

Down Payment Program

Down Payment Assistance Program

CDBG funds will be used to provide down payment and closing cost assistance to low-income prospective buyers of single-family homes. Assistance will be provided in the form of a grant. Assisted households will have annual incomes at or below 80% of the Area Median in accordance with CDBG Regulations. Closing costs eligible for payment using CDBG funds include the following:

- Financing fees
- Credit reports
- Title binders and insurance
- Surety fees
- Recordation fees, transactions taxes
- Legal and accounting fees, including cost certification
- Appraisals
- Private Home Inspections by independent vendor

Eligible Activities

The following activities are eligible for financial assistance using CDBG funds. The program is limited to only one of the following:

- Subsidize interest rates and mortgage principal amounts, including making a grant to reduce the effective interest rate on the amount needed by the purchaser to an affordable level. The funds granted would have to be applied towards the purchase price. Alternatively, the grantee/subrecipient could make a subordinate loan for part of the purchase price, at little or no interest, for an amount of funds the payments on which, together with that required under the first mortgage, would be affordable to the purchaser.
- Finance the cost of acquiring property already occupied by the household at terms needed to make the purchase affordable.
- Pay all or part of the premium (on behalf of the purchaser) for mortgage insurance required up-front by a private mortgagee. This would include the cost for private mortgage insurance.
- Pay any or all of the reasonable closing costs associated with the home purchase on behalf of the purchaser.
- Pay up to 50% of the down payment required by the mortgagee for the purchase on behalf of the purchaser.

The lender will review the above options and select the activity that best meets the need of the homebuyer.

Blended Down Payment Assistance

The CDBG assistance can be combined with other down payment programs such as Illinois Housing Development Authority (IHDA) and Federal Home Loan Bank (FHLB).

1. Buyer Eligibility

- Buyers are pre-qualified to enroll in the DPA program if they are projected to earn less than 80% of the area median income for their family size (as defined annually by HUD) in the upcoming 12-months and intend to occupy the home they would like to purchase as their permanent residence.

- City of Urbana will verify that the potential Buyer is income-qualified using HUD’s online income calculator (<https://www.hudexchange.info/incomecalculator/>). The lender must be associated with a bank and be located within Champaign County.

The Program is open to income eligible homebuyers purchasing homes within the corporate limits of the City of Urbana. Households must be below 80% of the Area Median Income as outlined below.

Lenders who are associated with a bank are eligible to use the program. Brokers are not eligible.

Median Family Income Limits 2021

Median=\$86,400

Family Size	30% MFI	50% MFI	^60% MFI	80% MFI	MFI
1 person	18,150	30,250	36,300	48,400	60,500
2 persons	20,750	34,600	41,500	55,300	69,200
3 persons	23,350	38,900	46,700	62,200	77,800
4 persons	25,900	43,200	51,800	69,100	86,400
5 persons	28,000	46,700	56,000	74,650	93,400
6 persons	30,050	50,150	60,200	80,200	100,300
7 persons	32,150	53,600	64,300	85,700	107,200
8 persons	34,200	57,050	68,500	91,250	114,100

^Rounded to the nearest \$100

Effective 6/1/2021

2. Inspection and Appraisal

- The City of Urbana will review the private home inspection prior to closing. County. The Bank will need to discuss the details of the work to be done with the Buyer, particularly if the Seller is not willing to pay for the repairs outright.
- The Bank will ascertain the appraised value of the Seller’s property, either by hiring a licensed residential appraiser or through disclosure of the Buyer or Seller, and verify that the appraised value does not exceed 95% of the median purchase price for Champaign County as defined annually by HUD (updated here: <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>). If the appraised value of the property exceeds 95% of the median purchase price for Champaign County, then the Buyer must choose an eligible property.

Repairs noted in the private home inspection that fall within our current housing programs may be eligible for escrow options utilizing CDBG funds.

3. Underwriting and Closing

- The Lender will send the contact information for the Seller’s Realtor/Attorney to the City of Urbana at least 20 days prior to the closing date. City of Urbana will send the Seller’s Realtor/Attorney copies of the Affidavit of Occupancy and the Voluntary Letter to be signed and returned to the City of Urbana.
- After approval of the Homebuyer Mortgage Analysis Spreadsheet, the City of Urbana will forward an approval letter to the lender.

- The Bank must forward a closing disclosure and/or settlement sheet to the City by 10:00am the day before the closing – this will allow staff to verify the City’s grant amounts are listed correctly. The City will process the down payment assistance check and deliver it at the time of the closing – the check will be made out to the Buyer and the Bank (or Title Company).

Down Payment Program Checklist

Step 1. Preapproval

___ Lender pre-approves buyer for a loan (35% maximum front-end, 43% maximum back-end. Exceptions can be made for good credit or other cause).

___ Lender refers the buyer to Housing Counseling.

___ Lender submits the property appraisal, contract, income verification, homebuyer counseling, and release to City of Urbana.

Step 2. Process and Income Verification

___ City of Urbana verifies that the homebuyer is income-qualified using HUD’s online income calculator and also stores the following additional information in its records:

- Three months’ checking account statements and the most current statements for any savings or investment accounts
- Evidence of the buyer’s completion of homebuyer counseling

___ City of Urbana sends a preapproval to the lender along with a summary of the income qualification.

___ City of Urbana completes environmental review for the file.

___ City of Urbana ensures that the appraised value of the property does not exceed 95% of the [median purchase price for Champaign County](#) as defined annually by HUD.

___ City of Urbana or lender sends the Homebuyer Mortgage Analysis Spreadsheet to the City of Urbana for approval.

Step 3. Inspection (est. time to schedule and complete inspection, then complete repairs and re-inspection: 1 week)

___ City of Urbana reviews the private home inspection.

___ City of Urbana obtains Uniform Relocation Act (URA) acknowledgements from the seller.

Step 4. Approval

___ City of Urbana confirms with the Lender the eligible activity and requested amount of the grant to be brought to closing.

___ City of Urbana approves the Homebuyer Mortgage Analysis Spreadsheet and submits request for check (est. time to release check: 1 week).

___ City of Urbana sends approval letter to the lender. Urbana must have the following documents in hand to complete this step:

- Private Home Inspection report
- URA acknowledgements from the seller
- Confirmation from City of Urbana that the buyer is income eligible and has received counseling

___ Need invoice from lender to provide down payment assistance.

Step 5. Closing

___ Lender provides closing disclosure to the City of Urbana prior to the closing

___ City of Urbana brings the following to the closing:

___ Check made out to the homebuyer, lender, or title company as needed.