



# HOUSING DEVELOPMENT FUND (HDF)

## Understanding DSHA's Grant Restriction Agreement

### Frequently Asked Questions (FAQ)

**Q: Why am I required to sign a Grant Restriction Agreement (GRA)?**

**A:** Delaware State Housing Authority (DSHA) provides grant funding to nonprofit organizations and units of local general government who develop affordable homeownership opportunities for income eligible Delawareans and/or renovate properties currently owned by income eligible Delawareans. As a condition of this funding, DSHA requires these organizations (Grantees) to place a restriction on all properties in which this funding is used to assist homebuyers with construction and/or mortgage subsidy funding.

**Q: Is the GRA recorded as lien on the property?**

**A:** Yes. The GRA is a secured lien on the property; however, unlike most property liens where the full amount of the lien has to be satisfied upon sale or refinance of the property, the GRA is forgiven on a pro-rata basis over the term of the agreement.

**Q: How long will the lien remain on the property?**

**A:** The term of the GRA is determined by two factors: the total amount of HDF funding invested in the property and the age of the homeowner.

TOTAL AMOUNT OF HDF FUNDING INVESTED IN THE PROPERTY	TERM OF GRA
less than or equal to \$10,000	No restriction required
greater than \$10,000 and less than \$20,000 <u>or</u> homebuyer/owner is 62 or older	5-year restriction (60 months)
greater than \$20,000	10-year restriction (120 months)

**Q: Does the GRA include any other requirements?**

**A:** Yes. The homebuyer is required to use the property as their primary residence during the term of the GRA.

**Q: Will I be required to make monthly payments to satisfy the lien?**

**A:** No. Payments are not required during the term of the GRA, as long as you continue to own the house and use it as your primary residence. The total amount of the lien is deferred until the term is completed or the house is sold or refinanced. If the homeowner decides to use the property for rental purposes during the term of the agreement, the GRA becomes due and payable immediately.

**Q: If I sell my house for less than the amount I owe on my first mortgage and second mortgage (if applicable) prior to the end of the GRA term, will I have to repay DSHA?**

**A:** No. In this situation, the GRA will be forgiven in full and upon notification of the sale, DSHA will satisfy the lien.

**Q: If I sell my house for more than the amount I owe on my first mortgage and second mortgage (if applicable) prior to the end of the GRA term, will I have to repay DSHA?**

**A:** Yes. Any proceeds from the sale of the property after the first mortgage and second mortgages have been satisfied are required to be used to repay the outstanding prorated balance of the GRA (lien). If there are not enough funds to repay the GRA in full, the remaining outstanding balance of the GRA will be forgiven and the lien on the property will be null and void (satisfied).

**Q: How is the outstanding prorated balance of the GRA calculated?**

**A:** 
$$GRA \text{ Prorated Balance} = \frac{\text{Original GRA}}{\text{GRA term (months)}} * \text{Remaining term (months)}$$

**Below are a few scenarios that demonstrate how DSHA calculates repayment of the GRA:**

Homeowner is 62 years old. Home was purchased from a nonprofit organization that received HDF funding in the amount of \$35,000 to construct the home. At time of purchase, the homeowner signed a GRA for \$35,000 for a term of five (5) years or 60 months. The home is the homeowner's primary residence.

**Scenario 1:** After living in the home for a little over five years, the homeowner decides to sell the house.

**Repayment:** No repayment is required since the homeowner remained in the home for the full term of the GRA.

**Scenario 2:** After living in the home for three years, the homeowner sells the home for \$130,000. The homeowner's first mortgage payoff balance is \$125,000. The net proceeds after the first mortgage, any subsequent mortgages and any fees/adjustments are made are \$3,000.

**Repayment:** The following formula is used to calculate the GRA prorated balance.

$$GRA \text{ Prorated Balance} = \frac{\text{Original GRA}}{\text{GRA term (months)}} * \text{Remaining term (months)}$$

The GRA prorated balance due to DSHA is \$14,000. Net proceeds from the sale are \$3,000. The homeowner is required to pay DSHA \$3,000 and the remaining prorated balance of \$11,000 is forgiven and the lien is considered null and void (satisfied).

**Scenario 3:** After living in the home for three years, the homeowner sells the home for \$130,000. The homeowner's first mortgage payoff balance is \$110,000. The net proceeds after the first mortgage, any subsequent mortgages and any fees/adjustments are made are \$17,000.

**Repayment:** The GRA prorated balance due to DSHA is \$14,000. Net proceeds from the sale are \$17,000. The homeowner is required to pay DSHA \$14,000. The GRA (lien) is null and void (satisfied).

**Scenario 4:** After living in the home for three years, the homeowner passes away. The homeowner's daughter inherits the property and plans to remain living in the home and use it as her primary residence.

**Repayment:** The grant must be repaid to DSHA at transfer of ownership; however, the heir may request permission from DSHA to assume the grant for the remaining term of the grant. DSHA may consider this request if the heir is income eligible and the home is their primary residence.

**Acknowledgement for Homebuyer (Use this section for Home purchases)**

Homebuyer(s) acknowledge(s) receipt of this document for informational purposes. Furthermore, a signed copy of this document has been provided to the homebuyer(s).

\_\_\_\_\_  
Homebuyer's Signature

\_\_\_\_\_  
Homebuyer's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Grantee

\_\_\_\_\_  
Property Address

**Acknowledgement for Homeowner (Use this section for Owner-Occupied Rehabilitation Improvements)**

Homeowner(s) acknowledge(s) receipt of this document for informational purposes. Furthermore, a signed copy of this document has been provided to the homeowner(s).

\_\_\_\_\_  
Homeowner's Signature

\_\_\_\_\_  
Homeowner's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Grantee

\_\_\_\_\_  
Property Address