ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Habitat for Humanity — Community Impact Fund

Round 5 Program Manual

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I. Introduction

Illinois Affordable Housing Trust Fund

Since established in 1989, the Affordable Housing Trust Fund ("Trust Fund") has been one of Illinois' most important resources to finance the creation and preservation of safe and affordable homes for working families.

At a time when the need for homeownership opportunities and affordable rental housing is greater than ever before, advocates continue to look to the Trust Fund as a solution. Since its inception, the Trust Fund has been a flexible source of gap financing crucial to developers, non-profit organizations, municipalities, and homeowners across the state to finance affordable homes for income-eligible families.

While program eligible applicants cannot apply directly to the Illinois Housing Development Authority (IHDA) for Trust Fund financing, organizations interested in expanding affordable housing throughout the state can apply for funding to provide funds to program eligible applicants.

Though many of the process steps can appear complex and challenging, thoughtful design considerations and establishment of a clear step-by-step approach to implementation will enable you to create a well-run, effective program that is consistent with state requirements and local initiatives. As the agency administering the Trust Fund, IHDA stands prepared to assist you in this process. This Program Manual has been developed as part of this assistance.

Habitat for Humanity – Community Impact Fund

IHDA's Habitat for Humanity – Community Impact Fund Program (the "Program") assists homebuyers with down payment funds which serve as an affordability subsidy to buy down the sales price to ensure the mortgage does not exceed 30% of their gross monthly income.

A. Program Manual

IHDA has developed this Program Manual to assist Habitat for Humanity of Illinois (the "Grantee") with the effective development and implementation of the Program. The Manual has been prepared in order to promote the following objectives:

- Clarify program roles for all program parties
- Use funds in accordance with program guidelines
- Expend funds in a timely fashion
- Minimize future program/project problems

IHDA Assistance

For further information regarding the Program, contact the Community Affairs Department:

Illinois Housing Development Authority
Community Affairs Department
111 E. Wacker Drive, Suite 1000
Chicago, Illinois 60601

Main E-mail: TFCIFinfo@ihda.org

Organization of the Program Manual

IHDA has produced this Program Manual to give the Grantee, the Administrator (defined below) and the Grantee's local affiliates ("Program Partners") sufficient information to get program activities off to a fast and proper start. The Program Manual includes "best practice" tips on program implementation and sample program forms. While the Program Manual attempts to cover all issues and considerations critical to the Grantee and Administrator, it is not intended to replace a full study of state and federal regulations, procedures, or due diligence by the Grantee.

The Program Manual structure is summarized below:

- **Chapter 1: Introduction** – This chapter identifies key players and provides an overview of the Program Manual.
- **Chapter 2: Eligibility and Assistance** – This chapter details key program requirements concerning eligible participants, available assistance, and terms of assistance for the Program.
- **Chapter 3: Delegated Administrator** – This chapter describes the responsibilities of the Delegated Administrator (the "Administrator).
- **Chapter 4: Program Partners** – This chapter outlines the responsibilities of the Program Partners.
- **Attachments** – This section includes forms and other documents referenced throughout this Program Manual.

B. Program Parties

Habitat for Humanity of Illinois (HFH Illinois), the Grantee

Habitat for Humanity of Illinois' role in the Program is as the grantee. HFH Illinois is a state association organization comprised of board members, HFH local affiliates and executive directors who volunteer their time and expertise to support HFH local affiliates across the state.

The Delegated Administrator (the "Administrator")

HFH Illinois will enter into a Professional Services Delegation Agreement with the Administrator to share the Program responsibilities. The Administrator represents HFH Illinois, reviews & submits all Program Partners documents and closing packages, markets the program, and answers questions from and provides guidance to Program Partners. The Administrator will report on the progress of the Program to IHDA every quarter. The Administrator will also provide technical assistance and on-going training to the Program Partners throughout the term of the Program.

Habitat for Humanity Local Affiliates ("Program Partners")

Program Partners will coordinate IHDA's down payment assistance for each borrower on behalf of the Administrator. The Program Partners will work directly with borrowers, screen for program eligibility, and prepare closing documents for closing. The Program Partners will be responsible for submitting eligible closing packages to the Administrator.

C. Program Staffing Plan

To ensure that the Program operates effectively, Program Partners should develop a Program staffing plan. As part of the staffing plan, the responsibilities of each staff person should be identified. Clarifying the responsibilities of each position will help Program staff members understand their roles and ensure that all Program functions have been assigned to someone.

In order to maximize the benefits of the Program, Program Partners should assess their in-house capacity to perform the necessary Program functions. If existing staff lack experience in an area, Program Partners should carefully consider whether the Program could afford to hire new full-time staff and/or train existing staff. It may be more cost-effective to hire a consultant for specific job functions. For all IHDA administered programs, hiring practices for employees and procedures for obtaining contract services must comply with local, state, and federal laws and regulations.

D. Financial Management and Record Keeping

Establishing adequate financial management procedures is a critical step for the Grantee, Administrator, and-Program Partners. For each Program year, HFH Illinois must send IHDA an electronic copy of their annual financial audit.

In addition, IHDA requires that the Administrator and Program Partners maintain records that document compliance with all Program requirements. Program Partners must establish filing systems that reflect the record-keeping requirements listed throughout this Manual and the Funding Agreement. The Administrator and Program Partners should monitor Program activity and performance to keep track of individual projects and overall production. A well-designed project tracking system helps Program staff:

- ✓ Identify the status of a particular project or client
- ✓ Monitor the progress of individual projects and the program's overall level of production
- ✓ Identify projects that are stalled and where backlogs are occurring in program activities
- ✓ Establish a basis for projecting future production levels and staffing requirements
- ✓ Document Program accomplishments and successes

E. Key Program Concepts

There are some key Program concepts Program Partners should be mindful of when screening applicants for eligibility. Please note that this list is not all-inclusive as there may be additional key Program concepts discussed throughout the manual.

Program Assistance

Eligible homebuyers at or below 80% area median income may receive up to $20,000 and eligible homebuyers at or below 50% area median income may receive up to $25,000 in assistance from IHDA to cover the cost of a down payment. Homebuyers must also meet the debt-to-income ratio requirements outlined in the "Analyzing Debt to Income Ratios" section of the manual.

Income Definition

Program Partners in the Program must use the IHDA Income Calculator (Attachment 2) to assess the household income of each applicant. The IHDA Income Calculator is a tool that simplifies the making of income eligibility determinations. The IHDA Income Calculator was built using the HUD Part 5 definition of annual income found at 24 CFR Part 5. See Attachment 2a for the IHDA Income

Calculator User Guide. The Guide will assist you when navigating the IHDA Income Calculator, which uses the Income Limits (Attachment 4).

Homebuyer Documents

Program Partners will be required to ensure proper execution of IHDA's loan documents (Mortgage and Note) and recording of the Mortgage. Loan documents, which meet the program requirements, will be provided to HFH Illinois as an exhibit to the Funding Agreement. IHDA will reimburse the funds after closing to the established bank account provided by the Administrator.

II. Eligibility and Assistance

A. Eligibility

This chapter details key program requirements concerning eligible participants, available assistance, and terms of assistance for the Program. While there is considerable flexibility in designing Trust Fund programs, Program Partners must still comply with state and federal requirements and the terms of the Funding Agreement with IHDA.

When awarding assistance to homebuyers, Program Partners must inform homebuyers of their rights and responsibilities under the Program. It is also important that Program Partners discuss the IHDA loan documents that establish the terms and conditions under which the assistance is provided prior to the homebuyer executing the IHDA loan documents.

Applicants

Homebuyer programs supported by Trust Fund dollars can only assist income-eligible applicants. To qualify for assistance, an applicant's income must be eligible within IHDA income limits at the time of application. An applicant qualifies as income-eligible if their household's gross annual income does not exceed 80% of the median income for the area, adjusted for family size.

To assess an applicant's income eligibility, you must consider the following factors: annual income and household size. The Program uses the HUD Part 5 definition for determining annual household income.

Program Partners must certify the gross amount of income of all adult household members (18 years and older) that is anticipated to be received during the upcoming 12-month period. All household income will be calculated using IHDA's Income Calculator, which must be included with the submission of your pre-approval package. All income certifications must use supporting documentation, including:

- ✓ 3rd party verification from employers or the SSA,
- ✓ Copies of pay stubs and/or bank statements,
- ✓ At least two months of income documentation, or
- ✓ Certified copy of federal tax returns.

Note: The documentation mentioned above should not be sent to IHDA; these documents must be kept in the homebuyer's file for future reference. Please remember, when submitting documents to IHDA be sure to send only the documents indicated on the corresponding checklist.

Properties

Homebuyers must purchase properties that are single-family homes (detached or single-family semi-detached). Eligible properties per the Funding Agreement must be located within the State of Illinois. Program funds cannot be used for assistance on multifamily buildings, mobile homes, or trailers.

Ownership & Occupancy

In addition to the request for assistance, homebuyers must purchase a property to be used as their principal residence as all properties must be owner-occupied. The homebuyer must obtain ownership of the property through fee simple title. Other forms of ownership, including trusts, contracts for deed, lease-purchase and life estate, are not eligible forms of ownership under the

Program. In order to comply with this requirement, IHDA loan documents incorporate the owner-occupancy requirement.

B. Assistance

Eligible homebuyers at or below 80% area median income may receive up to $20,000 and eligible homebuyers at or below 50% area median income may receive up to $25,000 in assistance from IHDA to cover the cost of down payment.

When providing down payment assistance, Program funds must be used to buy down the first mortgage to ensure that the gross monthly payment ranges from 20% - 30% of the homebuyer's monthly income. Program Partners should decide in advance to what extent other homebuyer funds and assets could and should be used to contribute to the down payment costs.

All applicants are required to meet Habitat for Humanity equity requirements. There will be no cashback allowed to the homebuyer at the closing. The homebuyer's contribution may not be reduced by any credits (property tax-related or otherwise) that are generated by the purchase transaction, nor be reduced by any fees that have been pre-paid by the homebuyer (for example, application fees, appraisal fees, etc.).

Terms

IHDA will reimburse the Administrator for the IHDA loan after all items on the Disbursement Checklist have been received and approved. All homebuyer documents must be provided promptly to ensure funds are reimbursed in a timely manner. Once all documents have been received and approved, please allow 7 to 10 business days for funds to be disbursed by IHDA.

Down payment assistance will be provided as a five-year forgivable loan, carry 0% interest, will be secured by a Mortgage and evidenced by a Promissory Note. Program Partners will be required to prepare and coordinate the execution of the loan documents and the recording of the IHDA Mortgage. The loan term for the first mortgage must be no less than 20 years and no more than 33 years.

If homebuyers choose to sell the property within the five-year loan term, they will be subject to the recapture provisions as stipulated in the Mortgage.

III. Delegated Grant Administrator

This chapter outlines the responsibilities of the Administrator. The Administrator is responsible for coordinating IHDA's program assistance and providing technical assistance to the statewide affiliates in the Program.

A. Participant Selection Plan

The Administrator is required to submit a Participant Selection Plan (PSP) to IHDA for approval before the start of the Program. The Participant Selection Plan outlines the procedures that will be followed in selecting households for the Program.

IHDA expects that the Administrator and Program Partners will have developed processes to equitably market and select households for participation in the Program. All Program marketing must conform to federal and state fair housing and civil rights requirements; visit the Illinois Department of Human Rights–Fair Housing Division for more detailed information on fair housing laws. If the Administrator wishes to modify their PSP during the program term, IHDA must review and approve the changes.

There are three primary methods of selecting home purchasers among pre-qualified applicants. We recommend utilizing one of these methods described below. The selected method is documented in the PSP.

- *First-Come, First-Served*
  Applicants are selected from among the pre-qualified households based on when they first applied to the program. The date and time they applied will be stamped on their application by the person receiving applications. To be fair to all applicants, do not establish first-come, first-served status based upon completion of the pre-qualification step, but rather on date of initial application.

- *Lottery*
  Sometimes demand for a homeownership program is so great that problems arise (such as long lines forming before an application acceptance date or numerous telephone calls regarding where applicants are on the list). If such a demand is likely, an alternative approach is a publicly held lottery from the pool of eligible pre-screened applicants.

- *Selection Criteria*
  A third option is to create selection criteria; in effect, to rank all applications based upon some pre- established criteria, such as current housing conditions, family size, income, down payment contribution, etc. Because even the best criteria often become somewhat subjective, this approach may not be perceived as sufficiently open and fair.

B. Marketing Plan

The Administrator must ensure Program Partners develop and implement the Program marketing plan. The marketing plan should create an awareness of the Program for the general public and community groups in an open and inclusive manner. The marketing plan should focus on the intent of the Program and increase community understanding and awareness.

As you develop the Program announcement, the marketing materials should include the following information:

- ✓ Brief description of the Program
- ✓ Eligibility requirements
- ✓ Funding available per household and the terms
- ✓ Instructions on obtaining an application
- ✓ Application due dates (if applicable)

IHDA reserves the right to review marketing materials.

More households may apply for the Program than will be able to be assisted. For this reason, there must be clear procedures and policies for determining whom to assist and how to handle a waitlist. This is particularly important to ensure that there is no bias in the selection process, which will be covered in more detail in Chapter 4.

Flyers and Brochures

Developing attractive and informative written materials can be a highly effective and cost-efficient way to market the Program. Helpful hints for developing written materials include:

- **Keep it simple**. Avoid big words, jargon, and do not use acronyms. Explain concepts that may be unfamiliar.
- **Make it easy to read.** Use a relatively large, easy-to-read typeface to help ensure that materials can be understood by those with limited reading skills or limited vision.
- **Try it out on sample clients**. "Consumer test" new marketing materials before mass production by having a small sample of clients determine whether the materials are easily understood.
- **Use a "user-friendly" format.** Provide information in a question-and-answer format. Try to anticipate the kinds of information customers might want and express questions and answers in simple terms.
- **Make printed materials attractive.** You want potential customers to pick materials up and read them. Use photos and color to the extent that your budget permits.

Getting the Word out through the Media

Advertisements can be placed in local newspapers. Use a variety of community newspapers, including those that serve underserved populations. Local advertisement circulars that are mailed to consumers can also be very effective in reaching targeted neighborhoods.

You can also make use of public service announcements on radio and television. Have staff members talk about the program on relevant local radio or television stations. Local cable television stations should also be targeted. The Administrator may use local cable to their advantage by developing a presentation with interviews of previous Program participants, pictures or testimonials of the merits of the Program. Periodically seek media coverage through feature articles by providing press releases on accomplishments. Potential customers can be attracted through feature articles.

Designate a staff member to be your press liaison. This person should be the primary contact for the media and should be responsible for generating periodic press releases that keep the general public and target audiences aware of the program.

Community Outreach

Outreach should provide a road map for key stakeholders by providing awareness and opportunities for community engagement and involvement. Therefore, it is important to reach out to housing advocacy groups, interfaith groups, anti-poverty groups, and other community organizations.

C. Reporting

Reporting is a crucial aspect in determining the success of the Program. Therefore, the Administrator will be responsible for reporting on progress of the Program by providing updates on outreach to Program Partners, marketing, and program performance by submitting quarterly reports, which are due 15 days after the quarter's end. See Attachment 5 for the quarterly report template.

Quarterly reports should establish a timeline of the Program and outline activities expected to be accomplished during each quarter. The Administrator will also be expected to report on the activities of participating Program Partners. The following information must be included in each quarterly report:

- Number of homebuyers in the pipeline (homebuyers counseled and ready to purchase)
- Number of homebuyers assisted with IHDA funds
- Number of files submitted for closing (broken down by affiliate)
- Explanation for unsuccessful closings (i.e., program requirements too strict, purchase contract fell through, etc.)
- Progress of marketing and outreach conducted during the quarter successes and challenges

Upon the start of the Program, the Administrator must provide a list of Program Partners currently participating in the Program and provide an updated list during the course of the Program.

D. Technical Assistance

The Administrator is responsible for marketing, technical assistance, and Program Partner training. Trainings conducted for Program Partners may consist of group trainings or one-on-one assistance.

E. Review of IHDA Closing Package

The Administrator will be responsible for reviewing all closing packages prepared by Program Partners prior to submitting disbursement requests to IHDA. The Administrator's review ensures all files meet Program requirements and quality control standards determined by IHDA and as outlined on the program checklists (Attachments 6, 7, and 8).

IV. Program Partners

This chapter outlines the responsibilities of Program Partners and is comprised of four topics: Program Set-Up and Design, Pre-Qualify Potential Homebuyers, Provide Homebuyer Counseling, and Understanding the IHDA Closing Process.

A. Program Set-Up and Design

This section discusses the preliminary steps taken that will be necessary for implementing the Program, including educating the Program Partners on IHDA's income and underwriting limits.

Educate Program Partners on Income Limits and Underwriting Limits

The Administrator must inform participating Program Partners about the Program's income requirements. The two key points to understand are that there are maximum income limits by household size and that the HUD Part 5 definition of annual income must be used. Program Partners must understand that all applicants must have an income within these limits to be eligible to participate in the Program. All affiliates are required to utilize the IHDA Income Calculator (Attachment 2) to determine the homeowner's income eligibility.

Note: Program Partners' pre-qualification of the applicant may show the applicant's income to be below the income limit, while the lender's verifications may show otherwise. Lenders may use a different standard to determine an applicant's income. Program Partners must verify all sources of income known or discovered for review and document it with the IHDA Income Calculator.

Application Underwriting

When underwriting the application for IHDA assistance, Program Partners must review all sources and uses of the transaction to ensure the homebuyer is not over-subsidized. For example, the sum of the first mortgage and other sources of funds, including IHDA's assistance, may not exceed the purchase price or the appraised value. If this situation occurs, the amount of the first mortgage or other sources must be reduced before the application can be approved.

The IHDA Mortgage may not subordinate to a mortgage for an amount lesser than the IHDA Mortgage. The IHDA Mortgage must be in second or third lien position.

Note: First mortgage interest rates must be fixed for the entire term of the loan and cannot be more than 2% above the current market rate. IHDA does not allow Adjustable Rate Mortgages (also known as ARMs) or balloon loans to be used for any of its homebuyer assistance programs.

Analyzing Debt to Income Ratios

After the Program Partner has gathered and verified information on a borrower's employment stability, income, assets, liabilities, and net worth, the next step is to analyze the data and make a decision concerning the borrower's ability to make and sustain the monthly mortgage payment. To make this decision, we have provided the Monthly Housing Debt Worksheet (Attachment 13). We suggest that you use the front-end and back-end ratios to reflect the relationship between the borrower's debt and income. The front-end ratio compares the borrower's housing expenses to his or her income, and the back-end ratio compares the borrower's total debt obligations, including the housing expenses and other debt, to his or her income.

The front-end ratio compares the amount of money a borrower pays each month for housing with the amount of his or her stable gross monthly income. This ratio is capped at a maximum of 30% and has a minimum of 20%. A borrower's monthly housing expense is the sum of:

- Principal and interest payment for the mortgage that is secured by the borrower's principal residence
- Escrow payments for homeowner's insurance premiums, real estate taxes, mortgage insurance premiums, owners' association dues, and any special assessments.

The back-end ratio compares the sum of a borrower's monthly debts and housing expenses to his or her gross monthly income. IHDA has established the maximum back-end ratio at 41%. A borrower's total obligations are the sum of:

- Monthly housing expense, calculated as explained above;
- Monthly payments on installment and revolving debt (credit card debt, car payments, personal loans, student loans, etc.); and
- Monthly spousal support and/or child support payments for which the borrower is responsible.

The ratios are set to eliminate applicants that clearly cannot afford the monthly cost of owning a home due to limited incomes, high long-term debt obligations, and/or the high cost of housing in the community. The ratios also prevent an applicant from being over-subsidized and screen out applicants who are not in need of assistance because the front-end ratio is below 20%.

Please note that the household income in the IHDA Income Calculator must match the income in the Monthly Housing Debt Worksheet.

B. Qualifying Potential Homebuyers

All Program Partners must record applications received, collect basic demographic information about applicants, assess the eligibility of each applicant, and select eligible applicants that will receive assistance through the program. The purpose of these procedures is to assure that decisions to award assistance through the program are made fairly and consistently. The Administrator and/or Program Partners intake and selection procedures are outlined in the Participant Selection Plan, which was approved by IHDA.

Pre-Screen Prospective Homebuyers

Even with clear marketing materials, many households that are not ready for homeownership are likely to seek homeownership assistance. As a result, it is essential that Program Partners undertake thorough pre- screening. Initial pre-screening can be accomplished by developing clearly worded marketing materials and by quick review of a pre-application when first received by the Program Partners. Inquiring households should be informed that eligible homebuyers must have:

- Satisfactory credit or, alternatively, a demonstrated ability to meet recurring obligations in a timely manner (i.e., rental payments, car payments)
- Income that is below 80% of median income and yet high enough and predictable enough to warrant a long-term mortgage commitment
- Manageable non-housing debt obligations
- Willingness to pursue homeownership opportunities in the target areas and for the types of properties that are included in the Program

Program Partners may find it helpful to clarify with interested households that the Program is not a "give-away" program, rather that you offer help with the costs of ownership. Potential homebuyers are expected to pay a meaningful amount of their income for a home mortgage and to come up with

cash for a down payment.

Once the pre-screening is completed, the program will have a list of potentially eligible home purchasers. These pre-screened applicants are not necessarily eligible for the Program, nor will they necessarily meet all lending requirements of the lender and your program.

Applicant Intake

A pre-application will allow Program Partners to pre-screen applicants as described in the prior step. Once the pre-application is submitted, Program Partners should ensure the following:

- Pre-applications and applications are tracked to ensure that the program partner's intake and selection procedures are followed.
- Applicant is provided a written overview of the program requirements and processes
- Applicant is informed of next steps so that they know what to expect

It is critical that you keep applicants informed throughout application processing. Applicants need to know where they stand and how likely they are to receive financing. As they get closer to receiving funding, applicants also need to understand the timing of the funding process in the context of the mortgage lending process. Inform potential homebuyers of the timing of purchase contracts, riders that need to be incorporated into contracts for the homebuyer's own protection, financing commitment and closing dates.

Qualify Prospective Homebuyers

After selecting an individual utilizing the procedures outlined in the PSP, the applicant must complete the Application for Down Payment Assistance (Attachment 1).The application takes a closer look at the prospective homebuyer's financial situation to determine if they can proceed. This is also the time to enroll the applicant in mandatory pre-purchase homeownership counseling and subsequently refer them to the first mortgage lender for loan processing/underwriting.

The qualification process entails, at a minimum, the following steps:

- determining income eligibility
- calculating qualifying ratios, and
- conducting preliminary credit analysis

This process may require the scheduling of several meetings with the homebuyer to clarify and collect documentation to verify information provided on the preliminary application.

As part of the qualification, assess the income eligibility of the applicant household using the information provided in the preliminary application. Program Partners will be required to complete IHDA's Income Calculator, Attachment 2 (see also IHDA Income Calculator User Guide, Attachment 2a) for each applicant, which provides an eligibility determination based on the income sources compared to the household size and county income limits. Backup documentation to verify income will also be required.

Conduct Preliminary Credit Analysis

Next, have the applicant complete an Authorization for Release of Information form (Attachment 9) and begin contacting credit and income sources. Applicants must meet Habitat's credit requirements.

Send Written Notification to Homebuyers

Program Partners must formally notify the applicants of their selection to participate in the Program. This notification must be drafted in the form of a letter. Program Partners should sign the letter and send it to the applicant for their records. In addition, applicants who were not selected must be notified in writing and the letter should explain why they were unable to qualify.

C. Provide HUD-Certified Homebuyer Counseling

All prospective homebuyers must attend and successfully complete a homebuyer counseling program prior to purchasing a home through the Program. Pre-purchase counseling allows the prospective homebuyers to better understand the home buying process and alleviate many of the fears typically associated with loan closing or settlement. The counseling must be HUD-certified and include the following topics:

- Selecting a home (encourage the use of a real estate agent in the home selection process)
- Understanding the buying processes, including loan closing (encourage the use of an attorney to assist with the closing process)
- Financial costs of homeownership
- Budgeting your personal finances
- Home maintenance and repairs

Note: The prospective homebuyer must attend one-on-one counseling sessions. Simply giving the prospective homebuyer materials to read on their own is not enough. If the prospective homebuyer, at a minimum, does not attend all the scheduled sessions, they cannot receive a counseling certificate and therefore, cannot participate further in the Program. The counseling sessions must be conducted individually and should be scheduled at a time that is convenient for the applicant (i.e., weekends and evenings). Thoughtful, thorough and clearly presented counseling can make a big difference in successful home purchase and ownership.

IHDA supports a statewide network of HUD-certified housing counseling agencies. They can be found on the IHDA website, https://www.ihda.org/my-home/saving-my-home/#collapseOne.

Once the counseling sessions are completed, the prospective homebuyers are ready to identify a property and negotiate and execute a contract to purchase. At the conclusion of counseling, the counselor must complete the Pre-Purchase Counseling Acknowledgement and prospective homebuyers must receive a Homebuyer Counseling Certificate acknowledging their successful completion of the homebuyer counseling program. This approach establishes realistic expectations concerning what the family can afford. It also avoids the possible loss of earnest money (required in most contracts to purchase real estate if, after pre-qualification and/or homebuyer counseling, the applicant is unable to purchase the home). Note: You will have to send a copy of the Homebuyer Counseling Certificate with your pre-approval request to IHDA.

After the homebuyer closes and moves into the home, it is recommended that the homebuyer attends post-purchase counseling sessions at three months and six months. Typically, families face their greatest stress during this start-up period and need reinforcement in budgeting and thinking about short and long-term maintenance. The post-purchase counseling sessions can provide the opportunity for the grant recipient to constructively engage the homebuyers if things are not going well.

D. Understanding the IHDA Closing Process

Submit Pre-Approval Package

You will submit a pre-approval package to IHDA three to four weeks prior to closing. The Administrator will work with the Program Partner to ensure that the pre-approval package is complete and meets IHDA's program requirements. IHDA will review the pre-approval package and notify the Administrator the project is pre-approved or if additional information is needed. To prepare the pre-approval package, the Administrator must make sure to include all documents listed on the Pre-Approval Checklist (Attachment 6) and submit the package via Monday.com.

After Community Affairs receives the pre-approval package, Community Affairs staff will send a pre-approval confirmation (or denial) in Monday.com to the Administrator pre-approving the project to move on to the next step, which is the Clear-to-Close.

Submit Clear-to-Close Package

Once IHDA has issued the pre-approvals for the first mortgage loan and down payment, all the contingencies for funds must be satisfied before closing. Program Partners will be responsible for making sure all the contingencies for the first mortgage loan and the IHDA loan are met prior to closing.

The clear-to-close package must include a draft. Closing Disclosure from the first mortgage lender that specifically lists the amount of assistance that will be needed at closing. The Closing Disclosure must include a breakdown of the types and amounts of funds paid by the homebuyer and received by the seller.

In order to provide a proper audit trail, the Closing Disclosure must list the Program assistance as "IHDA Trust Funds" on both the buyer's and seller's sides of the transaction. Note: Property Taxes and Homeowner's Insurance must be held in an escrow account.

The total amount of assistance must appear correctly on the various legal documents. These include the IHDA Mortgage and IHDA Note that Program Partners must prepare and deliver to the closing agent before closing.

Submit Clear to Close Package to the Administrator

Once the HFH Local Affiliate has cleared the homebuyer for closing and a closing date has been established, the HFH Local Affiliate may send the preliminary closing documents to the Administrator for review. If approved by the Administrator, then the Administrator will upload the clear-to-close package into Monday.com for review and approval.

To prepare a clear to close package, utilize the list of documents on the pre-approval checklist under "Clear to Close Documents." The package must be submitted to Monday.com at least ten (10) business days prior to closing.

Submit Disbursement Package

The closing agent must email copies of the below documents to the Program Partner and the Administrator as soon as possible after the closing has taken place:

- Executed, final Closing Disclosure
- Executed IHDA Note—send original Note to IHDA immediately after closing
- Executed IHDA Mortgage —The title company will record the mortgage and send the original to IHDA after recording
- Owners Title Insurance Policy - with coverage for all mortgages (must list recording info for IHDA Mortgage and amount of Trust Fund dollars)—to be emailed to IHDA within ten (10) business days of grantee's receipt
- Warranty Deed

The title company will have the IHDA mortgage recorded and either the recorder or the title company will be responsible for mailing the original, recorded IHDA mortgage to IHDA.

The Administrator must ensure that all recorded IHDA Mortgages and original IHDA Promissory Notes reach IHDA's offices within 90 days of the closing date. **IHDA will not authorize payment of the file until the original note and the original, recorded mortgage are received.** If the recorded mortgage is not received, the Administrator must follow up with the respective county recorder's office or the closing agent.

Submit Documents to IHDA for Reimbursement

Within 15 business days of closing, the Administrator will send to IHDA all the documents listed on the Disbursement Checklist:

- Disbursement Checklist and Request for Payment & Certification (Attachment 8)
- Executed IHDA Note (Original must be sent to IHDA)
- Executed IHDA Mortgage (Recorded original must be forwarded to IHDA)
- Final Executed Closing Disclosure —showing IHDA Trust Fund dollars
- Executed and recorded Warranty Deed
- Assistance Impact Statement (Attachment 13)

The Administrator must also submit a copy of Owner's Title Insurance Policy (showing IHDA Trust Fund dollars) to IHDA within 10 business days of the Administrator's receipt of the document.

Once IHDA receives, reviews, and approves the final documents listed on the Disbursement Checklist, funds will be disbursed to the established bank account provided by the Administrator. If the documents are approved, IHDA will disburse funds to the Administrator within 15 business days. The Administrator staff will coordinate the disbursement to the HFH Local Affiliate when they receive funds from IHDA.

Administrative Funds Reimbursement

Administrative funds of up to 5% of the total grant award are available to cover the Administrator's costs in running the Program. Items that can be covered by administrative funds include but are not limited to program development, program management, overseeing the homebuyer application process, record keeping, distribution of funds to affiliates, and any reporting requirements. Funds will be delivered to the Administrator on a reimbursement basis. Once each loan is closed and IHDA approves the closing package, IHDA will disburse an administrative fee for the completed loan. The fee

will be equal to 5% of the IHDA loan amount. For example, on a $25,000 program loan, the fee would be $1,250. The total amount IHDA disburses for that transaction would be $26,250. The Administrator should maintain records of staff hours spent running the Program, as well as any funds spent to operate the Program.

Please note the Illinois Housing Development Authority reserves the right to amend or make changes to this Manual from time to time to implement program changes or processes. If amendments or changes are necessary, program staff will provide the updated copy of this Manual to all Program Partners.*