



# MSHDA's Division of Homeownership

*Delivering the Dream to Michigan Families*

***1 Credit Hour***

Carol Brito  
MSHDA  
Homeownership



Michigan State Housing Development Authority

Investing in People. Investing in Places

# Homeownership Division





## Who We Are

Investing in People. Investing in Places

- MSHDA is an investor  
(similar to Fannie or Freddie)
- We issue Mortgage Credit Certificates  
(Federal Tax credit)
- We administer funds for Homebuyer Education and  
Foreclosure Prevention Counseling
- We utilize approved Lenders for all of our programs



Michigan State Housing Development Authority

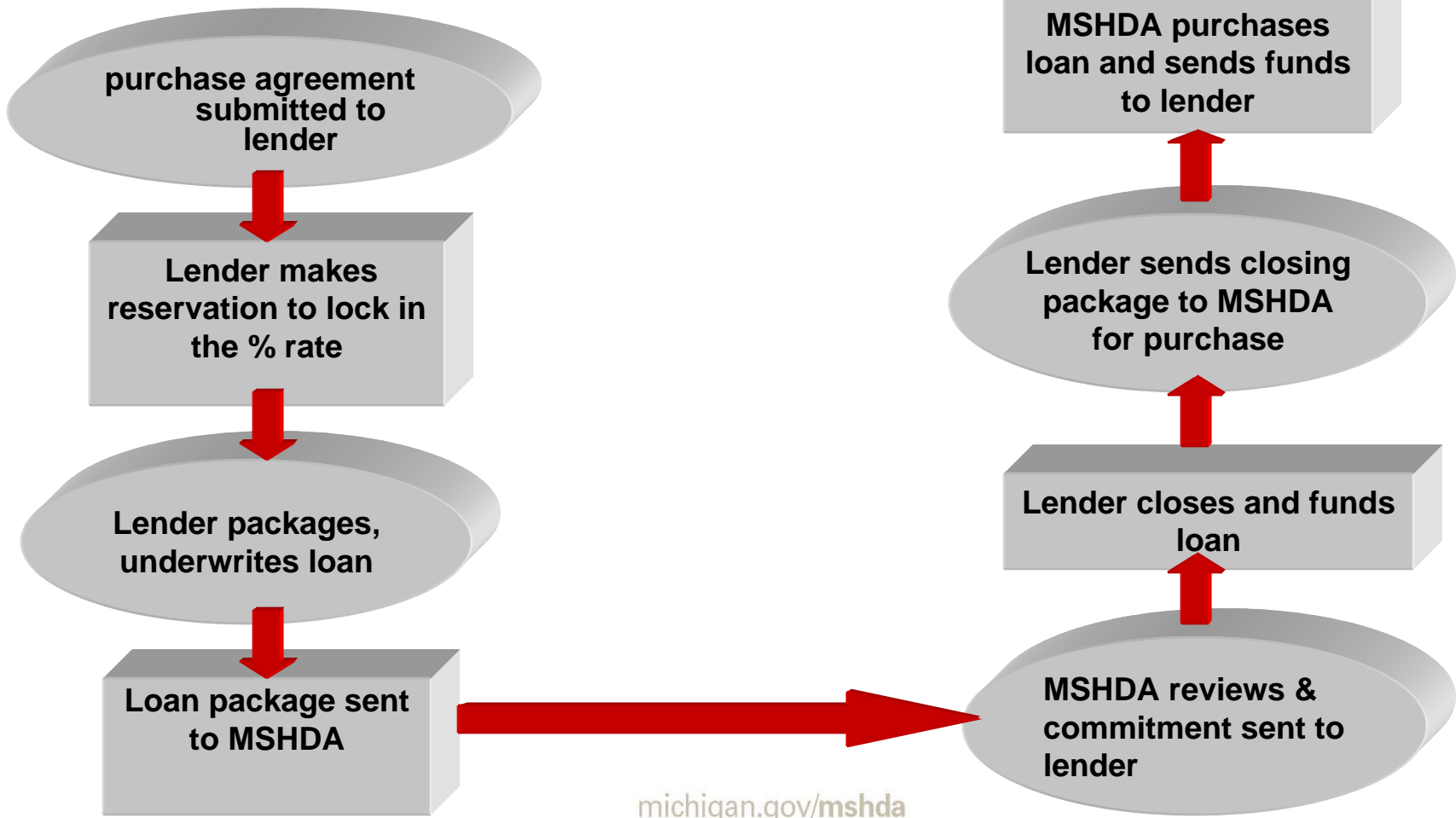
Investing in People. Investing in Places

# General Overview





## Process Flow





## Interest Rates and Terms



Without DPA = \*(see website for current rates)

With DPA = \*

Step Loan – available with FHA

Years 1-3 = \*

Years 4-30 = \*

Rates good for 90 days (existing) and 180 days (new construction)

**30 year fixed rate**



# Product Comparison

<b>Mortgage Terms</b>	<b>MSHDA/FHA/RD</b>	<b>FHA/RD</b>
Percentage of Down Payment:	5%	5%
Rate:	<b>4.250%</b>	<b>5.000%</b>
Term in Months	360	360
Down payment Amount	\$5,000	\$5,000
Loan Amount	<b>\$95,000</b>	<b>\$95,000</b>
<b>Estimated Monthly Payments</b>		
Principal and Interest	\$467.34	\$509.98
Property Taxes	\$187.50	\$187.50
Homeowners Insurance	\$50.00	\$50.00
<b>Total Payment:</b>	<b>\$772.14</b>	<b>\$814.78</b>



# Impact of Lower Interest Rates

## Savings

- \$511.00/year
- \$15,350 over life of loan

*-OR-*

## Increased Home Purchase Price

- \$103,500 @ 5%
- \$109,000 @ 4.25%



## What This Means To You

- Lower rate increases your client's purchasing power
- Expands selection of homes for clients
- ***Increase commissions***



# Sales Price & Income Requirements

## Sales Price

\$224,500 (maximum purchase price - Statewide)

## Income Limits

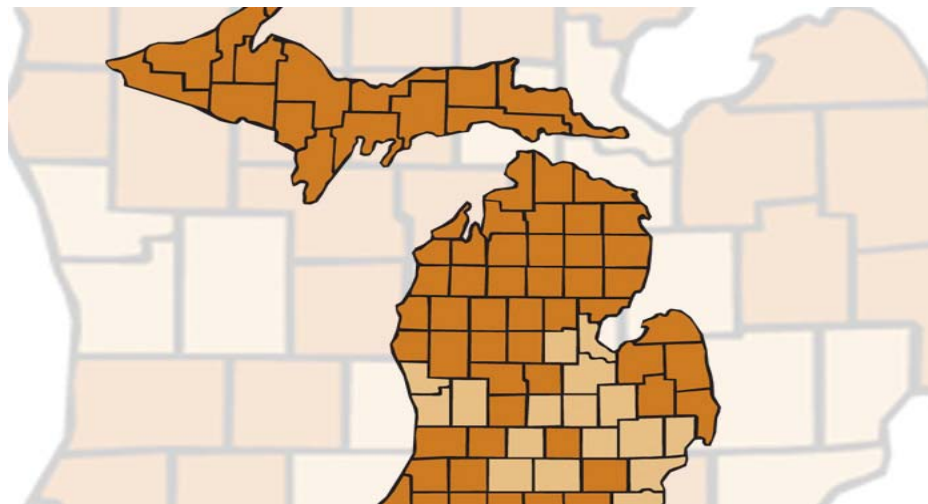
\$62,800 - \$108,000  
(maximum combined household income)

Income varies depending on location & family size



## Targeted vs. Non-Targeted

- Targeted area – prior homeownership permitted - income and sales price limits are higher
- Non-targeted area – Must be first-time homebuyer





# Buyer Requirements

- Principal residence
- Co-signers/non-occupying co-borrowers not allowed
- All adults in household
- must apply (*unless full-time student-12 credit hours*)





# Credit Requirements

- Previous foreclosure/deed in lieu (5 yrs)
- No open collections or judgments
- Bankruptcies (2-4 yrs)
- Alternative Credit



# Seller Contributions

- FHA, VA, RD – maximum allowed by these programs
- Conventional
  - a) 6% if LTV is 76% - 80%
  - b) 9% if LTV is 75% or less



# Eligible Property Types

Investing in People. Investing in Places

- **Single-family homes**
- **Condominiums**
  - new units or approved by Fannie, Freddie, MSHDA or insurer
  - FHA, VA, RD
- **Manufactured housing**
  - Original site-not moved from previous location
  - Built after 6/14/1976
  - Multiple-section
  - Taxed as real estate
  - Permanently affixed to foundation





# Property Requirements

- Vacant Homes
- Non-arms length transaction involving a sale (must use appraised value instead of purchase price)
- Repair Escrows are permitted (\$500 minimum or 1 ½ times the bid OR the repair amount on the appraisal)
- Mortgage Survey (New construction, required by title company, or case-by-case basis)



# Acreage/Lot Size

- Cannot be large enough to construct more than one house
- Maximum 2 acres *or*  
Minimum lot size established by local zoning
- Exceptions - up to a 5-acre maximum  
(additional documentation is required; survey or letter from local municipality)



Michigan State Housing Development Authority

# Mortgage Products

Investing in People. Investing in Places





## FHA

- 96.5% LTV
- Gift allowed for 100% of cash required
- Down Payment Assistance available
- Step Loan available
- May be used for manufactured housing



# Rural Development

- LTV determined by RD
- Gift allowed for 100% of cash required
- Down Payment Assistance
- RD commitment required
- May be used for new manufactured housing



## Conventional 80%

- 80% LTV
- Step Loan available
- May be used for manufactured housing



## VA

- LTV determined by VA
- Gift allowed for 100% of cash required
- May be used for manufactured housing

# Down Payment Assistance

- \$7,500 maximum
- Income limits
- Down payment, closing costs, prepaid/escrow items (no cash back)
- 0% interest with no monthly payments
- Use with MSHDA FHA & RD  
(Not for repairs or principal buy-down)





# Down Payment Assistance

- Borrower cash investment 1% of sales price  
(May come from approved gift source)
- Cash asset restriction - \$5,000  
(includes equity in current home)
- Homebuyer Education required
- DPA loan due on sale, transfer, refinance, or  
repayment of first MSHDA mortgage



# HomeChoice Down Payment Assistance

Persons with disability or family-member with disability

- 8% of sales price  
\$3,000 for closing costs and prepaids  
Not to exceed \$12,000
- Used with RD, FHA, Fannie Mae, HomeChoice
- Call MSHDA Homeownership for initial screening  
517.373.6840



## Mortgage Credit Certificate (MCC)





# MCC Description

- Federal income tax credit
- Tax credit = 20% of annual mortgage interest
- **Available for life of original mortgage**  
(as long as home is primary residence)
- Single family, owner occupied principal residences



# MCC Eligibility & Fees

- [Sales Price and Income Limits](#)
- [Targeted and Non-Targeted Area](#)
- Fee = 1% of loan amount at closing (seller concessions)
- MCC participating lender



# MCC – Credit Calculation

Total Mortgage Amount x loan Interest Rate = Annual Interest

Annual Interest x MCC Rate (20%) = Tax Credit for the Year

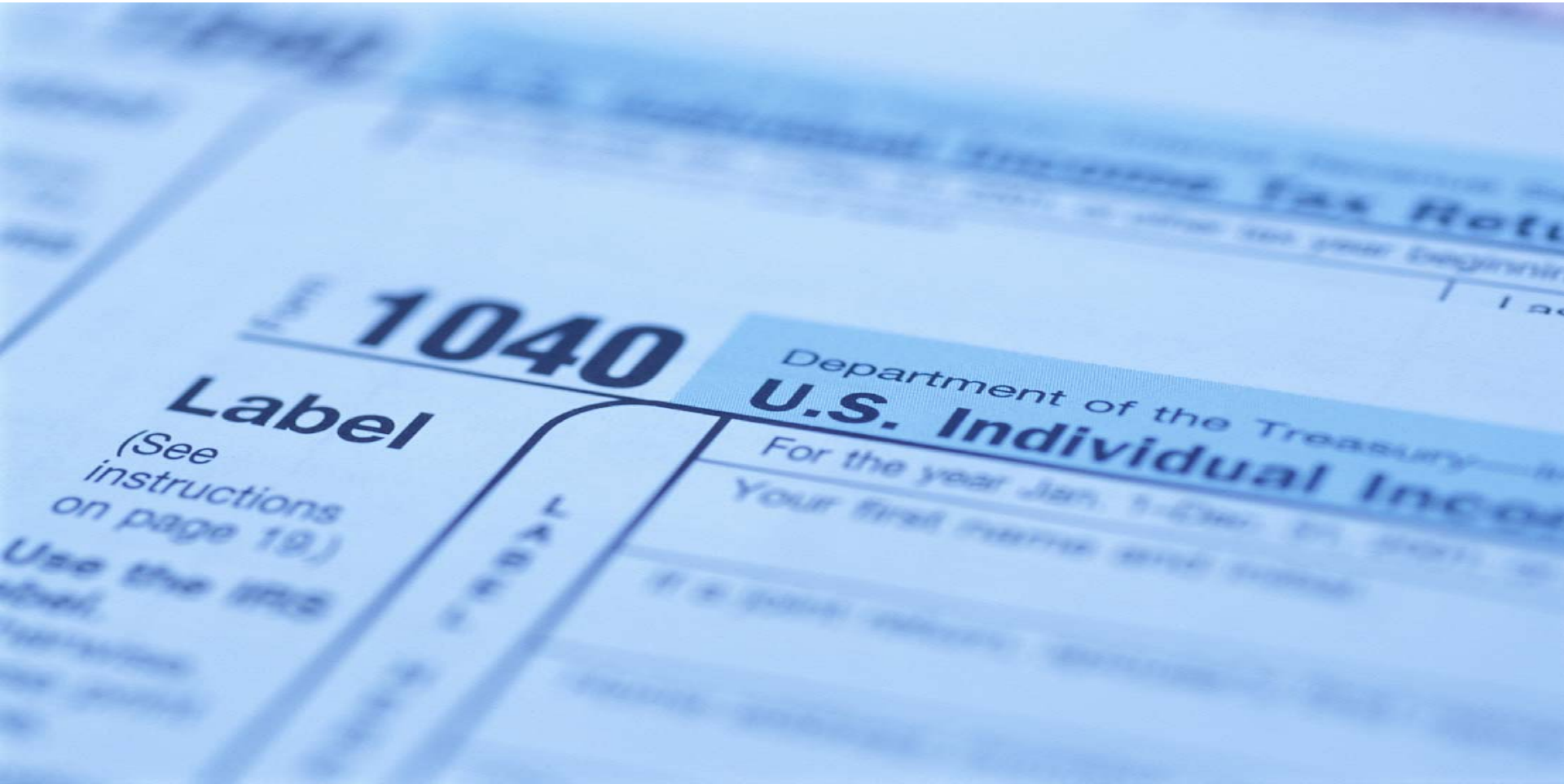
Assuming a mortgage of \$100,000 at 5.5% interest, the annual Tax Credit would be:

$$\$100,000 \times 5.5\% = \$5,500$$

$$\$5,500 \times 20\% = \mathbf{\$1,100 \text{ annual tax credit}}$$



# Recapture Tax





# Recapture Tax

**Most borrowers will NEVER pay this tax**

Capped at 6.25% of original mortgage or 50% of gain on sale

*ALL* of the following must happen:

- 1) Sell the MSHDA purchased home in nine years
- 2) Earn significantly more income than when the home was purchased
- 3) Gain from the sale



# Recapture Tax Reimbursement Program

Michigan homeowners that are liable for this tax will receive a reimbursement from MSHDA by providing an IRS form 8828 and a signed copy of their IRS 1040 form



Michigan State Housing Development Authority

Investing in People. Investing in Places

# Homeownership Counseling Program





# Homeownership Counseling Program

- Statewide network of [counselors](#) that help increase homeownership opportunities
- Services **free** to your clients
- Required for Down Payment Assistance



# Counseling Services

Homebuyer education

Individual pre-purchase counseling\*

Financial management\*

Home inspection funds\*

Home maintenance training\*

Foreclosure Prevention Counseling



Michigan State Housing Development Authority

Investing in People. Investing in Places

**866-946-7432**

**Michigan.gov/HardestHit**



**Helping Hardest-Hit Homeowners**

michigan.gov/mshda



# Help for Hardest Hit (H4HH)

Programs designed to help Michigan's residents maintain homeownership during periods of job loss or other involuntary hardships

Federally funded through the Emergency Economic Stabilization Act

Michigan received \$498.6 million



# Help for Hardest Hit (H4HH)

Located in the State of Michigan

Existing one family, single unit homes, includes condominiums (attached or detached)

Existing manufactured homes affixed on a permanent foundation and taxed as real estate (single or doublewide)

No second homes or investment properties

Multi-Unit properties are not eligible even if owner occupied



# Help for Hardest Hit (H4HH)

0% non-amortizing loan

Forgivable over a 5 year term @ 20% per year

If existing 1<sup>st</sup> mortgage is refinanced, MSHDA will not subordinate our lien

Servicer may not charge the homeowner any fees to participate in the programs (only 3<sup>rd</sup> party vendor fees)



# H4HH Programs

## **Unemployment Mortgage Subsidy**

Homeowners currently receiving unemployment compensation (\$750/mo or 50% of PITI up to \$9,000 plus \$3,000 delinquent mortgage payments)

- **Loan Rescue**

Homeowners who have fallen behind in their mortgage payments or taxes due to a one-time, involuntary crisis (up to \$5,000 per Household)

- **Principal Curtailment**

Homeowners that have experienced a decrease in income and are in a severe negative equity position (up to \$10,000 per household with a 1:1 Servicer match)



# Michigan State Housing Development Authority

Investing in People. Investing in Places

# Questions?



## Why MSHDA?

- ***Increased Sales*** generated from:
  - Down Payment Assistance
  - Federal Tax Credit
  - Below market interest-rate
  - Free Homebuyer Counseling
  - Increased referrals from satisfied customers

# Michigan State Housing Development Authority

Investing in People. Investing in Places

Business Development Representatives  
Regional Territories

