



## FIRST TIME HOME BUYER PROGRAM

### Frequently Asked Questions

Program Year 2018 – 2019

#### **QUALIFICATION/ELIGIBILITY QUESTIONS**

- 1. What if I haven't previously bought a home, but my spouse has? If my spouse is not going to be on the mortgage, am I still qualified?**
  - a. For this program, if you are married and you or your spouse owns a home, you both own a home. It doesn't matter if one of you wasn't on the mortgage or the deed.
- 2. I own a mobile home. Do I still qualify as a first time home buyer?**
  - a. Yes. Mobile homes are not considered real estate property for this program.
- 3. My spouse/significant other/etc. is not a U.S. citizen/does not have legal status. Are we eligible to apply?**
  - a. Everyone who will live in the property must either be a citizen or be a lawful permanent resident. While you are working toward that status, you wouldn't be able to receive the funding. Once residency is established, you would be able to apply.

#### **APPLICATION/PROCESS QUESTIONS**

- 4. I closed on my house already – can these funds reimburse me?**
  - a. No, you must be approved and have funds committed to you BEFORE you close on your house. These funds are not able to be used after you have closed.
- 5. Who should be included on my FTHB application?**
  - a. You should include EVERY person who will live in the new home, whether or not they will be on the mortgage or deed. For all occupants age 18 or older, their income will be included in the household income to determine eligibility.
- 6. I have shared custody of my child(ren), or I have a child away at college. Do I include them as a household member?**
  - a. For custody arrangements, the child(ren) must spend at least 50% of their time with you. We'll need a copy of the custody decree to verify this, or we'll need to verify this with the other parent. For college students, they would still be a member of the household as long as their permanent address is yours, and they intend to live with you during breaks, etc.
- 7. I have a purchase agreement and have a closing date set. How long will it take to be approved?**
  - a. The application process varies depending on several factors, including how complete your application packet is, how quickly you provide any additional documents, the needs of your lender and/or underwriting, and others.

**8. What's the "catch" to receiving this money?**

- a. You must live in the home as your primary residence for 5 years. If you move, sell, or make it a rental property, you would be required to pay back part or all of the funds.

**9. Can I take the home buyer education class online?**

- a. Yes, but it must be a HUD-approved home buyer education course. Locally, Horizons offers an online class. You can find more information at [www.HorizonsCCCS.org](http://www.HorizonsCCCS.org).

**10. Does everyone in the household have to take the class?**

- a. No, just one person from the household, either the head of household or the co-applicant, must take a class, and provide the certificate of completion.

**11. What if my income goes up before the 5 years is over?**

- a. Your projected income must meet the qualifications in order to be approved prior to purchase. Once you own your house, your income can change without any issues.

**12. What if I add new members to my household (get married, roommate, etc.)?**

- a. Just like for your income, your projected household at the time you apply must qualify. If your circumstances change after you close, that is fine with the program.

**13. What happens if I move, sell, rent, or am not living in the house during the 5 year period?**

- a. Depending on the reason that you are not living in the home, you will have to repay a different amount of the assistance. 1/5<sup>th</sup> is forgiven each year as long as you are living in the property. If you are selling the property, you would have to repay the portion that has not been forgiven yet. However, if you move out and rent the house or have someone else live in the property, you will be required to repay the full amount of the assistance, regardless of how much time has gone by.

**14. I don't have copies of my tax return or of my W-2's. How can I get copies?**

- a. The IRS office can provide print outs, they call them transcripts, for both your tax return and your W-2 information. You can request these online at their website, or in person at their office. The tax return and W-2 information are two separate print outs, so make sure that you ask for both if needed.

**15. I only have a credit report for me from my lender, but you need reports for everyone 18 and older. How can I get their reports?**

- a. Federal law states that everyone can get a free annual credit report from the three credit reporting bureaus. These can be obtained at [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com), and each household member will need to provide answers to security questions and request a report. It doesn't matter which credit bureau report you provide, and you only need to provide one report per person. There are other websites where you can obtain reports either by enrolling in a program or by paying a fee, but the government authorized, free version is recommended.

## **INCOME AND ASSET DETERMINATION QUESTIONS**

### **16. What is considered “income”?**

- a. Any money that you receive on a regular basis is considered income. This can come from a job, child support, Social Security, or from cash that someone gives you regularly. In addition to the money you receive, we take a small percentage of your assets and include that with the income to calculate your total household income. Remember: all members aged 18 and older must include their income for the total household income calculation.

### **17. What is considered an “asset”?**

- a. Assets are things like bank accounts, retirement funds, investments, and items that you own. This doesn't include cars or household items, unless these items are investment items (antiques, jewelry, collections, etc.). Assets are also payments that you receive that are one-time or non-regular. This might include inheritances, gifts, lottery or gambling winnings, etc. Again, this includes everyone in the household, including accounts held in children's names.

### **18. I have a wage garnishment/pay child support/am repaying a loan/etc. from my paycheck. Do you take that into consideration?**

- a. For the program, we look at your gross wages, meaning your salary before any deductions come out. This means it doesn't matter if you have taxes, health insurance premiums, retirement deductions, or other payments coming out of your salary. We look at what you earned before any subtractions.

### **19. I am supposed to be receiving child support through a court order, but I have not actually received that amount? Do I have to include it?**

- a. Yes, you must include any/all child support claim information with your application. We typically use the court-ordered amount in your income calculations. However, if you have not been receiving the full amount, we are able to look at what you have received, and potentially adjust it.

### **20. I will get a raise in the next year. Does this matter?**

- a. Yes, our income calculations are trying to predict your income for the next 12 months. If you will receive a raise or promotion, we would use that information to better predict your income.

### **21. I occasionally work overtime, or I occasionally receive bonuses. Do you count these?**

- a. Yes, we take your average wages, and project them to continue for 12 months. This would include any overtime, lay off periods, bonuses, and other irregular payments.

### **22. I am married but separated, and my spouse will not live with me. Will you count my spouse's income?**

- a. Until you have a divorce decree, you are still considered married. We would include your spouse in your income calculations. The exception to this is if one of you has filed for divorce with the court, and the proceedings are active. We would need a copy of the filing to verify this. If you have not yet filed, or don't plan to file for divorce, we are required to include both of your incomes in the household income

determination. However, contact the office if you would like to discuss your situation as there are case by case circumstances we may be able to work through.

**23. My lender says I qualify, but you say I'm over income. Why is there a difference?**

- a. 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.

**24. I don't have a bank account, I use an online debit card. Does that count as an asset?**

- a. Yes, an online account is still an asset. Depending on how your online account is structured, you might have a standard bank account through an online bank, a debit account that isn't considered a bank account, or a prepaid card that you may or may not be able to add funds to. In all cases, you should be able to print statements or transaction histories by logging in to your account. The same 6-month statement or history requirement is for all accounts.

**25. My children have accounts in their name. Do they need to be included?**

- a. For children under 18 years old who live in your home, their accounts must be included with the household. If these accounts are part of a trust or held without access, you must disclose them, and depending on the nature of the account they may or may not be included.

**26. You said I don't have enough assets to be qualified? How do I handle this?**

- a. The program requires that there are minimum assets, or savings, to be a cushion for long term home ownership. If you do not have enough assets, you would need to work to get more funds in your accounts. One option is to receive a gift from a friend or relative. Another option is to wait and save money, although while saving money the program could run out of funding. Other options include selling personal items and transferring funds from checking to savings accounts, since the two accounts are counted differently for the program guidelines.

**PROPERTY QUESTIONS**

**27. What if my home is in the 100-year flood plain?**

- a. Homes in this program cannot be in the 100-year flood plain and receive assistance with Federal funds.

**28. I found a home with a Cedar Rapids address, but it's not within the City limits. Does it still count?**

- a. No, the home must be in the City limits. You can determine this by going to the City of Cedar Rapids Assessor's web site at: <http://cedarrapids.iowaassessors.com/>. If the property does not come up on this site, it is not within the City limits.

**29. I am having my home inspected. Do I still need to have the City inspection?**

- a. Yes, the home must meet specific minimum standards for using Federal funds, which home inspectors may not necessarily look for. Also, the City inspection should not be used in place of a professional home inspection.

**30. I want to make a purchase offer on a house, but I won't be able to buy it without receiving the First Time Home Buyer program funds. How should I handle this?**

- a. We recommend you discuss this with your real estate agent or your lender. However, many people have made their offers contingent on receiving the funding.

**31. I am planning to buy a home on contract. Can I use this funding?**

- a. No, you would need to purchase the home and get a fee simple title at closing.

**32. Can I use these funds to buy a mobile home?**

- a. No, mobile homes are not eligible.

**33. The property I'm buying is a short sale. Does that work?**

- a. In general, short sales are fine with the program. The issue is that often short sales take several months to finalize and close. However, your qualification for FTMB funds is only valid for 6 months. If you have not closed on the house in that time, you would lose your approval, and have to reapply for funds, if there are any available.

**34. The property I'm buying is a "fixer-upper". How will this impact the minimum standards requirement?**

- a. The property must be in habitable condition upon closing, and must be able to meet all required repairs and changes before closing.

**35. My family member owns the house I want to purchase. Can I buy from a relative?**

- a. No, purchases must be considered "arms-length transactions" to be eligible.

**LOAN/MORTGAGE/CLOSING QUESTIONS**

**36. Can I have a non-occupying co-borrower (co-signer)?**

- a. No, you must be able to qualify for a mortgage without a co-signer or co-borrower.

**37. My parents/grandparents/etc. are helping me with the down payment. Is that allowed?**

- a. Yes, it is allowed. However, the money must be disclosed, and it will be included in your asset calculations with your income.

**38. What if I want to use the funds for closing costs?**

- a. The program is a down payment and closing cost assistance program. The majority of people and lenders apply the funds as if were a large down payment or a second loan. The funds can be used for any required payments, including closing costs and down payments that may be required by your lender.

**39. Can I use an adjustable rate mortgage (ARM) or have a balloon payment?**

- a. The mortgage must be a "Qualified Mortgage" and meet "Ability to Repay" requirements, as defined by the Consumer Financial Protection Bureau of the US

Government. Balloon, interest-only, and negative amortization mortgages do not meet the Qualified Mortgage requirement.

ARM's are allowed by this definition. However, the City of Cedar Rapids has an additional requirement for their use in that the first adjustment cannot occur for at least 10 years, with the annual adjustment capped at 1% and a 5% lifetime increase. If the adjustments are higher than 1/5, a second method of approval is if the maximum payment would still be considered affordable at the current income. All other loan terms must still meet the Consumer Financial Protection Bureau's regulations.

**40. How do the funds get to me/my bank?**

- a. A member of our staff will attend the real estate closing, and bring the check as well as some program documents that will be signed. The check will be made out to the closing company/bank, not to you/the buyer.

**41. Can I use these funds in conjunction with other programs?**

- a. The FTHB program is able to be combined with many other forms of assistance, including FHA loans, veteran grants, and others. However, you should let your lender know as soon as possible that you are applying for these funds, to make sure that this program works with your mortgage and any other requirements.

**42. How do I pay the down payment (% of the sales price) that is required?**

- a. The program requires that you must contribute a down payment to your purchase, but it can come from a variety of sources. It can include your earnest money, the money you have to pay at the closing, or other expenses you pay before closing. These other expenses must meet the program guidelines, and can't be for repairs to the property. We will work with your lender to ensure that you have contributed enough to meet the requirement (you would not pay this to the City).

**43. I don't have a purchase contract yet. Can I still apply?**

- a. Yes, the program qualification happens in two stages. Pre-qualification means you are income eligible for the program and you are given 60 days to secure an accepted purchase offer. Once you have a purchase offer, as long as the property and your loan meet the guidelines, you are approved for the program. You can apply with a property in mind, or a purchase offer in place, or you can wait to search for a home until you are pre-qualified. Note, if you have a purchase offer in place, timing becomes much more important. Be sure you work with your lender to have sufficient time for the FTHB process before closing. Also, you should not assume you will be funded until you have been approved and have funds committed for your purchase.

**44. How do I show the required down payment amount is in my assets?**

- a. We will determine your non-retirement asset total with the documents you provide for all your assets. This total must include the asset minimum as well as the down payment amount, unless you have already paid for closing items like earnest money.