



Homebuyer Assistance Program

Program Policy and Underwriting Guidelines

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HOMEBUYER 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 and eligible mortgage products, including Federal Housing Administration (FHA), United States Department of Agriculture (USDA), Veterans Affairs (VA), and conventional financing.

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 Partnerships 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: \$50,000

Up to \$50,000 in down payment and closing cost assistance may be available through a limited Pilot Program while funds remain available. Assistance is based on documented household need and underwriting review. See Section 18.0 Pilot Program Addendum for additional information and requirements.

Pilot assistance shall be structured as follows:

- \$15,001 to less than \$25,000
 - Five (5) year deferred, forgivable loan
 - Forgiven at 20% annually and fully forgiven at the end of year five (5)
- \$25,000 – \$50,000
 - Ten (10) year deferred, forgivable loan
 - Forgiven at 10% annually and fully forgiven at the end of year ten (10)

When Pilot Program funds are exhausted or the Pilot Program concludes, standard assistance shall revert to up to \$15,000, based on documented household need, underwriting review, and funding availability.

STANDARD PROGRAM: UP TO \$15,000

Standard assistance is based on documented household need, underwriting review, and funding availability. Assistance shall be structured as a five (5) year deferred, forgivable loan forgiven at 20% annually and fully forgiven at the end of year five (5). This structure may be adjusted based on underwriting, funding availability, and documented need.

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 \$15,000.00. When the pilot program is in effect and funds remain, assistance may be provided in amounts ranging from \$15,001 up to \$50,000, 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 program 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 reside within Gaston County, including the municipalities of Gastonia, Belmont, Bessemer City, Cherryville, Cramerton, Dallas, Lowell, McAdenville, Mount Holly, Ranlo, Stanley, and the unincorporated areas of Gaston County. Applicants residing within the city limits of Kings Mountain, within Gaston County, are also eligible, provided the home is being purchased within Gaston County.

Applicants residing within the town limits of High Shoals or Spencer Mountain are not eligible.

4.2 APPLICANT BUYER STATUS

The applicant must be a first-time homebuyer, meaning the applicant and their spouse have not owned a home during the three (3) years preceding purchase, subject to the exceptions in 42 U.S.C. § 12704(14)

4.3 INCOME

The applicant's annual household income must not exceed the applicable HUD HOME low-income limit (80% AMI), adjusted for household size, for the area in which the property is located (24 CFR 92.2, 92.203, and 92.254(a)(3)). Income limits are updated annually by HUD. Current limits are available from program staff or on the City's 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

Homebuyer Assistance Program funds may be layered with other homebuyer assistance programs only when the City determines, through its written underwriting and subsidy-layering standards, that the combined assistance does not exceed the amount necessary to complete the purchase and achieve sustainable homeownership. When another program provides down payment assistance, City HOME funds may be applied to eligible closing costs, provided the total HOME assistance remains appropriate to the buyer's need and all applicable HOME requirements are met.

6.2 HOMEBUYER EDUCATION CLASS & HOUSING COUNSELING

Each applicant buyer who will be listed on the City's Deed of Trust must complete the required Homebuyer Education Class. If an applicant buyer has previously completed an acceptable homebuyer education course, the certificate of completion is valid for up to two (2) years and must be provided to Program Staff.

Following completion of homebuyer education, the applicant buyer must receive housing counseling prior to receiving HOME assistance. 24 CFR 92.254(a)(3) states: "The homebuyer must receive housing counseling." See Section 16.0 for additional requirements.

6.3 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.

6.4 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 PARTICIPATING PROFESSIONALS (REAL ESTATE AGENTS, LENDERS, INSURANCE AGENTS, CLOSING ATTORNEYS/AGENTS)

Professionals participating in transactions involving Homebuyer Assistance Program funds must coordinate with Program Staff early in the homebuying process, and no later than prior to approval of program assistance and closing.

Program Staff will provide program education, timelines, documentation requirements, and process guidance to support timely processing and compliance with program requirements. The City reserves the right to deny participation in program transactions involving professionals, lenders, or service providers whose actions, loan products, documentation, or practices conflict with program requirements, federal regulations, underwriting standards, or the overall purpose of the program.

Program Staff will maintain and provide a list to the applicant buyer of professionals familiar with

program requirements and processes; however, applicant buyers may choose other professionals or service providers provided such professionals complete the coordination, education, and compliance process outlined above prior to participation in transactions involving program funds.

7.0 INSPECTIONS

7.1 REQUIRED PROGRAM INSPECTION – MINIMUM HOUSING CODE AND NSPIRE

City staff will inspect each property proposed for HOME-funded down payment assistance and/or closing-cost assistance to determine compliance with applicable HOME acquisition property standards. The inspection will address applicable State and local codes, including the City of Gastonia Minimum Housing Code; applicable HOME/NSPIRE acquisition requirements; required smoke and carbon-monoxide alarms; and applicable lead-based-paint requirements for pre-1978 housing. The City will apply the most stringent applicable requirement.

The program inspection does not replace a private home inspection, appraisal, pest inspection, structural evaluation, or other buyer due diligence. Applicant buyers are strongly encouraged to obtain an independent private home inspection.

The City will implement HOME-specific NSPIRE acquisition standards no later than April 14, 2027. Until implementation, the City will apply its adopted HOME property standards, including applicable Minimum Housing Code and lead-based-paint requirements. Once implemented, inspections must address applicable Appendix D deficiencies in HUD's April 14, 2026 NSPIRE notice (91 FR 19145), together with applicable State and local codes.

The inspection must be completed and documented no more than 90 days before the City commits HOME funds through a written agreement with the homebuyer. If commitment does not occur within 90 days after the inspection, the City must complete a new inspection before committing HOME funds.

All deficiencies that prevent compliance with applicable City or HOME property standards must be corrected and verified before HOME funds are committed and before closing, unless the City approves and documents a post-acquisition correction period permitted by HOME requirements and City procedures. Program Staff will retain a signed and dated inspection report, applicable checklist, corrective-action documentation, and verification of completed repairs. Inspections must use City-approved procedures and checklists.

7.2 LEAD-BASED PAINT VISUAL ASSESSMENT AND COMPLIANCE

For each pre-1978 property, unless a documented exemption applies, City staff will complete a visual assessment of interior and exterior painted surfaces to identify deteriorated paint and will provide the applicant buyer with applicable HUD/EPA lead-based-paint information, including the *Protect Your Family From Lead in Your Home* brochure. Deteriorated paint includes paint that is peeling, chipping, cracking, chalking, damaged, or otherwise separated from the substrate.

If the City's visual assessment identifies deteriorated paint, the City will notify the applicant buyer of the condition(s). The applicant buyer, seller, and/or other responsible party must arrange and pay for all required corrective work, including any lead-based-paint inspection, paint testing, stabilization, interim controls, clearance examination, or related work required to correct the identified condition and demonstrate compliance with applicable lead-based-paint requirements. The City will not pay for these costs.

All corrective work must comply with applicable HUD and EPA lead-safe work-practice requirements. The City is not responsible for supervising or directing corrective work performed by the applicant buyer, seller, contractor, or other third party.

Before HOME funds are committed or disbursed, the applicant buyer must submit documentation showing that corrective work is complete, including a passing clearance report from a properly qualified clearance examiner when clearance is required. Program Staff will review the documentation for consistency with the City's initial visual assessment and will conduct a final visual assessment to verify that the identified deteriorated-paint conditions have been corrected. HOME funds may not be committed or disbursed until the City determines and documents compliance with applicable lead-based-paint requirements.

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, subject to underwriting review and funding availability.

Home warranties are evaluated on a case-by-case basis, require prior approval from Program Staff, and are not guaranteed eligible expenses under the program.

It is the responsibility of the applicant buyer to request, coordinate, and schedule any desired inspections and to provide all applicable inspection reports and findings to Program Staff upon request.

8.0 LOAN CLOSING REQUIREMENTS

Closings involving Homebuyer Assistance Program funds must be conducted by an attorney or closing agent that has coordinated with Program Staff and is familiar with program requirements, processes, and documentation standards.

If the applicant buyer, lending institution, or owner/seller elects to use an attorney or closing agent not previously familiar with the program, the attorney or closing agent must complete the coordination, education, and compliance process outlined in Section 6.5 prior to approval of program assistance and closing.

8.1 LIEN – SECURING PROGRAM FUNDS

Assistance is provided in the form of a subordinate mortgage loan with no interest. The City will generally secure its HOME assistance in the highest subordinate lien position available. The City may accept a lower lien position when the applicant buyer receives approved subordinate assistance through the North Carolina Housing Finance Agency (NCHFA), including the

Community Partners Loan Pool (CPLP) or other NCHFA-administered homebuyer assistance programs.

For assistance amounts of \$1,000 to less than \$25,000, the loan term is five (5) years, and 20% of the original loan amount is satisfied each year that the applicant buyer complies with the terms. For pilot program assistance of \$25,000 through \$50,000, the loan term is ten (10) years, and 10% of the original loan amount is satisfied each year that the applicant buyer complies with the terms. See Section 18.0 for additional pilot program requirements. If during the applicable loan term any of the following events occur, the remaining unforgiven portion of the subordinate mortgage becomes due and payable:

- Sale or transfer of the property,
- Change in owner-occupancy status, and/or
- Default of the first mortgage.
- Refinancing without prior written approval or contrary to Section 17.3.

The applicant buyer must contact Program Staff 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 is recorded and filed at the Gaston County Register of Deeds. 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*)

Properties acquired with Homebuyer Assistance Program funds must be owner-occupied and maintained as the applicant buyer's principal residence in accordance with program requirements and applicable HOME regulations. For manufactured housing, the applicant buyer must own the land on which the home is located and provide the City with a recorded deed showing ownership. Manufactured housing located on leased land is not eligible.

9.1 MANUFACTURED HOUSING – NEWLY CONSTRUCTED

As stated in the *Code of Federal Regulations 24 CFR 92.251(e)* newly constructed manufactured housing and housing that replaces 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(c) and 92.251(e)*).

PROGRAM POLICY

- END -

UNDERWRITING GUIDELINES ON NEXT PAGE

**HOMEBUYER 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 Homebuyer 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

Non-medical collection accounts, judgments, liens, and charge-offs with an individual balance over \$2,000 must be paid by closing. Debts with an individual balance of \$2,000 or less do not have to be paid unless the first mortgage lender requires it. Medical collections are required to be paid or otherwise satisfied only if the first-mortgage lender requires payment or satisfaction as a condition of loan approval or closing. Any such requirement must be documented in writing by the lender.

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 new and/or anticipated monthly PITI mortgage payment (consisting of principal, interest, taxes, insurance, and Homeowners Association (HOA) dues, if applicable) by the applicant buyer's gross monthly income.

12.8 OVERALL MONTHLY DEBT TO INCOME (DTI) EXPENSE

Determining the back-end ratio: The standard guideline for overall monthly debt, including housing debt, is 43%. Upon review and approval by Program Staff, the ratio may be increased to a maximum of 45% when the applicant buyer meets each compensating factor in Section 12.10. Calculate the ratio by dividing the new monthly PITI payment plus minimum monthly liability payments by the applicant buyer's gross monthly income. Qualifying debts include the minimum required monthly payments on the following:

- 12.8.1 Student loans
- 12.8.2 Auto loans
- 12.8.3 Consumer loans
- 12.8.4 Lines of Credit
- 12.8.5 Credit Cards
- 12.8.6 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

An applicant buyer with a back-end ratio above 43% may be approved by Program Staff for a ratio of up to 45% only if the applicant buyer meets each of the following compensating factors:

- Credit score of 700 or higher,
- Reserves equal to two months of the PITI payment, and
- Monthly PITI no greater than 125% of the applicant buyer's current rent payment.

The maximum back-end ratio allowed under this section is 45%.

13.0 QUALIFYING LOANS

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

- FHA,
- USDA,
- VA, 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, USDA, and VA 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 evaluated on a case-by-case basis and requires 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 Homebuyer 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(g)(2)]*

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, misrepresentations, and/or alteration of documents
- Reported Minimum Housing Code violations or applicable NSPIRE deficiencies under Section 7.1 that are not properly addressed
- Failed lead based paint visual assessment, inspection or clearance, or missing reports required by Section 7.2
- 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 determined by Program Staff to conflict with program policy, underwriting standards, federal regulations, or the overall purpose of the program

16.0 HOMEBUYER EDUCATION & HOUSING COUNSELING

Homebuyer education and housing counseling are integral components of the Homebuyer Assistance Program and are provided in accordance with the City's current HUD-approved Housing Counseling Work Plan.

Each applicant buyer who will be listed on the City's Deed of Trust must complete the City's required Homebuyer Education Class or provide evidence of completion of an acceptable homebuyer education course within the preceding two (2) years. The Homebuyer Education Class is a group education service that provides an overview of the home purchase process and responsibilities associated with successful homeownership, including budgeting, credit, mortgage financing, working with lenders and real estate professionals, home inspections, fair housing, closing, and post-purchase responsibilities.

Following homebuyer education, and prior to receiving HOME assistance, each applicant buyer must receive housing counseling. 24 CFR 92.254(a)(3) states: "The homebuyer must receive housing counseling." Housing counseling is individualized to the applicant buyer and may include an assessment of housing goals and readiness for homeownership, household income and expenses, budgeting and savings, credit, affordability, mortgage and financing options, fair housing and fair lending, home inspections, closing costs, down payment assistance, and other matters relevant to sustainable homeownership. An action plan will be developed as applicable to the client's housing goals and circumstances.

Completion of the Homebuyer Education Class does not replace the requirement for housing counseling.

17.0 REFINANCING AND DEFAULT

17.1 ASSISTANCE TERMS

Assistance is provided in the form of a deferred, forgivable subordinate mortgage loan with no interest. For assistance amounts of \$1,000 to less than \$25,000, the period of affordability and loan term is five (5) years. The loan is forgiven at a rate of 20% annually for each year the applicant buyer remains in compliance with program requirements. Any unsatisfied balance remaining at the occurrence of a trigger event during the period of affordability must be recaptured in accordance with program requirements.

For pilot program assistance of \$25,000 through \$50,000, the loan is structured as a ten (10) year deferred, forgivable loan. The loan is forgiven at a rate of 10% annually for each year the applicant buyer remains in compliance with program requirements. Any unsatisfied balance remaining at the occurrence of a trigger event during the period of affordability must be recaptured in accordance with program requirements.

17.2 LOAN DEFAULT

A loan shall be considered in default and subject to recapture upon the occurrence of a trigger event during the applicable period of affordability.

Trigger events include, but are not limited to:

- Sale or transfer of the property
- Change in owner-occupancy or principal residence status
- Default or foreclosure of the first mortgage
- Refinancing without prior written approval or contrary to Section 17.3
- Other violations of program requirements, loan documents, or applicable federal regulations

For assistance amounts of \$1,000 to less than \$25,000, the loan is structured as a five (5) year deferred, forgivable loan and is forgiven at a rate of 20% annually for each year the applicant buyer remains in compliance with program requirements. Any unsatisfied balance remaining at the time of a trigger event during the period of affordability shall be recaptured.

For pilot program assistance of \$25,000 through \$50,000, the loan is structured as a ten (10) year deferred, forgivable loan and is forgiven at a rate of 10% annually for each year the applicant buyer remains in compliance with program requirements. Any unsatisfied balance remaining at the time of a trigger event during the period of affordability shall be recaptured.

17.3 REFINANCING

The applicant buyer may refinance during the period of affordability only to lower the interest rate on the primary first mortgage, with prior written approval from Program Staff. Cash-out refinancing, debt consolidation, and home equity lines of credit (HELOCs) are not permitted. Program Staff must determine that the proposed loan terms are reasonable and comply with program requirements.

The City may subordinate its loan in connection with an approved refinance of the primary first mortgage. The City may also retain a lien position behind existing subordinate financing provided through the North Carolina Housing Finance Agency (NCHFA), including the Community Partners Loan Pool (CPLP) and other NCHFA-administered homebuyer assistance programs. As a result, the City may occupy second, third, fourth, or another subordinate lien position when such lien position has been approved by Program Staff.

The City will not subordinate its loan to subsequently incurred private secondary financing, home equity loans, home equity lines of credit (HELOCs), cash-out financing, debt consolidation loans, or other liens not approved by the City.

All subordination requests are subject to Program Staff review and approval. Program Staff must determine that the proposed loan terms are reasonable, comply with program requirements, and do not place the homeowner or the City's HOME investment at unreasonable risk. An approved refinance or subordination does not restart the period of affordability or change the applicable forgiveness or recapture schedule.

The applicant buyer must contact Program Staff before refinancing and submit the following documentation for review and approval before closing, except for the executed Closing Disclosure, which must be submitted after closing:

- A letter from lender that includes:

- The first mortgage loan current and proposed monthly payment, P&I and PITI.
 - The current and proposed interest rates.
 - The current and proposed loan terms.
- A copy of the completed and signed Uniform Residential Loan Application (Form 1003) for refinancing the first mortgage loan.
- A copy of the Home Appraisal (or other method used to determine the property value).
- A copy of the Loan Estimate provided to the borrower.
- A copy of the most recent homeowner's insurance policy.
- A copy of the executed Closing Disclosure must also be provided after closing.

Following Program Staff approval, the City Manager will execute the necessary subordination documents for the refinance closing.

If Program Staff does not approve the refinance because these requirements are not met and the applicant buyer proceeds, or the refinance closes without prior written approval or on terms contrary to the approval, the refinance is a triggering event under Section 17.2.

17.4 RECAPTURE PROVISION

The amount subject to recapture is the original assistance amount less forgiveness earned for each completed year of ownership, principal-residence occupancy, and compliance. For assistance of \$1,000 to less than \$25,000, 20% of the original assistance amount is forgiven annually over five (5) years. For assistance of \$25,000 through \$50,000, 10% is forgiven annually over ten (10) years.

Forgiveness is earned on each anniversary of the period of affordability start date identified in the loan documents, after execution of the recapture instrument, transfer of title, and compliance with applicable property standards. No additional forgiveness is earned for a partial year. For a ten-year loan, the unforgiven balance is 80% immediately before the third anniversary and 70% on and after that anniversary until the fourth anniversary. The remaining unforgiven balance is due upon a triggering event, subject to Section 17.5 when applicable.

17.5 NET PROCEEDS

Recapture requires that all or a portion of the program funds provided to the applicant buyer be recaptured from the net proceeds of the sale. Net proceeds are defined as the sales price minus superior loan repayment obligations (other than HOME funds) and reasonable and customary closing costs.

When recapture is triggered by a voluntary or involuntary sale, including a foreclosure sale, the amount recaptured is limited to the lesser of the remaining unforgiven balance or available net proceeds. If there are no net proceeds, no recapture is due from the sale. This sale-related limitation does not eliminate repayment obligations for a triggering event that does not involve a sale, including an unauthorized refinance under Section 17.3.

This net proceeds limitation applies to all Homebuyer Assistance Program assistance amounts,

including pilot programs, during the applicable period of affordability.

17.6 FORECLOSURE

Applicant buyers facing foreclosure, but actively working with the lender to restructure or refinance the loan in an effort to remain in the home, must notify Program Staff. Program Staff may provide available housing counseling resources, discuss program requirements, and review how the proposed action may impact the terms and conditions of program funding.

Foreclosure during the applicable period of affordability constitutes a recapture event; any foreclosure sale is subject to the net proceeds limitation in Section 17.5.

ADDENDA BEGIN ON THE FOLLOWING PAGE



Assistance Pilot Program \$50,000 Down Payment Assistance Program Pilot Program Addendum

Housing and Community Engagement Department is proposing an updated pilot approach to provide down payment and closing cost assistance of up to \$50,000 per qualified buyer, with the final assistance amount determined based on documented household need and underwriting, allowing City Staff to test the effectiveness of higher assistance levels under current market conditions.

Funding Source

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

Available Funds

Up to \$1,000,000 is allocated for this program.

A minimum of twenty (20) prospective homebuyers will be assisted with allocated funds.

Eligible Uses

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.

Homebuyer Eligibility Requirements

Applicants must reside in a qualified area:

• Gastonia	• Lowell
• Belmont	• McAdenville
• Bessemer City	• Mount Holly
• Cherryville	• Ranlo
• Cramerton	• Stanley
• Dallas	• Gaston County-unincorporated areas
• Kings Mountain (within city limits of Gaston County)	

- 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.
- Must purchase the property within Gaston County.

Assistance Determination

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 the applicable HUD HOME 80% income limit for the property location. Properties purchased through this program must be located in Gaston County.

FY2026 Income Limits – Gaston County 80%								
Household Size	1	2	3	4	5	6	7	8
Income Limit	\$65,750	\$75,150	\$84,550	\$93,900	\$101,450	\$108,950	\$116,450	\$123,950
For the most current limits visit: https://www.hudexchange.info/programs/home/home-income-limits/ or https://gastonianc.gov/images/Housing_Community_Engagement/Income_Limits.pdf Effective June 1, 2026. Limits are subject to change annually.								

Loan Terms, Default and Recapture, Security Instruments

Loan Amount	Up to \$15,000	PILOT \$15,001 - \$50,000
Loan Rate	0%	0%
Loan Term and Period of Affordability	\$1,000 – \$15,000: - Five (5) year deferred, forgivable loan - Forgiveness at 20% annually, fully forgiven at end of year 5	\$15,001 to less than \$25,000: - Five (5) year deferred, forgivable loan - Forgiveness at 20% annually, fully forgiven at end of year 5 \$25,000 – \$50,000: - Ten (10) year deferred, forgivable loan - Forgiveness at 10% annually, fully forgiven at end of year 10
Security Recording Instruments	Loan secured by: - Deed of Trust - Loan Agreement, - Promissory Note	Loan secured by: - Deed of Trust - Loan Agreement, - Promissory Note
Default Criteria	Recapture triggered by: - Ownership transfer - Foreclosure or - Property ceasing use as primary residence - Refinancing without prior written approval or contrary to Section 17.3 Note: Recapture amount is based on the remaining unforgiven balance at the time of the triggering event	Recapture triggered by: - Ownership transfer - Foreclosure or - Property ceasing use as primary residence - Refinancing without prior written approval or contrary to Section 17.3 Note: Recapture amount is based on the remaining unforgiven balance at the time of the triggering event
Maximum Sales Price Limits Effective 12/01/2025 and subject to change annually)	New Construction: \$ 346,000 Existing Construction: \$340,000 For current limits: https://www.huduser.gov/portal/datasets/home-ownership-value-limits.html	New Construction: \$346,000 Existing Construction: \$ 340,000

Program Period

The pilot program will be effective upon both approval of the FY26 Annual Action Plan and execution of the FY26 HUD Funding Agreement. The pilot program may continue beyond June 30, 2027, subject to available funds. It will be evaluated prior to June 30, 2027 to assess its effectiveness and sustainability and to inform future recommendations.

EXPIRED OCTOBER 2026



EXPIRED OCTOBER 2026

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:

• Gastonia	• Lowell
• Belmont	• McAdenville
• Bessemer City	• Mount Holly
• Cherryville	• Ranlo
• Cramerton	• Stanley
• Dallas	• Gaston County-unincorporated areas
• Kings Mountain (within city limits of Gaston County)	

- 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: https://www.huduser.gov/portal/datasets or https://gastonianc.gov/images/Housing_Community_Engagement/Incom_Limits.pdf Note: Limits are subject to change annually.								

Loan Terms, Default and Recapture, Security Instruments

Loan Amount	Up to \$7,500	\$7,501 - \$15,000 <i>Maximum assistance is based upon underwriting for final decision.</i>
Loan Rate	0%	0%
Loan Term and Period of Affordability	Five 5-year deferred payment forgivable loan	• Ten (10) year deferred forgivable loan forgivable one (1) day after the end of year 10; • Recapture is triggered by refinance, ownership transfer or property ceasing use as primary residence; and • Recapture of total loan amount required upon borrower default 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.
Security Recording Instruments	Loan secured by: • Deed of Trust • Loan Agreement, • Promissory Note	Loan secured by: • Deed of Trust • Loan Agreement, • Promissory Note

Default Criteria	Recapture triggered by: • Refinance, • Ownership transfer • Foreclosure or • Property ceasing use as primary residence Recapture is contingent upon the length of loan term fulfillment	Recapture triggered by: • Refinance, • Ownership transfer • Foreclosure or • Property ceasing use as primary residence Recapture is contingent upon the length of loan term fulfillment
Maximum Sales Price Limits Effective 06/03/2024 and subject to change annually)	New Construction: \$ 306,000 Existing Construction: \$ 308,000 For current limits: https://www.huduser.gov/portal/datasets/home-ownership-value-limits.html	New Construction: \$306,000 Existing Construction: \$ 308,000

Number of Anticipated Recipients

Approximately twenty (20) prospective homebuyer 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.

EXPIRED JUNE 2025



EXPIRED JUNE 2025

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 \$25,000 per qualified buyer.

Available Funds

\$300,000 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:

• Gastonia	• Lowell
• Belmont	• McAdenville
• Bessemer City	• Mount Holly
• Cherryville	• Ranlo
• Cramerton	• Stanley
• Dallas	• Gaston County-unincorporated areas
• Kings Mountain (within city limits of Gaston County)	

- 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.

FY2024 Income Limits 80%								
Household Size	1	2	3	4	5	6	7	8
Income Limit	\$59,400	\$67,850	\$76,350	\$84,800	\$91,600	\$98,400	\$105,200	\$111,950
For the most current limits visit: https://www.huduser.gov/portal/datasets or https://gastonianc.gov/images/Housing_Community_Engagement/Incom_Limits.pdf Note: Limits are subject to change annually.								

Loan Terms, Default and Recapture, Security Instruments

Loan Amount	Up to \$7,500	\$7,501 - \$25,000 <i>Maximum assistance is based upon underwriting for final decision.</i>
Loan Rate	0%	0%
Loan Term and Period of Affordability	Five 5-year deferred payment forgivable loan	• Ten (10) year deferred forgivable loan forgivable one (1) day after the end of year 10; • Recapture is triggered by refinance, ownership transfer or property ceasing use as primary residence; and • Recapture of total loan amount required upon borrower default 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.
Security Recording Instruments	Loan secured by: • Deed of Trust • Loan Agreement, • Promissory Note	Loan secured by: • Deed of Trust • Loan Agreement, • Promissory Note

Default Criteria	Recapture triggered by: • Refinance, • Ownership transfer • Foreclosure or • Property ceasing use as primary residence Recapture is contingent upon the length of loan term fulfillment	Recapture triggered by: • Refinance, • Ownership transfer • Foreclosure or • Property ceasing use as primary residence Recapture is contingent upon the length of loan term fulfillment
Maximum Sales Price Limits Effective 06/03/2024 and subject to change annually)	New Construction: \$ 306,000 Existing Construction: \$ 308,000 For current limits: https://www.huduser.gov/portal/datasets/home-ownership-value-limits.html	New Construction: \$306,000 Existing Construction: \$ 308,000

Number of Anticipated Recipients

Approximately ten (10) prospective homebuyer will be assisted with allocated funds.

Purchase Program Area

Eligible participants must purchase within Gaston County.

Program Period

The program is effective June 24, 2024, until all funds are expended but no later than June 30, 2025.

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 -