

The Illinois Home Start Loan Program

Home Start 30 year Fixed Rate Loan Home Start Tax Credit Advance Loan

Purpose

To assist Illinois first-time homebuyers in need of down payment assistance, to access funds on a short-term basis in anticipation of the federal income tax credit for first-time homebuyers. This program helps borrowers take advantage of the \$8,000 Federal Tax Program that expires November 30, 2009. Without this program, these borrowers would not be able to take advantage of historically low interest rates, along with home prices that have declined 20% to 40% in recent months.

First Mortgage Description

The first mortgage program will be a 30 year fixed rate amortizing loan insured by FHA. This loan can be used without the Tax Credit Advance loan. The loan will be serviced by U.S. Bank Home Mortgage. Underwriting terms are listed below. The first mortgage program is designed to continue past November 30, 2009 based on market conditions.

Second Mortgage Description

The Tax Credit Advance Loan will be secured by a second mortgage on the home. The loan will not accrue interest for the initial period which is through June 30, 2010. An administrative fee of \$300 will be charged. The Tax Credit Advance Loan will only be issued with an Illinois Home Start 30 year fixed rate loan.

Within the initial period, borrowers will file their tax return requesting their federal tax credit. This tax credit can be used to repay the tax advance loan. If the loan is not re-paid by June 30, 2010, then the remaining loan amount becomes a ten year amortizing loan at ½% above the rate on the Illinois Home Start 30 year loan, and the loan will be serviced by U.S. Bank Home Mortgage. This program is scheduled to end November 30, 2009. All loans must be closed by that date. The Illinois Housing Development Authority reserves the right to terminate the program prior to the scheduled end date.

Program Requirements

Eligibility:

Home Start 30 year – must qualify based on FHA loan guidelines as well as IHDA's current program guidelines.

Tax Credit Advance Loan – must qualify and secure a **Home Start 30 year mortgage**.

Loan amount:	<p>Home Start 30 year - is based on IHDA's program guidelines posted on the website: IHDA.org.</p> <p>Tax Credit Advance Loan - 3.5% of purchase price with a maximum loan amount of \$6,000. This loan is to be used towards the down payment.</p>
Borrower's investment:	Borrower must contribute 1% of the purchase price to the transaction.
Exclusions:	Other IHDA HOME Funds, Trust Fund assistance or other programs as deemed by IHDA may not be used in this transaction when securing a Tax Credit Advance Loan .
Occupancy:	Property must be occupied as the borrowers' primary residence within 60 days of closing. Borrower must maintain occupancy for the life of the loan. The IRS requires a rebate of the federal tax credit if residency is not maintained for 36 months.
Fee:	Tax Credit Advance Loan - \$300 paid at closing. This may be netted out of proceeds of the tax advance loan. \$100 will be refunded if the loan is paid in full by June 30, 2010.
Loan Term:	Tax Credit Advance Loan - 0% through June 30, 2010. If there is an unpaid balance at that date, it then becomes a ten year amortizing loan with a rate of the first mortgage plus ½%.
Eligible property:	Existing 1 unit, single family properties.
Underwriting:	Must include 2 nd mortgage payment in total housing expense ratio. The income certifications and other required documents will be reviewed by the IHDA Compliance Officers.
FICO:	660 minimum
LTV:	96.5%
CLTV:	100%

Ratios:	41% Back-end debt to income ratio ¹ .
Purchase eligibility:	Tax Credit Advance Loan – must close within 90 days of reservation or November 30, 2009, whichever is shorter.
Prepayment:	The 2 nd mortgage loan is due in full upon payoff or re-finance of the first mortgage.
Mortgage Credit Certificates:	Not eligible with this program.
Servicing:	U.S Bank Home Mortgage will service both loans.
Homebuyer Education:	Homebuyer education is required prior to closing the loan.

¹ The back end ratio, also known as the total expense ratio indicates the percentage of household income that is used to pay all recurring debt payments. These expenses include all housing expenses described above as well as payments for other debts including car loans, credit cards, student loans, child support, alimony, and other legal judgments. Also included will be payments that may occur on the tax advance loan if it is not repaid by June 30, 2010.