

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
**COMMUNITY DEVELOPMENT DIVISION**

**Subject: HOUSEHOLD ELIGIBILITY**

**Effective Date: September 1, 2015**

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This policy identifies the requirements and considerations for eligible household beneficiaries of CDD's CDBG, HOME, NSP or MSHDA funded Homebuyer, Homeowner, and Rental Rehabilitation Programs.

**HOMEBUYER ASSISTANCE**

Homebuyer assistance is provided in conjunction with rehabilitation or new construction housing with CDD HOME or NSP funds.

Potential homebuyer assistance applicants must be evaluated on the following eligibility criteria in addition to any other requirements grantees have outlined in their MSHDA approved Program Guidelines:

- Buyers must meet CDD's Homebuyer Underwriting policy.
- Household income and assets are calculated and verified following CDD's Income and Asset Guidebook for Homebuyer Programs.
- Households must have incomes at or below 80% area median income (AMI) or 120% AMI if purchasing an NSP-funded unit.
- Homebuyers with liquid assets in excess of \$30,000 are required to invest the excess into the home purchase before receiving a homebuyer assistance loan over \$1,000. The asset limit does not apply to NSP-funded units.
- Homebuyers must contribute to the home purchase as follows:
  - o HOME-assisted households must contribute at least 1% of the sales price.
  - o NSP-assisted households must contribute at least 50% of the lender's required down payment or 1% of the sales price, whichever is greater.
- Households must live in the property as their permanent year-round residence for the affordability period or pay back some or all of the assistance they received. The affordability period length is based on the amount of CDD HOME assistance provided to the buyer(s).

\$1,000 to \$14,999	5 years
\$15,000 to \$40,000	10 years
\$40,001+	15 years

- Homebuyer's ownership in the property including the real estate after assistance must be individual fee simple ownership (with a recorded deed).
- First mortgage financing must be provided by a lending institution (bank, mortgage company, credit union). Seller financing and/or land contracts are not allowed.
- The CDD assistance must be secured by a lien that will be second only to the first lien as described above.
- Homebuyers must satisfactorily complete homebuyer education before purchasing.
- Homebuyers must sign the Homebuyer Certification (See, Underwriting for Homebuyer Projects, Attachment A).

## HOMEOWNER ASSISTANCE

Potential homeowner assistance applicants must be evaluated on the following eligibility criteria in addition to any other requirements grantees have outlined in their MSHDA approved Program Guidelines:

- Owners must meet CDD's Homeowner Rehabilitation Underwriting policy.
- Household income and assets are calculated and verified following CDD's Income and Asset Guidebook for Homeowner and Rental Rehabilitation Programs.
- Households must have gross annual incomes at or below 80% AMI.
- The property must be their principal, permanent year-round residence.
- Household must have an ownership interest in any one of the following types of ownership in the property to be improved:
  - A. Individual fee ownership with recorded deed (no corporate, trust, legal partnership, etc.); or
  - B. Individual fee ownership subject to a mortgage or other lien securing debt; or
  - C. An ownership interest in a properly recorded land contract; or
  - D. Individual member-shareholder in a nonprofit cooperative housing corporation in which the member-shareholder has a proprietary interest in the structure to be rehabilitated; or
  - E. Person(s) occupying a dwelling with a Life Estate are eligible for homeowner rehabilitation assistance under the following conditions:
    - 1. The Life Tenant(s) occupying the dwelling to receive rehabilitation must be income eligible.
    - 2. The Life Estate terms must be written, signed, recorded and a copy provided to grantee.
    - 3. The holders of the remainder interest in the dwelling (Remaindermen) must agree, in writing, prior to the initiation of the rehabilitation to repay the loan when the dwelling ceases to be the principal residence of the current Life Tenant(s). See Subsidy Limits and Lien Requirements, Attachment B, Life Estate Responsibility form.
    - 4. Both the Life Tenant(s) and the Remaindermen must sign MSHDA's mortgage and mortgage note.
    - 5. The Life Tenant(s) and Remaindermen must sign a Homeowner Certification (see Underwriting for Homeowner Projects, Attachment A).
- The applicant must be current with mortgage payments, taxes, and property insurance. In exceptional cases (with MSHDA pre-approval), the grantee may allow up to one year of taxes to be delinquent.
- The household must repay some or all of the assistance if the property changes owners during the time the lien is in effect.
- The applicant must execute the Homeowner Certification and Program Agreement.

## RENTAL REHABILITATION

With rental rehabilitation, the tenant household is the end beneficiary whose annual income and assets must be verified. Property owners may not live in a federally assisted unit until after the affordability period ends. The tenant household who resides in a rental unit must meet the following criteria:

### HOME or NSP Assisted:

- Generally, all tenant households in HOME assisted units must have gross annual incomes at or below 60% AMI, or 120% AMI for NSP.
- Occasionally, in targeted strategies only, CDD may be able to grant a waiver for tenant households in HOME assisted units to have gross annual incomes up to 80% AMI.
- Student head of household are only eligible to live in MSHDA, HOME, or NSP assisted units if they meet at least one of the following criteria:
  1. Are at least 24 years of age
  2. Are Married
  3. Have a dependent child
  4. Are a Veteran of the U.S. military

### CDBG-Assisted:

- All tenant households must have gross annual incomes at or below 80% AMI.
- Student head of household are only eligible to live in CDD CDBG assisted units if they meet at least one of the following criteria:
  1. Are at least 24 years of age
  2. Are Married
  3. Have a dependent child
  4. Are a Veteran of the U.S. military
- 51% of the units in a project (unit structure) must be rented to tenant households with incomes at or below 80% AMI. The remaining 49% of the units may be rented to tenant households exceeding 80% AMI. For these units, use CDD's Income and Demographic Report for CDBG-funded Market-Rate Rentals (Attachment A). Please note the following for additional clarification:
  - One-unit structures must be occupied by a tenant household at or below 80% AMI.
  - Two unit structures must have at least one unit occupied after rehabilitation by a tenant household at or below 80% AMI.
  - More than two unit structures must have at least 51% of the units occupied by tenant households with income at or below 80% AMI after rehabilitation.
  - The Student head of household requirements only apply to the minimum 51% "affordable" units described above, the other "market rate" units do not have these requirements.

If you have questions, contact your CD Specialist at 517-373-1974.

### Attachment

A. Income and Demographic Report for CDBG Market Rate Rentals