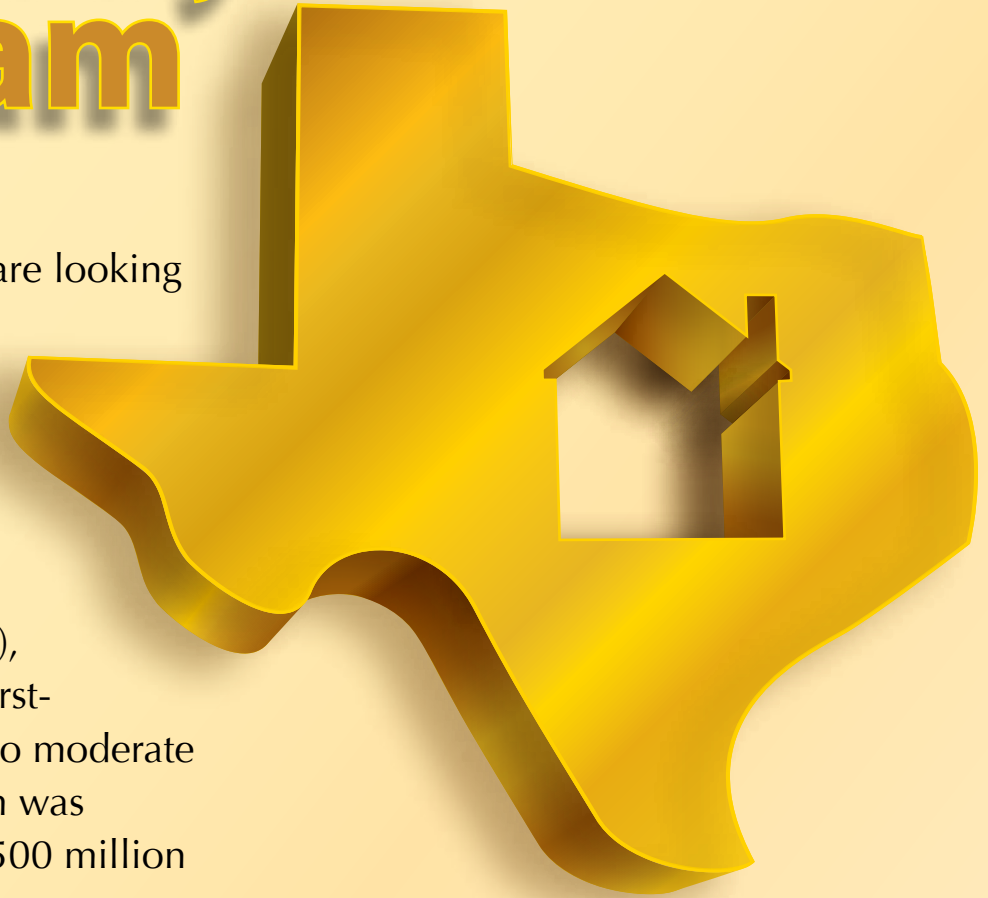


A Reprint from *Tierra Grande*

Texas First-Time Homebuyer Program

By Harold D. Hunt

Licenseses with clients who are looking for their first homes should be familiar with the Texas First-Time Homebuyer Program. Administered through the Texas Department of Housing and Community Affairs (TDHCA), the program is tailored for first-time homebuyers with low to moderate incomes. When the program was announced in May 2010, \$500 million in funding was available.



Who May Apply?

Homebuyers who:

- have not owned a home within past three years,
- meet program income guidelines and
- do not exceed the program purchase price limits. "Combined Income and Purchase Price Limits Table" offering additional information at <http://www.tdhca.state.tx.us/homeownership/fthb/docs/limits.pdf>.



How to Apply

- Contact a Texas First-Time Homebuyer Program lender: <http://www.tdhca.state.tx.us/homeownership/fthb/fthb-lenders.htm>.
- Lenders complete paperwork and help coordinate loan closing with real estate agent and closing agent.
- Homebuyers should consider prequalifying for loan before shopping.



Assisted Loans

- First lien mortgage loan.
- Down payment and closing cost assistance up to 4 percent of the mortgage amount is provided.
- Interest rate slightly higher than current market interest rate because of added assistance.
- 30-year fixed interest rate available.
- Assistance funds are through a second lien, 30-year, zero percent loan.
- Repayment of assistance funds deferred until first lien mortgage is fully paid.
- Assistance funds due and payable in full if home is sold or refinanced.
- Available to borrowers earning as much as 115 percent of the area median family income (depending on family size).
- If home is within a “targeted area,” loan amount may be increased to 140 percent. Definition of targeted area and list of designated targeted areas in Texas by census tract at <http://www.tdhca.state.tx.us/homeownership/fthb/downloads.htm>.



Unassisted Loans

- First lien mortgage loan.
- No down payment and closing cost assistance.
- Interest rate slightly less than current market interest rate.
- 30-year fixed interest rate available.
- Fees and closing costs charged, but TDHCA limits lenders’ fees.



Interest Rates and Program Funds Remaining

Rates change periodically, depending on market rates when loan is registered with TDHCA. Go to http://www.tdhca.state.tx.us/homeownership/fthb/available_funds.htm.



What Homes Qualify?

- Any new or existing home in Texas that does not exceed maximum purchase price limits,
- manufactured homes permanently affixed to a foundation and meeting FHA guidelines,
- homes meeting certain quality standards and
- must be a buyer’s primary residence and cannot be rented.



Homebuyer Education Requirement

All borrowers must complete one of two homebuyer education programs:

- a prepurchase counseling course provided through the department’s network of certified Texas Statewide Homebuyer Education Providers or
- online counseling offered through the program’s participating lender network. Providers: <http://www.tdhca.state.tx.us/homeownership/fthb/docs/TSHEP-Providers.pdf>.



Federal Recapture Tax

Participants may be subject to federal recapture tax if three criteria are met:

- home is sold within first nine years,
- borrower earns “significantly more” income than when home was purchased and
- there is a gain or profit from sale of the home.

Recapture tax will not exceed one-half of the gain on sale of the home or 6.25 percent of original mortgage, whichever is less. Buyers should contact a tax advisor or the Internal Revenue Service for more information on recapture tax. ➔



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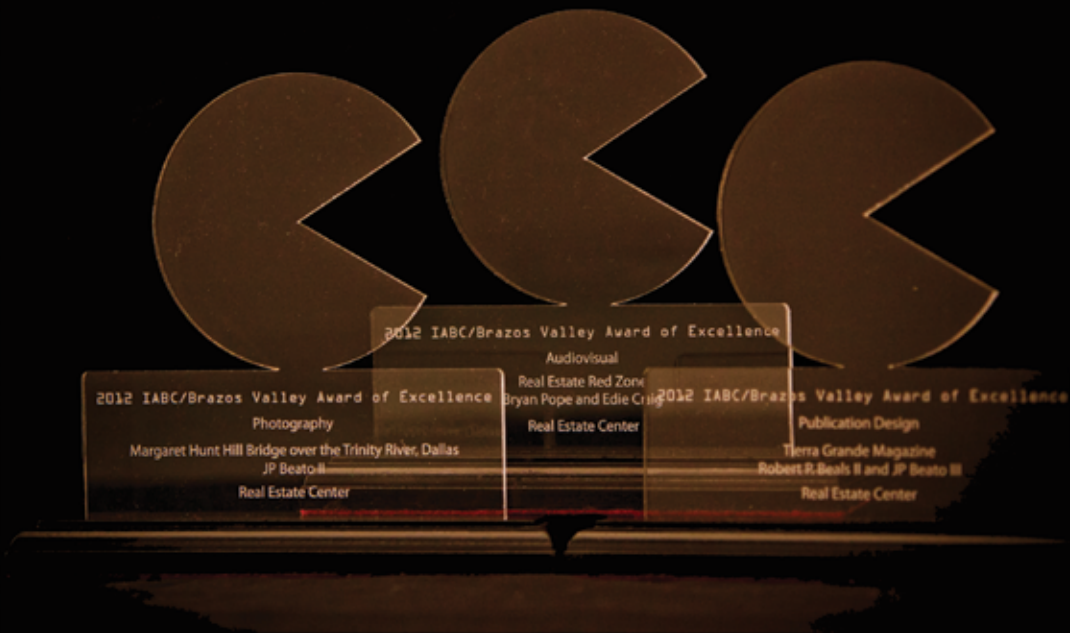
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