

MSHDA POLICIES & PROCEDURES

A Step Forward Michigan Hardest-Hit Unemployment Mortgage Subsidy

Effective Date: 8-03-11

Replaces Issue of: 6-09-11

Product Name: Unemployment
Mortgage Subsidy

SUMMARY: This is one of MSHDA's federally-funded programs developed to provide assistance to Michigan residents hit hardest by the housing crisis to help prevent foreclosures, retain homeownership and stabilize property values.

The Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) acting through MSHDA, is partnering with Servicers to directly provide funds to subsidize an eligible homeowner's monthly mortgage payment.

PRODUCT: Unemployment Mortgage Subsidy

LOAN PURPOSE: Assist unemployed homeowners in retaining homeownership by subsidizing mortgage payments for up to 12 consecutive months.

LOAN TERMS: Prior to Servicer applying the assistance, borrower will execute a secured subordinate lien mortgage and note. Loan will be a 0% non-amortizing loan, forgivable over a 5 year term at 20% per year. Loan will be due on sale or transfer of the property, provided there are sufficient net equity proceeds or if the mortgagor repays in full the servicer's senior lien mortgage loan encumbering the property.

**FUND AMOUNT
LIMITS:**

\$12,750 maximum per household.

MHA agrees to make the full mortgage payment to Servicer for the duration of the homeowner's eligibility in the program. Servicer agrees to apply the funds towards PITI and not the homeowner or condominium association fees (HOA) unless such payments have been escrowed and are included in the monthly required mortgage payment. MHA and Servicer agree that non-escrowed loans will not be required to become escrowed; the homeowner will remain responsible for payment of non-escrowed related expenses.

Monthly mortgage payment subsidy is the lesser of 50% of validated mortgage payment or \$750 per month, not to exceed 12 consecutive months; a maximum of \$9,750 per household. **Maximum validated mortgage payment is capped at \$1,500.** Homeowners will continue to be responsible for the remaining 50% **(or higher portion if there was a scheduled payment change post initial funding)** of their monthly mortgage payment; homeowner's portion will be collected by MHA's sub-servicer, U.S. Bank, directly from the homeowner's designated depository account. Once MHA has granted approval of funds, MHA subsidy amount will not be adjusted for increases or decreases, i.e. escrow adjustments, ARM adjustments; if needed homeowner's required portion of payment will be increased or decreased. Homeowner will be notified in advance that ACH withdrawal amount from their designated depository account has changed. Subsidy ceases two months after homeowner returns to work or immediately with the next scheduled payment if homeowner fails to have funds available for

U.S. Bank to withdraw or if homeowner fails to submit their payment portion to U.S. Bank as required.

If the homeowner is presently delinquent, up to an additional \$3,000 of assistance may be reserved to correct the mortgage delinquency and will be funded after the successful term of the unemployment subsidy. The \$3,000 reinstatement will be applied to delinquent mortgage payments only; the MHA will verify the total delinquency prior to funding however, the reinstatement amount reserved will not be increased. If the total amount of reinstatement fees is no longer needed, funds will be returned to the Unemployment Mortgage Subsidy program allocation. It cannot be used towards delinquent property taxes, escrow shortages, accrued attorney fees or other charges, or be applied as additional principal reduction. A delinquent mortgage payment is defined as a payment currently past the due date at the time the MHA decision is rendered; the homeowner remains responsible for any future month's payments due.

If the homeowner fails to pay his portion of the mortgage payment as agreed, any re-instatement fees reserved on behalf of the homeowner will be immediately returned to the Unemployment Mortgage Subsidy program allocation.

If the \$3,000 is not sufficient to fully reinstate the homeowner, the Servicer is not required (but strongly encouraged) to determine an acceptable repayment plan to bring the loan current; however, the Servicer must stop any legal or collection activity for the duration of the Unemployment Mortgage Subsidy period. Servicer agrees to waive late charges and/or Non-Sufficient Funds (NSF) fees.

REQUIREMENTS: The homeowner must occupy the property as his/her primary residence, located within the state of Michigan, and be obligated on the original mortgage note. Homeowner must complete application on-line through the Step Forward Michigan portal or by contacting MSHDA's Call Center. Homeowner's servicer must have executed a Help for Hardest Hit MHA Servicer Participation Agreement and be participating in the program.

INCOME LIMITS: None

MORTGAGE LIMITS: Mortgage loans with unpaid principal balances equal to or less than \$729,750.

ELIGIBLE PROPERTIES: Located in state of Michigan.

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

Existing manufactured homes on foundations permanently affixed to real estate (single and doublewide).

Owner-occupied, primary residence. Property is not eligible if listed for sale, vacant and/or abandoned.

No second homes or investment properties.

QUALIFYING

RATIOS:

A sustainable mortgage payment ratio **generally** should be **45%** after MHA subsidy is applied; all household income disclosed within the application package will be used. If a non-occupying co-borrower executed the original note, his/her income will be used in ratio calculation.

HOMEOWNER ELIGIBILITY:

Homeowner may receive HAMP assistance prior to or after receiving Help for Hardest Hit funds. MHA recommends using H4HH funds first.

Homeowner must be receiving Michigan unemployment benefits at time of approval.

Must not have had a Sheriff Sale completed; if a Sheriff Sale date is scheduled, application may be escalated in the Portal process.

Homeowners may not have **liquid** cash reserves exceeding **6 months** total PITI; case by case exceptions granted based on the homeowner documenting large deposits and withdrawals. Homeowners may be asked to provide evidence of annual property tax and hazard insurance amounts on non-escrowed accounts, if applicable. Based on a 60 day average, homeowner may be asked to provide documentation to verify any large deposits or large withdrawals. Large withdrawals will be counted in their total cash reserves unless the homeowner can document funds were used to pay household expenses. **Liquid cash reserves are non-retirement assets the homeowner has available for withdrawal from depository institutions, including, but not limited to, checking accounts, savings accounts, Certificates of Deposits (even if held for an extended time), and money market accounts.**

Available only on 1st lien position loans.

Homeowner must sign ACH authorization allowing U.S. Bank, MHA’s sub-servicer, to debit their portion of the monthly payment from a designated depository account.

Homeowner must notify MSHDA/MHA immediately upon return to work; subsidy will continue for two additional months, never to exceed 12 month maximum.

ALLOWABLE FEES:

None

DOCUMENTATION REQUIREMENTS:

- Step Forward Michigan Initial Application Package
- Evidence of receipt of Michigan Unemployment benefits
- Recent income documentation as applicable; 30 days pay stubs, W2, Award Letter, 1040 Tax Returns, etc.
- Two months bank statements, all depository accounts
- Recent mortgage statement
- Property Legal description
- MHA Open-end Note
- MHA Mortgage

- ACH Authorization
- Evidence Servicer applied funds as approved

POST CLOSING/CONTINUAL REPORTING: MSHDA and/or MHA will report all loan production and loan performance data on homeowners who receive Hardest Hit assistance for up to 12 months after assistance ceases to the U.S. Department of Treasury, as required on a quarterly basis or as requested.