

# **CITY OF FERNDALE, MI**

## **Neighborhood Stabilization Program**

### **OVERVIEW and GUIDELINES**



# **CITY OF FERNDALE NEIGHBORHOOD STABILIZATION PROGRAM FOR VACANT FORECLOSED PROPERTIES**

## **OVERVIEW**

The City of Ferndale's Neighborhood Stabilization Program (NSP) is funded through the Department of Housing and Urban Development (HUD), Office of Community Planning, and Development under the Community Development Block Grant Program and locally administered by the City of Ferndale. The purpose of the NSP is to redevelop abandoned and foreclosed properties and to house HUD income-qualified individuals or families. Homebuyers with incomes at or below 120% of Area Median Income (AMI) are eligible for assistance. At least 25% of the City's total NSP allocation will assist households with incomes at or below 50% of AMI. Homebuyer assistance to the maximum \$14,999 for five year eligibility will be offered in the form of a second mortgage (0% interest decreasing term loan).

The City has hired an NSP Contractor to implement the Program. General information is available through the City of Ferndale, CD Department, 300 East Nine Mile Road, Ferndale, MI 48220 or 866-996-9754.

## **GUIDELINES**

### **Income Requirements**

- Eligible household incomes fall within the U.S. Department of Housing and Urban Development (HUD) income limits based on household size. Gross household income may not exceed 120% of area median income (AMI) for a given household size (see table below).
- Income determinations are made in accordance with HUD rules.
- The City of Ferndale's NSP Contractor determines income eligibility.
- Homebuyers must purchase the vacant foreclosed single family home as their principal residence.
- Applicants must have a qualifying, minimum credit score.

### **Homebuyer Education**

- Applicants must complete a total of eight hours of homeownership education through Oakland County's Housing Counseling.

### **Eligible Properties**

- The property purchased must be a vacant and foreclosed property located in the City of Ferndale.
- Homebuyers may select a house from those available through the NSP Contractor. Homebuyers will only be shown houses for which they can income qualify.
- Only single family homes may be purchased. Mobile homes, co-operatives and multi-family units are not eligible.

### **Home Rehabilitation**

- The NSP Contractor will rehab each house to increase energy efficiency. Energy Star appliances will be included.
- Rehabilitation of the property is made in accordance with all building codes of the State of Michigan and adopted by the City of Ferndale.
- A Housing Quality Standards (HQS) inspection by the City's Building Inspector is required.
- Lead Paint compliance guidelines as determined by HUD must be met. A property inspection and Lead Based Paint risk assessment will be conducted.
- The NSP Contractor will work with the potential homeowner on finish material specifications within budget.
- Maximum purchase price will be determined by the applicant's income to housing payment costs ratio. Generally, the maximum monthly housing payment cannot exceed approximately 31% of

the applicant's monthly income. Front end and back end debt ratios. 29% 42%. Purchase price cannot exceed appraised value, the total amount spent on acquisition/rehab, or the HUD single family mortgage limit.

### **Homebuyer Financing**

- The homebuyer will work with the NSP Contractor to qualify for a fixed rate mortgage from a lending institution.
  - Each case will be assessed on an individual basis.
  - Oakland County's Housing Counselor must review and approve the lender's mortgage.
  - City of Ferndale will finance up to \$14,999 to purchase a home
- Homebuyers must have approximately \$1,000 to initiate the purchase.
- In most cases, property taxes and homeowner insurance must be escrowed. The City of Ferndale will not be the escrow agent.
- The City's NSP Contractor will work closely with the lending institution to ensure the success of the program. A City representative will attend the mortgage closing with the agreed upon funds. No funds will be issued directly to the homebuyer.
- Adjustable Rate Mortgages, Balloon Mortgages, Interest Only Mortgages, Land Contracts or other mortgage options are not eligible.
- Mortgage financing will be provided through participating lenders. Co-signers are not permitted. The total mortgage amount is funded through a First Mortgage and a subsidized "Forgivable Soft Second Mortgage".
- The City of Ferndale's down payment assistance is financing provided as a forgiven, no-payment, 0% interest loan secured with a mortgage and mortgage note on the property, and has a five year retention requirement with yearly prorated recapture of assistance. After five years, the loan from the City of Ferndale NSP funds is forgiven. Homebuyer assistance is a deferred obligation which is forgiven over a pro-rata period that the homebuyer remains in the home as their primary residence. Amounts due for re-payment become due only on the sale, refinancing (unless such re-financing is made only for better terms or interest and does not increase the amount due on the first mortgage), transfer of ownership or if the property is no longer the borrower's principal residence. Repayment of assistance will be determined on a pro-rata monthly basis over the five year period as provided in the Soft Second Mortgage Documents.

### **Purchase Agreements**

- The acquisition price of the home must be at least 1% less than the as-is appraised value.
- As-is appraisals will conform to 49 CFR 24.103 and FHA 203 (k) requirements.
- The purchase agreement must allow 75 days for closing without penalties from the date of the signing of the purchase agreement contract.
- The purchase agreement contract must indicate that the homebuyer is purchasing the house with federal Neighborhood Stabilization Program (NSP) funds and must meet NSP requirements.
- A title policy that includes the mortgage amount, including down payment assistance must be in place.

### **Documentation**

- All required documentation must be submitted to the City.



## **HOW DOES THE PROGRAM WORK?**

### **STEP #1**

#### **Program Application**

Applicants must submit a completed program application to the City of Ferndale, CD Department, 300 East Nine Mile Road, Ferndale, MI 48220 or the NSP Contractor for eligibility determination.

### **STEP #2**

#### **Borrower Pre-Qualification**

Applicants must attend the Oakland County Community and Home Improvement Program Homebuyer Counseling Course. Applicants will be informed of their maximum affordable housing price based on their income, financial status and credit issues.

### **STEP #3**

#### **Property Purchase and Sale**

The NSP Contractor will provide a list of available properties, including those still under rehabilitation. Interior viewing of properties will not be allowed during construction.

### **STEP #4**

#### **Mortgage Financing**

The applicant will work with the NSP Contractor to procure a mortgage. This step takes time. Upon Mortgage approval and completion of the Homebuyer Counseling, the applicant will work with the NSP Contractor to make a purchase offer for a home offered under this Program. The homebuyer forgivable soft second mortgage will be calculated by the NSP Contractor. Mortgage documents will be prepared and executed at time of closing.

### **STEP #5**

#### **Loan Closing**

A minimum of two weeks prior notice of closing must be provided to obtain City assistance for the purchase of a home.

Applications should be completed and returned, along with the required documentation, to the City of Ferndale, CD Department, 300 East Nine Mile Road, Ferndale, MI 48220. If the required documents are not returned with your application, it will be deemed incomplete and will be rejected. Applications will be serviced on a first come first served basis. No applicant shall on the grounds of race, color, religion, handicap, familial status, national origin or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded under this program.

<b>FAMILY SIZE</b>	<b>VERY-LOW INCOME (50%)</b>	<b>MODERATE INCOME (80%)</b>	<b>MIDDLE INCOME (120%)</b>
1	\$24,450	\$39,150	\$58,700
2	\$27,950	\$44,750	\$67,100
3	\$31,450	\$50,350	\$75,500
4	\$34,950	\$55,900	\$83,900
5	\$37,750	\$60,400	\$90,600
6	\$40,550	\$64,850	\$97,300
7	\$43,350	\$69,350	\$104,000
8	\$46,150	\$73,800	\$110,700