

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

**SUBJECT: Requirements for Eligible Recipients/Households and Property for Homebuyer, Homeowner, and Rental Rehabilitation Programs**

**Policy Bulletin #16**

**EFFECTIVE DATE: October 10, 2011**

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This policy identifies the requirements and considerations for households to be eligible (beneficiaries of) to receive Community Development Block Grant (CDBG), HOME, NSP or other MSHDA funds for:

- Homebuyer Assistance Programs
- Homeowner Assistance Programs
- Rental Rehabilitation

**Homebuyer Assistance Program Requirements for Eligible Recipients**

Generally, MSHDA's Community Development Division (CDD) does not award funding for Down Payment Assistance (DPA) only. Homebuyer assistance must include the development of units that involves rehabilitation or new construction. MSHDA's Homeownership Division offers DPA in conjunction with MSHDA mortgages on a statewide basis. Interested buyers should contact the Homeownership Division at (517) 373-6840.

In addition to verifying gross annual income and calculating income from assets (addressed in Policy Bulletin #11), grant administrators will need to evaluate potential homebuyer assistance applicants on the following program criteria in addition to any other requirements grantees have outlined in their MSHDA approved program guidelines:

- They need not be a "first-time" homebuyer.
- Families receiving homebuyer assistance must have incomes not exceeding 80% of the area median income (AMI) or 120% if purchasing an NSP-funded unit. (See **Attachment A, Income Limits by Household Size by County**.)
- Homebuyers cannot have more than \$20,000 in liquid assets. (Exceptions can be made where the grantee is developing the property.) **Note: liquid assets include** cash, certificates of deposit, equity in real property or mobile home. **The asset limits does not apply to NSP-funded units.**
- Homebuyers must make a contribution to the down payment:
  - o HOME-assisted families must contribute at least 1% of the sales price.
  - o CDBG and NSP assisted families must contribute at least 50% of the lender's required down payment or 1% of the sales price, whichever is greater.
- If they have received a homebuyers' subsidy, they must live in the property for a certain length of

time (called the “affordability period”) as their principal, **permanent year-round** residence or pay back some or all of the funds they received. (Refer to Policy Bulletin #9.)

- 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 be willing to complete pre-purchase counseling before purchasing.
- Homebuyers must be able to qualify for a mortgage for the balance of the loan.
- Homebuyers must execute the “Homebuyer Certification and Program Agreement” form (See **Attachment D**).

#### **Homeowner Assistance Program Requirements for Eligible Recipients** (not an NSP eligible activity)

As with homebuyer assistance programs, homeowner assistance programs require verification of gross annual income, calculation of income from assets, and the following program criteria in addition to any other added requirements grantees have outlined in their MSHDA approved program guidelines:

- Families must have gross annual incomes of 80% or less of the AMI.
- Households with incomes up to 60% of AMI are eligible to receive 100% of the project costs in CDBG/HOME assistance as a deferred loan. Households with incomes between 60% and 80% of AMI must pay back some of the project costs on a monthly basis (see Note below) OR the household must finance at least 5% of the project costs (from non HOME or CDBG resources). These resources could include a MSHDA PIP loan, USDA Rural Development funds, or other funds including private dollars. Grantees must provide assistance to applicants on a sliding scale based on income. The higher the income of the household (up to 80% of AMI), the lower the amount of CDBG or HOME assistance in the project.

**Note:** Grantees that do not have the capacity to service installment loans may have an alternate method to require greater payback of funds from households above 60% AMI (with MSHDA approval). See **Attachment B, “Q & A on Requirements When Assisting Households with Incomes Greater than 60% AMI”**.

- The property must be their principal, **permanent year-round** residence.
- Borrower 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. A life estate interest; however, for HOME-funded grants, life estates are not eligible.

For CDBG and MSHDA-funded grants, person(s) occupying a dwelling under a life estate agreement are eligible for homeowner rehabilitation assistance under the following conditions:

1. The life estate person(s) occupying the dwelling to receive rehabilitation must be income eligible.
  2. The life estate agreement terms must be written, signed, recorded and a copy provided to grantee.
  3. The holders of the remainder interest in the dwelling must agree, in writing, prior to the initiation of the rehabilitation to repay the loan when the dwelling ceases to be the principal place of residence of the current life estate person(s).
  4. Both the owner of the life estate and the holder(s) of the remainder interest must sign the mortgage.
  5. The loan is treated as an owner-occupied loan.
  6. The holder(s) of the remainder interest must sign the "Life Estate Responsibility" form (See **Attachment F**).
- The applicant must be current with mortgage payments, taxes, and property insurance. In exceptional cases (with MSHDA approval), the grantee may allow up to one year of taxes to be delinquent.
  - The family 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" form (See **Attachment E**).

### **Rental Rehabilitation Program Requirements for Eligible Recipients (Tenant Households)**

With rental rehabilitation programs, the end beneficiary is the tenant household whose annual income and assets must be verified. In addition, the tenant household who resides in a rental unit must meet the following criteria:

#### **If HOME or NSP Assisted:**

- Generally, all tenant households must have gross annual incomes not exceeding 60% of the AMI, or 120% AMI for NSP.
- Occasionally, in targeted strategies only, MSHDA will allow tenant households to have gross annual incomes up to 80% of the 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

**If CDBG-Assisted:**

- All tenant households must have gross annual incomes not exceeding 80% of the AMI.
- Student head of household are only eligible to live in MSHDA 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
- If the project is in an **NPP or a Downtown Revitalization area** only 51% of the units in a project (unit structure) must be rented to tenant households with incomes not exceeding 80% of the AMI. The remaining 49% of the units may be rented to tenant households exceeding 80% of AMI. Please note the following for additional clarification:
  - o One-unit structures must be occupied by a tenant household not exceeding 80% AMI.
  - o Two unit structures must have at least one unit occupied after rehabilitation by a tenant household not exceeding 80% of the AMI.
  - o More than two unit structures must have at least 51% of the units occupied by tenant households with income not exceeding 80% AMI after rehabilitation.
  - o The Student head of household requirements above only apply to the minimum 51% “affordable” units described above, the other “market rate” units do not have these requirements.

Homebuyer, homeowner, and rental rehabilitation components/activities all have different eligibility requirements for the respective households benefiting from the assistance, which will differ based on the source of the federal assistance (CDBG, HOME or NSP).

Any questions regarding this Policy Bulletin should be addressed to your Community Development (CD) Specialist or CD staff at (517) 373-1974.

Attachments

A, Income Limits, <http://www.huduser.org/datasets/il.html>

B, Q & A on Requirements When Assisting Households with Incomes Greater than 60% AMI

C, Income and Demographic Report for CDBG Market Rate Rentals

D. Homebuyer Certification and Program Agreement form

E. Homeowner Certification and Program Agreement form

F. Life Estate Responsibility form