



Neighborhood Stabilization Program Important Information for First Mortgage Lenders Effective September 2016

Your customer is purchasing a home owned by the Affordable Housing Corporation of Lake County, a nonprofit organization established in 1995 that assists communities and families in buying homes, improving homes and saving homes from foreclosure in Lake County, Illinois. AHC purchased and rehabilitated this property using federal funding, which require that the following non-negotiable requirements are adhered to.

- 1) **Subordinate Financing—Forgivable Loan Assistance:** Financing will include a secured subordinate loan of \$1,000 to \$14,999; the exact amount will depend on how much the buyer needs to afford the home as determined by a review of income, closing costs and downpayment required. This 0%-interest deferred loan is to be used toward down payment and closing costs. It has no monthly payments and is forgiven after 5 years plus 60 days after closing on the property. The assistance will become immediately due and payable if any of these circumstances occur prior to 5 years plus 60 days: sale, cash out refinance, voluntary or involuntary transfer of title, failure to owner-occupy the property as his/her primary residence or discovery of fraudulent information provided during the application and closing process.
- 2) **Income Eligibility:** Buyer's gross annual household income may not exceed the below, and will be verified upon the acceptance of the Residential Real Estate Contract.

Household Size	1	2	3	4	5	6	7	8
120% MFI	\$64,680	\$73,920	\$83,160	\$92,280	\$99,720	\$107,160	\$114,480	\$121,920

Effective as of 6/6/2016

- 3) **Education & Counseling:** Buyer must attend an in-person HUD-certified homebuyer education class, and participate in individual counseling with AHC.
- 4) **Underwriting Guidelines:** AHC's guidelines include the below, and will supersede the first mortgage lender's guidelines should there be a conflict between the two.
 - No cash back is allowed at closing allowed
 - Minimum down payment of 1% of the purchase price or \$1,000, whichever is greater
 - Gift funds may not exceed \$10,000
 - Non-borrowing Spouse (*only if applicable*): A) A credit report will be pulled on a non-borrowing spouse for the purpose of collecting monthly debt amounts to be used towards AHC's total debt-to-income ratio. B) A Verification of Employment will be requested by AHC.
 - Housing-to-income ratios (HTI): Minimum of 17%; Maximum: 35%. *Generally, HTI is how much of a borrower's gross income is being used towards the total mortgage payment. However, for the NSP program, a non-borrowing spouse's income is also considered.*

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- Debt-to-income ratio (DTI) must not exceed 43%. *Generally, DTI is how much of a borrower's gross income is being used toward the total mortgage payment and additional debt—debt typically reported on a credit report. However, for the NSP program, a non-borrowing spouse's income and debt is also considered.*
- All buyers must be U.S. Citizens or be a Permanent Resident Alien.
- Reserves must be equal to one month's PITI(A), demonstrated by an account statement (dated within 30 days of closing) less the amount anticipated to bring to closing, per the final Closing Disclosure. Liquid assets and retirement accounts are acceptable forms of reserves.
- Excluding funds in college savings, retirement accounts and special needs trust funds, borrowers may not have liquid savings that exceed 100% of median family income (i.e., currently \$69,300 for a household size of 3).

Loan Processing and Important Timelines

1. Utilize the attached NSP Letter of Transmittal to begin the process of working with AHC.
2. Upon both parties signing the Residential Real Estate Contract:
 - a) Within 5 days, AHC must verify the buyer's income eligibility. Submit income eligibility documentation to AHC immediately.
 - b) Within 10 days, lender must provide a letter on company letterhead insuring the company offers a loan product that can be paired with the required subordinate financing and underwriting guidelines
3. AHC will consider extending mortgage and closing contingency dates agreed to in the Residential Real Estate Contract only if your mortgage company can provide strong evidence that an approval is likely, the loan file is being expedited with all due diligence, and the mortgage company is able to process a loan of the specialized nature required by federal funding. Any delays or challenges must be communication immediately to AHC. More than one extension is unlikely to be granted.

AHC Contact Information

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