \$375, 000. This home price threshold is to be reviewed every three (3) years by the Investment in Affordable Housing Program Manager, Housing Services Division or earlier, if the housing market changes significantly, and the guidelines updated accordingly and approved by the General Manager, Healthy and Safe Communities Department.

### **Maximum Household Income:**

The maximum household income will be \$80,000. This income threshold is to be reviewed every three (3) years or earlier by the Investment in Affordable Housing Program Manager, Housing Services Division, if the housing market changes significantly, with the guidelines updated accordingly and approved by the General Manager, Healthy and Safe Communities Department.

### **Loan Conditions**

All applicants will submit a completed MDPAP application form, identification information, income and financial documents in a format acceptable to the City in its absolute discretion,

and any other documentation or evidence the City may require, to evaluate the loan application.

All applicants receiving approval for a City down payment assistance forgivable loan under the MDPAP shall be required to enter into a Loan Agreement with the City with provisions including but not limited to the terms and conditions set out herein.

The down payment is in the form of a 20-year forgivable loan in the maximum amount of 10% of the purchase price of the home.

The City's loan must be secured by a mortgage registered on the title of the Property being purchased which can only be lesser in priority to a mortgage securing the primary financing of the purchase of the Property. However, in certain extenuating circumstances, determined by the General Manager, Healthy and Safe Communities Department in his sole, absolute and unfettered discretion, the City may postpone its mortgage to third priority position.

On the date of closing, the City of Hamilton will provide a cheque for the borrower, to the borrower's lawyer. Additionally, the City of Hamilton, Legal Services Division will require an Undertaking (prepared by the City and sent to the borrower's lawyer for signature) confirming that certain documents will be provided to the City within thirty (30) days of closing. These documents will include, but may not be limited to, the following:

1. an opinion letter regarding title (please note that title insurance is not accepted in lieu of an opinion letter),
2. confirmation of a valid and enforceable second Charge/Mortgage,
3. a copy of the Status Certificate issued by a Condominium Corporation disclosing that there are no arrears or orders as may affect the Unit (if applicable),
4. an Acknowledgment re: Receipt of Standard Charge Terms,
5. a Declaration that the property will be owner occupied and used as a single-family dwelling,
6. photocopies of two (2) pieces of identification for each Borrower, and
7. a copy of the registered Transfer/Deed of Land and first Charge/Mortgage.

If the program participants no longer meet all program requirements prior to 20 years, excepting the maximum home price and income level, the loan is repaid to the City of Hamilton along with 10% percent of any capital gains. This repayment requirement is outlined in the agreement between the City of Hamilton and the homeowner (10%).

### **Conditions for Repayment**

The original down payment assistance loan amount plus 10% of any capital appreciation must be repaid to the Revolving Loan Fund if the following situations occur while the loan is outstanding:

1. There is a disposition of the Property including but not limited to a sale, assignment, transfer, conveyance, lease, license, any indebtedness of the loan recipient secured by a mortgage registered on title to the Property other than the mortgage whose purposes was to secure the purchase of the Property, registration of a Charge or other transaction or disposition of any nature or kind whatsoever in respect of the Property or of any right, title or interest in or to the Property;

2. The Property or a portion thereof is rented to another person;
3. The loan recipient is in breach or default of any agreement or security in respect of any other financing secured on the Property;
4. The unit is no longer the sole and principal residence of the loan recipient;
5. The loan recipient becomes bankrupt or insolvent;
6. The loan recipient misrepresented their eligibility for the program;
7. The loan recipient used the proceeds of the loan for a purpose other than the acquisition of the unit;
8. In the case of the death of both debtors named on the Agreement, only the principal amount of the loan must be repaid by the estate;
9. The death of one loan recipient. However, the General Manager, Healthy and Safe Communities Department at his or her sole, absolute and unfettered discretion, may evaluate the ability of the remaining debtor to carry the home and whether the loan will be at risk and waive this repayment requirement;
10. Change in spousal relationship:
  - a) If the loan recipient(s) divorces or their spousal relationship is terminated. However, the General Manager, Healthy and Safe Communities Department, at his or her sole, absolute and unfettered discretion, may determine whether repayment is required, based on considerations including, but not limited to, whether the loan is at risk, or any potential for undue hardship for loan recipient(s).
  - b) A new marriage or spousal relationship of the loan recipient. If the new partner does not want to be added to the title of the home, it is not necessary to sign an appending agreement. If the new spouse or partner wishes to be added to the title of the home, the newly formed household must meet the eligibility criteria prior to signing an amending loan agreement. If the newly formed household does not meet the eligibility criteria, the loan may be recalled at the discretion of the General Manager, Healthy and Safe Communities Department. (This may arise if the second spouse/partner is required to be on title of the home for the purposes of renewing a mortgage or refinancing);
11. Home Insurance Cancellation / Expiry: The borrower must have home insurance in good standing;
12. Municipal taxes must be in good standing;
13. Postponements: As a condition of advancing funds, institutional lenders will require that the City of Hamilton agree to postpone the current mortgage and remain in second position. In the event that equity is being removed from the property, the City may postpone its mortgage to second place, provided the Investment in Affordable Housing Program Manager performs the due diligence to ensure there is sufficient equity in the home to cover both the first mortgage and the down payment assistance loan; and,
14. Property standards orders to comply: If there is, as determined by the City in its sole, absolute, and unfettered discretion, a violation of any law in respect of the Property, including but not limited to the Ontario Fire Code, Building Code, any City zoning by-law, and any City property standards by-law, the down payment assistance loan will be recalled. However, the General Manager, Healthy and Safe Communities Department may in his sole, absolute and unfettered discretion waive this repayment requirement.

### **Revolving Loan Fund (RLF)**

A RLF is to be established from repayments to the MDPAP and used to provide future down payment assistance to prospective homebuyers.

### **Documentation Required for Records**

The Housing Services Division is responsible for retaining the following documents over the life of the program:

Eligibility information:

- The signed application form, including a declaration that all information is accurate
- The notice of assessment for all members of the household
- Copies of photo identification
- Unit eligibility information and home inspection

Loan information:

- Agreements of Purchase and Sale
- Loan agreement and independent legal counsel documentation
- Mortgage registration documentation
- Title search

Payment documents and default actions:

- Records of all payments and defaults
- Confirmation of compliance with the terms of the Loan Agreement (e.g., letter confirming that the unit remains the sole and principal residence of the eligible purchaser)
- Record of any defaults

### **Additional Program Terms**

Approval of the loan application is at the absolute discretion of the City and subject to the availability of funds.

The City's loan must be registered as the second mortgage after registration of any mortgage securing the primary financing (first mortgage). A household may not have a guarantor on title, nor may a household have a co-signer on title that will not be living in the home. If a household requires additional financing, that mortgage will be registered as the third mortgage, after the City's loan.

The Municipal Down Payment Assistance Program cannot be stacked with any other government down payment assistance programs but households may utilize other affordable housing programs such as renovation programs.