

**Michigan State Housing Development Authority  
Neighborhood Stabilization Program under HERA and ARRA  
aka NSP1 and NSP2**

**HOMEBUYER ASSISTANCE QUICKFINDER**

<b>Eligible Applicants</b>	
Eligible Applicants	MSHDA-funded NSP1 and NSP2 Consortium Partners
<b>Eligible Households &amp; Properties</b>	
Eligible Households	Targeted to households with incomes between 40% and 120% Area Median Income (AMI). Grantees must receive written permission from MSHDA to sell a NSP-assisted unit to a household below 40% AMI.
Eligible Properties	<ul style="list-style-type: none"> <li>• Single family</li> <li>• Housing which was not previously occupied (e.g., new construction) must be on-site served by public water and/or sewer.</li> </ul>
Sales Price Limits	After rehab or construction, the sales price cannot exceed the appraised value or the amount of NSP invested into the property, whichever is less.
<b>Eligible Activities</b>	
	<ul style="list-style-type: none"> <li>• Acquisition • Rehabilitation • New construction • Demolition</li> <li>• Homeownership Counseling</li> </ul>
<b>Homebuyer Program Models</b>	
Homebuyer Purchase/Rehab (HPR)  <b>(Allowed with NSP1 Only)</b>	<ul style="list-style-type: none"> <li>• Combines DPA with moderate rehab funding</li> <li>• Minimum homebuyer subsidy (second mortgage) is \$1000.</li> <li>• As an incentive to ensure timely sale under current market conditions, grantees are encouraged to offer a minimum of 20% of the sales price as a forgivable second mortgage to the buyer, regardless of the buyer's assets (see "Asset Test" below).</li> <li>• Buyers needing more than 20% to make homeownership sustainable may receive up to \$30,000 in total homebuyer subsidy, subject to the liquid asset test below, secured by a forgivable second mortgage. Grantees must receive prior written approval from MSHDA if the homebuyer needs more than \$30,000 in assistance.</li> <li>• Liquid Assets: Households with liquid assets exceeding \$20,000 are expected to contribute the amount exceeding \$20,000 toward the purchase of the NSP-assisted unit prior to receiving subsidy in excess of 20% of the purchase price. Liquid Assets include cash, certificates of deposit, or equity in real property.</li> </ul>
Acquisition Development Resale (ADR)  <b>(Allowed with NSP1 and NSP2)</b>	<ul style="list-style-type: none"> <li>• Grantee or developer may use NSP to acquire property for ADR.</li> <li>• Either new construction or rehabilitation of a property sold to an NSP eligible buyer.</li> <li>• Combines development subsidy and homebuyer subsidy (used for down payment, closing costs, and buy down for affordability).</li> <li>• Minimum homebuyer subsidy (second mortgage) \$1,000</li> </ul>

	<ul style="list-style-type: none"> <li>• As an incentive to ensure timely sale under current market conditions, grantees are encouraged to offer a minimum of 20% of the sales price as a forgivable second mortgage to the buyer, regardless of the buyer's assets (see "Asset Test" below).</li> <li>• Buyers needing more than 20% to make homeownership sustainable may receive up to \$30,000 in total homebuyer subsidy, subject to the liquid asset test below, secured by a forgivable second mortgage. Grantees must receive prior written approval from MSHDA if the homebuyer needs more than \$30,000 in assistance.</li> <li>• Multiple Down Payment Assistance Programs: If a grantee elects to allow homebuyers to utilize multiple down payment assistance programs then the following minimum standards must be followed:             <ol style="list-style-type: none"> <li>1. The proforma would have to reflect all financing sources and amounts;</li> <li>2. The down payment assistance originally calculated as being needed and/or not exceeding ADR thresholds within the Homebuyer Quickfinder must be reduced by the amount of additional leverage down payment amount. For example, originally underwritten with \$10,000 NSP DPA now using \$5,000 non-NSP DPA; therefore, the amount of NSP DPA allowed is \$5,000; and</li> <li>3. Sales offers should reflect confirmed funding sources (not potential funding sources).</li> </ol> </li> <li>• Liquid Assets: Households with liquid assets exceeding \$20,000 are expected to contribute the amount exceeding \$20,000 toward the purchase of the NSP-assisted unit prior to receiving subsidy in excess of 20% of the purchase price. Liquid Assets include cash, certificates of deposit, or equity in real property.</li> </ul>
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<b>Eligible Costs</b>	
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Acquisition	Actual costs to acquire (including fees associated with pre-pays, legal, appraisal and closing costs).
Project Costs -- HPR/ADR	<p>The actual cost of constructing or rehabilitating housing, including:</p> <ul style="list-style-type: none"> <li>• Costs to meet applicable new construction or rehabilitation standards</li> <li>• Energy-related repairs or improvements</li> <li>• Improvements necessary for persons with accessibility needs</li> <li>• Control of lead-based paint hazards</li> <li>• Improvements necessary to ensure marketability</li> <li>• Utilities, taxes, insurance, security, maintenance (lawn, snow removal) during construction/rehabilitation.</li> </ul>

<b>Property Standards</b>	
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Housing Quality	<ul style="list-style-type: none"> <li>• Local codes, ordinances and standards             <ul style="list-style-type: none"> <li>○ If no local standards, must meet either National Building Code (BOCA), or Council of American Building Officials One to Two Family Code (CABO), or Minimum Property Standards set forth in 24 CFR 200.925 or 200.926).</li> </ul> </li> <li>• Must be met within 90 days of occupancy for HPR, with no health/safety defects at occupancy.</li> <li>• Rehabilitation: State of Michigan Rehabilitation Code and 4 Star Energy Code</li> <li>• New Construction: 5-Star Home Energy Standard per the HERS index rating system (See MSHDA Policy Bulletin #10, attachments D through E3)</li> </ul>
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<b>Parameters of NSP Assistance</b>	
Loan Terms	<ul style="list-style-type: none"> <li>• All projects providing homebuyer assistance will have a forgivable second mortgage for the difference between the amount of funds provided by the eligible buyer and the market value of the completed project plus buyers' closing costs and prepaid escrows.</li> <li>• NSP dollars used for rehabilitation/construction will be secured with the NSP Mortgage and Note between MSHDA and the grantee for the entire amount of the assistance (minus counseling) when the grantee is the owner of the property. Once an eligible buyer is identified, and a closing is eminent, MSHDA will discharge the lien.</li> <li>• If the grantee is NOT the owner of the property being developed, the grantee is required to secure the NSP dollars via a development agreement, memorandum of understanding, or lien/mortgage documents. The use of the "MSHDA Addendum" is required in place of the MSHDA Mortgage.</li> </ul>
Maximum NSP Investment Per Assisted Unit	Though HUD has not established any limits to the amount of NSP that can be invested into a property, grantees are encouraged to establish guidelines to assure cost reasonableness for their area (i.e. \$100,000 total subsidy left in the unit, OR \$75,000 in development subsidy and \$30,000 in homebuyer subsidy, etc.)
<b>Resale/Recapture Requirements</b>	
Document Required	<ul style="list-style-type: none"> <li>• NSP Homebuyer Mortgage and Note as provided by MSHDA, with MSHDA as the mortgagee. Grantees must use MSHDA lien documents at <a href="http://www.michigan.gov/mshda/Nonprofit%20and%20Local%20Government/Community%20Development%20NSP">www.michigan.gov/mshda/Nonprofit and Local Government/Community Development NSP</a>. The liens are forgiven on a pro-rated basis over the affordability period as described in detail in the Mortgage Note.</li> <li>• Homebuyer Certification and Program Agreement</li> </ul>
Compliance Requirements	<ul style="list-style-type: none"> <li>• Continued owner-occupancy and other requirements apply through the duration of the affordability period even if early repayment occurs <b>unless the unit is sold</b>. See "Homebuyer Agreement and Certification" form.</li> <li>• The duration of the affordability period is determined by the dollar amount of assistance received by the buyer: <ul style="list-style-type: none"> <li>Less than \$15,000 - 5 years</li> <li>\$15,000 - \$40,000 - 10 years</li> <li>More than \$40,000 - 15 years</li> </ul> </li> <li>• If unit is sold during the affordability period, the NSP-assistance is subject to recapture as noted below under Loan Terms.</li> </ul>

**Other Requirements**

Federal Laws & Regulations	Refer to Housing Resource Fund (HRF) Summary, Major Laws Applicable to the Housing Resource Fund
Program Design Requirements	<ul style="list-style-type: none"><li>• Pre-purchase homeownership counseling required (8 hours) by HUD-approved counselor.</li><li>• All homebuyers served will receive mortgages with interest rates and closing costs at the best available to borrowers with good credit in the local market. (See First Mortgage Expectations in HRF Summary).</li><li>• All buyers receiving a homebuyer subsidy will be qualified by local lenders to spend at least 25 percent of their income for housing.</li><li>• All buyers served will have incomes at least 40 percent of the Area Median Income, adjusted for family size, unless approved by MSHDA.</li><li>• All development projects will be located in NSP target areas as approved by MSHDA at the time of application (or by subsequent program amendment).</li></ul>
Project Completion	All units must be completed and sold within 24 months of project set-up

***For More Information:***

Contact your MSHDA CD Specialist, or call 517-373-1974