

2011 Downpayment Plus®

Changes/Clarifications/Reminders

Presented below are changes, clarifications and reminders relating to the 2011 Downpayment Plus Program.

CHANGES

DPP Allocation

The Illinois DPP program allocation is **\$7,004,000**.

Grant Amount

The maximum grant amount that may be awarded to homebuyers who access the DPP® and DPP Advantage® programs is **\$10,000**, effective 8/1/2011.

Program Limit per Institution

Federal Home Loan Bank of Chicago has waived the limit effective 6/29/11 for each member institution for the 2011 Downpayment Plus Program. Each member can make as many grants as possible as long as the funds remain available.

Wisconsin Grant Agreement

Illinois Banks should use the WI Mortgage and Grant agreement when they close on properties located in Wisconsin since the lien is being recorded in Wisconsin. If you need this form, please contact Jackie Billings. She will send you this form to be completed.

Loan Closing Fee Amount

The grant fee schedule has been changed. There is a **\$50 non-refundable reservation fee** and a **\$125 closed loan fee**. We are waiving the issue of the prepaid reservation fee. We will wait until you send in the closing documents. The **\$175** check must be sent along with the closing documents. The reservation fee of \$50 is non refundable. If a grant is reserved, reviewed and then cancelled; you must pay the \$50 reservation fee as soon as possible so it will not delay any future grants. Just a reminder, you may not pass through this fee to the homebuyer.

The grant fee for the Advantage program will be a **\$50 non-refundable reservation fee and a \$75 closed loan fee** this year compared to \$0 in previous years. We are waiving the issue of the prepaid reservation fee. We will wait until you send in the closing documents. The **\$125** check must be sent along with the closing documents. If an Advantage grant reservation is made and ILFI reviews the reservation but it is cancelled for any reason, the **\$50** reservation fee must be paid as soon as possible so it will not interfere with future reservations. Unlike the DPP fee, **you may pass this fee through to the homebuyer.**

***Income Calculation**

There is a new Income Calculation worksheet. The first part is the Household Summary. This must be completed, printed and sent with the income calculation worksheet. Determination of the income eligibility will be made at the time the member bank makes a reservation. The information will be totaled to determine the household's annualized income. The information will be collected using the DPP Beneficiary Questionnaire, a verification of employment, pay-stubs, and/or other source documents. **Household income will be determined by annualizing gross income from all sources.**

A household must have a sufficient current stream of income to support the home purchase.

***Beneficiary Questionnaire** (New Form in 2011)

On the Website under DPP Documents and Forms, the Beneficiary Questionnaire must be signed and completed by each household member 18 or older regardless of income.

***Disclosure Statement**

On the Website under DPP Documents and Forms, the Disclosure Statement must be signed by the borrowers and sent in with closing documents.

***Certification of Zero Income** (New form in 2011)

On the Website under DPP Documents and Forms, the Certification of Zero Income must be signed by the borrower that has no actual income and sent in with the Beneficiary Questionnaire form.

***Certification of Tip Income**

On the Website under DPP Documents and Forms, the Certification of Tip Income must be signed by the borrower that has any tip income and sent in with the Beneficiary Questionnaire form.

***APR vs Interest Rate**

When you have received notification of the grant being approved, you must go online and Proceed to Part II to create the Borrower Eligibility and Disbursement Form. In the past, one of the questions is the APR %. This should be a higher percentage rate compared to the interest rate shown on page 3 of the HUD.

Adjusted Origination Charges, Line 803

When you have been notified that the grant is approved, you must go online and "Proceed to Part II" to create the Certificate of Borrower Eligibility and Disbursement form. It will ask you a new question this year. It will ask for the "Adjusted Origination Charges, Line 803" instead of Closing Costs. Please enter the amount which is shown on line 803 of the HUD-I. This number could be positive, negative or zero.

***New Promissory Note and Promissory Note Rider**

There are new Promissory Note and Promissory Note Rider for the DPP grant. Please go to the Website, under DPP Documents and Forms you will find the new forms. **We will not accept the old forms. Use the ones with 2/23/2011 date on bottom of page 1 of each form.**

***New 2010 HUD-1 Statement**

There is a new 2010 HUD-1 Settlement statement that must be used. If you are preparing a separate HUD-1 for the DPP grant it should include the associated costs (counseling fee and mortgage recording fee). The Net Cash to Borrower (DPP grant less associated costs) should appear on the first mortgage HUD-1 on lines 204-209. Below is an example of how the DPP grant should appear assuming the borrower receives a \$10,000 DPP grant less the associated costs of counseling \$600 and recording \$11.

204. FHLB DPP (principal amount \$10,000)	\$9,389.00
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We need a copy of the HUD-1 signed by the borrower and the seller. If they signed separate HUD-1's we need a copy of both the borrower HUD-1 and the seller HUD-1.

There is a new 2010 HUD-1 Settlement statement that must be used.

***Updated Frequently Asked Questions and Answers**

The website under DPP Program Information has new Questions and Answers about Downpayment Plus program ([PDF](#)). Please review each one to get updated information.

***Additional changes for Income Inclusions**

All income of a full-time student, 18 years of age or older, if that person is the head of the household, owner or co-borrower.

Income of temporarily absent family members who intend to reside in the home.

Salaries received from a family-owned business

Lottery winnings paid in periodic or lump sum payments.

CLARIFICATIONS and REMINDERS

Homebuyer Counseling Fees

The amount of DPP and DPP Advantage funds that can be used to reimburse counseling costs cannot exceed **\$600** per household. If a DPP participating institution provides the homebuyer counseling to the grant recipient(s), a fee cannot be charged for this service. If an institution charges a fee, the DPP reimbursement will be reduced accordingly. (This provision also was in effect last year). If counseling is provided by an outside organization, then the cost of the counseling may be paid with DPP funds, provided that the cost does not exceed \$600 per household.

DPP Advantage® Allocation

The Illinois DPP Advantage program allocation is **\$480,000**.

First Mortgage Financing

Home purchases financed with interest-only first mortgages are not eligible for DPP assistance.

HUD-1 Identification of Grant,

The Downpayment Plus grant should be identified on the new 2010 HUD-1 as Downpayment Plus Grant or DPP Grant, rather than AHP Direct Subsidy. The Downpayment Plus Advantage grant should be identified on the HUD-1 as Downpayment Plus Advantage grant or DPP Advantage Grant.

Buy Down Interest Rate

Downpayment Plus **may not** be used to buy down the interest rate on a mortgage.

Homebuyer's Contribution

A homebuyer accessing DPP funds must contribute a minimum of **\$1000** towards the purchase of the home. This contribution must occur prior to or at closing. Members risk not receiving reimbursement if the **\$1000** contribution is not met or is met after closing.

Cash Back to Homebuyer

Cash back to the homebuyer of up to \$250 is allowed at closing. However, any cash back will be deducted from the homebuyer's contribution to determine if the **\$1000** equity contribution requirement has been met.

Principal Reductions to avoid Cash Back in Excess of \$250

Principal reductions are allowed to avoid cash back in excess of \$250 at closing. **Documentation confirming the principal reduction will be required.**

Homebuyer Education

Homebuyer education programs must include a financial literacy component, and must provide information alerting borrowers to practices characteristic of predatory and sub-prime lending. The borrower(s) and the loan officer and/or counselor must certify that the borrower(s) has/have received the required counseling and the DPP Homebuyer Counseling Checklist and Homebuyer Counseling Certification forms must be sent to ILFI following the loan closing with the other required DPP closing documents. The topics to be covered during the counseling are listed on the Homebuyer Counseling Checklist. The topics to be covered during counseling vary, depending upon the home buyer's credit score (see the checklists for details). The Checklist & Certification forms are on ILFI's website at <http://www.ilfi.org/downpayment_plus/index.htm> (DPP Documents & Forms Listing).

The FHLBC will not accept an on-line counseling program or a homebuyer workbook as the sole source of counseling, regardless of the borrower's credit score. One-on-One or group counseling with a counseling agency or a representative of the lender also is required. All borrowers and co-borrowers must receive counseling.

If the homebuyer has completed an online counseling program or a homebuyer workbook, the lender's representative should meet with the homebuyer and review each item on the counseling checklist with the homebuyer to ascertain if the topic was covered in the online program or workbook and if the homebuyer understands the topic. If the topic was not

covered or the homebuyer does not appear to fully understand the topic, the lender's representative should provide additional counseling and answer any questions the homebuyer may have.

Following completion of the counseling, the lender's representative should complete and sign the Counseling Checklist and the Certificate of Homebuyer Education & Counseling certifying that the homebuyer has successfully completed the required counseling.

The FHLBC has authored a brochure on predatory lending. The brochure may be downloaded and printed from the ILFI's website by visiting http://ci.fhlbc.com/ci/docs/Predatory_Lending_Brochure.pdf >.

***Calculation of Income**

Participating institutions are required to use the income calculation methodology prescribed by the FHLB of Chicago to calculate a household's annual income. Visit <http://www.ilfi.org/downpayment_plus/index.htm> (DPP Documents and Forms listing) to view the Income Calculation Guidelines and methodology to be used when calculating annual household income. **There is a new Income Calculation worksheet. Complete the Household Summary tab initially before going to the other tabs for each person in household with income.**

Participating institutions must send the following income-related documents and forms when submitting the signed Reservation Form to ILFI:

- *Verifications of income from all sources for all household members age 18 or older
- *Beneficiary Questionnaire(s) for each household member 18 and older
- ***Certification of Zero Income (for one that has no income at all 18 or over)**
- ***Certification of Tip Income (for one that has tip income)**
- ***Disclosure Statement (can be sent in with closing documents also)**
- *Income Calculation Worksheet
- *Household Summary Checklist
- *Copy of Loan Application

Income Documentation

Participating institutions must provide income documentation for each source of income identified on the Beneficiary Questionnaire(s). **The preferred income document to confirm employment income is Fannie Mae's Request for Verification of Employment form (VOE).** However, if a VOE is not available the **three most recent and consecutive paystubs** can be used. The paystubs **must be consecutively dated.** If the homebuyer holds more than one job, verification documents must be obtained for all other jobs as well. For other sources of income, the homebuyer will need to provide documentation confirming the amount and frequency of the periodic payments received. For additional details regarding income documentation requirements please visit the DPP Income Calculation Guidelines posted on the DPP web site <http://www.ilfi.org/downpayment_plus/index.htm> (see the Documents and Forms Listing).

Income-Related Documents and Forms

The following is a description of the income-related forms noted above that must be faxed to ILFI with the income verifications and signed Reservation Form. Go to <http://www.ilfi.org/downpayment_plus/index.htm> (DPP Documents and Forms Listing) to view these forms.

Beneficiary Questionnaire

A Beneficiary Questionnaire needs to be completed for each household member age 18 or older. The form must be signed by the household member.

No-Income Household member form Certification of Zero Income

If a household member is not employed or receiving income of any kind, they should complete and sign the Certification of Zero Income.

Certification of Tip Income

If a person 18 or over has any tip income, this form must be completed and signed by that individual.

Disclosure Statement

A Disclosure Statement must be signed and dated by each borrower. There are two signature lines for the disclosure statement. If there are more than two borrowers, please sign a second copy.

Household Summary Checklist and Income Calculation Worksheet

This is a Microsoft Excel spreadsheet to be used to calculate the household income. Please note that this spreadsheet contains several worksheets. Start with the Household Summary worksheet and continue through the remaining worksheets until the "Income Calculation Summary" worksheet is reached.

Please print the Household Summary and Income Calculation Summary Worksheet and fax them with the completed and signed Beneficiary Questionnaires, Income Verifications and Reservation Form to ILFI when making a reservation.

Individual Tax Identification Numbers (ITINs)

The IRS issues ITINs to nonresident or resident aliens who do not have or are not eligible to get a social security number. ITIN holders who have filed Federal Income Tax returns for at least the preceding two years, whose incomes do not exceed 80% of the area median income, and who are able to document consistent earnings are eligible to receive assistance from the DPP program. Providing DPP to ITIN holders is at each member's discretion. ITIN holders whose income is used to qualify the household for the first mortgage financing must meet the above ITIN requirements.

FHA Loans

HUD allows the use of FHA insured products with the DPP grants. The FHLBC will be the lien holder of the DPP junior mortgage; however, members wanting to use FHA mortgages must agree to service the related DPP junior mortgage on behalf of FHLBC. An Amendment to the DPP Program Agreement must be executed prior to members beginning the use of FHA mortgages with DPP grants. The Amendment must be sent to the ILFI.

To secure DPP grants associated with FHA loans, lenders must use a DPP Mortgage, Retention and Subordination Agreement (MRSA) rather than the Note, Rider and Mortgage that are used to secure grants associated with conventional loans.

The Mortgage, Retention and Subordination Agreement and the Amendment to the DPP Program Agreement may be downloaded and printed by visiting the DPP Documents and Forms listing on the ILFI's website on DPP page <http://www.ilfi.org/downpayment_plus/index.htm> (see the Documents and Forms Listing). Lenders which do not make FHA loans should not use the MRSA and should not sign and return the Amendment to the DPP Program Agreement.

DPP Advantage Non-Profit Organization Limit

Subject to funds availability, there is no limit on the total amount of DPP Advantage funds that may be reserved on behalf of a single non-profit organization.

Additional Requirements

The following is a list of additional requirements pertaining to the 2011 program.

The term of the first mortgage must be at least five years. If an ARM, the interest rate lock period (that is, the length of time that the ARM's initial interest rate will remain unchanged) must be a minimum of five years.

The \$175 DPP Combined fees (\$50 non-refundable reservation fee and \$125 Closed Loan Fee) cannot be passed along to the homebuyer.

The \$125 Advantage Combined fees (\$50 non-refundable reservation fee and \$75 Closed Loan Fee) may be passed along to the homebuyer.

All funds must be drawn by March 31, 2012.

One DPP program agreement and one annual enrollment fee will allow FHLBC members to participate in both the DPP and DPP Advantage programs.

Additional changes for Income Inclusions

All income of a full-time student, 18 years of age or older, if that person is the head of the household, owner or co-borrower.

Income of temporarily absent family members who intend to reside in the home.

Salaries received from a family-owned business

Lottery winnings paid in periodic or lump sum payments.