



**Illinois Housing  
Development Authority**

# **Habitat for Humanity: Community Impact Fund—Round 4 Program Manual**

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# I. Introduction

## Illinois Affordable Housing Trust Fund

Since established in 1989, the Affordable Housing Trust Fund has been one of Illinois' most important resources to finance the creation and preservation of safe and affordable homes for working families.

At a time when the need for homeownership opportunities and affordable rental housing is greater than ever before, advocates continue to look to the Illinois Affordable Housing Trust Fund as a solution. Since its inception, the Trust Fund has been a flexible source of gap financing crucial to developers, non-profit organizations, municipalities, and homeowners across the state to finance affordable homes for income-eligible families.

While program eligible applicants cannot apply directly to the Illinois Housing Development Authority (IHDA) for Trust Fund financing, organizations interested in expanding affordable housing throughout the state can apply for funding to provide funds to program eligible applicants.

Though many of the process steps can appear complex and challenging, thoughtful design considerations and establishment of a clear step-by-step approach to implementation will enable you to create a well-run, effective program that is consistent with state requirements and local initiatives. As the agency administering the Illinois Affordable Housing Trust Fund, IHDA stands prepared to assist you in this process. This Habitat for Humanity – Community Impact Fund Manual has been developed as part of this assistance.

## Habitat for Humanity – Community Impact Fund

The Illinois Housing Development Authority's Habitat for Humanity – Community Impact Fund Program assists homebuyers with down payment funds which serve as an affordability subsidy to buy down the sales price to ensure the mortgage does not exceed 30% of gross monthly income.

## A. Program Manual

IHDA has developed this Program Manual to assist Habitat for Humanity of Illinois (the “Grantee”) with the effective development and implementation of the Community Impact Fund Program. The Manual has been prepared in order to promote the following objectives:

- Clarify program roles for all program partners.
- Use funds in accordance with program guidelines.
- Expend funds in a timely fashion.
- Minimize future program/project problems.

### IHDA Assistance

For further information regarding the Habitat for Humanity – Community Impact Fund, contact the Community Affairs Department:

Illinois Housing Development Authority  
Community Affairs Department  
111 E. Wacker Drive, Suite 1000  
Chicago, Illinois 60601

Main E-mail: [TFCInfo@ihda.org](mailto:TFCInfo@ihda.org)  
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## Organization of the Program Manual

IHDA has produced this Program Manual to give Habitat for Humanity of Illinois, Habitat for Humanity of Northern Fox Valley and their Local Affiliates (“Program Partners”) sufficient information to get program activities off to a fast and proper start. The Program Manual includes “best practice” tips on program implementation and sample program forms. While the Manual attempts to cover all issues and considerations critical to Program Partners, it is not intended to replace a full study of state and federal regulations, procedures, or due diligence by the Grantee.

The Program Manual structure is summarized below:

- **Chapter 1: Introduction** – This chapter identifies key players and provides an overview of the Program Manual.
- **Chapter 2: Eligibility and Assistance** – This chapter details key program requirements concerning eligible participants, available assistance, and terms of assistance for the Community Impact Fund Program.
- **Chapter 3: Habitat for Humanity of Northern Fox Valley** – This chapter describes the responsibilities of HFH Northern Fox Valley as Delegated Grant Administrator.
- **Chapter 4: Habitat for Humanity Local Affiliates** – This chapter outlines the responsibilities of the HFH Local Affiliates.
- **Attachments** – This section includes forms and other documents referenced throughout this Program Manual.

## B. Program Partners

### **Habitat for Humanity of Illinois (HFH Illinois), the “Grantee”**

Habitat for Humanity of Illinois’ role in the Community Impact Fund Program is to be the Grantee. HFH Illinois is a state association/board comprised of HFH local affiliates and executive directors who volunteer their time and expertise to support HFH local affiliates across the state. HFH Illinois will enter into a Delegation Agreement with Habitat for Humanity of Northern Fox Valley to share some of the program grant responsibilities.

### **Habitat for Humanity of Northern Fox Valley (HFH Northern Fox Valley), the “Delegated Grant Administrator”**

Habitat for Humanity of Northern Fox Valley is both an affiliate and the Delegated Grant Administrator of the Community Impact Fund Program for HFH Illinois. In their role as an affiliate, HFH Northern Fox Valley will manage the grant funds for their affiliates as well as have their applicants. As Delegated Grant Administrator, HFH Northern Fox Valley represents HFH Illinois, reviews all local affiliates’ documents, and closing packages, markets the program, answers questions and provides guidance to Illinois local affiliates. HFH Northern Fox Valley will also report the progress of the program to IHDA every quarter. HFH Northern Fox Valley will also provide technical assistance and on-going training to the HFH Local Affiliates throughout the term of the program.

### **Habitat for Humanity Local Affiliates (HFH Local Affiliates), the “Affiliates”**

Habitat for Humanity Local Affiliates will coordinate IHDA’s down payment assistance for each borrower on behalf of HFH Northern Fox Valley. They will work directly with borrowers, screen for program eligibility, and prepare closing documents for closing. HFH Local Affiliates will be responsible for submitting eligible closing packages to HFH Northern Fox Valley.

## C. Program Staffing Plan

To ensure that the Community Impact Fund Program operates effectively, Program Partners should develop a program staffing plan. As part of the staffing plan, the responsibilities of each staff person should be identified. Clarifying the responsibilities of each position will help program staff members understand their roles and ensure that all program functions have been assigned to someone.

In order to maximize the benefits of the Community Impact Fund Program, Program Partners should assess their in-house capacity to perform the necessary program functions. If existing staff lack experience in an area, HFH Local Affiliates should carefully consider whether the program could afford to hire new full-time staff and/or train existing staff. It may be more cost-effective to hire a consultant for specific job functions. For all IHDA administered programs, hiring practices for employees and procurement practices for obtaining contract services must comply with local, state, and federal laws and regulations.

## D. Financial Management and Record Keeping

Establishing adequate financial management procedures is a critical step for all Program Partners. For each program year, HFH Illinois must send IHDA an electronic copy of their annual financial audit.

In addition, IHDA requires that Program Partners maintain records that document compliance with all program requirements. Program Partners must establish filing systems that reflect the record-keeping requirements listed throughout this manual and the Funding Agreement. Program Partners should monitor program activity and performance to keep track of individual projects and overall production. A well-designed project tracking system helps program staff:

- ✓ Identify the status of a particular project or client
- ✓ Monitor the progress of individual projects and the program's overall level of production
- ✓ Identify projects that are stalled and where backlogs are occurring in program activities
- ✓ Establish a basis for projecting future production levels and staffing requirements
- ✓ Document program accomplishments and successes

## E. Key Program Concepts

There are some key program concepts Program Partners should be mindful of when screening applicants for eligibility. Please note that this list is not all-inclusive as there may be additional key program concepts discussed throughout the manual.

### Program Assistance

Eligible homebuyers at or below 80% area median income will receive up to \$15,000 and eligible homebuyers at or below 50% area median income will receive up to \$20,000 in assistance from IHDA to cover the cost of down payment and/or closing costs.

### Income Definition

Program Partners in the Community Impact Fund Program must use the IHDA Income Calculator (Attachment 2) to assess the household income of each applicant. The IHDA Income Calculator is a tool that simplifies the making of income eligibility determinations. The IHDA Income Calculator was built using the rules and regulations of the HUD Part 5 definition of annual income. See Attachment 2a for the IHDA Income Calculator User Guide. The Guide will assist you when navigating the IHDA Income Calculator, which uses the 2019 Income Limits (Attachment 4).

Homebuyer Documents

Program Partners will be required to ensure proper execution and recording of IHDA's loan documents (Mortgage and Note). Funds will be reimbursed after closing, to the established bank account provided by HFH Northern Fox Valley.

## II. Eligibility and Assistance

### A. Eligibility

This chapter details key program requirements concerning eligible participants, available assistance, and terms of assistance for the Community Impact Fund Program. While there is considerable flexibility in designing Trust Fund programs, Program Partners must still comply with state and federal requirements and the terms of the Funding Agreement with IHDA.

When awarding assistance to homebuyers, Program Partners must inform homebuyers of their rights and responsibilities under the program. It is also important that Program Partners discuss executing IHDA loan documents that establish the terms and conditions under which the assistance is being provided.

#### **Applicants**

Homebuyer programs supported by Trust Fund dollars can only assist income-eligible homebuyers. To qualify for assistance, an applicant's income must be eligible within IHDA income limits at the time of application. A household qualifies as income-eligible if its gross annual income does not exceed 80% of the median income for the area, adjusted for family size.

To assess a household's income eligibility, you should consider the following factors—annual income and household size. IHDA uses the HUD Part 5 definition for determining annual household income under the Trust Fund program.

Program Partners must certify the gross amount of income of all adult household members (18 years and older) that is anticipated to be received during the upcoming 12-month period. All household income will be calculated using IHDA's Income Calculator, which will be included with the submission of your Pre-Closing package. All income verifications will require supporting documentation including:

- ✓ 3rd party verification from employers/SSA
- ✓ Copies of pay stubs and/or bank statements
- ✓ At least two months of income documentation
- ✓ Certified copy of tax returns

Note: The documentation mentioned above should not be sent to IHDA; these documents should be kept in the homebuyer's file for future reference. Please remember, when submitting documents to IHDA be sure to send only the documents indicated on the corresponding checklist.

#### **Properties**

Homebuyers must purchase properties that are single-family homes (detached or single-family semi-detached). Eligible properties per the Funding Agreement must be located within the State of Illinois. Program funds cannot be used for assistance on buildings containing more than one unit, mobile homes, or trailers.

#### **Ownership & Occupancy**

In addition to the request for assistance, homebuyers must purchase a home to be used as their principal residence as all properties must be owner-occupied. The homebuyer must obtain ownership of the property through fee simple title. Other forms of ownership, including trusts, contracts for deed, lease-purchase and life estate, are not considered eligible forms of ownership under the program.

In order to comply with this requirement, IHDA loan documents incorporate the owner-occupancy requirement. Loan documents, which meet the program requirements, will be provided to HFH Illinois as an exhibit to the Funding Agreement.



## **B. Assistance**

Eligible homebuyers at or below 80% area median income can receive up to \$15,000 and eligible homebuyers at or below 50% area median income will receive up to \$20,000 in assistance from IHDA to cover the cost of down payment.

When providing down payment assistance, program funds must be used to buy down the first mortgage to ensure that the gross monthly payment ranges from 20% - 30% of the homebuyer's monthly income. Program Partners should decide in advance to what extent other homebuyer funds and assets could and should be used to contribute to the down payment costs.

Closing costs associated with the purchase are eligible if they are considered reasonable and necessary. As Program Partners, you should ensure excess costs or fees are not passed on to borrowers. Funds for closing costs may only be used for legitimate, usual and customary transaction costs.

Homebuyers are required to provide (of their own funds) a minimum of \$500 toward the purchase price plus volunteer work as determined by Program Partners. The full amount of the homebuyer's contribution must be funded from the buyer's resources, grants, or gifts. There will be no cashback allowed to the buyer at the closing. The homebuyer's contribution may not be reduced by any credits (property tax-related or otherwise) that are generated by the purchase transaction, nor be reduced by any fees that have been pre-paid by the homebuyer (for example, application fees, appraisal fees, etc.).

### **Terms**

IHDA's program assistance will be reimbursed after all items on the disbursement checklist have been received. All homebuyer documents must be provided promptly to ensure funds are reimbursed in a timely manner. Once all documents have been received, please allow 7 to 10 business days for funds to be disbursed by IHDA.

Down payment assistance will be provided as a five-year forgivable loan, carry 0% interest, and will be secured by a Mortgage and Promissory Note. Program Partners will be required to prepare and coordinate the execution of the legal documents and the recording of the IHDA Mortgage. The loan term for the first mortgage must be no less than 20 years and no more than 30 years.

If homebuyers choose to sell the property within the five-year loan term, they will be subject to the recapture provisions as stipulated in the Mortgage.

### III. HFH of Northern Fox Valley Delegated Grant Administrator

As the Delegated Grant Administrator responsible for coordinating IHDA’s program assistance and providing technical assistance to the statewide affiliates in the Community Impact Fund Program, this chapter outlines the responsibilities of Habitat for Humanity of Northern Fox Valley.

#### A. Participant Selection Plan

HFH Northern Fox Valley will be required to submit a Participant Selection Plan to IHDA for approval before the start of the program. The Participant Selection Plan outlines the procedures that will be followed in selecting households for the Community Impact Fund Program. The expectation is that HFH Northern Fox Valley will have developed a process to equitably market and select households for participation in this program. All program marketing must conform to federal and state fair housing and civil rights requirements – visit the Illinois Department of Human Rights – Fair Housing Division for more detailed information on fair housing laws.

#### B. Marketing Plan

HFH Northern Fox Valley will assume the lead role in the development and implementation of the Community Impact Fund Program marketing plan. The marketing plan should create an awareness of the program for the general public and community groups in an open and inclusive manner. The marketing plan should focus on the intent of the program and increase community understanding and awareness.

As you develop the program announcement, the marketing plan should include the following information:

- ✓ Brief description of the Community Impact Fund Program
- ✓ Eligibility requirements
- ✓ Funding available per household and terms
- ✓ Instructions on obtaining an application
- ✓ Application due dates (if applicable)

More households may apply for the program than will be able to be assisted. For this reason, there must be clear procedures and policies for determining whom to assist. This is particularly important to ensure that there is no bias in the selection process, which will be covered in more detail in Chapter 4.

##### Flyers and Brochures

Developing attractive and informative written materials can be a highly effective and cost-efficient way to market the Community Impact Fund Program. Helpful hints for developing written materials include:

- **Keep it simple.** Avoid big words, jargon, and do not use acronyms. Explain concepts that may be unfamiliar.
- **Make it easy to read.** Use a relatively large, easy-to-read typeface to help ensure that materials can be understood by those with limited reading skills or limited vision.
- **Try it out on sample clients.** “Consumer test” new marketing materials before mass production by having a small sample of clients determine whether the materials are easily understood.
- **Use a “user-friendly” format.** Provide information in a question-and-answer format. Try to anticipate the kinds of information customers might want and express questions and answers in simple terms.
- **Make printed materials attractive.** You want potential customers to want to pick materials up and read them. Use photos and color to the extent that your budget permits.

### Getting the Word out through the Media

Advertisements can be placed in local newspapers, and like all marketing material, must be vetted through IHDA's Communications Department. Use a variety of community newspapers, including those that serve underserved populations. Local advertisement circulars that are mailed to consumers can also be very effective in reaching targeted neighborhoods.

You can also make use of public service announcements on radio and television. Have staff members talk about the program on relevant local radio or television stations. Local cable television stations should also be targeted. HFH Northern Fox Valley may use a local cable to their advantage by developing a presentation with interviews of previous Community Impact Fund Program participants, pictures or testimonials of the merits of the program. Periodically seek media coverage through feature articles by providing press releases on accomplishments. Potential customers can be attracted through feature articles.

Designate a staff member to be your press liaison. This person should be the primary contact for the media and should be responsible for generating periodic press releases that keep the general public and target audiences aware of the program.

### Community Outreach

Outreach should provide a road map for key stakeholders by providing awareness and opportunities for community engagement and involvement. Therefore, it is important to reach out to interfaith groups or anti-poverty groups. Involving housing advocacy groups could also serve as a way to reach specific audiences and could be helpful to describe the vision and goal of the Community Impact Fund Program.

## **C. Reporting**

Reporting is a crucial aspect in determining the success of the Community Impact Fund Program. Therefore, HFH Northern Fox Valley will be responsible for reporting on progress related to the Community Impact Fund Program. As such, HFH Northern Fox Valley will provide updates on outreach, marketing, and program performance by submitting quarterly reports which are due 15 days after the quarter's end. See Attachment 5 for the quarterly report template.

Reports should establish a timeline of the program and outline activities expected to be accomplished during each quarter. HFH Northern Fox Valley will also be expected to report on the activities of participating HFH Local Affiliates. The following information will be expected to be included in each quarterly report:

- Number of homebuyers in the pipeline (homebuyers counseled and ready to purchase)
- Number of homebuyers assisted with IHDA funds
- Number of files submitted for closing (broken down by affiliate)
- Explanation for unsuccessful closings (i.e., program requirements too strict, contract fell through, etc.)
- Progress of marketing and outreach conducted during the quarter Successes and challenges

Upon the start of the program, HFH Northern Fox Valley must provide a list of local affiliates currently participating in the program. During the course of the program, HFH Northern Fox Valley must also provide an updated list of local affiliates participating in the program.

## **D. Technical Assistance**

IHDA has set aside 5% of program funds for HFH Northern Fox Valley to complete marketing, technical assistance activities and review IHDA closing packages. Funds may be used to conduct training on the Community Impact Fund Program, including directing HFH Local Affiliates on how to administer IHDA assistance and a review of IHDA program requirements. Trainings conducted for HFH Local Affiliates may consist of group trainings or one-

on-one assistance. We have provided an Administrative Funds Quarterly Report form to assist you with tracking administrative activities (Attachment 6).

## **E. Review of IHDA Closing Package**

HFH Northern Fox Valley will be responsible for reviewing all closing packages prepared by HFH Local Affiliates prior to submitting disbursement requests to IHDA. HFH Northern Fox Valley's review ensures all files meet program requirements and quality control standards determined by IHDA and as outlined on the program checklists.

## IV. Habitat for Humanity Local Affiliates

This chapter outlines the responsibilities of HFH Local Affiliates and is comprised of four topics: Program Set-Up and Design, Pre-Qualify Potential Homebuyers, Provide Homebuyer Counseling, and Understanding the IHDA Closing Process.

### A. Program Set-Up and Design

This section discusses the preliminary steps taken that will be necessary for implementing the Community Impact Fund Program, including educating the HFH Local Affiliates on IHDA's income and underwriting limits.

#### Educate HFH Local Affiliates on Income Limits and Underwriting Limits

HFH Northern Fox Valley must inform participating HFH Local Affiliates about the program's income requirements. The two key points to understand are that there are maximum income limits by household size and that the HUD Part 5 definition of annual income must be used. HFH Local Affiliates must understand that all applicants must have an income within these limits to be eligible to participate in the program. All affiliates are required to utilize the IHDA Income Calculator (Attachment 2) to determine the homeowner's income eligibility.

Note: HFH Local Affiliates' pre-qualification of the applicant may show the applicant's income to be below the income levels, while the lender's verifications may show otherwise. Usually, lenders will verify just enough income to qualify an applicant for the first mortgage. HFH Local Affiliates must verify all sources of income known or discovered for review and document it with the IHDA Income Calculator.

#### Application Underwriting

When underwriting the application for IHDA assistance, HFH Local Affiliates must review all sources and uses of the transaction to ensure the buyer is not over-subsidized. For example, the sum of the first mortgage and other sources of funds, including IHDA's assistance, may not exceed the purchase price or the appraised value. If this situation occurs, the amount of the first mortgage or other sources must be reduced before the project can be approved.

Please be sure that the IHDA Mortgage is not subordinate to a mortgage for an amount lesser than the IHDA Mortgage.

Note: First mortgage interest rates must be fixed for the entire term of the loan and cannot be more than 2% above the current market rate. Current IHDA policy does not allow Adjustable Rate Mortgages (also known as ARM's) or balloon loans to be used for any of its homebuyer assistance programs.

#### Analyzing Debt to Income Ratios

After you have gathered and verified information on a borrower's employment stability, income, assets, liabilities, and net worth, your next step is to analyze the data and make a judgment concerning the borrower's ability to make and sustain the monthly mortgage payment. To make this judgment, we have provided the Monthly Housing Debt Worksheet (Attachment 13). We suggest that you use two ratios to reflect the relationship between the borrower's debt and income. The first compares the borrower's housing expense to his or her income, and the second compares the borrower's total obligations, including the housing expense and other debt, to his or her income.

The monthly housing expense-to-income ratio compares the amount of money a borrower pays each month for housing with the amount of his or her stable gross monthly income—sometimes called the "front-end" ratio, which is capped at a maximum of 30% and has a minimum of 20%. A borrower's monthly housing expense is the sum of:

- Principal and interest payment for the mortgage that is secured by the borrower's principal residence

- Escrow payments for hazard insurance premiums, real estate taxes, mortgage insurance premiums, owners' association dues, ground rent, if any, and special assessments

The total obligations-to-income ratio compares the sum of a borrower's debts and housing expenses to his or her gross monthly income—sometimes called the "back-end" ratio. IHDA has established the maximum back-end ratio at 41%. A borrower's total obligations are the sum of:

- Monthly housing expense, calculated as explained previously
- Monthly payments on installment and revolving debt that extends beyond 6 to 12 months (credit card debt, car payments, student loans, etc.)
- Monthly spousal support and/or child support payments for which the borrower is responsible

The ratios are set to eliminate applicants that clearly cannot afford the monthly cost of owning a home due to limited incomes, high long-term debt obligations, and/or the high cost of housing in the community.

Please note that the household income in the IHDA Income Calculator must match the income in the Monthly Housing Debt Worksheet.

## **B. Pre-Qualify Potential Homebuyers**

All HFH Local Affiliates must record applications received, collect basic demographic information about applicants, assess the eligibility of each applicant, and select eligible applicants that will receive assistance through the program. The purpose of these procedures is to assure that decisions to award assistance through the program are made fairly and consistently. Again, HFH Northern Fox Valley must outline the intake and selection procedures in the Participant Selection Plan, which is approved by IHDA.

### Pre-Screen Prospective Homebuyers

Even with clear marketing materials, many households that are not ready for homeownership are likely to seek homeownership assistance. As a result, it is essential that HFH Local Affiliates undertake thorough pre-screening. Initial pre-screening can be accomplished by developing clearly worded marketing materials and by quick review of a pre-application when first received by the HFH Local Affiliates. Inquiring households should be informed that eligible homebuyers must have:

- Satisfactory credit or, alternatively, a demonstrated ability to meet recurring obligations in a timely manner (i.e., rental payments, car payments)
- Income that is below 80% of median income and yet high enough and predictable enough to warrant a long-term mortgage commitment
- Manageable non-housing debt obligations
- Willingness to pursue homeownership opportunities in the target areas and for the types of properties that are included in the program

HFH Local Affiliates may find it helpful to clarify with interested households that the homeownership program is not a "give-away" program, rather that you offer help with the costs of ownership. Potential homebuyers are expected to pay a meaningful amount of their income for a home mortgage and to come up with cash for a down payment.

Once the pre-screening is completed, the program will have a list of potentially eligible home purchasers. These pre-screened applicants are not necessarily eligible for the program, nor will they necessarily meet all lending requirements of the lender and your program.

### Applicant Intake

A pre-application will allow HFH Local Affiliates to pre-qualify applicants as described in the next step. Applicants must complete the Application for Down Payment Assistance (Attachment 1).

Once the pre-application is submitted, HFH Local Affiliate should ensure the following:

- Pre-application is "clocked in"; clearly recording the date and time the application is submitted
- Applicant is provided a written overview of the program requirements and processes
- Applicant is informed of "next steps" so that they know what to expect

It is critical that you keep applicants informed throughout application processing. Applicants need to know "where they stand" and how likely they are to receive financing. As they get closer to receiving funding, applicants also need to understand the timing of the funding process in the context of the mortgage lending process. Inform potential homebuyers of the timing of purchase contracts, riders that need to be incorporated into contracts for the buyer's own protection, financing commitment and closing dates.

#### Pre-Qualify Prospective Homebuyers

Prior to commencement of the program, HFH Northern Fox Valley and HFH Local Affiliates will have developed a process to equitably select households for participation in this program. This process will also be documented in the Participant Selection Plan as submitted to IHDA.

There are three primary methods of selecting home purchasers among pre-qualified applicants.

- *First-Come, First-Served*

Applicants are selected from among the pre-qualified households based on when they first applied to the program. The date and time they applied will have been date stamped on their application by the person receiving applications. To be fair to all applicants, do not establish first-come, first-served status based upon completion of the pre-qualification step, but rather on date of initial application.

- *Lottery*

Sometimes demand for a homeownership program is so great that problems arise (such as, long lines forming before an application acceptance date or numerous telephone calls regarding where applicants are on the list). If such a demand is likely, an alternative approach is a publicly held lottery from the pool of eligible pre-screened applicants.

- *Selection Criteria*

A third option is to create selection criteria; in effect, to rank all applications based upon some pre-established criteria, such as current housing conditions, family size, income, down payment contribution, etc. Because even the best criteria often become somewhat subjective, this approach may not be perceived as sufficiently open and fair.

Pre-qualification takes a closer look at the prospective homebuyer's financial situation to determine if they can proceed. This involves being enrolled in mandatory pre-purchase homeownership counseling and subsequently being referred to the first mortgage lender for loan processing/underwriting.

The pre-qualification process entails, at a minimum, the following steps:

- determining income eligibility
- calculating qualifying ratios, and
- conducting preliminary credit analysis

This process may require the scheduling of several meetings with the homebuyer to clarify and collect documentation to verify information provided on the preliminary application.

#### Determine Income Eligibility

Assess the income eligibility of the applicant household using the information provided in the preliminary application. HFH Local Affiliates will be required to complete IHDA's Income Calculator, Attachment 2 (see also IHDA Income Calculator User Guide, Attachment 2a) for each applicant, which provides an eligibility determination based on the income sources compared to the household size and county income limits. IHDA's

Income Calculator is based on HUD's Part 5 definition of income—that is, the gross amount of annual income of all adult household members that is anticipated to be received during the coming 12-month period.

Please note that the household income in the IHDA Income Calculator must match the income in the Monthly Housing Debt Worksheet.

#### Conduct Preliminary Credit Analysis

Next, have the applicant complete an Authority for Release of Information form (Attachment 9) and begin to contact credit and income sources. Obtain a credit report to assess the applicant's credit worthiness. Particular attention should be paid to those items in the credit report that are indicators of a borrower's credit worthiness, including:

- Payment history on any previous mortgages
- Significant debts that were not disclosed on the application
- Payment history on revolving and installment credit
- Existence of judgments, garnishments, liens or prior foreclosures
- Existence of recent bankruptcies

Again, this is a pre-qualification, not the full loan underwriting. Your objective is to screen out any clearly unqualified applicants and reduce the number of unsuccessful applications that the private lender must process. Therefore, you want to eliminate the applicants who demonstrate a clear lack of consistency in meeting debt obligations. On the other hand, credit blemishes, missed payments or even a former bankruptcy or absence of any credit, should not eliminate an applicant at this stage.

#### Send Written Notification to Selected Homebuyers

Regardless of which of the three selection processes is used, HFH Local Affiliates should formally notify the applicants of their selection. This notification must be drafted in the form of a letter. HFH Local Affiliates should sign the letter and send it to the applicant for their records. In addition, applicants who were not able to pre-qualify must be notified in writing and the letter should explain why they were unable to pre-qualify.

### **C. Provide HUD-Certified Homebuyer Counseling**

All prospective homebuyers must attend and successfully complete a homebuyer counseling program prior to purchasing a home through the Community Impact Fund Program. Pre-purchase counseling allows the prospective homebuyers to better understand the home buying process and alleviate many of the fears typically associated with loan closing or settlement. The counseling must be HUD-certified and include the following topics:

- Selecting a home (encourage the use of a Realtor® in the home selection process)
- Understanding the buying processes, including loan closing (encourage the use of an attorney to assist with the closing process)
- Financial costs of homeownership
- Budgeting your personal finances
- Home maintenance and repairs

Note: The prospective homebuyer must attend actual face-to-face counseling sessions. Simply giving the prospective homebuyer materials to read on their own is not enough. If the prospective homebuyer, at a minimum, does not attend all the scheduled sessions, they cannot receive a counseling certificate and therefore, cannot participate further in the program. The counseling sessions must be conducted individually and should be scheduled at a time that is convenient for the applicant (i.e., weekends and evenings). Thoughtful, thorough and clearly presented counseling can make a big difference in successful home purchase and ownership.



IHDA supports a statewide network of HUD-certified housing counseling agencies. They can be found on the IHDA website, <https://www.ihda.org/my-home/saving-my-home/#collapseOne>.

Once the counseling sessions are completed, the prospective homebuyers are ready to identify a property and negotiate and execute a contract to purchase. At the conclusion of counseling, the counselor must complete the Pre-Purchase Counseling Acknowledgement and prospective homebuyers must receive a Homebuyer Counseling Certificate acknowledging their successful completion of the Homebuyer Counseling Program. This approach establishes realistic expectations concerning what the family can afford. It also avoids the possible loss of earnest money (required in most contracts to purchase real estate if, after pre-qualification and/or homebuyer counseling, the applicant is unable to purchase the home). Note: You will have to send a copy of the Homebuyer Counseling Certificate with your Pre-Approval request to IHDA.

After the homebuyer closes and moves into the home, it is recommended that the homebuyer attend post-purchase counseling sessions at three months and six months. Typically, families face their greatest stress during this start-up period and need reinforcement in budgeting and thinking about short and long-term maintenance. The post-purchase counseling sessions can provide the opportunity for the grant recipient to constructively engage the homebuyers if things are not going well.

## **D. Understanding the IHDA Closing Process**

### Prepare for Closing

Once approvals for the first mortgage loan and down payment and closing cost assistance have been issued, all the contingencies for funds must be satisfied before closing. HFH Local Affiliates will be responsible for making sure all the contingencies for the first mortgage loan are met and that all the IHDA contingencies are met prior to closing.

A few days before closing, the bank or title company (i.e., closing agent) must send HFH Local Affiliates the preliminary Closing Disclosure that specifically lists the amount of assistance that will be needed at closing. The Closing Disclosure must include a breakdown of the types and amounts of funds paid/received by both buyer and seller.

In order to provide a proper audit trail, HFH Local Affiliates must be able to verify and account for all program expenditures. The best way to do this is for HFH Local Affiliates to instruct the closing agent to identify clearly on the Closing Disclosure those items funded by the IHDA Trust Fund Program. The Closing Disclosure must indicate all the specific charges to be paid with IHDA Trust Fund dollars. Note: Property Taxes and Homeowner's Insurance must be held in an escrow account.

The total amount of assistance must appear correctly on the various legal documents. These include the IHDA Mortgage and IHDA Note that HFH Local Affiliates must prepare and deliver to the closing agent before closing.

### Submit Pre-Closing Package to HFH Northern Fox Valley

Once the HFH Local Affiliate has cleared the homebuyer for closing and a closing date has been established, the HFH Local Affiliate may send the preliminary closing documents to HFH Northern Fox Valley for review. If approved by HFH Northern Fox Valley, then the HFH Northern Fox Valley staff will upload the Pre-Closing package into MITAS, the loan reservation software, for review and approval.

The following documents are required for preliminary review at least 2 – 3 weeks prior to closing.

- Sample File Checklist (Attachment 7a)—kept in the applicant's file
- Pre-Closing Checklist (Attachment 7)
- MITAS Commitment Confirmation
- Application for Down Payment Assistance (Attachment 1)
- IHDA Income Calculator (Attachment 2)
- Monthly Homebuyer Housing Debt Worksheet (Attachment 13)

- Copy of Purchase Contract
- Residential Real Estate Appraisal (no more than 6 months old)
- Homebuyer Counseling Certificate (Attachment 12)
- First Mortgage Commitment Letter
- Homeowner's Insurance ("Illinois Housing Development Authority" listed as additional insured)
- Title Commitment
- Owner Agreement (HFH Local Affiliate to keep in their files)

After Community Affairs receives the Pre-Closing package, Community Affairs staff will email a pre-approval confirmation to HFH Northern Fox Valley clearing the project to close.

Closing Instructions Memo/Legal Documents for Closing Agent

HFH Local Affiliates do not have to attend every closing. However, it is suggested that the HFH Local Affiliate attend the first several closings. If the HFH Local Affiliate does not plan to attend the closing, the Closing Instructions Memo (see Attachment 11) should include the following:

- IHDA Note
- IHDA Mortgage
- Closing Disclosure
- Other Closing Documents

If the HFH Local Affiliate is attending the closing, the legal documents can be hand delivered to the closing agent and will not need to be included in the memo.

Whether or not the HFH Local Affiliate attends the closing, the Closing Instructions must at a minimum include instructions to the closing agent regarding the return of the legal documents (copies and originals) executed at closing that the HFH Local Affiliate will require for its files. The closing agent must email the below documents to the HFH Local Affiliate as soon as possible after the closing has taken place.

- Copy of the executed, final Closing Disclosure
- Executed IHDA Note—send original Note to IHDA immediately after it is executed
- Executed IHDA Mortgage (HFH Northern Fox Valley to email copy of Mortgage)
- Title Policy—Owners Title Insurance Policy with coverage for all mortgages (must list recording info for IHDA Mortgage)
- Copy of Warranty Deed

All the above-mentioned items must be delivered to the HFH Local Affiliate immediately after closing. It is very important that HFH Northern Fox Valley receive the executed Closing Disclosure immediately after closing, because it must be reviewed and submitted to IHDA as soon as possible. The HFH Local Affiliate will then email a copy of the executed IHDA Mortgage to HFH Northern Fox Valley and mail the original Mortgage to the local county recorder's office for recording. Once recorded, the county recorder will mail the original Mortgage to IHDA.

HFH Northern Fox Valley must ensure that all recorded Mortgages reach IHDA's offices within 90 days of the closing date. If the recorded mortgages are not received, HFH Northern Fox Valley must follow up with the respective county recorder's office.

Submit Documents to IHDA for Reimbursement

After closing, the HFH Local Affiliate will provide HFH Northern Fox Valley the following documents:

- Disbursement Checklist (Attachment 8)
- Request for Payment and Certification (Attachment 10)

- Executed IHDA Note (Original must be sent to IHDA)
- Executed IHDA Mortgage (Recorded original must be forwarded to IHDA by county recorder's office)
- Final Closing Disclosure —showing IHDA Trust Fund dollars
- Assistance Impact Statement (Attachment 14)
- Copy of Owner's Title Insurance Policy (showing IHDA Trust Fund dollars)

Once IHDA receives the final documents as listed on the Disbursement Checklist, funds will be disbursed after closing to the established bank account provided by HFH Northern Fox Valley. IHDA will approve the final closing package and disburse funds to HFH Northern Fox Valley within 7 to 10 business days. HFH Northern Fox Valley staff will coordinate the disbursement to the HFH Local Affiliate when they receive funds from IHDA.

#### Administrative Funds Reimbursement

Administrative funds must be drawn separately from project funds by submitting the Administrative Request for Payment & Certification (Attachment 15). Collection of administrative funds is based on successful completion of the program (prorated by the percentage of project funds expended). Therefore, if the grantee has spent only 50% of their project funds, then up to 50% of their administrative funds will be approved for payout.

***(Please note the Illinois Housing Development Authority reserves the right to amend or make changes to this Manual from time to time to implement program changes or processes. If amendments or changes are necessary, program staff will provide the updated copy of this Manual to all Program Partners.)***