

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

To apply, Applicants must submit:

- **Complete Application form with signed certifications**
- **Required documents for each household member age 18 and over:**
 - Federal tax returns for the most recent past two years
 - Federal Tax Transcript issued by the IRS for most recent 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 most recent past two years
 - Disability, SSI benefit statements, or other statements to document income for the current or upcoming period
 - Pay stubs/Payment documentation covering the most recent past **60 days**
 - If self-employed, CURRENT 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
- ***PLEASE DO NOT submit ORIGINAL tax returns. We cannot make copies for you.***
- ***Documents submitted with your application will not be returned.***

Application submittal options:

- By email: ocr@co.kane.il.us
- By mail: FTHB Program Manager
Kane County Office of Community Reinvestment
143 First Street, Batavia IL 60510
- In Person to drop off documents BY APPOINTMENT: Weekdays, 8:30 am to 4:30 pm

When you submit your application with all requested documents, we will evaluate your eligibility for the program and email you to inform you as to whether you meet the program eligibility requirements. Contact **Program Staff** via email at ocr@co.kane.il.us if you have questions about the form.



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.

guidelines for Homebuyer Counseling. Please be aware that while taking an online course such as Framework can provide valuable information, online courses/group workshops do not complete the Homebuyer Counseling requirement – counseling must include customized services to the homebuyer. **Homebuyers will be required to provide a signed and dated certification from the Housing Counselor.** Any costs associated with completing housing counseling are the responsibility of the homebuyer. Homebuyers may work with the HUD certified counseling agency/counselor of their choice.

- *Local HUD-certified Housing Counseling agencies include:
 - The Neighbor Project (Aurora) (Contact Jerria at 630-906-9400 extension 123)
 - Consumer Credit Counseling Service of Northern Illinois (Elgin) (Contact Erika at 224-769-7440)
 - DuPage Homeownership Center (Wheaton) 630-260-2500
- **Please be sure to let the counselor know:**
 - You are seeking HUD-Certified Homebuyer Counseling to meet the requirements of Kane County’s First Time Homebuyer Loan Program – direct them to Karen Zilly (630) 444-3027 with any questions about the requirements
 - You will require a signed and dated completion certificate from the counselor

Monthly housing payment affordability:

To receive the Kane County second mortgage, the monthly housing payment, including Principal, Interest, Property Taxes, Property Insurance, Mortgage Insurance, and including any association fees (i.e. condo or homeowner association fees) (*front-end ratio or housing expense ratio*) must be between **25% to 32%** of the total household monthly income as determined by Kane County. If the first mortgage housing payment is less than 25% of your household monthly income, your second mortgage from Kane County will be reduced to amount that brings your first mortgage housing payment to 25% of your total household monthly income. In the event that your first mortgage payment is over 32% of your household monthly income, Kane County will not be able to provide assistance and will cancel your qualification for a second mortgage.

- The Homebuyer Qualification Letter will clearly state Kane County’s household income determination, as well as the calculation of 25% and 32% of the household’s income.

Monthly overall debt liability:

To receive the Kane County second mortgage, the monthly housing payment, including Principal, Interest, Property Taxes, Property Insurance, Mortgage Insurance, and including any association fees (i.e. condo or homeowner association fees) plus other monthly debt payments (*back-end ratio or debt-to-income ratio*) must not exceed 50% of the total household monthly income, as identified by the first mortgage lender. In the event that your back-end ratio or debt-to-income ratio is over 50% of your household monthly income, Kane County will not be able to provide assistance and will cancel your qualification for a second mortgage.

Homebuyer asset review and cash reserve evaluation:

The homebuyer must provide a copy of their First Mortgage loan application in order for the County to review assets and cash reserves to: 1.) assist in determining the amount of assistance to be offered, and 2.) ensure the homebuyer has cash reserves to address unanticipated emergencies or issues without impacting ability to stay current with housing payments.

Downpayment:

Not including any assistance provided by the County through this program, 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.*)

Maximum home purchase price: (effective 6/1/2021)

Existing home: \$240,000; New Construction home: \$272,000

- 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.
 - 5) Inspection/Re-inspection: If the home does not pass the initial County inspection (i.e. within the 5-day period following contract execution), any re-inspections necessary after repairs have been made may delay the availability of funds.

Kane County Loan/Disclosures:

- 1) To the homebuyer, Kane County may provide a second mortgage for a maximum of \$10,000 to cover down payment (and may include reasonable and customary closing costs), subject to all other qualification limitations contained in these guidelines. If the home purchased is located within the city limits of St. Charles, an additional up to \$10,000 may be provided. The amount of the loan will be finalized after evaluation of the homebuyer's monthly debt liability, homebuyer asset review and cash reserve evaluation.
- 2) The Kane County second mortgage is a 0% deferred-payment loan. This second mortgage is NOT A GRANT and is NOT A FORGIVABLE LOAN. It is a **DEFERRED PAYMENT LOAN** - it will be due when 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 of one of these events, out of net proceeds.
- 3) At closing, Kane County will provide funds for the loan, as well as a Mortgage and Promissory Note for signature by Homebuyer.
- 4) Kane County's assistance will be secured by a mortgage, which must be recorded with the applicable County Recorder. **The buyer is responsible for title fees/charges and the cost associated with document recording (contact your title company regarding applicable fees and charges).**
- 5) Recapture policy to meet HUD guidelines: The first 5-years of the deferred loan term will satisfy HUD's required affordability period. The deferred loan term will then continue, with the loan due when 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, out of net proceeds.

Title insurance:

Kane County does not require a title policy for its second mortgage loan, however it is required that the First Mortgage Lender's Title Commitment include in Schedule B the mortgage from borrower to Kane County Office of Community Reinvestment, securing the principal amount of the loan.

Hazard insurance:

Prior to or at closing, homebuyer must provide proof of hazard insurance with Kane County as a Mortgagee, "Kane County, by and through its Office of Community Reinvestment, its successors and/or assigns, 143 First Street, Batavia Illinois 60510".

First Mortgage Structure. Financing must comply with 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. Kane County's 0% deferred loan is a LOAN, and shall be considered in the calculation of the CLTV; Kane County's Loan is NOT A GRANT.
- 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.
- 12) The homebuyer is not allowed cash back at closing. Payment of any other debt at closing is not allowed.

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, not including closing costs discussed in line number two, 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.



This step MUST be completed prior to the date of a Real Estate Contract - if not, the home purchase will not be eligible for loan assistance

Step Four: Real Estate Contract

- 1) 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. 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 upon verification that the property is within the eligible Program Area. The Rider must be made a part of the executed contract and dated same. **This means that the Buyer must SIGN and DATE the Rider and submit it to the Seller as part of the signed and dated offer/contract initially presented to the Seller. Failure to include this rider in the initial contract offer will make the project ineligible for First-Time Homebuyer Loan funding.**
 - ii. Make sure you have at least a 5 business-day window to complete your inspections;
 - iii. Must specify a closing date at least 35 days from the date of contract execution; and
- 2) Buyer real estate agent and attorney name, phone number and email should be listed on Real Estate Contract.
- 3) Contract must be submitted to County immediately following execution in order for the County to begin its process (within 24 hours).
- 4) Homebuyer must provide proof that you have completed the Homebuyer Counseling requirement by submitting documentation from the HUD-certified Housing Counselor, showing that it was completed prior to the execution of your Real Estate Contract.
- 5) Homebuyer must also provide a copy of their application for First Mortgage application for review of the Homebuyer's overall debt liability.

Step Five: 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.

- 1) 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.**
- 2) Once these inspections are completed, the County will provide a verification letter 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.
- 3) If deficiencies are identified, they must be corrected and verified with a re-inspection scheduled with the County.

Step Six: Documentation needed for County to make funds available

- 1) After the home has passed County inspections, the County staff will begin to prepare for closing. Title Company/Closing Agent information and escrow file number must be submitted to the County as soon as possible in order for the funds to be requested.
- 2) Once the County receives this information (if new "Vendor" to County's financial system, Title Company must complete a Vendor Packet), the County will process funds for closing.

Step Seven: Documentation needed to obtain Final Commitment / Clear to Close from Kane County

- 1) The following information/documents must be submitted to the County:

- i. Copy of homebuyer's First Mortgage loan application
 - ii. Copy of First Mortgage Lender's Loan Estimate
 - iii. Copy of First Mortgage Lender's Commitment Letter
 - iv. Copy of First Mortgage Lender's Appraisal
 - v. Copy of First Mortgage Lender's Closing Disclosure
 - vi. Copy of property/hazard insurance including Kane County as a mortgagee: "Kane County, by and through its Office of Community Reinvestment, its successors and/or assigns, 143 First Street, Batavia IL 60510"
 - vii. Copy of First Mortgage Lender's Title Commitment showing in Schedule B the mortgage from borrower to Kane County Office of Community Reinvestment, securing the principal amount of the Kane County loan
- 2) The County will perform a final underwriting based on first lender documentation and ensure monthly payments are within allowable range and finalize loan amount and documents.
 - 3) Kane County will then issue a Final Commitment Letter for the amount of the deferred loan.

PLEASE NOTE THE FOLLOWING WHEN PREPARING FOR CLOSING/FINALIZING FIGURES:

- The buyer is responsible for the cost associated with the Kane County mortgage document recording (contact your title company regarding applicable fees and charges)
- When using First Time Homebuyer funds, the County does not allow a homebuyer to receive cash back at the closing.

Step Eight: Purchase your home

- 1) Kane County will issue closing instructions to the Title Company, with the required documents for signature (Kane County Mortgage and Note), and a CHECK for the approved amount of funds. The County will NOT wire funds to a closing. *According to 215 ILCS 155/26)(c)(6), Kane County funds are considered "Good funds" and therefore funds in the form of a CHECK are acceptable.*
- 2) 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 the Kane County's Mortgage (original after recording)
 - ii. Original executed Kane County Deferred Payment Note
 - iii. Copy of the executed Final Master Settlement Statement for the property purchase
 - iv. Certified copy of First Mortgage and Note

Step Nine: ENJOY YOUR NEW HOME!

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

AFFIDAVIT CONCERNING HOUSEHOLD SIZE, INCOME AND ELIGIBILITY

Applicant Name(s): _____

Please read these statements and complete the blanks before signing. I (We) hereby state the following:

- A. That in order to determine my eligibility for the First Time Homebuyer Deferred Loan Program, Kane County needs information about my household size and members; and
- B. I (we) do not currently own a home, nor have I (we) owned a home within the past three years;
- C. I (we) currently live (or work full-time) in the Kane-Elgin Consortium Area, and have done so for at least one year leading up to the date of this application;
- D. The number of members constituting the household that will live at the property is: _____. The list of household members is provided below;
- E. **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.
- F. I understand that in order to qualify for this program my household income as determined through this application process must not exceed the levels below as adjusted by household size;

Household Size	1	2	3	4	5	6	7	8+
Maximum Household Income <i>(effective 6/1/21)</i>	\$52,200	\$59,650	\$67,100	\$74,550	\$80,550	\$86,500	\$92,450	\$98,450

- G. List all household members including applicant *(list everyone who will be living in the home regardless of whether they will be listed on the deed/mortgage):*

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

Total # of Household Members:		Maximum income for household size listed:	
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Financial Information:

A. Has the Applicant ever filed for a bankruptcy? Yes No If YES, provide the date discharged:

B. Do you currently owe any federal, state or local tax debts? Yes No
If YES, please explain:

By signing this application below, I (we) acknowledge that:

- I (we) have reviewed the Program Guidelines and understand that failure to follow the steps outlined therein will make the home purchase ineligible for financing under this program.
- I (we) have reviewed the Application and Loan Closing Process document and understand that failure to follow steps as outlined will make the home purchase ineligible for financing under this program.
- I (we) understand that this is not a grant program, and any funds/financing received will be repaid
- Any documents submitted will not be returned

By: _____
Print Applicant Name

Print Co-Applicant Name

Applicant Signature

Co-Applicant Signature

Date: _____

In addition to signing this page, all adult household members must also sign the Program Eligibility Release form

PLEASE COMPLETE THIS PAGE FOR THE PRIMARY APPLICANT

Adult 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.	<input type="checkbox"/> Owned <input type="checkbox"/> Rented
2.	<input type="checkbox"/> Owned <input type="checkbox"/> 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
Other income (i.e. 2 nd job, disability income, SSI, etc.) - 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.	

These items are required as part of your submittal.

- Federal tax returns for the past two years (***please do not submit Illinois State Tax Returns***)
- Federal Tax Return Transcript issued by the IRS for past two years (see 1st page for instructions)
- W-2s for the past two years (and 1099, SSI statements, etc.)
- Most recent pay stubs covering the past 60 days (i.e. if you get paid every 2 weeks, you must attach your most recent 4 pay stubs; if you are paid weekly, 8 pay stubs, etc.)
- Other income documentation covering the past 60 days

**** Failure to submit required information will delay the application review process****

