



DOWN PAYMENT ASSISTANCE PROGRAM 2012- Program Guidelines

FINANCIAL GUIDELINES

- The funds can be used for down payment assistance [up to \$10,000] and closing costs [up to \$500], for total grant assistance of \$10,500 per applicant.
- The funds will be provided as a forgivable grant to the homebuyer.
- The homebuyer must contribute \$1,000 in earnest money.
- Client's housing debt-to-income ratio cannot exceed 35%. Client's total debt-to-income ratio cannot exceed 41%.
- The affordability period/recapture restrictions on the grant will still be 5 years from date of property closing. The City will record a Deed Restriction to secure the 5 year period for the HUD HOME entitlement grant funds. IHDA will record a Recapture Agreement to secure the 5 year period for the Trust Fund grant. The City and IHDA 5 year period will run parallel with one another. The expense of recording the IHDA Recapture Agreement will be the responsibility of the applicant and will be payable at closing.
- If resale of the assisted property occurs during the 5 year period, the applicant will owe back a portion of the grant to the City at time of resale.
- The assistance will only be provided on purchases that meet the following criteria:
 1. The mortgage interest rate cannot be more than 3% higher than the current prime rate at date of Good Faith Estimate.
 2. The loan origination fee charged by the lender cannot exceed 2.5% of the total purchase price.
 3. The purchase price of the property cannot exceed the appraised value of the property.
 4. Property taxes and homeownership insurance must be escrowed during the 5 year period.

CLIENT GUIDELINES

- The applicant household must meet the HUD income guidelines.
- The applicant must occupy the property as their principal residence during the 5 year period.
- The applicant must complete an approved homebuyer education program prior to applying for down payment assistance. Contact the City for course information.
- The applicant must be pre-approved by a lender of his/her choice before applying for down payment assistance.
- The applicant must be a first-time homebuyer.

PROPERTY GUIDELINES

- The property must meet minimum City Housing Code.
- **The property must be free of deteriorated paint.**
- The property must be single-family (either attached or detached) located in the City of Peoria.

APPLICATION PROCESS

- Applicants must complete 1) a City application, 2) obtain pre-approval from a lender, 3) complete the homebuyer education and 4) provide all necessary demographic and income information as required by HUD, as noted on the Application. If all application requirements are met, the applicant will receive an Eligibility Letter. This Letter does not guarantee assistance, only the ability to proceed beyond the application process.
- Eligible applicants must present the City with an accepted sales contract, that includes the "Notice to Seller" form. The sales contract must allow at least a 30 to 60-day period before closing.
- Upon receipt of an accepted sales contract, the applicant, in coordination with the property seller, must arrange for an inspection by the City to determine if the property meets City code. It is the responsibility of the buyer or seller to remediate all City code violations. **If the City Inspector finds cracked, peeling, missing paint on the property, the home is not eligible for assistance under this program.**
- Upon receipt of a passed City Inspection, the applicant will receive a Letter of Commitment contingent upon all of the remaining program criteria being met.
- The applicant should secure permanent financing with the understanding that all requirements listed in the sales contract and in the program guide must be met.
- The City will complete the HUD required Environmental Assessment of the property during the period before the closing.
- Upon successful completion of all program requirements, the grant funds will be wire transferred to the closing.

