

First-Time Home Buyers Program Program Guidelines

Guidelines effective as of 1/1/2008

About the Affordable Housing Corporation of Lake County

AHC is a nonprofit agency dedicated to increasing and preserving affordable housing opportunities in Lake County Illinois. Toward that end, we rehab distressed properties, provide mortgage and loan assistance programs, education, counseling, and foreclosure prevention services.

Purpose of the First-Time Home Buyers Program

To assist low- and moderate- income households purchasing their first home in Waukegan and North Chicago through consumer education and by reducing of the up-front costs associated with the purchase of a home.

How the Purchase Assistance Works

- (a) *Amount of and Uses of Assistance:* A maximum of \$5,000 per household for Waukegan buyers, and \$8,000 for North Chicago buyers, to be used for downpayment and/or closing costs.
- (b) *Form and Source of Assistance:* Assistance will be provided through the Cities of Waukegan and North Chicago and/or County of Lake, and will be made in the form of a 0%-interest deferred loan due and payable upon sale or transfer or cash-out refinance of the property. The deferred loan will be secured with a subordinate mortgage.
- (c) *Exceptions to Recapture Provisions:* AHC MAY make an exception and reduce the repayment amount if net proceeds are not sufficient to recapture the full amount plus enable the homeowner to recover the amount of their downpayment, principal payments and any capital improvements.

Home Buyer Eligibility

- (a) *First Time Homebuyer:* 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, a custodial single parent, or pregnant.
- (b) *Principal Residence:* Buyer(s) must certify intent to owner occupy property as principal residence until sale or transfer of the property. Funds will be subject to repayment if it is determined that the household is not owner-occupying at any time after closing.
- (c) *Income:* 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 affective as of March 2007.

Family Size	Maximum Gross Household Income
1	\$41,700
2	\$47,700
3	\$53,650
4	\$59,600
5	\$64,350
6	\$69,150
7	\$73,900
8	\$78,650

- (d) *Minimum Investment:* Household must invest a minimum of \$1,000. This may include earnest money, home inspection fee, lender application fee, transfer stamps, homeowners insurance, and/or counseling. Proof of investment required prior to closing.
- (e) *Education/Counseling:* Homebuyer must successfully complete AHC's counseling program or one offered by another HUD-approved agency. A certificate of completion, certifying that education/counseling was obtained not more than two years ago, must be on file.
- (f) *Asset Limit:* Buyers may not have more than \$75,000 in assets (excluding retirement and college funds).

Property Eligibility

- (a) *Location:* Must be located in the cities of Waukegan or North Chicago Illinois.
- (b) *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. Proof of repairs prior to closing will be required.
- (c) *Purchase Price:* Purchase price may not exceed HUD guidelines (currently \$275,200; subject to change without notice).
- (d) *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.
- (e) *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.
- (f) *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 Products and Approval

- (a) *Mortgage Types:* FHA, VA, IHDA and conventional accepted. No ITINS. 30-year fixed mortgage only, and loan must amortize over 30 years. Buydowns not allowed. No portion of the loan may be interest-only, adjustable or "exotic" in any way. Loan may not be brokered.
- (b) *Debt and Credit Standards:* Buyers must meet an acceptable combination of credit, housing-to-income and debt-to-income ratios. They may meet one of the below two standards:
 - A credit score no lower than 600, with ratios not to exceed 40/41.
 - A credit score no lower than 660, with ratios not to exceed 40/45.

- (c) *No Cash Back*: Cash back to the customer is not allowed at closing under any circumstances.
- (d) *Allowable Lender Fees*: Loan origination fees, brokering fees, points, 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.

Subordinations of Homebuyer Assistance

AHC will subordinate its lien under the following conditions, assuming all appropriate documents are provided in 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 15% of the current P&I payment. AHC may choose not to subordinate if fees charged to the buyer are beyond the industry standard (currently about \$1,500); this decision is at AHC's discretion.
- The new first mortgage must be a fixed rate loan.
- 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 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 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 FTHB Program Guidelines. Any such persons or companies may be banned from working with AHC in the future.