



Market Rate Homebuyer Assistance Program **Program Guidelines**

Program Sponsor	The City of Chicago (the “City”) qualifies as an approved provider of down payment assistance per HUD and Freddie Mac guidelines.
Program Administrators	Certain administrative functions and the pre-close loan review will be conducted by the City Infrastructure Trust (“CIT”), a non-profit entity established by the City, and George K. Baum & Company (the “Administrator”).
Program Funding	Continuous funding is available, but the City reserves the right to suspend the Program at any time but with no impact to already reserved loans and with sufficient notice to Lenders.
Eligible Lenders	Each eligible Lender as originating lender and/or as servicer must sign the Program Lender Agreement with the City of Chicago and submit an Economic Disclosure Statement to the City.
Servicer	City approved originating Lenders have the right to service their own loans, or to transfer, assign or sell the servicing rights to any other HUD or Freddie Mac approved seller/servicer approved by the City. Any term sheets prepared by Lenders looking to purchase, fund, underwrite and/or service loans from other Lenders must conform to Program Guidelines.
Eligible Loan Area	Program is available throughout the City of Chicago limits.
Occupancy	Primary residence only. Borrowers and their spouses must comply with Borrower eligibility requirements per FHA, VA, USDA and Freddie Mac guidelines and must occupy the property within 60 days.
Eligible Borrowers	No first-time homebuyer requirement. Borrower eligibility, non-purchasing spouses, non-occupying co-borrowers and co-signers are permitted subject to FHA, VA, USDA and Freddie Mac approval.
Eligible Properties	Single family, owner-occupied, 1-4 unit principal residences that are detached structures, or condominiums, town homes, duplexes, subject to FHA, VA, USDA and Freddie Mac guidelines. Manufactured homes are eligible subject to Lender’s own parameters or those established by Lender.
Income Limits	<ul style="list-style-type: none"> • <u>FHA, VA, USDA</u>: Up to 115% AMI [currently \$87,400] in annualized income regardless of family size, as reported in Form 1003 and used for underwriting purposes. Income numbers are updated annually. • <u>Fannie Mae/Freddie Mac</u>: Up to 160% AMI [currently \$121,600] in annualized income regardless of family size, as reported in Form 1003 and used for underwriting purposes. Income numbers are updated annually. <p>Household income does not apply. Income limits may change from time to time and will be updated by the City per Program Bulletin when appropriate.</p>
Borrower	For FHA loans, there is no minimum investment from the Borrower’s own funds. A

Investment	Borrower must contribute a minimum [\$1,000] from their own funds (may not be gifted), or such greater amount as required by the Mortgage Insurers. The contribution can be in the form of earnest money, cash at closing or costs related to the transaction paid outside of closing if identified on the HUD-1.
Credit Scores	<ul style="list-style-type: none"> • <u>FHA, VA and USDA Loans</u>: minimum credit score per FHA, VA and USDA guidelines, subject to any overlays as required by the Lender or Lender/Servicer. • <u>Fannie Mae/Freddie Mac Loans</u>: 640 minimum credit score for loan products offered under the Fannie Mae HFA Preferred and Freddie Mac HFA Advantage programs. <p><u>Note</u>: An indicator score must be established for each application and meet required minimums. If any of the Borrowers do not have a usable credit score, the mortgage loan application is NOT eligible per HFA Preferred and HFA Advantage guidelines.</p>
Lender Overlays	Lenders may introduce their own credit and underwriting overlays that must not exceed the limits set forth herein by the City.

First Loan Terms and Guidelines

First Loan Types	<ul style="list-style-type: none"> • FHA 203(b), 203(b)(2), 203(k) streamlined and standard, 203(h), 234 (c), VA. For 203 K, the Lender or Lender/Servicer will be responsible for administering the escrowed funds and oversee the property rehab. • Fannie Mae's <i>Home Ready</i> and any other loan up to 97% LTV eligible under Fannie Mae's <i>HFA Preferred</i>. All loans will be sold to Freddie Mac and are therefore subject to Freddie Mac approval. • Freddie Mac <i>Home Possible</i> and any other conforming loan up to 97% LTV eligible under Freddie Mac <i>HFA Advantage</i>. • Standard Fannie Mae and Freddie Mac Loan products are <u>not</u> available.
Transaction Type	Purchase transactions; rate/term refinancing (no cash back to the Borrower) of an existing loan as permitted per FHA, VA, USDA, Freddie Mac and Mortgage Insurer guidelines.
First Loan Terms	30-year fixed rate fully amortizing first Mortgage Loans only, unless otherwise approved by the City.
Mortgage Loan Rates	Lenders and Lender/Servicers will establish their own loan rates and prices: <ul style="list-style-type: none"> • All Fannie Mae/Freddie Mac loans will be priced through Freddie Mac's Cash Window. • For FHA loans, Lenders may price their own loans through their own delivery channels or price such loans through the Administrator pursuant to a separate Purchase Agreement.
Price Adjustments/Discounts	Unless otherwise specified in a Lender Rate Sheet, there are no price adjustments, discounts and/or delivery fees charged to the Borrower.
Lender Paid MI	Monthly, split and single "Borrower paid" mortgage insurance premiums are permitted from any Freddie Mac approved Mortgage Insurer. Please refer to the appropriate Rate Cards for HFA Advantage for each Mortgage Insurer.
Rate Locks and Extension	Rate locks to the Borrower, extensions and extension fees as determined by the Lender.

Loan Underwriting/ Ratios/Reserves	<ul style="list-style-type: none"> FHA loans must be underwritten in accordance with FHA underwriting guidelines subject to any overlays by Lenders and Lender/Servicers. <i>HFA Preferred</i> is available through Desktop Underwriter (DU) using the “Additional Data” screen, select “HFA Preferred”. A DU “<u>Approve/Eligible</u>” is required. Even with a DU Approve/Eligible, Mortgage Loan must qualify for sale to Freddie Mac. <i>HFA Advantage</i> is available through Loan Prospector (LP) by selecting “Home Possible Advantage for HFAs” option. Must receive a Risk Class of “<u>Accept</u>”. Lenders may ignore purchase eligibility messaging of “ineligible”. The Lender must consider the Borrower’s ability to repay the mortgage loan obligation regardless of the automated underwriting decision. For Qualified Mortgage Loans with debt-to-income ratios exceeding 45%, Lenders should consider higher credit scores or other compensating factors. <p>Certain ATR/QM restrictions do not apply for any Mortgage Loan Program administered by a unit of government regardless of the funding source. However, the City’s Lenders and Mortgage Loans <u>are</u> subject to the following:</p> <ul style="list-style-type: none"> HOEPA requirements as they relate to High Cost Mortgages TILA requirements for Higher Priced Mortgage Loans (HPMLs)
Manual Underwriting	<ul style="list-style-type: none"> <u>FHA, VA and USDA</u>: Permitted subject to FHA, VA and USDA guidelines subject to Lender approval. <u>Fannie Mae/Freddie Mac</u>: Manual underwriting is not permitted.
Mortgage Insurance	<ul style="list-style-type: none"> <u>FHA, VA and USDA</u>: Per FHA, VA and USDA guidelines. <u>Fannie Mae/Freddie Mac</u>: HFA Preferred and HFA Advantage require <u>charter</u> coverage from Freddie Mac approved Mortgage Insurers: 18% coverage for 95.01-97 loans; 16% coverage for loan LTV up to 95%.
First Loan/Home Price Limits	FHA, VA, USDA, Fannie Mae and Freddie Mac first loan limits apply. There are no purchase price limits.
Buydowns	Temporary buydowns are permitted per HUD and Freddie Mac guidelines but the Borrower Assistance may not be used for such purpose.
Homebuyer Education	<p>Required for Borrowers on title who are first time homebuyers. Borrowers may attend local homebuyer education courses with counseling centers approved by the City. Please refer to the City’s homebuyer counseling web site at: http://www.cityofchicago.org/city/en/depts/dcd/supp_info/homeownership_housing_counselingcenters.html for a list of approved homebuyer counselors.</p> <p>The completion of the course by the Borrower(s) and the receipt of a Certificate of Completion is a condition for the loan closing.</p>

Servicing Requirement

Servicing Obligations	FHA, VA, USDA, Fannie Mae and Freddie Mac loans must be serviced in accordance with HUD and Freddie Mac servicing and all federal and state regulatory guidelines.
Servicing Fees	19-69 basis point servicing fee loans pooled within GNMA securities; 25 basis points for Fannie Mae/Freddie Mac loans.
Servicing Release Premiums (SRP)	If servicing is sold, transferred or assigned, servicing release premiums determined by purchasing Lender/Servicer.

Borrower Assistance

<p>Borrower Assistance Sponsored by the City</p>	<ul style="list-style-type: none"> • <u>FHA, VA and USDA</u>: City Grant of any amount up to <u>5%</u> of the home purchase price. • <u>FNMA/Freddie Mac</u>: City Grant of any amount up to <u>7%</u> of the home purchase price for loans up to 97% LTV. Actual Borrower Assistance options will be represented on the daily Lender Rate Sheets and are subject to change. • May be applied towards the Borrower’s down payment or closing costs. Other than earnest money reimbursement, or items paid by the Borrower outside of closing, there can be no cash back to the Borrower. • The Grant must be identified on the HUD-1 settlement statement as a “City of Chicago Grant”. For HUD’s FHA Loan Underwriting and Transmittal Summary, the City’s EIN is _____.
<p>Borrower Assistance Repayment Terms and Forgiveness</p>	<ul style="list-style-type: none"> • <u>For FHA, USDA, VA Loans</u>: The original Grant amount is subject to repayment, with no accrued interest, if the property is sold or if the Mortgage Loan is refinanced within five (5) years from the loan closing date. The amount due shall be reduced pro rata for each full month (60 months) the Borrower remained in the home (no reduction is given for partial months). After the five (5) year anniversary, the repayment obligation shall be forgiven in full and the subordinate lien released free and clear. • <u>For Fannie Mae/Freddie Mac Loans</u>: The original Grant amount is subject to repayment, with no accrued interest, if the property is sold or if the Mortgage Loan is refinanced within ten (10) years from the loan closing date. The amount due shall be reduced pro rata for each full month (120 months) the Borrower remained in the home (no reduction is given for partial months). On the ten (10) year anniversary date, the repayment obligation shall be forgiven in full and the subordinate lien released free and clear. • For all loans, Borrower will be asked to sign a recorded Mortgage, Retention and Subordination Agreement and a Mortgagor’s Acknowledgement.
<p>Closing Cost Assistance</p>	<p>Lender may offer additional premium pricing to the Borrower, to be advanced by the Lender, towards the Borrower’s cash to close other than the down payment in accordance with HUD and Freddie Mac disclosure guidelines.</p>
<p>Other Assistance</p>	<ul style="list-style-type: none"> • Program may be combined with the City’s Mortgage Credit Certificate (MCC), provided that the Borrower qualify for all terms and conditions as set forth in these Program Guidelines and the MCC Description. • Program may be combined with any other City of Chicago subsidy or assistance provided that the Borrower qualify for these Program Guidelines and those required for the additional subsidy or assistance.

Funding and Compliance Procedures

<p>Pre-Close Grant Funding Request</p>	<p><u>FHA Loans</u>: With a minimum 2 business day notice, Lenders must email the City’s escrow agent with the following:</p> <ul style="list-style-type: none"> ✓ Grant Funding Request Form ✓ Homebuyer Education Certificate (first-time homebuyers only) ✓ Underwriter Approval (e.g., FHA Loan Underwriter and Transmittal Summary)
--	---

	<p>The City reserves the right to either: (i) wire transfer the Grant funds directly to the loan closing agent or title company, or (ii) to instruct the Lender to advance the Grant amount at the loan closing on behalf of the City for the benefit of the Borrower.</p> <p><u>Freddie Mac Loans:</u> The Lender is required to advance the Grant amount at the loan closing on behalf of the City for the benefit of the Borrower.</p>
Post-Closing Mortgage Loan File	<p>Within 20 business days from the loan closing, the Lender is responsible for emailing the Administrator with the following documents:</p> <ul style="list-style-type: none"> ✓ Final and executed HUD-1 Settlement Statement ✓ Loan Underwriter and Transmittal Summary ✓ Signed and recorded Mortgage, Retention and Subordination Agreement ✓ Assignment Agreement (Fannie Mae/Freddie Mac Loans) ✓ Signed Mortgagor's Acknowledgement ✓
Grant Reimbursement and Program Fee Payment	<p>On the fifth [5th] day of each month, for all Mortgage Loans for which post-closing documents were received in the previous calendar month, the Administrator shall list all loans for which a post-closing mortgage loan file was received in the previous calendar month, with an accounting of any Assistance Grant reimbursement due the Lender (Fannie Mae/Freddie Mac loans), any Assistance Grant reimbursement due the City (FHA, VA and USDA loans), and the applicable Program Fee payable to the City and an invoice for any net amount due the City or any amount due the lender. If agreeable to the Lender, wire transfer arrangements for such payments shall be expedited accordingly.</p>

Compensation, Seller Contributions and Program Participation Fee

Lender Compensation	<ul style="list-style-type: none"> • Lenders may charge the Borrower an origination fee of up to 1%, and reasonable and customary yields spreads for such loan types, but total Lender compensation may not exceed [2.5%] of the funded Qualified Mortgage Loan amount. • Reasonable and customary fees and closing costs, as long as such compensation payments are fully disclosed to the Borrower in accordance with federal, state and local laws and regulations.
Seller Contribution	Permitted subject to FHA, VA, USDA, Fannie Mae and Freddie Mac guidelines.

Administrator	<p>City of Chicago Investment Trust</p> <p>_____</p> <p>Telephone: _____ Email _____</p> <p>George K. Baum & Company</p> <p>_____</p> <p>Telephone: _____ Email _____</p>
---------------	---

Reporting Requirements (FHA, VA, USDA Loans)

Due weekly from each Lender, via on-line access or in an Excel spreadsheet format

Loan Number
Program Name
Lender Name
Line of Business (retail, corr., wholesale)
Servicer (is not retained)
Transaction Type (purchase, refi)
Loan Type (FNMA, Freddie Mac, FHA)
Borrower Last Name
Property Type (SF, Condo, duplex, etc.)
Property Location (City or County)
Home Purchase Price
Final First Loan Amount
Grant Amount
Lock Date
Lock Expiration/Est Closing Date/Sign Date
Loan Rate
Back End DTI Ratio
Credit Score (Primary Borrower)
Qualifying Borrower Income (Annual)
Census Tract
Seller Contribution (if any)
First Time Homebuyer?
Loan Status (application, In UW, approved with conditions, etc.)

To the extent Freddie Mac cannot provide same loan fields for all Fannie Mae/Freddie Mac loan sold to Freddie Mac, the Lender may be asked to provide such information.

Additional fields may be added from time to time by the City and program Administrator.