



**Homes and
Community Renewal**

CDBG Mortgage Affordability And Grant Calculation Webinar

September, 15 2020

Welcome to the CDBG Mortgage Affordability Webinar– with orientation on New Mortgage Affordability form.

Webinar Overview

1. What will be expected
2. Why this form is needed
3. How to use the form



This webinar is designed to provide an overview for CDBG grantees and their participating subrecipients and consultants on the use of OCR's Mortgage Affordability Form and its use as follows:

- To help establish a system for determining the appropriate level of CDBG assistance that can be provided for potential new homebuyers.
- Provide guidance on what will be expected from CDBG grantees and their participating subrecipients and consultants on the use of OCR's Mortgage Affordability Form .
- How to use the form.

What will be expected

- Mortgage Affordability and Grant Calculation will be submitted with all new approvals effective September 1, 2020.



What will be expected:

OCR Affordability Analysis submitted with all new disbursements:

OCR has developed a Mortgage Affordability and Grant Calculation Form. The form or in kind version will be required for all homeownership assistance approved at the local level on or after September 1, 2020. That means that if a new applicant has been approved for homeownership assistance on or after September 1, 2020, this will be required.

This form will be submitted in conjunction with the corresponding Form 1-4 and 1-4A at the time of disbursement.

- The analysis must show the amount of CDBG funds to be provided based off of all other funds first.
- Award letters to participants should include notification to the participant that they could be eligible for a grant up to the local program limit amount.

Why this form is needed

- To determine the appropriate level of CDGB assistance
- Helps to ensure homeowner receives the amount appropriate to enable the purchase of the home



Why this needs to be done for all HO projects:

To determine the appropriate level of CDBG assistance

- The Mortgage Affordability and Grant Calculation form will ensure that the level of CDBG funds are at an appropriate level by taking into consideration the mortgage qualification of a recipient, and the actual purchase price of the home.

Helps to ensure homeowner receives the amount appropriate to enable the purchase of the home

- The form will help with the calculation of the debt ratio's of the new home buyer based off of all factors, including but not limited to income, monthly debt, and other funding sources such as Section 8 Housing Choice Vouchers.

How to use the Form

MORTGAGE AFFORDABILITY AND GRANT CALCULATION

Section I CDBG Recipient Information	
Recipient Name	CDBG #
Section II Housing Unit Information	
Buyer(s)	
Address of property to be purchased	
Name of City/Town/Village	County
	NY ZIP
Section III Monthly Income	
	Wages
	Social Security
	Self-employment 3-year net average w/pts
	Other
	Other
	Total Gross Monthly Income
Section IV Anticipated Monthly Debt	
	Monthly PITI (from lender)
	Car 1
	Car 2
	Credit Cards (total)
	Student Loans (total for household)
	Total All Other
	Total debt
Section V Section 8 Housing Choice Voucher (if applicable)	
	Subsidized PITI
	Subsidized Total Debt
	Must also calculate TYP w/Utilities to determine if this is acceptable
Section VI Affordability Ratios 30/40	
	PITI Ratio
	Total Debt Ratio
	CDBG approval required for ratios in excess of 30/40
Section VII Transaction Costs	
	Purchase Price
	Closing Costs (including taxes and fees)
	Repairs (including lenders)
	Other
	Transaction Total
Section VIII Funds Required for Purchase	
	First Mortgage (include finance charges)
	Other Grants (include grant subject)
	Subsidy Contribution
	Owner Contribution
	First Home Club
	Other
	Total Available Funds to Purchase Home
Section IX Balance of Required Funds to Complete Purchase	
	CDBG Funds Required to Complete Purchase
	Financed by
	Total

This is an estimate of what may be needed at closing. The actual CDBG funds required to complete purchase will be calculated when a final closing disclosure is provided by the selling attorney and/or final loan estimate.

OCR MAOC 06/2020



How to use the form:

Will review the instructions (aside the form)

Section I

- Recipient Name will be the name of the Grantee (Town, Village, City, or County) , and the assigned OCR Number 123HO123-20

Section II

- Enter the Homebuyer's (CDBG Program Participant) information, including their name and the address of the property that is proposed to be purchased.

Section III

- Enter all Homebuyer's monthly household income.

Section IV

- Enter all Homebuyer's monthly household debt.

Section V

- With Section 8 Housing Choice Voucher (HCV) subsidy, subtract the monthly PITI from the lender with the Section 8 monthly subsidy amount to get the new monthly subsidized PITI.
- For subsidized total debt use the new subsidized PITI and total this out with

all other debt.

Section VI

- To calculate the affordability ratios without Section 8 HCV, for PITI ratio, divide the monthly PITI from the total gross monthly income, and enter this number manually to the form as a percentage.
- For the total debt ratio, divide the total debt by the total gross monthly income and enter this number manually to the form as a percentage.
- If the ratio for PITI is above 30% or the total debt ratio is above 40% a review will be required with OCR prior to proceeding.
- To calculate your affordability ratios with Section 8 HCV, follow the same method but use the subsidized PITI and total debt in place of the unsubsidized PITI and total debt.

Section VII

- Enter all transition costs

Section VIII

- Enter all funds required for the purchase

Section IX

- CDBG to complete the purchase will auto calculate, however, this number can be calculated by taking the transaction total and subtracting it from total available funds to purchase home.

Questions & Wrap Up



We also welcome your questions via the Questions box on any program administration topic.

Any questions after the conclusion of today's webinar, please follow up with Denise Cannon or Nina Krupski.

After this Webinar

If you have any further questions following the conclusion of this webinar, submit your questions to ocrinfo@nyshcr.org or contact the Office of Community Renewal at 518-474-2057

Please visit the [OCR website](#)



If you have any further questions following the conclusion of this webinar, submit your questions to the email on the slide or contact the Office of Community Renewal at 518-474-2057.

Please visit the OCR website at the link in the slide.

Mortgage Affordability and Grant Calculation

Q & A

Q: If their front-end ratios are very low are, we required to ask the client to finance more instead of subsidizing with the grant?

A: No, if the debt to income ratios are low for the household this may indicate that CDBG assistance is not needed.

Q: We have some clients that exceed the 30% front end ratio but we have internal exceptions such as utilizing a USDA 502 D loan for rural low income buyers, or if their back end is very low or no other debt, is this the type of exceptions that we could use?

A: Yes, the ratios provided are a guideline, each household should be looked at on a case by case basis.

Q: Is there a minimum amount of assistance allowed or only max limits allowed? For example, can a municipality say each eligible applicant is allowable for a minimum of \$5,000?

A: There are no minimum grant amounts for assistance that can be provided. You may find thorough using the Mortgage Affordability Calculation form that some who has applied and found an affordable home that they do not need CDBG fund to purchase said chosen home.

Maximum grant amounts for assistance is part of the grantees local program design.

Q: Repairs are allowed under a CDBG Homeownership grant, not just closing costs and down payment assistance? Can a homeownership grant be paired with a home rehab grant?

A: If a Grantee has applied for CDBG funds through the competitive application process and specifies in the program design the grant is for Home Ownership with Housing Rehabilitation, then yes. However, if the grantee has a program design of just Home Ownership, this project cannot receive CDBG housing rehabilitation funds from an additional grant.

Q: If you want to include Down Payment assistance to lower the DTI ratio's and include closing costs, where would you enter that amount for the grant assistance?

A: The form will calculate the CDBG funds needed overall to enable a purchase, down payment assistance should be entered under Transaction Costs, Other

Q: Are you saying the Section 8 subsidy which may offset heating and electric costs will offset total debt? But the car payment, credit cards, etc. are not offset by the heating and cooling assistance from section 8?

A: If a participant of the Section 8 program is approved for a Homeownership grant and the Section 8 HVC is used for Homeownership, the Section 8 assistance amount will count towards the mortgage amount in turn reducing the participants debt amount.

Q: Does this form just to calculate the closing cost assistance?

A: This form is used to calculate the total CDBG Homeownership award to a single household.

Q: Will HCR be able to review the first few of these forms to determine we are doing the calculations correctly?

A: Yes, you can contact your OCR Community Developer for guidance and oversight.

Mortgage Affordability and Grant Calculation

Q & A

Q: On the form, under Repairs, do we count the amount of grant funds to be used for repairs? That is not debt.

A: There is a Repair line under Transaction Costs where the cost of repairs is to be entered

Q: I thought we used the last 12 months of income. When did we move to 3 years' income?

A: To determine annual income you may use HUD's income calculator, and directive of what income is defined as.

Q: Please explain how you show the Down Payment Assistance.

A: Down payment assistance should be entered under Transaction Costs, Other

Q: If we have an acquisition grant, and the home needs repairs, are we able to allow repairs with the grant?

A: A Homeownership grant can also include a repair component, this component should be determined and included in the competitive application process for funding for the project. If a project is underway and it is determined that repairs would enhance the project, contact your Community Developer.

Q: How we are using this form to determine closing when many low-income households need to know the amount of grant to assist them in qualifying for mortgage? So, many of the answers on the form, such as purchase price, closing costs, repairs are not answered until a person has a home they want to purchase? We are asking low-income clients to jump through a lot of hoops to get these answers and then may not qualify for enough CDBG assistance to purchase the home?

A: When initially meeting with a potential homebuyer, a general affordability analysis should be performed to determine how much of a home can be purchased based on their current income and debt. Once a house is chosen for purchase, based on the initial vetting, the CDBG Mortgage Affordability Calculation form should be completed noting that purchase price and the subsequent repairs, closing costs and down payment to determine how much CDBG assistance is needed to enable the purchase.

Q: What if there is no amount?

A: You will need to know a purchase price to accurately fill out the Mortgage Affordability Calculation Form. This form is to be completed once a purchase price is known.

Q: We were told specifically not use the words up to because the bank would use the maximum amount. For example, if the amount was up to \$10,000, then the bank would use the max amount. And then if this is not the amount, they would have to start over.

A: The Mortgage Affordability Calculation form should determine an exact amount.

Q: If their front-end ratios are very low are, we required to ask the client to finance more instead of subsidizing with the grant?

A: The Participant should not be encouraged to finance additional funds, CDBG funds can be utilized to enable the purchase, but the after purchase front-end ratios should not be increased dramatically.

Mortgage Affordability and Grant Calculation

Q & A

Q: Sometimes the lender will flag repairs that are not allowed under CDBG such as other structures etc. and this will be financed under USDA or an FHA 203K or SONYMA Remodel which is a good resource

A: CDBG funds can be used to assist in the purchase even if other funds will go toward repairs.

Q: What if they have a FHA203K or SONYMA Remodel First mortgage which includes repairs.

A: CDBG is compatible with these mortgage products

Q: Should we send exceptions to the ratios to Nina before we commit funding to be sure? If so, can we get her email address.

A: Yes, you may send documents for review at your desire, and they should be sent to your Community Developer. Emails can be found on the Webinar follow-up email.

Q: I have a question regarding Self-employment income. Is it 3 years including year to date or 3 years tax returns plus year to date income?

A: Income should be determined by following the HUD guidance.