



POLK COUNTY  
**HOUSING  
TRUST FUND**

Basic Needs | Powerful Solutions

## **Down Payment and Closing Costs Assistance for Qualified Buyers**

### **POLK COUNTY HOUSING TRUST FUND (PCHTF) FORECLOSED PROPERTY FORGIVABLE LOAN PROGRAM**

PCHTF funding is now available to buyers of foreclosed properties throughout Polk County who are purchasing directly from banks or developers and who will OCCUPY the purchased property. Realtors may also access the program on behalf of buyers, as long as the property has been foreclosed and the buyer will occupy it.

#### **Who is eligible?**

A buyer whose household income is between 60% and 80% of area median, will reside in the home being purchased and meets the other application criteria. 80% of area median for a family of four is \$59,600.

#### **When does it apply?**

PCHTF will subordinate a forgivable mortgage loan to a first mortgage for an eligible borrower under these circumstances:

- The mortgage is for a fixed rate and for a fixed term of 30 or less years.
- The Front Debt Ratio\* does not exceed 30% of gross monthly income and the Back Debt Ratio\* does not exceed 38% of gross monthly income.
- The combined monthly housing expense includes monthly payments for taxes and hazard insurance. If the homeowner pays an annual insurance premium, proof of payment must be provided within, or in addition to, the HUD 1. If there is tax abatement, the monthly housing expense figure must include an estimate of what the monthly taxes will be once the abatement has ended.
- If repairs and rehabilitation are needed, there is an agreement to meet the requirements of the applicable city construction code and to secure the necessary permits and inspections.
- PCHTF will only subordinate to a second mortgage if the mortgagee is a public funder, such as the City of Des Moines.
- A five-year lien will be filed against the property, of which 1/60 of the total is forgiven at the end of each full month the owner resides in the home.
- A Retention Document will be in effect until the end of the five-year term to assure that the home remains affordable to owners who are low and moderate income.

PCHTF will not subordinate to:

- An adjustable rate or interest-only mortgage
- A second mortgage or home equity line of credit
- A reversible mortgage.

In cases of homebuyers who receive a forgivable loan under this program, the PCHTF will subordinate to a first mortgage that is refinanced later under the following conditions:

- The request is for an equal or lower fixed rate and fixed term with no cash out and no debt consolidation and the amount refinanced equals the home loan balance plus closing costs.

- Refinancing for an equal or lower fixed rate and fixed term with home improvements under \$10,000 must include a plan for home improvements. Any amount more than \$10,000 must be escrowed and managed by the lender and include a plan for home improvements.

**How much does it cost?**

The fee is \$375 per loan. Funding is up to \$10,000 per property, based on the buyer’s total household income and need.

**2011 HUD Percent Median Income for Des Moines MSA/Polk County**

2011 HUD% Median Income for DSM-WDM MSA (Issued May 2011)			
Family Size	60%	80%	100%
1	31,320	41,750	52,150
2	35,760	47,700	59,600
3	40,260	53,650	67,050
4	44,700	59,600	74,500
5	48,300	64,400	80,460
6	51,900	69,150	86,420
7	55,440	73,950	92,380
8	59,040	78,700	98,340

**\*DEFINITIONS**

**Front Debt Ratio** is calculated Combined Monthly Housing Expense or Principal, Interest, Taxes and Insurance/Gross Monthly Income.

**Back Debt Ratio** is calculated as Combined Monthly Housing Expense Combined Monthly Debt which includes consumer credit debt, student loan, and medical expenses/Gross Monthly Income.

Single family is defined as one dedicated unit or, four or less, side-by-side attached units.

**"THE FUND"  
Down Payment and Closing Costs Program**

**General Program Description:** The purpose of this program is both to reduce the number of vacant, foreclosed homes and to stimulate single family home purchasing activity in low and moderate income census tracts by homebuyers with incomes up to 80% of Median Family Income for the 2011 HUD% Median Income for DSM-WDM MSA. The homes being purchased must be vacant properties that were foreclosed and owned by lenders or servicers.

Single family is defined as one detached unit or, four or less, side by side attached units.

There are two components to this program: 1) closing costs assistance and 2) down payment assistance. For the purposes of clarity each component will be addressed separately in describing the program. With these resources, we will be able to provide assistance to single family homebuyers, limited only by the amount available in *The Fund*.

This Program will be offered to qualifying homebuyers seeking first mortgage loans in conjunction with the PCHTF Foreclosed Property Forgivable Loan Program.

<b>THE FUND</b>	<b>Closing Costs Assistance</b>	<b>Down Payment Assistance</b>
<b>Home Purchaser Eligibility</b>	Any home purchaser who will reside in low-moderate income census tracts in Polk County.	Any home purchaser who is low-income who resides in Polk County.
<b>Income Eligibility</b>	At 80% of MFI or below (\$59,600 for Family of 4)	At 80% of MFI or below
<b>Qualifications for Assistance</b>	Underwriting Guidelines of Bank utilizing only Prime Lending	Income eligibility guidelines published annually by HUD
<b>Maximum Amount of Assistance Available</b>	Up to a maximum of \$1,000.00 to cover the cost of fees associated with homeownership, such as, but not limited to: Appraisal, Abstract, Title Opinion, Origination Fee, etc.  The purchase of Mobile Homes is <b>not</b> covered under this program. Manufactured or modular homes <b>are</b> included in this program.	Home purchasers will be eligible for down payment assistance on the following basis: INCOME: 70-60% of MFI eligible for \$3,000.00 71-80% of MFI is eligible for \$2,000.00  This amount may be used to reduce the affordability gap.

### Administration of the Program

Participating Lenders: <ul style="list-style-type: none"> <li>▪ Take the application and pre-qualify potential homeowner</li> <li>▪ Verify that the information provided is true and correct and apply their own lending standards</li> <li>▪ Notify PCHTF and provide a copy of the application and income related verification</li> <li>▪ Indicate amount applicant is to receive for down payment and/or affordability equity assistance.</li> <li>▪ Complete process of loan origination</li> <li>▪ Complete Final HUD 1 and send to PCHTF</li> <li>▪ Close Loan.</li> </ul>	Polk County Housing Trust Fund: <ul style="list-style-type: none"> <li>▪ Verify that the address is included in the program list</li> <li>▪ Receive completed application and determine the amount of assistance based upon the income guidelines</li> <li>▪ Notify lender with letter regarding the amount of assistance to be granted as equity</li> <li>▪ Record name and address of homeowner on a database to track assistance earmarked for a potential homebuyer</li> <li>▪ After receipt of Final HUD 1 and date of closing, generate a check to be presented at the time of closing.</li> </ul>
Loans must be fixed rate and for a fixed term of 30 or less years	Liens Filed: PCHTF 5-year lien only - not for <i>The Fund</i> assistance/gift.
Lenders may not exceed <b>30%</b> front debt ratio or <b>38%</b> back debt ratio; or should use the lesser of these, depending on loan type requirements.	If tax abatement is provided, lenders should calculate monthly PITI, including 1/12 of annual taxes-- estimated at full amount after the tax abatement ends.
<b>For More Information Contact:</b> Polk County Housing Trust Fund 108 3 <sup>rd</sup> Street, Suite 350 Des Moines, IA 50309 515-282-3233	<b>Polk County Housing Trust Fund</b> Eric Burmeister, Executive Director Lori Kauzlarich, Associate Director 515-282-3233

These funds can be matched with those of other eligible programs.