



## DOWN PAYMENT ASSISTANCE FORGIVABLE LOAN PROGRAM

### STEP-BY-STEP LENDER PROCESS

#### Participating Lender Enrollment

1. Execute the HOME Consortium Lender Participation Agreement.
2. Return the executed Agreement to the Wisconsin Partnership for Housing Development.
3. There is no fee to participate in this program. There is a \$200 processing fee for each DPA loan closed. This fee cannot be passed on to the borrower.

#### Reserving Funds

1. Lender will qualify the home buyer(s) according to the Program Guidelines which include:
  - a. Household income – total household income cannot exceed 80% of county median income adjusted by household size. (See Household Income Calculation section below)
  - b. ITIN holders must sign the Qualified Alien Submission Form and provide the lender with the required documentation of immigration status. The lender must provide this information to the Wisconsin Partnership prior to closing.
  - c. First mortgage programs – eligible first mortgage programs include Conventional (fixed or adjustable rate), Fannie Mae, Freddie Mac, WHEDA, Federal and State VA, USDA Rural Development, Habitat for Humanity and FHA. The interest rate must be locked for at least 5 years and the loan term must be at least 5 years. Interest only mortgage are not eligible.
  - d. Property types – only one-unit properties are eligible. This includes single family attached or detached and condominium properties.
  - e. Purchase price – eligible properties are subject to purchase price limits by county.
  - f. County – property must be located in Jefferson, Ozaukee, Washington or Waukesha County. DPA funds cannot be used in the villages of Bayside, Chenequa, Oconomowoc Lake or Sullivan.
  - g. Debt Ratios – Front-end (housing) ratio minimum of 18%. Back-end (total debt) ratio maximum of 45%.
  - h. Reserving Funds – There must be an accepted offer to purchase prior to reserving funds.
2. **Voluntary Acquisition (NEW in 2015)** – This form must be provided to the seller at the time the offer to purchase is made. The form notifies the seller that if the sale does not go through their home will not be acquired by the HOME Consortium (or the home buyers) by eminent domain. This form is used to satisfy the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). A copy of the completed form should be provided to us with the reservation materials.
3. A Lender who has identified a qualified HOME Consortium DPA home buyer will complete and email or fax all the documentation listed on the Reservation Checklist to the Wisconsin Partnership.
4. The Wisconsin Partnership will review the reservation materials and will contact Lender regarding initial approval/disapproval of DPA loan. (Carrying out this step before closing ensures that errors in the income calculation will be caught before closing. Identifying an error in income compliance after closing may prohibit the lender from receiving these funds for that transaction.) This process should be completed by the Wisconsin Partnership within 5 business days of receipt of all required documentation. A Loan Approval Letter will be sent to the lender upon completion of the income verification. If the first mortgage amount changes, the lender must report the change to the Administrator in writing for approval.
5. Funds can be reserved for a maximum of 90 days. Lenders should contact the Wisconsin Partnership if an extension is required.

## Lead-Based Paint Disclosure

The DPA program is funded with federal funding through the U.S. Department of Housing and Urban Development. A requirement of receiving federal funding is that the home buyer be provided with information about lead-based paint and/or lead-based paint hazards. For all homes built prior to 1978 the lender will ensure the home buyer signs and returns a lead-based paint disclosure form and pamphlet. The home buyer must initial, sign and date the disclosure form. The household cannot receive HOME DPA funding unless the disclosure form is completed and returned.

## Household Income Calculation

1. Income must be calculated based on HUD's Part 5 Definition. Below is a summarized description of this method, please see the Income Guidelines for more detailed information:
  - a. Income eligibility is based on anticipated income over the next 12 month period.
  - b. Included in income are wages, business income, interest & dividend income, retirement & insurance income, unemployment & disability income, welfare assistance, alimony, child support & gift income, and Armed Forces income.
  - c. Source documents include wage statements, interest statements, unemployment compensation statements, child support statements, bank statements, etc. For self-employed home buyers, two prior year tax returns and a year-to-date income and expense statement will be required.
2. As stated above, income will be verified by the Wisconsin Partnership for Housing Development, Inc. prior to closing.

## Home Buyer Counseling

1. One-on-one counseling with a HOME Consortium-approved counseling agency is required for all home buyers. There is no cost to the homebuyer for this service.
2. In order to receive reimbursement for the DPA loan funds advanced at closing, the Lender must include the Certificate of Achievement that the Lender receives from the counseling agency upon completion of counseling with the closing documents sent to the Wisconsin Partnership after closing.

## Housing Inspection

1. A home inspection is required for all properties receiving HOME Consortium DPA funds. (The only exception to this requirement is if the property is new construction, then no inspection is required. The Lender should tell the Wisconsin Partnership if the property is new construction.) The property must pass the HOME Consortium Code Requirements Inspection to qualify for the DPA loan. The inspection can only be completed by the HOME Consortium-approved inspector, White Glove Home Inspections, LLC.
2. After the household income is verified, the Wisconsin Partnership will notify the Lender regarding the initial approval of the DPA loan.
3. The Wisconsin Partnership will notify the Inspector who will schedule the inspection. The inspection will be completed within 10 days of notification.
4. Upon receipt of the inspection report, the Wisconsin Partnership will fax the Inspection Outcome sheet to the Lender. If the property does not pass the inspection the DPA loan application will not be approved. The home buyer can either repair the deficiencies or apply for the Purchase/Rehab Program, with which they can receive up to \$17,000 as a deferred loan at 0% interest to use towards the repairs found by the Inspector.
5. If the deficiencies that caused the property to fail the inspection are corrected, the property will need to be re-inspected by White Glove Home Inspections, LLC.
6. The Partnership will notify the Inspector who will schedule the re-inspection. The re-inspection will be completed within 10 days of notification.
7. Upon receipt of the signed Inspection Outcome sheet, the Wisconsin Partnership will fax the outcome sheet to the Lender. The DPA loan will not be approved unless the deficiencies were corrected and the corrections were acceptable.

## **Closing**

1. At closing the following DPA documents must be executed:
  - a. Certificate of Borrower Eligibility – signed by Borrower(s) and Lender
  - b. Mortgage for DPA loan – Lender is named as Mortgagee
  - c. Assignment of Mortgage for DPA loan – Waukesha County is named as Assignee
  - d. Mortgage, Retention and Subordination Agreement – FOR FHA LOANS ONLY. This form replaces the Mortgage and Assignment (above) when the first mortgage is an FHA loan.
  - e. Grant Agreement – Lender is named as Grantor
2. Cash Back Policy – Home buyers should not receive cash back at closing except to reimburse them for expenses they paid prior to closing. Examples of eligible cash back are earnest money, application fee, appraisal fee, credit report, first year hazard insurance, etc. These amounts should be shown as POC on the HUD-1 Settlement Statement.

## **Submitting the Closed Loan Documents for Reimbursement**

The following closed loan documents must be submitted to the Wisconsin Partnership after closing in order for the Lender to be reimbursed for DPA funds advanced at closing:

1. Closing Checklist
2. Certificate of Borrower Eligibility
3. Closing Disclosure (DPA loan should be shown as "HOME Consortium DPA")
4. Executed DPA Mortgage (recorded mortgage or certified copy)
5. Executed Assignment of Mortgage (recorded assignment or certified copy)
6. Executed Grant Agreement
7. Home Buyer Counseling Certification
8. Processing fee of \$200 payable to the Wisconsin Partnership for Housing Development (if this fee is not received with the closed loan documents it will be deducted from the Lender reimbursement)

The Wisconsin Partnership will submit all complete files for funding within one week of receipt. The reimbursement process generally takes 3-4 weeks.

## **Servicing**

Servicing of the DPA loan will occur when the property is sold or transferred, when the first mortgage is refinanced, or in the event of a foreclosure. When the need for servicing arises the Wisconsin Partnership for Housing Development, Inc. will provide the satisfaction, payoff or subordination documentation to the appropriate parties (the Lender, title company, etc.).

## **Recapture**

In the event of a voluntary or involuntary transfer of the property during the applicable period of affordability, Waukesha County will recapture all or a portion of the direct subsidy provided to the homebuyer. This direct subsidy is provided as down payment assistance in the form of a deferred 0% interest loan. The loan will be forgiven pro-rata over the period of affordability (20% each year over 5 years), as long as the home remains the principal residence of the home buyer. If the net proceeds from a voluntary or involuntary sale are insufficient to repay the prorated amount of the HOME subsidy, Waukesha County shall recapture the balance due on the loan or 100% of net proceeds from the sale, whichever is less. If there are no net proceeds from the sale, no repayment is required. Net proceeds is defined as the sales price minus superior loan repayment and any closing costs incurred by the homebuyer.

## Refinancing

If the home buyer decides to refinance their first mortgage or take out a second mortgage for home improvements, the Wisconsin Partnership for Housing Development, Inc. is to be notified to determine whether the DPA loan will be subordinated to the new mortgage or whether the home buyer must repay the DPA loan. Items we will look at to determine whether subordination is a possibility are:

1. Letter from the home buyer requesting the subordination and explaining why they want to refinance (for example, interest rate reduction) or take out a second mortgage (for example, home improvements)
2. Copy of current title
3. Loan to value ratio (must be at least 80% if DPA loan is in 3<sup>rd</sup> position)
4. Cash out refinance (must be for home improvements and the funds must be escrowed by the lender)
5. Current appraisal report