

City of Philadelphia



Division of Housing and Community Development (DHCD)

Philly First Home Grant Program Policies and Procedures

A. Purpose

The City of Philadelphia's **Philly First Home** Program is a down payment and closing costs initiative program for a first-time homebuyer purchasing in the City of Philadelphia. The goal of the program is to encourage growth in homeownership by opening access to affordable homeownership opportunities in the City. The Philly First Home Grant, for up to 6% of sales price or \$10,000 whichever is less (funding permitted), is available on a first come-first served basis. A fifteen (15) year forgivable lien is placed against the property for the full amount of the Philly First Home Grant. If the house is sold within 15 years after purchase, recipient must repay the grant. If one lives in the house for 15 years, the lien is forgiven. Once approved, the homebuyer must settle within ninety (90) days.

Applicants must complete the homeowner education counseling offered by a DHCD funded pre-purchase housing counseling agency **before signing an agreement of sale**. Counseling must be performed by certified housing counselors and meet HUD approved pre-purchase housing counseling standards. One on one counseling is required (group counseling may also be included as part of the housing counseling). The education includes but is not limited to:

- Understanding the legal documents associated with the Philly First Home Grant (mortgage, note, and acknowledgement);
- How to purchase a home within your financial means;
- Credit counseling and repair;
- Budgeting, savings and money management;
- Closing costs and moving expenses;
- Fair housing principles and fair lending;
- Loan products and feature comparison;
- Finding a home and understanding the agreement of sale;

- Home Inspection;
- The mortgage application and purchase process;
- Deeds and other legal housing documents;
- Home maintenance;
- How to prevent foreclosure of the home;
- Rights and responsibilities of homeowners.

B. Eligibility

To qualify for the grant, the applicant must:

- be a first-time homebuyer (HUD definition of first-time homebuyer);
- purchase a property within the City of Philadelphia and occupy the property as the principal residence;
- have a family annual income not exceeding the Section 8 income guidelines of 120% of the area median income;
- successfully complete the one-on-one homebuyer education course offered by an DHCD funded housing counseling agency before signing an agreement of sale;
- qualify for an appropriate mortgage based on reasonable income and credit worthiness standards (38/45 ratios), and a reasonable non-predatory interest rate and be approved based on client's verified income (***balloon notes, interest only, adjustable rate mortgages, no-doc or stated income loans are not acceptable***).

C. Procedures

1. Homebuyers shall:

- make certain all eligibility requirements listed above are met;
- prior to signing an agreement of sale, have successfully completed the first-time homebuyer course offered by the DHCD-funded housing counseling agency, and have received their DHCD Pre-qualification Worksheet and the Homebuyer Counseling Certificate;
- maintain on-going contact with their housing counselor;
- meet again with the housing counselor once the Agreement of Sale is signed by the seller, at which time the amount of the grant will be determined--how much to put towards the down payment and closing costs;
- when applying for a mortgage, keep within the spending limits of 38% of monthly gross income as the housing ratio, and 45% as the debt to income ratio (providing a higher down-payment on the mortgage may keep the ratios within the acceptable range);
- notify the lender that the Philly First Home Grant is anticipated for this transaction;
- provide the counselor with a copy of the Mortgage Commitment Letter (the Philly First Home Grant must be listed) and a copy of the Notice of Settlement;

- at closing, ensure that the Philly First Home Grant is listed on the American Land Title Association (ALTA) settlement sheet;
- send a copy of the ALTA to the housing counselor.

2. Counselors:

It is the intention of DHCD to ensure that the grant check is present at closing. To meet this goal, the Housing Counselor shall coordinate the following procedures:

- **submit the request for the grant to the assigned DHCD Contract Analyst at least two weeks in advance of the settlement date;**
- use the standard Philly First Home Grant Request Form and Affordability Analysis Form to request the check.

3. Philadelphia Housing Development Corporation (PHDC):

- DHCD's Contract Administration Unit shall desktop review the grant application and will forward its approval to the PHDC Fiscal Unit;
- PHDC will prepare the documents to be recorded without cost to the homebuyer;
- PHDC will cut the check payable to the title company and will overnight the check and lien documents to the assigned title company.

*** Definition of First-time Homebuyer per HUD**

A first-time homebuyer is an individual who meets any of the following criteria:

- An individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers).
- A single parent who has only owned with a former spouse while married.
- An individual who is a displaced homemaker and has only owned with a spouse.
- An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
- An individual who has only owned a property that was not in compliance with state, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.

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