

**HOMETOWN HOUSING PARTNERSHIP, INC.
HOMEOWNERSHIP OPPORTUNITY ASSISTANCE PROGRAM
(HOAP) Description and Guide to Application**

**Adopted
August 25, 2008**



**Administered by:
Hometown Housing Partnership, Inc.
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Funded by: US Department of Housing & Urban Development (HUD) and the City of East Lansing

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VISION:

East Lansing becomes a more vibrant community with socio-economic diversity, improved housing and stable neighborhoods.

MISSION:

Hometown Housing Partnership, Inc. is a development organization that promotes home ownership, offers financial assistance to a wide range of household types and otherwise provides affordable housing primarily in target neighborhoods. It accomplishes this mission in partnership with the City of East Lansing, neighborhoods, educational institutions, and the business community.

SECTION I – PROGRAM DESCRIPTION

Homeownership Opportunity Assistance Program (HOAP) is intended to assist homebuyers at or below 80% of Area Median Income (see income limits below) who are purchasing a house in Hometown Housing Partnership’s target areas. The target neighborhoods include Bailey, Southeast Marble, Red Cedar and Chesterfield Hills of East Lansing (see map). Availability of this program is July 1, 2010 through June 30, 2011. This is a down payment assistance program up to \$15,000 based on need. Rehab funds up to \$5,000 may be available and become part of the recapture deferred loan amount. In addition, lead paint testing/remediation costs for homes built prior to 1978 will be paid by Hometown Housing Partnership (not to exceed \$5,000 per property) and are not considered part of the recapture amount. Lead paint remediation costs in excess of \$5,000 shall be included in the deferred loan amount.

HUD Income Limits for City of East Lansing as of April 2010								
-----Household Size-----								
Income Category	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
80% AMI	\$36,900	\$42,200	\$47,450	\$52,700	\$56,950	\$61,150	\$65,350	\$69,600
40% AMI	\$18,480	\$21,120	\$23,760	\$26,360	\$28,480	\$30,600	\$32,720	\$34,800

Family size to be determined by the number of dependents claimed on the last federal income tax return, and any applicable HUD standards. (In the case of an individual who is claimed as a dependent on his or her parent’s, or anyone else’s federal income tax return, household income shall include the household of the parent(s), or such other person(s), claiming the individual as a dependent.)

HOAP loans are used to increase the down payment on the participant’s chosen home, thereby decreasing monthly mortgage payments. Hometown Housing Partnership also provides technical assistance to ensure that the participants understand and follow good purchasing and maintenance practices.

The HOAP program seeks to improve the living situation of low-moderate income homebuyers by providing the opportunity to purchase a house in a centrally located East Lansing neighborhood near an elementary school, middle school and high school. The increase in home ownership in the neighborhood will lead to increased stability of all homeowners. It should be noted that not all persons who qualify by HUD income standards will be able to afford a home through HOAP.

Hometown Housing Partnership reserves the right to deny or limit any subsidy due to either the demand for or availability of funds.

SECTION II – PROGRAM REQUIREMENTS

- The HOAP Program, which is funded by the US Department of Housing & Urban Development and through the City of East Lansing, can be combined with MSHDA mortgages or most other Lenders' first mortgages. The Lender must provide a letter verifying the maximum mortgage loan amount the applicant qualifies for using standard allowable first and second ratios.
- The HOAP "deferred loan" is a 0% non-amortizing, non-assumable Second Mortgage up to \$15,000 (based on need) which can be used toward down payment and/or some borrower paid closing costs. The amount of down payment assistance (DPA) will be determined by Hometown Housing Partnership working with the Lender of your choice.
- Final approval of any grant request shall depend on a variety of factors, including: an evaluation of the offered purchase price; satisfactory to the purchaser(s) inspection of the home by property inspector (a full member of the American Society of Home Inspectors: ASHI); and the specific location of the home in the target neighborhood.
- The deferred loan will involve full or partial repayment when the property is sold, if used for rental purposes, or if the participants cause a lien to be placed against the property without Hometown Housing Partnership's prior written permission; or if the household's income is increased by 50% or more from one calendar year to the next within the first seven years. The recapture percentages are as follows:
 - if within the first two (2) years of purchase, then 100% repayment;
 - if after two (2) years but less than three (3) years, then 90% repayment;
 - if after three (3) years but less than four (4) years, then 80% repayment;
 - if after four (4) years but less than five (5) years, then 70% repayment;
 - if after five (5) years but less than six (6) years, then 60% repayment;
 - if after six (6) years but less than seven (7) years, then 50% repayment;
 - anytime after seven (7) years, then 50% repayment.
- 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. All homebuyers served should look for mortgages with interest rates and closing costs at the best available to borrowers with good credit.
- HOMETOWN HOUSING PARTNERSHIP is required to test all homes built prior to 1978 for lead-based paint. Hometown Housing Partnership will pay for **testing and any remediation costs up to \$5,000**. These costs are not part of the deferred loan amount. (In the event that remediation cost exceed \$5,000, the excess shall be included in the deferred loan amount.)
- All homes purchased through HOAP will be subject to a "right-of-first-offer" with any subsequent sale.
- HOAP recipients will sign a second mortgage, right-of-first-offer and promissory note at closing. These documents are prepared by the Executive Director for Hometown Housing Partnership who also attends the closing along with the Chairperson.
- All homes purchased through HOAP will have a deed restriction stating 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.

SECTION III - APPLICANT ELIGIBILITY

- Applicant(s) must be pre-qualified by a lender. Lender should qualify the applicant(s) for a first mortgage loan amount based on what they can afford given their income, existing debt and standard underwriting ratios.
- The applicant(s) must have a minimum cash investment of 1% of the sales price. This 1% can cover paid out of closing (“poc”) costs such as lender application fees, inspection fees, and first year of property insurance.
- The applicant must not have more than \$10,000 in liquid cash assets in order to obtain DPA in excess of \$1,000.
- Applicant(s) must meet income requirements combining the adjusted 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.
- Applicant(s) household income must be between 40% and 80% of Area Median Income. See the Income Guideline Table in Section I.
- Applicant(s) must be of legal age to sign documents.
- Hometown Housing Partnership requests all applicant(s) complete homebuyer education on or before loan commitment. A certificate of completion is requested and must be signed by a certified counselor who is a member of the Michigan Homeownership Counseling Network. Information will be provided to applicant on available classes in the area.
- Applicant(s) must supply, and must authorize the chosen lender to supply, copies of any and all documents determined by Hometown Housing Partnership to be relevant to the application and subsequent transaction.

SECTION IV - APPLICANT SELECTION PROCESS

Applicants are served on a first-come first-served basis. HOAP applications and grant requests will be given priority based on time of receipt. In the event of two or more grant requests being received within 48 hours of each other, the date of receipt of the original application shall determine priority.

Applicants to HOAP, who meet qualifications, will retain their eligibility for the program for a period of six months from the date of receipt of their application, after which they must re-apply.

SECTION V – ADMINISTRATION

Hometown Housing Partnership, Inc. reserves the right to deny or limit any subsidy due to either the demand for or availability of funds. Hometown Housing Partnership has the authority and may at its discretion, exceed any of the guidelines it has established and disregard any of the restrictions it has imposed in any case where Hometown Housing Partnership determines that the program purpose will be best served by doing so. Hometown Housing Partnership retains the right to re-determine any applicant based on change of income status.

SECTION VI – PROGRAM PROCESS/TIMELINE

1. HOMETOWN HOUSING PARTNERSHIP receives inquiry requesting HOAP assistance to purchase. Appointment is scheduled with HOMETOWN HOUSING PARTNERSHIP Executive Director. Applicant(s) may already be pre-qualified by a lender.
2. At the individual appointment, a program application and the required forms are completed. These include HOMETOWN HOUSING PARTNERSHIP HOAP Application, Verification of Earnings and Authorization for Release of Information forms.
3. Based upon applicant(s) information, eligibility is determined.
4. HOMETOWN HOUSING PARTNERSHIP Executive Director communicates program guidelines to the lender and receives necessary documents from the lender.
5. Applicant(s) and Realtor (acting as a Buyers Agent) find an appropriately priced home in one of the target areas and sign a Purchase Agreement which contains a clause that the purchase offer is contingent upon receiving HOAP Deferred Loan and final approval by HOMETOWN HOUSING PARTNERSHIP and first mortgage financing.
6. Request for funds to close is submitted to the City of East Lansing.
7. HOMETOWN HOUSING PARTNERSHIP Executive Director and Realtor(s) coordinate closing requirements with lender, buyer, seller and Title Company; and closing occurs.

This process can occur in a four (4) to six (6) week time period, or less, depending on the variables. The HOAP process will not add additional time to the normal real estate buying process.

SECTION VII – REQUIRED LEGAL DOCUMENTS

By Hometown Housing Partnership, Inc:

- **2nd 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 HOMETOWN HOUSING PARTNERSHIP and the homebuyer. This mortgage is recorded as a public record. The second mortgage is due on sale, refinance or transfer of the property.
- **Promissory Note:** This legal document also states the amount of the deferred loan. The Note gives legal notice of the mortgage.
- **Deed Restriction:** The deed restriction states 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.
- **Right of First Offer:** The buyer would give Right of First Offer to Hometown Housing Partnership, Inc. under terms in the Right of First Offer document. (When the home owner decides to sell the property, the opportunity to purchase the property would be offered to HOMETOWN HOUSING PARTNERSHIP first)