



UPPER DARBY TOWNSHIP
COMMUNITY & ECONOMIC DEVELOPMENT
100 GARRETT ROAD, UPPER DARBY, PA 19082
PHONE: 610-734-7716
EMAIL: comdev@upperdarby.org

FIRST TIME HOMEBUYER PROGRAM GUIDELINES
9/15/2025

INTRODUCTION

Upper Darby Township introduces the First-Time Homebuyer Program (FTHB) funded through federal programs including, but not limited to, the Community Development Block Grant (CDBG) and HOME Investment Partnerships Programs.

MISSION STATEMENT

The program objective is to create sustainable and affordable homeownership for low- and moderate- income first time buyers by down-payment and/or closing cost assistance. Assistance will be in the form of a 0% interest forgiveness loan, forgivable over the period of affordability.

This Program offers a maximum of \$20,000 for down payment assistance to qualified buyers. Financial assistance for this program is federally funded. The Federal Government sets certain requirements for this program that will be followed throughout the process. Buyers are required to contribute a minimum \$1,000 toward the purchase of the home.

Upper Darby Township will provide the funding gap amount up to \$20,000.00. The maximum eligible purchase price of a house is aligned with HUD's Homeownership Value Limit (HVL), which is equivalent to 95% of the median sales price for new and existing homes in the area. The current HVLs for Upper Darby Township as of 9/10/2024 are:

Existing Homes:	\$304,000
Newly Constructed Homes:	\$365,000

The HVL is updated annually and published online here:
<https://www.huduser.gov/portal/datasets/home-ownership-value-limits.html>

Only single dwelling unit properties used as the Buyer's principal residence are eligible. Properties that are tenant occupied are ineligible, including rentals for which no rent is being charged, unless the tenant is buying the property and the property complies with the program's condition standards prior to transfer.

This summary will introduce you to the program. Please take your time and **read all of the enclosed documents thoroughly.**

ARE YOU ELIGIBLE?

1. INCOME:

Determining Annual Income

The HUD Part 5 definition of annual income will be used for the First Time Homebuyers Program. *Annual income* is defined as the gross annual income of all adults expected to live in the residence being financed, including income received by any household member who is 18 years of age or older (except a full-time dependent student, 12 credit hours or more).

HUD Part 5 is published online here:

<https://www.ecfr.gov/current/title-24/subtitle-A/part-5/subpart-F/subject-group-ECFR174c6349abd095d/section-5.609>

Income sources used for establishing the annual gross income of the applicant Buyer's household shall be determined in accordance with the *Code of Federal Regulations 24 CFR 5.609* (which also lists income "*Inclusions*" and "*exclusions*"). All income is projected for 12 months to calculate income compliance (regardless of its likelihood to continue).

24 CFR 5.609 is published online here:

<https://www.ecfr.gov/current/title-24/subtitle-A/part-5/subpart-F/subject-group-ECFR174c6349abd095d/section-5.609>

Verification of Income

Written verification of all household members over the age of 18 is required, and will be used to determine total household annual income. Household members with no income will be asked to sign an affidavit of no income. If the person is a student, a current transcript must be provided. Household income will not be re-verified at the time of closing unless more than six months have elapsed since income eligibility was determined. Verification of income includes the following documents as proof of income:

- Most recent year signed federal tax returns
- Three concurrent months of paystubs
- Verification of employment
- Profit and loss statement (if self-employed)
- Supplemental income award letters (i.e. Social Security, Supplemental Security Income, Social Security Disability, etc.)
- Other income documentation as may be required

The limits for **2025** are shown below.

<u>Household Size</u>	<u>Income Limit</u>
1 Person	\$66,850
2 Persons	\$76,400
3 Persons	\$85,950
4 Persons	\$95,500
5 Persons	\$103,150
6 Persons	\$110,800
7 Persons	\$118,450
8 Persons	\$126,100

These limits are updated annually by HUD and published online here:

<https://www.huduser.gov/portal/datasets/il.html>

Full and complete applications, with all of the attachments, including the Closing Estimate, Inspection and Appraisal must be submitted for review a minimum of 3 weeks prior to the date of settlement.

Applicants will be notified in writing of their eligibility determination. There is no requirement that the homebuyer remain income eligible after purchase.

2. FIRST-TIME HOMEBUYER:

Is defined as any **LOW/MOD INCOME** household **AS DEFINED BY THE FEDERAL INCOME LIMITS ON SECTION 1** that has not owned a home within the past three (3) years. Some families that have owned a home within the past three (3) years can participate if they meet the established definition of a “displaced homemaker” or “single parent” as defined by HUD.

The full HUD definition of a first time homebuyer is published online here:

<https://answers.hud.gov/FHA/s/article/How-does-HUD-define-a-first-time-homebuyer>

CITIZENSHIP:

Purchaser must be a United States citizen or a permanent resident alien with a minimum of five (5) years of continual residency and show proof of same in order to comply with the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996.

The full text of PRWORA is published online here:

<https://www.congress.gov/104/plaws/publ193/PLAW-104publ193.pdf>

3. PROPERTY REQUIREMENTS:

1. Single family, vacant, or owner-occupied existing or new construction properties located within Upper Darby Township are eligible. The Buyer may not own any other real property or have an ownership interest in any real estate at the time of closing (i.e. vacation homes, timeshares, and vacant land). Applicant Buyers must occupy the property within 60 days of signing the security instrument. **Please note that the properties must be located within the municipal boundaries of Upper Darby Township, not just the Upper Darby School District or ZIP code.**
2. Properties must be in conformity to the *Federal lead-based paint requirements at 24 CFR Part 35K* WHICH STATES THAT THERE CANNOT BE **ANY** DETERIORATED PAINT SURFACES **ANY WHERE** INSIDE OR OUTSIDE OF THE PROPERTY. A visual inspection will be completed by the Township at no charge to the Buyer. **THERE IS NO SECOND INSPECTION!** The property will be inspected once and will either **PASS** or **FAIL**. If the property fails the visual paint inspection no assistance will be provided and your file will be closed. Seller(s) and Seller's Agent must sign the enclosed form regarding compliance with the Federal Regulations on paint surfaces.
The full text of 24 CFR Part 35K is published online here:
<https://www.ecfr.gov/current/title-24/subtitle-A/part-35/subpart-K>
3. All properties that are purchased under the First Time Homebuyers Program must have an initial property inspection in accordance with Housing Quality Standards (HQS) 24 CFR 982.401. The purpose of the property inspection is to ascertain all local housing code deficiencies. If a local code deficiency(s) is/are identified during the initial inspection, those must be corrected prior to purchase. The Buyer must have the property inspected by an ASHI Certified, or other Certification recognized by the State of Pennsylvania Senate Bill 1034 as amended 9/26/2000 PA Title 68 and chapter 75, and provide a copy of the inspection report prior to closing.
The full text of 24CFR 982.401 is published online here:
<https://www.ecfr.gov/current/title-24/subtitle-B/chapter-IX/part-982/subpart-I/section-982.401>
4. All properties must be sold in compliance with Upper Darby Township's Department of Licenses & Inspections Use & Occupancy process. This includes completing an application, undergoing a full inspection of the exterior and interior of the house by an Upper Darby Township inspector, a video-recorded inspection of the sewer lateral by a master plumber, and, where applicable, an inspection of any existing fire escapes by a licensed design professional. All code violations identified during inspections must be addressed prior to loan closing. It is the responsibility of the Buyer to provide a copy of the approved Use & Occupancy

Permit, the approved Sewer Lateral Certification, and, if applicable, the approved Fire Escape Certification to FTHB program staff prior to loan closing.

Upper Darby Township's resale requirements and all necessary application forms are published online here:

<https://www.upperdarby.org/departments/LicenseInspections/UO>

5. **Principal Residence-** The purchasing household must use the property as its principal residence for the life of the loan. Any violation of the principal residency requirement will automatically trigger repayment of the Upper Darby Township subsidy.
6. Buyer is required to maintain homeowner's insurance on the property for the duration of the agreement, which lists Upper Darby Township as a lienholder. A certificate of insurance which shows this must be submitted prior to the release of Upper Darby Township's check.

4. **AFFORDABILITY CONDITIONS**

Buyers must use the property as their principal residence for the duration of the agreement; no leasing or rental is permitted. Any violation of the principal residency requirement will automatically trigger repayment of the Township's loan.

Assistance is provided to the Buyer in the form of a 0% interest rate loan on the property based on the amount of program funds provided to the buyer. A total of 20% of the loan will be forgiven each year until the loan is fully forgiven after five years. The Period of Affordability ensures that the property will remain affordable for a certain prescribed period and begins upon loan closing. If during the period of affordability any of the following events occur, an annually pro-rated portion of the assistance will become due and payable to Upper Darby Township:

- Sale or transfer of the property,
- Change in owner-occupancy status, and/or
- Default of first mortgage
- Delinquency of any taxes or obligations owed to Upper Darby Township or any other local, county, state, or federal government agency

5. **UNDERWRITING:**

Buyer is responsible to obtain a mortgage. The lender **MUST** certify to Upper Darby Township, prior to Upper Darby Township providing a commitment, that the proposed mortgage loan amount is the maximum amount that the borrower(s) can carry based on monthly cash availability using the Bank's underwriting. Upper Darby Township has established the following underwriting criteria:

Required criteria

Minimum Contribution: Buyers are expected to provide a minimum \$1,000 toward the purchase. Seller contributions may be applied to the applicant's required minimum contribution. Gift funds may be used toward the minimum contribution and are acceptable from the following sources:

Gifts may be provided by:

- the Borrower's Family Member;
- the Borrower's employer or labor union;
- a close friend with a clearly defined and documented interest in the Borrower;
- a charitable organization;
- a governmental agency or public entity that has a program providing homeownership assistance to low- or moderate-income families or first-time homebuyers.

Credit: The applicant Buyer must be a reasonable credit risk. The current lending market and lending institutions dictate credit score requirements; however, a minimum credit score of 620 will be required.

Housing Expense Ratio: The front-end ratio considers the percentage of gross monthly income the individual homebuyer is expected to pay for monthly housing costs (consisting of the principal, interest, taxes, insurance (PITI)). The maximum housing debt expense is 30%.

Determining the Debt-To-Income ratio: The maximum guideline for overall monthly debt is 43%. The back-end ratio reflects the percentage of gross monthly income the individual homebuyer is expected to pay for housing debt and expenses plus all recurring consumer debt. The typical debts used to determine the qualifying back-end ratios are the sum of the minimum required monthly payments on all the following types of debts:

- Student loans
- Auto loans
- Consumer loans
- Lines of Credit
- Credit Cards
- Child care

Loan to Value: The complete loan to value (CLTV) ratio should not exceed 95% of the purchase price. If a lender allows a higher CLTV, the Township or its designee must approve.

Recommended criteria

Assets: For eligibility purposes, all asset information must be listed on application documents. Borrowers with liquid assets in excess of \$20,000 are encouraged to apply the excess to the required down payment, which may decrease the amount of down payment assistance under this program. Liquid assets do not include long-term retirement savings (i.e. pension, 401k and IRA accounts, or life insurance cash value).

Reserves: Although not required, it is strongly recommended that the applicant Buyer have a 3-month reserve of mortgage payments on hand (preferably in a liquid account) as a safe-guard for sustainability in the event of crisis.

6. HOUSING COUNSELING

All Buyers must receive a minimum of eight hours of pre-purchase homeownership education and counseling presented by a Program/HUD approved counseling agency. Counseling must occur within the 12 months prior to purchase. Among the topics covered are the dangers of predatory lending and sub-prime lending and how to identify these types of loans. Classroom counseling is preferred to online-only programs, but both are permitted. Buyer must provide a copy of their Housing Counseling Completion Certificate with their application.

7. SELLERS' RESPONSIBILITY & RIGHTS

As part of the approval process, the Seller(s) must sign and submit the enclosed Sellers' Forms enclosed in the application package.

The Buyer does not have the power of eminent domain and, therefore will not acquire the property if negotiations fail to result in an amicable agreement between the Buyer & Seller. Because this is a voluntary sale, The Seller does not qualify for the Uniform Relocation Act (U.R.A.) Relocation Assistance.

The fair market value of the property must be determined by an appraisal of the property. The Buyer & Seller are permitted to negotiate a sale price below fair market value (Below the price in the appraisal). The Agreement of Sale must be contingent upon the Seller agreeing to sell at the lesser of Fair Market Value as negotiated by Buyer and Seller.

If the Seller executes an option or contract of sale before he/she is informed of the property's fair market value and the fair market value is more than the option/contract price, the Seller must be provided the opportunity to withdraw from the option or contract after the appropriate disclosures (listed above and including an appraisal) have been made.

8. BUYER/REALTOR RESPONSIBILITY

The Buyer or Buyer's realtor should consult with Upper Darby Township FTHB program staff before executing a finalized purchase contract to review that it meets all program requirements.

The Agreement of Sale must include the notice that the property must meet the program's paint inspection requirements.

It is your responsibility to carefully examine all painted surfaces on the interior and exterior of the property and bring any defective paint surfaces to the attention of the Seller for correction prior to requesting Upper Darby Township's visual inspection. **Defective paint surfaces found**

at the time of the visual inspection will result in the property not being eligible under the program. THERE IS NO SECOND INSPECTION.

9. FINANCING/REFINANCING

All checks for assistance will be made payable to and sent directly to the Title Company.

All Borrowers must sign a Mortgage agreement with Upper Darby Township for the amount of assistance provided. The Upper Darby Township mortgage must be in second position behind only the primary lender. The mortgage document will be sent to the Title Company to be signed at the time of settlement. The signed mortgage document WILL BE RETURNED TO UPPER DARBY TOWNSHIP TO BE RECORDED.

When funds from the Program are used in connection with housing in which acquisition or new construction is financed with a mortgage insured by HUD then the applicable period for affordability must be equal to the term of the HUD-insured mortgage. In cases where the FHA mortgage insurance is terminated, the period of affordability will revert to the period that is imposed by the program regulations.

Upper Darby Township's lien/mortgage interest in a property may be subordinated in the event of a refinancing, with prior consent of Upper Darby Township. Upper Darby Township's subordinated position will be no less than its original mortgage position, e.g., Upper Darby Township is originally in place as a second-position mortgagee, it may subordinate to a new first mortgage. Upper Darby Township will not subordinate to a position lower than its original position in any event. The subordination is subject to the interests of Upper Darby Township being protected and as such, the loan-to-value ratio of all liens/mortgages may not exceed 95% of value. In no event, will Upper Darby Township allow cash to be removed from the property for the Buyers use or to pay other creditors in the event of a refinance. The following additional conditions must be met:

- The new senior first lien will reduce the monthly payments to the homeowner, thereby making the monthly payments more affordable and/or avoid foreclosure;
- Reduction of the loan term;
- The new senior lien interest rate must be fixed for the life of the loan (Balloon or ARM loans are ineligible);
- No cash equity is withdrawn by the homeowner as a result of the refinancing actions;
- Borrower must submit a written request to Upper Darby Township to verify the minimum refinancing requirements within one month of the expected closing;
- Upper Darby Township will review the final Closing Disclosure two weeks prior to closing the refinance;
- If applicable, Upper Darby Township will issue written approval one week prior to the closing date;
- Upper Darby Township will be provided with a copy of the final, executed Closing Disclosure;

- If written permission is granted by Upper Darby Township and it is determined that the refinancing action does not meet the conditions for refinancing as stated above, the loan will become immediately due and payable prior to closing the new senior loan;
- Home Equity loans will trigger the repayment requirements.

10. RESPONSIBLE LENDING

Upper Darby Township supports the expansion of affordable and equitable homeownership and recognizes that predatory lending practices are inconsistent with advancing homeownership. To discourage predatory lending practices, Upper Darby Township establishes this Anti-Predatory Lending Mortgage Policy.

A residential mortgage loan is ineligible for funding from Upper Darby Township's First Time Homebuyer Program if it does not comply with all applicable federal, state and local predatory lending laws and other laws designed to prevent unfair or abusive lending practices (collectively, "Anti- Predatory Lending Laws"). Upper Darby Township will not knowingly fund a Mortgage Loan which involves any of the following practices or characteristics:

- Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance as a condition of the loan;
- Including in loan documents a mandatory arbitration provision with respect to dispute resolution;
- Charging prepayment penalties for paying off a loan;
- Lending without regard to a borrower's ability to make payments on the mortgage;
- Loans which violate the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (collectively, "HOEPA Requirements") or other Anti-Predatory Lending Laws;
- Loans that are ineligible for inclusion in a structured finance transaction due to a rating Owner/Developer's determination that it cannot rate a transaction which includes such loans;
- Loans where the terms of, or practices in connection with, such loans do not comply with the provisions of Regulation Z (12 CFR Part 226) relating to Higher-priced Mortgage Loans; or Loans that fail to comply with any requirement of the MPF Program relating to predatory lending, including with limitation, Section 2.6 of the MPF Origination Guide.

In addition, creative financing such as variable rate, adjustable rate, and interest rate only, balloon first mortgage loans, and/or 80/20 split are not allowed. Any practices deemed as predatory that are not listed above, are subject to review and approval by Upper Darby Township.

11. LOAN ASSUMPTION

Only heirs or devisees, in the event of the death or divorce of the applicant sole owner or both owners in entirety, may assume loans. Heirs or devisees may assume the existing or modified terms of a loan and pay any loan assumption fees. Under extenuating circumstances of personal hardship, Upper Darby Township may recommend an amendment to the loan terms.

12. FORECLOSURE

For those applicant Buyers facing foreclosure but are actively working with a lender to restructure or refinance the loan in order to remain in the home, Upper Darby Township must be notified and will advise only the original applicant Buyer who is living in the unit at the time of the loan closing.

13. CONTACT US WITH ANY QUESTIONS

If you have any questions or are unsure about any aspect of the program requirements, Upper Darby Township's First Time Homebuyer Program staff are available to answer any questions you might have. Please contact us early in your home search and get confirmation on any points of confusion rather than make assumptions. We want to help you succeed in your goal to become a homeowner in Upper Darby Township!

Email: comdev@upperdarby.org

Phone: 610-734-7716

<https://www.upperdarby.org/FTHB>