



## Baranof Island Housing Authority

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### CLOSING COST ASSISTANCE PROGRAM

The Closing Cost Assistance program has been developed to assist qualified, low income families to obtain affordable housing by offering funds to assist with payment of the amount necessary to pay the costs associated with closing a conventional or leveraged mortgage loan. At the end of the fifth year of occupancy by the borrower, the amount loaned converts to a grant which is forgiven.

BIHA has a limited amount of funding available for closing cost assistance for resident (Sitka area) Alaskan /American Indian families earning less than 100% of the area Median Family Income, (MFI).\*

#### Terms:

- ✓ Funds not to exceed \$5,000 may be used for closing costs
- ✓ A Good Faith Estimate or letter of eligibility for financing from a bank or mortgage lender is required
- ✓ Applicant is required to participate with a minimum contribution of \$1,500 out of pocket to be used either as earnest money and/or for lender required improvements to the subject property
- ✓ The applicant must provide documentation from the lender of the (estimated) amount required for payment of closing costs
- ✓ Should any transfer of the property occur prior to the fifth year of ownership, BIHA will recapture the amount granted to the applicant from the proceeds of sale or transfer.

#### Eligibility:

- ✓ Must be Alaska or American Indian tribal member
- ✓ Household income is less than 100% MFI\*
- ✓ Applicant must show need (qualification for bank loan must be contingent on participation by BIHA or be referred from another agency)
- ✓ Applicant must be a first time homebuyer ( a first time homebuyer is defined as a person who has not owned a home for three years)

- ✓ The property must be owner occupied
- ✓ Applicant is required to attend a Home Choice first time home buyer education course and provide the certificate of completion.

The following eligibility requirements must be met by persons selected for the Closing Cost Assistance program:

1. The applicant(s) must be first time homebuyers, which is defined as an individual or his or her spouse who have not owned a home during the three year period prior to the purchase of a home with program funds, except that:
  - a. Any individual may not be excluded from consideration as a first time homebuyer on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse; and
  - b. Any individual who has inherited a portion of a home and does not reside in the home may be considered for program funds based on the eligibility determination of the Executive Director.

If applicable, BIHA will require copies of the mortgage loan documents and divorce decree for applicants who have owned a home with a spouse during the preceding three years. BIHA may also require copies of probate documents in the case of an applicant who has inherited a portion of a home.

2. BIHA will provide assistance to individuals and families whose household income is less than 100% MFI,\* as established by the Secretary of Housing and Urban Development.
3. To be eligible, the applicant(s) must be willing to sign a Second or Third Mortgage Agreement, which includes a Deed of Trust Promissory Note and a Deed of Trust, if applicable.

#### **Obligation of Funds:**

Once an applicant has been approved for assistance and has been issued a good faith estimate from a lender, funds will be obligated. **This program is administered on a first come first serve basis.**