

SECTION 11 – DOWN PAYMENT/CLOSING COSTS ASSISTANCE PROGRAM

11.01 Introduction

The DCA Program option provides purchase assistance to qualified borrowers. The benefit of the DCA program is that the interest rate on the first mortgage is the same as the FirstHome Standard option providing our lowest rate to the low income qualified home buyer. DCA interest rates are subject to change daily and are posted at 3:00 a.m. on the Agency's website.

The Lender will give the Eligible Mortgagor(s) a credit (the DCA assistance) towards the down payment and closing cost at loan closing equivalent to 3 percent of the mortgage loan amount. The Agency will purchase the first mortgage at 103 percent of the principal purchased.

Some PMI companies may not consider the DCA as an eligible source of funds for the mortgagor(s) minimum down payment requirement. However, DCA may be used for funding the mortgagor's closing costs and pre-paid items. Check with the appropriate PMI provider to make certain.

11.02 DCA Program Parameters

1. Complete a homebuyer education course approved by the Agency before loan closing (see Section 11.09 for further information).
2. Meet the requirements as a First-Time Homebuyer (see Section 4.01 for definition).
3. Select a DCA Standard option when making a loan reservation.
4. Can combine with HomeAccess (see Section 14) by choosing a HomeAccess DCA loan option.
5. The DCA assistance will be equal to 3 percent of the **total mortgage amount in all cases. There is no maximum or minimum amount. Do not round. Do not truncate the cents.**
6. The DCA assistance (credit at closing) can be used to offset down payment, closing costs and pre-paid items.
7. DCA first mortgage borrowers must have a minimum of \$500 out-of-pocket investment in the transaction. This includes verified gift funds and any items pre-paid by the Borrower. Any portion of the minimum investment that exceeds the resulting cash requirement from the borrower to complete the transaction must be used to reduce the loan principal. The borrower cannot receive cash back at closing except for funds they have already invested in the transaction such as prepaid items.
8. FHA, RD Guaranteed, VA, and PMI/Conventional loans are eligible.
9. DCA first mortgage loans cannot include Start or other Agency approved down payment assistance programs.

10. The Mortgagor's total gross annual income must be at or below the DCA income limits (80 percent of median income by county and family size). For current limits, see the DCA program section of the Agency's website. (Refer to Section 4.02 for guidance on how to calculate annual income pursuant to this paragraph.)
11. All other FirstHome provisions not specifically addressed above remain in effect.

11.03 Residence

Eligible Residences are:

1. Existing or newly constructed.
2. One- to two-unit properties (one unit must be occupied by borrower).
3. Condominiums/townhomes.
4. Manufactured homes permanently attached to real property.
5. Purchase price at or below FirstHome acquisition limit, see Agency website for current limits.

Ineligible Residences are:

1. Located within a 100-year floodplain.

Refer to Section 5 for more information on Qualified Residences.

11.04 Compliance Commitment

There is no separate Compliance Commitment for the DCA assistance. The FirstHome Loan Compliance Commitment will reference "DCA" in the loan product line and the Assistance line.

To satisfy FHA requirements per Mortgagee Letter 2013-14 related to assistance provided by a government entity all Compliance Commitments for first mortgages that include DCA assistance will include the following assistance language verbatim:

"NDHFA has incurred a legally enforceable obligation to provide funds, in an amount as shown in Section 1 above or as adjusted on loan closing documents, towards the borrower's required Minimum Cash Investment if the proposed first mortgage loan closes and is sold to the NDHFA."

11.05 Documentation for DCA Assistance

1. The DCA Disclosure form (see Forms section on NDHFA's website) must be executed by the borrower(s) at time of loan application or when requesting DCA assistance. The form must be filled out with the borrower(s) name, signed and dated, and submitted with the Compliance Package.

2. The Declaration of Lien Interest (see Forms section on NDHFA's website) must be executed at loan closing. The form must be filled out with the following information:
 - a. Loan closing date.
 - b. Borrower(s) name (same as first mortgage).
 - c. The legal description (may be attached).
 - d. The property address.
 - e. The DCA Assistance amount.
 - f. Loan closing date.
 - g. Borrower(s) name (same as first mortgage).
3. Specify the DCA assistance in the "Source of Down Payment" of the final 1003 Loan Application.
4. Include the DCA assistance amount on the final 1003 Loan Application under the "Details of Transaction" section.
5. Include the DCA assistance amount on the HUD Mortgage Credit Analysis Worksheet.
6. The DCA Assistance is considered Subordinate Financing.
7. Title Insurance - the Declaration of Lien Interest must be reflected on the Title Insurance Policy for the first mortgage loan, although no additional title insurance is required. The document must be recorded so as to assure it is inferior only to the first mortgage. The mortgagee or title insurance company selects a short form or long form policy for the first mortgage. The following language is required for the policy type chosen:
 - Short Form – A policy Addendum/Endorsement is not required for the Declaration of Lien Interest. However, if the title insurance company chooses to issue said Addendum/Endorsement it must recite the following language under Schedule B, Part II: "In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the insured mortgage."
 - Long Form – This policy requires the following language on Schedule B, Part II: "In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the insured mortgage." When the long form policy is used all DCA recording information is required on Schedule B, Part II.

11.06 Conditions of Repayment

1. The Repayment Period expires when ninety-six (96) monthly payments have been paid on the first mortgage.
2. The Buyer must repay the pro-rated balance of the DCA Assistance if the home is sold, refinanced, or otherwise transferred before the end of the Repayment Period that starts on the closing date of the first mortgage.

3. The pro-rated balance owed is determined by how many monthly payments the Buyer has made on the first mortgage and is more particularly set forth in the Declaration of Lien Interest.
4. At the end of the Repayment Period the Declaration of Lien Interest will automatically terminate.

11.07 Loan Packaging/Delivery

The following DCA documents are to be included with the Program loan origination package:

- Recorded Declaration of Lien Interest.
- Home buyer education certificate if not already provided.

11.08 Fees

The recording fees for the Declaration of Lien Interest can be paid from the DCA funds.

11.09 Homebuyer Education

DCA requires that the borrower(s) complete a homebuyer education (HBE) course. The HBE courses listed below will meet this requirement. Refer to NDHFA website for updates.

- eHome America course (NDHFA sponsored course is available online; \$99 fee discounted to \$30 for DCA borrowers when code HOME30 is used.) – www.ehomeamerica.org/ndhfa

The following are the steps in meeting this requirement:

1. The borrower must complete the HBE course and receive a certificate of completion that is **dated before loan closing**.
2. For loans with more than one mortgagor, only one person is required to complete the course and receive the completion certificate **dated before loan closing**.
3. Send the completion certificate to NDHFA at one of the following times:
 - a. With the Compliance Package.
 - b. Before loan closing.
 - c. With the loan funding package.

If the completion certificate is **not** provided with the Compliance Package, the DCA approval will be subject to receiving the completion certificate.

This requirement only applies to loans where the DCA program will be used.

However, NDHFA encourages you to provide the information on the homebuyer education courses to all of your potential loan customers.