



Understanding Down Payment Assistance Form

WHY THIS FORM WAS CREATED

This form was created by a committee of subject matter experts to help homebuyers better understand how Down Payment Assistance (DPA) impacts them as homeowners.

With the increased availability of DPA aimed at addressing the rising cost of homeownership and providing opportunities for those without access to generational wealth, it is essential for DPA providers to work collectively to ensure that all buyers receive clear and consistent information.

In most cases, the process of accessing DPA is driven by industry professionals rather than by the homebuyer. As a result, many buyers are not fully aware of the terms of the DPA until late in the transaction, often just before loan closing. This can result in confusion about the impacts, including how long they must live in the home to achieve forgiveness, their ability to access equity or refinance, and the potential for reduced profit at the time of sale.

HOW TO USE THE FORM

There are two versions of the form: *Understanding Repayable Down Payment Assistance* and *Understanding Forgivable Down Payment Assistance*. The form should be completed for the specific DPA product, not tailored to each individual homebuyer.

Below are sample forms with suggested language. It is important to note that these forms are informational and are not legal disclosures. Avoid including terms that may change depending on the individual homebuyer.

For maximum effectiveness, the form should be given to homebuyers early in the process. At a minimum, the homebuyer should receive it at the time of DPA program application. DPA providers also may consider making the form available on their website.

Additionally, it is important that the form be given directly to the buyer, and not just to the industry professionals working on their behalf. Ideally, a brief informational session conducted with the homebuyer to review the form and answer questions. This can be done via phone, virtually or in person. While this may require additional effort from staff, ensure homebuyers are well-informed and able to make the best decision for themselves.

Fillable forms are available at www.hocmn.org/partner-resources/down-payment-assistance-best-practices

Product Name and Logo

Understanding Repayable Down Payment Assistance

This form helps you understand the down payment assistance (DPA) program you are using to buy your home. **It is important to know that if you use more than one DPA program, they might have different requirements.** This form is for educational purposes only. It is not a legal document and does not replace your loan documents.

Program Name	Name of the DPA Program/Product
Loan Amount	\$XX,XXX for a flat amount or Up to \$XX,XXX noting the maximum amount they may receive and if applicable, other restriction.
Interest Rate	0% Interest-free Loan or if the loan charges interest This loan charges interest. The rate is fixed and below the market rate. <i>If possible, describe the rate. Do not include a specific interest rate.</i>
Monthly Payment	No monthly payments or if it requires a payment This loan requires a monthly payment. The monthly payment is based on the loan amount and is repaid over XX years. <i>If possible, describe how the payment amount is determined and the number of years they are required to make a payment.</i>
Repayment	This loan must be repaid when you sell the home, or if you transfer the title or you no longer live in the home. <i>Include what triggers repayment.</i>
Refinancing Your First Mortgage	You are allowed to refinance your first mortgage to lower your interest rate. If you refinance for any other reason, you have to repay the loan. <i>Include what circumstance allow refinance or if not allowed</i> You are not allowed to refinance your first mortgage. If you refinance this will trigger repayment.
Selling Your Home	When you sell your home, you are required to repay the loan. This will reduce how much money you make when you sell your home by \$XX,XXX for a flat amount or up to \$XX,XXX noting the maximum amount they may receive. <i>If there is a monthly payment that reduces the amount repaid, follow the format for forgivable loan.</i>

Product Name and Logo

Understanding Forgivable Down Payment Assistance

This form helps you understand the down payment assistance (DPA) program you are using to buy your home. **It is important to know that if you use more than one DPA program, they might have different requirements.** This form is for educational purposes only. It is not a legal document and does not replace your loan documents.

Program Name	Name of the DPA Program/Product
Loan Amount	<i>\$XX,XXX for a flat amount or Up to \$XX,XXX noting the maximum amount they may receive and if applicable, other restrictions.</i>
Interest Rate	0% Interest-free Loan
Forgiveness Period	The loan is forgiven after X years. <i>If applicable include what portion is forgiven based on the timeframe. Each year, \$XX,XXX for a flat amount or for a percentage XX% of the loan is forgiven.</i>
Forgiveness Requirements	The home must be your primary residence, where you live. You must live in the home for X years, or you are required to repay the loan <i>or if partially forgiven</i> repay some of the loan back. <i>Include what cancels the forgiveness.</i>
Monthly Payment	No monthly payments
Refinancing Your First Mortgage	You are allowed to refinance your first mortgage to lower your interest rate. If you refinance for any other reason during the forgiveness period, you have to repay the loan. <i>Include what circumstance allow refinance or if not allowed</i> You are not allowed to refinance your first mortgage during your forgiveness period. If you refinance you will be required to pay the loan <i>or if partially forgiven</i> pay some of the loan back.
Selling Your Home	If you sell your home before the forgiveness period, you have to repay the loan <i>or if partially forgiven</i> repay some of the loan back. <i>If a portion of the loan is forgiven, include a description. Use the loan amount or percentages as an example.</i>

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- If you sell in the first year you must repay \$XX,XXX *or* XX% of the loan
 - If you sell after Year 1 you must repay \$XX,XXX *or* XX% of the loan
 - If you sell after Year 2 you must repay \$XX,XXX *or* XX% of the loan
 - If you sell after Year 3 you must repay \$XX,XXX *or* XX% of the loan
 - If you sell after Year 4 you must repay \$XX,XXX *or* XX% of the loan
 - If you sell after Year 5 you do not have to repay the loan
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