

# Homebuyers Assistance Program

Program Policy and Underwriting Guidelines



## City of Gastonia

Community Development Division  
PO Box 1748  
Gastonia, NC 28053-1748  
(704) 854-6602  
<https://gastonianc.gov>





**CITY OF GASTONIA**  
**AFFORDABLE HOUSING PROGRAM**

Homebuyer's Assistance Program  
PROGRAM POLICY AND UNDERWRITING GUIDELINES

Revised January 08, 2026

# TABLE OF CONTENTS

<b>PROGRAM POLICY</b> .....	<b>1</b>
<b>1.0 PROGRAM OBJECTIVE</b> .....	<b>1</b>
<b>2.0 FUNDING SOURCE AND AVAILABILITY</b> .....	<b>1</b>
<b>2.1 FUNDING AVAILABILITY</b> .....	<b>1</b>
<b>2.2 LEVERAGED FUNDING/OTHER FUNDING SOURCES</b> .....	<b>1</b>
<b>3.0 AMOUNT OF ASSISTANCE</b> .....	<b>2</b>
<b>3.1 FUNDING AMOUNT(S)</b> .....	<b>2</b>
<b>3.2 MAXIMUM ASSISTANCE AMOUNT</b> .....	<b>2</b>
<b>3.3 MINIMUM ASSISTANCE AMOUNT</b> .....	<b>2</b>
<b>4.0 ELIGIBILITY</b> .....	<b>2</b>
<b>4.1 RESIDENCY</b> .....	<b>2</b>
<b>4.2 APPLICANT BUYER STATUS</b> .....	<b>3</b>
<b>4.3 INCOME</b> .....	<b>3</b>
<b>5.0 CALCULATION OF INCOME</b> .....	<b>3</b>
<b>5.1 DETERMINING ANNUAL INCOME</b> .....	<b>3</b>
<b>5.2 VERIFICATION OF INCOME</b> .....	<b>3</b>
<b>6.0 GENERAL PROGRAM REQUIREMENTS</b> .....	<b>3</b>
<b>6.1 PROGRAM LIMITATIONS</b> .....	<b>3</b>
<b>6.2 CITY-OWNED PROPERTIES FOR PURCHASE</b> .....	<b>4</b>
<b>6.3 HOMEBUYER EDUCATION CLASS</b> .....	<b>4</b>
<b>6.4 REAL ESTATE SALES COMMISSION FOR CITY-OWNED PROPERTIES</b> .....	<b>4</b>
<b>6.5 PRE-APPROVED PROFESSIONALS (REAL ESTATE AGENTS, LENDERS, CLOSING</b> .....	<b>4</b>
<b>ATTORNEYS/AGENTS)</b> .....	<b>4</b>
<b>7.0 INSPECTIONS</b> .....	<b>4</b>
<b>7.1 REQUIRED PROGRAM INSPECTION – MINIMUM HOUSING INSPECTION</b> .....	<b>4</b>

7.2	REQUIRED LEAD BASED PAINT INSPECTION.....	4
7.3	HOME/ PEST/ SEPTIC INSPECTIONS AND HOME WARRANTIES .....	5
8.0	LOAN CLOSING REQUIREMENTS .....	5
8.1	LIEN – SECURING PROGRAM FUNDS .....	5
8.2	INSTRUMENTS SECURING PROGRAM ASSISTANCE.....	5
9.0	ELIGIBLE PROPERTY TYPES – PROPERTY REQUIREMENTS .....	6
9.1	MANUFACTURED HOUSING – NEWLY CONSTRUCTION.....	6
9.2	MANUFACTURED HOUSING – EXISTING HOUSING .....	6
	UNDERWRITING GUIDELINES .....	7
10.0	ASSET LIMITATION/AVAILABLE ASSETS TO ACQUIRE HOUSING.....	7
10-1	APPLICANT BUYER FUNDING CONTRIBUTION(S) .....	7
10-2	ASSET LIMITATION .....	7
10-3	SELLER CONTRIBUTIONS .....	7
10.4	GIFT FUNDS.....	7
10.5	FINANCIAL RESERVES/FINANCIAL RESOURCES TO SUSTAIN HOMEOWNERSHIP .....	7
11.0	MAXIMUM PURCHASE PRICE LIMITS .....	7
11-1	MAXIMUM PROPERTY VALUE.....	7
12.0.	ASSESSMENT OF APPLICANT BUYER’S ABILITY TO PURCHASE .....	8
12-1	CREDIT .....	8
12-2	COLLECTION ACCOUNTS/MEDICAL ACCOUNTS.....	8
12-3	CHAPTER 7 BANKRUPTCY REQUIREMENTS.....	8
12-4	CHAPTER 13 BANKRUPTCY REQUIREMENTS .....	8
12-5	FORECLOSURE REQUIREMENTS .....	8
12-6	REPOSSESSIONS.....	8
12-7	DEBT TO INCOME (DTI) GUIDELINES .....	8
12-8	OVERALL MONTHLY DEBT TO INCOME (DTI) EXPENSE.....	8
12-9	RECURRING HOUSEHOLD EXPENSES.....	9
12-10	COMPENSATORY FACTORS.....	9
13.0	QUALIFYING LOANS.....	9

13.1	LOAN TERMS.....	9
13.2	LOAN TYPES .....	9
13.3	FEDERAL HOUSING ADMINISTRATION (FHA) LOANS .....	10
13.4	UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) LOANS.....	10
13.5	ELIGIBLE EXPENSES AND CLOSING COSTS .....	10
13.6	INELIGIBLE EXPENSES .....	10
13.7	APPLICANT BUYER REFUND AT CLOSING .....	10
14.0	PREDATORY LENDING POLICY.....	10
15.0	DECLINING ASSISTANCE .....	11
16.0	HOMEBUYER EDUCATION .....	11
17.0	REFINANCING AND DEFAULT.....	11
17.1	ASSISTANCE TERMS.....	11
17.2	LOAN DEFAULT .....	11
17.3	REFINANCING .....	12
18.0	ADDENDUM: HOMEBUYERS ASSISTANCE PILOT PROGRAM \$15,000 .....	13

CITY OF GASTONIA  
AFFORDABLE HOUSING PROGRAM  
Homebuyer's Assistance Program  
**PROGRAM POLICY AND UNDERWRITING GUIDELINES**

## PROGRAM POLICY

### 1.0 PROGRAM OBJECTIVE

---

The City of Gastonia Homebuyer Assistance Program provides assistance to low - and moderate – income persons and families with a home purchase which is to be used as the primary residence. The objective of the program is to:

- provide thorough knowledge of homeownership through homebuyer education and counseling,
- ensure that the applicant buyer is ready to acquire housing and can sustain homeownership, and
- assist with funding deficiencies by providing down payment and closing cost assistance.

These objectives are accomplished by working with local lenders through The Community Reinvestment Act (CRA), Federal Housing Administration (FHA), and United States Department of Agriculture (USDA).

### 2.0 FUNDING SOURCE AND AVAILABILITY

---

#### 2.1 FUNDING AVAILABILITY

Funds are provided by the United States Department of Housing and Urban Development (HUD) to the City of Gastonia through The HOME Investment Partnership Program. The City's grant period is July 1 – June 30 of each year. Funds are processed and given on a first come first serve basis to eligible applicant buyers until program funding is depleted.

#### 2.2 LEVERAGED FUNDING/OTHER FUNDING SOURCES

Any additional funding sources used in the purchase transaction must have a firm, written commitment prior to closing. All terms and conditions associated with each funding source must be submitted to the City for review. All funding sources must be disclosed through the lender's documentation, including the Loan Estimate, Closing Disclosure, underwriting package, and any commitment or approval letters issued by the funding source.

### 3.0 AMOUNT OF ASSISTANCE

---

#### 3.1 FUNDING AMOUNT(S)

PILOT PROGRAM: \$15,000

Up to \$15,000 in down payment and closing cost assistance may be available through a limited pilot program while funds remain. Pilot assistance is structured as a 10-year deferred forgivable loan, forgiven in full at year eleven. See the attached Pilot Program Addendum for more information.

When all pilot program funds are exhausted, the maximum assistance level reverts to \$7,500.

STANDARD AMOUNT: UP TO \$7,500

For extreme circumstances, additional assistance may be available and is based upon applicant need and income; these are extremely rare occurrences:

<30% of AMI - UP TO \$10,000

31 to 50% - UP TO \$7,500

51 to 80% - UP TO \$5,000

Assistance at increased levels is also contingent upon the same criteria as listed in *Section 3.3 Minimum Assistance Amount*.

#### 3.2 MAXIMUM ASSISTANCE AMOUNT

Unless special circumstances or programs apply, the maximum amount of assistance under the standard program is **\$7,500.00**. When the pilot program is in effect and funds remain, assistance may be provided in amounts ranging from **\$7,501 up to \$15,000**, as determined through underwriting. The program will only provide the amount of funds needed by the applicant buyer. The Closing Disclosure must clearly indicate where the grant funds are to be used.

#### 3.3 MINIMUM ASSISTANCE AMOUNT

*The minimum amount of assistance allowable is \$1,000.00.* Applicant buyers requesting program assistance for less than \$1,000.00 are ineligible. Factors used in determining assistance amounts are:

- Applicant buyer financial resources
- Contract purchase price
- Debts
- Other source funding availability
- Loan program type
- Seller contribution
- Loan discounts/fees
- Housing to Debt Ratios

### 4.0 ELIGIBILITY

---

To qualify for assistance, buyers must meet the preliminary eligibility criteria as follows:

#### 4.1 RESIDENCY

Applicant buyer(s) must be a resident of Gaston County in the following townships:

*Gastonia, Belmont, Bessemer City, Cherryville, Cramerton, Dallas, Lowell, McAdenville, Mount Holly, Ranlo, Stanley, or the unincorporated areas of Gaston County, and cannot reside within the*

town limits of High Shoals or Spencer Mountain; or may be a resident of Kings Mountain, Cleveland County (within the city limits).

*Note: If the buyer currently resides within one eligible county but plans to move to another eligible county, income will be based on the current county of residence at the time of application.*

#### **4.2 APPLICANT BUYER STATUS**

The applicant buyer must be a first-time homebuyer, a displaced homebuyer, or cannot have owned a home within the last three (3) years – (*Code of Federal Regulations 24 CFR 572.5*).

#### **4.3 INCOME**

The applicant buyer's income cannot exceed 80% of the area median income (AMI) per family size based upon the limits as established by HUD for the designated area (*Code of Federal Regulations 24 CFR 92.254(a)(3) and 9.254 (b)(2)*). Income guidelines are subject to change annually.

*Current income guidelines are available by contacting program staff, or by visiting our website at:*

<https://gastonianc.gov/community-development/homebuyers-assistance-program#program-information>

### **5.0 CALCULATION OF INCOME**

---

#### **5.1 DETERMINING ANNUAL INCOME**

For the Homebuyer Assistance Program, The HUD Part 5 definition of annual income will be used. *Annual income* is defined as the gross amount of income for all adult household members that is anticipated to be received during the coming 12-month period.

Income sources used for establishing the annual gross income of the applicant buyer's household shall be determined in accordance with the *Code of Regulations 24 CFR 5.609* (which also lists income "Inclusions" and "exclusions").

#### **5.2 VERIFICATION OF INCOME**

Written verification of all household members over the age of 18 is required, and will be used to determine total family annual income.

### **6.0 GENERAL PROGRAM REQUIREMENTS**

---

#### **6.1 PROGRAM LIMITATIONS**

Homebuyers Assistance Program funds used in conjunction with other programs (*example: North Carolina Housing Finance Agency's Down Payment Program*) may only be used if the combined assistance does not result in overcompensation. In these cases, if another program covers the down payment, the City of Gastonia's funds may be used toward closing costs.

#### **6.2 CITY-OWNED PROPERTIES FOR PURCHASE**

Purchase transactions for City-owned properties require prior approval by City Council, and are subject to an upset bid process.

### **6.3 HOMEBUYER EDUCATION CLASS**

Attendance of the homebuyer education class is required for persons listed on the Deed of Trust. If an applicant buyer has already completed the class, the certificate is good for up to two (2) years, and the applicant buyer must maintain the certificate as proof of attendance. *All applicant buyers must receive housing counseling before receiving any Homebuyer Assistance Program Funding [Code of Federal Regulations 24 CFR §92.254(a) (3)].*

### **6.4 REAL ESTATE SALES COMMISSION FOR CITY-OWNED PROPERTIES**

Where City-owned properties are involved, the City, (at its discretion) may pay a sales commission fee up to a maximum of 2.5% of the sales price to the real estate agent or agent's firm that resulted in the procuring cause of the sales transaction. The real estate agent/broker or the agent's firm must notify Program Staff of the agent/applicant buyer relationship prior to, or at the time of property showing, and the agent/real estate firm must disclose and provide written proof of procuring the applicant buyer for the sales transaction.

### **6.5 PRE-APPROVED PROFESSIONALS (REAL ESTATE AGENTS, LENDERS, CLOSING ATTORNEYS/AGENTS)**

Professionals interested in working with applicant buyers participating in this program must contact our office prior to the applicant buyers application or by the time of application. Professionals must receive program education and prior program approval.

## **7.0 INSPECTIONS**

---

### **7.1 REQUIRED PROGRAM INSPECTION – MINIMUM HOUSING INSPECTION**

The purpose of the minimum housing code program inspection is to ensure the property poses no issues(s) that pose a threat of health and safety to the applicant buyer(s) upon purchase of the property. The inspection is basic in nature, and in no way replaces a home inspection. It is recommended to each applicant buyer to obtain a home inspection.

City staff inspects each property for compliance with the City of Gastonia's Minimum Housing Code. Prior to loan closing, the property must comply with Minimum Housing Code Standards.

### **7.2 REQUIRED LEAD BASED PAINT INSPECTION**

The Lead Based Paint Inspection is also part of the program Inspection. Homes constructed prior to 1978 must not have chipping, cracking, peeling or scaling paint. If any of the aforementioned paint issues are observed inside or outside of the dwelling, the house will need to be tested for lead paint after all other housing deficiency work is complete. If an issue of lead paint is visible at time of inspection, lead safe work practices must be implemented to clean up any lead issues, and the house must pass a Lead Paint Clearance test prior to closing.

The City will pay for the first lead-based paint test. If the results of the first test is positive, the applicant buyer is then responsible for paying for the second test after all safety issues have been addressed. Currently Lead Based Paint Clearance Test costs approximately \$325, and pricing is subject to change without notice.

Any work done to the house that disturbs any surface that may contain lead based paint will need to be treated with HUD lead based paint safe work practices as per the "Protect Your Family from Lead in Your Home" brochure. Workers performing such tasks must contact program staff prior

to commencing work to ensure proper training and techniques are used.

### **7.3 HOME/ PEST/ SEPTIC INSPECTIONS AND HOME WARRANTIES**

Private Home Inspections, pest inspections, and septic inspections are eligible expenses and may be covered by program funds. Home Warranties are evaluated on a case by case basis, as they are not necessary to close on a property, and *require prior approval*. It is the responsibility of the applicant buyer to request and schedule any inspections, and to notify the Housing Counselor of the decision.

## **8.0 LOAN CLOSING REQUIREMENTS**

---

Closings must be conducted by an approved attorney. If it is required by the lending institution or owner/seller to close with an attorney other than those approved by the program, the closing agent must be approved by Homebuyer Program staff prior to assistance.

*See SECTION 6.5 Pre-Approved Professionals (Real Estate Agents, Lenders, Closing Attorneys/Agents) for additional terms and details.*

### **8.1 LIEN – SECURING PROGRAM FUNDS**

Assistance is provided in the form of a second mortgage for a period of five years, with no interest. 20% of the original loan amount is satisfied each year that the applicant buyer complies with the terms. If during the five-year period any of the following events occur, a pro-rated portion of the second mortgage becomes due and payable:

- Sale or transfer of the property,
- Change in owner-occupancy status, and/or
- Default of the first mortgage.

The applicant buyer must contact the Housing Counselor for the pay-off amount and pay-off instructions. *See UNDERWRITING GUIDELINES - Section 17.2 Loan Default and 17.3 Refinance for additional terms and details.*

### **8.2 INSTRUMENTS SECURING PROGRAM ASSISTANCE**

Program funds are secured by the Deed of Trust, Loan Agreement and Promissory Note, all of which are signed by the applicant buyer at closing, and notarized. At the completion of closing, the Deed of Trust and the Loan Agreement are recorded and filed at the Gaston County Register of Deeds or Cleveland County Register of Deeds, whichever is applicable. A copy of all documents will be placed in the applicant buyer's file, and the original documents are retained for cancellation of record purposes.

## 9.0 ELIGIBLE PROPERTY TYPES – PROPERTY REQUIREMENTS

---

Program funds may be used to assist the following types of housing:

- New Construction (single family)
- Existing construction (single-family)
- Condominiums
- Townhomes
- Manufactured Housing (*must meet certain requirements – see below*)

Property acquired with Homebuyers Assistance Program Funds must be used as the primary residence.

### 9.1 MANUFACTURED HOUSING – NEWLY CONSTRUCTION

As stated in the *Code of Federal Regulations 24 CFR 92.251(e)* newly constructed manufactured housing and housing that replaces an existing substandard unit must be on a permanent foundation. “*Permanent foundation*” means a foundation system of supports that is capable of transferring all design loads to the ground and meets the requirements of *Code of Federal Regulations 24 CFR 203.43f(c)(i)*.

### 9.2 MANUFACTURED HOUSING – EXISTING HOUSING

Foundation systems for existing units must be inspected and meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances (*Code of Federal Regulations 24 CFR 92.251(a) (1)*).

**PROGRAM POLICY**

**- END -**

CITY OF GASTONIA  
AFFORDABLE HOUSING PROGRAM  
Homebuyer's Assistance Program  
**PROGRAM POLICY AND UNDERWRITING GUIDELINES**

## **UNDERWRITING GUIDELINES**

### **10.0 ASSET LIMITATION/AVAILABLE ASSETS TO ACQUIRE HOUSING**

---

#### **10-1 APPLICANT BUYER FUNDING CONTRIBUTION(S)**

*The applicant buyer must have a minimum of \$750.00 toward the purchase transaction. Applicant buyer funds will be applied toward pre-paid closing cost expenses (taxes, insurance costs, homeowner association dues) first. Program funds cannot be used toward any pre-paid expenses.*

#### **10-2 ASSET LIMITATION**

Applicant buyers with assets in excess of \$20,000.00 are ineligible to receive Homebuyer Program Assistance. In general terms, an asset is a cash or non-cash item that can be converted to cash.

#### **10-3 SELLER CONTRIBUTIONS**

Seller contributions may go toward any prepaid expenses exceeding the \$750.00 that the applicant buyer/buyer is required to provide. The maximum seller contribution is 6% of the sales price. All seller funds must be applied to pre-paid expenses first.

#### **10.4 GIFT FUNDS**

Gift funds may be used and are accepted only from the applicant buyer(s)' immediate family members. Gift funds may not exceed \$5,000.00.

#### **10.5 FINANCIAL RESERVES/FINANCIAL RESOURCES TO SUSTAIN HOMEOWNERSHIP**

Although not required it is strongly recommended that the applicant buyer have a 3-month reserve of mortgage payments on hand (preferably in an account) as a safeguard for sustainability in the event of a crisis.

### **11.0 MAXIMUM PURCHASE PRICE LIMITS**

---

#### **11-1 MAXIMUM PROPERTY VALUE**

The value of any property purchased with Homebuyers Assistance Program funds may not exceed 95% of the median purchase price for new construction or existing properties for the area, as published by HUD.

*Current program homeownership value limits are available by contacting program staff, or by visiting our website at: <https://gastonianc.gov/community-development/homebuyers-assistance-program#program-information>*

### **12.0. ASSESSMENT OF APPLICANT BUYER'S ABILITY TO PURCHASE**

---

**12-1 CREDIT**

The applicant buyer must be a reasonable credit risk. The current lending market and lending institutions dictate credit score requirements.

**12-2 COLLECTION ACCOUNTS/MEDICAL ACCOUNTS**

Collections, judgments, liens, charge-offs must be less than 2 years old, and must be paid prior to closing. The applicant buyer must provide documentation that the debt has been satisfied. Payments and/or payoff of medical collections are contingent upon lender requirements.

**12-3 CHAPTER 7 BANKRUPTCY REQUIREMENTS**

Chapter 7 bankruptcies must be discharged for 2 years from the date of program application, and the applicant buyer must have re-established credit.

**12-4 CHAPTER 13 BANKRUPTCY REQUIREMENTS**

Chapter 13 bankruptcy can be within the repayment time with no missed payments with written approval from the bankruptcy court.

**12-5 FORECLOSURE REQUIREMENTS**

Applicant buyers' impacted by foreclosure must wait three years from completion of the foreclosure and must have no deficiency balance; written explanation and re-established credit are also required.

**12-6 REPOSSESSIONS**

Applicant buyers with repossessions are required to have at least a 12 month history with no deficiency balance.

**12-7 DEBT TO INCOME (DTI) GUIDELINES**

Housing Debt Expense - Front-End Ratio: The standard guideline for housing debt expense is 30%. The front-end ratio is calculated by dividing the gross income by the new and/or anticipated PITI mortgage payment (consisting of the principal, interest, taxes, insurance, and Homeowners Association (HOA) – if applicable).

**12-8 OVERALL MONTHLY DEBT TO INCOME (DTI) EXPENSE**

Determining the back-end ratio: The standard guideline for overall monthly debt (consisting of the monthly debt expense and housing debt) is **41%**. In certain circumstances the applicant buyer's net income can exceed the maximum (DTI) of **41%** and upon review and approval be extended to **43%**. This factor is calculated by dividing the gross income by the sum of the new PITI mortgage payment and the minimum monthly payments from the applicant buyer's liabilities. The typical debts used to determine the qualifying back-end ratios are the sum of the minimum required monthly payments on all the following types of debts:

- Student loans
- Auto loans
- Consumer loans
- Lines of Credit
- Credit Cards
- Housing Debt

**12-9 RECURRING HOUSEHOLD EXPENSES**

Current market conditions dictate that necessary and reasonable household expenses are equal to or less than 25 – 30% of the applicant buyer’s gross income. If the lender wishes to use a greater percentage, prior review and approval are required by program staff.

**12-10 COMPENSATORY FACTORS**

In the event that the applicant buyer exceeds the 30/41% DTI ratio, other compensating factors may be taken into consideration to determine eligibility. If the criteria are met, ratios may be increased by 1 – 3%. Applicant buyers must meet each of the criteria listed below:

- 700+ credit score,
- 2 month reserves (of the PITI payment amount),
- Monthly PITI may not to exceed the current rent payment amount of 125%.

In the event the applicant buyer does not have a back end ratio, the maximum ratio that will be allowed is **36%**.

**13.0 QUALIFYING LOANS**


---

The applicant buyer must be able to qualify for a fixed rate mortgage loan product offered through:

- FHA,
- USDA, or
- Conventional financing.

**13.1 LOAN TERMS**

Program preference is for applicant buyers to obtain a thirty-year (30) term. The applicant buyer must qualify on their own credit (no co-signers). All co-applicant buyers must be listed on the mortgage loan.

**13.2 LOAN TYPES**

The Homebuyer Program may be used with conventional, FHA and USDA loans.

**13.3 FEDERAL HOUSING ADMINISTRATION (FHA) LOANS**

The FHA program will allow for 3.5% down payment assistance, with the remainder of the funds going towards closing costs less pre-paid items. 3.5% is the standard amount for FHA loans at this time. If additional funding is needed, the lender must contact the City of Gastonia for approval.

**13.4 UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) LOANS**

For USDA mortgage loans, funding may be used for closing cost only. The USDA Guarantee may be an eligible cost, but will be evaluation on a case by case basis, and will require prior approval.

**13.5 ELIGIBLE EXPENSES AND CLOSING COSTS**

Typical closing costs include, but are not limited to:

- ✓ lender fees,
- ✓ attorney fees,

- ✓ recording fees,
- ✓ home inspection
- ✓ pest inspection
- ✓ septic inspection
- ✓ home warranty (case by case basis – prior approval is required)
- ✓ bank fees (limited amount, and requires Program Staff pre-approval)

**13.6 INELIGIBLE EXPENSES**

Program funds cannot be used to pay the applicant buyers pre-paid items, which include, but are not limited to:

- escrow of taxes,
- insurance,
- interim interest.

**13.7 APPLICANT BUYER REFUND AT CLOSING**

The applicant buyer cannot receive funds back at closing. If there is a funding deficiency for closing, the applicant buyer may have to bring additional funds to closing.

**14.0 PREDATORY LENDING POLICY**

---

The City of Gastonia supports the expansion of fair and equitable home ownership opportunities. The goal of program staff is to ensure that fund expenditures are reasonable and necessary, and the objective of the program is to ensure that applicant buyers are ready to acquire housing and are able to sustain homeownership. To discourage predatory lending practices, which are inconsistent with such opportunities, the City of Gastonia has established the following anti-predatory lending with respect to residential mortgage loans used in conjunction with the Homebuyers Assistance Program Funding.

Mortgage loans must comply with applicable federal, state and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, “Anti-Predatory Lending Laws”).

In addition, no creative financing such as variable rate, adjustable rate, and interest rate only, balloon payment, and/or 80/20 split, will be allowed. Any practices deemed as predatory that are not listed above, are subject to review and approval by Program Staff. *[Code of Federal Regulations 24 CFR §92.254(f)]*

**15.0 DECLINING ASSISTANCE**

---

Every effort will be made to address issues well in advance of closing, however, the City of Gastonia Homebuyer Assistance Program reserves the right to postpone a scheduled closing date or deny program assistance due any of the following circumstances:

- Falsification and/or alteration of documents
- Reported Minimum Housing Code violations that are not properly addressed
- Failed lead based paint inspection
- Predatory loans and/or fees
- Incomplete/missing paperwork

- Scheduling conflicts
- Insufficient processing time allowed for program funding (check request)
- Not receiving prior approval on any required items/matters
- Other issues that conflict with program policy or federal regulations

## **16.0 HOMEBUYER EDUCATION**

---

All applicant buyers must receive housing counseling before receiving Homebuyer Program Funding [*Code of Federal Regulations 24 CFR §92.254(a) (3)*], and the homebuyer education class is required for anyone listed on the Deed of Trust. If the client has already completed the class, certificates are only good for 2 years and the applicant buyer must maintain the certificate as proof of attendance.

## **17.0 REFINANCING AND DEFAULT**

---

### **17.1 ASSISTANCE TERMS**

Assistance is provided in the form of a second mortgage. There is no interest on the second mortgage and the term is 5 years. The second mortgage becomes due and payable at the occurrence of a trigger event during the five-year term, but the funds are pro-rated by 20% each year that the applicant buyer complies with the agreement. The unsatisfied balance must be recaptured.

For pilot program assistance (\$7,501 - \$15,000), the loan is structured as a ten (10) year deferred forgivable loan. No portion of the loan is forgiven during the first ten years. The full principal amount is forgiven only at the end of year eleven (11), subject to compliance with all program requirements.

### **17.2 LOAN DEFAULT**

A loan is in default and the second mortgage becomes due and payable at the occurrence of a trigger event during the five-year term, but the funds are pro-rated:

- Sale or transfer of the property,
- Change in owner-occupancy status,
- Default of first mortgage.

For pilot program assistance (\$7,501–\$15,000), any trigger event results in full recapture of the loan amount if it occurs during the ten-year affordability period. Pilot program trigger events include sale or transfer of the property, refinance without prior written approval, foreclosure, or the property ceasing to be the primary residence.

### **17.3 REFINANCING**

Applicant buyers may refinance, but must contract program staff before doing so. Consideration for loan subordination is subject to staff review and approval, and is completed only when the new loan terms are reasonable. Refinancing does trigger repayment. Contact Program Staff for payoff amount and terms.

For pilot program assistance (\$7,501–\$15,000), refinancing without prior written approval will result in full recapture of the loan during the ten-year affordability period.

**17.4 RECAPTURE PROVISION**

The down payment and closing costs assistance must be recaptured on a pro-rata basis. 20% is forgiven/satisfied each year, for the period of time the homeowner has owned and occupied the dwelling which is measured against the required affordability period.

For pilot program assistance (\$7,501–\$15,000), recapture is not pro-rated. Any trigger event during the ten (10) year affordability period results in full repayment of the loan amount. The loan is forgiven only at the end of year eleven (11).

**17.5 NET PROCEEDS**

Recapture requires that all or a portion of the program funds provided to the homebuyer be recaptured from the net proceeds of the sale. Net proceeds are defined as the sales price minus loan repayment (other than HOME funds) and any closing costs. When recapture is triggered by foreclosure of the housing unit, and there are no net proceeds or the available net proceeds are insufficient to repay the HOME Investment due, the City can only recapture the available net proceeds.

This same net-proceeds limitation applies to pilot program assistance (\$7,501–\$15,000), provided the recapture event occurs during the ten-year affordability period.

**17.6 FORECLOSURE**

For those applicant buyers facing foreclosure, but are actively working with a lender to restructure or refinance loan in order to remain in the home, Program Staff must be notified and will assist the applicant buyer with resources and discuss how this action will impact terms and conditions of program funding.

For pilot program assistance (\$7,501–\$15,000), foreclosure during the ten-year affordability period constitutes a full recapture event, subject to the net-proceeds limitation described above.

**18.0 ADDENDUM: Homebuyers Assistance Pilot Program \$15,000**



**Down Payment Assistance Program  
Pilot Program Addendum**

With the continued volatility of the current housing market, it has become increasingly difficult for individuals and families to purchase a home. Limitations include insufficient funds available for down payment, increased mortgage rates and the increase in home sales prices and values. As such, the City of Gastonia implemented a pilot program to increase down payment and closing costs assistance up to a maximum of \$15,000 per qualified buyer.

Available Funds

\$328,000 is allocated for this program.

Eligible Costs

Funds may be used and applied toward down payment and eligible closing costs.

Eligible Property Types

Funds may be used towards the purchase of a single-family home, condominium unit, townhome, or manufactured housing that meet program criteria.

Eligibility Requirements

Applicants must reside in a qualify area:

<ul style="list-style-type: none"> <li>• Gastonia</li> </ul>	<ul style="list-style-type: none"> <li>• Lowell</li> </ul>
<ul style="list-style-type: none"> <li>• Belmont</li> </ul>	<ul style="list-style-type: none"> <li>• McAdenville</li> </ul>
<ul style="list-style-type: none"> <li>• Bessemer City</li> </ul>	<ul style="list-style-type: none"> <li>• Mount Holly</li> </ul>
<ul style="list-style-type: none"> <li>• Cherryville</li> </ul>	<ul style="list-style-type: none"> <li>• Ranlo</li> </ul>
<ul style="list-style-type: none"> <li>• Cramerton</li> </ul>	<ul style="list-style-type: none"> <li>• Stanley</li> </ul>
<ul style="list-style-type: none"> <li>• Dallas</li> </ul>	<ul style="list-style-type: none"> <li>• Gaston County-unincorporated areas</li> </ul>
<ul style="list-style-type: none"> <li>• Kings Mountain</li> <li>• (within city limits of both Gaston and Cleveland Counties)</li> </ul>	

- Meeting household income limits (80% or below)  
See section *HUD Income Limits*
- Qualify for a first-mortgage loan with a lender  
Must have a minimum of \$750 of own personal funds (documented) to invest in the transaction
- Be able to document \$1,000 of savings in a personal bank account for at least a two (2) month consecutive period.

Funding Source

Funds are provided by the U.S. Department of Housing and Urban Development (HUD) through the HOME Investment Partnerships (HOME) Program.

Funding per activity

Assistance is need-based and determined by an underwriting review of the applicant’s household income and subject property to be acquired.

HUD Income Limits

Applicant(s) household income cannot exceed 80% of the area median income for either Gaston or Cleveland Counties.

FY2025 Income Limits 80%								
Household Size	1	2	3	4	5	6	7	8
Income Limit	\$62,850	\$71,800	\$80,800	\$89,750	\$96,950	\$104,150	\$111,300	\$118,500
For the most current limits visit: <a href="https://www.huduser.gov/portal/datasets">https://www.huduser.gov/portal/datasets</a> or <a href="https://gastonianc.gov/images/Housing_Community_Engagement/Incom_Limits.pdf">https://gastonianc.gov/images/Housing_Community_Engagement/Incom_Limits.pdf</a> Note: Limits are subject to change annually.								

Loan Terms, Default and Recapture, Security Instruments

<b>Loan Amount</b>	<b>Up to \$7,500</b>	<b>\$7,501 - \$15,000</b> <i>Maximum assistance is based upon underwriting for final decision.</i>
<b>Loan Rate</b>	0%	0%
<b>Loan Term and Affordability Period</b>	Five 5-year deferred payment forgivable loan	<ul style="list-style-type: none"> <li>• Ten (10) year deferred forgivable loan forgivable one (1) day after the end of year 10;</li> <li>• Recapture is triggered by refinance, ownership transfer or property ceasing use as primary residence; and</li> <li>• Recapture of total loan amount required upon borrower default</li> </ul> <p>Note: Refinance is prohibited however, it may be considered in special circumstances where conditions dictate refinance would create opportunity for increased affordability and continued sustainability.</p>
<b>Security Recording Instruments</b>	Loan secured by: <ul style="list-style-type: none"> <li>• Deed of Trust</li> <li>• Loan Agreement,</li> <li>• Promissory Note</li> </ul>	Loan secured by: <ul style="list-style-type: none"> <li>• Deed of Trust</li> <li>• Loan Agreement,</li> <li>• Promissory Note</li> </ul>

<b>Default Criteria</b>	Recapture triggered by: <ul style="list-style-type: none"> <li>• Refinance,</li> <li>• Ownership transfer</li> <li>• Foreclosure or</li> <li>• Property ceasing use as primary residence</li> </ul> Recapture is contingent upon the length of loan term fulfillment	Recapture triggered by: <ul style="list-style-type: none"> <li>• Refinance,</li> <li>• Ownership transfer</li> <li>• Foreclosure or</li> <li>• Property ceasing use as primary residence</li> </ul> Recapture is contingent upon the length of loan term fulfillment
<b>Maximum Sales Price Limits</b> Effective 06/03/2024 and subject to change annually)	New Construction: \$ 306,000 Existing Construction: \$ 308,000  For current limits: <a href="https://www.huduser.gov/portal/datasets/home-ownership-value-limits.html">https://www.huduser.gov/portal/datasets/home-ownership-value-limits.html</a>	New Construction: \$306,000 Existing Construction: \$ 308,000

Number of Anticipated Recipients

Approximately ten (20) prospective homebuyers will be assisted with allocated funds.

Purchase Program Area

Eligible participants must purchase within Gaston County.

Program Period

The program is effective December 01, 2025, until all funds are expended but no later than June 30, 2026.

Underwriting Criteria

Underwriting will follow the same practices as listed in the prior sections of this policy. Applicant(s) will receive the amount of assistance needed as determined by the underwriting review.

**UNDERWRITING GUIDELINES**

**- END -**

