

U. S. Department of Housing and Urban Development  
Atlanta Homeownership Center  
40 Marietta Street  
Atlanta, Georgia 30303-2806  
(800) CALLFHA or (800) 225-5342



## RECERTIFICATION Secondary Financing

**Approval Date: April 2, 2015**

**Expiration Date: April 2, 2017**

**Approved for the Following Areas:**

**Secondary Financing: Illinois**

Ms. Lisa Pugliese  
Executive Director/CEO  
Affordable Housing Corporation of Lake County  
1590 South Milwaukee Avenue, Suite 312  
Libertyville, IL, 60048

Dear Ms. Pugliese:

The Atlanta Homeownership Center is pleased to inform you that Affordable Housing Corporation of Lake County has been **recertified** as a nonprofit agency to perform the following activities within the geographical area(s) listed above:

- Serve as a provider of Secondary Financing

The enclosed sample Mortgage Note and/or Deed of Trust is acceptable for use with an FHA-insured mortgage. **These documents can only be used with this approval letter for secondary financing purposes.** Please provide a copy of this letter to any lender providing FHA financing to homebuyers in your program. It is the responsibility of the affordable housing provider and the FHA Direct Endorsement lender to ensure that any secondary financing provided in connection with an FHA insured loan is eligible for FHA insurance. If you anticipate any changes to your overall program, you must provide this office with a copy for review, prior to implementing any changes.

**Please be aware, your nonprofit approval will expire 2 years from the approval date listed at the top of the first page of this letter. A recertification package must be submitted via the Nonprofit Data Management System at least 90 days prior to the expiration date.**

If you wish to expand into geographical areas for the Secondary Financing program, other than those for which you have been approved, please submit in writing, by e-mail or letter, the new areas for expansion and if approved, you will receive an amended letter.

All nonprofit agencies approved for the Secondary Financing Program, may provide secondary financing assistance in conjunction with an FHA-insured mortgage, subject to the following limitations:

1. The secondary financing is typically used to assist the borrower with closing costs or rehabilitation costs. **The borrower, however, must make the FHA-required cash investment/down payment from his/her/their own funds of at least 3.5 percent of the lesser of the appraised value or sales price of the property.** The payment of closing costs may not be used to help meet the 3.5 percent cash investment/down payment. Other than the 3.5 percent cash investment, the secondary financing may be used to cover any gap between the FHA-insured first mortgage and the amount necessary to acquire the property.
2. The FHA-insured first mortgage, when combined with a second mortgage, as well as any other mortgages, grants, etc., may not result in cash back to the borrower.
3. The combined loan-to-value (CLTV) ratio of the first and subordinate liens cannot exceed the applicable FHA maximum loan-to-value (LTV) limit for the area where the property is located.
4. The required monthly payment under both, the insured mortgage and the second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the borrowers reasonable ability to pay.
5. The source, amount, and repayment terms must be disclosed in the mortgage application and the borrower must acknowledge that he or she understands and agrees to the terms.
6. Any fees charged to the borrower for their involvement in this secondary financing assistance program must be reasonable and customary for the area. Costs incurred for participating in a down payment assistance secondary financing program may only be included in the amount of the second lien.
7. If the funds are to be used in conjunction with the rehabilitation of the property, the subsequent lien must meet all of the criteria in 1-6 above.
8. The borrower's household annual income may not exceed 115 percent of HUD's determination of area median income when adjusted for family size, unless prior written approval is obtained from the applicable Homeownership Center.

As a participant in FHA programs, your agency must maintain working knowledge of all program policies and procedures. Current Mortgagee Letters and other related publications are available on HUD's website at. Updates and changes are also posted on the website at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/np](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/np) or [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/np/sfhmtgnp](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/np/sfhmtgnp). You should check these websites regularly to keep apprised of all relevant program information. Nonprofits that do not adhere to program policies, procedures and limitations, may be subject to temporary and/or permanent removal from the Nonprofit Roster. You can receive notification of any new Mortgagee Letters, training and other program updates by registering at the following website: [portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/ref/hsgregst](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ref/hsgregst).

We appreciate your interest in FHA programs and your commitment to meeting the housing needs of low and moderate income persons. If we can be of further assistance, please contact Deborah Jefferson-Ingram, Housing Program Specialist, at (312) 913-8004, or Rachel Allen, Senior Housing Program Specialist, at (678) 732-2782.

Sincerely,



Gayle F. Knowlson

Director

Program Support Division

Enclosures