City of Lansing
Down Payment Assistance (DPA)
Program Manual

Effective January 2014

THE CITY OF LANSING RESERVES THE RIGHT TO CHANGE REQUIRED DOCUMENTATION AS NECESSARY.

PROGRAM ADMINISTRATION

A. General Program Information

The city of Lansing Down Payment Assistance (DPA) Program (hereafter "Program") is allocated from a portion of the city's federal Department of Housing and Urban Development's (HUD) HOME Investment Partnerships Program (HOME) funding to provide home ownership assistance. This Program is being made available through the city's Development Office. Funds are reserved on a first-come, first-served basis.

The goal of the Program is to expand home ownership opportunities for income-eligible households and to increase homeownership within the city of Lansing. **Eligible costs not to exceed of 6% of the purchase price (adjusted based on household need)** is available to each eligible household for down payment and reasonable closing costs incurred in the purchase of property located within the Lansing city limits, with the exception of homes that are in the flood plain.

Program subsidies are provided as a five-year, zero-interest loan which are secured by a promissory note and mortgage subordinate to those of the primary lenders. If the Homebuyer meets all Program requirements, the loan will have half forgiven after five years. The remaining portion of the loan becomes immediately due and payable in full if the property ceases to become the Homeowners principal-place of residence. The only exception to this rule will be if after the first five years, the Homeowner purchases another principal place of residence within the Lansing city limits, then the remaining portion will be completely forgiven. **First mortgages must have a fixed-rate and include the escrows of taxes and insurance**.

Homebuyers are required to repay loan funds in full during the first five years of their loan if they vacate, sell, transfer or assign any legal or equitable interest in the property at any time on or after the execution date of this mortgage product, which amount shall be immediately due and payable in full. Loan amounts are not forgiven at a pro-rated amount.

A purchaser of an eligible new or existing single-family residence may apply for Program funds after they have been pre-qualified by a first-mortgage lender and put in an offer on a home. A home owner cannot apply for Program funds after the mortgage loan has been closed. Program funds cannot be provided to a homebuyer who is refinancing an existing mortgage or land contract, or purchasing a home on a land contract.

Program funds **can** be used in combination with employer assisted down payment incentives, as well as Individual Development Accounts (IDAs). Program funds **cannot** be used in combination with Michigan State Housing Development Authority (MSHDA) down payment assistance, but **can** be used with a MSHDA mortgage.

B. Definitions

As used in this operating manual, the words and terms listed below are defined as follows:

Acquisition Cost: The selling price of a property as agreed upon by Buyer and Seller in the purchase agreement. The maximum acquisition cost of a single-family home is **$117,000 for existing** and **$195,000 for new construction** in order to qualify for this HOME assistance. Maximum acquisition cost for NSP assisted properties is the appraised value.

Borrower: A person meeting the criteria set forth in this manual that is in the process of obtaining financing for a principal residence. Used interchangeably with "Homebuyer" or "Buyer".

City: The city of Lansing

Co-Borrower: A person who joins the Borrower in the mortgage transaction by signing the mortgage and promissory note, and whose name appears on the title to the property. All borrowers must be owner-occupants of the home being purchased.

Debt to Income: Borrower's total monthly fixed (12 months or more remaining payments including new mortgage with escrows) debt to income ratio **cannot exceed 45%** of the borrower's gross monthly income.

Homebuyer or Buyer: A person meeting the criteria set forth in this manual that is in the process of obtaining financing for a principal residence. Used interchangeably with "Borrower".

Household: A single person or two or more persons living together not contrary to law (e.g.; traditional families, two unmarried persons, a single parent and child, etc.)

Housing to Income: Borrower's mortgage, including escrows for taxes and insurance, **cannot exceed 33%** of borrower's gross monthly income.

Lender: An organization which provides financing for the acquisition of single-family residences in accordance with the provisions of this manual.

Low and Moderate Income: Income limits as defined per 24 CFR Part 5 of the Code Federal Regulations. See Appendix A.

Pre-Purchase Homebuyer Education Counseling Course. Instruction of prospective homebuyers in issues concerning the process of purchasing property, financing, and household budgeting. See Appendix B for a list of city-approved homebuyer education counseling courses.

Single-Family Residence: A housing unit intended for occupancy by a single household.

Zero-Interest Loan: An interest free loan that will have half forgiven after five years provided Program requirements are met. The remaining portion of the loan becomes immediately due and payable in full when the Property ceases to be the Homebuyer's principal place of residence. However, if after the first five years you purchase another principal residence within the Lansing city limits, we will forgive the remaining portion of the loan as an incentive to continue living in the city of Lansing.

C. Loan Processing and Program Administration

The city of Lansing Development Office is the Program administrator. The city will provide information packets containing a description and forms for the Program to anyone interested. Information packets can also be obtained from Pre-Purchase Homebuyer Education counselors, or from our website.
http://www.lansingmi.gov/Dev_down_payment_assistance

1. Application / Reservation Processing by the City

   a. The city initiates a file on the applicant, reviews the application for completeness and requests additional information if needed.

      Application to the city must include the following:

      - Pre-Purchase Homeownership Certification of participation.
      - Household Composition form (COL-01)
      - Income & Assets Checklist – one for each household member over 18 (COL-02)
      - Verification of Resources – completed form #COL-03 or most recent bank statement
      - Verification of Earnings – completed form #COL-04 – If applicable
      - Income Verification. We need verification of all sources of income for all members of the household including children. This is a list of some possible income sources and the paperwork needed for each. Call our office if you think you need a form or have questions about the paperwork or you have sources of income not listed.

Kind of income	**Form to complete and/ or information to provide**
Employment	Verification of Earnings form **and** two month's pay stubs
Social Security, SSI, Disability, Work Comp, unemployment, education grants	Letter from appropriate authority stating amount being received
Vet Admin, Active duty pay, GI bill benefits	Letter from Military authority stating amount being received
Family Independence Agency	Verification of Income - FIA form **and** copy of FIA check
Child support, alimony	Verification of Income - FOC form **and** copy of FOC check
Pension	Verification of Income Pension form **and** pension statement
Self employed	YTD ledger (See section on income tax return)

- Income Tax Returns. For each household member over 18 years of age we need a copy of last year's Federal tax return, including copies of 1040 forms, W-2's, and all attached schedules). If self-employed or seasonally employed, then we need the last two years of tax forms, W-2's and all attached schedules.
- School Verification. If someone in the household is over 18 and a student, they must complete the top portion of the School Verification form, and then take form to their school for completion. (COL-05)
- Picture identification copies for all borrowers.
- Social Security card copies for all household members.
- Authorization to Release Information form (DPA-5)
- Lead Booklet Receipt (DPA-8)
- Notification to Seller form (DPA-2)
- Occupancy/Vacancy Certification (DPA-3)
- Funding Statement (DPA-6) – Requires signature of Buyer(s), Seller(s), Lender, and Buyer's Agent
- Purchase Agreement, including Seller's Disclosure and all addendums
- Fully executed Good Faith Estimate of closing costs
- Uniform Residential Loan Application
- Underwriting approval document
- Name, phone number, and fax number of Buyer's Agent and Lender
- Inspection Request (DPA-9)

b. City makes preliminary determination on applicant eligibility including, but not limited to, income and asset eligibility.

c. City makes preliminary determination of property eligibility including, but not limited to, purchase price, location and occupancy.

d. If the preliminary determination indicates both the applicant and property are otherwise eligible, an inspection of the property is set-up.

e. If the property passes inspection, the City will reserve Program funds and notify the Lender and applicant of the reservation and estimated amount of the loan.

f. The City will conduct an environmental review of the property.

Application packages should be submitted to: City of Lansing Development Office
316 N. Capitol Avenue, Suite D-2
Lansing, MI 48933-1234
Phone: (517) 483-4040
Fax: (517) 483-6036

2. Commitment of Funds/Mortgage and Promissory Note

   a. After the Lender has submitted all necessary documentation, the City sends the Lender a verification of Commitment of funds indicating the estimated amount of funds **(based on need)** the City will provide the Homebuyer.

   b. The City prepares Program mortgage and promissory note documents.

   c. The City prepares a check for the estimated loan amount payable to the title company handling the closing. **Loan funds are to be used to cover recording fees for the Program mortgage**.

   d. Prior to closing, the City will either make available for pick up the mortgage, promissory note, check and instructions to the title company, or will have a representative present at the closing.

   e. The Lender or Title Company will provide the City with actual closing costs and prepaid expenses per the Closing Statement as soon as available prior to closing.

   f. The City will compare actual closing costs and prepaid expenses to the estimates and double-check that the Homebuyer's contribution is at least $500, except buyer's minimum contribution is 1% of the sales price for NSP assisted properties.

3. Close-Out Processing

   After closing on the loan, the title company must submit to the City the following documents:

   - Closing Statement, with original signatures
   - Copy of the final loan application (1003) with signatures
   - Copy of PROGRAM Mortgage Document – Original to be sent to Register of Deeds Office (recording fees for this document is to come out of PROGRAM loan funds)
   - Signed original PROGRAM Promissory Note
   - Copy of the deed to the property
   - Proof of homeowner's insurance including City as additional mortgagee

II. ADMINISTRATIVE GUIDELINES

A. Overview

Specific Program requirements are covered in this section and are incorporated in the documents contained in this operating manual.

B. Homebuyer Eligibility / Responsibilities

The City of Lansing reserves the right to evaluate an applicant's eligibility based on the following criteria in a manner consistent with the intent and purpose of the Program.

1. Age – Homebuyer(s) must be 18 years of age or older.

2. Citizenship - Evidence of citizenship or eligible immigration status maybe required.

3. City Employees – Employees of the City of Lansing and their spouses are not eligible to participate in the Program. The only exception being those employees working an average of 25 hours per week or less (part-time or seasonal).

4. Debt Ratios – **Monthly mortgage payment, including escrows for taxes and insurance cannot exceed 33%** of Homebuyer's gross monthly income. Homebuyer's total monthly fixed (12 months or more remaining payments) **debt to income ratio cannot exceed 45%** of Homebuyer's gross monthly income.

5. Guarantors – The Homebuyer must meet credit and underwriting criteria established by the first mortgage Lender, and **must be able to obtain a fixed rate first mortgage product on their own credit history**. The Program does not allow for co-signors that will not be owner-occupants of the house being purchased.

6. Homebuyer Contribution – **The Homebuyer shall make cash contribution toward the down payment and closing costs of at least $500 except buyer's minimum contribution is 1% of the sale price for NSP assisted properties**. **Homebuyer cannot have more than $7,500 in household assets**.

   Down payment/closing cost subsidies available to the Homebuyer as gifts from relatives, seller-paid closing costs, employer assistance, other government subsidies, church assistance, etc… are allowed as long as they do not exceed asset cap – some exceptions may apply on a case by case basis.

7. Homebuyer Education – The Homebuyer shall complete a homebuyer education counseling course administered by an individual counselor who has received training from Michigan State Housing Development Authority (MSHDA) or HUD to provide homebuyer education. Certified and approved agencies in Lansing currently employing **MSHDA and/or HUD certified counselors are listed in Appendix B**.

8. Homeowner Tax and Insurance Requirements – The Homebuyer shall agree to have the taxes and homeowner's insurance escrowed as part of the first mortgage. Insurance must be in amount acceptable to the City, on all buildings on the assisted premises for the duration of the City's mortgage. **The City shall be listed as a Mortgagee on all property damage policies with usual loss payable to Mortgagee**.

9. Household Assets – The Homebuyer's total household assets **shall not be more than $7,500** in excess of the Homebuyer's required $500 contribution toward the purchase of the property. Some exceptions may be made to this requirement on a case by case basis. Household assets are defined below:

   Cash assets:
   a. Savings account balance
   b. Average 6-month balance in checking accounts
   c. Stocks, bonds, savings certificates, money market funds and other investment accounts, not including retirement accounts
   d. Lump-sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements and other claims
   e. Cash value of trusts available to the household

   Non-cash assets
   a. Equity in vacant land and/or rental property
   b. Equity in other capital investments.

10. Income – Homebuyer's annual household income includes the **earned** income of all household members 18 years of age and older, **unearned** income of all household members regardless of age, and shall not exceed 80% of area median income, as adjusted for family size, and as published periodically by the U.S. Department of Housing and Urban Development (HUD). See Appendix A.

11. Interest Rate – Interest rate being charged to Homebuyer not to be more than 2% over current FHA interest rate.

12. Marital Status – Applicants may be single, divorced or married. If applicants are married, and are members of the same household, both spouses must co-apply for the Program even if their first mortgage is in the name of only one. In the case of married applicants, both parties must sign the application. If the applicant is married but separated from their spouse, and does not have a Judgment for Separate Maintenance, Program funds are not available since the subject property would not be the principal residence for both spouses.

13. Outstanding Debts – The Homebuyer shall not have any outstanding debts to the City of Lansing.

14. Points – Homebuyer cannot purchase more than two (2) points to "buy down" on their lender mortgage product.

15. Pre-Approved for Mortgage – The Homebuyer shall be pre-approved for a mortgage by a first mortgage lender prior to making application for Program funds. The Homebuyer shall agree to allow the City access to income information given to the lender in order to determine program eligibility.

16. Primary Residence – The Homebuyer shall agree to occupy the property being purchased as their **primary residence for a minimum of five years after the date of the Program loan**. The homebuyer shall inform the City if they vacate, sell, transfer and or assign any legal or equitable interest in the property prior to this five year period having expired. If this occurs, the Homebuyer shall be required to repay the loan in full.

C. Seller Responsibilities

Individuals selling a home in transaction which is to be assisted with Program funds shall agree to comply with HOME Investment Partnership Program and other federal requirements, as applicable, including the following:

1. Funding – The seller must sign the Program supplied form entitled *"Funding Statement"* to acknowledge the use of Program funds and their requirements.

2. Inspection / Corrections – Seller must allow for any corrections needed for the home to pass inspection. Program funds cannot be committed until the home being purchased passes an inspection by City and/or its representatives.

3. Uniform Relocation Act – The seller must sign the Program supplied form entitled *"Notification to Seller"* to meet requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, certifying that the sale is voluntary.

4. Vacancy Certification – The seller must sign the Program supplied form entitled *"Occupancy / Vacancy Certification"* stating the property was not vacated as a direct result of a federally-assisted project.

D. Property Eligibility

Property to be purchased with Program assistance shall meet the following conditions:

1. Federal Program Requirements – Properties shall meet all applicable federal program requirements, including but not limited to:

   24 CFR Part 58.6 Environmental Clearance regulations regarding flood plain hazards and/or location of the property within a runway clear zone.

   Uniform Physical Conditions Standard (UPCS)

   Other HOME Investment Partnership Program, Federal Regulations, and City requirements as they may apply to this program.

2. Inspection – All properties will be inspected by the City or its representative(s) for compliance with Uniform Physical Conditions Standard (UPCS) and Lansing Housing & Premises Code. If repairs are called for, the completion and cost of these repairs shall be negotiated between the Buyer and the Seller. **Program**

funds cannot be used for, or committed to the purchase until all repairs are complete.

It is recommended that Homebuyer hire private home and pest inspectors. The cost of these inspections is an eligible item for reimbursement with Program funds, not to exceed approved assistance amount or maximum 6% of the purchase price.

3. Occupancy Status – Single-family properties are eligible provided the house is vacant, occupied by the existing owner or occupied by the Homebuyer.

   To remain eligible for Program assistance, properties or dwelling units which are vacant at the time the purchase agreement is entered into cannot subsequently be occupied by parties other than the Homebuyer or Seller until the sale is completed and title has vested in the assisted Homebuyer. **Under no circumstance may a tenant be displaced by a sale assisted with Program funds**. Documentation proving tenants were not displaced may be required – this may include copy of lease documents.

4. Residential Zoning – Properties shall be located in an area zoned as residential.

5. Sale Price of Home – The appraised value and sales price of a house may not exceed **$117,000 for existing**, and **$195,000 for newly constructed** housing if HOME assisted. Maximum sales price for NSP projects is equal to the appraised value.

6. Structure – Properties shall be situated on a permanent foundation with a permanent utility hook-up. Eligible properties types include: single-family detached and attached houses, condominiums, or manufactured homes on their own land.

7. Within the Lansing City limits. Property shall be located within the Lansing city limits, and shall not be within the 100-year flood plain (verified by the city of Lansing Zoning Office 483-4069).

E. Lender Responsibilities

Eligible mortgage lenders who wish to participate in the Program shall agree to the following requirements:

1. Applicant Screening – Lenders shall select prospective homebuyers for application to the Program based on household income, property location and type, household assets, and need for financial assistance. **Program funds are intended to be used as gap financing and may not be used in place of a Homebuyer's other resources – this is a "need" based program**. Lenders shall assist the Homebuyer with preparation of the Program application forms as well as with additional documentation needed by the City

prior to disbursement of funds. The Lender shall inform the Homebuyer of all other Program requirements including, but not limited to the requirements that inspection of the property be performed; that the Homebuyer receive homebuyer counseling or education by a certified HUD or MSHDA counselor; that the Homebuyer obtain and maintain adequate homeowner insurance coverage with the City listed as second mortgagee on all such policies.

2. Reservation of Funds/Application – After a Homebuyer has been pre-approved for a first mortgage and a property has been identified, a lender may submit an application packet to the City. At the current time, the City is not issuing a formal reservation. Funds are available on a first-come, first-serve basis.

3. Commitment of Funds – Program funds are not committed until the City receives all required application documents and the property being purchased passes inspection.

4. Scheduling the Closing Date – The Lender shall schedule a closing date no earlier than two (2) weeks from the date of the City's verifying Commitment of Funds. A commitment shall automatically expire sixty (60) days from the date of the Verification of Commitment of Funds. A thirty (30) day extension may be requested by submitting a written request to the Program Manager. The City shall make a single subsidy payment to the title company engaged in closing the purchase of the property, or a designee approved by the City, at the time of closing. If the requested amount is in excess of the actual amount needed at closing, the title company will be requested to return the difference to the City at closing. If it is determined by the City after closing that the Homebuyer has not contributed a minimum of $500 to the closing costs or down payment, the City will request the Borrower to return funds to the City in an amount that would satisfy the $500 requirement or for additional funding to be put toward the first mortgage principal.

5. City's Mortgage and Promissory Note – Lenders shall agree to accept the City's mortgage and promissory note for the Down Payment Assistance (DPA) Program assistance in a form required by federal regulations. The Lender shall not waive or vary any term of any note or mortgage evidencing and securing a Program Loan.

6. Misrepresentation – If the Lender becomes aware of misstatements, whether negligently or intentionally made, it shall be their responsibility to immediately notify the City. The City will take appropriate action which may include denial or cancellation of the Program subsidy. The Lender must also be aware and inform the Borrower that **both federal and Michigan law provide for fines and criminal penalties for misrepresentations made in connection with participation in the Program.**

F. City Responsibilities

1. HOME Regulations – The City of Lansing Development Office, or its designee or assigns, shall administer the Program in conformance with the HOME Regulations (24 CFR 92), and these administrative guidelines. The Program shall automatically adopt by reference any relevant changes to the federal regulations. Checklists and other documentation formats shall be established to assure compliance with documentation formats shall be established to assure compliance with Program requirements, and each file will be appropriately documented.

2. Application Processing – City staff shall review the Homebuyer's application package to determine both Homebuyer and property eligibility.

   A review of Homebuyer eligibility shall include, among other criteria, income determination in accordance with 24 CFR Part 5. Such income verification shall be in effect for six months, or until closing, whichever occurs first.

   A review of property eligibility shall include, among other criteria, the determination of compliance with 24 CFR Part 35, Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance. Following is the process which will be used to ensure compliance.

   a. At time of application the City will verify that the Buyer has received the HUD/EPA pamphlet Protect Your Family from Lead in Your Home.

   b. If, based on a preliminary review of the application, it is determined that the Homebuyer and property meet Program criteria, an inspection of the property will be scheduled.

   c. An inspection report will be provided to the Lender within seven (7) working days after it has been performed.

      1. If there are no corrections required, the City will forward a commitment to the Lender.

      2. If corrections are required, they will need to be completed and the property re-inspected.

3. Recapture Provisions – The City may require the recapture of funds per provisions described in the City's Consolidated Housing and Community Development Plan (except as superseded by federal HOME program regulations) and as specified in the mortgage and promissory note executed by the Homebuyer at closing. Program loans are not prorated. If the Homebuyer ceases to occupy the property as their principal residence and/or sells the property within five years of receipt of the Program loan, the total loan amount

becomes immediately due and payable to the City. After five years, half of the loan is forgiven. The remaining half becomes immediately due and payable when the Property ceases to be the Homebuyers principal place of residence. The receipt of payoff amounts shall be considered HOME program income. If after the first five years the Homebuyer purchases another principal residence within the Lansing city limits, the remaining portion of the loan will be completely forgiven as an incentive to continue residing within the city of Lansing.

Program funds are subject to repayment in the event of a foreclosure by the lender or other transfer in lieu of foreclosure. In the event of a foreclosure on the first position mortgage, the City shall determine a procedure consistent with HOME regulations and shall follow through appropriately.

4. Calculation of Assistance – The City shall contribute an amount not to exceed 6% of the purchase price. The total amount of assistance is subject to the Program requirement that the Homebuyer contribute a minimum of $500 for the purchase of the property. Program funds are based on need. If NSP funded, the minimum Homebuyer contribution is 1% of the sales price.

   The loan will be secured by a zero-interest mortgage and promissory note between the Homebuyer and the City.

5. Discharge of Program Mortgage – Upon completion of the five-year period following the date of Program assistance, provided the Borrower has resided in the property for the full five-year period, half of the loan will be forgiven. The remaining portion of the loan becomes due and payable in full when the Homebuyer ceases to reside at the property as their permanent place of residence. However, if after the first five years the Homebuyer purchases another principal residence within the Lansing city limits, the remaining portion of the loan will be completely forgiven as an incentive to continue residing within the Lansing city limits.

G. Eligible Costs / Pre-paid Expenses

Program assistance for eligible costs is based on need and not to exceed 6% of the purchase price. The City reserves the right to determine the eligibility of all closing costs and pre-paid items (MSHDA Closing Cost Fee Chart) and to request lender documentation of normal and reasonable costs. Following is a list of items for which assistance can be provided if all Program requirements are met:

1. Closing Costs – The Program will assist in the payment of normal and reasonable closing costs (MSHDA Closing Cost Fee Chart for eligibility) to process and settle the financing of the property for which the Homebuyer is responsible, provided the costs are not financed. Following is a list of eligible closing costs:

   - Fees for title commitment
   - Title company closing fee (maximum $500)

- Fees for recording and filing legal documents – recording of Program mortgage is to come out of Program loan funds
- Survey fee
- Private lender origination fees
- Credit reports
- Appraisal fees
- Private Mortgage Insurance/Mortgage Insurance Premium
- Underwriting fee
- Document preparation fee
- Pest inspection
- Pre-purchase inspections
- Flood zone research fee
- Reasonable legal fees incurred by the Buyer in reviewing documents
- MCC fees
- Cost of lead-based paint risk assessment

2. Pre-Paid Expenses – The Program may assist in the payment of normal and reasonable pre-paid and escrow expenses to process and settle the financing of the home for which the Homebuyer is responsible, as listed below:
   - First year of hazard insurance premium
   - Two months of mortgage insurance premium
   - Two months of City property taxes
   - Two months of County property taxes

   Interest and aggregate adjustment amounts are not eligible.

3. Down Payment – Funds **can** be used to reduce the principal borrowed by the Homebuyer from the Lender.

4. Personal Property – Program subsidies **cannot** be used to finance the acquisition of furnishings, appliances or other personal property unless those items are considered fixtures under Michigan law.

5. Repairs – Program funds **cannot** be used to pay for any required repairs to the property.

H. Appeals

Applicants may appeal any administrative interpretation of this policy, or may request a relief variance from the strict application of a provision of this policy. Appeals shall be directed to the City of Lansing Development Manager. Such appeals may be granted at the discretion of the Development Manager, provided the action is consistent with the intent of the program and does not violate applicable federal, state, or local regulations.

III. INSTRUCTIONS FOR OBTAINING A COMMITMENT OF FUNDS

Once the City has approved an application and certified Program funds are available, the Lender and Homebuyer must provide additional documentation as listed below prior to the City's issuance of a Verification of Commitment of Funds letter to the Lender. A Commitment of Funds expires sixty (60) days after issuance.

A. Documentation

Items needed to document Commitment of Funds are listed below. Each document must be completed and signed as appropriate and must be dated within 90 days of the date submitted to the City. The Lender must review the information submitted to determine completeness in accordance with the guidelines of this manual. Reasonable efforts should be taken to verify the information given, either independently or concurrently with underwriting procedures.

Additional Documentation Needed for Commitment of Funds:

1. Copy of addendums to Purchase Agreement, if applicable
2. Copy of Property Appraisal
3. Copy of Title Commitment, Schedule A only

B. Extensions

Extensions of Program Commitment of Funds may be requested by the Lender prior to the expiration date. A thirty (30) day extension may then be granted. Additional extensions may be granted if and when the City determines extenuating circumstances exist.

C. Cancellations

The Lender should notify the City in writing of any commitments which must be cancelled.

D. Changes in Homebuyer's Income, Marital Status, or Property Cost Prior to Closing

The determination of Program income eligibility is based upon the Homebuyer's income as of the date the Commitment is issued. The Homebuyer is required, however, to meet federal income limits at the time of closing. Changes occurring in the Homebuyer's gross annual household income after the Program Commitment of Funds is issued shall immediately be reported to the Development Office.

If the Homebuyer marries subsequent to issuance of the Commitment of Funds but prior to closing, the new spouse must satisfy Program requirements as outlined in the Administrative Guidelines section of this manual.

If the total acquisition cost of the property to be purchased increases, so as to exceed the acquisition cost limitations set forth herein, the Commitment of Funds shall be revoked.

The Commitment of Funds is issued in reliance upon the certifications made by the Homebuyer and Seller that Program requirements have been met. The Lender must immediately notify the City in writing of any change occurring in circumstances upon which the Commitment of funds was based, such that the Program subsidy to be issued would no longer meet the requirements of a qualified Program subsidy. If any such changes occur, the Commitment of Funds shall be revoked.

The Commitment of Funds is issued based on requirements imposed by federal laws, regulations, and rules as they exist at the time the Commitment is issued. If any law, regulation or rule shall change after issuance of the Commitment of Funds, the Commitment may, at the sole discretion of the City be revoked.

E. Prior to Closing

Prior to closing, the mortgage company needs to supply the following to the City:

- Copy of Appraisal
- Name, phone number, and location of title company conducting closing.
- Proof buyer is contributing at least $500 towards the purchase.
- Any additional addendums to the Purchase Agreement.
- Copy of final HUD1

F. After Closing

After closing the mortgage, the title company is to provide the City with the following documentation:

- Closing Statement, with original signatures
- Copy of signed loan application (1003)
- Copy of deed
- Copy of signed Program Mortgage
- Original Program Promissory Note
- Copy of buyer's certificate of insurance listing City as additional mortgagee.

After closing the mortgage loan, if the Lender becomes aware of any information which affects the Homebuyer's continued eligibility for a Program subsidy, it should notify the City.

G. Overview

- Program loans:
  - Are provided as a 0% interest second mortgage
  - Do not require monthly payments
  - Can be for up to 6% of the purchase price, based on need
  - Have half of the amount forgiven after 5 years
  - Can be completely forgiven if buyer(s) purchase another home within the Lansing city limits after initial 5 year period
  - **Require owner contribute $500 towards purchase of home**
  - Can be used with MSHDA first-mortgage product, but not MSHDA down payment assistance

- Buyer(s) must be:
  - Income eligible (see Appendix A)
  - Purchasing single-family home located within Lansing city limits
  - Capable of obtaining a first mortgage product

- Buyer(s) must:
  - Attend pre-purchase homeownership counseling prior to receiving Program funds (see Appendix B). **There are no exceptions**.
  - Owner-occupy the home purchased as their principle place of residence
  - Not purchase more than 2 interest points
  - Not have a total debt to housing, including escrows over 33% of their gross monthly income
  - Not have a total debt to income over 45% of their gross monthly income

- Maximum sale price of home:
  - $117,000 for existing
  - $195,000 for new construction

- Mortgage must have:
  - Fixed interest rate
  - Include escrows of taxes and insurance
  - Interest rate cannot be more than 2% above current FHA rate

- Home being purchased must:
  - Pass an inspection (UPCS) by the city's Development Office staff prior to any funds being committed
  - Not contain any peeling, chipping, cracking, or chalking paint on any surface of the home, outer buildings, or fences

- New homeowner's insurance policy must indicate City of Lansing Development Office as an additionally insured mortgagee