

# SINGLE FAMILY ADR DOWN PAYMENT ASSISTANCE PROGRAM – “ADR-DPA”

Effective Date: 8-01-09

Replaces Issue of: 7-13-09

Product Name: ADR-DPA

## SUMMARY:

This is a down payment assistance program for use by eligible purchasers of properties owned by Grantees who participate in the MSHDA Community Development Acquisition/Development/Resale (ADR) Program. The ADR Program is where the Grantee (typically a nonprofit agency) purchases real estate completes rehabilitation or new construction and sells to an income-eligible owner-occupant. The following criteria will apply:

- The ADR Program, which is funded from HOME dollars, can be combined with a MSHDA/FHA, MSHDA/Conventional (max ltv 80% on the conv first mortgage) or MSHDA/RD Guaranteed first mortgage.
- The ADR-DPA is a MSHDA second mortgage (homebuyer subsidy) that is 20% of the sales price for a maximum amount of \$30,000 toward down payment, borrower paid closing costs and prepaids/escrows.
- The borrower(s) must have a minimum cash investment of 1% of the sales price.
- The borrower must invest all funds gifted towards their purchase and any liquid cash assets in excess of \$20,000 before receiving DPA in excess of 20% of the sales price (i.e. liquid assets in excess of \$20,000 must be invested in the transaction to “buy down” the required DPA).
- The borrower’s income must not exceed 80% of the area median income, adjusted for family size, except where lower by state law.
- The sales price limits are available on-line at: [www.michigan.gov/mshda](http://www.michigan.gov/mshda)
- The ADR-DPA second mortgage is a 0% non-amortizing loan forgivable over 10 years, and is due on sale or transfer of the property.

***NOTE: A different note and mortgage is used for this DPA Program. Do NOT use the mortgage and note for the SF-DPA Program as it will make the loan ineligible for purchase. See Page 5 for correct forms to use.***

**LOAN PURPOSE:** To provide a homebuyer subsidy for purchasers who are low and moderate-income households of MSHDA Grantee owned properties. The ADR-DPA funds will be used for the payment of the down payment, borrower paid closing costs and prepaid expenses, less a 1% minimum cash investment from the borrower.

**LOAN TERMS:** The ADR-DPA second mortgage, "Homebuyer Assistance Program Mortgage", SFH 022 Mortgage (ADR-DPA) (8-09), will be a 0%, non-amortizing loan, forgivable over a 10 year term prorated monthly. This second mortgage will be due and payable at the earliest of the following events: 1) sale or transfer of the property or 2) when property ceases to be the principal residence of the mortgagor. With one of the above events the Mortgagor shall pay to MSHDA an amount equal to the lesser of (a) the original principal balance of the ADR-DPA Note, OR (b) the net proceeds of the sale.

**ELIGIBLE BORROWERS:** All borrowers, regardless of family size, whose household income does not exceed 80% of the area median income, adjusted for family size, except where lower by state law. Current income limits are available at:

[www.michigan.gov/mshda](http://www.michigan.gov/mshda)

**ELIGIBLE PROPERTIES:** A new 1-family home OR rehabilitated 1-family home

**ELIGIBLE LOAN PROGRAMS:** The ADR-DPA can only be combined with a MSHDA/Conventional 80% first mortgage, MSHDA/RD Guaranteed first mortgage or MSHDA/FHA first mortgage.

**SALES PRICE LIMITS:** Current sales price limits are available at:  
[www.michigan.gov/mshda](http://www.michigan.gov/mshda)

**INCOME LIMITS:** The maximum income limits are 80% of Area Median Income, adjusted for family size, except where lower by state law. Current income limits are available at:

[www.michigan.gov/mshda](http://www.michigan.gov/mshda)

**OCCUPANCY REQUIREMENTS:** Borrower(s) must occupy the property within 60 days of closing.

**ASSUMABILITY:** The ADR-DPA second mortgage is not assumable.

**MINIMUM LOAN AMOUNT:** 20% of the sales price

**MAXIMUM LOAN AMOUNT:** The maximum down payment assistance loan amount is \$30,000, unless a written exception is provided by MSHDA's Office of Community Development.

**MINIMUM CASH INVESTMENT:** A minimum cash investment of 1% of the sales price is required from the borrower.

**MAXIMUM CASH ASSET LIMIT:** The borrower must invest all funds gifted towards their purchase and any liquid cash assets in excess of \$20,000 before receiving DPA in excess of 20% of the sales price (i.e. liquid assets in excess of \$20,000 must be invested in the transaction to "buy down" the required DPA).

**RENT CREDIT:** No rent credits are permitted.

**WORK EQUITY/ SWEAT EQUITY:** No work equity or sweat equity is permitted.

**BUYING DOWN LOAN RATIOS:** The staff of MSHDA Community Development will determine the amount of the ADR-DPA and whether additional funds are needed for affordability.

**HOME BUYER EDUCATION:** Completion of homebuyer education is required on or before loan commitment. A certificate of completion is required and must be signed by a certified counselor who is a member of the Michigan Homeownership Counseling Network.

**COSTS  
INCLUDED  
IN DPA:**

The lender may include a maximum of 1% Loan Origination Fee in the amount of the down payment assistance. The lender may also include typical and customary third party closing costs paid by the buyer and permitted by the applicable loan program. In addition, prepaid/escrow expenses paid by the buyer may also be included as well as the minimum down payment required of the applicable loan program. No “junk” fees are permitted.

*NOTE: The borrower must have a minimum investment of 1% of the sales price.*

**COSTS NOT  
INCLUDED  
IN DPA:**

None of the following items can be included in the amount of the down payment assistance funds: 1) property repairs, 2) delinquent credit obligations, 3) more than 2 months of private mortgage insurance premiums on a conventional loan or more than 2 months of mortgage insurance premiums on a FHA loan, 4) the Upfront Mortgage Insurance Premium for a FHA loan and 5) “junk” fees.

**CASH BACK  
AT CLOSING:**

No cash back at closing is permitted. Any items paid outside of closing (POCs) **may not** be refunded to the borrower.

**CALCULATING  
AMOUNT OF DPA:**

The amount of down payment assistance (DPA) will be determined by the seller (nonprofit or governmental entity) with the approval of the MSHDA Office of Community Development.

**ADDITIONAL  
LIENS:**

No liens other than the MSHDA Single Family 1<sup>st</sup> mortgage and ADR-DPA 2<sup>nd</sup> mortgage will be permitted without prior approval by the Department of Homeownership.

**DOCUMENTATION REQUIREMENTS:**

**APPLICATION  
DOCUMENTS:**

- a) A copy of the following form, signed by the Grantee, must accompany **ALL** loan submission packages:
  - SFH 023 Federal and State Compliance Certification (7/09).
- b) Refer to “Loan Submission Checklist”, SFH 134, for the balance of the MSHDA required documents.

**CLOSING  
DOCUMENTS:**

*The most current version of all mortgage documents forms must be used.*

**2<sup>ND</sup> MORTGAGE:** “Homebuyer Assistance Program Mortgage”  
SFH 022 Mortgage (ADR-DPA) (8-09)

**2<sup>ND</sup> MORTGAGE**

**NOTE:** “Homebuyer Assistance Program Mortgage Note”  
SFH 021 Mortgage Note (ADR-DPA) (8-09)