

# Home Start Program Training Webinar Rev. 7/21/09



# What Will Be Covered In Today's Session

- ◆ Program Description
- ◆ Program Qualifications



**IHDA's Home Start Program is a two mortgage FHA insured program designed to take advantage of the federal \$8000 tax credit to purchase a home**

- ◆ **First Mortgage: Max LTV of 96.5%**
- ◆ **Second Mortgage: 3.5% of the purchase price of the up to a max of \$6000 for down payment. The rate will be 0% until June 30<sup>th</sup> 2010. If not paid in full by that date it will become a ten year amortizing loan with a rate that is .50% higher than the rate on the first. The first payment would start August 1<sup>st</sup> 2010.**



# Example

- |                                  |           |
|----------------------------------|-----------|
| ◆ Purchase Price:                | \$120,000 |
| ◆ Maximum Loan Amount            | \$115,800 |
| ◆ Down Payment required by FHA:  | \$4,200   |
| ◆ Up-front FHA Insurance Premium | \$2,026   |
| ◆ Estimated Closing Costs        | \$2,000   |
- ◆ The total LTV for this program cannot exceed 96.5%.

**Sellers can pay closing costs, but a minimum contribution of 1% or \$1000 (whichever is greater) must come from the buyer's own funds. (does not include prepaids)**



# Other Program Features

- ◆ Home Start is available statewide.
- ◆ Homebuyer education is mandatory: Education can occur through an HUD approved counseling agency or online through a mortgage insurance company training module.
- ◆ Loans must close within 90 days after reservation or November 30, 2009 whichever comes first.
- ◆ Homebuyers may utilize the first mortgage without the second, but the second mortgage if utilized must be attached to the IHDA first mortgage. The 2<sup>nd</sup> mortgage loan is due in full upon payoff or refinancing of the first mortgage.
- ◆ If a buyer uses the IHDA second mortgage, then that buyer cannot utilize any other IHDA loan products (HOME, Trust Fund MCC etc). If the buyer only uses the first mortgage then they cannot use the MCC program, but can use IHDA's trust fund and Home programs if available.
- ◆ Home Start can be used in conjunction with other down payment and closing cost assistance programs. However any mortgages resulting from these programs must be in a subordinate position to IHDA's 1<sup>st</sup> and second mortgage.
- ◆ A \$300 fee is charged at closing and is paid to IHDA if the buyer utilizes the second mortgage. IHDA will rebate \$100 to the buyer if the buyer pays off second mortgage by June 30<sup>th</sup> 2010.



# Home Start Program Qualifications



**Like our MRB qualifications the home start program has three basic qualifications which are:**

- 1. Buyer(s) must be first time homebuyers.**
- 2. Household income must be under income limits.**
- 3. The property must be under our purchase price limits.**



## Qualification #1 Buyer(s) must be first time homebuyers

- ◆ **First Time Home Buyer Definition: Someone who hasn't owned their principal residence within the last three years.**
- ◆ **If the buyer has a spouse who is not going on the loan, that spouse must meet the first time home buyer requirement as well.**
- ◆ **Veteran's and Active Duty Service Personnel and their spouses are exempt from the first time homebuyer requirement.**
- ◆ **Targeted area exception does not apply for the Home Start program.**



## Qualification #2 Buyer(s) must fall under the income limits

- ◆ IHDA will count income from all sources for the Home Start Program.
- ◆ Gross Base income will be projected forward twelve months\*

*Example:                      June 30 2009 Gross Base income \$25,000  
\$25,000 divided by 6 months= \$4167  
\$4167 times 12 equal = \$50,000*

- ◆ Overtime, Bonuses etc are generally averaged over a two year period\*

*Example:                      June 30 2009 YTD OT:                      \$6000  
2008 OT:    \$8000  
\$14,000 divided by 18=                      \$778  
\$778 multiplied by 12=                      \$9333 2yr OT average*

**\*Please note: The above are general formulas for reviewing files, individual files may require different calculations**



## Qualification #2 Income continued

- ◆ Income will be calculated from every person in the household over 18 years of age. *Note: This is substantially different from our calculations for IHDA's standard 1<sup>st</sup> time homebuyer calculations.*
- ◆ The income of spouses who are not going on the loan will be counted as well.
- ◆ Targeted area income limits will not apply for this program.



## Qualification #2 Income continued

- ◆ **There are two sets of income limits for the program entitled Home Start Program Pool A and Home Start Program Pool B.**
- ◆ **Pool A is for households with incomes less than 80% of area median income.**
- ◆ **Pool B is for households with incomes greater than 80% of the area median income.**
- ◆ **The income and purchase price limits can be found at [IHDA.org](http://IHDA.org)**



# Pool B Limits

- ◆ These limits are designed for those whose income exceed 80% of the area median income, but less than IHDA's MRB bond program.

Example: 2 person household in Champaign makes \$44,000 which is more than the below 80% income threshold but under IHDA's MRB income limits of \$69,400. Therefore loan would be reserved under Pool B.



# Qualification #3 Property Limits

- ◆ Only existing one unit properties such as condos, single family homes, and townhomes qualify. The unit must be permanently affixed to the foundation.
- ◆ Targeted area purchase price limits will not apply for this program.
- ◆ The property must close by November 30 2009.



# Underwriting

Loans will be underwritten to FHA Standards with certain caveats:

- ◆ Minimum Fico Score: 660
- ◆ Back End Ratio: 41%
- ◆ Total LTV cannot exceed 96.5%.
- ◆ The second mortgage P and I payment must be factored into the ratio calculations

