

DOWNPAYMENT PLUS®

Program Description

The goal of the Downpayment Plus® Affordable Housing Program is to provide affordable housing opportunities in urban and rural communities throughout the State of Illinois. The program is administered by the Illinois League of Financial Institutions and funded by the Federal Home Loan Bank of Chicago. It is designed to meet the critical needs of the state's many low income home buyers, while simplifying the process by which participating financial institutions can access the Federal Home Loan Bank of Chicago's Affordable Housing Program.

The program utilizes funds set-aside this year by the FHLB of Chicago for statewide homeownership projects.

Realizing that downpayment requirements and closing costs often prohibit low income families from seeking homeownership opportunities, Downpayment Plus is specifically directed at these issues. Low income home buyers whose total annual household incomes are 80% or less than the area median income are eligible for up to **\$10,000** in grant assistance for the acquisition and acquisition/construction/rehab of an owner-occupied one or two family dwelling, effective 8/1/11. The grants may be used for downpayment assistance, payment of closing costs, payment of rehab costs associated with the acquisition, and/or reimbursement of home buyer counseling costs if special criteria are met.

It is the responsibility of participating institutions to make certain that any and all grants are received by income-qualified households only. Participating institutions are required to use HUD's most recent MSA and county income data as provided by the Federal Home Loan Bank of Chicago to determine eligibility.

The DPP® funds will be coupled with first mortgage financing available through participating institutions. Consequently, funding sources can include both conventional and non-conventional loans, and other specialized programs offered by member institutions. The exact amount and type of financing is to be determined by the lender participants based upon their product availability and prevalent financing offered in their particular communities. A borrower accessing the program must make a cash contribution of at least **\$1,000** towards the purchase of the home.

The only commitments required in conjunction with the program are those of the participating financial institutions. Each institution accessing the program is required to execute a program agreement with the FHLB of Chicago and the Illinois League of Financial Institutions

In addition, participants are to assume written responsibility for complying with the income restrictions of the program; for incorporating language in the mortgage documents maintaining the long term affordability of properties financed through the program; and for the recapture of any pro-rata portion of the grant should the properties financed be sold prior to the end of the required retention period.

All participants must agree to provide the Illinois League of Financial Institutions and FHLB of Chicago all documentation necessary to comply with the program's requirements. In the event any participant breaches any applicable regulation with respect to the AHP program, such institution shall be responsible for the full reimbursement of any and all grants advanced in conjunction with the program.

Institutions participating in the program must agree that the application process through participating institutions will be open to all qualified households without regard to sex, race, creed, religion, sexual orientation, or type or degree of disability.

Additionally, participating institutions are encouraged to focus their marketing efforts on community development organizations, housing authorities and other not-for-profit entities whose existence is predicated on promoting fair housing and creating realistic ownership opportunities.

Participating institutions are required to certify that the borrower has completed a home buyer counseling program provided by or based on one provided by an organization recognized as experienced in home buyer or home owner counseling. Counseling must provide comprehensive financial literacy education, including information that alerts borrowers to potential predatory lending practices.

All non-FHA borrowers accessing the program will be required to sign a promissory note and promissory note rider in the amount of the actual grant received. Additionally, a junior mortgage will be recorded as a lien against the property to make certain that any monies received can be recaptured should the borrower fail to meet the long-term eligibility requirements. FHA borrowers must sign a Mortgage, Retention and Subordination Agreement. Participating institutions that use FHA products with DPP grants must agree to service the related DPP junior mortgage on behalf of FHLB of Chicago. The FHLB of Chicago will be the lien holder of the DPP junior mortgage whenever the first mortgage is FHA-insured.

To assure that the properties financed are retained as affordable housing, the grants are subject to a five-year retention period. Language contained within the Promissory Note Rider and Mortgage, Retention and Subordination Agreement provides for a recapture of the grant should a borrower dispose of the property prior to the end of the 5-year retention period.

An amount totaling 1/60 of the total grant amount shall be forgiven for each month that the borrower maintains the property as their principal residence. If the borrower sells the property prior to the end of the retention period and realizes a net gain on the sale, the gain shall be applied as repayment of any unforgiven amount. The amount to be repaid shall not exceed the gain on sale. For the purposes of administering the program, lenders are to consider the anniversary date of the loan closing for the first mortgage advanced by the lender to finance the property in forgiving and/or pro-rating the grant. No credit will be given for partial months of ownership or residency.

All program participants by virtue of their co-sponsorship agree to extend all grant monies to income-qualified home buyers only as set forth in the program's parameters, and assume liability for the recapture of any grant misapplied or to be refunded in conjunction with the long term affordability provisions.

Questions concerning the Downpayment Plus program should be directed to the Illinois League of Financial Institutions at #1-800-237-1936 or web site at www.ilfi.org.

Downpayment Plus®

Summary of Program Requirements

Maximum Grant Available Per Unit	\$10,000 (effective 8/1/11)
Grant Retention Period	5 years (1/60 of grant forgiven each month)
Uses of grants	Downpayment, Closing Costs, Rehab Costs associated with purchase only and reimbursement of homebuyer counseling costs if special criteria are met.
Eligible Borrowers	Homebuyers with total annual household incomes of 80% or less than area median, adjusted for family size.
Eligible Properties	Owner occupied one and two family dwelling units in urban and rural areas throughout Illinois.
First Mortgage Amortization Type & Term	Fixed rate and ARMs, provided the term of the first mortgage is at least 5 years and the interest rate lock period is a minimum of 5 years.
First Mortgage Financing	Provided by participating lenders. Mortgage must be for purchase, purchase/construction or purchase/rehab of property.
Types of First Mortgages Permitted	Conventional, FHA, VA, IHDA and federal, state and local housing assistance programs. FHLBC's MPF®, FNMA & FHLMC have agreed to purchase mortgages made under this program provided the loans meet their requirements. Home purchases financed with interest-only first mortgages are <u>ineligible</u> for DPP assistance. DPP may not be used to buy down the interest rate on a mortgage.
Borrower's Minimum Required Cash Contribution	\$1,000.
Reimbursement of Grant Funds Disbursed by Lender	Upon remitting required grant closing documents, FHLBC reimburses lender via credit to lender's DID account.
Maximum Aggregate Grant Limit	No limit, effective 6/29/11.
Homebuyer Counseling	Counseling is mandatory and must include financial literacy and predatory lending education.
Grant Disbursement to Borrower time limit	Grants must be disbursed by lenders to borrower(s) within 90 days of reservation.
Reservation Fee	\$50 Non-refundable reservation fee (if either DPP or Advantage grant is reserved) May be paid with the Closed Loan Fee sent with the closing documents. If a grant is cancelled, this must be paid as soon as possible.
Closed Loan Fee	\$125 DPP grant program (cannot be passed to borrower) \$ 75 Advantage grant program (May be passed to borrower)

Program Administrator

Illinois League of Financial Institutions
#1-800-237-1936 or www.ilfi.org

Funding Source

Federal Home Loan Bank of Chicago

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