

MSHDA POLICIES & PROCEDURES

SINGLE FAMILY DOWN PAYMENT ASSISTANCE PROGRAM – SF-DPA

Effective Date: 07-13-09

Replaces Issue of: 4-16-09

Product Name: SF-DPA

SUMMARY:

This is a down payment assistance program, which can only be combined with a MSHDA/FHA, or an RD Guaranteed first mortgage. The down payment assistance is provided in the form of a second mortgage for a maximum amount of \$7,500 toward payment of the minimum required down payment, borrower paid closing costs, prepaids/escrows and the guarantee fee for RD loans less a minimum cash investment from the borrower of 1% of the sales price. In order to be eligible, the borrower must not have more than \$5,000 in liquid cash assets. This program is available to low and moderate income borrowers who meet the MSHDA sales price and income limit eligibility guidelines. The second mortgage is a 0% non-amortizing loan. The second mortgage is due on sale or transfer of the property, or when the property ceases to be the principal residence of the mortgagor or when the mortgagor repays in full any mortgage loans encumbering the property that are senior to the debt.

LOAN PURPOSE:

To provide down payment assistance to low and moderate income households for the payment of the minimum required down payment, borrower paid closing costs, prepaid expenses and the guarantee fee for RD loans, less a minimum of 1% cash investment from the borrower.

LOAN TERMS:

The second mortgage for down payment assistance will be a 0%, non-amortizing loan, which will be due on sale or transfer of the property, or when the property ceases to be the principal residence of the mortgagor, or if the mortgagor repays in full any mortgage loans encumbering the property that are senior to the debt.

ELIGIBLE PROPERTIES:

New or existing single-family homes;

Condominiums (attached or detached) or

New or existing multiple-section manufactured (mobile) homes on foundations permanently affixed to real estate;

NOTE: Existing multiple-section manufactured homes must have been constructed after June 14, 1976. Manufactured homes are not eligible for MSHDA Conventional/DPA.

New condominiums approved by FNMA or FHLMC, or insurer (FHA, VA, RD);

If new condominiums are not agency approved, MSHDA may approve individual units only upon submission and review of the Spot Condominium Application, for SFH 131; the Condominium Disclosure Statement and HOA budget.

**ELIGIBLE
LOAN
PROGRAMS:**

The down payment assistance program can only be combined with a MSHDA/FHA, and RD Guaranteed first mortgage.

**SALES PRICE
LIMITS:**

Sales price limits are available on-line at: www.michigan.gov/mshda

INCOME LIMITS:

Income limits apply and are available online at:
www.michigan.gov/mshda

**OCCUPANCY
REQUIREMENTS:**

Borrower(s) must occupy the property within 60 days of closing.

ASSUMABILITY:

The second mortgage is not assumable. It is due on sale or transfer of the property, or when the property ceases to be the principal residence of the mortgagor, or if the mortgagor repays in full any mortgage loans encumbering the property that are senior to the debt.

LOAN TERM:

Payment in full is required the earlier of 30 years or the sale or transfer of the property.

**PREPAYMENT
PROVISION:**

Prepayment of the principal amount outstanding in whole only. No partial prepayment is permitted.

**MINIMUM LOAN
AMOUNT:**

No minimum loan amount.

**MAXIMUM LOAN
AMOUNT:**

The maximum down payment assistance loan amount is \$7,500.

**MINIMUM CASH
INVESTMENT:**

A minimum cash investment of 1% of the sales price is required from the borrower. For IDA Participants, the participant savings amount will be counted as the minimum cash investment providing it is at least 1% of the sales price.

**MAXIMUM
CASH ASSET
LIMIT:**

The borrower(s) may not have more than \$5,000 in liquid cash assets unless the borrower is an IDA Participant. If the borrower is an IDA Participant, only the portion of funds entitled "Participant Savings" will count toward the maximum liquid cash asset limit of \$5,000. The IDA matched funds will not count toward the maximum cash asset limit of \$5,000.

**BUYING DOWN
LOAN RATIOS:**

Down payment assistance funds may not be used to buy down the payment and debt ratios to enable a borrower to qualify for a mortgage.

**HOME BUYER
EDUCATION:**

Borrower(s) must complete homebuyer education before loan commitment. A certificate of completion is required and must be signed by a MSHDA approved Homeownership Certified Counselor. A list of certified counselors is available at www.michigan.gov/mshda.

**HOME
INSPECTION
FEES:**

A maximum of one (1) home inspection fee may be included in the down payment assistance funds provided it is listed on the HUD-1 as a cost to the buyer and either paid at time of closing or listed as a "POC" (paid outside of closing).

**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:

- Property repairs;
- Delinquent credit obligations;
- 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;
- The upfront Mortgage Insurance Premium for a FHA loan and;
- "Junk" fees.

**CASH BACK
AT CLOSING:**

No cash back at closing is permitted.

**CALCULATING
AMOUNT OF DPA:**

Down Payment Assistance Calculation Worksheets are provided to aid in the calculation of the maximum dollar amount of DPA.

**ADDITIONAL
LIENS:**

A HOME funded subordinate lien is permitted to satisfy the HOME requirement in those situations where non-profits and communities

provide HUD HOME funds to reduce the purchase price of acquisition rehabilitation and in-fill projects. The subordinated lien must be disclosed at time of loan submission and fulfill the following conditions:

- The maximum amount of the subordinate lien is \$1,000.
- The term of the subordinate lien is five (5) years.
- The subordinate lien cannot require principal or interest payments, except in the case of HOME non-compliance.
- The loan must be in no less than a 3rd lien position.
- Any fees associated with the HOME-funded loan, such as title commitment fees, cannot be charged to the MSHDA mortgage. Such fees must be billed separately to the borrower and/or paid from HOME funds.
- No other mortgage or lien can be placed against the property other than the MSHDA first mortgage, the MSHDA DPA second mortgage and/or the HOME funded \$1,000 loan. Any other reduction in the cost of the home must be in the form of a grant or a gift from a MSHDA approved non-profit housing corporation or local unit of government.

NOTE: On FHA-insured loans, the non-profit or unit of government must have received approval from FHA as a secondary financing provider.

LOAN DOCUMENTATION REQUIREMENTS:

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

MORTGAGE: Down Payment Assistance Mortgage: SFH 100C (7/03)

NOTE: Down Payment Assistance Mortgage Note: SFH 101D (7/03)