

HOME Down Payment Assistance



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Down Payment Assistance Policy and Procedures Manual Fiscal Year 2021

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HOME Program Policy and Procedures Guidelines for City of Lansing
Development Office

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HOME Program Policy and Procedures Guidelines for City of Lansing Development Office

HOME Program Overview

The City of Lansing Development Office provides this manual as a resource for implementing its HOME Down Payment Assistance Program.

Purpose of This Manual: This manual serves as the City of Lansing Development Office administrative policy and procedure manual for its HOME Down Payment Assistance Program specifically.

Updates: Note that information may change as issued by the Department of Housing and Urban Development for a variety of reasons, including changes to federal regulations, City requirements, and in the interpretation or clarification of a federal regulation.

This manual is not meant to be a substitute for HOME regulations 24 CFR Part 92, but as a supplement to them. It is not exhaustive regarding all considerations affecting the use of HOME funds. The Development Office reserves the right to add, remove or change policies, procedures or forms in this manual.

Notwithstanding any information contained herein, where a conflict of language or omission of requirements occurs, the requirements of the Federal Notice and HUD Guidance on the HOME Program, as may be amended from time to time, shall prevail.

Additionally, due to funding limitations, not all HOME eligible activities are represented herein. Primary focus is placed on HOME required regulatory changes that must be included in the PJ's policy and procedures and the eligible activity programs in place. However, in looking forward for the purpose of addressing priority targets identified in the Five-Year Consolidated Plan 2016-2021, for-sale housing production guidelines and implementation detail of 24 CFR 92.2; 92.250; 92.252 and 92.254 are added for compliance under the 2013 New HOME Program Rule.

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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 awarded on a first-come, first-served basis.

Maximum Amount of Assistance

The goal of the Program is to expand home ownership opportunities for income-eligible households and to increase homeownership within the city of Lansing.

Loans to eligible applicants not to exceed \$30,000 (adjusted based on household need including recurring monthly expenses) 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.

Loan Terms

Program subsidies are provided as a ten year, zero-interest loan which are secured by a promissory note and mortgage subordinate to those of the primary lender(s). If the Homebuyer meets all of the Program’s affordability requirements, the loan will be forgiven after ten years for existing housing, and twenty years in the case of new construction. The loan becomes immediately due and payable in full if the property ceases to become the Homeowner’s principal place of residence. **First mortgages must have a fixed-rate and include the escrows of taxes and insurance.**

Repayment

Homebuyers are required to repay loan funds in full during the affordability period 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. Prepayment of Down Payment Assistance Loans is not allowed.

When to Apply for Down Payment Assistance

A homebuyer of an eligible new or existing single-family residence may apply for Program funds after they have been pre-qualified by a MSHDA-approved first-mortgage lender and put in an offer on a home. A homebuyer cannot apply for

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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.

Using Lansing’s Down Payment Assistance with other funds

Program funds **can** be used in combination with employer-assisted down payment incentives, as well as Individual Development Accounts (IDA). 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.

A. 2013 HOME Rule

The 2013 HOME Rule requires Participating Jurisdictions (PJ) like the City of Lansing to develop and follow written policies and procedures for underwriting homebuyer assistance, responsible lending and resubordination of HOME debt in the event of private debt refinancing. The 2013 Rule requires subsidy evaluation and underwriting of all HOME projects to ensure HOME funds invested are reasonable and necessary to ensure project viability for at least the affordability period.

Under 92.254(f), PJ underwriting standards and policies must address:

- Housing debt and household total debt
- The need for assistance and the appropriateness of the assistance amount
- Recurring monthly household expenses
- Assets available to acquire the housing, and
- Financial resources available to the household to sustain homeownership

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 an existing single-family existing home within the Lansing City Limits in Ingham County is **\$147,000**. Within the Lansing City Limits in Eaton County the maximum acquisition cost of a single family existing home is **\$152,000**. For new

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construction, the maximum acquisition cost of a single family home within the Lansing City Limits in Ingham County and Eaton County is **\$238,000** in order to qualify for this HOME assistance (see page 24, HOME Sales Price Limits).

Affordability Period: The affordability period for Lansing’s Down Payment Assistance Program is 10 years for existing housing, and 20 years for new construction.

Annual Income: The Development Office adopts the Part 5 definition of income (Part 5 Annual Income). When determining the annual income of an individual or family, the HOME recipient must use the standard for calculating annual income under 24 CFR 5.609.

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.

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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 Counseling: Instruction of prospective homebuyers on issues concerning the process of purchasing property, financing, and household budgeting. A list of HUD Approved Housing Counseling Agencies for pre-purchase homebuyer counseling can be found at <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>

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

Qualification Entity: The Qualification Entity is the organization that the Development Office designates as the point of contact for the Down Payment Assistance Program.

Zero-Interest Loan: An interest free loan that will be 100% forgiven after the affordability period expires provided Program requirements are met. The loan becomes immediately due and payable in full when the Property ceases to be the Homebuyer's principal place of residence before the end of the affordability period. No pre-payment of this loan is allowed.

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 at <https://lansingmi.gov/236/Down-Payment-Assistance>

Application / Reservation Processing by the City

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- 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 Certificate 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 and two (2) most recent bank statements
- ✓ Verification of Earnings. Completed form COL-04 (where applicable)
- ✓ Income Verification. Verification of all sources of income is required for all members of the household including children. Below is a list of some possible income sources and the paperwork needed for each. Please contact our office if you need a form, or if you have specific questions about the paperwork or the DPA process.

Income Type	Form to complete and/ or information to provide
Employment	Verification of Earnings form and two months' pay stubs
Social Security, SSI, Disability, Work Comp, unemployment, education grants	Current award letter from appropriate authority stating amount being received
Veterans Administration, Active Duty Pay, GI bill benefits	Current award letter from military authority stating amount being received
Family Independence Agency	Verification of Income; FIA form and copy of FIA check
Child support, spousal support	Verification of Income; FOC form and copy of FOC check
Pension	Verification of Income; Pension form and monthly pension statement
Self-employed/business owner	YTD ledger and/or financial statements (*See section below on income tax returns)

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- ✓ Income Tax Returns. If self-employed or seasonally employed only, the City requires a copy of the previous year's Federal income tax return, including copies of 1040 forms, W-2's and all attached schedules. If a business owner, the City requires the following documentation:
 - Profit/loss statements showing annual gross and net revenue
 - Articles of incorporation, tax ID status/number, and certification as a Limited Liability Corporation for the same
 - Personal and/or corporate income tax returns that show what actual income has been derived from the operation of the same
 - Check stubs, accounting records, or deposit slips that demonstrate the amount of personal income owner has received from the same
- ✓ School Verification. If a household member other than the homebuyer or their spouse is over 18 and a full-time student, they must complete the top portion of the School Verification form, and then take this form to their school for completion. (COL-05)
- ✓ Copies of picture identification for all loan applicants
- ✓ Social Security number/documentation for all loan applicants
- ✓ Authorization to Release Information form (DPA-5)
- ✓ EPA Lead Booklet Receipt (DPA-8)
- ✓ Notification to Seller regarding HOME fund use, form (DPA-2)
- ✓ Occupancy/Vacancy Certification (DPA-3)
- ✓ Funding Statement (DPA-6) – **Requires signature of Buyer(s), Seller(s), Primary 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, Lender, and Title Company
- ✓ Inspection Request Form (DPA-9)
 - a. The Qualification Entity makes preliminary determination on applicant eligibility including, but not limited to, income and asset eligibility and credit report, as well as eligibility of the transaction/primary mortgage.
 - b. The Qualification Entity requests an inspection from the City's Housing Rehabilitation Agent (Rehab Agent). The Rehab Agent will arrange for necessary requests from City staff.

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- b. If property meets local code and HOME standards for Down Payment Assistance, or the seller agrees to make required repairs in order to meet said Standards and does so, the City makes preliminary determination of property eligibility including, but not limited to, purchase price, location, and current occupancy.
- c. When property eligibility has been determined, the City shall issue a Conditional Commitment of DPA Funds letter, indicating date of eligibility determination and the estimated amount of DPA funds to be provided.

Where to submit Applications and Required Documentation:

Submit Applications to the Qualification Entity:

Capital Area Housing Partnership
600 W. Maple Street
Lansing MI 48906
Phone: (517) 332-4663

2. Commitment of Funds/Mortgage and Promissory Note

- a. After the Lender has submitted all necessary documentation, the City will review primary mortgage documents to confirm compliance with program requirements.
- b. Once buyer eligibility has been determined, the City shall send the Lender a Conditional Commitment of DPA Funds letter, indicating the date of eligibility determination and the estimated amount of DPA funds to be provided (**based on homebuyer need**). This Conditional Commitment shall expire sixty (60) days after issuance.
- c. The City will then prepare Program mortgage and promissory note documents for delivery to the Title Company.
- d. Upon receipt and review of the final Closing Disclosure, the Program will request funding from the City of Lansing Finance Department for the DPA loan amount reflected in that Closing Disclosure. That check will be payable to the title company handling the closing. **Loan funds are to be used to cover recording fees for the Program mortgage.**

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- e. Prior to closing, the City will either make available for pick up or will deliver by secure digital means, the mortgage, promissory note, DPA funds, and instructions to the title company, or will have a representative present at the closing.
 - f. The Lender or Title Company will provide the City with actual closing costs and prepaid expenses per the final Closing Disclosure at least three (3) business days prior to the requested closing date.
 - g. The City will compare actual closing costs and prepaid expenses to the loan documents, and will not release DPA funds if these amounts differ without prior written approval. The City will also confirm through the loan documents that the Homebuyer's contribution is at least \$500.00.
1. 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

I. ADMINISTRATIVE GUIDELINES

Overview

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

A. Underwriting Policy and Procedure: Criteria to Determine Homeowner Eligibility

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

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Program. Employees of the City of Lansing and their spouses are not eligible to participate in the Program.

1. Age – Homebuyer(s) must be 18 years of age or older.
2. Citizenship - Evidence of citizenship or eligible immigration status is required. Applicants must have permanent lawful resident status in the United States of America, which includes “permanent resident alien”, “resident alien permit holder” and “Green Card holder”.
3. Real Estate Assets-Applicants cannot have owned any real estate within 3 years of application to the Down Payment Assistance program
4. Income Limits – 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 the following link for current program year income limits: <https://www.hudexchange.info/manage-a-program/home-income-limits/>
5. Eligible Properties: Eligible properties for purchase include attached or detached single family homes, and condominium units. For condominium units, HOME funds may assist the owner-occupied unit with costs of limited common elements; these may include parking areas, decks, storage closets, and communal laundry facilities.
6. Property Value Limits: The housing purchase price and after rehab value may not exceed 95% of area median purchase price per §92.254(a)(2)(iii).

Dwelling Type	Ingham County	Eaton County
Existing Construction	\$147,000	\$152,000
New Construction	\$238,000	\$238,000

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7. Affordability Period: The affordability period for Down Payment Assistance loans is ten (10) years for existing homes, and twenty (20) years for new construction.
8. Financial Stability: Eligible buyer(s) are expected to maintain financial stability for the affordability period. At the time of underwriting, the PJ shall examine: 1) buyers' savings/reserves, 2) recurring monthly household expenses in addition to consumer debt included in back end (total debt) ratio (including but not limited to daycare, health insurance, and other monthly recurring expenses over \$50.00), 3) home utility costs, and 4) property maintenance and eventual replacement costs.
9. Homebuyer Education: Eligible buyers must successfully complete a homebuyer education course administered by an individual counselor who has received training approved by HUD to provide homebuyer education before applying for DPA funds. A list of certified Homeownership Counselors is available at www.michigan.gov/mshda
10. Homebuyer Contribution: The homebuyer shall make a minimum cash contribution of \$500.00 toward the down payment, closing costs, and/or other eligible costs and fees.
11. Assets: If buyer(s) has liquid assets in excess of \$20,000.00, then the buyer(s) is required to invest the excess into the home purchase before receiving a DPA loan over \$1,000. Liquid assets include:
 - a. Savings account balance
 - b. Average 6-month balance in checking accounts
 - c. Stocks, bonds, savings certificates, money market funds or 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.

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13. Liabilities: No member of the household shall have other liabilities or judgments that might jeopardize ownership of the home.

14. Credit: The following are not acceptable for buyers or their co-borrowers: Collections, unpaid accounts, judgements, and/or defaulted federal debt (student loans and old FHA loans).

15. Down Payment Assistance Loan: The DPA Loan is made to the buyer(s) by the City of Lansing, and is secured with a recorded Mortgage and Note in the amount equal to the total amount of DPA funds provided.

Minimum Down Payment Assistance loan amount is \$1,000.00 to secure the federal funds invested in the purchased property.

Maximum Homebuyer Assistance loan amount is \$30,000.00, based on the homebuyer's financial need.

Eligible buyers must demonstrate the financial need for Down Payment Assistance. The maximum assistance allowable is the minimum necessary to cover eligible closing costs, as determined by the City. Buyers are expected to take the largest first mortgage they can reasonably and sustainably afford.

Terms: The Down Payment Assistance Mortgage and Note documents will set forth the applicable terms and conditions.

16. Eligible First Mortgages: Eligible buyers must qualify for a responsible first mortgage with interest rates and lending terms that are competitive with those offered to buyers with good credit in the local market. The interest rate being charged to the buyer shall not be more than 2% over the current FHA interest rate.

17. First Mortgage Loan Terms: Acceptable first mortgage must be fully amortizing 30 year fixed rate loans.

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18. Combined LTV: The Down Payment Assistance loan is understood to be in second lien position to the first mortgage Lender. The combined loan to value may not exceed 105%.
19. Debt –to–Income Ratios: **Monthly mortgage payment, including HOA fees, mortgage insurance, 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. Recurring monthly expenses over \$50.00 will also be reviewed along with the 45% back end ratio to ensure the home is truly affordable to the buyer.
20. 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.
21. 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.**
22. Marital Status: Applicants may be single, divorced or married. If applicants are married, and are members of the same household, both spouses will be considered by the City as co-applicants for the Program even if their first mortgage is in the name of only one spouse. In the case of married applicants, both parties must sign the Program application. If an applicant is legally married but separated from their spouse, and does not have a Judgment for Separate Maintenance, they are not eligible for Program funds as the subject property would not be the principal residence for both spouses.

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23. Delinquent Debts: Eligible Homebuyers may not have any delinquent debts to the City of Lansing, or be in default on any federally insured debt.
24. Points: Homebuyer cannot purchase more than two (2) points to “buy down” on their lender mortgage product.
25. Pre-Approved Lender: The Homebuyer shall work with a MSHDA approved lender. A list of approved lenders can be found at https://housing.state.mi.us/webportal/default.aspx?page=counseling_start
26. 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.
27. Primary Residence: The Homebuyer shall agree to occupy the property being purchased as their **primary residence for a minimum of ten (10) years after the date of the Program loan for existing dwellings, and twenty (20) years for new construction**. The homebuyer shall inform the City at least thirty (30) days in advance if they vacate, sell, transfer and or assign any legal or equitable interest in the property prior to the affordability period having expired. If this occurs, the Homebuyer shall be required to repay the loan in full, within 30 days of conveyance.
28. Ineligible Closing Costs: Delinquent credit obligations and “junk” fees cannot be included in the Down Payment Assistance loan.
29. Cash Back at Closing: Cash back to buyer(s) at closing is **not permitted** under any circumstance.
30. Ownership in the property including the Real Estate after assistance must be individual fee simple ownership with a recorded deed.

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31. Refinance/Subordination: Subordination of the Down Payment Assistance Program mortgage will only be considered for better rate and/or terms, with no cash back or debt consolidation.

a. Seller Responsibilities

Individuals selling a home in a 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:

- i. Funding – The seller must sign the Program supplied form entitled “*Funding Statement*” to acknowledge the use of Program funds and their requirements.
- ii. 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 staff and/or its representatives.
- iii. 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.
- iv. 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.

b. Property Eligibility

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

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

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

City of Lansing Residential Single Family HOME Program Standards (except that Level 1 deficiencies may be included as required repairs at the discretion of the inspector, OR may be included as recommended actions to the purchaser).

DPA only projects are NOT required to have:

- Outbuildings
- Dishwasher (existing dishwasher must be operable and clean)
- Air Conditioners, central or window (existing air conditioning units must be operable and meet minimum life expectancy requirement)
- Lead-Based Paint Inspection/Risk Assessment
- HAZMAT Survey (although visual detection of hazardous materials or friable asbestos during the UPCS Inspection must be tested and properly remediated by professionals prior to qualification for DPA Assistance being provided)
- Thermal Energy Audit (though visual detection of improperly installed insulation during the UPCS inspection must be repaired and inadequate insulation observed during the UPCS inspection must be noted as a recommended update to the buyer)
- Storm Doors (though existing storm doors must be in good repair)
- Radon Testing (though if testing has been completed it must be submitted, and will be evaluated for recommendation of action)

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

- ii. Inspection – All properties will be inspected by the City and/or its representative(s) for compliance with City of Lansing Residential Single Family HOME Program Standards (with exceptions listed above) 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.**

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It is recommended that Homebuyer hire private home and pest inspectors. The cost of these inspections is an eligible cost, not to exceed the established assistance amount (“need”).

- iii. 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 copies of the current lease documents.

- iv. Residential Zoning – Properties shall be located in an area zoned as residential.
- v. Structure – Properties shall be situated on a permanent foundation with permanent utility hook-ups including municipal sewer and water. Eligible properties types include: single-family detached and attached houses, condominiums, or manufactured homes on their own land.
- vi. 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).

c. Lender Responsibilities

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

- i. 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**

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not be used in place of a Homebuyer's other resources; this is a "need" based program. Homebuyers must agree to secure the maximum mortgage amount that is affordable per the debt to income ratios and consumer and recurring monthly debt parameters described herein. 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 by a certified HUD or MSHDA counselor; that the Homebuyer obtain and maintain adequate homeowner insurance coverage with the City listed as second mortgage on all such policies.

- ii. Lender Questionnaire- Complete the entire Lender Questionnaire and include it with the submittal.
- iii. Application/Request for Funds – 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 Qualification Entity. Funds are available on a first-come, first-served basis.
- iv. Commitment of Funds – Program funds will not be committed until the City receives and reviews all required application documents and the property being purchased passes physical inspection.
- v. Scheduling the Closing Date – The Lender shall schedule a closing date no earlier than two (2) weeks from the date of the City's Conditional Commitment of DPA Funds letter. A commitment shall automatically expire sixty (60) days from the date of the Conditional Commitment of DPA Funds letter. 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 by written request, prior to the time of closing. If the requested amount is in excess of the actual amount needed at closing, the title company will be required 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

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of \$500.00 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 \$500.00 requirement, or for additional funding to be put toward the first mortgage principal.

- vi. Program 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.
- vii. 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.**

d. City Responsibilities

- i. 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 Program requirements, and each file will be appropriately documented in the Development Office.
- ii. 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 (Part 5

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Annual Income). 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 by the City that the Homebuyer and property meet Program criteria, an inspection of the property will be scheduled.
- c. A written inspection summary will be provided to the Buyer/Buyer’s Agent within seven (7) working days after it has been performed.
 - i. If there are no corrections required, the City will forward a Conditional Commitment of DPA Funds letter to the Lender.
 - ii. If corrections are required, they will need to be completed and the property reinspected prior to any conditional commitment of funds by the City.
- iii. **Recapture Provisions for Down Payment Assistance:** The City requires the recapture of HOME funds in the amount of the direct subsidy to the homebuyer (the amount of Down Payment Assistance), 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 Borrower (homebuyer) at closing. Program loans are not prorated.

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If the Borrower ceases to occupy the property as their principal residence and/or sells the property within the affordability period as specified within the Program Loan documents, the total loan amount becomes immediately due and payable to the City of Lansing as the lender of those funds. The receipt of payoff amounts shall be considered HOME program income.

In those cases where a homebuyer violates the terms and conditions of their down payment assistance mortgage or note (e.g. sells the property on land contract without prior approval of the City, or uses the property for rental purposes) the Lender reserves the right to require the full repayment of the amount of down payment assistance. Any required repayment shall be made to the City of Lansing Development Office, not later than the 30th day following the sale, transfer, mortgaging or other conveyance, or following the date upon which the structure ceases to be the Borrower's principal residence, or after written notice from the City that the Borrower is in default of any superior lien then existing against the property.

In hardship cases where the sale of the property prior to the expiration of the affordability period is determined by the City and documented to be involuntary (a sale due to foreclosure, loss of income, job transfer or similar circumstances), and where repayment of the full amount of down payment assistance due to be repaid exceeds the net proceeds available from the sale, the City will consider requests for partial forgiveness or subordination of its Down Payment Assistance liens to accommodate short sales on a case by case basis.

The following conditions must be met for consideration of partial forgiveness to accommodate a short sale:

1. Request for forgiveness must be proportionate to the first lender's forgiveness.
2. Purchaser must be an owner occupant.

Requests for continued subordination for short sale purchases must meet the following conditions:

1. Purchaser must be an owner occupant.
2. Purchaser must meet current household income eligibility limits.
3. Unit must be in compliance with City housing code and zoning requirements.

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Requests for forgiveness must be submitted **in writing** to the Development Office at 316 N. Capitol, Lansing MI 48933

Requests must include the following:

1. Copy of a fully executed purchase agreement which discloses the property address, purchase price, name of buyer and name of seller.
2. Current appraisal of the subject property.
3. Disclosure of the purchaser's intended use of the property and financing plan.
4. Financing commitment including the mortgage amount, term and interest rate.

Requests for continued subordination must also include:

1. Disclosure of the purchaser's annual household income from all sources.
2. Verification of purchaser's assets.

The Development Manager shall make all final determinations on requests subject to these and other factors considered relevant.

Otherwise, 100% of this loan shall be forgiven after ten (10) years from the execution date of the note.

- iii. Calculation of Assistance – The City shall contribute an amount not to exceed \$30,000.00. The total amount of assistance is subject to the Program requirement that the Homebuyer contribute a minimum of \$500.00 for the purchase of the property, and that the homebuyer is securing the **maximum mortgage amount that is affordable per the debt to income ratios and consumer and recurring monthly debt parameters described herein**. Commitment of program funds are based on homebuyer need.

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

- iv. Discharge of Program Mortgage – Upon completion of the ten-year period following the date of Program assistance, provided the Borrower has resided in the property for the full ten-year period, the

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loan will be forgiven in full. The loan becomes due and payable in full when the Homebuyer ceases to reside at the property as their permanent place of residence.

e. Eligible Costs / Pre-paid Expenses

Program assistance for eligible costs is based on need, and not to exceed \$30,000.00. The City reserves the right to determine the eligibility of all closing costs and pre-paid items (per the MSHDA Chart of Closing Costs and Other Fees) 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:

- i. Closing Costs – The Program will assist in the payment of normal and reasonable closing costs (per the 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 already financed. Following is a list of eligible closing costs:

Description of Cost	Eligibility	Explanation
Application Fee	Actual Cost	Typically covers appraisal charged to lender/broker
Appraisal Fee	Actual Cost	Payable to 3 rd party
AUS Fee	Actual Cost	3 rd party AUS system
Closing Fee	Actual Cost	Paid to title company
Commission	INELIGIBLE	Real estate commission
Commitment Fee to Non-Profit	Actual Cost	Any commitment fee, application fee, or processing fee charged by a non-profit agency or government entity is allowed to be charged to the buyer; Includes MCC fee
Courier Fees	Actual Cost	Payable to 3 rd party
Credit Report Fees	Actual Cost	Payable to 3 rd party
Documentation Preparation	Actual Cost	Maximum \$75.00
Document Stamp on Deed	Actual Cost	Payable to 3 rd party

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Express Mail/Special Delivery	Actual Cost	Payable to 3 rd party
Flood Certification	Actual Cost	Payable to 3 rd party
Home Inspection Fee	Actual Cost	Maximum \$400.00
Lock-in Fee (Commitment Fee)	INELIGIBLE	
Notary Fee	Actual Cost	Payable to 3 rd party
Origination Fee	Allowed	Up to 1% of total loan amount AND up to \$500.00 Underwriting/Compliance Auditing Fees.
Pest Inspection	Actual Cost	Payable to 3 rd party
Printing/E-mail fee	Actual Cost	Maximum \$50 (i.e. title company charging customer to print closing documents from a secured E-doc web-link)
Processing Fee-Lender/Broker	Allowed	Maximum \$500.00
Processing/Admin Fee-Real Estate	Allowed	Maximum \$300; when charged by real estate company & shown on sales contract
Recording Fee	Allowed	(Recording fees for Assignments cannot be charged on VA loans)
Re-key Fee	Allowed	Max. \$200.00; 3 rd party
Servicing fee	INELIGIBLE	
Survey	Actual Cost	Payable to 3 rd party
Tax Service Fee	Allowed	Maximum \$100.00
Title Policy/Lender	Actual Cost	Payable to 3 rd party
Title Policy/Owner	Actual Cost	Paid by Seller
Transfer Tax	Actual Cost	Paid by Seller
Underwriting Fee	Allowed	Maximum of \$500.00
Verifications/Condo Questionnaire	Actual Cost	
Well & Septic	Actual Cost	Payable to 3 rd party
Wire Fee	Actual Cost	Payable to 3 rd party

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- ii. 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
 - Assessed City property taxes per the loan estimate**Interest and aggregate adjustment amounts are not eligible.**
- iii. Down Payment – Funds **can** be used to reduce the principal borrowed by the Homebuyer from the Lender.
- iv. 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.
- v. Repairs – Program funds **cannot** be used to pay for any required repairs to the property.

f. **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 in writing 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.