

City of Aurora – Policies and Procedures**Choose Aurora Homebuyer Assistance Deferred Loan Program – Up to 120% MFI****Underwriting Standards for Homebuyer Programs –****Drafted: July 21, 2025 (Updated for Aurora Affordable Housing Trust Fund)****1. Background and Applicability**

The City of Aurora's (hereinafter "the City") Choose Aurora Homebuyer Assistance Deferred Loan Program (hereinafter "the Program") has been in existence since 2025 and provides HOME Investment Partnerships Program (HOME) funds received from federal sources in the form of a deferred loan to qualified homebuyers in an amount not to exceed \$20,000.00. The Program will serve homebuyers earning between 80% - 120% of the Median Family Income (MFI).

The amount of housing assistance provided by the deferred loan under the Program is based on ratios in effect under FHA and the secondary mortgage market. To be eligible for housing assistance under the Program, the homebuyer(s) may not have a total housing expense to income ratio less than 25% and may not exceed 35% and may not have a total debt expense to income ratio exceeding 43%. Some exceptions may apply through compensating factors which can be found in Appendix Item 1.

2. Funding Determination

The amount of downpayment assistance provided to a homebuyer purchasing a real property will depend on the debt to income (DTI) ratios used by this program as outlined in the policies procedures as 25% - 35% as the front end ratio and up to 43% on the back end ratio (25%-35%/43%). The goal of the funding provided will be to subsidize the monthly housing payment of the homebuyer in order for them not to pay more than 30% of their gross income towards the housing payment, but to not exceed \$20,000. If the maximum amount of \$20,000 is provided, and the downpayment assistance has placed them at 35% of their gross income towards their monthly housing payment, then this is acceptable based on these policies and procedures.

Additionally, if the DTI falls into the ranges of compensating factors in Appendix 2, and they meet the criteria for these compensating factors, then those homebuyers will be approved for assistance.

3. Eligible Housing Type and Ownership

Funds deferred under the Program may only be used for the purchase of existing single-family housing held in fee simple title. The land may be owned in fee simple, or the homeowner may have a 99-year ground lease. For manufactured housing, the ground lease must be for a period at least equal to the applicable period of compliance/affordability set forth in Paragraph 1 above. "Single-family housing" means a single-family home, townhome, condominium unit, cooperative unit, a combination of manufactured housing and lot, or manufactured housing lot. A manufactured home dwelling unit may not have wheels, must be affixed to the ground, and may not be licensed as a vehicle under Illinois law. Tenant-occupied single-family housing is not eligible for funds under the Program. This program is available to all homebuyers between 80% - 120% MFI.

4. Housing Value

There are no maximum purchase prices for this program.

5. Location of Real Property

Only real property located within the city limits of Aurora is eligible for housing assistance under the Program. Unincorporated areas of Aurora are excluded from the Program. A property that is wholly or in a portion of a designated FEMA floodplain will not be eligible for housing assistance under the Program. This includes incidental portions of the property even if the home is not in a designated floodplain.

6. Income Qualification of Household

Eligible homebuyers must qualify as medium-income. To determine the income eligibility of the homebuyer, the income of the entire household will be considered. Medium-income households are defined as those with incomes from 80% - to 120% MFI for the Chicago metropolitan area as determined annually by HUD. The HUD income limits can be found in Appendix Item 2. Some programs subject to these underwriting standards may have more restrictive income requirements but will not have a less restrictive requirement. To calculate household income, the City of Aurora will use the guidelines set forth by HUD using the Income Calculator (24 CFR Part 5 Annual Income Method) provided on the website: <https://www.hudexchange.info/incomecalculator/>.

7. Inspection

In order to be eligible for the Program, the condition of the property must be free from life-threatening conditions. City staff will obtain and review a copy of any inspection report from a licensed or certified home inspector to determine if any life-threatening conditions are present. If a copy of the inspection report is not available or has not been completed, the home will not be eligible.

8. Occupancy

Any housing purchased with down payment assistance under the Program must remain the homebuyer's primary residence. The City will immediately demand repayment of the down payment assistance provided under the Program if the home is sold, the title is transferred, or the household no longer occupies the home as their primary residence

9. Cosigners

The City will not disqualify an applicant(s) with a cosigner on the first mortgage loan if the City's income underwriting review form calculates the applicant(s) can afford to purchase the home using only their income. The cosigner must provide proof they will not live in the unit after the sale and provide documentation their name will not be listed on the sales contract or hazard insurance. The cosigner will not sign the Homebuyer Assistance Deferred Loan Program agreement nor will they be required to pay back the loan should the homebuyer violate the terms of the Program agreement.

10. Counseling

The City requires homebuyer counseling from a HUD Certified Housing Counselor of the City's choosing prior to the closing date of the property. Applicants can select from a city approved list to complete homebuyer counseling at no cost. If they wish to choose a HUD

Certified Counselor that is outside of the city-approved list, the applicant will be responsible for the cost to complete the certification.

11. Financial Underwriting of Homebuyer

The City hereby restates its policy that the amount of assistance made available from CDBG funds will be based on ratios currently in effect under FHA and the secondary mortgage market as well as the location of the property, but a subsidy will not be given that allows a homebuyer to have a total housing expense to income ratio less than 25% or more than 35% unless they meet the compensating factors in Appendix 2. The total housing expenses to income ratio may be determined by the senior lender's Uniform Underwriting and Transmittal Summary (UUTS) or the City's financial underwriting process. The City may adjust the grant to meet these assigned ratios but will not substitute previously identified funds pledged by the homebuyer for homebuyer assistance. Additionally, if the applicant has active loans that have been sent to collections, the application will be deemed ineligible unless the loan is paid off completely, the loan is returned to a status of good standing, or confirmation the loan has been written off by the lender.

12. Deferred Loan

Down payment assistance is provided to homebuyers who have met the Program criteria and have signed a program agreement with the City. The City will place a deferred lien on the property in exchange for down payment assistance. The City will immediately demand repayment of the housing assistance provided under the Program if the home is sold, the title is transferred, or the household no longer occupies the home as their primary residence. Additionally, the City will not release or subordinate the lien unless satisfactory justification has been communicated to the City's Community Services Department and approval has been obtained. Cash out refinancing will not be permitted.

13. Funding Source

The funding source used for the Choose Aurora Homebuyer Assistance Deferred Loan Program for homebuyers 80% - 120% AMI is local funding allocated through the Aurora Affordable Housing Fund.

14. Combining Programs

The Choose Aurora Homebuyer Assistance Deferred Loan Program can be combined with the small repairs grant up to \$1,000 to address safety concerns in the property to be purchased identified by a home inspection prior to the closing of the property.

Exhibit A

Criteria	Choose Aurora Homebuyer Assistance Forgivable Loan Program
Appropriateness of Amount of Assistance	In accordance with above stated ratio policy, subsidy will not be given that allows a homebuyer to have a total housing expenses to income ratio less than 25% or more than 35%.
Monthly Expenses of Household	<p>Cannot exceed 43% of income. The monthly expenses of the household may be determined by the senior lender's UUTS or the City of Aurora's financial underwriting. Housing ratio cannot exceed 35% (or go lower than 25% per above policy).</p> <p>The Housing ratio may be determined by the senior lender's UUTS or the City of Aurora's financial underwriting. The City of Aurora can, on a case by case basis, rely on the Compensating Factors as supplied in the HUD 4000.1 handbook to approve homebuyers that do not fit in the guidelines as stated above. These Compensating factors can be found in Appendix Item 1 and can be updated when new information is released from time to time.</p>
Assets Available for the Acquisition	Homebuyer must have at least \$1,000 of their own funds invested in the transaction. Borrowers' liquid assets after closing may not exceed \$25,000. Gift limits cannot exceed \$20,000 within 3 months of the scheduled closing date.
Financial Resources to Sustain Homeownership	Borrowers must have one month of monthly expenses of household in reserve at closing after closing costs are subtracted from available funds. Borrower may also need additional reserves if required by primary lender.
Responsible Lending	Must choose a 30-year fixed-rate FHA or conventional mortgage. The interest rate (with no points) cannot be more than two percentage points above the 30-year fixed rate for the Illinois Housing Development Authority's first-time homebuyer program.

15. Appeal.

Applicant may submit a policy appeal by submitting a letter to the Community Development Division (CDD) at least 10 days prior to a Block Grant Working Committee (BGWC) meeting which outlines the request for appeal and basis for the request. If the appeal letter is not received by the CDD at least ten days prior to the BGWC committee meeting, the appeal will be delayed until the next BGWC meeting. Notwithstanding the foregoing, appeals may not be made over items that are regulatory, such as: location of property, value of property, income qualification of household, and occupancy requirement. Appeals must be heard before the property closing date as assistance is provided in the form of a wire transfer to the closing.

APPENDIX ITEM 1

Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
500-579 or No Credit Score	31/43	Not applicable. Borrowers with Minimum Decision Credit Scores below 580, or with no credit score may not exceed 31/43 ratios. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	31/43	No compensating factors required. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	37/47	One of the following: <ul style="list-style-type: none"> • verified and documented cash Reserves; • minimal increase in housing payment; or • residual income.
580 and above	40/40	No discretionary debt.
580 and above	40/50	Two of the following: <ul style="list-style-type: none"> • verified and documented cash Reserves; • minimal increase in housing payment; • significant additional income not reflected in Effective Income; and/or • residual income.

Image: Compensating factors for debt ratios in manual underwriting. Source: HUD Handbook 4000.1

*Revisited: HUD Handbook 4000.1 was revised 11/09/2021 on June 6, 2022

-An Energy Efficient Home is defined as a home with significant energy efficient components such as solar panels, windows, appliances, and heating and cooling improvements. The Neighborhood Redevelopment Division will utilize the Home Energy Score Report to determine if a home meets the requirements of an Energy Efficient Home.

-Verified and documented cash reserves are liquid assets that will be available after a home is purchased. Cash reserves must be equal to or exceed three months of monthly expenses of household and are less than \$25,000.

-A minimal increase in housing payment is defined as an increase no larger than 10% of the current housing cost the applicant is paying per month. If utilities, association costs, or other fees are included in either the current housing costs or projected housing cost, the Community Development Division will make a final determination.

APPENDIX ITEM 2

Department of Housing & Urban Development Income Limits								
Household Size	1	2	3	4	5	6	7	8
Income Limit (120%)	\$100,800	\$115,200	\$129,600	\$143,880	\$155,400	\$166,920	\$178,440	\$189,960