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Homebuyer Program General Guidelines

1. Potential homebuyers choose a mortgage lender and pre-qualify for a loan. If it appears, based on the information provided, that they would qualify for a mortgage loan to purchase home, the loan officer will issue a “pre-approval” letter. (NOTE: The pre-approval letter is not a commitment of mortgage financing. Potential homebuyers will secure a firm commitment later in the process.) In addition, the lender will be required to provide an official loan estimate for review. Information provided will be summarized and compared to a proposed affordability calculation.

Loans that appear to put the buyer at risk of remaining in the home long term may be deemed ineligible for financial assistance. **Those loans which would include the potential homebuyer paying more than 30% of their gross income for Principal, Interest, Taxes, and Insurance (PITI) monthly will be denied. Individuals who are denied in the down payment program may choose to work with a housing counselor for pre-purchase counseling.**

2. Potential homebuyers must be bankable and meet the requirements of a local lending institution. **NEWCAP is not a HUD-approved, secondary financing agency, so this program cannot currently be used in conjunction with FHA or VA loans. NOTE – Potential applicants must have loan pre-approval and submit this to NEWCAP before completing an application for down payment assistance.**
3. Household income must be under 80% of the current County Medium Income (CMI), adjusted for household size (see Resources on website for CMI). NEWCAP will verify all sources of income for all household members over the age of 18. To verify income, NEWCAP will require everyone who will be living in the home and who are over the age of 18 to provide a completed Employer Verification of Income form; 3 recent, consecutive pay stubs; all information on other income, such as child support, SSDI, SSI, unemployment, tribal benefits, etc. (prior and current year); and documentation of 6-month average balance in checking and current balance in savings accounts. If self-employed, prior year income taxes may also be requested.
4. The potential homebuyer must successfully complete the Homebuyer Education Program.
5. The down payment and closing cost assistance programs feature maximum income limits and are based on need. The PITI of the first mortgage must not equal more than 30% of the homebuyer’s monthly income. If a homebuyer qualifies for HOME down payment loan, the interest rate will

be 0%, and the payments will be deferred until the client no longer lives in the house, sells the house, or, in some instances, refinances the house. At that point, the homebuyer would pay NEWCAP the original amount borrowed. This loan is secured by a mortgage against the property.

6. The home, chosen by the buyer, must pass a Housing Quality Standards (HQS) inspection. The booklet, "A Good Place to Live," available on HUD's website at <http://www.hud.gov/offices/adm/hudclips/forms/files/593pih.pdf>, is a guide of home conditions that will be required by the inspectors when completing the HQS inspection. In addition, when purchasing property, the program will allow 2 acres, plus the home, unless local zoning codes have a higher acre minimum. If local zoning requires more acreage, a copy of the zoning requirements must be provided to NEWCAP.
7. NEWCAP staff may require further home inspections. If repairs are needed, causing the property to fail in any area of the HQS, these repairs need to be completed either before the home is sold or, in certain circumstances, no later than 90 days after closing by licensed, insured contractors, ***or the Homebuyer loan must be paid back to NEWCAP!*** If the home does not pass HQS and requires a minor amount of rehab, we may be able to assist with this, but assistance will be determined on a house-by-house basis.

However, if the home does not pass HQS, is built prior to 1978, and has chipping, cracking, or peeling paint or requires a large amount of rehab, we will not be able to assist with down payment/closing funding. Live knob and tube wiring will need to be removed and replaced with current code wiring prior to purchase.
8. Escrow accounts for insurance and taxes must be established at the time of closing, and NEWCAP **must** be listed as additional insurance on the policy.
9. The Homebuyer Program may provide a maximum of \$10,000 (depending upon need) per applicant to be used for down payment and closing costs, and an additional \$5,000 may be provided for rehabilitation on the home that did not pass HQS or is in need of repair (this will be determined on a case by case basis). The funds will be in the form of a loan. The loan is non-interest bearing, which will be repaid to NEWCAP upon the sale of the home or when it is no longer your primary residence. Applications will be served on a first-ready basis. When you are ready to proceed, then funds will be requested on your behalf. If, at the time, funds are available and you are not ready to proceed, your name will go on a waiting list.
10. Subordination of the loan will only be allowed for a lower interest rate, and the inclusion of other debts will not be considered. At **no time** will NEWCAP subordinate to cash-out situation.

If you have questions regarding the Homebuyer Program, please contact Jaime Johnson at

920-834-4621, toll free 800-242-7334, or via email at jaimejohnson@newcap.org. Forms and additional information are available on NEWCAP's website at www.newcap.org under the Housing tab.