

The Downpayment Plus Advantage Program is designed to assist households participating in homeownership programs offered by non-profit organizations that provide mortgage financing directly to the homebuyer, such as Habitat for Humanity. The non-competitive program will be offered on a continuous basis throughout the year until funds are exhausted, and will provide up to \$4,000 of down payment and closing cost assistance for households with incomes less than 80% of the area median income. The subsidy will be in the form of a five-year forgivable grant and will be accessed through member institutions of the Federal Home Loan Bank of Chicago (FHLBC) enrolled in the Downpayment Plus[®] Program (DPP[®]). The FHLBC will set aside \$300,000 for the DPP Advantage[®] program in 2008. Funds are available on a first-come/first-served basis.

Program Highlights

- ▶ A grant of up to \$4,000 per household is available to eligible homebuyers.
- ▶ Eligible grant uses include down payment and closing cost assistance, homebuyer counseling, and rehabilitation costs associated with the purchase of a home.
- ▶ DPP Advantage grants are forgiven over a period of five years.

Eligible Households

- ▶ Total household income may not exceed 80% of the area median income adjusted for family size for the county or metropolitan area where the property being purchased is located.
- ▶ First mortgage financing must be provided by a non-profit organization that provides mortgage financing directly to the homebuyer.
- ▶ Homebuyers must complete a pre-purchase homebuyer or homeowner counseling program that provides comprehensive financial literacy education, including information that alerts borrowers to potential predatory lending practices.
- ▶ ITIN holders who have filed Federal Income Tax returns for at least the two preceding years, who are able to document consistent earnings, and who have met the borrower requirements listed above, are eligible to receive DPP Advantage assistance. Providing DPP Advantage assistance to ITIN holders is at each member's discretion. ITIN holders whose income is used to qualify the household for the first mortgage financing must meet Chicago FHLB ITIN requirements.

How the Program Works

The non-profit community organization:

- ▶ Contacts a participating member financial institution approximately 90 days prior to closing. A list of participating member institutions can be obtained by contacting the program administrators:

Illinois:	Illinois League of Financial Institutions	1-800-237-1936	www.ilfi.org
Wisconsin:	Wisconsin Partnership for Housing Development	1-888-318-4486	www.wphd.org

- ▶ Provides an executed purchase contract for the property, evidence of income eligibility for the homebuyer and certification of homebuyer counseling.

The participating FHLBC member:

- ▶ Verifies that the homebuyer is income-qualified for the program;
- ▶ Reserves DPP Advantage funds for income-eligible homebuyers;
- ▶ Verifies that the borrower has successfully completed an acceptable homebuyer counseling program;
- ▶ Verifies that the settlement statement is properly completed;

- ▶ Disburses grant funds when the borrower closes on the first mortgage;
- ▶ Ensures the home is subject to a legally enforceable deed restriction for the DPP Advantage subsidy; and
- ▶ Forwards required documentation to the program administrator.

FREQUENTLY ASKED QUESTIONS

1) How does a FHLBC member institution participate in DPP Advantage?

Any member institution of the FHLBC can participate in the program by enrolling through the program administrators for the state in which they are headquartered.

<i>Illinois:</i>	Illinois League of Financial Institutions	1-800-237-1936	www.ilfi.org
<i>Wisconsin:</i>	Wisconsin Partnership for Housing Development	1-888-318-4486	www.wphd.org

To participate, members sign a Subsidy Agreement with the administrator and the FHLBC. Participating members pay an annual \$100 participation fee. One subsidy agreement and one annual fee will allow members to participate in both the DPP and the DPP Advantage programs. The program administrators will supply procedures and required documents to participating member institutions.

The member disburses grant funds on behalf of the borrower and forwards the required documents to the program administrator, who reviews the documentation and notifies the FHLBC. The FHLBC will reimburse the member by depositing funds in the member's DID account, and will notify the member and the administrator when funds are disbursed.

2) Is there a limit on the number of DPP Advantage grants a member can make?

There is no limit to the number of DPP Advantage grants a member can make. Funds accessed under this program will not be applied toward the \$60,000 member maximum for the DPP program.

3) How is household income determined?

Income eligibility is based on a household's total annual income for the current year. The income of each household member age 18 and older is included in the household's total income. The income calculated must include all year-to-date earned income, plus potential income for the remainder of the year. The FHLBC no longer accepts household income as determined by its members' underwriting standards. Members must use the FHLBC Income Calculation Guidelines posted on the administrator's website to determine a household's annual income. Please contact the program administrator for additional details.

4) How is household size determined?

Household size is based upon the number of people who will reside in the home being purchased. Divorced or separated borrowers who have joint custody of their children should include the children in their household count, even though the children may only live in the household on a part-time basis. Borrowers who do not have custody should not include the children in their household count. Full-time students who are considered dependents and are not living at home while attending school should be included in the borrower's household count.

5) What are the requirements for homebuyer counseling?

The member will ensure that the borrower has completed a homebuyer counseling program provided by, or based on one provided by an organization recognized as experienced in homebuyer or homeowner counseling and as approved by the administrator of the program.

Counseling education must include comprehensive financial literacy education, including information that alerts borrowers to potential predatory lending practices. Contact the Illinois League of Financial Institutions or Wisconsin Partnership for Housing Development for details.

If the member lender provides the counseling, a fee cannot be charged for this service. If the member charges a fee, the DPP Advantage reimbursement will be reduced accordingly.

6) Are there any other program restrictions?

- ▶ The borrower may not use the DPP Advantage program with any other FHLBC Affordable Housing Program subsidies.
- ▶ The homebuyer must not receive more than \$250 cash back at closing. If the homebuyer receives more than this amount, the grant amount will be reduced by the excess.
- ▶ The first mortgage loan term must be a minimum of 5 years. On adjustable rate mortgages, the initial interest rate lock period must be a minimum of 5 years.
- ▶ Reimbursement for homebuyer counseling costs may not exceed \$600 per household.
- ▶ All reserved funds must be drawn by March 31, 2009.

7) What is the applicable retention period for the grant?

Grants are subject to a 60-month retention agreement to ensure that the property is retained as affordable housing. The retention period commences on the date the loan is closed. If the grant recipient owns and occupies the home as their primary residence for the full term, the grant is totally forgiven at the conclusion of the retention period.

8) Under what circumstances must the grant be repaid?

The borrower must repay a pro-rata portion of the grant to the lender in any of the following circumstances:

- ▶ The borrower sells the property prior to the end of the retention period to a non income-eligible purchaser, and realizes a gain on the sale. Repayment is waived if the borrower realizes no net gain on sale.
- ▶ The mortgage is refinanced and the retention agreement no longer applies to the property.
- ▶ The borrower is no longer using the property as a primary residence.

The FHLBC must be given notice of any sale, refinancing, foreclosure, or change in owner-occupied status occurring prior to the end of the retention period. In the case of a foreclosure, the obligation to repay any subsidy is terminated after foreclosure.

9) How is the grant amount to be repaid calculated?

The DPP grant is forgiven on a pro-rata basis over a 60 month period. Forgiveness of the grant is based on the number of full months the owner occupied the property as their primary residence. A month is calculated from the exact date of the loan closing to the corresponding date one month later. No forgiveness will be recognized for partial months.

For assistance calculating the amount of repayment, please refer to the repayment calculator at <http://ci.fhlbc.com>. Click on "Housing Programs", "Downpayment Plus", then "Repayment of Subsidy" to access the repayment calculator.

- ▶ In the case of a sale, a pro rata share of the DPP grant shall be repaid to the FHLBC from any net gain (as defined on the Repayment Worksheet) realized upon the sale of the unit.
- ▶ In the case of a refinancing, a pro rata share of the grant shall be repaid to the FHLBC unless the unit continues to be subject to a legally enforceable retention agreement.
- ▶ In the case of a foreclosure, the obligation to repay any subsidy is terminated after foreclosure; documentation of the actual foreclosure must be provided.

Federal Home Loan Bank of Chicago

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