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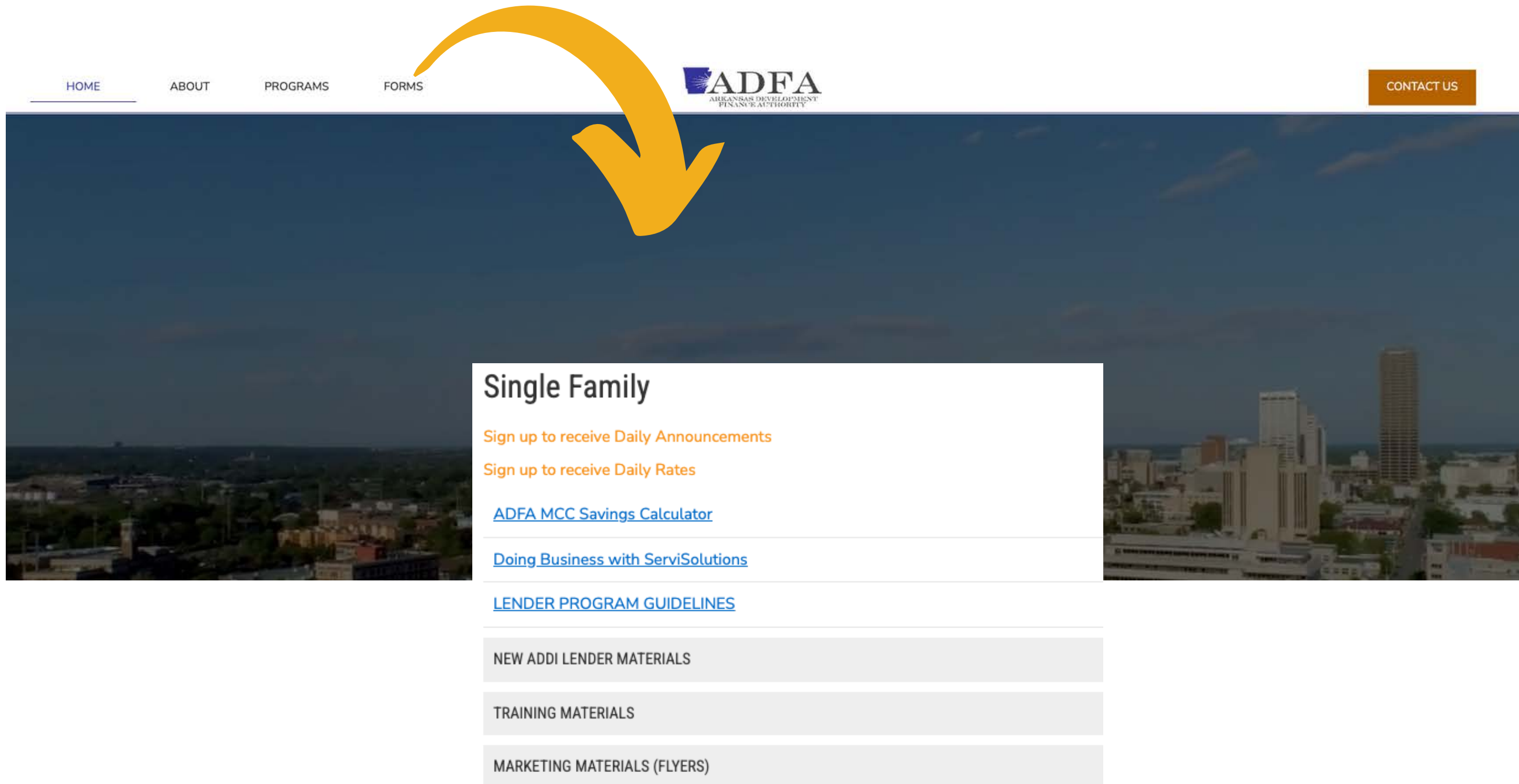
StartSmart by ADFFA

ADFFA FIRST TIME
HOMEBUYER PROGRAM



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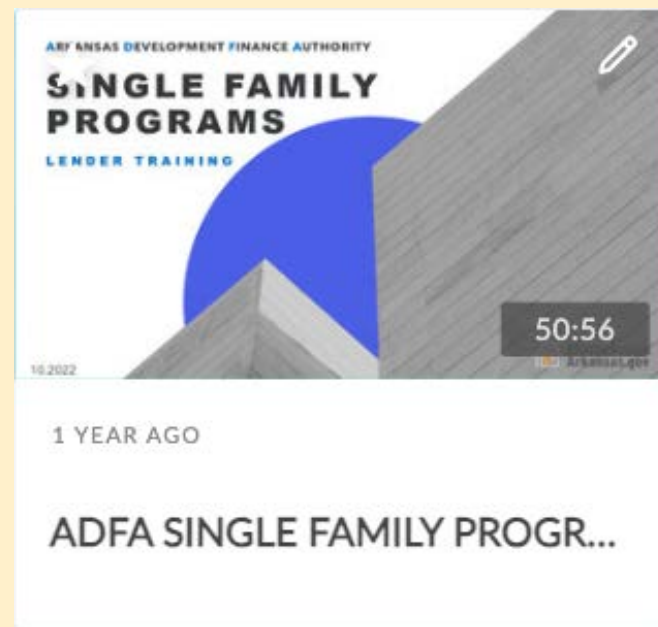
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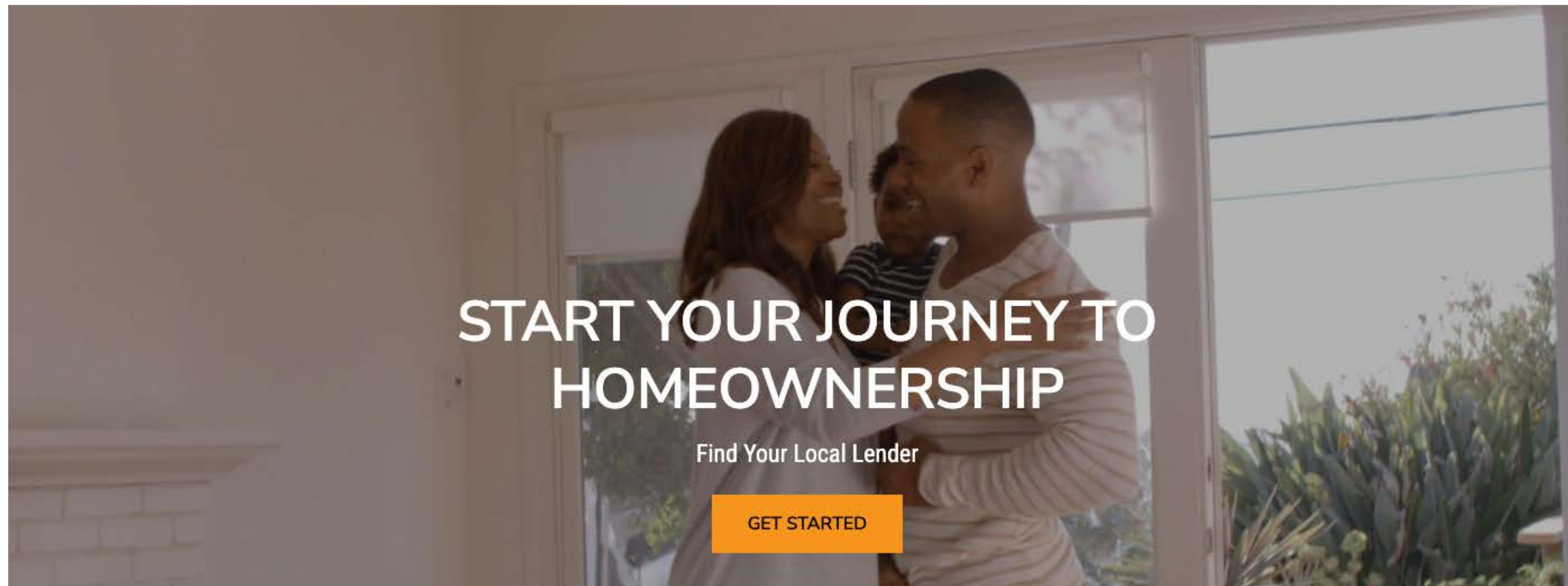
PROGRAMS

LENDERS



RESOURCES

STORIES



**CONSUMER
WEBSITE**

EASILY FIND

- **PARTICIPATING
LENDERS**

- **PROGRAM INFO**
 - **StartSmart**
 - **Move-Up**
 - **DPA**

Makes purchasing a home more affordable, helping Arkansans achieve their homeownership goals.



The StartSmart Loan Program First Time Homebuyer Program

PROGRAM OVERVIEW

ADFA issues tax-exempt bonds, the proceeds of which are used to offer **below-market rate mortgage loans** to eligible low-to-moderate income, first time homebuyers in Arkansas.

Provides borrowers with **lower interest rates** compared to traditional mortgages.

Can be **paired with ADFA's Down Payment Assistance Loan Program** - a second mortgage with a 10-year term, featuring the same low interest rate as the first mortgage.

Makes purchasing a home more affordable, helping Arkansans achieve their homeownership goals.



The StartSmart Loan Program First Time Homebuyer Program

ESTABLISHED GUIDELINES

All loans must first comply with applicable industry guidelines based on the loan type (FHA, VA, and USDA) as well as Federal and State Statutes.

ADFA guidelines are established by the Agency and the Master Servicer which is ServiSolutions, a division of Alabama Housing.

HUD establishes the maximum income limits

The IRS establishes the maximum sales price limits



Borrower Requirements

- Borrowers and non-purchasing spouses (if applicable) must either be first time homebuyers, honorably discharged military veterans, or purchasing a primary residence in a targeted county.
- \$425,000 Sales Price Limit
- **Note holders and spouse (if applicable)** is used and varies by county and household size
- 640 minimum credit score
- Maximum Debt to Income 45.00%
- Must receive an Approve/Eligible/Accept on AUS Findings
 - **NO MANUAL UNDERWRITING**
- Must occupy the property within 60 days of closing. **Home businesses cannot exceed 15% of residence.**



Borrower Qualifications / Exemptions

- Not owned primary residence within the last 3 years not applicable in targeted counties (economically disadvantaged area).
- Homebuyers who owned a manufactured home in the last 3 years, **NOT** on a permanent foundation.
- Homebuyers who own rental property, as long as they have **NOT** lived in the property for the past 3 years
- A separated/divorced homebuyer, **NOT** occupied the marital home for the past 3 years
- Veteran's may request a one-time Exemption. Requires Form DD214 and a Certificate Of Eligibility (COE)

DISCLOSURE OF INCOME



Lenders should always ask the borrower and non-purchasing spouse, if applicable, to disclose all income (before any payroll deductions).



Current base income includes income from **primary** and **part-time jobs** and **all other income that the borrowers receive at the time the lender submits loan documents for ADFA approval.**

This information must be used for compliance underwriting.



All income is projected for 12 months to calculate compliance income.



First Time Homebuyer Compliance

FTHB – applies to Owners (title holders) & their spouses

Credit Reports required for Non-Targeted Counties

1 year Federal Tax Transcripts or Signed Federal Tax Returns or a combination of both is acceptable for Non-Targeted Counties

Borrower's income and non-purchasing spouse (if applicable)



INCOME VERIFICATION

01

Paystub – two consecutive pay stubs within 30 days, clearly showing the pay period ending date. The pay period ending date must be within 30 days of submission to ADFA for Approval

02

Spouse income is counted even if they are not on the title. Separated? Need a legal Separation Agreement but must still sign mortgage.

03

VOEs – Written or Verbal

04

Self employed? 2 years tax returns and a current YTD P&L – may be self-prepared (we will not subtract a loss from their income; any losses will be counted as zero)

05

Award Letters – Pension, Social Security, Unemployment, Workers Comp, VA Benefits, Government Subsidies (Section 8, AFDC).

06

Child Support Documentation – court order, custody agreement, or OCSE if case is in Arkansas.

07

Other – Interest, Dividends, Annuities, Gross Rental Income, Deferred Income, All other regularly occurring additional income, Other as applicable; check program guides.

INCOME RESTRICTED: IRS Income restriction by County, and number of household occupants



PAGE 1 OF 2.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
StartSmart Income Limits
2023 INCOME LIMITS

INCOME LIMITS BY COUNTY AND HOUSEHOLD SIZE,
N= NON-TARGETED
T=TARGETED

PURCHASE PRICE LIMIT - \$425,000

N / T	COUNTY	HOUSEHOLD 1-2 MEMBERS	HOUSEHOLD 3 OR MORE
N	Arkansas	\$77,160	\$90,020
N	Ashley	\$76,080	\$88,760
N	Baxter	\$76,080	\$88,760
N	Benton	\$88,600	\$101,890
N	Boone	\$76,440	\$89,180
T	Bradley	\$89,040	\$103,880
T	Calhoun	\$89,040	\$103,880
N	Carroll	\$79,920	\$93,240
T	Chicot	\$89,040	\$103,880
T	Clark	\$89,040	\$103,880
N	Clay	\$76,080	\$88,760
T	Cleburne	\$89,040	\$103,880
N	Cleveland	\$76,440	\$89,180
T	Columbia	\$89,040	\$103,880
T	Conway	\$89,040	\$103,880
N	Craighead	\$83,760	\$97,720
T	Crawford	\$89,040	\$103,880
T	Crittenden	\$97,200	\$113,400
T	Cross	\$89,040	\$103,880
T	Dallas	\$89,040	\$103,880
T	Desha	\$89,040	\$103,880
T	Drew	\$89,040	\$103,880
N	Faulkner	\$85,590	\$98,429
N	Franklin	\$76,440	\$89,180
N	Fulton	\$76,080	\$88,760
N	Garland	\$76,800	\$89,600
N	Grant	\$87,030	\$100,085
N	Greene	\$78,240	\$91,280
N	Hempstead	\$76,440	\$89,180
N	Hot Spring	\$76,440	\$89,180
N	Howard	\$76,080	\$88,760
N	Independence	\$76,920	\$89,740
N	Izard	\$76,080	\$88,760
N	Jackson	\$76,080	\$88,760
T	Jefferson	\$89,040	\$103,880

PAGE 1 OF 2.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
INCOME LIMITS BY COUNTY AND HOUSEHOLD SIZE,
N= NON-TARGETED
T=TARGETED

PURCHASE PRICE LIMIT - \$425,000

N / T	COUNTY	HOUSEHOLD 1-2 MEMBERS	HOUSEHOLD 3
N	Johnson	\$76,080	\$88,760
T	Lafayette	\$89,040	\$103,880
N	Lawrence	\$76,080	\$88,760
T	Lee	\$89,040	\$103,880
T	Lincoln	\$89,040	\$103,880
N	Little River	\$81,240	\$94,780
N	Logan	\$76,080	\$88,760
N	Lonoke	\$85,590	\$98,429
T	Madison	\$106,320	\$124,040
N	Marion	\$76,080	\$88,760
N	Miller	\$86,520	\$100,936
T	Mississippi	\$89,040	\$103,880
T	Monroe	\$89,040	\$103,880
N	Montgomery	\$76,080	\$88,760
T	Nevada	\$89,040	\$103,880
N	Newton	\$76,440	\$89,180
T	Ouachita	\$89,040	\$103,880
T	Perry	\$99,600	\$116,200
T	Phillips	\$89,040	\$103,880
N	Pike	\$76,440	\$89,180
N	Poinsett	\$76,080	\$88,760
N	Polk	\$76,080	\$88,760
N	Pope	\$76,800	\$89,600
T	Prairie	\$89,040	\$103,880
N	Pulaski	\$85,590	\$98,429
N	Randolph	\$76,080	\$88,760
N	Saline	\$76,080	\$88,760
T	Scott	\$89,040	\$103,880
T	Searcy	\$89,040	\$103,880
N	Sebastian	\$77,040	\$89,880
N	Sevier	\$77,760	\$90,720
N	Sharp	\$76,080	\$88,760
T	St. Francis	\$89,040	\$103,880
N	Stone	\$76,080	\$88,760
N	Union	\$79,200	\$92,400
N	Van Buren	\$76,080	\$88,760
N	Washington	\$88,600	\$101,890
T	White	\$89,040	\$103,880
T	Woodruff	\$89,040	\$103,880
N	Yell	\$76,440	\$89,180

Arkansas is determined by County Income Limits, not census-tract.

- Limits can be found on ADFA website or in the guidelines.

- Set by the IRS



TARGETED COUNTIES



- Bradley
- Calhoun
- Chicot
- Clark
- Cleburne
- Columbia
- Conway
- Crawford
- Crittenden
- Cross
- Dallas
- Desha
- Drew
- Jefferson
- Lafayette
- Lee
- Lincoln
- Madison
- Mississippi
- Monroe
- Nevada
- Ouachita
- Perry
- Phillips
- Prairie
- St. Francis
- Scott
- Searcy
- White
- Woodruff



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ELIGIBLE PROPERTIES - FHA, VA, USDA

- Single Family Detached
- Townhomes
- Condominiums
- Modular Homes
- Duplexes - when purchasing both sides -
FHA Financing Only
 - Must occupy 1 side and must be at least 5 years old
 - Targeted County duplexes can be newer
- Manufactured Homes - follow FHA guidelines
- **Homes can be on no more than 5 acres of land**



Compliance & Closing Process

STARTSMART

COMPLIANCE REVIEW

- **Must be uploaded in 5 days from the reservation date!**
- Borrower and spouse income must be verified and approved prior closing
- ADFA Pre-Closing Review
 - Checklist & Checklist items must be reviewed and approved
- Once Loan File has been approved, closing documents and award letters can be downloaded from Lender Portal
- Once loan is closed, closing documents will be required to be submitted for review.

CONDITIONAL COMMITMENT

- Conditional Commitment is not a guarantee of purchase of the mortgage(s).
- The DPA awards letter (if applicable) will be given at the same time the commitment is issued.
- **Any changes that may occur after Conditional Commitment is issued, are required to be sent to ADFA for approval and a new Conditional Commitment issued.**

CLOSING REVIEW

- Programs with qualifying income limits
 - Checklist & Checklist items must be reviewed and approved
 - Income verification documents do not have to be submitted
 - Each mortgage lender is responsible to ensure Borrower (s) meet program guidelines along with AUS – Approval, or Accept Recommendation
 - **NO MANUAL UNDERWRITING**
- DPA closing documents and award letters can be downloaded from the Lender Portal.



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COMPLIANCE DOCUMENTS

- StartSmart Pre-Closing Checklist
- AUS Findings with an Approve/Eligible/Accept status and a DTI of 45% or lower

NO MANUAL UNDERWRITING

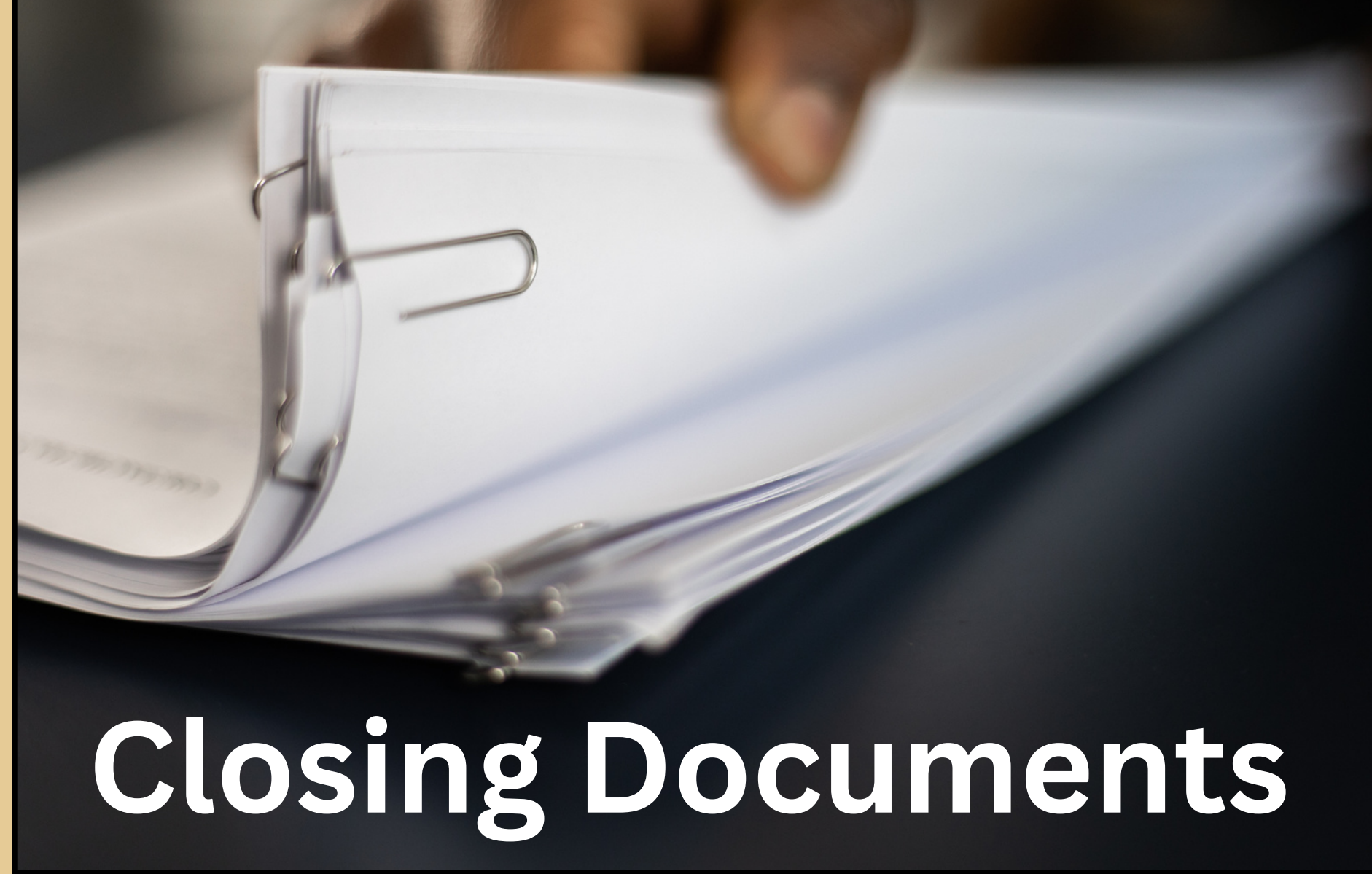
- Final Typed Loan Application
- Recent VOE
- Paystubs within the last 30 days
- self employed 2 years taxes and YTD P&L
- DD214 and COE for veterans who need the exemption
- Appraisal
- Real Estate Contract
- 1 year Federal Tax Transcripts or Signed Federal Tax Returns for Non-Targeted Counties
- Tri-Merge Credit Reports for Non-Targeted Counties
- Exhibit A—Executed Notice to Borrower(s) of Potential Recapture Tax
- Exhibit B—Executed Application for Conditional Commitment, Certification & Affidavit
- Exhibit C—Executed Disclosure
- Exhibit K—Manufactured Homes only



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- **StartSmart** Post Closing Checklist
- 1st Mortgage Closing Disclosure signed and dated by borrower at closing
- Final Loan Application signed and dated by borrower and lender at closing
- **1st mortgage executed at closing with Rider attached**
- 1st Note executed at closing
- Warranty Deed
- Exhibit E—Executed Borrower's Closing Affidavit, signed by the Borrower(s)
- Exhibit F—Executed Seller's Affidavit, signed by the Seller



Closing Documents

- Exhibit G—Executed Lender's Closing Certificate, **MUST BE SIGNED BY THE LENDER**
- Exhibit P—Executed Notice To Mortgagor For Determining If Recapture Tax Is Owed
- County Income Limit Page

Recapture



Recapture is a **potential** repayment of a portion of the interest savings that the buyer receives from tax-exempt financed mortgage.

Recapture tax may be owed if ALL three of the following occur:

1. Homebuyer sells his/her home prior to the 9th anniversary date, and
2. Makes a net profit when they sell, and
3. Their income exceeds the federal threshold income amount in the year they sell (**that limit increases 5% every year**).



WHAT IS THE PURPOSE OF RECAPTURE?

- To retrieve the subsidy from owners who receive rapid income increases after they purchase their home and, as a result, do not need the subsidy to remain homeowners.
- **If recapture is owed, ADFA will reimburse the borrower upon request!**



Recapture —

HOW is it paid?

With Federal Tax payment in the filing year of the sale of the residence.

Recaputre - how and when to inform the borrower?

EXHIBIT A

Prior to closing.



EXHIBIT P

At closing.

Down Payment Assistance (DPA)

ADFAs repayable second
mortgage program



ADFA Down Payment Assistance Program

- **Assistance Available:** \$1,000 - \$15,000
- **Second Mortgage:** 10-year amortization -- Interest Rate will match the first mortgage rate
- **Fund Qualifications:** Minimum Down Payment Required – Closing Cost, Principal Reduction & Paid Outside of Closing Cost Items (appraisal, etc.)
- **Borrowers Eligibility:** Determined by the 1st Mortgage Requirements
- **Property Eligibility:** Primary Residence Only





DPA Documents

- DPA Post-Closing Checklist
- DPA Closing Disclosure signed and dated by borrower at closing
- DPA Final Loan Application signed and dated by borrower and lender at closing
- DPA mortgage executed at closing
- DPA Note executed at closing with endorsement (page 4).
- Insurance Binder to show ADFA as 2nd Mortgage, Mortgagee Clause:
 - **ADFA, ISAOA / ATIMA 1 Commerce Way, Suite 602, Little Rock, AR 72202**



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PROPERTY IRRESISTIBLE TO BUYERS

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TO QUALIFY

BORROWER MUST BE ONE OF THE FOLLOWING

- A. **First time homebuyer** (no primary residence ownership within last three years)
- B. Purchasing home in a **“Targeted County”**
- C. Be a **Veteran or spouse of a Veteran**

Criteria for Eligibility:

- A. **The applicant must not have owned a primary residence within the past three years.**
- B. **If the property is in an area of chronic economic distress as determined by the IRS, the first-time homebuyer requirement will be waived. These locations are known as “Targeted Counties”.**
- C. **Veterans who have served in any branch of the US Armed Forces are also eligible for the program, but must provide verification in the form of a DD214 and COE.**

StartSmart Program additional exemptions

- **Owned a mobile home in the last 3 years that was NOT on a permanent foundation.**
- **Owned rental property, but NOT lived in the property for the past 3 years.**
- **Separated or divorced, but NOT occupied the marital home for the past 3 years.**
- **Buying a home in a Targeted County (economically disadvantaged area)**
- **Veterans who served in any military branch of the Armed Forces of the United States may get a single, one time, exemption. Single exemption requires Form DD214 and a COE for verification**

