*October 22, 2013*

*Issued by Consortium Director, Monica Cordova*

*Directive issuance requested by Sr. Vice President, Sharon Henderson*

This program directive is provided to sub-grantees of Prosperity Works in order to re-state the strict rules of using IDA funds for home purchase IDAs. Non-compliance will not be tolerated. Any deviance violates the rules of the federal funder -- the Assets for Independence Program -- and will result in suspension of your IDA initiative. Home purchase IDAs have *very specific* mandates that must be followed. If any IDA is found to be out of compliance, the match funds must be returned to Prosperity Works.

A home purchase IDA must have a complete home purchase plan that is reviewed by an eligible housing lender.

In order for an IDA withdrawal request to be approved for a home purchase IDA, the minimum requirements must be met:

* Six months of regular savings in the IDA account
* Financial education completed; Self-Advocacy Portfolio completed
* Home Purchase Plan completed
* Home purchase paperwork sent to Prosperity Works (HUD settlement or Good Faith Estimate)

### Homeownership

The primary project funder (AFI) accepts first time homebuyers as eligible for a home purchase IDA. The only exception is if the Savings Partner has lost her/his home through devastation. In this situation, the IDA can be used to partially finance re-construction of the home. The qualified **purchase costs cannot exceed 120% of the average area purchase** price applicable to a residential purchase. The Savings partner’s savings, plus the savings match funds, must be dispersed to the vendor.

A **qualified first-time homebuyer** is an individual who has had no ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence.

An **eligible use** of the IDA funds, i.e., “qualified purchase costs” means the costs of acquiring, constructing, or reconstructing a residence. The term includes any usual or reasonable settlement, financing, or other closing costs.

AFI can match funds for homeownership (purchase or construction) in situations where the land is in some form of shared or common ownership, as in land trusts, reservation land, etc. You would, of course, want to be clear on what the IDA Saver actually owns, and that whatever s/he owns is an asset that can be leveraged to build wealth. IDA funds will not be distributed until final closing once the home is completed and the Certificate of Occupancy is obtained.

There are many things to consider with a homeownership goal. A primary consideration is that a home, although an asset, also creates a long-term liability for the household. It is important to work closely with an agency that specializes in homeownership in order to help the Savings Partner purchase a home that is affordable over the years.

Special Management Considerations with Homeownership

* Good credit is essential to mortgage-readiness
* First-time homebuyer training is an added resource for the Savings Partner, and should happen early in the process
* Additional down-payment assistance programs are available, and should be used to bring the long-term cost of the mortgage as low as possible
* Verification of use of funds for purchase includes a copy of the executed HUD-1 statement