

# Arkansas Development Finance Authority

## HomeToOwn

### ADFA'S MORTGAGE BOND PROGRAM

Arkansas Development Finance Authority

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EQUAL HOUSING  
OPPORTUNITY

Effective 03/3/2008

## ARKANSAS DEVELOPMENT FINANCE AUTHORITY

### HomeToOwn PROGRAM

The Arkansas Development Finance Authority is pleased to offer the HomeToOwn Program that makes buying a first home easier for low-income and moderate-income families in Arkansas. The basic information provided here is not designed to be a complete program description. To make application or to obtain additional information, contact one of the participating lenders on the attached list.

#### **THE FOLLOWING LOANS ARE ELIGIBLE IN THE PROGRAM**

**FHA Loans:** 203(b), 203(b)/Vet, 234c, 203(k), 203(h), in applicable Areas. ADFA encourages the use of the FHA Energy-Saving Mortgage.

**V.A. Guaranteed Loans:** Guaranteed by the Department of Veterans Affairs.

**Conventional Loans:** The Fannie Mae loan products eligible for the Arkansas Bond Program are the MyCommunity Mortgage Suite of Products and the Standard 5% / 10% / 15% / 20% down payments. Fannie Mae Flex 97 and Flex 100 are not eligible.

**Rural Development:** Guaranteed Rural Housing Loans.

### **HomeToOwn PROGRAM**

#### **FIRST MORTGAGE**

**AVAILABILITY:** Continuous Lending Program (Always available to participating Lenders)

**INTEREST RATE:** See ADFA Home Page  
Rate is subject to change, depending on market conditions.

**ORIGINATION FEE:** 1.00% of loan amount, collected at closing, payable to lender.

**DISCOUNT FEE:** 1.00% of loan amount collected at closing, payable to ADFA.

**LOAN TERMS:** 30 Years Only, NO PREPAYMENT PENALTY.

**SALES PRICE LIMITS &  
INCOME LIMITS:** See SCHEDULE III for the County the property is located in along with the Income Limits.

**DOWNPAYMENT:** Fees, etc.: Follow FHA, VA, Rural Development or Fannie Mae guidelines.

## **SECOND MORTGAGE**

ADFA has a **Downpayment Assistance Program (DPA)** for qualifying applicants of a first mortgage. The DPA ranges from \$1,000 to \$6,000 that can be used for downpayment, closing costs and prepaid items. ADFA now allows the borrowers to receive "cash back" at closing for certain loan expenses paid by the borrower up front. These expenses are earnest money, appraisal and credit report fees.

**INTEREST RATE:** 1 %  
**TERMS:** 10 YEAR AMORTIZATION

ADFA requires the borrower to attend a Home Buyers Counseling Program where a Certificate will be issued on their behalf.

Both the first and second mortgages will be sold to the Master Servicer, who currently is US Bank Home Mortgage. The Master Servicer will issue one "payment statement" so that each month the borrower can remit one check to cover the first and second mortgage. The second mortgage is **not** subject to Recapture, and there is no prepayment penalty.

## **FIRST-TIME HOME BUYER REGULATION**

A first-time homebuyer is defined by federal regulation as someone who has **not** had an ownership interest in his or her principal residence at any time during the past three years. (A Mobile Home **not** permanently attached does not jeopardize first-time homebuyer status.) Borrowers must provide a copy of their most recent Federal Tax Return and copies of their W-2 Forms. All home occupants over 18 years of age who are employed must also provide Federal Tax Returns and copies of the W-2 Forms. If unavailable, copies or transcripts may be obtained from the I.R.S. Home buyers purchasing a home in the Non-Targeted Counties must meet the first-time home buyer regulation.

In Targeted Areas, the home buyers purchasing a residence **need not** meet the first-time home buyers regulation. (See Attachment)

## **OWNER OCCUPANCY**

Home Buyer (s) **MUST** occupy the property as their primary residence as long as the bond loan remains on the property.

## **RECAPTURE PROVISION**

If you receive an ADFA mortgage, you will be receiving a mortgage loan from the proceeds of tax exempt bonds. This gives you the benefit of a lower interest rate than is usually charged for a mortgage loan. If you sell or otherwise dispose of your home within **nine** years of closing, you may have to rebate to the government a portion of the gain on the sale of the home. This recapture only applies if you make a gain on the sale of your home and if your income increases above specific levels. For many buyers there will be no recapture payment or it will be minimal. In no case will the amount exceed 50% of the net gain as defined in the 1986 Tax Code, or 6.25% of the original mortgage on the home, whichever is less.

On July 19, 2007, the Board of Directors of ADFA voted unanimously to accept a Program change that allows the Authority the discretion to reimburse recapture tax paid by mortgagors. The Authority is still in the process of implementing this change.

**SCHEDULE III**

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The Maximum Household Income Limits are regulated by the Treasury Department. The following **MUST** be considered when calculating borrower's income. **ALL SOURCES OF INCOME MUST BE CONSIDERED.**

Household Income is defined as "the current family income of a potential Mortgagor, and shall in any event include the current gross income of **ALL** persons who reside or intend to reside with such Mortgagor in the same dwelling unit (other than persons under 18 years of age who are not primarily liable or secondarily liable on the Mortgage Note), but exclusive of the income of any CO-SIGNER of a Mortgage Note who does not reside or intend to reside therein, as evidenced by documentation satisfactory to the Authority." Current gross income is annualized current gross monthly income (gross monthly income multiplied by 12).

GROSS MONTHLY INCOME IS THE SUM OF MONTHLY GROSS PAY AND ANY ADDITIONAL INCOME INCLUDING BUT NOT LIMITED TO THE FOLLOWING:

**Alimony**  
**Bonuses**  
**Business Activities Income**  
**Child Support**  
**Commissions**  
**Dividends**  
**Income from Assets**  
**Interest**  
**Investments Income**  
**Mileage**  
**Military Allowance**  
**Net Rental Income**  
**Overtime**  
**Part-Time Employment**  
**Pensions**  
**Public Assistance**  
**Royalties**  
**Shift Differential**  
**Sick Pay**  
**Social Security Benefits**  
**Trust Income**  
**Unemployment Compensation**  
**VA Compensation**



### **AMERICAN DREAM DOWNPAYMENT INITIATIVE (ADDI)/HOME PROGRAM**

**American Dream Downpayment Initiative Program (ADDI)** will help first-time homebuyers by providing assistance for downpayment and closing costs. New homebuyers may apply for the HomeToOwn first mortgage loan and ADDI forgivable loan at any ADFA approved participating lender.

ADDI funds will be provided in the form of a forgivable loan at 6% not to exceed \$10,000. There is five-year affordability period attached to the loan that is forgiven in equal, annual installments, contingent upon the homebuyer satisfying all HOME program requirements. If the property is sold during the affordability period, ADFA will recapture any unforgiven ADDI funds.

To be eligible for the ADDI program borrower(s) must be a first-time homebuyer in all counties, annual gross household income cannot exceed 80% of the area median county income limits based on household size (see ADDI-Exhibit A), and attend an ADFA approved homebuyer counseling class. No cash is given back to the borrower(s) at closing. A first-time homebuyer is defined as a person or persons, within the household, 18 years and older, who have not owned a home in the past three years. Three years recent tax returns with W-2's attached of all persons 18 years and older in the home are required as part of the verification of first-time homebuyer status. Verification of rental may also be required. The lender will verify all employment and income received using current pay stubs with year-to-date totals, written proof of all benefits and income received, i.e. social security, child support, unemployment, etc.