

Hamilton Trillium *Municipal* Down Payment Assistance Program Guidelines (2018) Contents

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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 Trillium *Municipal* Down Payment Assistance Program (TMDPAP), including eligibility criteria. The new criteria reflect the current housing market.

Program Description

The TMDPAP 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. Rental housing units are made available for other households in need of rental housing as a result of households moving into homeownership;
2. Enables households to build assets and personal wealth; and,
3. Increases the demand for lower cost ownership housing options by increasing the pool of potential first-time homebuyers with moderate incomes.

Program Administration

Trillium Housing will administer the **TMDPAP** on behalf of the City of Hamilton in accordance with the Program Guidelines.

Eligibility Criteria

The Applicant(s):

1. must be over the age of 18;
2. must not currently own a home or property;
3. must be a legal resident of Canada and intend to have this home as their one and only residence;
4. must be pre-approved for a mortgage from a Canada Mortgage and Housing Corporation (CMHC) approved lender;
5. 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; and,

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.

Purchase Price

The purchase price of the Property must not exceed \$400,000 or such other amount as determined by the General Manager, Healthy and Safe Communities Department. 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, 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 \$81,300, or the current Investment in Affordable Housing Program income threshold. 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 TMDPAP application form, identification information, income and financial documents, ***including proof of primary lender***, 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 TMDPAP ~~forgivable~~ ***repayable*** loan under the TMDPAP 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 25-year ~~forgivable~~ ***repayable*** loan with the maximum loan amount being determined on a per purchaser basis by Trillium Housing’s review of each purchaser’s financial situation, ***up to a maximum of 15% 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 and a Trillium Mortgage.

On the date of closing, the City of Hamilton will provide a cheque for the borrower, to the borrower’s lawyer.

Prior to closing, the City of Hamilton’s Legal Services Department will require the following:

- (a) Certificate of Insurance. The certificate is to be received by the City no later than seven (7) days prior to the closing date and the certificate of insurance should include the following:***
 - 1. states that it is being issued to the “City of Hamilton”;***
 - 2. shows evidence of All-Risk insurance for the replacement cost equal to the value of the property;***

3. *shows the City as Mortgagee and Loss payee as their interests may appear; and,*
4. *states that the City will be given a thirty (30) day cancellation notice; and,*

Once provided to the City, the certificate of insurance will be reviewed by its Risk Management Department to ensure its accuracy. Any deficiencies in the certificate of insurance may result in delays to the closing date; and,

- (b) **A Solicitor’s** 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 third 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, first Charge/Mortgage, and second Charge/Mortgage being the Trillium Mortgage.

If the program participants no longer meet all program requirements, excepting the maximum home price and income level, or when 25 years have elapsed, the loan is ***shall be*** repaid to the City of Hamilton, Housing Services Division along with the same proportion of any capital gains as the down payment assistance was of the original purchase price. This repayment requirement is outlined in the agreement between the City of Hamilton and the homeowner.

Conditions for Repayment

The original down payment assistance loan amount plus the same proportion of any capital gains as the down payment assistance was of the original purchase price must be repaid to the City of Hamilton, Housing Services Division, if **any of** 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; or,
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. 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~~ **a** 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~~ **repaid** 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);

10. Home Insurance Cancellation / Expiry: The borrower must have home insurance in good standing;
11. Municipal taxes must be in good standing;
12. 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 third position. In the event that equity is being removed from the property, the City may postpone its mortgage to third place, provided the Investment in Affordable Housing Program Manager performs the due diligence to ensure there is sufficient equity in the home to cover the aggregate of the first mortgage, the Trillium Mortgage, and the down payment assistance loan;
13. 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; and,
14. ***If the loan recipient(s) purchase a second property, including a vacation property.***

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
- Proof of financing from a primary lender

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~~ **may** be registered as the **second or** third mortgage after registration of any mortgage securing the primary financing (first mortgage), and the Trillium 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 or** fourth mortgage, after the City’s ~~loan~~ **mortgage; and,**

The Trillium **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.