



First Time Home Buyer

Down Payment Assistance Program

Program Year 2018 - 2019

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 and closing cost assistance for qualified buyers
- Assistance amount is based on the need of the buyer
- 4 main criteria to qualify:
 - First time home buyers
 - Income eligible
 - Eligible properties
 - Debt and mortgage requirements



Qualification 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



Qualification Criteria:

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	8 person
\$45,550	\$52,050	\$58,550	\$65,050	\$70,300	\$75,500	\$80,700	\$85,900

Effective June 1, 2018

For larger households, please call for income limits

- Income limits include total gross annual income for household
- Asset Requirements
 - Minimum \$1,000 in non-retirement assets
 - Minimum ensures buyer is prepared and can sustain ownership long term
 - Maximum \$25,000 in non-retirement assets
 - Down payment requirement \$500-\$1,500
 - In addition to \$1,000 minimum, must have funds for down payment
 - Varies based on total household assets
 - Shown in assets to pre-qualify, paid by closing

*See Topic 4 for more details



Qualification Criteria: Eligible Properties

- Located within the City limits
- Must be outside the 100 year flood plain
- Purchase price limit of \$135,000
- Will be inspected by City staff and must meet health and safety requirements
- Must be owner-occupied or vacant
- House or condo eligible, not mobile home



*See Topic 5 for more details



Qualification Criteria:

Debt and Mortgage Requirements

- 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
 - Maximum adjustment PITI must be affordable to buyer
 - No non-occupying co-borrowers or co-signers



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2. Program Steps

1. Applicant completes home buyer education
 - HUD-Approved course is required
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. If eligible, FTHB approval 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 and closing
 - based on purchase price, mortgage details, applicant down payment, etc.
 - 3 days before closing, part of final Closing Disclosure



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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

- Items to Include: documents all applicants must provide
 - In addition, other documents are required based on the answers to income and asset questions
- Please Be Aware: key program details
- Submit in person or mail. Fax and email are not recommended
 - Not secure or reliable, may lead to application not being received
 - Individual pages may be acceptable, but make sure to get a confirmation of receipt



Application – Household Information

- Applicant Information
 - Head of household = applicant
 - Co-applicant = spouse and/or anyone who will be listed on deed
 - Not required, can be left blank if no spouse
 - Race/Ethnicity etc. information for statistical use only
- Household Information
 - Include everyone who will live in household
 - Fill in Adult/Children charts as needed
 - If more room is needed, attach page
 - If no children, mark the box



Application – Household Information

- Answer questions regarding household
 - Anticipate for the next 12 months
 - Explain as needed
- Complete charts
 - Residences for past 3 years
 - Home buying process information
- Confirm first time home buyer status





Application – Income

- Income means any and all money or payments that come into household
- Income questions
 - Check yes or no for each question/type of income
 - Answer for everyone in the household
 - Fill in charts as needed
 - Provide the documents listed in each question
 - All documents must be recent (dated within 30 days)
 - No originals – they will not be returned!



Application – Assets

- Assets mean any money in a bank or financial institution, or items of value
- Asset questions
 - Check yes or no for each question/type of asset
 - Answer for everyone in the household
 - Include all open accounts, even if you don't use them or they have \$0 or \$5
 - Fill in charts as needed
 - Provide the documents listed in each question
 - All documents must be recent (dated within 30 days)
 - No originals – they will not be returned!



Application – Household Debt



- Debt Chart
 - Fill in all debt for everyone 18 and older: credit cards, car loans, student loans, etc. (not phone bill or child care)
 - Must still provide a credit report for each member age 18 and older



Application – List of Documents

- Chart will help make sure you have provided all required documents
 - Forms are available on the FTHB website or at City Hall
 - This list addresses the majority of situations
 - Additional documentation or information may still be needed to finalize the application



Application – Signature Page

- Read through authorizations and acknowledgements
- Print full name, sign and date
 - everyone 18 and older
- Submit application packet in person or by mail
 - Email and fax have size limits and transmission errors, which can result in the application being rejected/not received



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4. Income Eligibility

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Effective June 1, 2018

For larger households, please call for income limits

- 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 \$25,000 in non-retirement assets
 - No limit on retirement funds
 - Minimum non-retirement assets required
 - \$1,000 must be in assets to be pre-qualified
 - Required minimum down payment amount must also be in assets if not paid at time of application





- **Down Payment Requirements**

- Applicant must contribute their own down payment
- Down payment is paid through the purchase process, not paid to the program

▪ Under \$5,000 non-retirement assets	\$500
▪ \$5,001 - \$15,000 non-retirement assets	\$1,000
▪ \$15,001 - \$25,000 non-retirement assets	\$1,500



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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 verification 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
 - Homeowner's Insurance Binder
 - Closing Disclosure (CD)
 - Final breakdown of all the costs of the purchase
 - 3 days before closing
 - Final award amount determined based on need and closing numbers



- Determining final assistance amount
 - Assistance of \$5,000 will be provided if:
 - Total down payment is less than 20% of purchase price. Down payment includes:
 - Buyer down payment
 - Other grants and assistance
 - FTHB funds
 - If total down payment is greater than 20%, FTHB funds would be reduced
 - Minimum FTHB assistance of \$1,000
 - If need is less, the buyer cannot be assisted



- FTHB staff will attend the real estate closing
 - Program assistance 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 may have a different way to calculate your income. They focus 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.



Contact Information - FT HB

City of Cedar Rapids
Community Development and Planning – Housing Services
City Hall – First Floor
101 First Street SE
Cedar Rapids, Iowa 52401

Program Webpage: www.CityofCR.com/FTHB

Presented by:

Jennifer Barten

Homeownership Program Coordinator

j.barten@cedar-rapids.org

(319) 286-5874

