



# HOMEBUYER ASSISTANCE PROGRAM NORTHERN KENTUCKY HOME CONSORTIUM COVINGTON, LUDLOW, ERLANGER, INDEPENDENCE, FLORENCE, NEWPORT, BELLEVUE, & DAYTON

## PROGRAM YEAR 2023 - 2024 GUIDELINES

### I. PROGRAM SUMMARY

The Homebuyer Assistance Program is funded through the HOME Program and administered by the Northern Kentucky HOME Consortium through the City of Covington's Neighborhood Services Department. The purpose of the program is to increase the number of homeowners in the Northern Kentucky HOME Consortium cities of Covington, Ludlow, Erlanger, Independence, Florence, Newport, Bellevue, and Dayton.

Under this program, households which meet income, credit, and other requirements may obtain zero-interest, deferred/forgivable loans to assist with purchasing an owner-occupied home. The loans can be used to cover lender required down payment, customary closing costs and settlement charges. The loan will be forgiven over 10 years on a pro-rata basis (1/10 forgiven each year of residence).

### II. PROCEDURES

Households will be required to submit an application online at:  
<https://portal.neighborlysoftware.com/COVINGTONKY/participant>

Homebuyers may apply for the Program at any time; however, funds will only be reserved with submission of a fully accepted purchase contract. Applicants must provide all required supporting documentation for staff to determine eligibility. Applications will be processed on a first come, first served basis as funding remains available.

### III. REQUIREMENTS

#### 1. Borrower Qualifications:

- a. **Income:** To qualify for the Homebuyer Assistance Program, the borrower(s) must verify that their household meets the following income qualifications. The borrower's annual family income must not exceed income limits as determined by the U.S. Department of Housing and Urban Development. The Northern Kentucky HOME Consortium uses the Part 5 Income Definition. Income inclusions and exclusions and asset inclusions and exclusions are attached as Attachments 1, 2 and 3.

U.S. Department of Housing and Urban Development (HUD) income limits adjusted for household size are listed below. These limits are effective until revised by HUD.



## 2023 HUD Income Guidelines

Persons in Household	Maximum Income
1	\$56,650
2	\$64,750
3	\$72,850
4	\$80,900
5	\$87,400
6	\$93,850
7	\$100,350
8	\$106,800

- b. **Credit:** Credit history and documentation which indicates substantial evidence of borrower's ability to pay will be reviewed. Reports from a Credit Bureau will be obtained for all borrowers.
- c. **Homeownership Counseling:** All applicants must participate in HUD approved homeownership counseling and must present a certificate of completion prior to loan closing. The provider of the homeownership counseling must be HUD approved to participate in HUD's Housing Counseling Program and the counseling must include individualized housing counseling services. **This requirement is more fully outlined in Attachment 4.**
- d. **Loan Underwriting:** Borrower's debt ratios cannot exceed 31% and 43% to ensure that the borrower's income is sufficient to cover their mortgage and other monthly obligations. The interest rate on the first mortgage cannot be higher than 2.5% above the average 30 year conventional loan rate as published by Freddie Mac in the Weekly Primary Mortgage Market Survey. Borrowers may not use first mortgage financing with balloon payments, adjustable rates, or other terms that are determined to be subprime. Adjustable rate mortgages may be considered if the Northern Kentucky HOME Consortium determines them to be the most affordable financing option for the borrower.
- e. **Non occupant co-borrowers** will be allowed, however debt ratio limitations will apply to primary borrower's household income only.
- f. **Liquid Asset Limitation Policy:** The applicant(s) must not have liquid assets in excess of the following amounts at time of loan application:
- **\$10,000:** Liquid assets in excess of this amount will be required to be used in the purchase transaction prior to the use of any Program funds.
  - Stocks and other readily salable securities will be considered liquid assets unless they are restricted by IRA, 401(k) or other similar requirements. Funds in IRAs,

401(k) plans or other qualified retirement accounts will not be considered liquid assets.

- Applicants that are at or near retirement age may have retirement savings, which will not have to be contributed, unless such savings exceed an amount that would be considered reasonable for a person of moderate income. Some exceptions may also be made due to the nature and source of funds. For example, insurance settlements that compensate an applicant for lost wages during disability or death of a spouse may not be considered excessive.

## 2. Property Qualifications:

- a. **Only owner-occupied or vacant dwellings** having one to two units are eligible. Two unit buildings must have been originally constructed for two units to be eligible. **Properties currently occupied by tenants are not eligible.** Properties previously occupied by tenants must have been vacant prior to the execution of the purchase contract.
- b. **Principal Residence:** Participants must occupy the property as their permanent principal place of residence within 60 days from the date of purchase (except in the case of units currently under construction). The home must be, and remain for the term of the loan agreement, the principal residence of the borrower. **The borrower will be required to certify residency through the term of the agreement.**
- c. **Ownership Status:** The borrower must have fee simple title to the property. Homes purchased on private contracts usually do not meet this requirement.
- d. **Appraisal/Purchase Price Limits:** The purchase price or appraised value after any repairs must not exceed the purchase price limits established and published annually by HUD. This is to be verified by a certified appraisal. For 2023, appraised value after rehabilitation for existing homes in Campbell County is \$218,000 for a one-unit building and \$278,000 for a two-unit building, in Kenton County it is \$214,000 for a one-unit building and \$274,000 for a two-unit building, and in Boone County it is \$247,000 for a one-unit building and \$316,000 for a two-unit building. For new construction in all three Counties, the limit is \$293,000 for a one-unit building and \$376,000 for a two-unit building. This limit is effective until revised by HUD.
- e. **Property Standards:** All properties must meet the minimum housing standards of the International Property Maintenance Code as a condition of purchase. All properties will be inspected by the Northern Kentucky HOME Consortium to ensure compliance with these standards.
- f. **Homes built prior to 1978** will be inspected in order to detect the presence of defective or deteriorated paint surfaces. This inspection and any required paint stabilization will be governed by the Department of Housing and Urban Development's Lead Safe Housing Rule.
- g. **Zoning:** The home must be in compliance with applicable zoning regulations.

- h. **Manufactured Housing:** In order to qualify for assistance, manufactured housing must be situated on a permanent foundation and be connected to permanent utility hookups. If produced after June 15, 1976, the home must meet property standards established under 24 CFR 3280. If produced before June 15, 1976, the home must comply with applicable City Codes.
- i. **Federal Regulations:** For activities funded through the Federal HOME Program Funds, loans are subject to requirements outlined in 24 CFR Part 92.
- j. **Non-Discrimination Requirements:** The Program will be implemented in ways consistent with the Northern Kentucky HOME Consortium's commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with federal funds on the basis of his or her disability, age, sex, race, color, religion, ancestry, national origin, sexual orientation, gender identity, familial status, marital and/or parental status or place of birth, or other arbitrary cause.

#### IV. LOAN TERMS

<b>Loan Amount:</b>	The loan amount will be based on the minimum amount of funding needed to cover the lender required down payment and/or any customary settlement charges to the borrower. Up to <b>\$10,000</b> will be made available based on demonstrated need. Program funds may also be used to reduce or "buy down" the interest rate on the borrower's primary mortgage.
<b>Interest Rate/Loan Term:</b>	0% Fixed, 10 years
<b>Monthly Payment Amount:</b>	No monthly payments. The loan will be forgiven 1/10 per year over the 10 year period if the owner occupies the home as their principal residence from the date of purchase.
<b>Loan Recapture:</b>	If the property is sold or the Borrower does not reside in the premises for ten years, the loan becomes immediately due and payable. If repayment of the loan is triggered by a sale (voluntary or involuntary), and there are no net proceeds or the net proceeds are insufficient to repay the loan, the Northern Kentucky HOME Consortium will only recapture the net proceeds, if any. Net proceeds are defined as the sales price minus superior loan repayment (other than HOME funds) and any seller closing costs.

## V. CONFLICT OF INTEREST:

A conflict of interest exists if an applicant is an employee, agent, consultant, officer, elected or appointed official to the City of Covington, and if the applicant:

- Exercises or has exercised any functions or responsibilities with respect to funds for this program, or
- Participates in the decision making process related to funds for this program, or
- Is in a position to gain inside information with regard to program activities.

## VI. SPECIAL HOUSING NEEDS

The Northern Kentucky HOME Consortium reserves the right to waive any local program requirement for applicants who demonstrate a special housing need because of physical or mental disability or large family size. Additionally, the Northern Kentucky HOME Consortium reserves the right to waive any local program requirements in conjunction with an activity undertaken by a Community Housing Development Organization (CHDO) or other non-profit entity.

For further information on the Homebuyer Assistance Program, call or write:

NORTHERN KENTUCKY HOME CONSORTIUM  
City of Covington  
Neighborhood Services Department  
20 West Pike Street  
Covington, KY 41011  
(859) 292-2105  
800.545.1833 ext. 931 (TDD/TTY)  
[www.covingtonky.gov](http://www.covingtonky.gov)

Adopted: 06/27/23 (Order-172-23)



## HOME Program Definitions

1. Applicant shall mean the person(s) who sign(s) the loan application.
2. Deferred Second Mortgage Loan shall mean a 0% interest loan by the Northern Kentucky HOME Consortium to the applicant that must be repaid in a lump sum upon the sale, transfer, or vacating of the property by the property owner. The loan becomes a grant if the homeowner occupies the residence for 10 years.
3. Owner-Occupant shall mean any person who is purchasing the property which is the subject of the deferred second mortgage loan.
4. Income is gross annual income of the applicant and all other people who are expected to reside in the house which shall include wages, salaries, tips, bonuses, commissions, dividends, interest and any other form of income generally considered as gross income by the IRS and reported on the Homebuyer Assistance Program application. For purposes of the Homebuyer Assistance Program, current paycheck stubs, benefit statements, etc. shall be used for income qualifications. Copies of most recent tax returns will be used for verification of information contained in the application, but will not be used in determining income eligibility.
5. Income Limits
  - a. Very low income shall mean annual income which does not exceed 50 percent of the median income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.
  - b. Low income shall mean annual income which does not exceed 80 percent of the median income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.
6. Lender shall mean any established lending institution or any organization or company whose primary purpose is lending money.
7. Average 30 Year Conventional Loan Rate shall mean the current average 30 year mortgage rate as published by Freddie Mac (Federal Home Loan Mortgage Corporation).
8. Subprime Loan shall mean a mortgage loan which carries an interest rate at least 2-1/2 points more than the average 30 year conventional loan rate. Typically, a subprime rate is offered to loan applicants who have below average credit histories.

## Attachment 1 - 24 CFR Part 5 Annual Income Inclusions

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. The net income from the operation of a business or profession.
3. Interest, dividends, and other net income of any kind from real or personal property. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except for certain exclusions, listed in Attachment 2, number 14).
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except for certain exclusions, as listed in Attachment 2, number 3).
6. Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:
  - Qualify as assistance under the TANF program definition at 45 CFR 260.31; and
  - Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c).If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
  - the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
  - the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).

## Attachment 2 – 24 CFR Part 5 Annual Income Exclusions

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except as provided in Attachment 1, number 5 of Income Inclusions).
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of a live-in aide (as defined in 24 CFR 5.403).
6. Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)).
7. The full amount of student financial assistance paid directly to the student or to the educational institution.
8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9.
  - (a) Amounts received under training programs funded by HUD.
  - (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
  - (c) Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.
  - (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.
  - (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
10. Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).



13. Adoption assistance payments in excess of \$480 per adopted child.
14. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.
17. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion.

Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:

- The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
- Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- Payments received under the Alaskan Native Claims Settlement Act;
- Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
- Income derived from certain sub marginal land of the United States that is held in trust for certain Indian tribes;
- Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;
- Payments received under the Maine Indian Claims Settlement Act of 1980 ( 25 U.S.C. 1721);
- The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;
- Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;
- Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);
- Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);

- Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;
- Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps);
- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990;
- Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of crime against the applicant under the Victims of Crime Act; and
- Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

Attachment 3

Part 5 Annual Income Net Family Asset Inclusions and Exclusions	
<p><b>Inclusions</b></p> <ol style="list-style-type: none"> <li>1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.</li> <li>2. Cash value of revocable trusts available to the applicant.</li> <li>3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.</li> <li>4. Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts.</li> <li>5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty).</li> <li>6. Retirement and pension funds.</li> <li>7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).</li> <li>8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.</li> <li>9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.</li> <li>10. Mortgages or deeds of trust held by an applicant.</li> </ol>	<p><b>Exclusions</b></p> <ol style="list-style-type: none"> <li>1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars, and vehicles specially equipped for persons with disabilities.</li> <li>2. Interest in Indian trust lands.</li> <li>3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.</li> <li>4. Equity in cooperatives in which the family lives.</li> <li>5. Assets not accessible to and that provide no income for the applicant.</li> </ol>

## Attachment 4- HOUSING COUNSELING REQUIREMENTS

### HOME Program Requirements

The HOME regulations require that all homebuyers who receive HOME assistance to purchase a home must receive housing counseling that is provided by a HUD approved housing counseling agency and be performed by a HUD certified housing counselor.

The Housing Counseling must be independent, expert advice customized to the needs of the homebuyer to address housing barriers and to help achieve their housing goals and must include the following processes: intake; financial and housing affordability analysis; an action plan; and a reasonable effort to have follow-up communication with the client when possible.

Agencies that provide homeownership counseling must address the decision to purchase a home, the selection and purchase of a home, issues arising during or affecting the period of ownership of a home (including financing, refinancing, default, and foreclosure, and other financial decisions) and the sale or other disposition of a home.

The counseling may be provided in-person, by phone or virtually. The housing counseling must be individualized to ensure the guidance and advice provided is tailored to the client's specific needs. Some of the homeownership topics may be provided in a group setting as the foundation for an individual counseling session. **Homebuyers may utilize any HUD approved housing counseling agency.**

HUD approved housing counseling agency database can be found here:  
<https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>

HUD approved housing counseling agencies located in Northern Kentucky:

Catholic Charities, Diocese of Covington  
3629 Church Street  
Covington, KY 41015  
859-581-8974  
[www.covingtoncharities.org](http://www.covingtoncharities.org)

Northern KY Community Action Commission  
717 Madison Avenue  
Covington, KY 41011  
859-581-6607  
[www.nkcac.org](http://www.nkcac.org)

Brighton Center  
799 Ann Street  
Newport, KY 41071  
859-491-8303  
[www.brightoncenter.com](http://www.brightoncenter.com)