

Habitat Illinois Community Impact Grant

Habitat Illinois Building Impact



HIBI Training 2022:
*Successful Pre-closing
File Submission*



Today's Training

- Overview/update on **HIBI status**
- Detailed review of **required pre-closing forms and supporting documentation**
- Info on **Administrator review** process
- Questions



A Quick Overview of HIBI

- Partnership between **Habitat Illinois & IHDA**
- Down payments grants forgiven over **5 years**
 - **\$20,000** for households at 30%-50% AMI
 - **\$15,000** for households at 51%-80% AMI
- One HIBI grant **per address**, but can be combined with grants from other sources
- Grant must **reduce first mortgage**



Key Program Partners

Organization	Role
IHDA	Funds program; sets program rules & requirements; approves disbursements
Habitat Illinois	Program grantee
Administrator (moving to Chicagoland Habitat for Humanity)	Reviews documents prior to submission to IHDA for compliance; markets program; provides technical assistance & training to Affiliates
Local Habitat Affiliate	Works directly with borrowers & screens for program eligibility; submits eligible closing packages to Administrator
Chicago Title	Handles all closings



Who Can Participate

- Must be **State of Illinois** Habitat Affiliate
- Must be in **good standing** with Habitat for Humanity International
- Must attend **required training** prior to application
- **QLO/MLO** should complete paperwork



HIBI Program Status

- IHDA renewing Round 4 **until 2/27/2024**
- **Over \$1.2 million** in grant funds available right now



Process Overview

- 1) Affiliate submits **Pre-approval Package** to Administrator w/Supporting Docs (30-60 days prior to closing)
- 2) Affiliate submits **Pre-closing Package** to Administrator (10-14 business days prior closing)
- 3) Affiliate **closes sale** with Home Buyer

Process Overview (continued)



- 4) Closing Agent submits executed **Post-closing Package** to Administrator (ASAP after closing)
- 5) Administrator submits package to **IHDA**
- 6) IHDA **disburses funds** to Administrator (within 15 days), who then disburses to Affiliate



Pre-approval Documents

When to Submit Pre-approval Documents

- No more than 60 days and **no less than 30 days** prior to closing with your home buyer
- Documents must be no more than **90 days old**



Pre-approval Documents

Where to Submit Documents

- Submit to your Dropbox folder
- Document naming convention:
 - First/Last Name Property Address - Doc. Name
 - Example: **Mary Smith 123 Elm - Appraisal**



Pre-approval Documents

What to Submit

- IHDA Authority for Release of Information
- IHDA Application for Down Payment Assistance
- Mortgage application (1003 or Affiliate's)
- Government-issued photo ID + one more ID
- IHDA Pre-closing Checklist



What to Submit (continued)

- IHDA Income Calculator
- Supporting income calculation documentation:
 - Pay stubs (two most current, consecutive months)
 - Third-party Verification of Employment
 - Certified tax returns for past two years
 - W-2s or 1099s for past two years
 - Profit & loss statement for self-employed
 - Award letters for non-taxable income
 - Court orders for child support, alimony



What to Submit (continued)

- IHDA Monthly Homebuyer Housing Debt Worksheet
- Copy of tri-merge Credit Report
- Real Estate Purchase Contract
- Proof of funds for borrower's down payment
- Appraisal (no more than 6 months old)
- Copy of real estate tax bill



What to Submit (continued)

- First mortgage commitment letter
- Homeowner's Insurance ("Illinois Housing Development Authority" additional insured)
- IHDA Pre-purchase Counseling Acknowledgement
- HUD-certified Home Buyer Education Class certificate of completion
- Title Commitment



Where to Start

- Document & calculate **household income**
 - Determines eligibility
 - Determines grant amount
 - Affects so many other parts of package
- Use IHDA's **Income Calculator**
- Make sure you have the **current version** of the IHDA Income Calculator



Calculating Income

- Eligibility based on annual gross income – current snapshot & **projecting 12 months forward** (unless documented otherwise)
- Use guidance found in **HUD's Part 5 Income Definition**
- Count income of **all** household members ages 18 & older



What to Include

- Wages, salaries, overtime, commission, tips, and bonuses
- Net income from a business
- Periodic payments
- Payments in lieu of earnings



What to Exclude

- Earned income of minors
- Earned income of full-time students after the first \$480 (except head of household or spouse)
- Income of live-in aides

Income Calculation Tips

- Documentation (VOEs, pay stubs, award letters) **must support & match** calculations
- Look at **pay period & type of employment:** hourly, salaried, full- or part-time
- Look for **variations/seasonal fluctuations**
- Look for bonuses, tips, commission, overtime
- Look at gross income **before** deductions



Income Calculation Help

- IHDA Community Affairs Income Calculator **User Guide**
- HUD Occupancy Handbook, Chapter 5: **Determining Income & Calculating Rent** (Appendix A of User Guide)
- Still have questions - **contact HIBI Administrator**

IHDA Authority for Release of Information



- Must be signed and dated by **all borrowers**
- Administrator **cannot review file** without completed authorization form



Borrower Identification

- Copies of **two forms of ID** required
- One must be **government-issued** picture ID
- Make sure ID is **not expired**
- Use **borrower's legal name**, as presented on ID, on all documents



IHDA Pre-closing Checklist

- Complete all fields except **MITAS Commitment Confirmation** – Administrator generates this
- Make sure all sources of funds **add up to sales price** of home
- IHDA HIBI mortgage is **subordinate** to all larger mortgages

IHDA Application for Down Payment Assistance



Part A – Applicant Information

- Complete all fields
- Name on application must match name on ID
- Marital status & family composition must match on all forms
- Verify dependents against tax returns

IHDA Application for Down Payment Assistance



Part B – Gross Monthly Income

- Must **exactly match** information in Income Calculator
- If borrower has second job, list in **“Other”** line

IHDA Application for Down Payment Assistance



Part C – Employment Status

- Fill out completely for all employed household members ages 18 and over

Part D – No Income Certification

- All household members ages 18 and over, including full-time students, must complete and sign if they do not have income

IHDA Application for Down Payment Assistance



Part E – Monthly Housing Expenses

- Loan # = Affiliate's loan number
- Original Debt = sales price of home
- Current Balance = first mortgage amount
- Figures must match across all forms

IHDA Application for Down Payment Assistance



Part F – Other Expenses

- Property taxes – use **tax bill for completed home**; if not available, use **comparable** property
- Debts must match what appears on **credit report**, unless additional documentation provided confirming payoff/forgiveness

IHDA Application for Down Payment Assistance



Type of Debt	How monthly liability is determined for DTI
Credit card	Minimum payment or 5% of outstanding balance
Installment debt	Stated payment (if >10 payments left)
Student loans	Stated payment or 1% of outstanding balance
Collections	If >\$2,000, monthly payment or 5% of outstanding balance
Alimony or child support	Stated amount per court order (if >10 payments left)
401(k) loan	Not counted
Lease payments	Stated payment, regardless of remaining term

IHDA Application for Down Payment Assistance



A note about deferred student loans

Per HFHI Homeowner Selection AOM (p.83)

- “If student loan payments are deferred but payment will begin within **one year**, they must be factored into the DTI calculation”
- Borrower must provide documentation deferment was **granted**



Mortgage Application

- Can be mortgage industry standard **1003 mortgage application**, or
- Can be **Affiliate's application**
- Cannot be dated **before** appraisal or sales contract

IHDA Monthly Homebuyer Housing Debt Worksheet



- A. First Mortgage Payment - must be same on all docs
- B. Other Monthly Housing Debt – most often HOA fee
- C. Property Taxes – must be same on all docs
- D. Property Insurance – must be same on all docs
- E. Other – generally blank; don't add things that aren't part of housing debt
- F. Total Monthly Housing Debt – auto calculates

IHDA Monthly Homebuyer Housing Debt Worksheet



- G. Income of Purchasing Household – must equal
Income Calculator
- H. Housing DTI – auto calculates
- I. Total Monthly Expenses – must match info from
Credit Report & Application for Down Payment
Assistance
- J. Total Debt – auto calculates
- K. Total Debt/Income Ratio – auto calculates

IHDA Monthly Homebuyer Housing Debt Worksheet



- Housing Debt Ratio must be **between 20% and 30%** of gross monthly income as determined using IHDA's Income Calculator
- Total Debt Ratio cannot exceed **41%** of gross monthly income



Credit Report

- Must be **tri-merge** report (Experian, Equifax and TransUnion)
- Information on Application for Down Payment Assistance and Monthly Homebuyer Housing Debt Worksheet **must match information on Credit Report**, unless borrower provides additional documentation otherwise

Real Estate Purchase Contract



- Sales price = appraised value
- **No blanks** in contract
- Contract signed **after** appraisal completed
- Contract signed **before** final loan application
- Contract signed & any changes initialed by **both parties**



Proof of Borrower Funds

- **\$500** required borrower down payment – must be own funds
- **Cannot use seller credits** to cover
- Document with **bank statements**
- If using **rent credit** from Affiliate, must provide copy of sales contract amendment & proof that rents were collected and escrowed

Appraisal



- **Independent** appraisal of completed property
- Less than **six months old** at closing
- Appraised value = sales price
- Sum of first mortgage and other funding sources **cannot exceed appraised value**



Real Estate Tax Bill

- Use **actual tax bill** for current year for completed property, if available
- If not available, use current tax bill for **comparable property**
- Monthly tax payment **must match** on all application documents

First Mortgage Commitment Letter



- Mortgage amount must **match on all docs**
- Term: minimum **20 years**/maximum **30 years**
- Fixed-rate, fully amortizing, **no balloons**
- Lender must **escrow** for taxes and insurance
- Cannot be dated **before** appraisal or sales contract



Homeowner's Insurance

- Must list Illinois Housing Development Authority as **Additional Insured**
- This is the **only** acceptable verbiage – must be exact
- Make sure monthly insurance payment amount **matches** across all documents

IHDA Pre-purchase Counseling Acknowledgement Form



- Borrowers must attend **one-on-one, face-to-face counseling** with HUD-certified counselor
- Counselor must cover **all topics** listed on IHDA's form and **check all boxes** on form
- Make sure counselor **signs form** and includes borrower's **credit score**

HUD-certified Home Buyer Education Class Certificate



- Borrowers also must attend HUD-certified **8-hour home buyer education class**
- Affiliate must include borrower's certificate of class completion in the HIBI application package **in addition to** IHDA Counseling form

Finding a HUD-certified Counseling Agency



Housing Action Illinois

<https://housingactionil.org/>

**U.S. Dept. of Housing & Urban
Development**

<https://www.hud.gov/counseling>



Title Commitment

- **Chicago Title** now handling all closings
- Contact **Nick Furst at Elgin office**
847-649-2065
nicholas.furst@ctt.com
- Check **commitment amounts**:
 - Owner's Policy = Appraised Value of Home
 - Lender's Policy = First Mortgage Amount

Key Points When Reviewing Package



- **Authorization** to share information included & signed?
- **All required documents** in package & completed correctly?
- Borrowers' **names listed correctly** on all documents & **match official ID**?
- Income **calculated correctly** & within program limits?
- **All debts included** & ratios calculated correctly?
- Sales price of home **equals** appraised value?

Key Points When Reviewing Package (cont.)



- First mortgage term **minimum 20/maximum 30 years**?
- Any mortgages have **balloon** payments?
- First mortgage lender **escrowing** for taxes & insurance?
- Borrowers completed **both** education and counseling?
- Homeowners insurance lists IHDA as **additional insured**?
- Key figures **match** across all documents?
- All information **less than 90 days old**?



Pre-approval Submission

- Administrator reviews documents
 - **Written response** within 5 business days
 - **Technical assistance** to correct any issues
- Administrator enters package into IHDA's **MITAS system** & generates MITAS Commitment Confirmation
- IHDA **approves/rejects** in 5 business days
- Affiliate has 10 business days to **cure any deficiencies** noted



Pre-closing Submission

- Affiliate submits **Pre-closing Package** to Administrator 10 business days prior to closing:
 - Preliminary Closing Disclosure
 - Affiliate's and IHDA's draft Mortgage & Note
 - Draft Deed
- IHDA reviews package within 5 business days of receipt & provides **clear to close** email to Administrator



Close Sale with Home Buyer

- All closings conducted with **Chicago Title** to ensure compliance with IHDA requirements
- Closings processed through CT's Elgin office, but can be held at **any CT office** in Illinois
- **29 offices** in Chicago metro area, **plus**

Bloomington

Pekin

Pontiac

Champaign

Springfield (2)

Tuscola

Ottawa

Peoria

Close Sale with Home Buyer (continued)



- CT will provide **discounted & fixed charges**
- To schedule a closing, Affiliate contacts **Nick Furst** at CT's Elgin office
- Nick **coordinates with local** CT office
- CT can also engage a third-party notary for **off-site closings** (additional charges apply)

Close Sale with Home Buyer (continued)



IHDA Closing Instructions Memo from Affiliate to CT must include:

- IHDA Note & Mortgage
- Warranty Deed
- Affidavit that Affiliate will receive IHDA down payment funds post-closing for benefit of borrowers
- Final Plat of Survey
- Closing Disclosure



Closing Disclosure

- **First mortgage lender** issues Closing Disclosure (CD)
- Administrator will provide **Excel template** to Affiliate to collect data for form, then generate formatted CD for Affiliate approval
- Buyers must sign CD at least **3 days** before closing; Affiliate must provide proof of delivery to buyer

What's Changing on the Closing Disclosure?



- IHDA grant is listed on **Buyer's Side Section L** under Adjustments as IHDA Trust Fund
- IHDA grant listed on **Seller's side Section N** as IHDA Reimbursable Down Payment
- Sellers now permitted to receive cash at closing; therefore, any loans provided at closing on behalf of buyer **no longer need to be listed on Seller's side**

New Closing Disclosure

Key Elements



15

L. Paid Already by or on Behalf of Borrower at Closing **231,121.00**

01 Deposit

02 Loan Amount **\$206,700.00**

03 Existing Loan(s) Assumed or Taken Subject to

04

05 Seller Credit **\$2,060.50**

Other Credits

06

07

Adjustments

08 **IHDA Trust Funds** **\$15,000.00**

09 **FHLB Downpayment Plus Advantage** **\$6,000.00**

10

11

Adjustments for Items Unpaid by Seller

12 City/Town Taxes **01/01/2022** to **06/15/2022** **\$1,360.50**

13 County Taxes to

14 Assessments to

15

16

17

CALCULATION

Total Due from Borrower at Closing (K) **\$233,421.00**

Total Paid Already by or on Behalf of Borrower at Closing (L) - **\$231,121.00**

Cash to Close From To Borrower **\$2,300.00**

16

N. Due from Seller at Closing **\$225,174.00**

01 Excess Deposit

02 Closing Costs Paid at Closing (J) **\$53.00**

03 Existing Loan(s) Assumed or Taken Subject to

04 Payoff of First Mortgage Loan

05 Payoff of Second Mortgage Loan

06 **Seller financing 1st Mortgage** **\$206,700.00**

07 **IHDA Trust Funds (POC)** **\$15,000.00**

08 Seller Credit **\$2,060.50**

09

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Adjustments for Items Unpaid by Seller

14 City/Town Taxes **01/01/2022** to **06/15/2022** **\$1,360.50**

15 County Taxes to

16 Assessments to

17

18

19

CALCULATION

Total Due to Seller at Closing (M) **\$230,000.00**

Total Due from Seller at Closing (N) - **\$225,174.00**

Cash From To Seller **\$4,826.00**

Post-closing



Chicago Title emails to Administrator **ASAP post-closing:**

- **Disbursement Checklist**
- Certified copy of executed **IHDA Note & Mortgage**
- Copy of executed final **Closing Disclosure**
- Certified copy of **Warranty Deed**
- IHDA **Assistance Impact Statement**
- **Title Insurance Policy**, which must show:
 - Coverage for **all** mortgages
 - IHDA mortgage **recording information**
 - IHDA mortgage **subordinate to all larger** mortgages



IHDA Disburses Funds

- Administrator checks docs from Closing Agent & prepares **Request for Payment & Certification**
- Administrator **submits docs to IHDA** as listed on Disbursement Checklist
- IHDA reviews for **completeness & accuracy**
- Within 15 business days of approval, IHDA **disburses funds to Administrator's** HIBI account
- **Administrator** disburses funds to Affiliate



Training Wrap-up

- Affiliate questions?
- For additional information:

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Thank you!