

VILLAGE OF HOLLY NEIGHBORHOOD STABILIZATION PROGRAM FOR VACANT FORECLOSED PROPERTIES

OVERVIEW and GUIDELINES

Current as of October 13, 2009

OVERVIEW

The Village of Holly'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 Village of Holly. The purpose of the NSP is to **redevelop abandoned and foreclosed properties.**

The Village of Holly plans to use its \$612,000.00 in NSP funds to acquire, rehabilitate, and sell vacant foreclosed single family housing units to eligible homebuyers. Homebuyer assistance in the form of a second mortgage at an amount that makes the home affordable to the buyer will be offered to eligible clients. The homebuyer assistance provides a 0% interest decreasing term loan to homebuyers when purchasing eligible vacant foreclosed single-family homes located within the Village of Holly. The home must be purchased by the homebuyer as their primary residence. Homebuyers must income-qualify based on income limits established by HUD. Homebuyers with incomes at or below 120% of Area Median Income (AMI) are eligible for assistance. At least 25% of the Village's total NSP allocation must assist low income households with incomes at or below 50% of AMI. Eligible incomes by family size are identified in Attachment A.

General information and program applications are available through the Village of Holly, NSP Director, 202 S. Saginaw St. Holly, MI 48442

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. The maximum gross annual household income by household size is listed in Attachment B.
- Income determinations are made in accordance with HUD rules.
- **The Village of Holly retains sole responsibility for determining income eligibility.**

Eligible Homebuyers

- Homebuyers must purchase the vacant foreclosed single family home as their principal residence.
- The applicant can not own more than two residential properties.
- Applicants must have a minimum credit score of 620

Homebuyer Education

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

Eligible Properties

- The property purchased must be a vacant and foreclosed property located in the Village of Holly.
- Only single family homes may be purchased. Mobile homes, co-operatives and multi-family units are not eligible.
- The house shall not be located in a 100 year flood plain.
- A certificate of occupancy is required by the Village of Holly.

Homebuyer Financing

- The homebuyer must prequalify for a fixed rate mortgage from a lending institution.
 - The amount of the final fixed rate mortgage identified by the lending institution represents the total amount that will be available for the purchase of the home.
 - Village of Holly will finance up to \$39,999.00 to purchase a home
 - Each case will be assessed on an individual basis.
 - Oakland County's Housing Counselor must review and approve the lender's mortgage.
- Village of Holly'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 ten year retention requirement with yearly prorated recapture of assistance. After ten years, the loan from the Village of Holly NSP funds is forgiven.
- The loan is due and payable upon sale or transfer of the property title or when the property is no longer the homebuyer's principal residence.
- Homebuyers with incomes less than 50% AMI must have approximately \$1,000 to initiate the purchase. Homebuyers with incomes greater than 50% AMI must have approximately \$2,000 to initiate the purchase. These funds would cover prepaid expenses such as earnest money for the purchase agreement, property insurance, mortgage application and property inspection fee.
- In most cases, property taxes and homeowner insurance must be escrowed. Village of Holly will not be the escrow agent.
- Village of Holly will work closely with the lending institution to ensure the success of the program. A Village 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.

Purchase Agreements

- The acquisition price of the home must be at least **15%** less than the as-is appraised value.
- Village of Holly will provide and pay for an appraisal. The appraisal will consist of an as-is appraisal. The appraisal 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.
- The homebuyer must obtain a title policy that includes the mortgage amount, down payment assistance.

Attachment A

VILLAGE OF HOLLY NEIGHBORHOOD STABILIZATION PROGRAM INCOME LIMITS

Family Size	<u>30%</u>	<u>50%</u>	<u>60%</u>	<u>80%</u>	<u>120%</u>
1	\$14,900	\$24,850	\$29,800	\$39,750	\$59,650
2	\$17,050	\$28,400	\$34,100	\$45,450	\$68,150
3	\$19,150	\$31,950	\$38,350	\$51,100	\$76,700
4	\$21,300	\$35,500	\$42,600	\$56,800	\$85,200
5	\$23,000	\$38,350	\$46,000	\$61,350	\$92,000
6	\$24,700	\$41,200	\$49,400	\$65,900	\$98,850
7	\$26,400	\$44,000	\$52,800	\$70,450	\$105,650
8	\$28,100	\$46,850	\$56,250	\$75,000	\$112,450
9	\$29,800	\$49,000	\$59,650	\$79,500	\$119,300
10	\$31,500	\$52,550	\$63,050	\$84,100	\$126,100
11	\$33,250	\$55,400	\$66,450	\$88,600	\$132,900
12	\$34,950	\$58,200	\$69,850	\$93,150	\$139,750
13	\$36,650	\$61,100	\$73,250	\$97,700	\$146,500
14	\$38,350	\$64,000	\$76,700	\$102,250	\$153,350

Based on Area Median Income (AMI)

APPLICATION INFORMATION

The Village of Holly's Homebuyer/Forgivable Soft Second Loan Program is designed to provide financial assistance to lower income families purchasing a home in the Village of Holly. The program is funded through the Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program.

The application package contains a complete program description and a list of eligible requirements. Applications should be completed and returned, along with the required documentation, to the NSP Director 202 S. Saginaw St. Holly, Michigan 48442. 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.

WHAT KIND OF ASSISTANCE IS AVAILABLE?

The Homebuyer/Forgivable Soft Second Mortgage Program offers borrowers reduced cost mortgage financing.

First and "Forgivable Soft Second" Mortgage Financing- 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" (maximum of 45% of the purchase price). Borrowers pay principal and interest on the first mortgage after closing and zero on the forgivable soft second mortgage as long as the home is owner occupied for the period shown on the chart below (period of affordability) according to the amount of the forgivable soft second.

PERIOD OF AFFORDABILITY:

Home must be owner occupied for the period of affordability. Any period under that time, the amount due from the borrower to the Village of Holly, will be reduced on a pro-rata monthly amount.

<u>Period of Affordability</u>	<u>Amount</u>
5 years	Under \$15,000.00
10 years	\$15,000.00 to \$40,000.00
15 years	over \$40,000.00
20 years	All new construction homes

The 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 of the home (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 borrowers principal residence. Repayment of assistance will be determined on a pro-rate monthly basis over the period of time as provided in the Chart above or Soft Second Mortgage Documents.

FIRST TIME HOMEBUYER-

Applicants must be first time homebuyers (including displaced homemakers and single parents who may have owned a home with a spouse). A first time homebuyer is defined as not having an ownership interest in a property for the previous three (3) years.

HOMEBUYER COUNSELING COURSE-

Applicants must complete an approved Homebuyer counseling course. Courses are offered through the Oakland County Community and Home Improvement Division. Registration for the course will be made through the NSP Coordinator's office.

MAXIMUM PURCHASE PRICE-

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. The Oakland County Counseling Program will qualify individual applicants and determine maximum purchase price based on income and program standards at the time of application.

PROPERTY LOCATION-

The purchased property must be located in the Village of Holly.

MINIMUM HOUSING QUALITY STANDARDS-

All properties offered will meet the Minimum Housing Quality Standards (HQS) and Lead Paint compliance guidelines as determined by HUD. A property inspection and Lead Based Paint risk assessment will be conducted. Rehabilitation of the property is made in accordance with all building codes of the State of Michigan and adopted by the Village of Holly. Additional features may include energy efficiency heating, cooling or appliances.

HOW DOES THE PROGRAM WORK?

STEP #1

Program Application-

Applicants must submit a completed program application (copy attached) to the Office of the NSP Coordinator for eligibility determination. Eligible applicants will receive an Application, Authorization to Release Information, Household Composition Form, Information and Documentations required form, Forgivable Second Mortgage form.

STEP #2

Borrower Pre-Qualification-

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

STEP #3

Assistance Reservation-

Assistance funds are available on a first come first served basis. Assistance will be provided by a lowering of the purchase price by the amount needed on the Forgivable Second Mortgage.

STEP #4

Property Purchase and Sale:

The Village of Holly will provide a list of available properties, including those still under construction or rehabilitation. Interior viewing of properties will not be allowed while construction is ongoing.

STEP #5

Mortgage Financing-

The Applicant is responsible for procuring a mortgage or a mortgage pre-approval letter from the lender. Upon Mortgage approval and after Homebuyer Counseling has been completed, the Applicant may make a purchase offer for a home offered under this program. Upon receiving the application documents and mortgage commitment or pre-approval, the home buyer forgivable soft second amount, if any needed, will be calculated and the amount of assistance will be determined and mortgage documents will be prepared and executed at time of closing.

STEP #6

Loan Closing-

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

For further information on this program or the homes available in this area, please contact:

NSP DIRECTOR
Village of Holly
202 S. Saginaw St.
Holly, MI 48442
(248) 634-9571