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CITY OF COLLEGE STATION DOWNPAYMENT ASSISTANCE PROGRAM

PROGRAM GUIDELINES

Unless herein stated otherwise, the general operating procedures contained in the COMMUNITY DEVELOPMENT ADMINISTRATIVE GUIDELINES and 24 CFR Part 92 (Home Investment Partnerships Program) will be followed.

A. STATEMENT OF PURPOSE & PROGRAM OVERVIEW

The City of College Station Downpayment Assistance Program (DAP) is funded through U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) funds. Additionally, the City may utilize other local, state, or federal resources that become available.

DAP is designed to assist low-income homebuyers with the purchase of affordable single family residential properties located within the City of College Station. DAP financial assistance shall be limited to providing qualified applicants with down payment/principal reduction assistance and closing cost assistance under the provisions of 92 CFR § 92.254 Qualification as affordable housing: Homeownership. This may be accomplished in part by developing, with City Council approval, affordable single-family units to be made available to program eligible families.

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¶ DAP is designed to assist low-income first-time homebuyers in the purchase of affordable housing. DAP is available on a city-wide basis.¶

¶ DAP Homeownership assistance is provided through the use of a variety of subsidy activities including:¶

- ¶ Down payment / Principal Reduction Assistance¶
- ¶ Closing Costs Assistance¶
- ¶ Mortgage Insurance¶
- ¶ Homebuyer and Homeowner Counseling

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The basic goals of the Downpayment Assistance Program are:

- To provide homeownership opportunities for low income individuals and families
- To expand the supply of decent housing available to low-income homebuyers.
- To provide support training and counseling activities low-income homebuyers.

DAP financial assistance shall be provided using five or ten year (depending on subsidy level) non-recourse, no interest, non amortizing forgivable loans. This assistance is combined with conventional permanent financing offered by private sector lenders (i.e., banks, thrifts, or mortgage corporations). Seller/Owner financing is not permitted, except for Habitat for Humanity applicants. DAP will provide a maximum of \$7,500 (not to exceed 10% of sales price) for qualified applicants purchasing eligible properties in the City of College Station. For applicants purchasing properties developed by the City's Community Development Office or Community Housing Development Organizations (CHDOs), the maximum amount of DAP assistance will be \$15,000 (not to exceed 20% of sales price).

DAP assistance of \$7,500 or less will require a five-year lien period by the City of College Station. DAP assistance of more than \$7,500 will carry a ten-year City lien requirement (see Loan Instruments). DAP homebuyers must contribute a minimum of 1.5% of the sales price to the purchase of properties, except for Habitat applicants. At the discretion of the Community Development Administrator, this requirement may be waived.

Participating lenders must provide escrow services to buyers for insurance and tax payment purposes. The City will not participate in purchases where the mortgage lender's interest rate exceeds the local average mortgage rate by more than one and one-half additional percentage points. Additionally, lender mortgages of less than 15 years will not be eligible on the DAP Program.

B. HOMEBUYER ELIGIBILITY CRITERIA

Eligible applicants of the Downpayment program must meet the following qualifications.

1. An applicant must have a gross income of less than 80 percent of the Bryan/College Station area median income as reported by HUD. Income will be determined by the provisions of 24 CFR § 92.203 (Income determinations) and 24 CFR § 5.609 (Annual income). Applicants will not be eligible for DAP assistance if, upon application, they have assets exceeding \$20,000 on hand. Retirement funds in IRS recognized retirement accounts are excluded.
2. Participants will be required to certify at the time they acquire an ownership interest in the unit that they intend to occupy the unit as their principal residence. Occupancy will be determined through verification of utility consumption, and other verifications determined acceptable by the City, on an annual basis.

3. Credit and Employment Standards

- a. Qualified applicants will have an average FICO credit score of no less than 600, with no recent bankruptcies, foreclosures student loan delinquencies, or repossessions. This provision does not apply to Habitat for Humanity applicants. The Community Development Administrator may waive this requirement if necessary to accomplish other city or program objectives, or in extraordinary circumstances.
- b. Applicants must have an employment history in the same job, or in the case of professional, salaried employees (as defined in 29 CFR § 541 meeting any of the requirements in Subparts B,C,D,E, or F), in the same field of employment, for a minimum of six (6) months.

4. Citizenship: In order to receive DAP assistance, applicants must be United States Citizens, U.S. Non-Citizen Nationals, or Qualified Aliens as defined by Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Qualified

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Deleted: The City will concentrate most of its efforts in providing financial assistance for down payment and closing costs. Additionally, the City will seek alternative discount financing, through such entities as FHA, VA, FNMA, FDIC, Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank whenever possible. Lenders approved by these entities are eligible as participating lenders. Other private mortgage lenders will be considered as necessary.

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Alien status will be verified by the U.S. Citizenship and Immigration Services division of the Department of Homeland Security.

C. ELIGIBLE PROPERTY CRITERIA

Property eligible for purchase using City of College Station DAP financial assistance is subject to the requirements of 24 CFR § 92.254 (Qualification as affordable housing: Homeownership) and as follows:

1. The DAP will be implemented on a city-wide basis within the city limits of the City of College Station.
2. All single-family property, located within the above mentioned boundaries. The definition of "single-family" property includes individually owned town house units, homeplexes, and condominium units, but excludes mobile homes, duplexes and fourplexes.
3. Only property that is debt free and has an otherwise clear title on the date it is acquired by an eligible applicant is eligible.
4. All eligible DAP properties shall not exceed 95 percent of the maximum amount insurable under Section 203(b) of the National Housing Act (FHA lending limit) for the Bryan/College Station area.
5. Eligible properties must not be tenant-occupied on the date of the execution of the Earnest Money or Sales Contract unless the occupant is the buyer.
6. Properties constructed prior to 1978 must have passed a lead-based paint risk assessment by a State of Texas licensed Lead Risk Assessor.

D. LOAN INSTRUMENTS

The City of College Station DAP shall use two (2) basic loan instruments (promissory note and deed-of-trust) to provide financial assistance to eligible applicants and to comply with the provisions of 24 CFR § 92.254(a)(5)(ii)(A) (Recapture, Net Proceeds). The intention of the DAP loan instrument is to provide supplemental financial assistance when combined with permanent financing.

Affordability shall be determined, except in the case of Habitat for Humanity purchases, by ensuring the total PITI (principal, interest, taxes, and insurance) payment (front ratio) is not less than 20% but not more than 35% of the monthly income of the eligible DAP Homebuyer. With lender approval, the upper percentage may be slightly exceeded under extenuating circumstances that demonstrate the buyer's ability to handle higher payments. The maximum total debt-to-income ratio (back ratio) is 45% (participating lenders may require a lower percentage). The City of College Station shall not participate in loan packages that have mortgages that are not fully amortizing ("balloon" mortgage) or contain negative amortization. Mortgage interest rates must be fixed for the full loan term. Interest rate buy-downs are not permitted. A maximum of 30% of the

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DAP - Proposed Program Modifications

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a. owner-occupied by seller, or;¶
b. occupied by DAP applicant, or;¶
c. unoccupied

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¶
Down payment / Principal Reduction Assistance¶
Closing cost assistance¶
Mortgage insurance assistance

Deleted: for initial rate reductions are permitted if the rate is fixed at a predetermined rate beyond the initial period. For City developed properties, a maximum of 20% of the program assistance may be used for closing costs. The remaining 80% must be applied to the downpayment. For non-city developed properties, a

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program assistance may be used for closing costs, except prepaid taxes. The remaining 70% must be applied directly to the downpayment.

DAP loan instruments shall require that the property must be maintained to meet applicable City codes, including community appearance standards and code enforcement ordinances.

1. **Deferred Forgivable Loan (DFCS Loan)**- A non-recourse, no-interest, five or ten year non-amortizing forgivable loan will be used. The principal DAP loan amount due to the City will be reduced by 1/60th (for five year loans) and 1/120th (for ten year loans) for each month that the applicant fulfills the note and lien requirements, until the total loan amount is forgiven or repaid. All DFCS loans shall typically have a second lienholder position. Refinancing of the first mortgage for the purpose of the reduction of monthly payments or interest rate is acceptable, however, refinancing which results in cash being received by the homeowner is not allowed.

Except in the case of Habitat for Humanity purchases, the City shall have the prior right to purchase the ownership interest in the property from the initial DAP homeowner for the amount specified in a firm contract between the homeowner and the prospective buyer. The City shall have 10 business days after receiving notice of the firm contract to decide whether to exercise its right and 60 additional calendar days to complete closing of the property.

Military Deployment - In the event that the homebuyer is deployed on active duty, the homebuyer may, at their discretion, rent the home during the time of deployment to an income-eligible applicant if the homebuyer's monthly mortgage payment will exceed 30% of gross monthly income after deployment. The maximum rent will be determined by published maximum HUD rents for the area. The City of College Station Community Development Office will verify income eligibility of the rental applicant and will file a copy of the deployment orders in the homebuyer's client file. If the home is rented to an income-eligible applicant, or is occupied by the homebuyer's dependents, the DAP loan will continue to be forgiven at the prescribed rate.

E. HOUSING QUALITY PLAN

1. Community Development Housing staff, who are experienced in conducting inspections of housing units for health and safety standards will complete inspections of all proposed units for conditions posing a health or safety threat to occupants prior to approval of the unit for transfer to the homebuyer.

2. All DAP funded properties must meet all requirements under 24 CFR § 92.251(a)(2) (Property standards) prior to closing.

3. Subject properties will be reviewed with regards to environmental issues as required by federal guidelines in 24 CFR § 92.352 (Environmental review) Properties not eligible for federal assistance due to environmental hazards will be ineligible for this program.

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Deleted: As a non-recourse loan, this only allows the repossession of the property without the personal liability of the borrower, but shall have the following foreclosure terms:

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Principal residence requirement for full lien period¶
First right of purchase to the City of College Station¶
Property use and maintenance requirements¶
HUD HQS maintenance requirement for resale

Deleted: Eligible Costs and Expenditures for DFCS Loans¶
Down payment / Principal Reduction ¶
Closing Costs¶
Title fees¶
Survey fees¶
Appraisal fees¶
Legal fees¶
Origination fees¶
Private Mortgage Insurance (PMI) costs¶
Note: Prepaid taxes are not eligible DFCS costs.

Deleted: 2. **Resale Restrictions on all DAP Loan Instruments.** The City will require units that are resold within any loan term meet HUD's Housing Quality Standards (HQS) at the time of resale. This requirement is necessary in order to encourage homebuyers to maintain their properties at a minimum level. At ... [6]

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F. DAP HOMEBUYER COUNSELING PROGRAM

The Homebuyer Counseling Program will provide a full range of services, advice, and assistance to potential homebuyers to assist them in meeting the responsibilities of home ownership.

1. The **Intake Interview** will be conducted between the counselor and the prospective homebuyer once the application has been completed and reviewed by the counselor. The counselor will obtain and document sufficient information on the nature of the applicant's housing needs to determine the applicability of housing counseling, the type of assistance needed, and to establish a case action plan.
2. The interview will cover housing selection, Fair Housing laws, purchase procedures, real estate and mortgage terminology, types of financing and assistance programs, and the rights and responsibilities of homeowners.
3. The interview will also provide training to enhance home management skills, including money management, comparative shopping, use of credit, debt management and homeowner's insurance and property taxes. A review of the homebuyer's income and expenses and the development of a budget will be covered.
4. The interview will provide instruction/information on property care and maintenance, simple home repairs, and housing codes and enforcement procedures.
5. Information regarding reducing energy waste, developing an energy conservation lifestyle, energy audits, tax credit information, low cost weatherizing instructions, product fraud prevention, and safety information will be provided.
6. Post-Occupancy Counseling will be offered upon request to the homebuyer after the purchase of the home. This counseling will also be available to assist in resolving problems between the mortgagee and the home buyer and will provide appropriate referrals to other agencies, as needed.

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Deleted: The City will coordinate counseling needs as appropriate with services currently being provided by non-profit organizations and the local lending community. As needed, new comprehensive training programs may be developed to more adequately address the needs of low-income homebuyers and homeowners. The City will also make efforts to consolidate services with other organizations whenever possible. DAP funds will be utilized to pay expenses of capacity building and expanding for the City and participating non-profit organizations. The City plans to utilize existing resources of local non-profit organizations by coordinating activities among these agencies and individuals. The activities will include, but not be limited to: Pre-purchase counseling, financial and debt counseling, housing consumer education, and a post-occupancy visit.

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Deleted: Pre-Purchase Session

Deleted: Housing Consumer Education

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7. Mortgage Default and Debt Counseling will be available and (... [9]

G. APPLICATION PROCESS

Persons having previously completed home buyer assistance evaluations and counseling with staff will be given priority. Interested applicants will be given application and verification forms and instructions for completion. Staff will be available to assist with completion of required forms.

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1. Once an applicant meets all program requirements, to include applying for and receiving approval for permanent financing, a check will be requested for the program assistance. Program documents will be prepared and forwarded to the title company. Upon Closing, DAP funds will be made available to the title company. The check will be made out to the title company for the benefit of the applicant/buyer.

2. All program requirements having been met, eligible applicants will be prioritized according to date and time of intake interview and pre-purchase session. Assistance will continue until all funds are depleted or the program is terminated. In the event of a funding shortage, families with dependent children will receive priority. Families with dependent children will also receive priority for properties owned and developed by the City.

3. Previous recipients of Community Development Housing Assistance (ORP, Rehab, TBRA, etc.) must be approved by the Community Development Administrator prior to receiving DAP assistance. Previous DAP recipients are not eligible for additional DAP assistance, except upon approval of the Community Development Administrator.

4. Applicants falsifying information will be disqualified from participating in the program.

5. Applicants denied for DAP must reapply no earlier than six months from the date of original application.

H. ANTI-DISPLACEMENT POLICY STATEMENT

1. The City shall not engage or participate in any activities that influence the permanent and involuntary relocation or displacement of any low-income family due to the DAP pursuant to the provisions of 24 CFR § 92.353 Displacement, relocation, and acquisition.

2. It is not anticipated that it would be necessary to relocate any families. The City will follow the relocation procedures as set forth in its adopted Anti-Displacement Policy if the need does arise.

I. EQUAL OPPORTUNITY STATEMENT

The City of College Station is committed to providing equal opportunity for minority or women owned businesses to compete and obtain contracts for City sponsored projects, and will comply with the provisions of 24 CFR § 92.350 (Other Federal requirements and nondiscrimination) and 24 CFR § 92.351 (Affirmative marketing; minority outreach program).

J. FAIR HOUSING POLICY STATEMENT

The City of College Station adopted a Fair Housing Ordinance in 1979 which prohibits discrimination in the sale or rental of housing, and discrimination in the provision of

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3. It may be necessary in the course of the rehabilitation project that some families be temporarily relocated. ¶

4. Temporary relocation will be accomplished by: ¶

(a) provision of temporary housing through CDBG-owned properties currently being used for such purposes in the CDBG programs, as available;¶

(b) families will be encouraged to find temporary lodging themselves (i.e., with relatives) in order to reduce costs;¶

(c) provision of reasonable temporary housing costs incurred by the relocated family. ¶

(d) Anticipated costs of (a) and (b) above can be expected to average \$500 per family. Anticipated costs of (c) above can be expected to average \$1,500 per family.¶

5. Housing will be provided, as available, through vacant properties owned by the City Community Development Program. The City's CDBG funds would also be available to assist with temporary relocation expenses.¶

6. The City's CD Office will ... [14]

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brokerage services. The ordinance also outlines the City's procedures regarding complaints, investigation, cumulative legal effect, unlawful intimidation, education and public information and penalty. The City is not under any court order or decree regarding Fair Housing. Relevant policies and codes have been examined and no exclusionary zoning codes were evident. The City of College Station does not have a rental control ordinance. The City of College Station will comply with the provisions of 24 CFR § 92.351 (Affirmative marketing; minority outreach program).

Information regarding the DAP program will be made available to the public through the use of a variety of public meetings and ads in the classified section of the newspapers. Press releases may be given to the local media. Information and applications will be made available to local agencies that deal with low-moderate income people. CD staff will be available to speak to organizations or groups of interested individuals. Other methods of program information outreach may be utilized, including utility bill inserts, direct mailing, television advertising, and applications and program information will also be available on the City's website.

In addition, the City of College Station will seek technical assistance from the HUD Regional Fair Housing Staff in order to ensure that fair housing standards are met.

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In addition to the various types of financial assistance, the City shall provide comprehensive homebuyer and homeowner counseling. Educational efforts include coordinating local resources to teach special training seminars related to home ownership. In addition, the City shall provide DAP applicants with various credit counseling information as necessary. Eligible DAP homebuyers will be required to attend at a minimum, the first two City training sessions (or equivalent, as approved by the Community Development Office) in order to qualify for DAP financial assistance.

The City shall also provide technical assistance to low-income homebuyers and homeowners in the selection of appropriate properties to suit their families' needs.

:

1. An applicant must be a "First-time Homebuyer" or "Displaced Homemaker" as defined by HUD. (See 24CFR Subtitle A) which provides in pertinent part:
 - (a) ***First-Time Homebuyer.*** An Individual and his or her spouse (if any) who have not owned a home during the 3-year period before purchase of a home with assistance under the DAP program, except that-
 - (i) Any individual who is a displaced homemaker may not be excluded from consideration on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse.
 - (ii) Any individual who is a single parent may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse.
 - (b) ***Displaced Homemaker.*** An individual who-
 - (i) is an adult;
 - (ii) has not worked full-time full-year in the labor force for a number of years (at least two) but has, during such years, worked primarily without remuneration to care for the home and family; and
 - (iii) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

The Community Development Administrator may waive this requirement (unless required by funding source) on a case by case basis. This may include determining as eligible, occupant owners of severely dilapidated single family residences (as determined by the Community Development Office) who are otherwise eligible for DAP assistance. The value of the currently owned property will be defined an asset for the purposes of establishing income eligibility. The Community Development Office may require the applicant to agree to allow demolition of the structure (if in College Station) prior to receiving

The City will complete an on-going evaluation of the counseling and training needs of the home buyers and homeowners and make adjustments to the services as needed.

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If not enough applicants are identified through this manner, advertisements and/or notices shall be used to advertise the program.

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Upon receipt of a completed application, qualified applicants will be added to an eligibility list for program assistance. From time to time mailouts or meetings will be used to update lists of applicants still interested in the program.

2. The applicant will be directed to: complete a home buyer course or to be counseled by CD staff; to find a suitable/affordable house; to submit an earnest money contract; and to show proof of application for financing. However, due to the uncertainties inherent in the home buying process (finding and negotiating price and repairs, gaining lender approval, etc.) there will be no use of a "first-come, first-served" waiting list for the actual disbursement of DAP funds.

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Subject properties will be reviewed with regards to environmental issues as required by federal guidelines. Properties not eligible for federal assistance due to environmental hazards will be ineligible for this program.

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In addition, the City will consult with HUD staff in regards to Uniform Relocation Act requirements.

3. It may be necessary in the course of the rehabilitation project that some families be temporarily relocated.
4. Temporary relocation will be accomplished by:
 - (a) provision of temporary housing through CDBG-owned properties currently being used for such purposes in the CDBG programs, as available;
 - (b) families will be encouraged to find temporary lodging themselves (i.e., with relatives) in order to reduce costs;
 - (c) provision of reasonable temporary housing costs incurred by the relocated family.
 - (d) Anticipated costs of (a) and (b) above can be expected to average \$500 per family. Anticipated costs of (c) above can be expected to average \$1,500 per family.
5. Housing will be provided, as available, through vacant properties owned by the City Community Development Program. The City's CDBG funds would also be available to assist with temporary relocation expenses.

6. The City's CD Office will administer all relocation activities.

J. DAP PROGRAM ADMINISTRATION

The City of College Station will provide technical, legal, accounting, and administrative support for the DAP. Unless herein stated otherwise, the general operating procedures contained in the Community Development Administrative Guidelines will be followed.

The City's CDBG Program staff will be utilized to provide direct program administration.. In addition, the City has provided a Housing Programs Coordinator position financed with local funds, whose duties include the implementation of the DAP. Job duties also include providing counseling to applicants and coordinating counseling and training programs administered through local non-profit organizations.

K. AFFORDABILITY STRATEGY

1. The City will permit the use of DAP funds as a direct subsidy to low-income home buyers who experience short-term emergency financial distress (such as job loss, divorce, major illness of family member) during the first 12 months after purchase. Each request for such assistance will be reviewed on a case by case basis by the Community Development Administrator. Assistance will be provided through direct payment to the debtor/creditor for monthly mortgage, taxes, insurance, or utility costs. Assistance will be limited to 2 incidents per family. In addition, the City will provide or refer the family for budget counseling, job training services, or other services as needed.

In the case of resale by the initial homebuyer, the City will investigate the advantages on a case by case basis of assisting other low-income homebuyers with the purchase.