

# Flexible Homeownership Assistance Program (FHAP)

The **Flexible Homeownership Assistance Program (FHAP)** assists lower income first time homebuyers purchase homes by providing financial assistance with down payments, principal reduction, and/or closing costs associated with home purchase. Since July 2009, FHAP assistance is usually limited to purchase of a unit marketed by the City of Alexandria's Office of Housing, however, assistance may occasionally be authorized to qualified purchasers acquiring homes that will replace program units where affordability requirements have expired. Eligible properties include resale Affordable Homeownership Set-aside Units, Resale Restricted Homeownership Units, and properties sold through the Alexandria Neighborhood Stabilization Program.

## Eligibility Criteria

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- All persons must have resided and/or worked within the corporate limits of the City of Alexandria for at least six months prior to application.
- The FHAP is intended for first-time homebuyers. There can be no current ownership of real estate, whatsoever. *Prior ownership will be considered on a case-by-case basis; for example, exceptions may occur where the termination of prior ownership is associated with a divorce.*
- Applicants shall have incomes at or below the applicable limits in place for the property being marketed. These limits are based on family size, and typically adjusted annually by the U.S. Department of Housing and Urban Development (HUD). In determining gross household income, the Office of Housing uses HUD's *Technical Guide for Determining Income and Allowances for the HOME Program* (see current Income Guidelines document).
- The City generally follows the eligibility/qualification rules of Virginia Housing (VH) first trust financing, with such exceptions as the City's lower income limit:
  - A non-VH first trust loan must meet the standard front and back-end ratios (housing costs and other debts as a percentage of income) for one of the following: VH, FHA, VA, Fannie Mae, or Freddie Mac.
  - If an applicant and/or lender wishes to use a non-VH loan product, and the applicant is eligible for a VH loan, the lender must provide the applicant with a comparison between both products. The comparison must include the interest rate, down payment requirement, points, loan origination fee or mortgage insurance, loan term, cash requirements at settlement, and total monthly mortgage payment.
  - If the lender determines that an applicant does not qualify for a VH loan product but can qualify for another loan product, a loan comparison is not necessary, but the lender must provide the Office of Housing a written explanation of the reason for the determination regarding the non-VH loan.
  - The City uses a standard housing cost-to-income ratio of 32% and a total debt-to-income ratio of 41%. While these are target ratios, variations may be approved with compensating factors
  - If, for any reason, the borrower puts down more than the required amount of cash to purchase a property, the additional cash will be applied to the cost of the property purchase. No funds will be returned to the purchaser at closing when FHAP funds are used.
  - Homebuyers participating in the FHAP are encouraged to seek a mortgage preapproval from a participating lender. The Office of Housing maintains a list of lenders who have reviewed and approved the program design and loan documents.



- A borrower's net worth cannot exceed 50% of the sales price of the property being purchased. The value of life insurance policies, retirement plans, furniture and household goods shall not be included in determining net worth. In addition, the portion of the applicant's liquid assets which are used to make the down payment and to pay closing costs, up to a maximum of 25% of the sales price, will not be included in the net worth calculation. Any income producing assets needed as a source of income to meet the minimum income requirements for a VH loan will not be included in the applicant(s) net worth for the purpose of determining whether this net worth limitation has been violated.
- Homes purchased by persons receiving assistance under this program must be located within the corporate limits of Alexandria. Properties purchased may be single-family detached, semi-detached, duplex, rowhouse or a multifamily unit, under fee simple, condominium or cooperative ownership.
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- The maximum purchase price when HOME funds are used is equivalent to the HOME affordable homeownership limits for the area as provided by HUD.

## ***Funding Sources***

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**First Trust Financing:** Below-market interest rate first trust financing provided by VH is encouraged, together with the VH SPARC Program when these funds are available. Other financing sources can also be used when available to a purchaser. The loan officer you choose must complete a Lender's Certification Form, which compares a non-VH loan, if offered, to a comparable VH loan.

**City's Financial Assistance:** The principal funding source for the City's FHAP financial assistance is federal funding.

## ***Amount of Assistance and Loan Terms***

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The amount of the City's assistance, **up to the \$50,000 maximum**, is determined by the purchase price of a home affordable to the applicant(s), minus the maximum first trust amount they can afford. However, some of the City's assistance, staying within the maximum amount, can also be used for closing costs. Participants in the program must pay a minimum of \$2,000 or \$3,000 of the required settlement and/or down payment costs, exclusive of prepaids. It is noted that in limited cases, enhanced City assistance may be provided, at the City's discretion. The total amount of the subsidy, up to the maximum allowed, will be placed as a second trust against the property at 0% interest. The loan will be recaptured (repaid) upon resale, or in 99 years, whichever comes first. In addition, an anti-speculation surcharge will be imposed on the City's loan if the purchaser(s) sells the property within five years from the date of purchase. The surcharge begins at 25% during the first year and decreases by 5% in each subsequent year until reaching zero.

Properties are available on a first-come, first-served basis. Interested participants should ensure that they have secured a lender preapproval and a VH training certificate prior to writing an offer to purchase. In certain cases, such as the concurrent release of multiple Affordable Set-aside Homeownership Units, the Office of Housing may use a lottery system to select among qualified buyers.



## How to Apply

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- Step 1 Read the Income Guidelines and Equity Share Requirements.
- Step 2 Subscribe to the City's [eNews service](#) "Affordable Housing" list to receive notifications of affordable homeownership opportunities.
- Step 3 Attend a 6-hour [VH](#) homebuyer education class. Obtain a Certification of Completion.
- Step 4 Obtain a mortgage pre-approval letter from one of the City's Participating Lenders.
- Step 5 Contact the Office of Housing if you have questions or concerns.
- Step 6 Make sure that you have funds saved to cover your homebuying transaction costs (earnest money deposit, appraisal, property inspection, etc.)
- Step 7 Work with a real estate agent to visit eligible properties that you would like to buy. An eligible property is one the City is marketing as part of the FHAP and one that you qualify to purchase based on your mortgage pre- approval.
- Step 8 Notify the Office of Housing and your lender before you put in an offer for an eligible property.
- Step 9 Complete and submit the City's FHAP application.
- Step 10 Go to settlement and close on your property. You are a new homeowner!



## Frequently Asked Questions

### ***Can I rollover my loan?***

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As an incentive for FHAP loan recipients to remain in Alexandria, a one-time rollover of City homeownership assistance is authorized for loan recipients (excluding purchasers of set-aside units in new developments who also have FHAP loans) who sell the home that the City assisted them to buy, and immediately purchase a subsequent home within the City. To qualify for the rollover, loan recipients would have to be income eligible for FHAP at the time of the subsequent acquisition and must have resided in the assisted home for at least five years (the period required to avoid the anti-speculation surcharge).

Properties are available on a first-come, first-served basis. Interested participants should ensure that they have secured a lender preapproval and a VHDA training certificate prior to writing an offer to purchase. In certain cases, such as the concurrent release of multiple Affordable Set-aside Homeownership Units, the Office of Housing may use a lottery system to select buyers.

### ***What do I do with my unit when I am ready to sell?***

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Participants must occupy their FHAP unit as their primary residence. Those preparing to sell their homes should reference the following guidelines:

- To initiate the resale process, contact the Office of Housing to learn more about the process of determining the sale price of your unit and the applicable marketing requirements.
- Sellers cannot represent themselves as listing agents for the sale of their property – *someone other than the owner must list and manage the property on MLS.*
- The unit must be in marketable, livable condition and in good repair at the time of marketing as verified by the City.
- It is important that you and your real estate agent are able to document the steps taken to market the unit during the required 6-month marketing period. Most homes sell very quickly

