



Good Neighbor Homebuyer Loan Program

What is the Good Neighbor Homebuyer Loan Program?

This program is funded by the General Fund and allows eligible city employees to receive a depreciating loan of up to \$20,000 to use for their down payment, prepaids, or closing costs on the purchase of a property to be used as their principal residence. Single family homes (detached or attached) and modular are eligible, but no manufactured single or doublewides.

Where can I buy a home and receive assistance?

Eligible homes will be in the City of Fayetteville’s revitalization corridors of Central Campbellton and Murchison/Bragg (maps attached).

Who can utilize this program?

City employees must be employed by the City for at least one year and have received at least a “meets expectations” in their most recent evaluation at the time of application approval. Eligible city employees must be a first-time homebuyer. To be considered a first-time home buyer, the person must:

1. Be the person purchasing the property
2. Reside in the property as a principal residence
3. Had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property.

Applicants of this program must have incomes at or below one hundred-forty percent (140%) of area median income adjusted for family size (as defined annual by the Department of Housing and Urban Development for the Fayetteville-Cumberland Area).

FY 2020 Income Limits Summary								
	1	2	3	4	5	6	7	8
140% of AMI	\$58,000	\$65,700	\$73,400	\$81,100	\$87,400	\$93,560	\$99,720	\$105,880

What is the First Step?

Applicants must complete a homebuyer education workshop prior to the anticipated closing date. Please contact Economic and Community Development at 910-433-1590 to inquire about Homebuyer Education Workshop dates and times. This class is a one day, eight hour course that educates and prepares attendees for purchasing a home and homeownership. The get pre-approved by a bank or financial institution for an adequate amount to purchase a home. Come apply with us! If at any time some of this seems overwhelming, call us and we will talk you through it.

NON-DISCRIMINATION:

No person shall be discriminated against on the basis of race, color, religion, creed, gender, national origin, age, disability, marital status, veteran status or any other legally protected status.



(More details on following pages)



Loan Details:

- The name on the loan documents should match the name on the application.
- The assistance is available in the form of a five-year depreciating loan.
- The loan will depreciate 20% per year for the next five years, at which time the loan will be considered paid in full.
- A Deed of Trust and Promissory Note for the amount of assistance provided under the program will be used to secure the amount of assistance.
- A Deed of Trust in the amount received will be recorded taking a second lien position, no less than a third lien position.
- Buyer must occupy dwelling as the primary residence for at least five years.
- The sale of the property during the period triggers repayment of the remaining subsidy that the buyer received when he/she originally purchased the home.
- Eligible homes will be in the City of Fayetteville's revitalization corridors (maps attached).

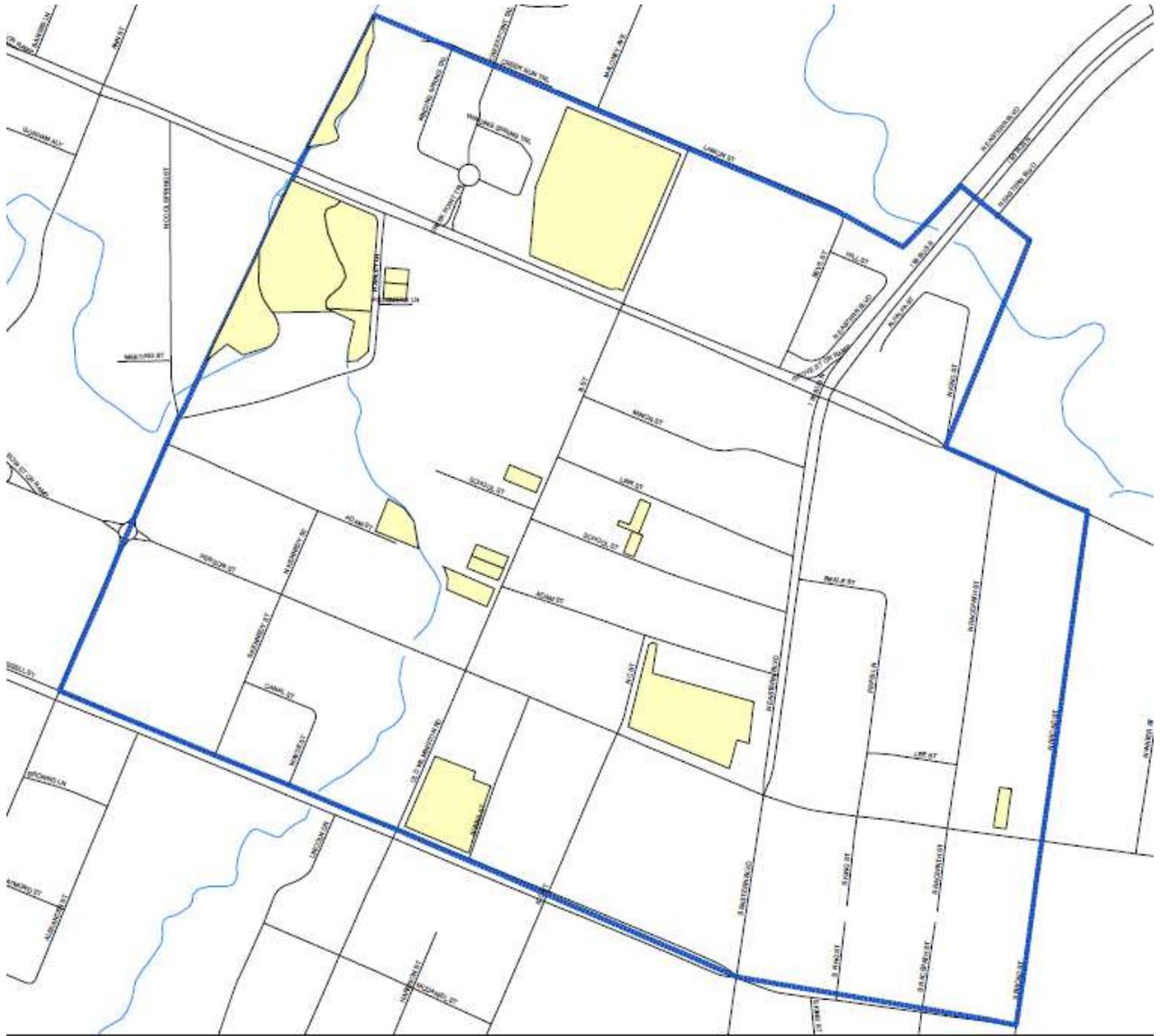
Tax Implications:

- This Forgivable Loan offered by the City is taxable income to the employee per IRS guidelines:
- An employer loan (bona fide loan / true loan) is generally intended to provide financial assistance to the employee with specific terms regarding repayment and therefore no taxable income consequences.
- Forgivable loans, on the other hand, are often used as a compensation technique to provide an employee with upfront cash. Depending upon the existence (or lack) of the bona fide loan factors, forgivable loans may or may not be recognized as true loans for tax purposes.
- Based on the IRS bona fide loan criteria, we can conclude that the City of Fayetteville's Good Neighbor Homebuyer Loan Program is a Forgivable Loan that must be included in the employee's taxable compensation.
- The structure is for the City to forgive a uniform percentage of the loan amount on an annual basis (e.g., 20% per year for the five-year loan), resulting in some taxable compensation each year.

Underwriting Guidelines (For the lenders)

- Clients cannot get funds back at closing.
- Program can be used with FHA, USDA, and non-predatory loans.
- Loans with owner financing as part of the structure are not acceptable.
- All loans to borrower must be cost effective. Interest rates should be at market rate or less and all loan fees should be normal and not excessive.
- First mortgage loan products that balloon prior to 30 years, adjustable rate mortgages, buy-down or step mortgages, and loans with call options should not be considered as acceptable programs for borrowers requesting funds.
- Funds cannot be used for payment of debts, collections or judgments.

Central Campbellton Neighborhood



Bragg/Murchison Revitalization Area

