

# Residential Loan Program

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| <b>Program Overview</b>              | <p>Oregon Housing and Community Services periodically issues mortgage revenue bonds to fund lower than market interest rate mortgage loans to help households in Oregon buy their first home. Our Residential Loan Program, also known as the “Oregon Bond Loan”, provides below-market rates helping eligible families increase their home purchasing power and keep their monthly house payments affordable.</p> <p>The Program offers eligible borrowers a choice between Cash Advantage (Down Payment Assistance) or Rate Advantage.</p> <ol style="list-style-type: none"> <li><b>1. Cash Advantage</b><br/>Borrowers will get a low fixed interest rate on their home loan along with cash assistance equal to 3% of their loan amount. The cash assistance will help reduce the total closing costs needed to purchase the home. Cash Advantage funds cannot be used for the minimum investment required for an FHA Loan.</li> <li><b>2. Rate Advantage</b><br/>Eligible borrowers will get the lowest fixed rate possible to maximize their home purchasing power with an affordable payment.</li> </ol> <p>Regardless of which pricing option they choose, the eligibility and program requirements are the same.</p> |
| <b>Eligible Borrowers and Income</b> | <p>The “annualized gross household income” cannot exceed the Program Limits established by Oregon Housing, governed by the Internal Revenue Service (IRS). The eligible income levels to qualify for this program are posted on our <a href="#">webpage here</a>.</p> <p>An eligible borrower must be a first-time homebuyer or may not have held ownership in a principal residence during the three-year period prior to the date of the new mortgage. This requirement is waived if they are purchasing in a targeted area. A qualified homebuyer must be (or intend to be) an Oregon resident, and must agree to occupy the home being purchased as their primary residence. An applicant may not have been discharged from a bankruptcy within the past two years, or have had a real estate foreclosure within the last five years, prior to closing the program loan.</p>   |
| <b>Loan Types and Term</b>           | <p>The program consists of three (3) loan types: Federal Housing Administration (FHA insured), USDA Guaranteed Rural and Conventional Uninsured (loans that close with a loan-to-value of 80% or less). These funds may not be used to refinance an existing home loan. The mortgage loan may vary from 15 to 30 years.</p>  |
| <b>Eligible Property</b>             | <p>Program funds may be used to buy eligible housing anywhere in Oregon; for either newly constructed or existing homes. Eligible housing may include: site-built homes; qualified condominiums; units in a qualified Planned Unit Development; and manufactured housing permanently affixed to acceptable foundations. Manufactured housing must meet the appropriate insurers’ requirements, which include a manufactured date after June 14, 1976, and have a living area of at least 400 square feet. Properties must meet the quality standards as determined by the mortgage insurer.</p>  |
| <b>Purchase Price Limits</b>         | <p>Depending on the location of the home being purchased, OHCS has established Purchase Price Limits which are governed by the IRS. Price limits are listed on our <a href="#">webpage here</a>.</p>   |

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| <b>Targeted Areas</b>       | The first-time homebuyer requirement is waived and there are higher Purchase Price Limits if the property being purchased is in a Targeted Area, and the borrower transfers any residential property previously owned prior to closing the Program Loan. Targeted and non-targeted areas are listed on our <a href="#">webpage here</a> .   |
| <b>Recapture Fee</b>        | <p>The Program is funded through the sale of federally authorized tax-exempt bonds. Borrowers who finance a home purchase with the program and also sell the home within nine years of purchase may be subject to a Recapture Fee, if the borrower and property sale meet certain requirements.</p> <p>The requirements for the fee are established by the Internal Revenue Service (IRS) as described in <a href="#">IRS Form #8828</a>. If a Recapture Fee is due when the house is sold, it is paid to the IRS not the State of Oregon when the borrower pays their federal taxes. Borrowers who use the Residential Loan Program receive a full notice regarding the Recapture Fee at the time they apply for the loan with an Approved Lender. The recapture fee is relevant if, and only if, the borrower's annual income exceeds the applicable income limit for the year in which the home is sold. Households that are made up of three or more people or who purchased homes in a targeted area are allowed an even higher income threshold. After nine years of ownership, no fee is due regardless of the borrower's household income.</p> <p>The important thing to remember about the Recapture Fee is that if the home is sold within the first nine years of ownership, and the borrower's household income does not exceed the applicable threshold, which increases by 5% every year, no Recapture Fee will be due to the IRS. A borrower who refinances the program loan will still be subject to the potential recapture tax if the house is sold within the nine years from the original purchase date. For more information regarding the Recapture Fee, see our "Notice To Borrowers Regarding Application of the Recapture Provision" at: <a href="http://www.oregon.gov/ohcs/Pages/oregon-bond-program-lender-manual-forms.aspx">http://www.oregon.gov/ohcs/Pages/oregon-bond-program-lender-manual-forms.aspx</a></p> |
| <b>For More Information</b> | <a href="#">Visit our website</a> , or contact us at (503) 986-2000.  |