

# **Downpayment Plus<sup>®</sup> Program**

## **Federal Home Loan Bank of Chicago (FHLBC)**

### **Member Responsibilities**

#### **1. Qualifying the borrower**

- a. Determine that the borrower is income-qualified for the program.
- b. Make a grant reservation with the program administrator and receive confirmation from the administrator that the reservation is approved.
- c. Ensure the borrower completes a homeownership counseling program prior to the closing.
- d. Ensure the borrower makes their required \$1,000 contribution.

#### **2. Funding the grant**

- a. Review a draft of the settlement statement to ensure the entire grant is used for eligible purposes and cash back to the borrower at closing does not exceed \$250. Any cash back exceeding such an amount must be used as a credit to reduce the principal of the mortgage loan or as a credit toward the household's monthly payments on the mortgage loan. The grant amount will be reduced by any ineligible cash to the borrower at closing. Any cash back to the homebuyer will be deducted from the homebuyer's contribution amount in determining if the \$1,000 contribution requirement is met.
- b. Disburse grant funds at closing to the borrower.
- c. Forward the required documentation to the administrator for reimbursement by FHLBC.
- d. Ensure the home is subject to a deed restriction or other legally enforceable retention agreement or mechanism meeting the Downpayment Plus (DPP<sup>®</sup>) requirements.

#### **3. Monitoring changes during the 5 year retention period**

- a. Notify the FHLBC if any sale, refinancing or change in ownership of the home occurs prior to the end of the retention period, and
  - 1) In the case of a sale, repay to the FHLBC a pro rata share of the subsidy, reduced for every month the borrower owned the home, from any net gain on sale. Net gain will be calculated based on the FHLBC's definition of net gain at the time of sale of the property. Repayment is waived if the borrower realizes no net gain on the sale or if evidence is provided showing that the buyer's household income is at or below 80% of AMI based on the FHLBC's Income Calculation Guidelines in effect at the time of sale of the property. Evidence that the purchaser is a low or moderate income household should be submitted to the FHLBC for review prior to releasing the DPP lien.
  - 2) In the case of a refinancing, repay to the FHLBC a pro rata share of the subsidy, reduced for every month the borrower owned the home, from any net gain realized upon the refinancing, unless the unit continues to be subject to a retention agreement.
  - 3) In the case of a foreclosure or conveyance of the property to the first mortgage lender by a deed in lieu of foreclosure, the obligation to repay any subsidy is terminated. Evidence documenting that the foreclosure or deed in lieu of foreclosure is final must be provided to the FHLBC. Any cash out to the borrower must be approved by the FHLBC in advance of the foreclosure or deed in lieu of foreclosure.

#### **4. Repayment of Subsidy**

- a. Information on how to calculate net gain and options in the event of refinancing can be found in the DPP Questions and Answers and on the Repayment Worksheet located on the FHLBC Website at [www.fhlbc.com](http://www.fhlbc.com). Click on Community Investment, Housing Programs (on the left menu bar), Downpayment Plus Program. The Repayment Worksheet is automated to assist you in calculating the repayment amount.
- b. Submit the completed Repayment Worksheet along with a check for the repayment amount (if applicable) and any requested documentation to the Federal Home Loan Bank of Chicago, Attn: Community Investment Group, 200 E. Randolph Drive, Chicago, IL 60601.

#### **5. Keeping records**

- a. Maintain copies of grant documentation even if you no longer hold the first mortgage or are no longer a member of the FHLBC.
- b. Release the lien after the five year retention period is complete.