



**FHLBank**  
Chicago

## WHITE PAPER FROM THE **SOLUTIONS DESK**

# Downpayment Plus<sup>®</sup> and Downpayment Plus Advantage<sup>®</sup> Program Benefits

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## Overview

The Downpayment Plus<sup>®</sup> (DPP<sup>®</sup>) program offers Federal Home Loan Bank of Chicago (FHLBank Chicago) members forgivable grants for down payment and closing cost assistance. This year, we **increased the grant amount to \$10,000** (\$6,000 in previous years) in down payment assistance available to your income-eligible customers. In addition, member limits have been **increased to \$700,000** in 2023, offering members the ability to make a greater impact. These easy-to access grants are paid by the member on behalf of its borrowers at the time the borrower closes on their mortgage financing. The member is then reimbursed post-closing by FHLBank Chicago.

The Downpayment Plus Advantage<sup>®</sup> (DPP Advantage<sup>®</sup>) is a similar program that assists income eligible homebuyers participating in homeownership programs offered by non-profit organizations that provide mortgage financing directly to the homebuyer. Nonprofit organizations providing direct first-mortgage financing, such as Habitat for Humanity or Neighborhood Housing Services, must partner with an FHLBank Chicago member financial institution to access DPP Advantage funds. Grants are forgiven on a monthly basis over a five-year retention period.

These programs are a great way to attract new customers to your mortgage business, develop repeat customers, and cross-sell customers into deposit products and other lines of business. Additionally partnering with non-profit organizations through the DPP Advantage program will help your organization grow by improving the wellbeing of the communities you serve.

In 2022, **187** members disbursed just over **\$18** million in DPP grants on behalf of just over **3,000** homebuyers!

The **2023** program opened on January 17, and program agreements can be established at **no cost and zero obligation**. Sign-up now and prepare for the busy spring home buying season! In this white paper, we share more information on the program and the benefits to be gained through participation.

# Key-Takeaways



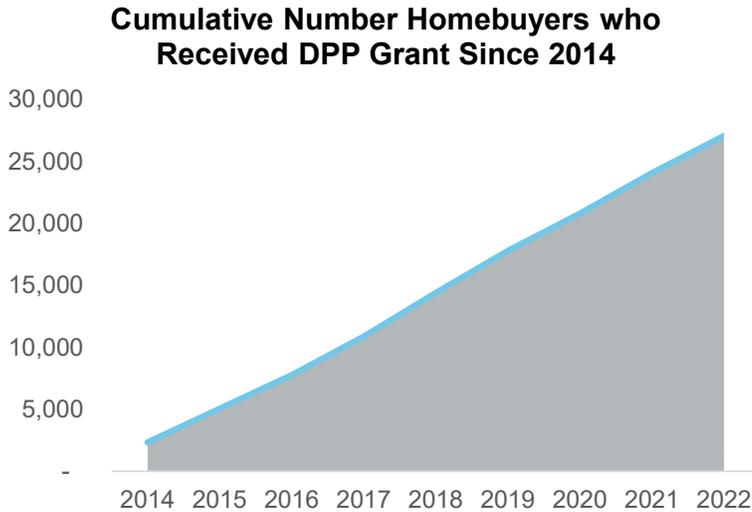
Overview of DPP and DPP Advantage Programs



Best Practices and Common Misconceptions



Value Add for Your Business



**Over \$158 million**  
In DPP grant funds reserved since 2014

On behalf of  
**26,000**  
Homebuyers

By more than  
**200**  
Members

## Overview of DPP and DPP Advantage Programs

DPP is a program funded by FHLBank Chicago that provides down payment and closing cost assistance for income-eligible homebuyers. The assistance provided is in the form of a forgivable grant (subsidy) paid on behalf of the borrower at the time the borrower closes on the first mortgage financed by your financial institution.

DPP Advantage assists income eligible homebuyers participating in homeownership programs offered by nonprofit organizations in Illinois or Wisconsin that provide mortgage financing directly to the homebuyer. Nonprofit organizations providing direct first mortgage financing must partner with a member financial institution in order to access DPP Advantage funds.

| DPP   | DPP Advantage   |
|---|---|
| <b>Income Guidelines</b>  |   |
| Households must have a projected annual income at or below 80% of area median income. Income requirements are adjusted for household size and location as determined by HUD. Applications are subject to the most <a href="#">recently publish guidelines</a> . Annual updates are typically published in April by HUD. |   |
| <b>Homebuyer Contribution</b>   |   |
| Homebuyer must contribute a minimum of \$1,000 to their home purchase transaction to be eligible for DPP. Contribution minimum is calculated as gross contribution less any cash back at closing. Cash back cannot exceed \$250 per regulation.   | No Required homebuyer contribution <ul style="list-style-type: none"> <li>Maximum grant amount is the lesser of 25% of the first mortgage amount or \$10,000</li> </ul> |

|  |                      |
|--|----------------------|
| <ul style="list-style-type: none"> <li>• Homebuyer contribution must be the borrower’s own money and cannot be gifted funds.</li> </ul>  |                      |
| <b>Borrower Education and Counseling</b>   |                      |
| <p>Borrowers are required to complete Pre-Purchase Education and Counseling, which <b>must be</b> provided by one of the following:</p> <ul style="list-style-type: none"> <li>• HUD-Approved counseling agency</li> <li>• Approved online provider (eHome America, Framework, or Fannie Mae HomeView) *Can provide education only*</li> </ul>   |                      |
| <b>DPP</b>   | <b>DPP Advantage</b> |
| <b>5-Year Retention</b>  |                      |
| <p>Grants are forgiven to the member in equal parts monthly over a five-year period (60 months). If the borrower sells or refinances their home prior to the end of the retention period, they may owe a portion of the grant in repayment; however, there are many situations in which repayment is waived.</p>   |                      |
| <b>Use of Proceeds</b>   |                      |
| <p>Eligible use of grant proceeds include:</p> <ul style="list-style-type: none"> <li>• Down payment and closing costs</li> <li>• Eligible rehabilitation costs</li> <li>• Interest rate write down on mortgage</li> <li>• Escrow reserves and deposited with lender</li> <li>• Up to \$500 homebuyer education and counseling</li> </ul> <p>*Excess funds must be applied to principle)</p> |                      |
| <b>Member Limits</b>   |                      |
| \$700,000 annually   | No Limit             |

## Best Practices and Common Misconceptions

### Best Practices

Our most successful DPP Program users have educated loan officers on DPP and incorporated DPP into the institution’s loan origination process. By familiarizing loan officers with qualifying income limits in your area, employees can identify DPP income-eligible borrowers as soon as a prospective customer engages with an officer. Further, loan officers that are well-versed in the DPP participation and documentation requirements for the homebuyer can clearly communicate these directly to the homebuyer at the beginning of the process.

Some members have further implemented a process to gather the required homebuyer documentation up front to facilitate the DPP reservation and the subsequent closing, reducing back and forth correspondence with the borrower. When borrowers come with the appropriate documentation, it simplifies the approval process. The below checklist summarizes the documentation required when reserving a DPP grant:

## DPP MEMBER DOCUMENTATION CHECKLIST

| APPLICATION  | CLOSING   |
|--|---|
| <div style="display: flex; align-items: center; margin-bottom: 10px;"> <input checked="" style="margin-right: 5px;" type="checkbox"/> <div style="flex-grow: 1;"> <p><b>01 EXECUTED PURCHASE CONTRACT</b></p> </div> </div>  | <div style="display: flex; align-items: center; margin-bottom: 10px;"> <input checked="" style="margin-right: 5px;" type="checkbox"/> <div style="flex-grow: 1;"> <p><b>01 EXECUTED RETENTION AGREEMENT</b></p> </div> </div>   |
| <div style="display: flex; align-items: center; margin-bottom: 10px;"> <input checked="" style="margin-right: 5px;" type="checkbox"/> <div style="flex-grow: 1;"> <p><b>02 HOUSEHOLD MEMBER QUESTIONNAIRE</b><br/><small>Signed by all household members</small></p> </div> </div>   | <div style="display: flex; align-items: center; margin-bottom: 10px;"> <input checked="" style="margin-right: 5px;" type="checkbox"/> <div style="flex-grow: 1;"> <p><b>02 FINAL CLOSING DISCLOSURE FORM</b></p> </div> </div>  |
| <div style="display: flex; align-items: center; margin-bottom: 10px;"> <input checked="" style="margin-right: 5px;" type="checkbox"/> <div style="flex-grow: 1;"> <p><b>03 1<sup>ST</sup> MORTGAGE APPLICATION</b></p> </div> </div>   | <div style="display: flex; align-items: center; margin-bottom: 10px;"> <input checked="" style="margin-right: 5px;" type="checkbox"/> <div style="flex-grow: 1;"> <p><b>03 CERTIFICATE OF BORROWER ELIGIBILITY</b><br/><small>Signed by member and borrower</small></p> </div> </div> |
| <div style="display: flex; align-items: center; margin-bottom: 10px;"> <input checked="" style="margin-right: 5px;" type="checkbox"/> <div style="flex-grow: 1;"> <p><b>04 INCOME CALCULATION WORKBOOK</b></p> </div> </div>   | <div style="display: flex; align-items: center; margin-bottom: 10px;"> <input checked="" style="margin-right: 5px;" type="checkbox"/> <div style="flex-grow: 1;"> <p><b>04 HOMEBUYER EDUCATION AND COUNSELING CERTIFICATE OF COMPLETION</b></p> </div> </div>                         |
| <div style="display: flex; align-items: center; margin-bottom: 10px;"> <input checked="" style="margin-right: 5px;" type="checkbox"/> <div style="flex-grow: 1;"> <p><b>05 INCOME DOCUMENTS</b><br/><small>Three most recent paystubs or VOE, and Special income circumstances, if applicable:</small></p> <ul style="list-style-type: none"> <li>• Child support</li> <li>• Social security, pension, or annuities</li> <li>• Self-employed</li> <li>• Zero-income</li> <li>• Tip income</li> </ul> </div> </div> |   |

### Common Misconceptions

One common misconception is that originating a loan while utilizing a DPP grant can limit the originator’s loan options. However, this grant is very flexible and can be paired with almost any loan program. DPP-paired loans can be used in conjunction with many different loan programs including but not limited to portfolio loans, Section 184, FHA, VA, Rural development, or state agency first mortgage programs. The grant may also be paired with federal, state, or local grant programs. The originator is not required to hold the first mortgage and can sell it through the secondary market to investors such as FNMA, FHLMC, or through FHLBank Chicago’s Mortgage Partnership Finance® (MPF®) program. DPP does carry some restrictions on the terms of the first mortgage. The loan term and initial interest rate lock period must be at least five years, the loan cannot be interest-only, and the mortgage must be recorded with a retention agreement for the five-year retention period.

Another common misconception is that DPP is only for first-time homebuyers. While first-time homebuyers make up a substantial portion DPP recipients, all income-qualifying borrowers are eligible to receive DPP funds when securing a first mortgage. Members have used funds to assist seniors and other fixed income applicants.

A final misconception is that engaging with the DPP programs comes at a cost, or requires a member to be a participating financial institution (PFI). These programs are part of our commitment to community investment and come with no obligation to FHLBank Chicago. There are no associated fees with engaging in in the DPP programs, and members do not need to be a PFI or engage with the Bank in any capacity to access the benefit of these programs.

### Value Add for Your Business

By participating in DPP and marketing a grant opportunity to existing and prospective customers, members can attract and retain more lending business, potentially increasing market share in existing markets or penetrating new markets. By offering this program to eligible households, you may be able to attract these new customers (or a new demographic of customers) and build a lasting relationship with them. Further, when making these loans in conjunction with a grant, you are improving the loan-to-value of your borrower, making the

origination sounder. There are no fees associated with participation in the DPP program.

## DPP Advantage

By increasing community outreach through the DPP Advantage program, your organization will exemplify your investment and commitment to community growth. By assisting prospective homeowners in realizing their homeownership goals through a grant and a loan, your institution directly supports the people and the communities you serve. Members have made loans in the past that would not have been possible without a DPP grant, directly facilitating affordable lending in their communities. By partnering with non-profit organizations through the DPP Advantage program your organization can lead with purpose by supporting growth and improving well-being within the communities that you serve.

## To Learn More

Contact your Sales Director or email [dpp@fhfbc.com](mailto:dpp@fhfbc.com) to learn more about the benefits of the DPP program or have questions on how to get started.

Other key resources are linked below for your convenience:

- [DPP Program Page](#)
- [DPP Video Guides](#)
- [DPP Program Guide](#)
- [HUD Income Guidelines](#)
- [Income Calculation Guidelines](#)

## Contributors



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## Disclaimer

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