

AGENT UNDERWRITING BULLETIN

Homebuyer Assistance Programs

With the July passage of the Housing and Economic Recovery Act of 2008 ("the Act"), effective October 1, 2008, third party down payment assistance programs (i.e. Genesis) are abolished. Such practices had previously been eliminated by regulation found at 24 C.F.R. § 203.19(c), however, the regulation was challenged in court and enjoined from enforcement.

The particular section within the Act that describes the prohibited sources of down payment funds is as follows:

"Prohibited sources. In no case shall the funds required by subparagraph (A) consist, in whole or in part, of funds provided by any of the following parties before, during, or after closing of the property sale:

- (i) The seller or any other person or entity that financially benefits from the transaction.
- (ii) Any third party or entity that is reimbursed, directly or indirectly, by any of the parties described in clause (i).

Subparagraph (A) is the section within the Act which states that the cash investment /down payment required for FHA insured loans must not be less than, 3.5% of the appraised value of the property.

For a full text version of the Act, please visit:

<http://www.govtrack.us/congress/billtext.xpd?bill=h110-3221>

For particular questions, please contact your local Chicago Title Underwriter.

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