First Time Homebuyer (FTHB) Program

Homeownership Assistance
Soft Second Mortgage – Forgivable After 10 Years
HOME Investment Partnerships Program

Program Summary

To be eligible to participate, the proposed homebuyer must be:

→First Time Homebuyer →Income Eligible Household →Credit Ready

FIRST TIME HOMEBUYER is defined as:
A household that has not owned a home during the three-year period immediately prior to the purchase of a home with FTHB HOME funds. The three types of households that can qualify as first-time homebuyers, even though they have owned a home within the three-year period immediately prior to purchase, are:

1. A displaced homemaker: An adult individual who has not worked full-time in the labor force for several years but has, during such years, worked primarily without remuneration to care for the home and family, is unemployed or underemployed, and is having trouble obtaining or upgrading employment.
2. A single parent: An individual who is divorced, did not receive the house in the settlement, and has one or more minor children for whom the individual has residential or joint custody.
3. The owner of a manufactured home (personal property) that is not installed on a permanent foundation.

INCOME ELIGIBLE HOUSEHOLD is defined as:
The gross annual income does not exceed 80 percent of the HUD HOME area median income for the area at the time the household initially occupies the property or at the time the HOME funds are invested, whichever is later.

PROPERTY TO BE PURCHASED

- Maximum purchase price is updated annually - 92.254(a)(2)(iii) of the HOME Final Rule published 7/24/2013.
- Must be occupied as the qualified buyer's principal residence upon purchase.
- Cannot be within Johnson County or the city limits of Kansas City, Lawrence, Topeka, or Wichita.
- Must pass required inspection in accordance with 92.251 of the HOME Final Rule published 7-24-2013.
- Cannot be rental property in the last three months unless the renter (at application) is the first-time homebuyer.
- Cannot be in Flood Zone A, AE, AH, AO, A99, V, and/or VE.
- Eligible property types include:
  - Single-Family property (five (5) acres or less)
  - Condominium, townhome, or ½ of a duplex
  - Manufactured home on permanent foundation built after June 15, 1976, titled as real property.
  - Modular home (always installed on permanent foundation)
  - New construction - purchase contract dated after certificate of occupancy only
- Fee Simple Title - full ownership of land, and any buildings on that land. (No Contracts for Deed allowed)

FIRST MORTGAGE LOAN

- The loan must be a 30-year fixed rate mortgage loan using FHA, VA, USDA Rural Development, Fannie Mae, Freddie Mac, or Conventional underwriting guidelines.
- The interest rate must not exceed Freddie Mac's Primary Mortgage Market Survey Rate by more than .65%.
- No more than a 1.5% origination fee may be charged, and no pre-payment penalties are allowed.
- The housing ratio must be no less than 15% and no more than 30% and the total debt ratio must be 45% or less.
- Title Insurance required for soft second mortgage required, likely for additional cost.

STATE OF KANSAS PARTICIPATION

- All eligible home buyers may receive up to $40,000 maximum assistance in the form of a soft second mortgage:
  - Up to 20% of the sales price - if household income is less than 50% of area median income.
  - Up to 15% of the sales price - if household income is between 51% and 80% of area median income.
- Assistance must be used for down payment, closing costs, and/or any costs associated with loan closing.
- Can be layered with other homebuyer programs - 40% (sales price) subsidy maximum.
- Requires all adults on soft second mortgage, no cash back at closing.
- The assistance awarded is interest free with two equal parts, both forgiven after 10 years.
  1. First half of assistance is forgiven proportionately on either a 5-year or 10-year period:
     If $14,999 or less, proportionately forgiven over 5 years (60-months)
     If $15,000 to $40,000, proportionately forgiven over 10 years (120 months)
  2. Second half is forgiven after 10-years (120 months), repaid if sold or refinanced during 10 years.
- FTHB second mortgage released at the end of ten (10) years, *if* property is occupied continually by the original buyer(s), and all rules and regulations associated with the Program are complied with.

Therefore, restrictions are as follows:

Subsidy Amount	½ Interest Free Soft Second	and	½ Interest Free Portion
Up to $14,999	5 years		10 years
$15,000 to $40,000	10 years		10 years

HOMEBUYER'S PARTICIPATION

- Each homebuyer must invest 1% of the sale price of their own funds, maximum 10%. Gifts can be received above the buyer's 1% investment, but no more than 9% of sale price.
- HUD Prepurchase Counseling and Homebuyer Education required.
- Homebuyers must maintain homeowners' insurance in at least the amount of the sales price and must show KHRC as secondary payee for the first 10 years following purchase.
- Applicants with non-retirement type assets in the amount of $10,000, or greater, will be subject to a spend down requirement.

HOW TO APPLY

1. Choose and contact the participating lender at https://kshousingcorp.org/housing-partners/community-solutions/#first-time-homebuyer.
2. Apply for a first mortgage loan with a participating lender.
3. Identify a qualified property.
4. Direct participating lender to initiate FTHB application process.

Kansas Housing Resources Corporation (KHRC)
Attn: FTHB
200 SW 6TH AVE
Topeka, KS 66603-3704

FTHB@kshousingcorp.org
785-217-2044

https://kshousingcorp.org/housing-partners/community-solutions/#first-time-homebuyer

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