

The Affordable Plus Mortgage Program Guidelines

Guidelines Effective as of 10/19/2009

About the Affordable Housing Corporation of Lake County

AHC is a nonprofit agency that increases and preserves affordable housing opportunities throughout Lake County via high-integrity, high-impact services and partnerships that protect and empower consumers and communities. Toward that end, we provide mortgage assistance programs, homebuyer education and counseling, rehab distressed properties, and foreclosure prevention services.

Purpose, Benefits and History of the Affordable Plus Mortgage (APM)

The purpose of APM is to increase affordable homeownership opportunities for low-income households in expensive Lake County by offering a mortgage product that removes many of the barriers to purchasing a home and maintaining successful homeownership. The APM:

- Significantly reduces monthly payments.
- Lowers upfront out of pocket costs.
- Eliminates mortgage insurance costs.
- Provides education to empower buyers to navigate the complex home-buying process.
- Provides access to counseling and education to help buyers overcome credit and debt issues.
- Creates a mechanism for post-purchase intervention to prevent default and foreclosure.

Launched in July 2005, the APM and its predecessor program (the Maximum Affordability Mortgage) have already more than 120 households. There have been no foreclosures.

Purchase Assistance Amounts

Every homebuyer will receive a maximum of \$50,000 in purchase assistance through AHC. The amount of purchase assistance will vary depending upon the property purchase price, funding availability and individual borrower circumstances.

Purchase Price	\$150,000+	\$100,000 to \$149,999	\$75,000 to \$99,999	<\$75,000
Total Purchase Assistance	\$50,000	\$35,000	\$19,000	\$7,500
Amortized at 4% Interest	\$35,000	\$25,000	\$15,000	\$3,500
0%-Interest Deferred - IHDA	\$14,000	\$9,000	\$3,000	\$3,000
0%-Interest Deferred - County	\$1,000	\$1,000	\$1,000	\$1,000

Financing Structure of APM Loans with a Purchase Price of \$100,000+

Every homebuyer will receive a maximum of \$35,000 or \$50,000 in purchase assistance through AHC. The amount of purchase assistance will vary depending upon the property purchase price, funding availability and individual borrower circumstances. Buyers will have at least five mortgages as described below.

1 st Mortgage:	Purchase price minus all subordinate mortgages and down payment 30-year fixed rate loan at current market interest rate Originated by an AHC participating lender Conventional, IHDA, FHA, VA or portfolio loans allowed First lien position
2 nd Mortgage	\$25,000 or \$35,000 30-year fixed rate loan at 4% interest rate Funds supplied from the AHC Homebuyer Investor Consortium Originated and serviced by AHC Second lien position
3 rd Mortgage	\$6,000 or \$11,000 0%-interest deferred loan due upon sale, transfer or cash-out refinance Funds supplied by IHDA Originated and serviced by IHDA or AHC Third lien position
4 th Mortgage	\$3,000 0%-interest deferred loan due upon sale, transfer or cash-out refinance Forgiven after 5 years if none of the above conditions occur Originated and serviced by IHDA Fourth Lien position
5 th Mortgage	\$1,000 0%-interest deferred loan due upon sale, transfer or cash-out refinance Funds supplied by County of Lake Originated and serviced by AHC Fifth lien position
Down Payment	\$1,000 (\$1,500 if the purchase price is \$150,000+) Maximum down payment of up to 20% of the purchase price All down payment must be used to lower the first mortgage Other subordinate mortgages allowed (such as Federal Home Loan Bank)

Example of Financing Structure on a \$175,000 Property

First Mortgage = \$123,500
Second Mortgage = \$35,000
IHDA Loan Assistance = \$11,000
IHDA Forgivable Grant Assistance = \$3,000
County Purchase Assistance = \$1,000
Downpayment = \$1,500

Financing Structure of APM Loans with a Purchase Price of \$99,999 or less

Every homebuyer will receive a maximum of \$7,500 or \$19,000 in purchase assistance through AHC. The amount of purchase assistance will vary depending upon the property purchase price, funding availability and individual borrower circumstances. Buyers will have at least five mortgages as described below.

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|---------------------------|--|
| 1 st Mortgage: | Purchase price minus all subordinate mortgages and down payment
30-year fixed rate loan at current market interest rate
Originated by an AHC participating lender
Conventional, IHDA, FHA, VA or portfolio loans allowed
First lien position |
| 2 nd Mortgage | \$3,500 or \$15,000
30-year fixed rate loan at 4% interest rate
Funds supplied from the AHC Homebuyer Investor Consortium
Originated and serviced by AHC
Second lien position |
| 3 rd Mortgage | \$3,000
0%-interest deferred loan due upon sale, transfer or cash-out refinance
Forgiven after 5 years if none of the above conditions occur
Originated and serviced by IHDA
Third lien position |
| 4 th Mortgage | \$1,000
0%-interest deferred loan due upon sale, transfer or cash-out refinance
Funds supplied by County of Lake
Originated and serviced by AHC
Fourth Lien position |
| Down Payment | \$1,000
Maximum down payment of up to 20% of the purchase price
All down payment must be used to lower the first mortgage
Other subordinate mortgages allowed (such as Federal Home Loan Bank) |

Example of Financing Structure on a \$80,000 Property

First Mortgage = \$60,000
Second Mortgage = \$15,000
IHDA Forgivable Grant Assistance = \$3,000
County Purchase Assistance = \$1,000
Down Payment = \$1,000

Affordability Impact

On a \$175,000 property in which the first mortgage is originated at an interest rate of 6.5%, the homebuyer would save about \$275 per month due to the elimination of mortgage insurance and the reduction in interest charges.

Homebuyer Eligibility

- a) *First-Time Homebuyers:* A first-time homebuyer is defined as any borrower that has not owned a home in the last 3 years. The first-time buyer requirement is waived if the buyer is a displaced homemaker or custodial single parent.
- b) *Income:* Gross household Gross household income must be below 80% of median family income (see below). Guidelines are determined by HUD and are adjusted annually; the below guidelines are effective as of March 2009.

Family Size	Maximum Gross Household Income
1	\$42,200
2	\$48,250
3	\$54,250
4	\$60,300
5	\$65,100
6	\$69,950
7	\$74,750
8	\$79,600

- c) *Mortgage Approval:* Must qualify for a mortgage as described below under “Mortgage Financing and Underwriting.”
- d) *Principal Residence:* Buyer(s) must certify intent to owner occupy property as principal residence. Funds will be subject to repayment if it is determined that the household is not owner-occupying at any time after closing.
- e) *Education/Counseling:* Buyer(s) must attend a homebuyer education class through AHC or another HUD-certified housing counseling agency. A certificate of completion, certifying that education/counseling was obtained not more than two years ago, must be on file. Additionally, buyers must complete one-on-one counseling with AHC to the extent determined by the AHC counselor.
- f) *Default Counseling:* Must sign authorization form committing to default counseling if delinquent on second mortgage payment. See “Post-Purchase Intervention” below.
- g) *Asset Limits.* Buyers may not have more than \$50,000 in assets (excluding retirement and college funds) AND may not have cash available to afford a downpayment that exceeds 20% of purchase price.
- h) *AHC Closing Fee:* Buyer(s) pay a \$750 processing fee to AHC to help offset program costs. This fee can be offset using third mortgage purchase assistance dollars. AHC also charges an \$8 flood certification to protect the second mortgage. Both of these costs will be paid at closing through the title company.

Property Eligibility

- a) *Location:* Must be located in Lake County, Illinois.
- b) *Type of Housing:* Any single-family, condo or townhome.

- c) *Home Inspection and Property Standards*: Must have a home inspection by a home inspector licensed in the State of Illinois or Wisconsin. Property must not have any major health, safety, or structural repairs needed at time of closing (see Post-Purchase Home Repair Policy for an exception to this rule). Proof of repairs will be required.
- d) *Purchase Price*: Purchase price may not exceed \$271,050.
- e) *Lead-Based Paint*: To comply with the HUD office of Lead Hazard Control, a visual assessment for deteriorated paint must be performed. Home buyers purchasing a home constructed prior to 1978 must receive and sign a "Watch Out for Lead Based Poisoning" notice.
- 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 AHC.

Mortgage Financing and Underwriting

- a) *Acceptable First Mortgage Products*: 30-year fixed mortgage only, and loan must amortize over 30 years. No portion of the loan may be interest-only, adjustable or "exotic" in any way. Conventional, IHDA, VA, FHA or portfolio loans allowed; Loan may not be brokered.
- b) *Underwriting Review*:
 - Buyer may have a maximum housing to income ratio of 35-40%; a higher ratio must be justified by demonstrable compensating factors (such as good credit or low payment shock). Ratios of 25% or lower will be subject to a reduction of IHDA Trust Fund subsidy.
 - Buyer may have a maximum debt to income ratio of 41%.
 - Buyers must have a minimum middle credit score of 620.
- c) *Downpayment*: Buyer must contribute \$1,000 toward downpayment (or \$1,500 if the purchase price is \$150,000 or more), but may not put down more than 20%.
- d) *CLTV*: Maximum CLTV of 102%.
- e) *Second Mortgage Payment Auto-Debit*: Buyer must sign authorization to have payment submitted by auto-debit from a checking or savings account every month for the life of the loan.
- f) *No Cash Back*: Cash back to the customer is not allowed at closing under any circumstances. Any "extra" funds must be applied toward principal reduction.
- g) *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 AHC's discretion, lenders may be required to reduce their fees for an APM transaction.

Post-Purchase Intervention

Upon a 30-day delinquency of the second mortgage, AHC will contact the homeowner so that they can be brought into default/foreclosure prevention counseling. Prior to closing, participants must sign an authorization form that binds them to this type of post-purchase intervention.

Subordinations of Subordinate Mortgages

AHC will subordinate the second, third, fourth and fifth mortgages under the following conditions, assuming all appropriate documents are provided on a timely basis.

- The borrower takes out no cash.
- The refinance of the first mortgage is for a lower interest rate than the existing first mortgage.
- The borrower's new monthly principal and interest payment will be less than the current monthly payment by at least 10% of the current P&I payment. AHC may choose not to subordinate if fees charged to the buyer are beyond the industry standard; this decision is at AHC's discretion.
- The new first mortgage must be a fixed rate loan, fully amortized over the loan term. New loan may not be adjustable or "exotic" in any way.
- Any co-borrowers on the original mortgage that are not on the new mortgage must issue a quit claim deed.
- AHC will not subordinate to a reverse mortgage.
- Exceptions may be made at the discretion of AHC and the third mortgage funder if, for example, a borrower refinances into a shorter-term loan.

First Mortgage Loans 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 that is held in the Lender's own name. Brokered loans are not allowed. Correspondent lending is acceptable.

Relocation/Acquisition

The offer to purchase a home must include the fair market value, the buyer does not have the power of eminent domain, and will not acquire the property if negotiations fail to result in an amicable sale agreement. The required documentation is provided by AHC.

Equal Opportunity

No person with a valid social security number in the United States shall on the grounds of race, color, national origin, religion, 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 due to new requirements set forth by the AHC Board of Directors or the program investors.

AHC's Allowable Discretion

At any point in the transaction, AHC 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 the Affordable Plus Mortgage Program Guidelines. Any such persons or companies may be banned from working with AHC in the future.