

Student Loan Debt Relief

<p><i>PURPOSE</i></p>	<p>To assist homebuyers affected by increasing student loan debt with purchasing a home in Illinois. The Illinois Housing Development Authority (IHDA), IHDA Mortgage, offers SmartBuy. This down payment assistance (DPA) is offered as a 2<sup>nd</sup> mortgage in conjunction with a promissory note for 15% of the purchase price (up to \$40,000) for student debt relief for qualified borrowers.</p>
<p><i>DATE</i></p>	<p>Reservations for IHDA Mortgage – SmartBuy will open in Fall 2020 and run until IHDA has exhausted funds and closed the program for reservations in TPO Connect.</p>
<p><i>USAGE</i></p>	<p>The student loan debt relief funds provided are in the form of a promissory note and deed restriction for an owner-occupied, primary residence purchase. The DPA 2<sup>nd</sup> can be used for closing cost and/or down payment. All assistance must be used with an IHDA 30-year fixed rate 1<sup>st</sup> mortgage. Please note: with all IHDA Mortgage programs, cash back at closing for borrowers may not exceed \$250 + plus any amount over their required minimum investment (any additional should be principal reduction).</p>
<p><i>DOWN PAYMENT ASSISTANCE</i></p>	<p>The DPA or “assistance” amount shall be recorded as a 2<sup>nd</sup> mortgage and can be used to cover down payment and/or closing costs. Assistance is limited to \$5,000. The 2<sup>nd</sup> mortgage term shall be 30 years. The full principal balance of \$5,000, less any optional payments, is due upon the sooner of the maturity date or repayment of the 1<sup>st</sup> mortgage. The 2<sup>nd</sup> mortgage may be pre-paid at any time without penalty. The 2<sup>nd</sup> mortgage may not be re-subordinated.</p>
<p><i>STUDENT LOAN DEBT RELIEF</i></p>	<p>The funds will be in the form of a promissory note of up to 15% of the purchase price, not to exceed \$40,000. This will be used to completely pay off a borrower’s outstanding student debt balance at the time of home purchase. It will be forgiven at a rate of 1/36<sup>th</sup>. In addition, a deed restriction will require that the borrower sell to a household that qualifies under IHDA income and purchase price limits if sold within the first three years.</p>
<p><i>PAYMENTS</i></p>	<ul style="list-style-type: none"> <li>• The 2<sup>nd</sup> mortgage will have no monthly payment. Full repayment of the 2<sup>nd</sup> will be due upon the sooner of the maturity date or repayment of the 1<sup>st</sup> mortgage (including refinance or sale of the property), or other qualifying repayment events. (Review Mortgage and Note for full terms.)</li> <li>• The promissory note will have no monthly payment and is forgiven at 1/36<sup>th</sup> (remainder due upon sale or refinance if the event takes place within the first 3 years from the settlement of the first mortgage).</li> </ul>
<p><i>INTEREST RATE (SET BY IHDA)</i></p>	<p>Daily IHDA rates apply on the 1<sup>st</sup> mortgage. The 2<sup>nd</sup> mortgage carries 0% interest.</p>
<p><i>MINIMUM BORROWER INVESTMENT</i></p>	<p>The greater of 1% or \$1,000 of the purchase price. (The borrower may not use the tax proration toward the borrower's contribution of 1% or \$1,000.00 (whichever is greater) into the transaction, those funds must be from the borrower’s own funds or from gift funds (if allowable per Fannie Mae guidelines.) Please defer to the <a href="#">IHDA Mortgage Program Matrix and Procedural Guide</a> for details.</p>
<p><i>REPAYMENT AND RECAPTURE</i></p>	<p>The funds will be forgiven pro rata on a monthly basis over a 3-year forgiveness period (1/36<sup>th</sup>) in the form of a <b>promissory note</b>. A <b>deed restriction</b> for three years will require the borrower to sell to a household that qualifies under IHDA income and purchase price limits if sold within the first three years.</p> <p>The <b>2<sup>nd</sup> mortgage</b> DPA funds will be 0% deferred. The DPA 2<sup>nd</sup> is required to be used in conjunction with an IHDA 30-year fixed rate 1<sup>st</sup> mortgage.</p> <p>The <b>1<sup>st</sup> mortgage</b> will carry a 30-year term and must carry Private Mortgage Insurance as may be required for FNMA HFA Preferred.</p> <p>All may be subject to repayment or recapture depending on terms of legal documents.</p>
<p><i>INCOME REQUIREMENTS</i></p>	<p><b>Borrower’s income must be at or below the limits</b> of the county in which the property is located. The lenders must calculate income using the calculator posted on <a href="#">The Document Library</a> to qualify for IHDA Mortgage DPA.</p>

## BORROWER ELIGIBILITY

- May be a first time or non-first-time homebuyer purchasing a primary residence in Illinois
- Minimum credit score – 640
- Maximum total debt-to-income (back end) ratio of 45.00% for all loan types
- IHDA income and property purchase price limits apply
- Must meet the student loan debt requirements below
- FNMA HFA Preferred only
- DACA recipients may be eligible as permitted by agency.
- Property must be a qualified single-family dwelling (this includes condos, townhomes, and 2-units as allowed by Agency)
- Pre-purchase homeownership education meeting standards defined by HUD or the National Industry Standards for Homeownership Education and Counseling is required for each borrower - PRIOR TO CLOSE (PTC) - or the loan is unsaleable
- No manufactured homes

Borrowers must meet all eligibility requirements established for the IHDA Mortgage programs, U.S. Bank overlays, and Fannie Mae guidelines.

## STUDENT LOAN DEBT REQUIREMENTS

- Minimum remaining student loan debt balance of \$1,000 and up to a maximum of 15% of the purchase price or \$40,000, whichever is lower.
- The student loan must be in the name of the borrower for the borrower's education.
- The loan included in the statement must be easily identifiable as a student loan
- The debt must be from an eligible educational institution is an accredited public, nonprofit, or proprietary (privately owned profit-making) college, university, vocational school, or other postsecondary educational institution. Also, the institution must be eligible to participate in a student aid program administered by the U.S. Department of Education. (Most accredited postsecondary institutions meet this definition.)
- A monthly statement or verification from the student loan lender/servicer (personal loans from private individuals do not qualify) verifying the amount of the indebtedness, must be in the loan file. (The lender is the organization that made the loan initially; the lender could be the borrower's school; a bank, credit union, or other lending institution; or the U.S. Department of Education.)
- The full student debt for at least one borrower must be entirely paid off at the time of the home purchase.
- If the full student debt for both borrowers can be paid off, that is permitted, but partial loan repayment will not be available under this program; either a borrower's loans are fully paid off, or not at all.
- The full outstanding balance of the student debt of the borrower (which shall not exceed 15% of the purchase price or \$40,000, whichever is lower) must be paid off as part of closing. This will be done by the title agency that closes the loan and immediately upon payment.

## DISCLOSURE OF FUNDS

The 1<sup>st</sup> & 2<sup>nd</sup> mortgages require **TRID** (TILA-RESPA-INTEGRATED DISCLOSURE). On the 2<sup>nd</sup> mortgage, only recording fees are allowed. The student loan debt relief that is being covered in the SmartBuy transaction would be input into DU as "unsecured, no payment, forgivable personal loan".

### DISCLAIMER

*The terms and conditions are subject to change until the lender locks the loan in TPO Connect. A potential borrower should contact an approved lender for further loan information. In connection with the IHDA Down Payment Assistance programs, IHDA makes no promises, representations, or warranties to any party, including any borrower, about the actual benefit an IHDA loan might provide in specific situations. Each borrower's situation is different, and potential borrowers should seek the advice of a financial advisor, attorney or housing counselor before entering into any loan.*

