



## ADVANCE BUYER CREDIT (ABC) LOAN PROGRAM PROGRAM SUMMARY

<p><i>Under the ABC Loan Program, NIFA will provide, in connection with a NIFA first mortgage loan, a second mortgage loan in an amount up to 8.5% of the purchase price of a single-family residence (not to exceed \$6,800). The ABC Loan Program permits NIFA to “monetize” the new federal first-time homebuyer tax credit at the time of loan closing to help with down payment and closing costs relating to the purchase of the home. The loan will be structured as a second mortgage loan with the expectation that the borrower will repay the second mortgage loan with the borrower’s tax credit refund. If the second mortgage loan is repaid within 120 days of loan closing, the interest rate and monthly payment amount on the first mortgage will step-down (be reduced) by a pre-determined amount.</i></p>	
<b>First-Time Homebuyer Eligibility</b>	All borrowers must meet NIFA’s definition of a first-time homebuyer for properties purchased in non-target and target areas.
<b>Property Eligibility</b>	NIFA’s maximum purchase price limits (see rate sheet).
<b>Owner-Occupancy</b>	The residence must be occupied by the borrower.
<b>Income Limits</b>	NIFA’s maximum income limits (see rate sheet).
<b>Eligible Loan Types</b>	Government products only: FHA and RD (RD loans are subject to their maximum interest rate policy).
<b>Underwriting Guidelines</b>	Follow FHA or RD underwriting guidelines for both the first and the second mortgages. The second mortgage loan must be included in the borrower’s total housing expense ratio. For FHA loans, the principal amount of second mortgage loan may not exceed the amount needed for the down payment, closing costs and prepaid expenses. In no situation will the borrower be allowed to receive any cash back at closing.
<b>Minimum Borrower Investment</b>	All borrowers must have a minimum investment of \$1,000.
<b>Homebuyer Education</b>	All borrowers must complete a homebuyer education course approved by NIFA prior to closing.
<b>First Mortgage Loan Rate</b>	See NIFA’s rate sheet (subject to change without notice). This interest rate may step-down (be reduced) if the second mortgage is paid in full within 120 days of closing and other conditions are satisfied.
<b>Second Mortgage Rate &amp; Term</b>	The second mortgage loan will bear interest at a rate equal to the initial interest rate on the first mortgage loan. The second mortgage loan will bear interest from the date of closing and the monthly payments of principal and interest will begin on the first day of the second month following loan closing. If the outstanding balance of the second mortgage loan is paid in full within 120 days after loan closing, the interest rate on the unpaid principal of the first mortgage loan will step-down (be reduced) by a pre-determined amount. If the outstanding principal balance of the second mortgage loan is not paid in full within 120 days after loan closing, the interest rate on the first mortgage loan will remain the same. The term for the second mortgage will be 120 months (10 years). The borrower may prepay the loan at any time, without penalty.
<b>Second Mortgage Amount</b>	Maximum amount of the loan will be the lesser of 8.5% of the purchase price or \$6,800. The amount may be reduced if NIFA determines that the borrower does not have sufficient downpayment and closing costs, that the borrower’s income exceeds certain levels, that the borrower is married but filing separately, that the borrower has outstanding tax liabilities or liens, or that other factors exist. No cash back at closing. The final amount of the Second Mortgage Loan is subject to the approval of NIFA.
<b>Administrative Fee</b>	The lender will collect from the borrower or the seller an administrative fee of \$175 as part of the closing costs. This fee will be paid to US Bank Home Mortgage for the set-up and servicing of the second mortgage loan.
<b>Monthly Payments</b>	The borrower will begin making a combined first and second mortgage payment to US Bank Home Mortgage after closing until one or both loans are paid in full.



## **ABC PROGRAM FORMS**

### **Form I – Notice to Borrower**

- ★ Must be signed by borrower and non-purchasing spouse at loan application and a copy submitted with the pre-closing compliance loan package. Lender must provide the borrower with the amended tax return filing package at application which includes: 1) IRS Form 1040X, 2) IRS Form 5405 and 3) Instructions to Amend Tax Return

### **Form J – Second Promissory Note**

- ★ Must be signed by borrower and co-signer (if applicable) at closing and a copy submitted with the post-closing compliance loan package.

### **Form K – Second Deed of Trust**

- ★ Must be signed by borrower and non-purchasing spouse at closing and a copy of page one only submitted with the post-closing compliance loan package.

### **Form L – Allonge to First Promissory Note**

- ★ Must be signed by borrower and co-signer (if applicable) at closing and a copy submitted with the post-closing compliance loan package.

### **Form 1040X Amended Tax Return & Form 5405**

- ★ Must be signed by borrower and non-purchasing spouse at closing and a copy submitted with the post-closing compliance loan package.