

CITY OF EAST LANSING
AVONDALE SQUARE
DOWN PAYMENT ASSISTANCE
PROCEDURAL GUIDE



7/28/08

Grantee:
City of East Lansing
Department of Planning and Community Development
410 Abbott Road
East Lansing, MI 48823

Third Party Administrator:
Hometown Housing Partnership, Inc.
PO Box 4338
East Lansing MI 48826
(517) 974-5433

Funded by: Michigan State Housing Development Authority Housing Resource Fund

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SECTION I - GENERAL PROVISIONS

Purpose of the Program:

The purpose of the Avondale Square Down payment Assistance “DPA” project is to provide down payment assistance to home buyers at or below 80% of Area Median Income who are purchasing a set-aside unit in the Avondale Square development. The goal is to assist twelve households. Six households would be served in the first phase between January 1, 2008 to June 30, 2009 and the remaining six would be served from January 1, 2009 to June 30, 2010.

The program seeks to improve the living situation of low-moderate income homebuyers by providing the opportunity to purchase a new, energy-efficient home in a centrally-located East Lansing neighborhood. The increase of home ownership in the neighborhood will lead to increased stability of all homeowners. The program will help homebuyers avoid costly repairs in the first years of home ownership.

Program Activities:

Single family purchase HOME funds being used for downpayment assistance.

SECTION II - ALLOWABLE AND NON-ALLOWABLE COSTS

ALLOWABLE COSTS

Downpayment Assistance

- a. Closing Costs (customary third party closing costs paid by the buyer)
- b. Principal reduction
- c. Required downpayment
- d. Pre-paid escrow expenses paid by the buyer.

UNALLOWABLE COSTS

Funds may **not** be used for:

- a. Delinquent credit obligations
- b. More than 2 months of private mortgage insurance premiums on a conventional loan
- c. The Upfront Mortgage insurance premium for a FHA loan
- d. “junk” fees

SECTION III - ADMINISTRATION

The Department of Planning and Community Development has the authority and may at its discretion, upon prior MSHDA approval, exceed any of the guidelines it has established and disregard any of the restrictions it has imposed in any case where the Community and Economic Development Administrator determines that the program purpose will be best served by doing so. The Department retains the right to redetermine any applicant based on change of income status. Any change to the guidelines must be approved by MSHDA.

SECTION IV – APPLICANT AND PROGRAM REQUIREMENTS

The applicant requirements recognize that not everyone is ready to purchase a home, nor is homeownership the best alternative for every household. Increased homeownership is a positive outcome only if the new homeowners are successful.

1. Applicant(s) must be of legal age to sign documents.
2. Applicant(s) must provide at least 1 percent of the purchase price from their own funds.
3. Applicant(s) must complete home ownership counseling from a member of the MSHDA Homeownership Counseling Network. Information will be provided to applicant on available classes in the area. See the attached list of approved homebuyer counselors (Attachment B).
4. Applicant(s) must meet income requirements combining the gross income of the applicant and family and any other persons related by marriage or adoption who share the same dwelling unit, including those persons living together who are not married; excluding the income of those persons under age 18 or full-time students.
5. Applicant(s) household income must be between 40% and 80% of Area Median Income. See the Income Guideline Table in Section V.
6. Applicant(s) liquid assets cannot exceed \$10,000. Liquid assets in excess of \$10,000 must be invested in the purchase and/or down payment of the home in order to participate in this program.
7. Applicant(s) and all other joint owners of the property must agree to sign a mortgage and note for the homebuyer subsidy. The mortgage is between the homebuyer and MSHDA. The homebuyer subsidy is limited to the public funds

used to cover the difference between the market value of the property at the time of sale and the homebuyer's investment (i.e., the amount of the first mortgage plus the homebuyer's down payment) and closing costs. The entire amount is a deferred lien on the property and must be paid when the home transfers ownership.

8. The property value will not exceed HUD Single Family Value (FHA 203 (b)) limits, which for East Lansing is: \$216,750.
9. Applicant(s) must contribute at least 1% of the purchase price from their own money toward purchase of the home. Contribution can cover paid out of closing ("poc") costs such as lender application fees, inspection fees, first year's insurance.
10. Applicant(s) must purchase a single family unit in the Avondale Square development.
11. Applicant(s) must be pre-qualified by a lender.
12. 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. Buyers qualifying only for sub-prime mortgages not only increase subsidy costs and reduce the number of households who can be served by the program but are also less likely to be successful homeowners over time. MSHDA will only approve a Homebuyer Subsidy Second Mortgage in conjunction with mortgage loans that meet the criteria outlined in Attachment A First Mortgage Requirements for CD Funded Homebuyer Projects.
13. All buyers receiving a homebuyer subsidy will be required by local lenders to spend at least 25% of their income for housing. Lenders normally qualify buyers for up to 29 percent of their income for housing. Buyers qualifying for less than 25% of income usually have higher consumer and other non-housing debt, which increases subsidy costs.
14. Applicants are served on a first-come first-served basis.

SECTION V - ELIGIBILITY PRIORITY

The income guidelines adopted by the City of East Lansing Department of Planning and Community Development are in accordance with the Section 8 Income Limit guidelines established by the Department of Housing and Urban Development (HUD). Income eligibility will be determined by the use of these guidelines.

Income Guidelines: HUD Income Limits for FY 2007

	1 Person Household	2 Person Household	3 Person Household	4 Person Household	5 Person Household	6 Person Household
80% Area Median Income	37,500	42,900	48,250	53,600	57,900	62,200

Effective: March 10, 2009

SECTION VI - PROGRAM PROCESS

Unless otherwise noted, Hometown Housing Partnership, Inc. performs the process as the Third Party Administrator.

1. HHP receives inquiry requesting Downpayment Assistance "DPA."
2. Applicant(s) is pre-screened for income eligibility.
3. Applicant(s) identifies a Homebuyer Education Class.
4. Applicant(s) attends class and receives copies of Fair Housing Brochure, Protect Your Family from Lead in Your Home booklet, Client Denial and Complaint Procedures, information sheet on City of East Lansing Homebuyer programs and Homebuyer Education book.
5. Applicant(s) receives pre-qualification from a lender. An appointment is scheduled with HHP to apply for the DPA.
6. At the individual appointment applicant completes a program application and the required MSHDA forms. These include income verification documents such as the Family Composition form, Authorization to Release Information, Verification of Resources and Verification of Earnings.

7. Based upon applicant's information, household income is figured to determine eligibility.
8. Earnings and resource verifications to verify income and assets are mailed out.
9. The Purchase Agreement shall contain a clause that the purchase offer is contingent upon final approval by the Avondale Square Downpayment Assistance program and approved financing.
10. Project set-up is completed by HHP and sent into MSHDA for approval.
11. When notified by MSHDA that Applicant(s) is approved, lender and builder are contacted to set closing date.
12. Once HUD closing statement is received, MSHDA pro forma is revised to obtain correct lien amount and mortgage and mortgage note are prepared.
13. Requisition for funds to close is submitted to City of East Lansing Finance Department through the Planning and Community Development office.
14. Check for closing costs is taken to closing. Copy of mortgage is received, original and check left for closing agent to record.
15. MSHDA original mortgage note, lender mortgage, title insurance and copy of signed HUD closing statement are received.
16. Planning receives final numbers from closing. Planning Department will prepare a Financial Status Report and Payment Request to be reimbursed by MSHDA.
17. Project completion is done and sent in.

SECTION VII - MSHDA REQUIRED LEGAL DOCUMENTS

Homeowner Assistance Program Mortgage: This legal document states the amount of the deferred loan, the requirements of the property owner, and the circumstances that warrant repayment of the interest-free no payment loan. The mortgage is between MSHDA and the homebuyer. This mortgage is recorded as a public record.

Homeowner Assistance Program Mortgage Note: This legal document also states the amount of the deferred loan. The Note gives legal notice of the mortgage.

Subordination of liens: Any request for subordination will be considered by MSHDA. Subordination will only be allowed if the following criteria are met:

1. The interest rate for the new loan must be competitive with the lowest rates available.

2. Refinancing is for existing mortgage debt plus closing costs only.
3. No new money is allowed (example: debt consolidation or cash back at closing).

City of East Lansing required legal documents

1. Deed restriction:
The deed restriction states that the home shall be used and occupied solely as a single-family residence for the use and occupancy of the grantees and their immediate family and not for rental purposes. The agreement runs with the property for thirty (30) years and is assignable to each subsequent buyer of the property. The deed restriction will also require that if a house is sold within five years an income-qualified buyer must be identified as purchaser.
2. Right of First Offer:
The buyer would give Right of First Offer to HHP under terms in the Right of First Offer document approved as to form by the East Lansing City Attorney.

SECTION VIII - COMPLAINT PROCEDURE

1. HHP informs participants at the time of application of the written complaint procedure.
2. Department of Planning and Community Development establishes a review committee of at least three members.
3. CD Specialist responds to client's written complaint within 15 working days.
4. If client is satisfied with response then file is closed.
5. If client is not satisfied with response, they inform Community and Economic Development Administrator.
6. Review committee reviews client's written complaint. The client may choose to make a presentation to the review committee.
7. Administrator notifies client of review committee's decision within 15 working days of the date the complaint is heard by the review committee.
8. If client is satisfied then file is closed.
9. If client is not satisfied with the response, must seek the services of the Dispute Resolution/Mediation program identified by MSHDA for Ingham County.

10. If the client still is not satisfied, the Department of Planning and Community Development must notify MSHDA of the particulars of the case.

SECTION IX - DUE PROCESS RIGHT FOR APPLICANTS DENIED SERVICES

OFFERED BY THE CITY OF EAST LANSING PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT

Provision of the Policy

1. The City, through its Citizen Participation Plan, provides a policy to provide clients due process of appeal in the event they should be denied an agency service. This policy will be used for partial, or complete, denial of specific, tangible benefits or services offered by the Department of Planning and Community Development under the HOME and CDBG funded programs.
2. This policy does not apply to organizations or individuals seeking financial assistance to conduct or operate programs.
3. This policy applies when funds for the specific benefit or services are available and the applicant qualifies (or feels s/he qualifies) but is denied the benefit or service.
4. This policy will utilize existing centralized intake applications and/or programmatic level application forms for each individual service or benefit.
5. The following Appeal procedure will be used:
 - A. The City's CD Specialist will notify the applicant, in writing, of the denial within fifteen (15) days of such, stating specifically the reasons for the denial. The reasons will be based on information contained in the application.
 - B. Along with the written denial, the applicant must be informed in writing that he/she may appeal the decision in the following manner:
 1. Request a review within fifteen (15) days, in writing, to the CD Specialist (name, address and phone number must be supplied, in writing).
 2. May submit additional written information that s/he feels would strengthen the request.
 - C. The CD Specialist must schedule a review to occur within fifteen (15) days of the appeal request. The review committee identified in Section VIII will review denials for service. The applicant must be notified, in writing, when this review will take place. The applicant may attend and provide any additional information that he/she feels will support the request.
 - D. The application must be reviewed by the Community and Economic Development Administrator in conjunction with the review committee.

- E. Community and Economic Development Administrator will notify the applicant of the final decision, in writing, within seven (7) days of the appeal review.
 - F. No further appeals will be considered after the final decision has been made, unless a substantial amount of additional information can be supplied by the applicant. In the event that the applicants' situation (qualifications) changes, the applicant(s) should re-apply for the program rather than use the appeal procedure.
6. Publicity of the existence of the appeal process:
- A. Items 5 A-F of this policy will be attached to all letters of denial for services.
 - B. Copies of the appeal process will be available upon request at the City of East Lansing Planning and Community Development Department.
7. An applicant speaking a foreign language only, i.e., not fluent in English, will be provided a copy of the appeal process in his/her own language and/or the interpreter to translate the process verbally.
8. This policy does not apply to denial of assistance based upon alleged discrimination covered by Title VI of the Civil Rights Act. The rules currently in effect continue to apply.

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APPENDIX B - FAIR HOUSING POLICY

CITY OF EAST LANSING ADMINISTRATIVE ORDER TO ESTABLISH AND IMPLEMENT THE CITY OF EAST LANSING FAIR HOUSING POLICY

Statement of Policy

The purpose of this administrative order is to establish policies and procedures for the City's administrative service to ensure that the City will affirmatively further fair housing in accordance with the Fair Housing Act, Public Law 90-284 (42 USC 3601-3620), and to satisfy the certification requirements of the HUD Community Development Block Grant Program as set forth at 24 CFR § 91.225. The obligations assumed by the City herein will include a commitment to conduct an analysis to identify impediments to the fair housing choices within the city, take appropriate actions to overcome the effects of any impediments identified through the analysis, and maintain records reflecting the analysis and actions taken in this regard.

Implementation of Fair Housing Policy

A. Fair Housing Administrator. The City of East Lansing is committed to fair housing and will work aggressively to ensure that Planning and Community Development Department "the Department" housing programs and developments comply fully with all state, federal, and local fair housing laws. The Department has appointed Stephanie Gingerich, Community Development Analyst, or her successor, as their fair housing contact person. The Department has an understanding of the Fair Housing Laws and will attend applicable training to remain informed.

B. Fair Housing Log. The Department has established a Fair Housing Log. The Fair Housing Log will be maintained by Stephanie Gingerich and will disclose information regarding any and all fair housing concerns and their outcomes. Fair housing issues identified in the community, such as in the newspaper, will be recorded in the log. Persons wishing to file a housing related complaint or concern will be referred to the East Lansing Human Relations Commission and the Michigan Department of Civil Rights, and/or HUD, as appropriate. Persons wishing to file a complaint or concern that is employment related will be referred to the Human Relations Commission, and the Equal Employment Opportunity Commission and the Michigan Department of Civil Rights as appropriate. Stephanie Gingerich will notify MSHDA if a complaint or concern is filed.

C. Accessibility. The office of The Department of Planning and Community Development is accessible and barrier free. The Department will make every attempt to reasonably accommodate all of its customers.

D. Community Awareness. The Department will include the Fair Housing Logo on all of its documents and advertisements for housing programs or developments. The Department will post a Fair Housing poster in a place visible to the public. The Department will secure and distribute Fair Housing material provided by MSHDA and various other Fair Housing agencies and organizations. "Fair Housing, It's Your Right" brochures will be distributed to all applicants for the Homebuyer/Purchase Rehab program and other City programs.

E. Nondiscrimination and Contracts. The Department will consider all applicants and contractors based on qualifications. No applicant or contractor will be denied housing or a contract based on their race, color, national origin, religion, age, sex, marital status, sexual orientation, familial status, handicap, and/or student status. Persons raising concerns regarding discrimination will not be retaliated against. The Department will encourage minorities and women to apply for assistance through the Department's housing programs.

F. Affirmative Marketing. The Department is committed to affirmative marketing to identify fair housing needs and barriers. The Department will address these needs and barriers by establishing a plan to resolve and meet fair housing needs. The City of East Lansing is committed to providing safe, affordable, decent, and sanitary housing located in areas where people choose to live.

G. Annual Performance Report. The Department will annually review and report, in a form prescribed by HUD on the progress that is made in carrying out its fair housing policy and actions taken to affirmatively further fair housing as set forth in this policy.

The foregoing administrative order to establish and implement the City of East Lansing Fair Housing Policy is hereby issued this 24th day of March, 2005, by Theodore J. Staton, the duly appointed City Manager for the City of East Lansing pursuant to the authority vested in the City Manager by the provisions of section 7.2 and 7.3 of the East Lansing City Charter as the chief administrative officer of the City.