



Lake County Down Payment Assistance Program **Lender Guidelines as of March 2019**

ABOUT COMMUNITY PARTNERS FOR AFFORDABLE HOUSING

Community Partners for Affordable Housing (CPAH) is a nonprofit organization that develops affordable housing and provides services that empower individuals and families to secure and retain quality housing. Our vision is threefold: (1) thriving communities, (2) successful residents, and (3) a diverse range of housing to ensure everyone has a place to call home.

PURPOSE & BENEFITS

The purpose of CPAH's homebuyer programs is to increase affordable homeownership opportunities for low-income households in Lake County through a 3-pronged approach that includes financial assistance, education and counseling in order to remove many of the barriers to purchasing a home and maintaining successful homeownership. Our programs:

- Lower upfront out of pocket costs
- Empower buyers to navigate the complex home-buying process
- Assist buyers in overcoming credit and debt issues
- Provide post-purchase intervention to prevent default and foreclosure

STAFF AND ONLINE ACCESS TO ALL MORTGAGES, NOTES AND FORMS

Bookmark www.cpahousing.org, go to Home Buying, then Lender Partners page

Lenders work primarily with CPAH's Intake Coordinator, Janice Rosales and Director of Underwriting, Alicia Sanchez. Both available at 847/263-7478 or via email: jrosales@cpahousing.org and asanchez@cpahousing.org. You can download the most recent copies of everything you need on our website: program guidelines, forms, mortgages and promissory notes, policies and procedures.

HOW THE PURCHASE ASSISTANCE WORKS

Depending on household need, qualified buyers will be provided up to 5% of the purchase price to offset the down payment and closing costs. Assistance is provided in the form of an interest-free deferred loan, forgiven at a rate of 1/60th every month starting 60 days after closing, and fully forgiven after five years plus 60 days in the property. The assistance will become immediately due and payable if any of these circumstances occur prior to 5 years plus 60 days: sale, cash out refinance, voluntary or involuntary transfer of title, failure to owner-occupy the property as his/her primary residence or discovery of fraudulent information provided during the application and closing process.

HOMEBUYER ELIGIBILITY CRITERIA

- a) *First-Time Homebuyers:* A first-time homebuyer is defined as any borrower that has not owned a home in the last 3 years. Exceptions: Displaced homemakers or single custodial parents who have previously owned a home with a former spouse.
- b) *Income:* Depending on the investor, gross household income must be below 80% of median family income. Refer to chart below:

Household Size	1	2	3	4	5	6	7	8
80% MFI	\$47,400	\$54,200	\$60,950	\$67,700	\$73,150	\$78,550	\$83,950	\$89,400
<i>Above effective as of 6/1/2018. Guidelines are determined by HUD and are adjusted annually.</i>								

- c) *Asset Limits:* Borrower cannot have enough liquid assets to afford 20% of the purchase price. College savings, retirement accounts and special needs trust funds are excluded from the limit.
- d) *Gift Funds:* Gift funds toward the purchase may not exceed \$10,000.
- e) *Mortgage Approval:* Buyer(s) must qualify for a mortgage with an approved lender and meet all of the financing and underwriting criteria described herein.
- f) *Non-borrowing Spouse (only if applicable):*
- A credit report will be pulled on a non-borrowing spouse for the purpose of collecting monthly debt amounts to be used towards CPAH's total debt-to-income ratio.
 - **Verification of Employment (VOE):** In addition to obtaining paystubs, CPAH will process a VOE.
- g) *Residency Status:* All buyers must be U.S. Citizens or be a Permanent Resident Alien.
- h) *Owner-Occupancy & Principal Residence:* Buyer(s) must certify intent to owner-occupy property as their principal residence for 5 years after closing and will be contacted annually thereafter to verify continued owner occupancy. The loan balance will be immediately payable if it is determined that the household is not residing in the home as their principal residence throughout the required period of affordability.
- i) *Education/Counseling:* Buyer(s) must attend an in-person homebuyer education class with a HUD-certified housing agency (such as CPAH). A certificate of completion, certifying that the education class was obtained not more than two years ago, must be on file. Additionally, buyers must complete one-on-one individual counseling with CPAH to the extent determined by the CPAH counselor. **At this time, web-based classes and over the phone counseling will not be accepted.**
- j) *Post Purchase Intervention:* Buyer(s) must certify to agree to counseling upon delinquency of the first and/or subordinate mortgages.

- k) *CPAH Closing Fee*: Buyer(s) pay a processing fee to CPAH to help offset program costs that is equivalent to 10% of the total assistance, but not to exceed \$500. This cost will be paid at closing through the title company. **Please note**: If the buyer(s) attended a CPAH Home Buyer Education class, the cost of the class (\$50), will be credited towards this fee. **In addition, CPAH will wire its funds to the title company and cover the cost of the wire fee charged by the title company, if applicable. This fee will also be credited towards this buyer processing fee.** CPAH's Closing Instructions to the title company will reflect the buyer processing amount.

PROPERTY ELIGIBILITY CRITERIA

- a) *Location*: Must be located in Lake County, Illinois.
- b) *Type of Housing*: Housing must be single-family housing held in fee simple title. The land may be owned in fee simple or the homebuyer may have a minimum 99-year ground lease. Single family housing may be a one-unit family residence, condominium unit, cooperative unit or manufactured housing and lot. A manufactured home may not have wheels, must be permanently affixed to the ground, and may not be licensed as a vehicle under Illinois law. For manufactured housing, the ground lease must be for a period at least equal to the applicable required period of affordability.
- c) *Purchase Price*: Neither the purchase price nor the appraised value of the property may exceed 95% of the median purchase price for Lake County, as adjusted from time to time by the U.S. Department of Housing and Urban Development. As of June 1, 2018, the limit is \$214,000 for existing housing and \$249,000 for newly constructed housing.
- d) *Home Inspection and Property Standards*: Must have a home inspection by a home inspector licensed in the State of Illinois or Wisconsin. Any code violations or significant health, safety or structural issues must be repaired prior to closing. Proof of repairs will be required. (EXCEPTION: In some cases, buyers purchasing a foreclosed property may be allowed to have repairs completed 30 days after closing. See *Post-Purchase Home Repair Policy* for details).
- e) *Lead-Based Paint*: To comply with the HUD office of Lead Hazard Control, a visual assessment for deteriorated paint must be performed. Homebuyers purchasing a home constructed prior to 1978 must certify receipt of an authoritative information source, such as the EPA's "Protect Your Family from Lead in Your Home" booklet.
- f) *New Construction*: Any newly constructed house (i.e., with an occupancy permit issued within the past 12 months) must comply with all applicable local codes, ordinances, zoning ordinances, and must meet the current edition of the model Energy Code published by the Council of American Building Officials.
- g) *Flood Insurance*: Any property identified by FEMA as having special flood hazards must obtain flood insurance under the National Flood Insurance program and evidence of this insurance must be submitted to CPAH.

- h) *Seller Agreement of Voluntary Acquisition:* Buyers may not acquire a property through force, such as through the power of eminent domain. Seller(s) will not be eligible for relocation expenses from CPAH, the government or any program investor. Buyer and seller must submit a fully executed Disclosure to Voluntary Sellers Form.

MORTGAGE FINANCING AND UNDERWRITING

- a) *Acceptable First Mortgage Products:* Mortgage must be fixed rate and fully amortized. Conventional, IHDA, VA, FHA, streamlined 203K, or portfolio loans allowed. Correspondent lending allowed. Loans may not be brokered.
- b) *Verification of Employment (VOE):* A VOE is required in addition to the most recent two months of consecutive pay stubs (***Number of stubs is dependent on pay frequency – Weekly: 9 pay stubs; Bi-weekly: 5 pay stubs; Semi-monthly: 4 pay stubs***)**
- c) **Housing to Income Ratio:* At the time of closing, buyer must have a minimum housing to income ratio of 17%, and a maximum ratio of 35%. Housing to Income Ratio below 20% requires a lender memo explaining why homebuyer assistance is needed.
- d) **Debt to Income Ratio:* Maximum of 43%.
- e) *Reserves:* Buyer must demonstrate the equivalent of one month's PITI(A), demonstrated by an account statement (dated within 30 days of closing) less the amount anticipated to bring to closing, per the final Closing Disclosure. Liquid assets and retirement accounts are acceptable forms of reserves.
- f) *Credit Score:* There are no minimum credit score requirements. Borrowers with no scores must demonstrate three forms of alternative credit reflecting on-time payments in the past 12 months.
- g) *Collections/Charge-Offs/Judgments:* Borrowers cannot have any open non-medical collections or charge offs totaling more than \$2,000. Medical collections will be reviewed on a case by case basis. Judgments must be satisfied prior to closing.
- h) *Student Loans:* For all deferred student loans, documentation reflecting a deferment date of at least one year or more from the anticipated closing date is required. If not deferred or deferment will end in less than one year from anticipated closing date, provide documentation reflecting the student loan monthly payment amount.
- i) *Title:* Only borrowers are to be listed on title.
- j) *Down Payment:* Buyer must contribute 1% of the purchase price or \$1,000, whichever is greater through earnest money or cash at closing. If the latter, funds would need to appear on the bottom line of the Closing Disclosure. Buyer's down payment may not exceed 20% of the purchase price.

- k) *CLTV*: Maximum CLTV of *102%. (*This works in situations when the value of the property is above the sales price.) Total liens can be no more than 100% of appraised value.
- l) *No Cash Back*: Under no circumstances will the buyer be allowed cash back at closing. Any additional funds must be applied toward principal reduction.
- m) *Allowable Lender Fees*: Loan origination fees and points are allowed. Brokering fees and prepayment penalties are not allowed. All other fees must be reasonable within acceptable industry standards. Multiple junk fees will be questioned and potentially disallowed, as will third party fees that seem excessive. At CPAH's discretion, lenders may be required to reduce their fees for a CPAH transaction.
- n) *Loan Funded in Lender's Own Name*: The first mortgage must be funded in the Lender's own name, using its own money or credit line. Correspondent lending is acceptable. Brokered loans are not allowed.

SUBORDINATIONS OF SUBORDINATE MORTGAGES

Lake County processes all subordinations. CPAH mortgages may be subordinated under the following conditions, assuming all appropriate documents are provided on a timely basis.

- The borrower takes out no cash.
- The refinancing is for a lower interest rate than the existing first mortgage.
- The borrower's new monthly mortgage payment (including principal and interest) will be less than the current monthly payment. At staff's discretion, exceptions may be considered for homeowners refinancing out of an adjustable rate mortgage or into a lower term mortgage.
- The borrower's new loan amount will be less than the current loan amount.
- The new mortgage must be for a fixed interest loan. The County will not subordinate to an adjustable rate mortgage (ARM).
- Special consideration will be given to those receiving a loan modification on the first mortgage.
- A quit claim deed must be issued if a borrower is no longer on the mortgage.

APPLICATION SUBMISSION PROCEDURES

- a) *Required Documentation at Initial Application Submission*: A complete application package must be submitted **15 business days** prior to closing. **No exceptions.**
Please note: Loan processing will not begin until the documents outlined on the top half of CPAH's *Loan Transmittal Checklist* have been received. **Please submit application package in the order of the checklist.** Outdated financial documentation, unsigned documents or even one piece of missing information constitutes an incomplete application submission—this will likely cause delays and may prevent your loan from closing on the desired date. Within 3 business days of submission, CPAH will notify the lender representative via email if an application package is incomplete and list the documentation still needed.

- b) *E-Signature Documents*: All CPAH forms must have actual signatures - ***e-signatures will not be accepted on these forms. No exceptions.***
- c) *Lender-Paid Application Submission Fee of \$150*: Applications must be accompanied by a \$150 fee to be paid by lender. While payment at file submission is strongly preferred, CPAH may allow some leniency as to when payment is received provided that it is paid prior to loan closing. Under no circumstances will funding and the loan package be released at closing if the fee has not yet been paid.
- d) *Incomplete or Ineligible Applications*: CPAH will review the application package within 3 business days of receipt. If the application is incomplete, the lender will receive correspondence via email stating the items needed. If the application is ineligible, CPAH will notify the lender via email and terminate the file.
- e) *Funds Reservation Approval Letter*: CPAH will review your application submission within 3 business days. If the borrower is eligible for assistance, a Funds Reservation Approval Letter will be issued that confirms eligibility and states the amount of assistance to be awarded. Funds will be reserved for 60 days; extensions may be granted at the discretion of CPAH.
- f) *Home Inspection Review*: Lenders and borrowers will receive a letter stating repairs that are required prior to closing. Proof of repairs will be required.
- g) *Required Documentation 7 Days Prior to Closing*: All remaining documentation as outlined on CPAH's Lender Transmittal Checklist must be submitted 7 business days prior to closing. Incomplete, outdated or unsigned documentation will constitute an incomplete submission and create delays.
- h) ***Loan Closing: A minimum of two days' notice is required for all closings.***
CPAH will coordinate with the lender to ensure the documents and funding are at the closing table. CPAH funds are wired to the title company (*CPAH will cover the wire fee, if applicable - please refer to page 3, item (k)*). Our mortgage and note will be submitted to the title company electronically. If you prefer to avoid having this cost (if applicable) passed on to the borrower, please inform CPAH staff that you wish to pick up the closing documents at our main office. Lenders that choose to have CPAH courier or FedEx/UPS the closing package must do so at their own expense.
- i) *Pre-Application Questions*: Lenders that are unsure if a borrower or property will qualify for assistance are strongly encouraged to discuss their file with CPAH prior to submission. While CPAH is unable to offer a formal written assessment, we will discuss our understanding of what you can expect based on the information we have available to us at the time.

PROGRAM INVESTORS

Funding for CPAH's homebuyer programs has historically come from a variety of federal, state and local government sources. We cannot predict which investor will fund any particular loan. Sometimes multiple funding sources are paired together for a buyer in order to stretch limited resources. Each funding source becomes available at different times in the year, and the eligibility guidelines and rules vary slightly with each funding source. CPAH is subject to changing guidelines from investors. While we cannot prevent or control these changes, we can and do pledge to inform you of any changes promptly, and to continue to stand as the liaison and advocate for our borrowers and lender partners.

EQUAL OPPORTUNITY

No person with a valid social security number in the United States shall on the grounds of race, ethnicity, color, national origin, religion, sexual orientation, gender identity or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under this program.

PROGRAM GUIDELINES SUBJECT TO CHANGE

Program guidelines are subject to change without notice if so necessitated by new requirements set forth by the CPAH Board of Directors or the program investors.

CPAH'S ALLOWABLE DISCRETION

At any point in the transaction, CPAH may choose not to provide financing if it is determined that any party of the transaction has behaved in a manner or presented information that is in any way deceptive or undermining of either the letter or spirit of our program guidelines. Any such persons or companies may be banned from working with CPAH in the future.