

Kane County Office of Community Reinvestment FIRST-TIME HOMEBUYER LOAN PROGRAM

The First-Time Homebuyer Loan Program helps make the dream of homeownership a reality. The program provides up to \$10,000 in down-payment and closing-cost assistance to first-time homebuyers in the form of a zero-interest, deferred-payment loan. No interest accrues on the loan, and no payments are due until the home is sold, the title is transferred, or the home is no longer used as the homebuyer's principal residence. When any of these events occur, the loan is repaid.

Qualification:

To qualify for the program, homebuyers must have either lived (or worked full-time) in the Kane-Elgin Consortium Area* for at least one year. Applicants must also not exceed Federal income limits (see table below), complete an eligible homebuyer education course from a HUD certified agency**, and have a downpayment of at least 1% of the purchase price of the home they wish to purchase. All homes, townhomes, and condominiums purchased under the program must pass both a general inspection and a lead-based paint inspection to ensure the home meets housing quality standards.

Ratios/Underwriting:

Front end ratio or housing payment cannot be above 32% or below 25% of purchaser gross income as determined by the Kane County Office of Community Reinvestment. This downpayment assistance will be awarded to assist qualified buyers so that their monthly housing payments are within the affordable range as set forth by Kane County program guidelines.

Income Limits (Revised 6/15/2017)

Household Size	1	2	3	4	5	6	7	8+
Maximum Income	\$44,250	\$50,600	\$56,900	\$63,200	\$68,300	\$73,350	\$78,400	\$83,450

* *The Kane-Elgin Consortium Area does not include the municipalities of Aurora, Hampshire, Huntley, and Montgomery. Algonquin and Huntley homebuyers should contact the Corporation for Affordable Homes of McHenry County at 815-206-5805. Aurora homebuyers may contact the City of Aurora's Division of Neighborhood Redevelopment at 630-256-3320.*

** *Local Housing Counseling agencies include: Joseph Corporation (Aurora) (630-906-9400); DuPage Homeownership Center (Wheaton) 630-260-2500. Or, search HUD's website for other agencies: <https://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=IL>*

The First-Time Homebuyer Program is one of several housing assistance programs funded by the Kane-Elgin HOME Consortium, a city-county partnership formed for the purpose of participating in the U.S. Department of Housing and Urban Development's HOME Program.

For more information, call the Kane County Office of Community Reinvestment at (630) 444-3027.

Please do not include this page with your application submittal. KEEP IT FOR YOUR INFORMATION.

Kane County Office of Community Reinvestment FIRST-TIME HOMEBUYER LOAN PROGRAM Application Instructions

All programs offered through the Office of Community Reinvestment are designed to assist applicants within certain income levels in order to meet regulations as set forth by U.S. Department of Housing and Urban Development (HUD). As such, the county must verify the income of all adult (18+) members of the household for the purpose of determining eligibility for assistance. HUD guidelines require that the county must project a household's (adjusted gross) income one year in the future - a "snapshot" of the household's current circumstances is used to project future income. Please review the information provided at the end of this application (*General Requirements related to Income Determination*) for an explanation of how the county determines household income.

Applicants shall submit:

- **Complete Application form with signed certifications**
- **Required documents for each household member age 18 and over:**
 - Federal tax returns for the past two years
 - Federal Tax Transcript issued by the IRS for past two years (*To get a copy of your Tax Transcript from previous years or to verify that you have not filed, please go to IRS.gov and click on "Get My Tax Record" or call 1-800-908-9946.*)
 - W-2s for the past two years (*or SSI benefit statements, or other statements to document income if you do not receive W-2s*)
 - Pay stubs for the past 3 Months
 - If self-employed, year-to-date profit-and-loss statement
- *If an adult household member does not have income/paystubs, we will supply a certification form for signature by the household member*
- *Do not submit original support documents. We cannot make copies for you.*
- ***DO NOT submit the instructions pages or blank pages with your application.***

Application submittal options:

- By email: zillykaren@co.kane.il.us
- By mail: Karen Zilly, Program Manager
Kane County Office of Community Reinvestment
719 South Batavia Avenue, 4th Floor
Geneva, Illinois 60134
- In Person: Weekdays, 8:30 am to 4:30 pm, to the above address

When you submit your application with all requested documents, we will evaluate your eligibility for the program and email you within five business days of receipt of your documents to inform you as to whether you meet the program eligibility requirements. Contact **Karen Zilly** at **(630) 444-3027** or zillykaren@co.kane.il.us if you have questions about the form.

Please do not include this page with your application submittal. KEEP IT FOR YOUR INFORMATION.



It is the policy of the Kane County Office of Community Reinvestment to provide services without regard to race, color, religion, national origin, ancestry, age, sex, familial status, physical handicap or disability.

**Kane County Office of Community Reinvestment
FIRST-TIME HOMEBUYER LOAN PROGRAM
Application Form**

AFFIDAVIT CONCERNING HOUSEHOLD SIZE, INCOME AND ELIGIBILITY

Applicant Name(s): _____

I (We) _____ hereby state the following:

- A. That I (we) do not currently own a home, nor have I (we) owned a home within the past three years.
- B. That in order to determine my income eligibility for the Kane County housing program to which I am applying, Kane County needs information regarding my household size and members; and
- C. The number of members constituting the household that will live at the property is: _____. The list of household members is provided below; and
- D. **For all household members 18 years or older**, an information sheet must be completed, including the required income documentation, and must be attached to this application.

E. **List all household members including applicant:**

Name	Date of birth	Annual Gross Income
1.		\$
2.		\$
3.		\$
4.		\$
5.		\$
6.		\$
7.		\$
8.		\$
TOTAL:		\$

Total # of Adults (18+ years old):		Total # of Members Under 18 years old:	
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- F. Please provide a total for the household's liquid assets. Liquid assets include: Cash, checking, savings, money market funds, certificates of deposit, mutual funds, stocks, etc.; but does not include 401(k) or pension plans. \$ _____
- G. Has the Applicant ever filed for a bankruptcy? Yes No If YES, provide the date discharged: _____
- H. Do you currently owe any federal, state or local tax debts? Yes No
If YES, please explain: _____

By: _____
Print Applicant Name

Print Co-Applicant Name

Applicant Signature

Co-Applicant Signature

WARNING: TITLE 18, SECTION 1001 OF THE U.S. CODE STATES THAT A PERSON IS GUILTY OF A FELONY FOR KNOWINGLY AND WILLINGLY MAKING FALSE OR FRAUDULENT STATEMENTS TO ANY DEPARTMENT OF THE UNITED STATES GOVERNMENT.

Household Member #1 - Primary Applicant Information: (please print)

Name:	Gender: <input type="checkbox"/> Female <input type="checkbox"/> Male
Date of Birth:	U.S. Veteran: <input type="checkbox"/> Yes <input type="checkbox"/> No
Current Address:	
City:	Zip Code:
Home Phone:	
Work Phone:	
Email Address:	

If you have moved within the past 3 years, list your prior home addresses and dates you lived there:

1.	<u>Circle one:</u> Owned / Rented
2.	<u>Circle one:</u> Owned / Rented

Employment/Income:

Current Employer:	Date Hired:
Employer Address:	
Job Title:	If Self-Employed, years in business:
How many hours do you work per week?	
How often are you paid? <input type="checkbox"/> Weekly <input type="checkbox"/> Every Two Weeks <input type="checkbox"/> Twice/Month <input type="checkbox"/> Other	
Average Monthly Overtime Hours: _____ <input type="checkbox"/> N/A	Average Annual Bonus: \$ _____ <input type="checkbox"/> N/A
Disability income (e.g. SSI or SSD) or Other income - Monthly Amount \$ _____ <input type="checkbox"/> N/A	
<i>If on your current job less than two years, provide Employer, Job Title, and Dates of Employment for prior two years:</i>	
1.	
2.	

Required documents must be attached for person named above – please check boxes to confirm

- Federal tax returns for the past two years (**please do not submit Illinois State Tax Returns**)
- Federal Tax Transcript issued by the IRS for past two years (see first page for instructions)
- W-2s for the past two years (or disability/SSI statements if applicable)
- Most recent pay stubs covering the past 3 months (i.e. if you get paid every 2 weeks, you must attach your most recent 6 pay stubs)

If you didn't check the boxes above – you are not finished! You must attach all of these items. Please call if you have questions.

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Household Member #2 (complete if 18 years or older): (please print)

Name:	Gender: <input type="checkbox"/> Female <input type="checkbox"/> Male
Date of Birth:	U.S. Veteran: <input type="checkbox"/> Yes <input type="checkbox"/> No
Current Address:	
City:	Zip Code:
Home Phone:	
Work Phone:	
Email Address:	

Employment/Income:

Current Employer:	Date Hired:
Job Title:	If Self-Employed, years in business:
How many hours do you work per week?	
How often are you paid? <input type="checkbox"/> Weekly <input type="checkbox"/> Every Two Weeks <input type="checkbox"/> Twice/Month <input type="checkbox"/> Other	
Average Monthly Overtime Hours: _____ <input type="checkbox"/> N/A	Average Annual Bonus: \$ _____ <input type="checkbox"/> N/A
Disability income (e.g. SSI or SSD) or Other income - Monthly Amount \$ _____ <input type="checkbox"/> N/A	
<i>If on your current job less than two years, provide Employer, Job Title, and Dates of Employment for prior two years:</i>	
1.	
2.	

Required documents must be attached for person named above – please check boxes to confirm

- Federal tax returns for the past two years (**please do not submit Illinois State Tax Returns**)
- Federal Tax Transcript issued by the IRS for past two years (see first page for instructions)
- W-2s for the past two years (or disability/SSI statements if applicable)
- Most recent pay stubs covering the past 3 months (i.e. if you get paid every 2 weeks, you must attach your most recent 6 pay stubs)

If you didn't check the boxes above – you are not finished! You must attach all of these items. Please call if you have questions.

Household Member #3 (complete if 18 years or older): (please print)

Name:	Gender: <input type="checkbox"/> Female <input type="checkbox"/> Male
Date of Birth:	U.S. Veteran: <input type="checkbox"/> Yes <input type="checkbox"/> No
Current Address:	
City:	Zip Code:
Home Phone:	
Work Phone:	
Email Address:	

Employment/Income:

Current Employer:	Date Hired:
Job Title:	If Self-Employed, years in business:
How many hours do you work per week?	
How often are you paid? <input type="checkbox"/> Weekly <input type="checkbox"/> Every Two Weeks <input type="checkbox"/> Twice/Month <input type="checkbox"/> Other	
Average Monthly Overtime Hours: _____ <input type="checkbox"/> N/A	Average Annual Bonus: \$ _____ <input type="checkbox"/> N/A
Disability income (e.g. SSI or SSD) or Other income - Monthly Amount \$ _____ <input type="checkbox"/> N/A	
<i>If on your current job less than two years, provide Employer, Job Title, and Dates of Employment for prior two years:</i>	
1.	
2.	

Required documents must be attached for person named above – please check boxes to confirm

- Federal tax returns for the past two years (**please do not submit Illinois State Tax Returns**)
- Federal Tax Transcript issued by the IRS for past two years (see first page for instructions)
- W-2s for the past two years (or disability/SSI statements if applicable)
- Most recent pay stubs covering the past 3 months (i.e. if you get paid every 2 weeks, you must attach your most recent 6 pay stubs)

If you didn't check the boxes above – you are not finished! You must attach all of these items. Please call if you have questions.

Household Member #4 (complete if 18 years or older): (please print)

Name:	Gender: <input type="checkbox"/> Female <input type="checkbox"/> Male
Date of Birth:	U.S. Veteran: <input type="checkbox"/> Yes <input type="checkbox"/> No
Current Address:	
City:	Zip Code:
Home Phone:	
Work Phone:	
Email Address:	

Employment/Income:

Current Employer:	Date Hired:
Job Title:	If Self-Employed, years in business:
How many hours do you work per week?	
How often are you paid? <input type="checkbox"/> Weekly <input type="checkbox"/> Every Two Weeks <input type="checkbox"/> Twice/Month <input type="checkbox"/> Other	
Average Monthly Overtime Hours: _____ <input type="checkbox"/> N/A	Average Annual Bonus: \$ _____ <input type="checkbox"/> N/A
Disability income (e.g. SSI or SSD) or Other income - Monthly Amount \$ _____ <input type="checkbox"/> N/A	
<i>If on your current job less than two years, provide Employer, Job Title, and Dates of Employment for prior two years:</i>	
1.	
2.	

Required documents must be attached for person named above – please check boxes to confirm

- Federal tax returns for the past two years (**please do not submit Illinois State Tax Returns**)
- Federal Tax Transcript issued by the IRS for past two years (see first page for instructions)
- W-2s for the past two years (or disability/SSI statements if applicable)
- Most recent pay stubs covering the past 3 months (i.e. if you get paid every 2 weeks, you must attach your most recent 6 pay stubs)

If you didn't check the boxes above – you are not finished! You must attach all of these items. Please call if you have questions.

Household Member #5 (complete if 18 years or older): (please print)

Name:	Gender: <input type="checkbox"/> Female <input type="checkbox"/> Male
Date of Birth:	U.S. Veteran: <input type="checkbox"/> Yes <input type="checkbox"/> No
Current Address:	
City:	Zip Code:
Home Phone:	
Work Phone:	
Email Address:	

Employment/Income:

Current Employer:	Date Hired:
Job Title:	If Self-Employed, years in business:
How many hours do you work per week?	
How often are you paid? <input type="checkbox"/> Weekly <input type="checkbox"/> Every Two Weeks <input type="checkbox"/> Twice/Month <input type="checkbox"/> Other	
Average Monthly Overtime Hours: _____ <input type="checkbox"/> N/A	Average Annual Bonus: \$ _____ <input type="checkbox"/> N/A
Disability income (e.g. SSI or SSD) or Other income - Monthly Amount \$ _____ <input type="checkbox"/> N/A	
<i>If on your current job less than two years, provide Employer, Job Title, and Dates of Employment for prior two years:</i>	
1.	
2.	

Required documents must be attached for person named above – please check boxes to confirm

- Federal tax returns for the past two years (**please do not submit Illinois State Tax Returns**)
- Federal Tax Transcript issued by the IRS for past two years (see first page for instructions)
- W-2s for the past two years (or disability/SSI statements if applicable)
- Most recent pay stubs covering the past 3 months (i.e. if you get paid every 2 weeks, you must attach your most recent 6 pay stubs)

If you didn't check the boxes above – you are not finished! You must attach all of these items. Please call if you have questions.

DEMOGRAPHIC INFORMATION

(Required for reporting to U.S. Department of Housing and Urban Development)

Applicant Name(s): _____

1. Type of household—please check the box that best applies:

- SINGLE/NON-ELDERLY
- ELDERLY
- SINGLE-PARENT
- TWO PARENTS
- OTHER

2. Female-headed household: Yes No

3. Race: **(check one only)**

- White
- Black/African American
- Asian
- American Indian/Alaskan Native
- Native Hawaiian/Other Pacific Islander
- American Indian/Alaskan Native & White
- Asian & White
- Black/African American & White
- American Indian/Alaskan Native & Black/African American
- Other Multi-Racial

4. Ethnicity: **(check one only)**

- Hispanic or Latino
- Not Hispanic or Latino

5. Did the Applicant come from subsidized housing? Yes No

Program Eligibility Release Form

Kane County Office of Community Reinvestment, 719 South Batavia Avenue; Geneva, Illinois 60134 (630-444-3027)

Purpose: Your signature on this Program Eligibility Release Form, and the signatures of each member of your household who is 18 years of age or older, authorizes the above-named organization to obtain information from a third party relative to your eligibility and participation in the Kane County housing program(s):

Privacy Act Notice Statement: The Dept. of Housing and Urban Development (HUD) is requiring the collection of the information derived from this form to determine an applicant's eligibility in a NSP/HOME/CDBG Program and the amount of assistance necessary using these funds. This information will be used to establish level of benefit under the NSP/HOME/CDBG Program; to protect the Government's financial interest; and to verify the accuracy of the information furnished. It may be released to appropriate Federal, State, and local agencies when relevant, to civil, criminal, or regulatory investigators, and to prosecutors. Failure to provide any information may result in a delay of your eligibility determination or rejection of your application. The County is authorized to ask for this information by the National Affordable Housing Act of 1990.

Instructions: Each adult member of the household must sign a Program Eligibility Release Form. Additional signatures must be obtained from new adult members whenever they join the household or whenever members of the household become 18 years of age.

NOTE: THIS GENERAL CONSENT MAY NOT BE USED TO REQUEST A COPY OF A TAX RETURN. IF A COPY OF A TAX RETURN IS NEEDED, IRS FORM 4506, "REQUEST FOR COPY OF TAX FORM" MUST BE PREPARED AND SIGNED SEPARATELY. Inquiries may be made about items listed below:

	Verification Required
Income (all sources)	XX
Assets (all sources)	XX
Full time Student status	XX

Additionally I authorize Kane County to discuss this real estate transaction with the following individuals:

Realtor <input type="checkbox"/> Yes <input type="checkbox"/> No	
Name:	
Phone:	Email:
Mortgage Officer <input type="checkbox"/> Yes <input type="checkbox"/> No	
Name:	
Phone:	Email:
Attorney <input type="checkbox"/> Yes <input type="checkbox"/> No	
Name:	
Phone:	Email:

Authorization: I authorize Kane County and HUD to obtain information about me and my household that is pertinent to eligibility for participation in the Program.

I acknowledge that:

A photocopy of this form is as valid as the original. I have the right to review the file and the information received using this form (with a person of my choosing to accompany me). I have the right to copy information from this file and to request correction of information I believe inaccurate. **All adult household members (18+) will sign this form and cooperate in this process.**

WARNING: TITLE 18, SECTION 1001 OF THE U.S. CODE STATES THAT A PERSON IS GUILTY OF A FELONY FOR KNOWINGLY AND WILLINGLY MAKING FALSE OR FRAUDULENT STATEMENTS TO ANY DEPARTMENT OF THE UNITED STATES GOVERNMENT.

Primary Applicant Signature:	Date:
Adult Household Member #2 Signature:	Date:
Adult Household Member #3 Signature:	Date:
Adult Household Member #4 Signature:	Date:
Adult Household Member #5 Signature:	Date:

ALL ADULT HOUSEHOLD MEMBERS MUST SIGN THIS FORM.

APPLICANTS:

PLEASE KEEP THE FOLLOWING PAGES. DO NOT TURN THEM IN WITH YOUR APPLICATION. YOU WILL NEED THIS INFORMATION IN ORDER TO COMPLY WITH THE REQUIRED PROCESS/STEPS OF THE PROGRAM.

**If you have questions or if something is unclear,
please contact Karen Zilly, Program Manager,
(630) 444-3027 or zillykaren@co.kane.il.us.**

Kane County First-Time Homebuyer Loan Program

PROGRAM GUIDELINES

Program Area:

The Kane-Elgin Consortium Area (“Program Area”) includes all of Kane County (except the City of Aurora, and the Villages of Hampshire, Huntley, Hoffman Estates, and Montgomery), all of the City of Elgin (including that portion located in Cook County), all of the Village of Maple Park (including that portion located in DeKalb County), and all of the City of St. Charles (including that portion located in DuPage County).

Homebuyer Qualification:

To qualify for the program, homebuyers:

1. Must be a first-time homebuyer, defined as any homebuyer that has not owned a home in the last 3 years;
2. Must have either lived (or worked full-time) in the Program Area for at least one year; and
3. Must also not exceed Federal income limits (see table below). Gross income is calculated in accordance with HUDs guidelines, not Net income.

Income Limits (Revised 6/15/2017)

Household Size	1	2	3	4	5	6	7	8+
Maximum Income	\$44,250	\$50,600	\$56,900	\$63,200	\$68,300	\$73,350	\$78,400	\$83,450

Eligible Property:

Applicants may purchase a single-family detached home, condominium, or townhome under the program. Regardless of the type of home the applicant desires, however, housing units purchased under the program cannot be tenant occupied. Also, the unit size, when compared with family size, must meet minimum occupancy standards of the local building code.

Ineligible Property:

- 1) Properties located in the floodplain are not eligible.
- 2) Mobile homes are not eligible.
- 3) If a real estate sales contract has been executed for a property prior to: Homebuyer Qualification, Property Verification and completion of the required Homebuyer Education course, that property is not eligible for funding under this program. These steps are outlined in these guidelines.

Pre-Purchase/Contract Requirements:

- 1) Homebuyers must complete an eligible homebuyer education course from a HUD certified agency*. Please make sure that the agency can confirm that the course you are taking (whether in-person or online) complies with HUD’s guidelines for Homebuyer Education.
 * *Local Housing Counseling agencies include: Joseph Corporation (Aurora) (630-906-9400); DuPage Homeownership Center (Wheaton) 630-260-2500. Or, search HUD’s website for other agencies: <https://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=IL>*
- 2) Homebuyers must have a downpayment of at least 1% of the purchase price of the home they wish to purchase (*to be deposited as earnest money with contract*). (*First mortgage lender may require more.)
- 3) Before executing a Real Estate Contract, homebuyers must be sure that the real estate agent has the required First-Time Homebuyer Loan Program Real Estate Sales Contract Rider. The Rider will be provided to you by Kane County upon Qualification for the program. The Rider must be made a part of the executed contract. **Failure to include this rider in the initial contract offer will make the project ineligible for First-Time Homebuyer Loan funding.**

- 4) Contract closing date must be at least 31 days from Contract execution. The County has timing constraints that require lead time.
- 5) Copy of executed contract documents must be provided to the County within 24 hours following execution.

Maximum home purchase value: *(effective 3/1/2017)*

Existing home: \$206,000; New Construction home: \$224,000

Downpayment:

The applicant is required to contribute a minimum down payment of at least 1% of the purchase price. The County will require that the purchaser deposit a minimum 1% earnest money with contract to comply with this requirement. *(First mortgage lender may require more.)*

County Property Inspection:

- 1) All homes, townhomes, and condominiums purchased under the program must pass both a general inspection and a lead-based paint inspection conducted by a county examiner to ensure the home meets housing quality standards.
- 2) The County will need to be granted access to the property to complete the following visual inspections of the housing unit, for the purpose of documenting compliance with federal guidelines. These inspections may/should occur during the inspection period negotiated within the real estate contract.
- 3) Visual Lead Inspection: As mandated by HUD's Lead Regulation, effective September 15, 2000, any housing purchased under a federally funded homebuyer program must be inspected for lead and any potential hazards identified as a result of lead being found within a home. All homes built prior to 1978 are required to go through this process. The inspection involves a visual assessment. The home must be free of peeling, flaking, and chipping paint on the interior and exterior. If such conditions are found, the following steps must be completed before a closing can be scheduled.
 - a. Paint Stabilization: All chipping, peeling, and flaking paint must be stabilized before the homebuyer moves into the home. Paint stabilization involves repairing deteriorated surfaces, removing loose paint, and applying new paint.
 - b. Safe Work Practices: The owner must use safe work practices while conducting paint stabilization. Safe work practices include safe work methods, occupant protection, work site preparation, and cleanup.
 - c. Clearance: Once the work has been completed, the home must pass a clearance test. Clearance must happen before the date of the scheduled closing or occupancy.
- 4) Report: The county examiner will produce a written report to document the results of the housing quality and lead-based paint visual inspections. If the home is in compliance with housing quality standards and meets lead-based paint standards, the county examiner will authorize the home as a suitable living environment, and it will be eligible for purchase assistance under this program.

Kane County Assistance:

- 1) Kane County may provide a second mortgage for a maximum of \$10,000 to cover the down payment and reasonable and customary closing costs. This second mortgage will be 0% deferred-payment loan. The loan will not be due until the home is sold, the title is transferred, or the household no longer occupies the home as their primary residence. The full amount of the loan will be due at that time.
- 2) Subsidy Limit: If a 95% loan-to-value ratio and closing costs are obtained for less than the maximum amount of assistance available under the program (\$10,000), the Kane-Elgin Consortium's loan (second mortgage) will be for a lesser amount. **Please note that Kane County will require a title policy for its second mortgage loan.**

First Mortgage Structure:

Financing must comply with the guidelines stated below.

- 1) First mortgages must be fixed-rate loans for the entire term of the loan;
- 2) Interest rates on first mortgages cannot exceed the FNMA 30-year rate (60-day delivery) on the date of origination, plus 150 basis points (BPS);
- 3) Maximum Combined Loan-to-Value (CLTV): 99%. CLTV is the ratio of all loans compared to the appraised value of the property.
- 4) Any subordinate mortgages originated (in lieu of private mortgage insurance) must have the same interest rate as the first mortgage and must be fixed-rate loans for the entire term of the loan;
- 5) "Stated income" loans are not acceptable;
- 6) "Option" loans, wherein the borrower has the option of paying less than a fully amortizing principal and interest payment, are not acceptable, nor are any loans that would result in "negative amortization";
- 7) "Interest-only" loans, wherein the borrower has the option of paying only accrued interest on the loan, are not acceptable;
- 8) Prepayment penalties on first mortgages or subordinate mortgages are not acceptable;
- 9) Balloon payments on first mortgages or subordinate mortgages are not acceptable;
- 10) Total points and fees on any mortgage loan cannot exceed 5% of the total loan amount, including any yield spread premiums;
- 11) Any mortgage loan that results in a debt/income ratio for housing expense (including principal and interest payments on the first mortgage and any subordinate mortgages, property taxes, property insurance, and condominium or homeowner association fees) that exceeds 32% or is less than 25% (i.e. total housing expense divided by gross household income); OR any mortgage loan that results in a Combined Debt/Income ratio that exceeds 50% is not allowable by the program.

Subordination Guidelines:

The County may, in its sole discretion, subordinate a second mortgage issued under its Program. Such subordinations, however, must comply with the County's subordination guidelines which may be amended from time to time.

- 1) The borrower may not take any cash out. (The payment of credit card debt is considered cash.)
- 2) The borrower may roll into the new first mortgage only reasonable and customary closing costs associated with the refinancing. (This does not include points paid to buy-down the interest rate, but does include expenses such as the appraisal, credit report, and title charges.)
- 3) The new first mortgage principal balance cannot exceed the original first mortgage existing principal.
- 4) The borrower may refinance into a 15-year mortgage provided that they have the capacity to handle the higher payment. (Such situations will be reviewed on a case-by-case basis.)
- 5) The borrower must refinance into a fixed-rate mortgage.
- 6) The first mortgage lender must escrow taxes and insurance if the lender had been doing so prior to refinancing.
- 7) The County will not subordinate to home equity or reverse mortgage loans.

Kane County First-Time Homebuyer Loan Program

APPLICATION AND LOAN CLOSING PROCESS

Qualification

- Submit application with all required documentation. Note that the program evaluates HOUSEHOLD income, which includes the income of all household members that are 18+ years old.
- County staff will review complete applications; review will begin once all documents are submitted.
- If applicant meets the program requirements, a QUALIFICATION letter will be issued to the Applicant.
- The Applicant will also be provided with a copy of HUD's lead brochure "Protect Your Family from Lead in Your Home" before they begin their house search. Applicants are advised that all homes built prior to 1978 must undergo a visual lead inspection. Any home with peeling, flaking, and chipping paint is required to go through paint stabilization and a clearance test before the closing. This is discussed in further detail below.
- **It is imperative that you follow the steps outlined herein, and do not execute a real estate sales contract prior to authorization from the County for a purchase subject to this program.**

Once you have been QUALIFIED to receive assistance through the Program, you may proceed to complete the next steps in order to receive said funds at closing.

Step One: Program Area Verification

- A. Work with the Realtor of your choice to identify the home you wish to purchase, subject to program guidelines. Once you identify the home, and **BEFORE** entering into a contract, County staff must confirm it is located within the Program Area, and it is not located in the floodplain.
- B. Submit the Program Area Verification Form and County staff will respond within 24 hours on business days. Once you have received written confirmation from County staff you may proceed to Step Two.
**The Program Area includes all of Kane County (except the City of Aurora, and the Villages of Hampshire, Huntley, Hoffman Estates, and Montgomery), all of the City of Elgin (including that portion located in Cook County), all of the Village of Maple Park (including that portion located in DeKalb County), and all of the City of St. Charles (including that portion located in DuPage County).*

Step Two: Real Estate Contract

- A. In addition to the standard real estate contract document, you must include the following in your contract in order to be eligible for Kane County First-Time Homebuyer Loan funds:
 - i. Make sure you have at least a 5 business-day window to complete your inspections;
 - ii. Must specify a closing date at least 31 days from the date of contract execution; and
 - iii. Must include the **First-Time Homebuyer Loan Program Real Estate Sales Contract Rider** as part of initial contract/offer (dated same). **(Failure to include as part of contract will make the purchase ineligible for funds.)**
- B. Buyer real estate agent and attorney name, phone number and email should be listed on Real Estate Contract.
- C. Contract must be submitted to County immediately following execution in order for the County to begin its process (within 24 hours).
- D. Along with your contract, you must provide a copy of your dated Homebuyer Education Completion Certificate showing you have completed this requirement. **(Homebuyer Education course must be completed prior to contract execution)**.

Step Three: Kane County Property Inspection

NOTE: *The required inspections conducted by the County are not a replacement for an independent Home Inspection and may not be used as such.*

- A. The County must be provided access to the interior and exterior of the property to perform visual inspections for Housing Quality and Lead Based Paint – and these should be done during the contract inspection period. Please ensure that the contract includes contact information so that our staff may access the interior and exterior of the property to complete this required component of the process. **(Failure to allow County access for these required inspections will make the purchase ineligible for funds).**
- B. Once these inspections are completed, the County will provide a verification that the property has passed. If the property does not pass the inspections, you will also be notified as such. In that case, you will be notified of the remedies necessary to obtain a passing score. Note that the county will not be able to provide deferred loan funds unless/until the home passes the inspections.

Step Four: Documentation needed before scheduling a closing

- A. After the home has passed County inspections and all other inspections/negotiations are complete related to the contract, the following information/documents must be submitted to the County:
 - i. Name, Address, Telephone and Escrow number for Title Company/Closing Agent
 - ii. Lender contact person, telephone number, and email
 - iii. Copy of “well/septic” report (only if property is located in unincorporated Kane County) – generally, it is the seller’s responsibility to give you this report
 - iv. Copy of First Mortgage Lender’s Loan Estimate
 - v. Copy of First Mortgage Lender’s Commitment Letter
 - vi. Copy of First Mortgage Lender’s appraisal
 - vii. Copy of First Mortgage Lender’s Closing Disclosure
 - viii. Copy of Title Commitment from your First Mortgage lender
- B. The County will perform a final underwriting based on first lender documentation to ensure that monthly payments will be within the allowable range and finalize the loan amount and loan documents. (Please note that Kane County will require a title policy for its second mortgage loan).
- C. Kane County will then issue a Final Commitment Letter for the amount of the deferred loan.

Step Five: Set up closing date and purchase your home

- A. Kane County will provide a Second Mortgage and Note for you to sign at the closing, and the approved amount of funds in the form of a check will be issued to the title company.
- B. After the closing, the title company or closing agent that handles your closing must provide the County with the following documents from the closing:
 - i. Certified copy of First mortgage and Note
 - ii. Copy of your hazard/property insurance coverage
 - iii. Copy of the Settlement Statement (RESPA, HUD-1)
 - iv. Certified copy of the Kane County’s deferred mortgage
 - v. Original Promissory Note
 - vi. Executed Title Commitment for Kane County’s deferred mortgage

General Requirements related to Income Determination

These overarching requirements include how to determine whose income to count, anticipate and verify income, and compare income to HUD income limits.

Determining Whose Income to Count

Income determination regulations require that income of all household members be included in the determination of (adjusted gross) income.

Anticipating Income

The regulations at 24 CFR 92.203(d)(1) require that, for the purpose of determining eligibility for assistance, **the County must project a household's income in the future**. To do so, a "snapshot" of the household's current circumstances is used to project future income. In general, the County assumes that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary.

Verifying Income

The regulations at 24 CFR 92.203(a) require that the County determine income eligibility of applicants by examining source documents (such as wage statements or interest statements) as evidence of annual income. The County may develop its own verification procedures provided that it collects source documentation and that this documentation is sufficient for HUD to monitor program compliance.

Assessing Information

The County must assess all the facts underlying the income information collected. Below are some of the considerations it must take into account. The County should determine the basis on which employees are paid (hourly, weekly or monthly, and with or without overtime). An employee who gets paid "twice a month" may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year). For applicants whose jobs provide steady employment (e.g., 40 hours a week, 52 weeks a year), it can be assumed that there will only be slight variations in the amount of earnings reflected in monthly or bi-weekly pay stubs. In such cases, three consecutive months' worth of income documentation is an appropriate amount upon which to base a projection of income over the following 12-month period. For those whose annual employment is less stable or does not conform to a twelve month schedule (e.g., seasonal laborers, construction workers, teachers), the County examines income documentation that covers the entire previous twelve-month period. Such workers can experience substantial variations in earned income over the course of a year. As such, an examination of three months' worth of income documentation may not provide an accurate basis upon which to project the applicant's income over the following 12 months. In addition to hourly earnings, the County must account for all earned income. In addition to the base salary, this will include annual cost of living adjustments (COLAs), bonuses, raises, and overtime pay. In the case of overtime, it is important to clarify whether overtime is sporadic or a predictable component of an employee's income. If it is determined that an applicant has earned and will continue to earn overtime pay on a regular basis, the County calculates the average amount of overtime pay earned by the applicant over the pay period the PJ is using to calculate income eligibility (3 months or 12 months). This average amount is then to be added to the total amount of projected earned income over the following 12-month period.

Comparing Annual Income to Published Income Limits

Once household and income information has been established and verified, the County must compare the information to the appropriate HUD income limits to determine if the household is eligible for participation in the Program. To determine eligibility, the County must use a copy of the most recent HUD income limits, adjusted for family size and by geographic area (county or metropolitan area). The income limits are updated annually and are available through HUD offices or on the Internet at www.hud.gov.

Determining Household Size

The income limits are adjusted by household size; therefore, one of the first steps in determining eligibility is to determine the size of the applicant household. Some households may include persons who are not considered as family members for the purposes of determining household size and income eligibility, including: Foster children; Foster adults; Live-in aides; and Children of live-in aides. These persons should not be counted as household members when determining household size, and their income, if any, is not included when calculating annual income. A child who is subject to a shared-custody agreement in which the child resides with the household at least 50 percent of the time can be counted in the household.

Timing of Income Certifications

All households that receive assistance must be income-eligible at the time assistance is provided. Generally, the Program permits income verification dated no earlier than six months prior to receipt of assistance. Households must qualify as low-income at the time of occupancy or at the time funds are invested, whichever is later.