

DPA ADVANTAGE STEP BY STEP

AFR’s DPA Advantage Program is a program used in conjunction with a nationwide down payment assistance grant offered by a Governmental Entity. The grant will provide eligible Borrowers 2% of the 3.5% required minimum borrower contribution on FHA 203(b), FHA 203(k) and FHA Repair Escrow transactions.



See the  sign, save your time! The sign indicates ineligibility for this program.

Getting Started:

The Mortgage Loan Officer (“MLO”) should discuss all options available (all loans must meet RESPA requirements by showing the borrower their options). Avoid steering the borrower or making a program decision for them. “We have a great program that you may be interested in...”


Determining Options:

In the review of the information gathered and/or the borrower states they do not have sufficient money saved for a down payment, this program in combination with an FHA 203(b), FHA 203(k) or FHA Repair Escrow loan, may be appropriate (Reminder: This program is not currently permitted in the states of HI and WA).

- ☐ Is this a purchase?
- ☐ Is this a refinance? 
- ☐ Is the borrower eligible for any of the following: FHA 203(b), FHA 203(k) or FHA Repair Escrow
- ☐ Is the subject property in the states of HI and WA? 


Presenting the Program:

MLO must explain to the borrower that this grant of 2% of the purchase price is generally completely forgivable grant and no payments are required. The remaining 1.5% of the required minimum borrower contribution can be given to them as a gift that adheres to FHA/AFR gift policies or from their own funds.

- ☐ Is the borrower able to contribute the remaining 1.5%?
- ☐ Does the borrower not want to use all of their savings?
- ☐ Is the borrower using another DPA? 

Interested Borrower:

If the borrower shows interest in this program, the MLO must go over the eligibility factor for the DPA, the highlights of the program and the requirements needed. MLO must remind the borrower that the loan still must meet all FHA guidelines.


- ☐ Does the borrower seem interested in the program?
- ☐ Did the borrower indicate that they are not interested in the program? 

Determining Borrower Eligibility:

The MLO should understand the 3 eligibility factors of the borrower qualifying for the DPA. (income less than or equal to 140% of the AMI OR current/retired/volunteer/non-paid member of a specific employment type OR a FTHB that meets certain criteria. **(Borrower only needs to qualify for 1 of the 3 eligibility factors.)**

- ☐ (1) Does the borrower meet the FTHB criteria?
 - If yes, proceed to the next section “Borrower is likely Eligible”.
 - If no, proceed to next question below.
- ☐ (2) Does the borrower meet the criteria for current/retired/volunteer/non-paid member of a specific employment type? (See Matrix for details)
 - If yes, proceed to the next section “Borrower is likely Eligible”.
 - If no, proceed to next question below.

If the borrower does not hold one of the qualifying employment types or is not a FTHB that meets all of the required criteria, they should run the AMI for the borrower’s subject property address to determine if their income meets the requirement needed. AFR requires the use of the [FNMA HomeReady AMI calculator](#) to determine this.

- ☐ (3) Does the borrower meet the income requirement?
 - If yes, proceed to the next section “Borrower is likely Eligible”.
- ☐ If the borrower does not meet any of the 3 factors above then they are not eligible for this DPA. 

Borrower is likely Eligible:

If determined that the borrower may qualify for the DPA, the MLO must discuss that the loan must be fully submitted and reviewed by an FHA Underwriter for a full decision to be made. The MLO must also discuss the requirements needed to move forward.

___ Have you expressed that the Eligibility decision will be made by the Underwriter?

Program Requirements:

- Homebuyer Counseling Certificate is required for these loans – MLO to communicate to the borrower that the Homeownership Counseling disclosure will identify [HUD Approved Housing Counseling Agencies](#) that offer Pre-purchase counseling. Inform the borrower that the fee for this may vary. Discuss how the Lender will credit up to a maximum of \$100 back towards the closing costs once the invoice and certificate have been received. The LE will show a \$100 fee to be able to apply this credit to the closing costs at closing. (**NOTE:** If not disclosed on INITIAL LE, **CANNOT** be credited back.)
 - Be very careful NOT to say REFUND when speaking about this because the borrower may interpret this as a check. Explain the reasoning why we require this \$100 to be disclosed to them which is because we don't know what the actual cost will be, and they range from free to who knows. If the cost exceeds \$100, then they will be out of pocket for the difference.

___ Did you inform the borrower that Homebuyer Counseling is required?

___ Did you inform the borrower the Approved Counseling Agencies will be listed on their Homeownership Counseling disclosure?

___ Did you inform the borrower that there could be a cost for the course?

___ Did you inform the borrower that there will be a lender credit, up to a maximum of \$100 towards their closing costs for this expense once the invoice and certificate of completion have been presented?

 - Broker and TF transactions: AFR will apply the lender credit.
 - Correspondent transactions: Correspondent is responsible.
- Borrower must execute all initial disclosures with the addition of the following: DPA Program Disclosure, Down Payment Assistance Application and the Assistance Grant Letter.
 - Broker: these documents will be included in the package.
 - Correspondent clients: the DPA Program Disclosure and the Down Payment Assistance Application will be available in the Forms section of the Resource Center. Your Account Manager will generate and send to you the Assistance Grant Letter.
- Wisconsin Subject Property: Inform the borrower that for a property in the state of WI, the lender will credit back the appraisal cost towards closing costs up to the amount of \$700 but no more than the amount of the invoice for the cost of the appraisal.
 - Broker and Table Funded transactions will have the fee credited back as a lender credit towards closing costs on the Closing Disclosure.
 - Correspondent clients must reflect the fee as a lender credit towards closing costs on the Closing Disclosure. Note: AFR to add the amount of the appraisal fee on the purchase advice.

Reminders:

- ✓ Initial Disclosures must show the Loan Estimate completed with Options to Shop and the \$100 Counseling Fee.
- ✓ File will follow normal processing timelines, **except** AFR has a 3 day turn-around time for Broker, Table Funded and Non Delegated transactions and a 5 day turn-around for delegated transactions.
- ✓ An AUS approve/eligible is required for this program. When running AUS make sure the 2% grant is run as an "FHA Gift Source Government Assistance". Also, please make sure this data matches the 1003.

***** All non-delegated loans are subject to a full AFR FHA underwrite and subject to underwriter's discretion. *****