



Down Payment Assistance Program Policies

PROGRAM DESCRIPTION

The South Dakota Native Homeownership Coalition (Coalition) offers a statewide down payment assistance (DPA) program to homebuyers who are clients of Coalition Member Organizations in good standing. Coalition Member Organizations in good standing have paid their annual membership dues and are current on all the Coalition's data reporting requirements.

The purpose of the program is to close the affordability gap for Native families in South Dakota¹ who are seeking to achieve homeownership both on and off reservation. The targeted percentage split is 80% on reservation and 20% off reservation, but this may fluctuate based on funding requirements, availability of funds, or need.

The Coalition's role includes:

- Designing and implementing the program.
- Fundraising to capitalize the program.
- Accepting DPA requests from Coalition Member Organizations.
- Providing Coalition Member Organizations with written notice of the obligation of DPA funds.
- Disbursing funds to the loan closing agent.

The Coalition Member Organizations' roles include:

- Conducting outreach about the availability of the Coalition's DPA program.
- Determining the eligibility of homebuyers for the DPA program.
- Submitting DPA requests to the Coalition along with an attestation of borrower eligibility and prioritizing the submission of those requests to the Coalition based on anticipated closing dates.
- Communicating with borrowers throughout the process, including providing the borrower with the notice of Coalition's obligation of DPA funds.
- **For DPA assistance prior to April 3, 2024:**
- Recapturing and returning DPA funds to the Coalition if the terms of the Security Agreement are not met.
- Subordinating liens to lenders to accommodate borrowers for a rate or term refinance with no cash out or debt consolidation refinance.

¹Eligible borrowers also include those seeking to purchase homes on the North Dakota Portions of the Standing Rock or Lake Traverse Indian Reservations.



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ASSISTANCE AVAILABLE

The Coalition will provide up to \$10,000 in funds to eligible borrowers for down payment, closing costs, and other eligible expenses related to permanent mortgage financing.

ELIGIBLE USES

Eligible uses of the DPA will depend on funder requirements, but may include the following:

- Subsidies for down payments and principal reduction.
- Closing costs associated with the loan or purchase of the home.
- Other homebuyer expenses such as appraisals, inspections, credit report fees, or hazard insurance.

This program is intended to be layered with other sources of grant subsidies or second mortgage loans, but the total amount of subsidized homebuyer equity must not exceed 30% of the total project cost (for new construction or renovation) or the purchase price (for the acquisition of an existing home). Down payment assistance available up to \$10,000 or 30% of purchase price, whichever is lowest of the two.

BORROWER ELIGIBILITY

- The borrower(s) do not need to be first-time homebuyers, but they cannot be an existing homeowner at the time of closing.
 - Evidence of transfer of ownership of a home recently sold or conveyed is required, if applicable.
 - This requirement also applies to all non-borrower occupants.
 - Ownership of vacant land parcels or lots is excluded from this restriction.
- At least one borrower must be enrolled in a federally recognized American Indian or Alaska Native tribe or must be Native Hawaiian.
- At least one borrower must have a certificate of completion for a homebuyer education course consistent with the requirements of the Coalition Member Organization.
- The borrower(s) must be approved for the first mortgage loan.
- Household income should not exceed 115 percent of the Area Median Income or U.S. Median Income as published annually by the U.S. Department of Housing and Urban Development.



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- The borrower(s) must be approved for DPA assistance at a minimum 14 calendar days prior to when the first mortgage loan is scheduled to be closed. Exceptions to this requirement may be made on a case-by-case basis.

PROPERTY REQUIREMENTS

- The home to be purchased must be the borrower's primary residence.
- The property must be in South Dakota or on the Standing Rock or Lake Traverse Indian Reservations in North Dakota.
- The home must be a single-family unit, including condominiums or townhomes.
- Manufactured housing is eligible if it is on a permanent foundation located on owned or leased real estate.

CASH BACK TO BORROWERS

Cash back to borrowers is not allowed on transactions except in the following circumstances:

- Fees paid in advance of closing to the first mortgage lender by the borrower that are eligible to be covered by any subsequent sources of down payment or closing costs assistance may be refunded to the borrower or applied to principle.
- Verified earnest money deposits that exceed the borrower's out-of-pocket settlement costs requirements may be refunded to the borrower.

DPA REQUEST PROCESS

- Coalition Member Organizations must provide the following with each DPA request.
 - DPA request form with a lender attestation of borrower eligibility.
- When the Coalition receives the DPA request from the Member Organization, it will review the request to confirm the eligibility of the request, including whether the Member Organization is in good standing and able to participate in the DPA program and whether funds are available.
- If the DPA request is approved, the Coalition will provide the Member Organization with a written notice of the obligation of funds.
- The program is operated on a first-come, first-served basis, based on when the DPA request has been received by the Coalition from its Member Organization.



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- The DPA program is subject to the availability of funding. If funding is limited or not available, the Coalition and its Member Organizations may suspend or discontinue accepting applications until funds become available.

RESERVATION OF FUNDS

- The Coalition will obligate funds for eligible requests upon approval of that request.
- The commitment period shall not exceed 60 days. Applicants may be granted one 30-day extensions for extenuating circumstances.

The following requirements regarding resale restrictions and DPA forgiveness apply to DPA assistance provided prior to April 3, 2024, when the program transitioned from a forgivable loan to a grant.

RESALE RESTRICTIONS

- The DPA carries a five-year retention period.
- The Member Organization should file the Security Instrument in the appropriate jurisdiction.

DPA FORGIVENESS

This DPA assistance is 0% interest with non-amortizing payments. The DPA is secured by a second lien on the property. The DPA is forgivable during the five-year retention period by 1/60th of the amount of the DPA on the monthly anniversary of the loan closing. If the home ceases to be the borrower's primary residence or if the borrower sells, transfers title, moves out or abandons the home, or defaults on the first mortgage at any time during the five-year retention period, the unforgiven balance becomes repayable.

- If the five-year retention requirements are not met, the Coalition Member Organization will recapture any balance remaining on the DPA, based on the original amount of the DPA minus the monthly 1/60th forgiveness and return the recaptured balance to the Coalition.
- The Coalition Member Organization will subordinate liens to lenders to accommodate borrowers under the following circumstances:
 - A rate or term refinance with no cash out.
 - Debt consolidation refinance.