

AN ORDINANCE TO CREATE A DOWN-PAYMENT AND SETTLEMENT ASSISTANCE PROGRAM

#0112

Sponsor:

**Council
Member
Gray**

WHEREAS, the City of Wilmington seeks to expand homeownership, encourage mixed-income neighborhoods, and promote housing stability and wealth building among City residents; and

WHEREAS, homeownership is the primary way that low- and moderate-income families in the United States are able to build wealth and achieve financial stability; and

WHEREAS, the percentage of housing in the City that is owner-occupied has dropped from 47.2% in 2010 to 43.3% in 2019 according to the United States Census Bureau; and

WHEREAS, those houses available for purchase in the City include many affordable to entry-level buyers, *i.e.* homes valued between \$200,000 to \$250,000; and

WHEREAS, housing prices are increasing nationally and in the City; and

WHEREAS, the United States Federal Reserve Board has adopted monetary policies since March 2020 which have resulted in lower interest rates, generally, and record-low mortgage interest rates, specifically; and

WHEREAS, one of the biggest barriers to affordable and sustainable homeownership for first-time homebuyers is an inability to save enough for a down payment and settlement costs; and

WHEREAS, small investments in down payment and settlement assistance can make it possible for potential homebuyers, who can afford a monthly home mortgage payment but do not have sufficient savings to cover typical down payment requirements and standard closing costs, to own a home; and

WHEREAS, homebuyer assistance programs also help grow communities' tax bases, support the local economy, and promote a sense of community; and

WHEREAS, the City desires to create the Wilmington First Start Home Ownership Down Payment and Settlement Assistance Program which will assist low- and moderate-income families with down-payment amounts and settlement costs on properties in the City.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF WILMINGTON HEREBY ORDAINS:

SECTION 1. Chapter 8, Article I of the City Code is hereby amended to add the following language:

Sec. 8-6. – Down Payment and Settlement Assistance

- (a) *Authorization.* The Department of Real Estate and Housing is hereby authorized to undertake a program using grant funds or capital budget funds in any fiscal year for the purpose of providing down payment and settlement assistance to eligible homebuyers.

- (b) *Wilmington First Start Home Ownership Down Payment and Settlement Assistance Program.* A revolving loan fund shall be established for the purpose of making available loans of grant or capital budget funds to eligible homebuyers. The purpose of the loans shall be to assist first-time homebuyers to cover down-payment and settlement costs associated with the purchase of a residence. Loans provided under this program shall include terms implementing the following:
 - i) Loans shall be provided without interest being charged thereon;

- ii) Loans shall be provided in an amount not to exceed the lesser of \$10,000 or six percent of the property's purchase price;
 - iii) If prior to full repayment or forgiveness of the loan, the homebuyer sells or otherwise transfers the property, or the property ceases to be the homebuyer's principal residence, all unpaid amounts of the loan shall immediately become due and owing;
 - iv) The loan shall be secured by a mortgage on the property; and
 - v) A loan may not be provided if it will result in cash back being given to the homebuyer at settlement.
- c) *Eligible Buyers.* To be eligible for a loan under this section, a homebuyer must meet the following requirements:
- i) Homebuyer must not have owned their principal residence at any point in the three years prior to settlement except that single parents who have not owned their principal residence in the year prior to settlement shall be eligible;
 - ii) Homebuyer must have at least \$2,000 (excluding gifts) to contribute towards settlement costs;
 - iii) Homebuyer must intend for the property to serve as their principal place of residence;
 - iv) Homebuyer must complete a homeownership counseling program with a HUD-certified counselor before signing a sales contract or applying for a mortgage;

- v) All purchase money lenders must be approved by the Department of Real Estate and Housing;
 - vi) An American Society of Home Inspectors (ASHI) home inspection must be completed on all properties, and all major defects identified by the inspection must be repaired by a licensed contractor prior to closing;
 - vii) New construction homes must have a one-year HUD-approved warranty;
 - viii) A visual assessment for lead based paint must be conducted on all homes built prior to 1978. Repairs must be completed according to HUD guidelines; and
 - ix) Homebuyers income cannot exceed 80% of the median income based upon family size for New Castle County as defined annually by the United States Department of Housing and Urban Development.
- (d) *Eligible Properties.* To be eligible for a loan under this section, the property must be a single-family home or duplex located in the City. Condominium properties are not eligible for a loan under this section.
- (e) *Purchase price.* To be eligible for a loan under this section, the purchase price must not exceed mortgage limits as published annually by the Federal Housing Administration.
- (f) *Administration and Enforcement.* Administration and enforcement of this program shall be coordinated by the Department of Real Estate and

Housing. The Department of Real Estate and Housing is authorized to prescribe, adopt, promulgate, and enforce rules and regulations relating to any matter pertaining to the administration and enforcement of this section.

SECTION 2. This Ordinance shall become effective immediately upon its date of passage by the City Council and approval by the Mayor.

First Reading.....November 18, 2021

Second Reading.....November 18, 2021

Third Reading.....

Passed by City Council,

President of City Council

ATTEST: _____
City Clerk

Approved this ____ day of _____, 2021.

Mayor

SYNOPSIS: This Ordinance creates a municipal loan program, to be administered by the Department of Real Estate and Housing, to provide eligible homebuyers with loans of up to \$10,000 to assist with down payment or settlement costs related to the purchase of a primary residence in the City of Wilmington.

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