

**KANE COUNTY**  
**FORECLOSURE REDEVELOPMENT PROGRAM**  
**Mortgage Guidelines**

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An applicant for the purchase of Kane County Foreclosure Redevelopment Program home must provide proof of pre-approval for first mortgage financing at the time an offer to purchase the home is submitted. While the purchaser may receive first mortgage financing from the financial institution of their choice, the financing must comply with guideline stated below:

1. Interest rates on first mortgages cannot exceed the FNMA 30-year rate (60-day delivery) on the date of origination, plus 250 basis points (BPS);
2. First mortgages must be fixed-rate loans for the entire term of the loan; (a 5/1 or 7/1 Adjustable Rate Mortgage is allowable with prior approval from Kane County)
3. Any subordinate mortgages originated (in lieu of private mortgage insurance) must comply with the requirements of the program and specifically cannot result in a combined loan-to-value (CLTV) in excess of 95% of the purchase price;
4. Any subordinate mortgages originated (in lieu of private mortgage insurance) must be at no more than the same interest rate as the first mortgage;
5. Any subordinate mortgages originated (in lieu of private mortgage insurance) must be either fixed-rate loans for the entire term of the loan;
6. "Stated income" loans are not acceptable;
7. "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";
8. "Interest-only" loans, wherein the borrower has the option of paying only accrued interest on the loan, are not acceptable;
9. Prepayment penalties on first mortgages or subordinate mortgages are not acceptable;
10. Balloon payments on first mortgages or subordinate mortgages are not acceptable;
11. Total points and fees on any mortgage loan cannot exceed 5% of the total loan amount, including any yield spread premiums;
12. 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) is not allowable by the NSP program. (20% is allowable in the Village of Carpentersville which is designated a Difficult to Develop area.)

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**Subordination Guidelines**

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The County may, in its sole discretion, subordinate a second mortgages issued under its Foreclosure Redevelopment Program. Such subordinations, however, must comply with the following guidelines:

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 additional 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.
8. The County will subordinate to home improvement loans if the homeowner provides written documentation of the improvement to the County's satisfaction.