First Place Loan FAQs

Q: What is the First Place Loan program?

A: The First Place Loan program is a homebuyer program that provides below-market interest rates to first-time homebuyers and qualified veterans in the state of Missouri.

Q: How many types of loans does MHDC offer under the First Place Loan program?

A: Two types of funds are available, depending on the borrower's needs.

- Cash Assistance Loans provide 4% of the total loan amount to help first-time homebuyers pay down payment and closing costs. Loans can be used for both existing and new homes.

- Non-Cash Assistance loans offer lower rates, usually .25 percent to .50 percent below cash assistance rate. These loans are best for buyers that have adequate funds to pay their own down payment and closing costs. Loans are available for existing and new homes.

Q: Can I apply for an FHA loan and still use First Place funds?

A: Yes. MHDC allows the use of FHA, VA, USDA Rural Development loan programs as well as Freddie Mac HFA Advantage and Fannie Mae HFA Preferred Conventional loan programs.

Q: What parts of the state are eligible for the program?

A: Homes may be purchased in all parts of the state. Please review the purchase price and income limits on the program page.

Q: How do I apply for a First Place Loan?

A: Loan applications are only accepted by Certified Lenders. Please visit the links on the MHDC website to locate a certified lender near you.

Q: Does it matter which lender I use?

A: No, MHDC sets the interest rates for these loans and limits, as well as the amount of closing costs that may be charged by the lender.

Q: Will this program help me if I have poor credit?

A: The First Place Loan Program is available to applicants with credit scores as low as 640, but applicants must meet the same credit requirements as any other homebuyer. This is not a "credit-repair" program. Potential borrowers who have credit issues to address are urged to participate in a financial management program to work their way to an improved credit status.

Q: If the qualifications for this loan are the same as any other loan, what is the advantage of this program?

A: There are two primary advantages to the homebuyer:

- The interest rates offered through the First Place program are usually lower than market rates. The interest savings for a buyer borrowing $100,000 for 30 years at 6 percent interest, instead of borrowing the same amount for the same term at 7 percent, is more than $23,000 over the life of the loan.

- The Cash Assistance Loan provides funds to be used to assist with down payment and closing costs.

Q: I have been told that I shouldn't use the First Place program. Why is that?

A: For most first-time buyers, this loan product is an excellent choice. However, mortgage brokers and some lenders are not eligible to offer this program, so they may try to discourage you from using it. Some lenders offer programs that are more profitable to the lenders and often less beneficial to the consumer, and they may offer these loans more aggressively.

Q: What is a first time homebuyer?

A: First-time homebuyers are defined as those persons who have not owned a home or had an ownership interest in a primary residence for the past three years.

Q: What is a qualified veteran?

A: A qualified veteran is any veteran who served on active duty, was not dishonorably discharged, and has not previously obtained a mortgage loan financed by tax-exempt mortgage revenue bond proceeds under the qualified Veterans exception.

Q: What first-time buyer would not want to use the First Place Program?

A: The program can be beneficial to any homebuyer and is great for first-time homebuyers who may not have sufficient savings for down payment and closing costs or for homebuyers looking for competitive interest rates to save money over time. However, the program may not be right for homebuyers who may want to sell the home or move in a few years. Buyers who sell the home may have to pay a Recapture Tax upon selling the home and/or repay a portion of any cash assistance received.

Q: My lender warned me about Recapture Tax, and said that I would have to pay a penalty when I sold my home. Is this true?

A: Recapture Tax applies in a limited number of cases when a home financed with the First Place Loan Program is sold. For Recapture Tax to apply, you must meet all of the following conditions:

1) Sell the home within nine years;

2) Make a net profit on your home, after adjusting the value of the home for any improvements or repairs you have made, and after deducting all costs of sale, including sales commission; and

3) Your household income must be over the income limit in the year you sell the home.

Fear of paying Recapture Tax should not stop you from utilizing the First Place program. Recapture Tax is not triggered if you refinance your home later to obtain a better interest rate, or to use the equity you have in your home.

Q: Can I ever qualify for the program if I have owned a home before?

A: Yes. If it has been three years since you owned your home, you are considered a first-time buyer or if you are a qualified veteran. Also, if you have owned rental property or undeveloped land, you may still be eligible for the program. Homebuyers do not have to be first time buyers if they purchase in target areas. Consult your lender for specific locations of target areas. Loans originated in Federally Targeted Census Tracts will receive lower First Place Loan rates.

Q: Do I need to be concerned about predatory lending when financing a home using MHDC funds?

A: No. MHDC regulates and monitors all fees that are charged to the buyer. If a lender accidentally charges too much or charges a fee that is not allowed, MHDC will require a refund to the borrower for this amount.

Q: How much will it cost me to get into a home using First Place funds?

A: This amount will vary based on the type of loan application, i.e., FHA, VA, Freddie Mac HFA Advantage Conventional, Fannie Mae HFA Preferred Conventional or USDA-RD. MHDC does not have a minimum down payment or a minimum loan amount requirement.

Q: What is the difference between purchasing a house in a rural area or one in an urban area?

A: There are no differences between the purchase price limits in rural or urban areas.

Q: What are federally Targeted Areas?

A: Federally Targeted Areas are those Census Tracts where 70 percent of all households earn less than 80 percent of the statewide median income. These areas may be found in both urban and rural communities. MHDC has committed to constantly funding loans in **federally-targeted areas** that include specific census tracts in counties throughout the state. Homebuyers do not have to be first-time buyers if they purchase in target areas. Consult your lender for specific locations of targeted areas. Loans originated in Federally Targeted Census Tracts will receive lower First Place Loan interest rates.