

# Down Payment Assistance Programs (DAPS)

Approved DAPs provide eligible borrowers with financial assistance to use toward down payment and/or closing costs. DAP funds are made available from nonprofit organizations and government agencies in the form of gifts, grants or liens, as allowed by the DAP provider. Down payment assistance can help a homebuyer retain solid cash reserves for items like home improvement and unexpected bills. DAPs help reduce the initial cost burden and some DAPs do not require repayment and are forgiven overtime.

Most DAPs are for primary residence first-time homebuyers. First-time homebuyer is generally defined as someone who has not owned a home in three years.

To qualify for an assistance program, the homebuyer must meet certain criteria which may vary according to the program. Standard criteria include property location, type of home, sales price limits, income thresholds and homebuyer education.

FHA loans are the most common loans to use DAPs as FHA has more flexible down payment requirements than some other loans, however, many DAPs are also compatible with VA, USDA and conventional loans. FHA is the most popular and compatible first mortgage option, but not the only option.

The following first mortgage programs can be paired with a DAP:

- FHA
- VA
- USDA
- Conventional loans including Fannie Mae *Homeready*.

DAP Approval:

- Government Entities and HUD-approved Nonprofits are permitted.
- Approved FHA Non-profit's can be verified at: <https://entp.hud.gov/idapp/html/fl7npdata.cfm>
- An additional resource to help identify sources of down payment assistance for your borrowers can be found with this free online tool. <http://downpaymentresource.com/are-you-eligible/>

Ineligible:

- Restricts the transfer of servicing rights of the first mortgage holder.
- May not require prior notification or approval from the sponsoring authority for the transfer of the first mortgagees servicing rights.
- First mortgage may not be a bond program. (Bond programs often provide their own)