



**Partners for a Better East Bluff
Down Payment Assistance Program Guidelines**

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PROGRAM PURPOSE AND DESCRIPTION

The Down Payment Assistance Program makes homeownership of existing single family homes or new construction in the East Bluff Neighborhood in the City of Peoria more affordable for qualified homebuyers by reducing the cash needed to purchase a home and reducing monthly payments.** The program helps homebuyers by providing financial assistance in the form of a forgivable grant not to exceed \$15,000.00 for new construction properties and not to exceed \$7,500.00 for rehabilitated properties.

Funds for the Down Payment Assistance Program are made available through the East Bluff Neighborhood Revitalization Development Project, an initiative established by the Illinois Attorney General's National Foreclosure Settlement Awards Housing Counseling and Community Revitalization grant. The East Bluff Community was one of the areas in Peoria that was hardest hit by foreclosures and has homes that were abandoned and blighted as well as having lost significant tax revenue.

Several organizations came together to apply for the Settlement Funds. As a group, The Partners for a Better East Bluff (Partners), include:

- Greater Peoria LISC
- City of Peoria
- IFF
- PCCEO
- Peoria Opportunities Foundation
- East Bluff Neighborhood Housing Services
- METEC
- Navicore Solutions
- Busey Bank
- Maloof Realty
- Councilman Timothy Riggerbach (*supporter*)

The Partners strongly believe affordable homeownership opportunities provide a foundation for individuals, families, and communities to achieve stability and economic growth.

The Down Payment Assistance Program is designed to assist families that have adequate income to afford monthly mortgage payments, but have not been able to save enough money for the down payment and closing costs associated with buying a home.

*****Eligible household incomes must be at or below 150% of the area median income, or below 80% of the area median income for properties funded with HOME funds.***

HOMEBUYER ELIGIBILITY REQUIREMENTS

1. Homebuyer must be pre-approved for a mortgage loan.
2. Homebuyer(s) must be household(s) whereby total annual income does not exceed 150 percent (150%) of the Area Median Income. If homebuyer is interested in property funded with **HOME funds**, homebuyer(s) must be household(s) whereby total annual income does not exceed 80 percent (80%) of the Area Median Income. These guidelines are based on family size according to Peoria County Area Median Income at the time the household initially occupies the property, or at the time funds are invested, whichever is later. HUD income guidelines are used to determine annual income, which is defined as the gross amount of income of all adult household members that is anticipated to be received during the coming twelve month period.
3. Prior to closing on the house, homebuyer(s) must complete homebuyer-counseling and one-on-one certification from a HUD certified agency¹ working specifically with the East Bluff Neighborhood Revitalization Development Project.
4. Eligible homebuyer(s) must contribute a minimum of \$1,000 towards purchase of the house. This amount can include earnest money, closing costs and additional down payment.
5. Homebuyer(s) must occupy the property as a principal residence during compliance period. This means that the Homebuyer(s) must use the property as their primary place of residence.

¹ **Participating HUD agencies:**

ME/TEC Housing Counseling Resource Center
2605 W Krause, Peoria IL 61605
309 676-3832

Navicore Solutions
Commerce Bank Building
416 Main Street, Suite 800, Peoria IL 61602
1-877-611-1007

HOMEBUYER COUNSELING

Homebuyers will be required to complete an eight hour homebuyer counseling workshop from a participating HUD certified agency. The purpose of the workshop is to provide the homebuyer with step-by-step guidance to successfully purchase and maintain ownership of a home. The workshop also helps homebuyers by educating them on how to obtain mortgage financing they can afford. Subjects covered include shopping for a mortgage loan, finding a realtor, shopping for a home, home maintenance, budgeting, and on-going financial costs. Upon the homebuyer's completion of the class, the workshop provider will issue a certificate of completion.

Homebuyers must also participate in one-on-one counseling that reviews Homebuyer's affordability. Counselors must document that the homebuyer has sufficient reserves for taxes and insurance.

Housing counselors are required to calculate housing debt-to-income ratios and total debt-to-income ratios for each household purchasing a home using the Down Payment Assistance funds. The maximum allowable ratios are: 35% housing debt-to-income and 41% total debt-to-income. Up to 43% debt-to-income will be considered per housing counselor recommendation. The administrator of the downpayment assistance program will verify the debt-to-income ratio also.

Homebuyers that meet the total debt-to-income ratio requirement but have a housing debt-to-income ratio above 35% will be considered on a case by case basis. Adequate documentation must support any decision made on ratios above 35%.

Definition: Housing or Front End Ratio: A ratio that indicates what portion of an individual's income is used to make mortgage payments. It includes the household's principal, interest, taxes and insurance payments divided by the monthly gross income and are expressed as a percentage.

Definition: Total or Back End Ratio: A ratio that indicates what portion of a person's monthly income goes toward paying debts and obligations and is expressed as a percentage. Total monthly debt includes expenses such as mortgage payments (made up of PITI), credit-card payments, child support and other loan payments are divided by the household's monthly gross income. Condo assessments or HOA fees should also be included.

Purchase Price

The purchase price of the home shall not exceed 115% of the Median Sales Price for Peoria County as determined by HUD. This amount is adjusted annually.

ELIGIBLE PROPERTY

The property must be built or renovated as part of the East Bluff Neighborhood Revitalization Development Project.

PROFESSIONAL HOME INSPECTION

Home Inspection is recommended whenever purchasing a home but it is not a requirement for this program.

FIRST MORTGAGE LOAN TYPE LIMITATIONS AND CLOSING COSTS

- Fixed rate loan (cash only transaction are not eligible)
- Property taxes and homeownership insurance must be escrowed
- Subordinate mortgages cannot exceed terms of first mortgage

The Down Payment Assistance Program grant may be used to cover all reasonable closing costs the buyer is responsible for paying. Examples (list not inclusive) include:

1. Loan origination fee
2. Loan discount fee
3. Appraisal fee
4. Title report/insurance, escrow
5. Credit report
6. Pre-paid (upfront reserves for taxes, insurance, and homeowners association dues)
7. Other normal settlement charges.

Reimbursement for loan origination fee should not exceed .5 percent (of base loan) and reimbursement for loan discount fee is limited to actual cost.

Down Payment Assistance funds cannot be used to pay off previous debts incurred by the buyer. Homebuyers cannot get cash from this program.

TERMS

1. Down Payment Assistance is in the form of a 0%-interest deferred loan with no monthly payments, forgiven after 5 years in the home.
2. Down Payment Assistance shall not exceed \$15,000 or 20% of the purchase price of new construction properties purchased by eligible Homebuyers.
3. Down Payment Assistance shall not exceed \$7,500 or 20% of the purchase price of rehabilitated properties purchased by eligible Homebuyers.
4. The homebuyer must contribute a minimum of \$1,000 towards the purchase of the house. This amount can include earnest money, closing costs and additional down payment.
5. The Down Payment Assistance amount is considered a Forgivable Grant, secured by a five-year recapture agreement with the homebuyer. If a recapture event occurs, the owner shall pay to LISC the amount of the grant reduced by one sixtieth (1/60th) of that amount for each full month after the closing date during the term of the agreement, but only to the extent of net proceeds. The City will record a Deed Restriction to secure five-year affordability period. The expense of recording the City's Deed Restriction will be the responsibility of the applicant and will be payable at closing.
6. The homebuyer must continue to occupy the home as their primary residence until the expiration of the affordability period.

SUBORDINATION

Subordination is allowed if a borrower is refinancing the first mortgage and all of the following criteria are met:

- The homeowner is refinancing the existing debt to lower the first lien interest rate
- No cash equity to the borrower
- No cash equity to pay off any borrower debt
- Only reasonable and customary closing costs can be rolled into first mortgage
- Subordination Request Forms are available from the City of Peoria. No fee is required to process a subordination request.

FAIR HOUSING

Numerous laws have been written in support of fair housing, including but not limited to the Civil Rights Act of 1964, The Fair Housing Act of 1968, including the amended Rehabilitation Act of 1973. It is the goal of the Partners to promote and ensure equal and fair housing for all Homebuyers that apply, regardless of eligibility for the Down Payment Assistance Program. The Partners or its members will not discriminate in housing or services directly or indirectly on the basis of race, color, religion, sex, national origin, age, familial status, or disability. Partner members shall also affirmatively further Fair Housing and take appropriate actions to overcome the effects of any impediments identified and language barriers, including but not limited to architectural barriers in housing structures, and housing for older persons.

Questions? Contact:

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