

Program Description

The HOME-BUY (Down Payment/Closing Cost Assistance Loan) Program will provide a mortgage loan with no interest and no monthly payments to eligible homebuyers to partially cover the down payment/closing costs of the first mortgage loan. The loan will become due and payable, when the property is no longer owner-occupied or the first mortgage is refinanced.

Eligible Borrowers

The program serves *first-time home buyers* with incomes of no more than 80 percent of the Dane County median income.

A first-time home buyer, as defined for purposes of this program, is an individual who has not had an ownership interest in a primary residence in the past three years, other than an ownership interest in a principal residence which they held only during marriage which has since been dissolved through divorce.

2009 Income Limits By Family Size

| Persons in Family | 50% of Median | 80% of Median |
|-------------------|---------------|---------------|
| 1 | \$ 28,000 | \$ 44,800 |
| 2 | 32,000 | 51,200 |
| 3 | 36,000 | 57,600 |
| 4 | 40,000 | 64,000 |
| 5 | 43,200 | 69,100 |
| 6 | 46,400 | 74,250 |
| 7 | 49,600 | 79,350 |
| 8 or more | 52,800 | 84,500 |

Eligible Properties

To be eligible for down payment/closing cost assistance, the property must:

1. Be located in Dane County.
2. Be one of the following: single-family home, condominium, or 1/2 of a duplex.
3. Be the primary residence of the borrower after purchase.
4. Be decent, safe and sanitary.

Property Inspection

An acceptable property inspection report must be submitted to the City.

Minimum Down Payment

The borrower must have a minimum down payment of 1% of the purchase price from their own funds.

Loan Amount

Minimum \$1,000. Maximum up to \$5,000.

Matching Funds

(For City of Madison properties only.) Additional funding may be available for borrower(s) purchasing a property which has been set aside to receive matching funds or for borrower(s) whose income is no more than 50% of the DCMI.

Stacking of Funds

Combining funds from more than one down payment/closing cost assistance program will be allowed.

Eligible Costs

Eligible closing costs include such things as appraisal fee, credit report, settlement/closing fees, title insurance, recording fees, survey, property inspection, legal fee, loan origination fee (up to one point), initial private mortgage insurance premium, tax service, flood certification and prepaid escrows.

Ineligible Closing Costs

The program allows up to 2 points for loan origination and/or discount. The HOME-BUY program will only pay up to 1 point of an **origination fee** (and no discount points). Loans with more than 2 points origination and/or discount are ineligible under this program.

Interest Rate

The interest rate of the first mortgage cannot exceed the prevailing WHEDA rate by more than 2%, otherwise the application request is ineligible for HOME-BUY funds.

Qualifying Ratios

The borrower(s) ratios normally should be 28/36%. Expanded ratios of 38/45% may be allowed, on a case-by-case basis, with strong compensating factors.

Reserve Requirement

The maximum amount of “liquid assets”, the borrower can have in reserves after closing cannot exceed the equivalent of six months of PITI (principal, interest, taxes, and insurance). “Liquid assets” includes: checking accounts, savings accounts, life insurance net cash value, stocks, bonds and annuities. Excluded are: IRA’s, 401K plans, pension profit sharing, other pensions, employee retirement funds and personal property, including automobiles.

Training

All borrowers will be required to complete the Community Home Buyer’s Education Program or the Home Study Guide. A copy of the training certificate must be submitted to the City prior to funding the loan.



Other Requirements

A borrower who owns real estate is ineligible for this program.

To apply for this program, you need to submit an application with a Lender who is willing to submit the necessary information to the City. Inform the Lender you are interested in applying for the City’s HOME-BUY Program.

For any questions about this program, contact:

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The State of Wisconsin Department of Commerce Division of Community Development and the City of Madison fund this program.

“HOME-BUY”

Down Payment/Closing Cost Assistance Loan Program



Bringing Home the American Dream

www.cityofmadison.com/homeloans

03/09