



First Time Home Buyer

Down Payment Assistance Program

Program Year 2024

Topics

1. **Program Overview**
2. Program Steps
3. How to Apply
4. Income Eligibility
5. Property Requirements
6. Approval and Closing
7. Frequently Asked Questions



1. Program Overview

- \$1,000 - \$14,999 in forgivable down payment and closing cost assistance for qualified buyers
- Assistance amount is based on the need of the buyer
- 4 main criteria to qualify:
 - First time home buyer
 - Income eligible
 - Eligible property
 - Debt and mortgage requirements



Qualification Criteria: First Time Home Buyer



- Has not owned property in the past 3 years
- 2 Special Circumstances
 - Displaced homemaker: owned a home with a former spouse, has not worked in labor force for several years, now unemployed or underemployed
 - Single parent: owned a home with a former spouse, now single parent with sole or joint custody, or is pregnant



Qualification Criteria:

Income Eligible

- **Income Requirements**

- Household must be at or below income limits

1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
\$53,000	\$60,600	\$68,150	\$75,700	\$81,800	\$87,850	\$93,900	\$99,950

- Income limits include total gross annual income for household

- **Asset Requirements**

- Minimum \$1,000 in non-retirement assets
 - Minimum ensures buyer is prepared and can sustain ownership long term
- Maximum \$25,000 in non-retirement assets
- Buyer required to put down payment of \$500-\$3,000
 - In addition to \$1,000 minimum, must have funds for down payment
 - Varies based on total household assets
 - Shown in assets to pre-qualify, paid by closing

*See Topic 4 for more details



Qualification Criteria:

Eligible Property

- Located within the City limits
- Must be outside the 100 year flood plain
- Purchase price limit of \$193,000 (as of 7/1/2023)
- Will be inspected by City staff and must meet health and safety requirements
- Must be owner-occupied or vacant
- House or condo eligible, not mobile home



*See Topic 5 for more details



Qualification Criteria:

Debt and Mortgage Requirements

- Housing and debt to income ratios of 31/43 or 28/38 for lower income buyers
 - May be different than a lender
 - Estimated at Pre-Qualification, then confirmed with Loan Estimate information
- Mortgage must follow Qualified Mortgage criteria
 - ARM acceptable but minimum 10 year fixed
 - Maximum adjustment PITI must be affordable to buyer
 - No non-occupying co-borrowers or co-signers

* See Topic 4 for more details



Additional Recommendations

- Buyers are encouraged to use a Realtor/Real Estate Agent
 - Advocate on behalf of the buyer
 - Experts to help through the purchase process
- Home inspections are also recommended
 - Identify any potential issues or long-term maintenance concerns
 - FTHB staff inspect for the minimum standards for Federal funds, and are not home inspectors
- Both help buyers make informed decisions



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2. Program Steps

1. Applicant completes home buyer education
 - HUD-Approved course is required
2. Applicant works with lender to secure mortgage pre-qualification
3. Applicant submits FTHB application with the following:
 - Home buyer education certificate
 - Pre-approval letter from lender
 - Credit report for applicant and co-applicant
 - 3 years of tax returns for applicant and co-applicant
 - Application documents including all income, asset, and debt payment information



4. If eligible, FTHB pre-qualification letter issued, funds conditionally committed for 90 days to find and make offer on property
 - If property is not found in 90 days, pre-qualification is voided and applicant goes to the back of the line
5. Applicant submits accepted purchase offer and Loan Estimate to FTHB staff
6. FTHB staff reviews property information and mortgage details



7. If eligible, FTHB approval letter issued
8. FTHB property inspection completed
 - All repairs must be completed and re-inspected before closing
9. FTHB staff works with lender to obtain all necessary documents; prepare for closing
10. Final award amount determined and closing
 - Based on purchase price, mortgage details, applicant down payment, etc.
 - 3 days before closing, part of final Closing Disclosure



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3. How to Apply

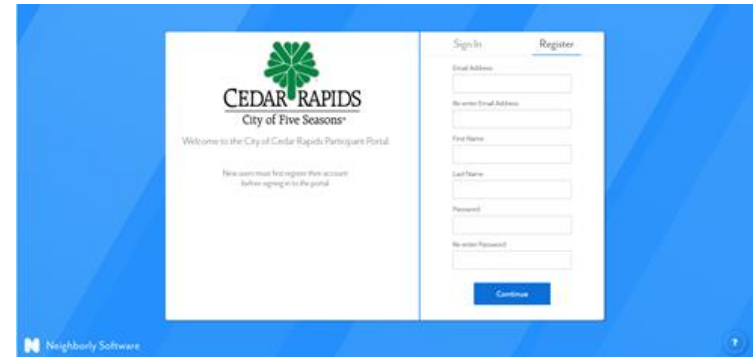


- Home buyer education – ready to buy?
- Work with lender – able to buy?
- Start gathering documents – things everyone needs
 - Home buyer education certificate
 - Lender pre-approval letter
 - Copy of driver’s license/photo ID for everyone 18 & over
 - Copy of Social Security cards/proof of legal status for all
 - Copies of last 3 years’ tax returns for applicant and co-applicant
 - Copy of credit report for applicant and co-applicant



Application – Online Portal

- Register an account at portal.neighborlysoftware.com/CEDARRAPIDSIA/participant.
- Select “First Time Home Buyer program” from the list of programs.
- Fill out information and upload documents as requested.
 - Save progress to come back later, but “Submit” is required in order to officially apply
- Paper applications are also available, but online is encouraged.
 - Program has limited funding, paper versions may be delayed by mailing times or drop off limitations versus 24/7 access online



Application – Overview

- Information must be included for **everyone** who will live in the home
- Based each applicant's situation, there will be different documentation or forms to provide.
 - Be sure to provide ALL required documents, otherwise it will delay the application
 - Answer each question completely; it is better to give more information than not enough



Application – A. Applicant Info

- Head of household = applicant
- Co-applicant = spouse and/or anyone who will be listed on deed
 - Not required, can be left blank if no spouse
- “Save” if page is not final, “Complete & Continue” to lock the page.



Application – B. Required Documentation

- Upload documents, can upload multiple documents in each category
- Tax returns, include the submittal forms as well as all W-2, 1099, and other forms.
- Note: Additional documentation or information may still be needed to finalize the application
- If unable to obtain copies due to pandemic closures, please call/email to discuss options



Application – C. Household Members

- Add all household members
 - Include everyone who will live in household
- Demographic information for statistical use only
- List employment information for each member, or check if not employed
- Answer D. Additional Household Information questions thoroughly, enter “N/A” for any answers that don’t apply.



Application – E. Assets

- Assets mean any money in a bank or financial institution, or items of value
- Asset questions
 - Add a new row for all types of assets
 - Answer for everyone in the household, including child accounts
 - Include all open accounts, even if no activity or low/zero balance
 - If an adult has no assets, select “No Bank Account”
 - Upload the documents needed for each asset type
 - All documents must be most recent available





Application – F. Income

- Income means any and all money or payments that come into household
- Add income for all adults in household
 - Include all income sources, may have multiple income sources for the same person
 - If an adult has no income, select “No Income”
- Upload the documents needed for each income source
 - All documents must be most recent available



Application – G. Additional Info

- Answer questions thoroughly, explain all “yes” answers.
- Looking for a future 12-month “snapshot” of income and assets for each household member.
 - Especially if someone has variable income or expects changes during the year.



Application – H. Household Debt



- Add debts for every adult
 - credit cards, car loans, student loans, personal loans, etc.
 - not things like phone bill or child care
 - Explain any “Other” debts, or share any information needed to clarify.
- Must provide a credit report for applicant and co-applicant, dated within past 60 days



Application – H. Home Buying Info

- Clarify home owner status
- Add rows for all Residences for past 3 years
 - Both Applicant and Co-Applicant
 - Include current residence
- Home buying process information
 - If purchase offer has been accepted, fill in information regarding the new property
- Realtor and Lender contact information



Application – Submit

- Read through authorizations and acknowledgements
- Electronically signed by Applicant
- “Complete & Submit” officially finalizes application, submits to City
- Cannot submit without completing all pages
 - Track your progress with the left-hand navigation, see each page is completed



Application – Troubleshooting Issues

- Password reset available on log in page
 - Connects to Neighborly tech support
 - They can help with any access issues
- Other issues, call or email for help
 - J.barten@cedar-rapids.org
 - (319) 286-5874



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4. Income Eligibility

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\$53,000	\$60,600	\$68,150	\$75,700	\$81,800	\$87,850	\$93,900	\$99,950

- Total gross annual income for household
- Includes everyone, every source of income
 - Income is any money received on a regular basis
 - Lenders often have different guidelines
 - May only look at mortgage applicant's income and debt
 - FTHB looks at whole household



- Housing Costs and Debt to Income Ratios must also be met
 - Housing costs are capped at 31% of household income (28% for lower income households)
 - Debt to income ratios are capped at 43% (38% for lower income households)
- The lesser amount determines the maximum PITI (principal, interest, taxes & insurance) affordable to the household.
- Estimated at Pre-Qualification, then confirmed with purchase offer information





- Assets also have requirements
 - Maximum of \$25,000 in non-retirement assets
 - No limit on retirement funds
 - Amounts over \$25,000 must be used in home purchase
 - Minimum non-retirement assets required
 - \$1,000 must be in assets to be pre-qualified
 - Required minimum down payment amount must also be in assets if not paid at time of application
 - Must be in account for at least 2 months before pre-qualification
 - No negative balances for 2 months before pre-qual





- ## Down Payment Requirements

- Applicant must contribute their own down payment
- Down payment is paid through the purchase process, not paid to the program
 - Under \$7,500 non-retirement assets \$500
 - \$7,501 - \$10,000 non-retirement assets \$1,000
 - \$10,001 - \$15,000 non-retirement assets \$2,000
 - \$15,001 - \$25,000 non-retirement assets \$3,000
- For lower income buyers, contribution is capped at \$500 regardless of assets up to \$25,000



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5. Property Requirements

- Located within the City limits for Cedar Rapids
 - Use City Assessor site to verify
- Owner-Occupied or Vacant (not currently rented)
 - A tenant would be entitled to relocation assistance, but the program does not have funds for this



- Not in 100 year flood plain
 - This includes the house, lot, and access to the property
- Maximum purchase price \$193,000
 - As of July 1, 2023, amount subject to change
- Single-family house or condo units eligible (not mobile home)
 - Fee simple title at purchase
 - Not for duplex or income properties



- Property will be inspected and must comply with Housing Quality Standards (based on health and safety requirements)
 - Not a replacement for a full home inspection
 - Any repairs noted must be completed *before* closing
 - Includes local code requirements
 - *i.e.* smoke detectors in each sleeping room and on each floor
 - Common repairs: smoke detectors, chipping paint, GFCI outlets near water sources, hand railings, house numbers



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6. Approval and Closing

- Purchase Offer Acceptance
 - Must be accepted within 90 days from Pre-Qualification letter date
- Submit to FTHB for review
 - Within 24 hours of offer acceptance, provide:
 - Purchase offer, property disclosures, & MLS listing sheet
 - Loan Estimate as soon as possible
 - Staff will review to ensure
 - Property meets all property requirements
 - Purchase price and mortgage specifics meet household affordability maximums



- Approval letter issued
 - Shows closing deadline
 - 6 months from Pre-Qualification letter date
 - Income verification only valid for 6 months
 - Shows estimated FTHB funding amount
- Property Inspection
 - FTHB staff schedules with Realtor/seller
 - All repairs or items called out must be completed and re-inspected before closing



- FTHB staff works with Lender on documents for closing
 - Title Opinion
 - Appraisal
 - Homeowner's Insurance Binder
 - Closing Disclosure (CD)
 - Final breakdown of all the costs of the purchase
 - 3 days before closing
 - Final award amount determined based on need and closing numbers



- Determining final assistance amount
 - Assistance amount starts at \$14,999, based on the following
 - Lower income buyers will receive \$14,999
 - All other buyers will receive \$14,999 or 10% purchase price, whichever is less
 - Both buyers are capped at 20% of purchase price
 - Down payments above 20% would result in FTHB funds being reduced to get to 20%.



- FTHB staff will attend the real estate closing
 - Program assistance check, made out to closing company/bank, not buyer
 - Program documents to be signed
 - Property Lien
 - Program Agreement
 - Program is a 5-year term, and buyer must reside in the property for 5 years for the assistance to be forgiven



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7. Frequently Asked Questions

- Who should be listed on the application?
 - Everyone who will live in the home.
 - They are receiving the benefit of federal funds.
- Can I buy a mobile home?
 - They aren't considered real estate; must own the land.
- Can I buy on contract?
 - No, because the title typically isn't a fee simple title.





- Can I buy a house in the flood plain?
 - Federal funds cannot be used on houses in the 100-year flood plain. 500-year is acceptable.
- I have a closing date already. Should I still apply?
 - You can apply with a purchase offer and closing date. However, the closing date must be at least 14 days from the day you apply. The 14 days starts with the next business day if you apply at night or on a weekend/holiday.



- Can I buy a house in Robins/Marion/Fairfax?
 - Houses must be in the City Limits for Cedar Rapids.
- If the City is inspecting, do I still need a home inspection?
 - The City's inspection looks for the *minimum* standards to invest federal funds. It is not meant to replace an inspection by a certified home inspector.
 - Home inspections are strongly recommended to help make an informed purchase



- Why should I use a Realtor or get a home inspection?
 - Both are professionals whose job is to give you the assistance and information you need to make an informed purchase. FTHB staff are not able to provide the same assistance as these professionals can.
- What's the catch?
 - The buyer must live in the property for 5 years, and at the end the assistance will be forgiven. A property lien is placed to enforce program requirements.



- What if my family/friend will be helping with my down payment?
 - All gifts must be disclosed and included with income calculations to qualify.
- I pay child support, do I have to include that in my income?
 - Yes, we look at gross incomes before any deductions. Paying child support doesn't change that amount.
- I receive child support, but I don't pay taxes on it. Why do you count it?
 - It is income to your household, regardless of tax laws.



- I don't own a home, but my spouse does. Am I a first time buyer?
 - For this program, there is no difference between one spouse versus another "owning" the home. Both spouses must be first-time buyers, meaning they have not owned property in the last 3 years.
- I don't receive paper pay checks/ bank statements/ retirement account statements/etc. What do I do?
 - If you don't receive paper copies, you are still able to access the information online or through the company. You need to log in and print out or download the required documentation.



- My lender says I qualify, but you say I'm over income. Why is there a difference?
 - Your lender may have a different way to calculate your income. They focus on the person on the mortgage, and they want to make sure that you make *enough* money to pay the mortgage. The FTHB program includes income from EVERYONE in the house, regardless of who will be on the mortgage or the deed. Also, we have to make sure that you don't make *too much* money, so we have to use the highest estimate of your income. Your lender typically uses the lowest estimate of your income.



Contact Information - FT HB

City of Cedar Rapids
Community Development and Planning – Housing Services
City Hall – First Floor
101 First Street SE
Cedar Rapids, Iowa 52401

Program Webpage: www.CityofCR.com/FTHB

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