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Rules hinder low-income buyers' loans

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Lucas Harrison-Zdenek has tried twice since last summer to get a federal loan to buy a foreclosed home.

His credit score hasn't been good enough. It was 575 last fall when it needed to be 580 and is now 606 when it needs to be 620. He was denied again earlier this month.

The Ferndale massage therapist is hopeful that an update to his credit report to reflect some recently paid debts will push his score up to 620. He's aiming for a mortgage on a four-bedroom, 1 1/2 -bath house in Ferndale that's priced at \$70,000.

A Jan. 1 change in federal lending guidelines has made it harder for people to benefit from Neighborhood Stabilization Programs, which help lower-income buyers purchase foreclosed homes. The rules pushed the minimum credit score to 620 for an FHA loan.

"Every time we get denied, I feel like we are closer to getting approved," said Harrison-Zdenek, 25.

He's now renting a house in Berkley for his wife, Genevieve, and 3-month-old son, Lincoln.

Harrison-Zdenek's experience is pretty common for people who are at or below 50% of the local median income, or \$31,450, for a family of three.

Michigan communities are spending the \$253 million allocated in late 2008 through the Neighborhood Stabilization Program to help low- and moderate-income home buyers, investors and nonprofit groups breathe new life into thousands of vacant, foreclosed homes. Michigan is to get an additional \$223.9 million in federal money this year to help deal with the housing crisis.

The programs include mandatory homeowner counseling classes and applicants must be able to qualify for a mortgage. And 25% of the federal grant money must go toward helping those at 50% of the median local income buy homes.

Officials administering the program say it has been a big challenge to find families who qualify in the low-income category and have the necessary 620 or higher credit score and 24 months of income history. Additionally, the Oakland County program doesn't allow people with a foreclosure or bankruptcy in the past three years to participate.

"It is brutal. It means that they don't get the house," said Gordon Lambert, chief of operations for Oakland County's community and home improvement division. "This credit crunch is really, really impacting the whole community."

Marsha Scheer, who coordinates the Neighborhood Stabilization Program for Ferndale, said the city has closed on homes sold to five low-income buyers so far. The city hopes to help 25 to 30 families buy homes in the community.

Ferndale contracted with Home Renewal Systems of Farmington Hills to implement its program. Home Renewal handles everything from getting potential buyers qualified, finding homes, rehabilitation work and closing on the mortgage.

Cathy Doig, marketing director for the company, said federal lending guidelines have made it harder to get people in homes.

She said that people with lower incomes sometimes have low credit scores because of damaged credit. More often, though, applicants are ineligible because they haven't established credit. These are people who do not use credit cards or make installment payments on vehicles, but they pay their bills on time.

"In order to have a high credit score in this country, you have to use credit," Doig said.

She said the company's staff works with these potential homeowners on getting their credit scores up, but that can take months.

Home Renewal Systems also is handling programs in Oak Park, Hazel Park, Westland, Redford, River Rouge and Inkster.

In Macomb County, eligible homeowners can qualify for up to 49% of the home's price or \$50,000, whichever is greater, said Mike Rozny, community development manager.

Rozny said the county is not having trouble finding enough people to qualify for the program.

"It may become more difficult," he said. "It tends to be that way when you get lower in the income levels."

The county has sold 20 homes so far, and the goal is 150.

Harrison-Zdenek is hopeful that he will qualify for a mortgage before the minimum credit score is raised again.

"If (the loan officer) didn't feel Genna and I were worthy of homeownership, they wouldn't try so hard," Harrison-Zdenek said.

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Federal home ownership program information

For more information on Neighborhood Stabilization Program funds for low-income homeowners:

IN Oakland County

Contact Shameka Davenport at 248-858-1529 or go to www.oakgov.com/chi.

From Home Renewal Systems

Call 866-996-9754 or go to www.homerenewalmi.com.

This company handles the program in Oak Park, Ferndale, Hazel Park, Westland, Redford Township, River Rouge and Inkster. It hosts information seminars twice a month. The next one is Feb. 9 from 6-7:30 p.m. at Dorsey Community Center, 32715 Dorsey St., Westland.