



Exhibit A

City of Roanoke

Down Payment Assistance Program (DPA)

2016-2017

Overview

The City of Roanoke Down Payment Assistance Program (DPA) was created to provide financial assistance for qualified first time home buyers, who are seeking home ownership in the City of Roanoke, but are not financially able to afford the closing and down payment costs associated with a home purchase. The funding available through this program can assist the first time homebuyer with down payment and closing costs up to a maximum of \$8,000.00. The assistance will cover half of the required down payment and most of the closing costs up to the maximum amount required to close the loan.

Down Payment Assistance Staff

The Down Payment Assistance Program is administered through the City of Roanoke's Community Resources Office located at Roanoke City Hall, 215 W. Church Ave, S.W., Room 305, Roanoke, VA 24011.

SECTION 1: LENDER'S GUIDELINES

Lender's Participation/Program Administration

The lender's role in the DPA Program is to administer the program on behalf of the City of Roanoke in accordance with CDBG Regulations. The lender will pre-qualify the applicant based on the income guidelines set within the documented parameters and provide documentation to justify the eligibility of each applicant.

The lender will complete a Good Faith Estimate to determine the amount of funds needed and submit it with the City of Roanoke Down Payment Assistance Program Application, Income Verification, HUD Calculator, Title Search, Property Appraisal and all other forms required by City of Roanoke at the time of application. The lender will be required to reimburse all expended funds to the City of Roanoke if it is determined that the applicant does not meet the eligible criteria established by the program.

The lender is required to submit the appropriate program forms no later than 10 business days prior to closing. If the home is built prior to 1978, a lead assessment is required and the lender will need to provide adequate time for this process to be completed, which may take up to 30 days.

Client Files should be made available to the City of Roanoke for a minimum of 5 years after the affordability period terminates (10 years total).

The Financial Institution agrees not to discriminate on the basis of race, color, religion, national origin, sex, age, familial status, elderliness, handicap, sexual orientation, or marital status of any adult person.

Lenders who wish to administer the Down Payment Assistance Program may contact the City of Roanoke HUD Community Resources Division at (540) 853-6879 to request a Lender's Agreement. Upon execution of the Agreement, the lender will be placed on all marketing material for the DPA Program including the City's website and brochures. Annual DPA Program updates will be provided by the City of Roanoke's staff. Each Mortgage Lending Officer wishing to participate must complete a Lender Agreement. A Lender Agreement will be required prior to the acceptance of an application.

SECTION 2: PARTICIPANT AND PROPERTY ELIGIBILITY

Eligibility

This is a first time homebuyer program. According to HUD guidelines, to be eligible, the applicant cannot have owned a home in the past three (3) years at the time of the application. The applicant must complete a free home ownership course in person offered by Total Action for Progress (TAP) through the Virginia Housing Development Authority's (VHDA) homebuyer workshop. A certificate of completion for the course must be documented in the file prior to the loan closing and copy provided to the City of Roanoke. If the applicant is a City of Roanoke Employee, HUD approval must be obtained (Please contact program contact for more information), prior to funding.

The eligibility of an applicant shall be determined on the basis of the household's total income. The applicant must meet the Section 8 income guidelines. The gross household income for the current year cannot exceed 80% of the median income by household size as issued **annually** by the U.S. Department of Housing and Urban Development (HUD), as follows:

2016 HUD Income Guidelines*

Household Size	Maximum Income
1	\$34,550
2	\$39,500
3	\$44,450
4	\$49,350
5	\$53,300
6	\$57,250
7	\$61,200
8	\$65,150

***The income rates change annually.**

The Lender is required to complete and submit a HUD income calculator with the application. The calculator can be found at <https://www.onecpd.info/incomecalculator/>.

For the purpose of this program, gross household income is defined as all income from any source to any person residing in the applicable property. Income from wages, salaries, tips, alimony, investment income and interest, retirement, social security, SSI, veteran's administration, public assistance such as unemployment compensation, welfare, food stamps, aid-to dependent children, and other sources of public assistance are included in total annual income (see Attachment 1) for a full listing.

Exclusions include income of children under 18 years of age, foster care payments, medical reimbursements, live in aid, scholarships, hostile fire pay, training payments, disabled PASS, gifts and housing assistance payments (see Attachment 1).

Financial Assets including (but not limited to) checking and savings accounts, will be verified. The current HUD passbook rate (e.g., 3.5%) will be applied to the total financial assets and interest earned on these accounts will be added to the household's total income. This total adjusted income will then be weighed against the income limits noted above for eligibility.

The home being purchased must be the buyer's principal residence. The buyer must occupy the unit a minimum of 9 months out of each year. Each year, a notice will be sent to the homeowner requesting residency verification, which must be completed and returned to the City of Roanoke as proof of residency.

The applicant will not exceed a front end ratio of 32% and a "back end" or debt to income ratio of 45%

The applicant must have citizenship or permanent residency status as evidenced by a completed I-9 form, which must accompany the application.

Property Eligibility

Property eligibility includes those structures which are located in the City of Roanoke's corporate limit and which are being sold to homeowners who meet the income qualifications in these guidelines. The maximum value of the home, determined by an appraisal, is \$159,000 for new or existing homes. The only acceptable form of ownership is fee simple title.

Mobile homes, travel trailers, or other non-permanent structures are not eligible properties. Duplexes may qualify as long as one unit is occupied by the owner of the property, upon the discretion of the City of Roanoke. The rental of units must adhere to the same eligibility criteria as the buyer of the unit, therefore, the unit must be rented to families not exceeding the income guidelines for an affordability period not less than 5 years and verified annually. Any multi-family home that is funded must receive approval from the City of Roanoke's HUD Community Resources prior to rental of any units.

No funds will be allocated to property located in a flood plain.

Ownership Eligibility of Owner-Occupied Structures

The City of Roanoke Down Payment Assistance Program is available to single-family owner-occupied structures. The applicant will legally own the property and will maintain it as his/her principal residence 9 months of the calendar year. The City of Roanoke will require proof of residency annually. Owner-occupants are required to maintain sufficient insurance coverage to replace or repair the structure should there be a fire or other disaster.

Ownership Eligibility of Investor Owned Structures

The Down Payment Assistance Program is not available to single family or multi-family rental structures.

SECTION 3: REQUIREMENTS & LOAN TERMS

Buyer Contribution

An investment is required from the buyer for the purchase of the home. The amount will depend on the sales price of the house and can be derived from the real estate transaction in the form of all eligible items paid outside of closing (POC) that include, but are not limited to, the earnest money deposit, credit report, appraisal, et cetera. The buyer must contribute a minimum of \$500.00 or 50% of the required down payment as determined by the lender, whichever is greater. A minimum of \$500.00 must be paid by the buyer out of pocket. The remainder of the 50% required down payment may come from gifts or any other source from the buyer. The City's funds will assist with up to 50% of the required down payment as determined by the lender, plus closing costs as outlined below. Any down payment amounts contributed by the buyer in excess of 50% of the required down payment will be deducted from the amount granted by the City under this program. The required down payment must exceed \$2,000 in order for City funds to be granted.

Eligible Closing Costs

Eligible Closing Costs include origination fees less than \$1,000; appraisal fees; credit report fees; flood certifications; title insurance; inspection fees; recording fees; transfer taxes; interest charges; and others as pre-approved by the City. Items which are not deemed eligible closing costs for payment by the City include: Points, pre-paid escrow for taxes and pre-paid homeowners insurance. The City may add or delete items from this list as it deems appropriate.

Loan Terms

The Down Payment Assistance Program funds are in the form of a 0% interest deferred payment loan for 5 years. The loan does not allow forgiveness annually. If the property is transferred prior to 5 years from date of purchase, the entire loan is due and payable. The homeowner must reside in the property as their principal residence for a minimum of 9 months out of the calendar year. If the homeowner resides in the property for the 5 year period, the entire loan will be forgiven.

In addition to the foregoing provisions, the homebuyer agrees to comply with the terms and conditions stated in the following City of Roanoke Ordinances: Chapter 7, Article II, Building Code; Chapter 36.2, Zoning; Chapter 20, Article VI, Keeping of Inoperable Motor Vehicles; and Chapter 33, Article II, Weed and Trash Abatement, of the Code of the City of

Roanoke (1979) as amended, and as such provisions may be amended from time to time. Noncompliance by Grantor of such ordinances resulting in a conviction shall be considered an act of default.

The requirements and conditions of participation in the program are set forth below and are fully outlined in the Homebuyer Agreement and Deed of Trust and are not limited to the following:

- The property must be occupied by the borrower as their principal residence.
- The property cannot be rented, abandoned, or conveyed after the purchase.
- The property owner cannot be convicted in general district court for any of the pre-determined code violations.

The balance of the DPA loan will be due and payable immediately, if a violation of any of the above instances occur.

The homeowner will be responsible for all fees associated with recording the Certificate of Satisfaction for the release of the property records. The buyer must execute a Deed of Trust, Promissory Note, Contract, Application, I-9, and all other forms required for program.

The mortgage being obtained cannot wrap in any other debt or be a predatory product.

If the homebuyer sells the property within the five (5) year affordability period the funds shall be repaid from net proceeds. Net proceeds are defined as the sales price minus superior non-CDBG loan repayments and any closing costs. If there are insufficient net proceeds to repay the full amount of the CDBG loan then a partial repayment shall be made and the balance of the loan forgiven.

Funds provided under this Down Payment Assistance Program are provided as a "recapture" activity per the CDBG Investment Partnerships Program. "Recapture" means funds are provided and forgivable as long as the requirements of the program are met. If the requirements are not met, the funds must be returned to the City of Roanoke per the Deed of Trust and Promissory Note.

Recapture Policy

If the property is sold within the 5 year loan period the City will recapture the entire amount of the direct CDBG subsidy provided before the homebuyer receives a return. The City's recapture amount is limited to the net proceeds available from the sale. Net proceeds are defined as the sales price minus loan repayments superior to the CDBG loan and closing costs. If there are no net proceeds then no repayment is required.

Once the full amount of the CDBG loan has been repaid from net proceeds, any remaining amount must be shared between the City and the Homeowner, based on the percentage of funds provided to the project by the City and Homeowner. The amount of the Homeowner's investment will be provided to the homeowner prior to the City and homeowner sharing in the net proceeds. The homeowner's investment is defined as any amount of down payment provided by the homeowner at closing as well as the value of any capital improvements as determined by an appraisal. This amount will be repaid from the remaining Net Proceeds prior to the sharing of net proceeds by both parties.

➤ To calculate the amount of net proceeds (or shared appreciation) to be returned to the City:

- Divide direct CDBG subsidy by the sum of the direct CDBG loan and the homebuyer's investment,

- Multiply by the remaining net proceeds available after repayment of the Direct CDBG Subsidy and the homebuyer's investment to calculate the amount of CDBG investment to return to the City.

$$\frac{\text{Direct CDBG loan}}{\text{Direct CDBG loan} + \text{Homebuyer Investment}} \times \text{Remaining Net Proceeds} = \text{CDBG Recapture}$$

➤ To calculate the amount of net proceeds (or shared appreciation) available to the homebuyer:

- Divide the homebuyer's investment by the sum of the direct CDBG loan and the homebuyer's investment,
- Multiply by the remaining net proceeds available after repayment of the Direct CDBG loan and the homebuyer's investment to calculate the amount of CDBG investment to return to the homebuyer.

$$\frac{\text{Homebuyer Investment}}{\text{Direct CDBG loan} + \text{Homebuyer Investment}} \times \text{Remaining Net Proceeds} = \text{Amount to Homebuyer}$$

Subordination

Subordination of a Down Payment Assistance Loan (Program Loan) for the purpose of refinancing an existing debt that is in a superior lien position to the Program Loan may be allowed provided that all of the following conditions are met:

1. The proposed refinancing shall not result in an increase in debt in a superior position to the Program Loan, unless cash taken out of the transaction is used for approved home improvements. Any estimates for proposed home improvements shall be submitted with the request for subordination. Payments for home improvements must be made directly to the approved contractor/business doing the improvements directly from the mortgage institution and shown on the HUD-1 Settlement Statement.
2. The proposed refinancing shall not "wrap in" any other debt such as credit card balances, personal loans, auto loans, junior debt or liens recorded after the program loan.
3. The proposed refinancing terms are at market prevailing rates and fees, and are lowest available for the borrower's risk category. Rate and/or monthly payment must be significantly lower than the existing rate and/or monthly payment amount to compensate for closing costs and fees.
4. The debtor continues to occupy the property as his/her primary residence.
5. Combined Loan-to-Value ratio of all mortgages cannot exceed 90% after the refinance.
6. Subordination of the Program Loan will NOT be approved for any purpose other than to refinance debt that was secured by the subject property prior to or of the same date of the Program Loan or for approved home improvements.
7. The City of Roanoke will only allow one subordination approval every five (5) years of the life of the Program Loan.
8. The City of Roanoke reserves the right to deny any subordination request it deems not in the best interest of the Program.
9. The authority to approve subordination requests will rest with the HUD Community Resources Program Administrator or his/her designee.
10. A \$100.00 processing/review fee will be charged by the City for all subordination requests. The fee must be submitted with the Comparative Analysis/Request Form.

Insurance

The homeowner's insurance policy must list the City of Roanoke as an additional insured on the hazard policy and provide annual renewals.

Environmental Assessments

The City of Roanoke is required to assess homes built before 1978 for the potential of lead based paint hazards. The inspection will cover a visual assessment of the property for peeling, chipping and flaking paint. The City will provide all parties a disclosure of the inspection procedure for informational purposes to assist with the preparation of visual assessment.

The City of Roanoke will cover the costs of one (1) lead-based paint (LBP) assessment and one clearance test ONLY. All restoration, cleanup, and additional clearance testing costs are the responsibility of the buyer or seller.

Attachment 1

Part 5 Inclusions

This table presents the Part 5 income inclusions as stated in the Code of Federal Regulations.

General Category	Statement from 24 CFR 5.609 paragraph (b) (April 1, 2004)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in number 14 of Income Exclusions).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except as provided in number 3 of Income Exclusions).
6. Welfare Assistance	<p>Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:</p> <ul style="list-style-type: none"> • Qualify as assistance under the TANF program definition at 45 CFR 260.31; and • Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). <p>If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:</p> <ul style="list-style-type: none"> • the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus • the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. <p>If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.</p>
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special day and allowances of a member of the Armed Forces (except as provided in number 7 of Income Exclusions).

Part 5 exclusions

This table presents the Part 5 income exclusions as stated in the Code of Federal Regulations.

General Category	Statement from 24 CFR 5.609 paragraph (c) (April 1, 2004)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in number 5 of Income Inclusions).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Disabled Persons	Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. Armed Forces Hostile Fire Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<ol style="list-style-type: none"> a. Amounts received under training programs funded by HUD. b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS). c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time. e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparations	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	<p>Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions of 24 CFR 5.609(c) apply, including:</p> <ul style="list-style-type: none"> • The value of the allotment made under the Food Stamp Act of 1977; • Payments received under the Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);

- Payments received under the Alaskan Native Claims Settlement Act;
- Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
- Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;
- Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;
- Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;
- Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal workstudy program or under the Bureau of Indian Affairs student assistance programs;
- Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, OlderAmerican Community Service Employment Program);
- Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;
- Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, state job training programs and career intern programs, AmeriCorps);
- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990;
- Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
- Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.