

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
COMMUNITY DEVELOPMENT DIVISION

Subject: UNDERWRITING FOR HOMEOWNER PROJECTS

Effective Date: September 1, 2015

The Michigan State Housing Development Authority's (MSHDA) Community Development Division (CDD) supports the maintenance of quality affordable homeownership standards. This policy describes CDD's Homeowner Rehabilitation Underwriting requirements. To be eligible for CDD Homeowner Rehabilitation Assistance, an owner must meet the criteria below.

INCOME LIMITS: Eligible owner(s) must have adjusted gross annual household income at or below 80% Area Median Income (AMI). AMI limits are determined annually by HUD, designated by county and adjusted for household size. See <https://www.hudexchange.info/manage-a-program/home-income-limits/>

ELIGIBLE PROPERTIES: Eligible properties for rehabilitation include attached or detached single-family homes (1 - 4 units), townhomes and condominium units. CDD funds can assist the owner-occupied unit and the pro-rated share of common costs.

OCCUPANCY REQUIREMENTS: Eligible owner(s) must occupy and maintain the property as their permanent residence for the length of their Homeowner Rehabilitation Assistance Program Mortgage and Mortgage Note term.

FINANCIAL SUSTAINABILITY: Eligible owner(s) are expected to maintain financial stability for length of their Homeowner Assistance Program Mortgage and Mortgage Note term. At time of underwriting, the owner must be current with mortgage payments, taxes, and property insurance.

LIABILITIES: The household can have no other liabilities or judgments that might jeopardize ownership of the home at the time of application.

CREDIT: The following are not acceptable for owners: collections, unpaid accounts, judgments and defaulted federal debt (student loans and old FHA loans).

HOMEOWNER ASSISTANCE LOAN: Homeowner Assistance is a loan between the owner(s) and MSHDA secured with a recorded Homeowner Assistance Program Mortgage and Mortgage Note.

AMOUNT: Minimum loan amount is \$1,000 if CDD HOME funds are used. Maximum loan amount is \$40,000.

MSHDA's Homeowner Rehabilitation Assistance Program Mortgage must be signed by every person AND their spouse (if applicable) listed on the warranty deed, quit claim deed or title. MSHDA's Mortgage Note must be signed by the applicant(s) (can be husband and wife, OR husband, OR wife).

TERMS: The Homeowner Assistance Program Mortgage and Mortgage Note document(s) will set forth the terms and conditions. For FY 2015 and forward, loan term options will be provided as part of the NOFA.

REPAYMENT: Consult CDD's Mortgage Servicer.

**HOMEOWNER
CERTIFICATION:**

Owner(s) must read and sign CDD's Homeowner Certification (Attachment A) certifying their understanding and acceptance of the program requirements.

COMBINED LTV:

CDD's Homeowner Assistance loan is understood to be in second lien position to the owner's first mortgage. The combined loan to value may not exceed 105%.

**HAZARD
INSURANCE:**

Hazard insurance coverage for at least the amount of all liens on the property, must be carried and kept current for the full length of the Homeowner Assistance Program Mortgage and Mortgage Note term. MSHDA must be listed as a loss payee on the hazard insurance policy duration of the mortgage and note. Any policy terminations and/or lapses resulting in additional costs must be paid by the homeowner.

OWNERSHIP:

For the property to be improved, the household must have an ownership interest in any one of the following types:

- A. Individual fee ownership with recorded deed (no corporate, trust, legal partnership, etc.);
- B. Individual fee ownership subject to a mortgage or other lien securing debt;
- C. An ownership interest in a properly recorded land contract;
- D. 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 Life Estate Responsibility form, Subsidy Limits and Lien Requirements policy, Attachment B.
 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, Attachment A.

TRANSFERABILITY: See MSHDA CDD Mortgage Servicer for guidance.

**REFINANCE/
SUBORDINATION:**

Subordination of the Homeowner Assistance Program Mortgage will only be considered for better rate and/or term with no cash back or debt consolidation.

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

Attachment

A. Homebuyer Certification

HOMEOWNER ASSISTANCE RESOURCES

GRANTEE TOOLS: http://www.michigan.gov/mshda/0,4641,7-141-5564_46919---,00.html

Income and Asset Guidebook for Homeowner and Rental Rehabilitation Programs
Income and Asset Guidebook for Homeowners forms

Subsidy Limits and Lien Requirements Policy Bulletin

Household Eligibility Policy Bulletin

Homeowner Rehabilitation Required Documents Checklist

HOMEOWNER ASSISTANCE DOCUMENTATION:

Homeowner Certification

Homeowner Application

Income and Asset Guidebook for Homeowner and Rental Rehabilitation Programs forms, as applicable

Homeowner Rehab or Emergency Repair Pro forma

Homeowner Assistance Program 10 Year Mortgage

Homeowner Assistance Program 10 Year Mortgage Note

Homeowner Assistance Program Mortgage and Mortgage Note Legal descriptions require Parcel ID #.

Congratulations Letter with foreclosure prevention information