

# City of Chattanooga

## Down Payment Assistance Program

### Program Guidelines

#### Program Administration

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The City of Chattanooga's Department of Economic Development administers the Down Payment Assistance (DPA) Program. Questions regarding program eligibility, guidelines, or the application process should be directed to:

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City of Chattanooga  
[mmiles@chattanooga.gov](mailto:mmiles@chattanooga.gov)  
(423) 643-7336

#### Program Overview

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The City of Chattanooga Down Payment Assistance Program provides forgivable, deferred-payment loans to income-eligible, first-time homebuyers purchasing a primary residence within the City of Chattanooga limits. The program is designed to bridge the affordability gap and expand equitable access to homeownership for low- and moderate-income households.

#### Eligibility & Program Requirements

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<b>Income Limits</b>	Borrower's gross household income may not exceed 120% of the Area Median Income (AMI) as published annually by the U.S. Department of Housing and Urban Development (HUD) for the Chattanooga, TN-GA Metropolitan Statistical Area, adjusted for household size.
<b>First-Time Homebuyer Requirement</b>	Assistance is restricted to first-time homebuyers. A first-time homebuyer is defined as an individual who has not held ownership interest in a residential property at any time during the three-year period preceding the date of the purchase of the subject property. Exceptions may be made for displaced homemakers or single parents who previously owned a home with a spouse, consistent with HUD guidelines. Applicants that meet the THDA requirements for first-time homebuyers are eligible for this program.
<b>Homebuyer Education</b>	Required. Borrower must complete a homebuyer education course from a Tennessee Housing Development Agency (THDA) approved provider prior to closing. The certificate of completion must be dated within twelve (12) months of the closing date. Lenders must submit a copy of the certificate with the loan package.
<b>Minimum Credit Score</b>	620, or the minimum credit score required by the applicable first mortgage product, whichever is greater.

<b>Maximum Debt-to-Income Ratio</b>	45% of gross monthly income.
<b>Eligible Property Types</b>	<p>The following property types are eligible:</p> <ul style="list-style-type: none"> <li>• Single-family detached homes</li> <li>• Townhomes</li> <li>• Single-family homes with an Accessory Dwelling Unit (ADU), subject to case-by-case approval</li> <li>• Condominiums (must meet first mortgage product requirements)</li> <li>• Manufactured homes and mobile homes (must meet first mortgage product requirements)</li> </ul> <p><i>Properties with a commercial component are not eligible.</i></p>
<b>Maximum Purchase Price</b>	The lesser of the sales price or appraised value may not exceed \$400,000.
<b>Geographic Boundaries</b>	The subject property must be located within the corporate limits of the City of Chattanooga, Tennessee.
<b>Primary Residence Requirement</b>	The subject property must serve as the borrower's primary residence for the duration of the DPA loan term. The home must be owner-occupied within sixty (60) days of closing. Borrower must notify the City in writing within thirty (30) days of any change in occupancy status.
<b>Home Inspection</b>	A home inspection by a licensed home inspector is required. Lenders must submit evidence of a completed home inspection with the loan package. Lenders are not required to underwrite to the findings of the home inspection.
<b>Minimum Homebuyer Contribution</b>	Borrower must contribute a minimum of \$1,000 toward the purchase from their own funds. This contribution may not be sourced from a gift. Eligible costs include earnest money deposit, credit report fee, appraisal fee, and homebuyer education fee.
<b>Escrowed Accounts</b>	Required. Borrower must maintain escrowed accounts for property taxes and homeowner's insurance for the duration of the first mortgage.
<b>Maximum Loan Amount / LTV</b>	Follow applicable first mortgage product guidelines.
<b>Allowable Lender Fees</b>	Follow applicable first mortgage product guidelines. Fees that are excessive, non-allowable, or not consistent with industry standards will not be covered by DPA funds.

## Down Payment Assistance Loan Terms

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**Maximum Amount of Assistance:** Up to \$15,000.

**Loan Type:** Deferred, forgivable subordinate mortgage recorded as a lien against the subject property.

**Interest Rate:** 0% (zero percent). No interest will accrue.

**Monthly Payments:** None. No monthly payments are required during the loan term.

**Loan Term & Forgiveness:** The full outstanding balance of the DPA loan will be forgiven at the end of a thirty (30) year term, provided the borrower has complied with all program requirements throughout the term. Forgiveness is not prorated; the full balance is forgiven upon completion of the thirty-year period. Upon forgiveness, the City will record a release of lien.

**Subordination:** The DPA loan is a subordinate lien to the first mortgage. The City will consider subordination requests for rate-and-term refinances of the first mortgage only. No cash-out refinances are permitted without triggering repayment.

## Repayment Triggers

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The outstanding balance of the DPA loan shall become immediately due and payable in full upon the occurrence of any of the following:

- Sale or transfer of the subject property;
- Cash-out refinance of the first mortgage;
- The subject property ceases to be the borrower's primary residence;
- Borrower fails to maintain required escrowed accounts;
- Any other material breach of the DPA loan documents or first mortgage.

Rate-and-term refinances of the first mortgage (with no or nominal cash out) will not trigger repayment, provided the City approves the refinance in writing prior to closing.

Short Sale: In the event of a short sale in which the net proceeds are insufficient to repay the DPA loan in full, the City may, at its sole discretion, forgive the unpaid balance provided that: (a) the borrower has complied with all DPA loan terms throughout the period of ownership; and (b) the City has provided prior written consent to the short sale.

*Note: In the event of foreclosure, the DPA lien position and any remaining balance shall be resolved in accordance with applicable Tennessee law. Borrowers are encouraged to contact the City promptly upon default on the first mortgage.*

## Use of Funds & Exclusions

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DPA funds may only be used to fund the verified gap between the borrower's available resources and the funds needed to close. DPA funds may not be used for any of the following:

- Paying off consumer debt or revolving credit obligations;
- Providing cash back to the borrower at or after closing;
- Covering excessive, non-allowable, or unreasonable lender fees;
- Any amount exceeding the actual, verified funding gap;
- Gap financing that would cause the combined loan-to-value to exceed program limits.

## Recapture & Default

If a borrower fails to comply with any material term of the DPA loan documents, the City reserves the right to declare the loan in default and demand immediate repayment of the outstanding balance. Material defaults include, but are not limited to:

- Misrepresentation of income, assets, or occupancy status on the application;
- Failure to maintain the property as the borrower's primary residence;
- Unauthorized transfer, sale, or encumbrance of the property;
- Failure to maintain required property insurance or pay property taxes.

Unless otherwise provided in the DPA loan documents, and except in cases of fraud or intentional misrepresentation, the City will provide written notice of default and an opportunity to cure within thirty (30) days prior to pursuing collection remedies.

## **Non-Discrimination**

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The City of Chattanooga Down Payment Assistance Program is administered in compliance with all applicable federal and state fair lending and non-discrimination laws, including but not limited to the Fair Housing Act (42 U.S.C. § 3601 et seq.), the Equal Credit Opportunity Act (15 U.S.C. § 1691 et seq.), and Title VI of the Civil Rights Act of 1964. No person shall be excluded from participation in, denied the benefits of, or subjected to discrimination under this program on the basis of race, color, national origin, religion, sex, familial status, disability, age, or any other characteristic protected by applicable law.

## **Effective Date & Program Amendments**

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These guidelines are effective as of May 8<sup>th</sup>, 2026. The City of Chattanooga reserves the right to amend, suspend, or terminate these program guidelines at any time, with or without prior notice, subject to applicable funding and contractual obligations. Participating lenders will be notified of material changes in writing. Applications received prior to the effective date of any amendment will be processed under the guidelines in effect at the time of application submission, to the extent practicable.

*These guidelines do not constitute a contract or guarantee of funding. Assistance is subject to fund availability.*