

First Time Home Buyer

Down Payment Assistance Program

Fall 2016



Topics

1. **Program Overview**
2. Program Steps
3. How to Apply
4. Income Eligibility
5. Property Requirements
6. Approval and Closing
7. Frequently Asked Questions



1. Program Overview

- \$1,000 - \$5,000 in forgivable down payment assistance for qualified buyers
 - First time home buyers
 - Income eligible
 - Eligible properties
 - Debt and mortgage criteria

First Time Home Buyer



- Has not owned property in the past 3 years
- 2 Special Circumstances
 - Displaced homemaker: owned a home with a former spouse, has not worked in labor force for several years, now unemployed or underemployed
 - Single parent: owned a home with a former spouse, now single parent with sole or joint custody, or is pregnant

Income Eligible

- Income Requirements

- Household must be at or below income limits

1 person	2 person	3 person	4 person	5 person	6 person	7 person
\$42,700	\$48,800	\$54,900	\$60,950	\$65,850	\$70,750	\$75,600

- Total gross annual income for household

- Asset Requirements

- Minimum 1 month of PITI (principal, interest, taxes, insurance)
- Maximum \$15,000 in non-retirement assets
- Down payment requirement of 1-3% of purchase price
 - Varies based on total household assets
 - **Shown in assets to pre-qualify, paid at closing**

*See Topic 4 for more details

Eligible Properties

- Located within the City limits
- Purchase price limit of \$135,000
- Will be inspected and must meet health and safety requirements
- Not a rental
- House or condo



*See Topic 5 for more details

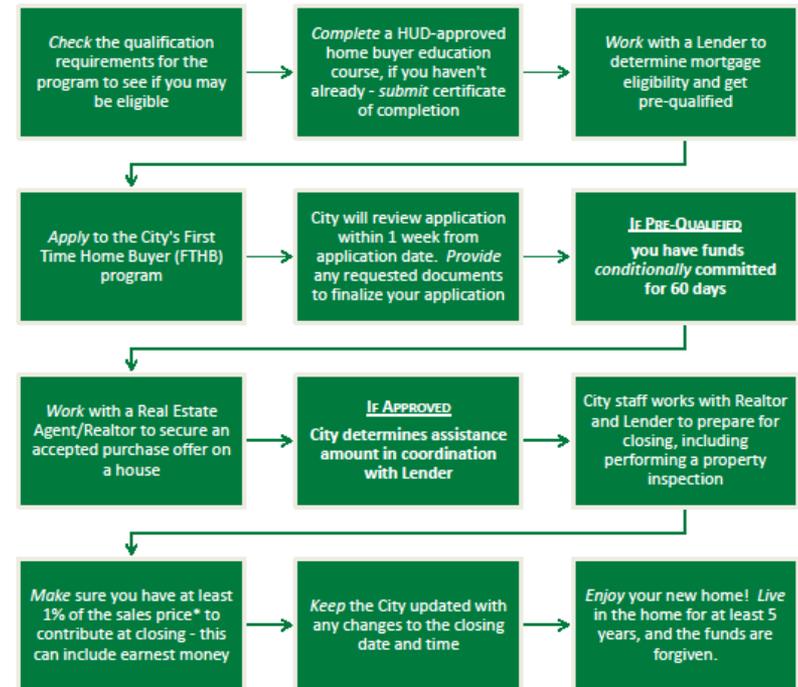
Debt and Mortgage Criteria

- Housing and debt to income ratios of 31/43
 - Different than a lender, includes entire household
 - Estimated at Pre-Qualification, then confirmed with purchase offer information
- Mortgage must follow Qualified Mortgage criteria
 - ARM acceptable but minimum 10 year fixed
 - Annual cap of 1% and 5% lifetime
 - No non-occupying co-borrowers or co-signers

Topics



FTHB APPROVAL PROCESS



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2. Program Steps

1. Applicant completes home buyer education
 - HUD-Approved course
2. Applicant works with lender to secure mortgage pre-qualification
3. Applicant submits FTHB application packet with the following:
 - Home buyer education certificate
 - Pre-qualification letter from lender
 - Credit report for everyone in household age 18 and older
 - Application documents including all income, asset, and debt payment information

4. If eligible, FTHB pre-qualification letter issued, funds conditionally committed for 60 days to find and make offer
 - If property is not found in 60 days, applicant goes to the back of the line
5. Applicant submits accepted purchase offer and Loan Estimate to FTHB staff
6. FTHB staff reviews property information and mortgage details

7. Upon approval, FTHB award commitment letter issued
8. FTHB property inspection completed
 - all repairs must be completed and re-inspected before closing
9. FTHB staff works with lender to obtain all necessary documents; prepare for closing
10. Final award amount determined
 - based on purchase price, mortgage details, applicant down payment, etc.

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FIRST TIME HOME BUYER – DOWN PAYMENT AND CLOSING COST ASSISTANCE

CONFIDENTIAL FINANCIAL APPLICATION FY2015-2016

Remit to: Housing Services, City Hall – First Floor, 101 First Street SE, Cedar Rapids, IA 52401



APPLICANT INFORMATION (HEAD OF HOUSEHOLD)

Applicant Name		Email	
Current Address		City	State Zip
Preferred Phone		Date of Birth	Gender
*Race – please check all that apply <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White <input type="checkbox"/> Other <input type="checkbox"/> Chose not to respond		*Ethnicity – please check one <input type="checkbox"/> Hispanic/Latino <input type="checkbox"/> Other (Non-Hispanic/Latino) <input type="checkbox"/> Chose not to respond	

*Race and ethnicity information required for statistical use only.

CO-APPLICANT INFORMATION

Applicant Name		Email	
Current Address		City	State Zip
Preferred Phone		Date of Birth	Gender
*Race – please check all that apply <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White <input type="checkbox"/> Other <input type="checkbox"/> Chose not to respond		*Ethnicity – please check one <input type="checkbox"/> Hispanic/Latino <input type="checkbox"/> Other (Non-Hispanic/Latino) <input type="checkbox"/> Chose not to respond	

*Race and ethnicity information required for statistical use only.

HOUSEHOLD INFORMATION – Include all additional people who will live in the house

Name	Date of Birth	Relationship to Head of Household	Marital Status

3. How to Apply

- Home buyer education – ready to buy?
- Work with lender – able to buy?
- Start gathering documents – things everyone needs
 - Home buyer education certificate
 - Lender pre-qualification letter
 - Copy of driver’s license/photo ID for everyone 18 & over
 - Copy of Social Security cards/proof of immigration for all
 - Copies of last 3 years’ tax returns for everyone 18 & over
 - Copy of credit report for everyone 18 & over



Application – Cover Page & Page 1

- Applicant (Co-Applicant) read and initial all spaces
- Applicant Information
 - Head of household = applicant
 - Co-applicant = spouse and/or anyone who will be listed on deed
 - Race and Ethnicity information for statistical use only
- Household Information
 - Include everyone else who will live in household
 - If more room is needed, attach page
 - For children, must reside in house at least 50% of the time

Application – Page 2



- Income boxes
 - Fill in all sources of income from everyone in the household: job, child support, Social Security, etc.

FAMILY MEMBER WHO RECEIVES THE INCOME	TYPE OF INCOME (SEE BELOW)	WHERE INCOME COMES FROM
Jennifer	Employment	City of Cedar Rapids

- Income Verification Chart
 - Use the chart to determine what documents are needed for the different kinds of income
 - All documents have to be recent (dated within 30 days)
 - No originals – they will not be returned!

Application – Page 3

- Asset boxes
 - Fill in all assets from everyone in the household: checking, retirement, online bank card, etc.
 - List all open accounts, even if you don't use them or they have \$0 or \$5

FAMILY MEMBER WHO HAS THE ASSET	TYPE OF ASSET (SEE BELOW)	WHERE ASSET IS HELD
Jennifer	Checking	City Bank

- Asset Verification Chart
 - Use the chart to determine what documents are needed for the different kinds of assets
 - All documents have to be recent (dated within 30 days)
 - No originals – they will not be returned!

Application – Page 4



- Debt boxes
 - Fill in all debt for everyone 18 and older: credit cards, car loans, student loans, etc. (not phone bill or child care)

FAMILY MEMBER WHO HAS THE DEBT	TYPE OF DEBT (CAR LOAN, CREDIT CARD, STUDENT LOAN, PAYMENT PLAN, JUDGMENT, ETC.)	MONTHLY MINIMUM PAYMENT AMOUNT
Jennifer	Car Loan	\$200

- Residence boxes
 - List residences for Applicant (and Co-Applicant)

ADDRESS	LANDLORD / PROPERTY OWNER NAME	DATES OF RESIDENCE (MM/YYYY – MM/YYYY)
101 1 st Ave SE, Cedar Rapids, Iowa 52401	City of Cedar Rapids	06/2012 – 09/2015

- FTHB Criteria, check the appropriate box

Application – Page 5

- Applicant (and Co-Applicant) read and initial all spaces
- Print full name, sign and date
 - everyone 18 and older
- Submit application packet in person, by mail, by email, or by fax
 - In person is preferred due to the size of the application packet
 - Email has 5mb size limit; faxing 20 - 60 pages often leads to transmission errors

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4. Income Eligibility

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1 person	2 person	3 person	4 person	5 person	6 person	7 person
\$42,700	\$48,800	\$54,900	\$60,950	\$65,850	\$70,750	\$75,600

- Total gross annual income for household
- Includes everyone, every source of income
 - Income is any money received on a regular basis
 - Lenders often have different guidelines
 - May only look at mortgage applicant's income and debt
 - FTHB looks at whole household

- Housing Costs and Debt to Income Ratios must also be met
 - Housing costs are capped at 31% of household income
 - Debt to income ratios are capped at 43%
- The lesser amount determines the maximum PITI (principal, interest, taxes & insurance) affordable to the household.
- Estimated at Pre-Qualification, then confirmed with purchase offer information



- Assets also have requirements
 - Maximum of \$15,000 in non-retirement assets
 - No limit on retirement funds
 - Minimum non-retirement assets required
 - 1 month of estimated maximum PITI must be in assets to be pre-qualified
 - Required minimum down payment shown in assets
- Asset minimum amounts calculated as part of pre-qualification process



- **Down Payment Requirements**

- Applicant must contribute % of purchase price as own down payment (paid at closing)

- Under \$5,000 non-retirement assets 1% of purchase price
- \$5,001 - \$10,000 non-retirement assets 2% of purchase price
- \$10,001 - \$15,000 non-retirement assets 3% of purchase price

- For Pre-Qualification asset requirement, will use % of maximum purchase price of \$135,000

- 1% \$1,350
- 2% \$2,700
- 3% \$4,050

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5. Property Requirements

- Located within the City limits
 - Use City Assessor site to verify
- Owner-Occupied or Vacant (not currently rented)
 - A tenant would be entitled to relocation assistance, but the program does not have funds for this
- Not in 100 year flood plain
- Maximum purchase price \$135,000

- Single-family house or condo units eligible (not mobile home)
 - Fee simple title at purchase
 - Not for duplex or income properties
- Will be inspected and must comply with Housing Quality Standards (based on health and safety requirements)
 - Not a replacement for a full home inspection
 - Any repairs noted must be completed *before* closing
 - Includes local code requirements
 - *i.e.* smoke detectors in each sleeping room and on each floor
 - Common repairs: smoke detectors, chipping paint, GFCI outlets near water sources, hand railings, house numbers

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6. Approval and Closing

- Purchase Offer Acceptance
 - Must be accepted within 60 days from Pre-Qualification letter date
- Submit to FTHB for review
 - Within 24 hours of offer acceptance, provide:
 - Purchase offer, property disclosures, & MLS listing sheet
 - Loan Estimate as soon as possible
 - Staff will review to ensure
 - Property meets all property requirements
 - Purchase price and mortgage specifics meet household affordability maximums

- Approval letter issued
 - Shows closing deadline
 - 6 months from Pre-Qualification letter date
 - Income only valid for 6 months
- Property Inspection
 - FTHB staff schedules with Realtor/seller
 - All repairs or items called out must be completed and re-inspected before closing

- FTHB staff works with Lender on documents for closing
 - Title Opinion
 - Appraisal
 - Flood Certification
 - Homeowners Insurance Binder
 - Closing Disclosure
 - 3 days before closing
 - Final award amount determined based on need and closing numbers



- FTHB staff will attend the real estate closing
 - Down payment check, made out to closing company/bank, not buyer
 - Program documents to be signed
 - Property Lien
 - Program Agreement
 - Program is a 5-year term, and buyer must reside in the property for 5 years for the assistance to be forgiven

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7. Frequently Asked Questions

- Who should be listed on the application?
 - Everyone who will live in the home.
 - They are receiving the benefit of federal funds.
- Can I buy a mobile home?
 - They aren't considered real estate; must own the land.
- Can I buy on contract?
 - No, because the title typically isn't a fee simple title.
- Can I buy a house in the flood plain?
 - Federal funds cannot be used on houses in the 100-year flood plain. 500-year is acceptable.

- Can I buy a house in Robins/Marion/Fairfax?
 - Houses must be in the City Limits for Cedar Rapids.
- If the City is inspecting, do I still need a home inspection?
 - The City's inspection looks for the *minimum* standards to invest federal funds. It is not meant to replace an inspection by a certified home inspector. (Home inspections are strongly encouraged.)
- What's the catch?
 - The buyer must live in the property for 5 years, and at the end the assistance will be forgiven. A property lien is placed to enforce program requirements.



- What if my family will be helping with my down payment?
 - All gifts must be disclosed and included with income calculations to qualify.
- I pay child support, do I have to include that in my income?
 - Yes, we look at gross incomes before any deductions. Paying child support doesn't change that amount.
- I receive child support, but I don't pay taxes on it. Why do you count it?
 - It is income to your household, regardless of tax laws.

- I don't own a home, but my spouse does. Am I a first time buyer?
 - For this program, there is no difference between one spouse versus another “owning” the home. Both are considered to be owners, and would have to wait 3 years before being eligible again.
- I don't receive paper pay checks/ bank statements/ retirement account statements/etc. What do I do?
 - If you don't receive paper copies, you are still able to access the information online or through the company. You need to log in and print out the required documentation.

- My lender says I qualify, but you say I'm over income. Why is there a difference?
 - Your lender has a different way to calculate your income. They focus solely on the person on the mortgage, and they want to make sure that you make *enough* money to pay the mortgage. The FTHB program includes income from EVERYONE in the house, regardless of who will be on the mortgage or the deed. Also, we have to make sure that you don't make *too much* money, so we have to use the highest estimate of your income. Your lender typically uses the lowest estimate of your income.

FTHB Q&A



Contact Information – FTHB

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(319) 286-5874

Program Webpage: www.CityofCR.com/FTHB

City of Cedar Rapids
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