

## **VHFA FIRST-GENERATION HOMEBUYER PROGRAM SUPPLEMENT TO THE VHFA PROGRAM AND PROCEDURAL GUIDE**

This Supplement to the VHFA Program and Procedural Guide (“Supplement”) provides information for the First-Generation Homebuyer Program (“First-Generation”). The VHFA Program and Procedural Guide (“VHFA Guide”) **does not** include information for First-Generation but is referenced in this Supplement for further details as applicable.

For origination of the first mortgage, VHFA Participating Lenders are required to comply with the VHFA Guide available at VHFA.org and at the VHFA Loan Origination Center (LOC).

### **1.1 Program Purpose and Availability (Rev 10/23)**

First Generation is a pilot program that provides down payment and closing cost assistance to eligible borrowers. The program is structured to assist homebuyers in building equity and improve affordability. Funds are available first come, first served until depleted. VHFA will notify lenders when the program will be discontinued

### **1.2 Eligible First Mortgage and Subordinate Financing (11/22)**

First Generation loans must be paired with an available VHFA first mortgage program and an eligible first mortgage product (Fannie, Freddie, FHA, RD, or VA) as outlined in the VHFA Guide. First-Generation is not available for borrowers applying for a stand-alone MCC paired with a lender provided mortgage.

First-Generation can be used with VHFA ASSIST and other funding such as a seller contribution and other acceptable subordinate financing. As with ASSIST, seller contributions, subsidy and other subordinate financing must be applied before the First-Generation funds. ASSIST funds must be applied after all other funding, including First Generation.

### **1.3 Compliance and Eligibility (Rev 10/23)**

All compliance and eligibility per Chapter 2 of the VHFA Procedural Guide apply to First-Generation with the following revisions:

- **First-Time Homebuyer:** Each borrower and non-borrowing spouse must be true first-time homebuyer and have never held an ownership interest, including a spousal benefit, in a principal residence which includes any manufactured home on owned land, leased land or rent-free land at any location at any time.
- **IN ADDITION, AT LEAST ONE PERSON WHO WILL BE TAKING TITLE TO THE PROPERTY MUST ATTEST:**
  - A. Such homebuyer’s parents or legal guardians (I) do not have and during the homebuyer’s lifetime never had any residential ownership interest in any State, **OR (II)** lost ownership of a home due to foreclosure, short sale or deed-in-lieu and have not owned a home since that loss, **OR**
  - B. Such homebuyer has at any time been placed in foster care.

**Asset Limit:** Same requirements as ASSIST. Each borrower and any non-borrowing spouse cannot collectively have access to liquid assets that exceed \$30,000 at any time through the loan closing date. Refer to **Chapter 6** of the VHFA Procedural Guide for details.

#### 1.4 First Generation Terms (11/22)

- C. Maximum First-Generation amount:
  - a. \$15,000 for all VHFA income levels
- D. Terms:
  - a. Forgivable grant
  - b. 0%, non-amortizing
  - c. First Generation Grant funds may be excludable from taxable income. However, IRS precedents are pursuant to facts and circumstances not identical to the First-Generation program. Homebuyers should contact a tax preparer for determination. VHFA does not issue opinions on IRS federal or state tax rules.

#### 1.5 Application of Grant (11/22)

- **Eligible Use:** First-Generation is limited to down payment and usual and customary closing costs associated with the first mortgage. Lenders may not assess any origination fees or closing costs to First Generation grants. If combined with ASSIST, First Generation funds must be applied first. See Chapter 6 of the VHFA Guide for details.
- **Ineligible Use:** See Chapter 6 of the VHFA Guide.
- **Fees not allowed:** Any fees charged to the borrower for the First-Generation grant are not allowed. If fees are charged, the First-Generation grant will not be reimbursed, and lender will not receive compensation.

**Apply First-Generation Program Funds Before ASSIST.** Funds from this grant program, along with any other contributions received for down payment and/or closing costs (such as other subordinate financing sources, seller contribution, etc.) must be applied to the down payment and/or closing cost obligation before applying ASSIST funds. ASSIST funds must be the last source of funding applied after all other contributions, subsidies, grants, or subordinate financing.

#### 1.6 Reserving First Generation with a VHFA Mortgage Program (11/22)

The option to select First-Generation is **not available** on the LOC Program Selection Page. To reserve First-Generation, select the program and loan type and complete all screens as applicable. To add First Generation, go to the last page of the Reservation and enter **YES or NO** in the applicable field. If that required field is not completed, VHFA will **not** reserve First Generation funds for that borrower.

The Loan Detail for First-Generation grant will become available within 36 hours after the reservation request is submitted. When the First-Generation loan details become available, it will be visible as 'Other Loans' on the Loan Detail page for the First Mortgage program.

#### 1.7 Processing and Compliance Submission (11/22)

Each borrower and non-borrowing spouse must sign the VHFA Affidavit for the applicable VHFA first-mortgage program and complete and sign the First-Generation Homebuyer Program Compliance Affidavit (Form #FG-1).

**NOTE:** the First-Generation Homebuyer Compliance Affidavit requires at least one borrower to complete section #3 by initialing **either A or B**. The **Uniform Residential Loan Application** must list the First-Generation Grant amount and the ASSIST amount, if applicable, in the appropriate sections.

For submission, follow the VHFA Compliance Checklist for the stacking order and required documents. Include the checklist in the submission package.

### 1.8 Closing (11/22)

Lenders are required to fund the First-Generation grant amount at the closing and obtain the required program forms. For signature requirements, see Chapter 1.11 of this Supplement.

- First Generation Homebuyer Borrower Confirmation of Grant Form includes Closing Agent Instructions. This form does not replace the need for the Closing Agent Instructions for VHFA Loans. Both forms must be sent to the closing agent.
- For FHA only, First Generation Homebuyer Program Grant Acknowledgement and Award Letter

**Closing Disclosure (CD):** The Closing Disclosure must accurately reflect the First-Generation Homebuyer Program Grant amount on a separate line from VHFA ASSIST. If the CD references that the funds are a loan or are referenced as ASSIST, the lender will not be reimbursed for the funds until the CD is corrected.

### 1.9 Post-Closing Loan Delivery (11/22)

Immediately after closing the documents required per the Conditional Commitment must be delivered to VHFA. If any documents are signed by a person who has a Power of Attorney (POA) or is a court authorized signer for the borrower(s), a copy of the recorded POA authorization must be submitted, and all documents must be signed appropriately. The POA or court authorization must be acceptable to GNMA or the GSE's, as applicable, and U.S. Bank. VHFA reserves the right to request additional information.

### 1.10 Reimbursement and Lender Compensation (11/22)

VHFA will reimburse the lender for the First-Generation Program funds after VHFA post-closing approved, even if the first mortgage is not eligible for purchase by U.S. Bank.

VHFA will NOT reimburse for:

- Amount dispersed to pay for ineligible closing costs
- Amount dispersed for items that were included in the first mortgage
- Amount given directly to the borrower beyond eligible items paid outside of closing

Each week, VHFA will provide lenders with a funding notice for each loan to be funded. The funding notice is available from the Loan Origination Center (<https://loc.vhfa.org/>) for up to 5 days after the

funding date per the notice. VHFA will transfer funds electronically to the lender per their wire instructions. It is the lender’s responsibility to be sure VHFA has the correct instructions for the transfer.

For each First-Generation grant closed and delivered, VHFA will compensate the lender \$150.00. The compensation amount will be noted on the First-Generation Funding Notice and included in the reimbursement amount.

**1.11 VHFA Form Accessibility (11/22)**

The required program forms for the First-Generation Homebuyer Program are **only** available from the LOC First-Generation Loan Detail page. The First-Generation forms must be included with the VHFA first mortgage program documents submitted to VHFA.

VHFA Form #	Form Name	Form Location	Minimum Signature Requirement	Document Submission Requirement
#FG-1	First-Generation Homebuyer Compliance Affidavit	Loan Detail	eSignature	COPY Submit with <b>compliance package</b>
#FG-2	First-Generation Homebuyer Borrower Confirmation of Grant	Loan Detail	WET SIGNATURE	ORIGINAL Submit with <b>closing package</b>
#FG-3	First-Generation Homebuyer Program Grant Acknowledgement & Award Letter (FHA Only)	Loan Detail	WET SIGNATURE	COPY Submit with <b>closing package</b>
VHFA Form #8020	First-Generation Funding Notice	Loan Detail	N/A	N/A