

Q & A

If You're Interested in Purchasing an Affordable Unit

Who is eligible to purchase one of the city's affordable units?

There are two essential requirements of prospective buyers:

- One, we require that buyers fall between **certain minimum and maximum income limits**, which are defined each year based on federal data. For example, for a one-person household in 2018, you must be able to demonstrate that you earn at least \$31,500 but less than \$50,350.
- Two, you must demonstrate that your new housing payment (a combination of the mortgage, interest, taxes, insurance, and HOA dues) **will not exceed 30% of your total household monthly gross income**. This calculation is called your front-end ratio. Certain exceptions can be made into the 31-43% range for specific projects in areas defined as "high need" for affordable housing by the city.

Who may apply for this program?

You must already qualify for a mortgage on your own. Factors include your income, amount of debt, credit score, and employment history. After you are approved for a mortgage from a lender, and if you appear to meet the requirements of the city's affordable unit ownership program, you are then encouraged to apply for income verification with the city to purchase an affordable unit.

What are the program income limits?

You must be able to demonstrate that your household earns more than 50% of the Area Median Income (AMI) but less than 80% AMI. Area Median Income levels for Denver are calculated and published annually by the U.S. Housing and Urban Development (HUD) and are based on the number of adults in a household. As noted above, using HUD's 2018 AMI limits for a one-person household, you must be able to demonstrate that you earn at least \$31,500 but less than \$50,350.

Why is my front end ratio limited to 30%?

Barring special circumstances, OED will not approve a buyer a for-sale affordable home when the buyer's income verification shows that more than 30% of monthly income is required for housing because having so little financial flexibility increases the likelihood that future mortgage payments are at risk. We all want owners to have a home they can keep. If an owner is paying more than 30% of his/her income for housing, that household is more likely to be one job loss, one medical emergency, one unforeseen household appliance needing replacement or car repair away from not covering other expenses--like the mortgage. The 30% limit is a widely observed national guideline, and exists as law in the rules under Denver's Inclusionary Housing Ordinance (IHO) which governs our affordable home buyer program.

Beyond income, what are the asset limits for people seeking to purchase an affordable unit?

You may not hold assets greater than one and a half (1.5) times the amount of the sales price for an 80% AMI unit, adjusted for bedroom size, or a 95% AMI unit, adjusted for bedroom size depending on build designation (i.e., standard build vs. high-cost structure). Any asset funds being used to purchase the affordable unit (i.e., down payment) will be excluded from the asset calculation if sufficient documentation is provided and approved by OED. If your assets fall below the program limit, interest and dividends (including reinvested dividends) earned or the existing HUD passbook rate, whichever is higher, will apply to income calculations.

What are you defining as assets?

Your assets include, but are not limited to, the following:

- Amounts in savings and checking accounts
- Stocks, bonds, savings certificates, money market funds and other investment accounts
- The cash value of trusts that may be withdrawn by your family
- Individual retirement accounts (IRA), or Keogh and similar retirement savings accounts, even if withdrawal would result in a penalty
- Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims
- Trusts

I'm retired, with retirement income. How do you regard my assets?

OED recognizes certain circumstances in which future earning potential may be limited. Retired applicants must be at least 60 years old and provide a copy of a current Social Security Award letter and any other retirement award letters.

I'm permanently disabled, with SSDI income. How do you regard my assets?

Applicants who are permanently disabled must provide a copy of a current Social Security Disability Award letter. If any settlements or court award was awarded regarding this disability, a copy of the Court Order or Settlement must also be provided.

My income and/or assets exceed your limits. Can an exception be made?

No. Other than for retirees or those permanently disabled, as noted above, there are no exceptions made on the income/asset limits. The limits are established per the above federal and local data, and are not negotiable.

Do I have to be a first-time home buyer?

No. As long as your income is within program limits and you meet other program requirements, you may be eligible to purchase an affordable unit.

Where can I find information on available for-sale affordable units?

You can visit www.coloradohousingsearch.com for available units.

I have not been approved for a loan yet by a lender. Should I apply for income verification?

No. You must be able to qualify for a mortgage on your own before participating in this program. All applicants seeking income verification to purchase must provide a signed copy of your purchase contract with the seller and a letter from a lender stating that you are qualified for a loan up to the maximum allowed sales price of the unit, i.e., a loan pre-approval.

What documentation do you require from my lender for pre-approval?

To purchase an affordable unit, as noted above, you must first secure financing (i.e., a mortgage) through a legally recognized lending institution that is authorized to conduct business in Colorado, or a governmental agency, or a combination of the two. Your lender must be approved by the FHA, CHFA, or Fannie Mae. Your pre-approval letter from the lender must be submitted with your income verification application. The letter must include:

- Name of the lending institution.
- Name of individual(s) seeking the loan.
- The pre-approved amount of the loan.
- The address of the property, if available.
- The Fannie Mae or Freddie Mac underwriter/prospector findings (your lender will know what this is).

I have been approved by the seller of a specific, existing unit already. Does this change my application status?

Yes. If the seller has already approved you for purchase of an existing unit and you are under contract, your income verification application is automatically given first priority over other applicants. If you have been approved by the seller to buy a new construction unit, that is a higher priority than the applications of buyers who have not yet found a unit to buy.

There are many more applicants to purchase an affordable unit than there are units available. How can I ensure that my application is a top priority for review?

For each existing or new construction affordable unit that is for sale, the seller may provide the names of no more than two applicants for income verification review. The first applicant must be under contract to purchase the specific unit, with a copy for the contract provided to OED. This applicant will be given priority over the back-up applicant. A back-up (secondary) applicant may be provided for review given that the closing has not occurred. Additional applicants for a specific unit will not be reviewed.

Do I have to attend a homeownership education class to qualify for this program?

Yes. You are required to attend a homeownership education class and obtain a certificate of completion. Several nonprofit housing counseling organizations offer these classes free of charge. You can find these organizations [here](#).

I am receiving some money as a gift from someone to help me make this purchase. How do I include this information in my application?

When you are applying for income verification to purchase an affordable unit, any gift funds received are restricted to 20% of the purchase price. Gift funds must be solely used for the purchase of the unit (i.e., your down payment) and must be documented with a gift letter that includes:

- Who is receiving the gift funds.
- The name and relationship of the person giving the gift funds.
- The exact dollar amount of the gift funds.
- A statement that no repayment is required.
- A statement that the gift funds will be used solely for the purchase of a Denver affordable unit.

What documentation do you require on the transaction of the gift funds?

The gift funds must be received by you prior to the closing on the affordable unit and must be documented as follows:

- A copy of your bank statement showing the deposit OR
- A copy of the certified check OR
- A copy of the cashier's check, money order, official check, or other type of bank check OR
- Documentation of the wire transfer into your account.

I want to purchase an affordable unit for an adult child or other family member. I will not be living in the unit myself. How does this application work?

This program does not allow the unit owner (or buyer) to be someone other than the resident(s). The applicant must qualify for the mortgage on his/her own, and meet the income verification requirements, for approval to purchase.

Do I have to live in the affordable unit myself?

Yes. The owners of Denver affordable properties are required to occupy the affordable home as their sole and primary residence.

I own a home or other residential property now. Does that matter?

Yes, it does. If you already own a property at the time of the application to purchase an affordable unit, it is considered an available asset, a potential revenue stream, and/or a home to live in. You must provide information on this property to OED and then subsequent proof of its sale prior to the closing on the affordable unit. You may not own one or more home(s) at the time of the closing on the affordable unit.

My spouse will not be on the loan and/or doesn't work. Can I submit an application with only my information?

No. Regardless of who is on the loan or their status, each adult household member must provide the information required.

How long can I expect my application to take to be processed?

Incomplete files cannot be approved, so be sure to provide everything promptly that is required. Once every required element of your application is complete, we then have 10 business days to verify household income and fully process it. Remember that a completed application includes all of the income data for each adult household member.

What must be included with my application?

Every household member over the age of 15 must provide all the information requested on the application, including but not limited to:

- Name /address of the development where you're interested in purchasing a unit.
- Transcripts of the last two years of federal income tax returns. You may obtain copies of Federal transcripts by calling the IRS at 1-800-829-1040 or submitting a request on-line via www.irs.gov/Individuals/Get-Transcript.
- Last two months of statements for all checking, savings or other asset accounts. Asset accounts include stocks, bonds, money market accounts, individual retirement accounts and government bonds. The interest or dividends earned from these accounts will be added to your annual gross income.
- Employment verification form for each employed household member age 15 or older. Verification must be confirmed by the employer, not by the applicant.
- Copies of the last two months' pay stubs from each employed household member age 15 years and older.
- If you are self-employed, you must provide three years of Profit & Loss statements.
- Award letter(s) if you are receiving social security, pension, survivor, disability payments or Temporary Assistance to Needy Families (TANF) benefits.
- If you are receiving a financial gift from another person, the person will need to provide a letter that includes the amount of the gift and when the gift will be given.
- If you have been divorced since you last filed your federal income tax form, a copy of your executed divorce decree and separation agreement. *Your application cannot be processed until a final divorce decree has been issued.*
- If divorced, a copy of the executed Divorce Decree, Separation Agreement and Child Support/Custody orders if there are minor children. *Your application cannot be processed until a final divorce decree has been issued.*
- Finally, your completed application is signed and dated by all household adults.

I was contacted by OED and informed that my application is incomplete. I need more time to compile the missing information.

If your application is deemed incomplete after an initial review, OED will contact you and request that missing or incomplete information be provided. If this information is not received within 60 days of OED's contact and request, your file shall be withdrawn from consideration, it shall be ineligible for review, and the electronic application as well as physical application will be destroyed. If you wish to be income-verified in the future, a new application is required.

What are the most common application omissions?

- Not including income information for each adult household member;
- Submitting only two paystubs, not realizing that most paystubs cover only a two-week period, thus leaving one month of paystubs unaccounted for;
- Self-certifying the Verification of Employment; the verification must be completed by the employer and submitted directly to our office; and
- Providing bank statement print-outs that do not include account or institutional information.

How long is my income verification valid?

Your income verification is valid for six months as long as your income does not change. However, if you sign a purchase contract within the six months, the validity is automatically extended until the close or cancellation of that purchase contract. You must notify us immediately if your income changes after receipt of the income determination and prior to your purchase.

I was income-verified over nine months ago but did not purchase an affordable unit. Do you still have my file?

No. Approved applications are only kept for six months unless you applied for a renewal. Renewals may still require that you provide updated information.

I do not have a job. Can I still apply?

No. In order to assure future homeowner success, we require demonstration of earned income such as two months of pay stubs or a year-to-date profit and loss statement for those who are self-employed.

I am self-employed. What will you accept in the place of pay stubs?

If you are self-employed, you must submit three years of profit and loss statements. If you have just become self-employed, please submit a year-to-date profit and loss statement prepared by either you or your accountant and copies of any existing contracts. The statement must be notarized, sworn to, and signed by you. Self-employment income must also be documented via your federal tax returns.

I lost last year's tax return. Do you really need it?

Yes. Incomplete applications will not be processed. You can contact the Internal Revenue Service to request a summary statement of your previously filed tax return. Request transcripts by calling 1-800-829-1040 or at www.irs.gov/Individuals/Get-Transcript.

My last tax return shows more income than I now make. Will this affect my eligibility for the program?

Probably not. We use pay stubs and employer verification to determine your current and projected future income. Your tax return is used to verify other information on your application.

I recently arrived in the U.S. and have never filed taxes. What do I need instead of tax returns?

Please contact the Internal Revenue Service to request a Form 4506T stating that you have not filed federal taxes in the last two years. You can request this form by calling 1-800-829-1040 or by accessing www.irs.gov/Individuals/Get-Transcript.

I have a relative who will be co-signing my mortgage loan but will not live in the home I am purchasing. Will my co-signer have to be income verified as well?

It depends on whether the relative's name is going to appear on the Deed of Trust. If the co-signer, regardless of whether they will live in the unit, is listed on the Deed of Trust, then they are considered to have an ownership interest in the home and must be income verified. However, if the co-signer is not listed on the Deed of Trust, then they do not have to be income verified. Meanwhile, please be aware that any household member over the age of 15 who is going to live in the home must be income verified.

Do you provide financing on my home?

No. The City does not provide mortgage financing. Purchasers must receive their financing through a legally recognized commercial lender, such as a bank or mortgage company.

Is this a subsidized program?

No. Neither the city nor the developers provide a subsidy to buyers. However, a nonprofit housing counseling agency may have information on various assistance programs. Please contact them directly for information.

How about seller-assisted down-payment assistance?

The city does not allow the use of any seller-assisted programs. These programs have a negative effect on affordable housing by artificially inflating the purchase price of a home.

My income is below \$31,500. Where can I find a place to live in Denver?

The Denver Housing Authority (DHA) offers a variety of programs to assist low income households. DHA can be reached at 720.923.3107. You can also view their website for additional information at www.denverhousing.org. Other options may be found at www.coloradohousingsearch.com.

This is an emergency! Can you find me a place to live right now?

Please contact Mile High United Way at 2-1-1 or (303) 433-8383 for a list of emergency housing providers. You can also view their website for additional information at www.unitedwaydenver.org.

All inquiries regarding these policies should be directed to OED. You may email affordablehousing@denvergov.org or use the phone lines listed below.

To reach the best resource at OED to address your needs:

Real estate professionals: 720-913-1634

Current owners of affordable units: 720-913-1711

Prospective buyers of affordable units: 720-913-1634

Developers and builders: 720-913-1711

**Inquiries about the Metro Mortgage Assistance Plus or
Mortgage Credit Certificate programs: 720-913-1532**