

**HOMETOWN HOUSING PARTNERSHIP, INC.
HOAP I GUIDELINES**

Adopted May 18, 2009



**Administered by:
Hometown Housing Partnership, Inc.
541 E. Grand River Ave., Ste. 3
East Lansing, MI 48823
(517) 332-4663**

**HOAPI
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SECTION I - GENERAL PROVISIONS

Purpose of the Program:

The purpose of the HHP Wolf Ct. project is to provide assistance to home buyers at or below 80% of Area Median Income (determined annually by HUD) who are purchasing a house in the target area. The target area includes four neighborhoods (Central, Bailey, Southeast Marble and Red Cedar) and 1315 Wolf Ct. and 1321 Wolf Ct., East Lansing.

The program seeks to improve the living situation of low-moderate income homebuyers by providing the opportunity to purchase a newly constructed house in a centrally-located East Lansing neighborhood. The program will support existing home owners by increasing the investment in the housing stock around them. The increase of home ownership in the neighborhood will lead to increased stability of all home owners. The program will help homebuyers avoid costly repairs in the first years of home ownership.

Program Activities:

Single family purchase with CDBG funds being used for downpayment assistance.

SECTION II – PROGRAM REQUIREMENTS

- The HHP Wolf Court Program, which is funded by HHP secured financing and City of East Lansing CDBG dollars, can be combined with a MSHDA/FHA, MSHDA/Conventional guaranteed first mortgage, or an FHA or Conventional first mortgage.
- The HHP HOAP I Down Payment Assistance is a second mortgage (homebuyer subsidy) for a maximum amount of \$15,000 toward down payment, borrower paid closing costs and pre-pays/escrows.
- The HHP HOAP I-DPA second mortgage is a 0% non-amortizing loan and is due on sale, refinance or transfer of the property. The HHP HOAP I – DPA second mortgage is not assumable.
- 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 amounts are as follows:
 - if within the first two (2) years of purchase, then 100% repayment
 - after two (2) years then the loan forgives on a monthly pro-rated schedule up to 50% of the original loan on the seventh anniversary of the closing date.
- In the event of breach of contract the HHP Board reserves the right to halt forgiveness and/or require repayment of the loan.
- The amount of down payment assistance (DPA) will be determined by Hometown Housing Partnership, Inc. (HHP).
- The property value will not exceed HUD Single Family Value (FHS 203 (b) limits which for East Lansing is \$271,050.

- All homes purchased through HHP Wolf Court program 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.
- 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 will receive mortgages with interest rates and closing costs at the best available to borrowers with good credit in the local market.
- In the event of refinancing of the principal mortgage at a later date (post closing) the client will be subject to a subordination fee of \$100 for processing.

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 underwriting ratios.
- The applicant(s) must have a minimum cash investment of 1% of the sales price. Contribution can cover paid out of closing (“poc”) costs such as lender application fees, inspection fees, first years’ 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 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. .
- Applicant(s) must not currently own a home.
- Applicant(s) must be of legal age to sign documents.
- Applicant(s) must complete homebuyer education on or before loan commitment. A certificate of completion is required 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 HHP to be relevant to the application and subsequent transaction.

SECTION IV - APPLICANT SELECTION PROCESS

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

Applicants to HHP HOAP I, 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. HHP 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 HHP determines that the program purpose will be best served by doing so. HHP retains the right to re-determine any applicant based on change of income status. Any change to the guidelines must be approved by HHP Board of Directors.

SECTION VI – PROGRAM PROCESS/TIMELINE

1. Vacant land becomes available for sale.
2. HHP receives inquiry requesting HHP HOAP I assistance to purchase. Appointment is scheduled with HHP Executive Director. Applicant(s) may already be pre-qualified by a lender.
3. At the individual appointment, a program application and the required HHP forms are completed. These include income verification documents such as the Family Composition form, Authorization to Release Information, Verification of Resources and Verification of Earnings.
4. Based upon applicant(s) information, eligibility is determined. Earnings and resource verifications to verify income and assets are mailed out.
5. HHP ED communicates program guidelines to the lender and receives necessary documents from the lender.
6. HHP ED works with client to make key construction decisions (i.e. floor plan, finishes).
7. Construction RFP released.
8. Construction proposals received and reviewed by HHP and Client. General Contractor chosen.
9. Applicant(s) and HHP ED sign a Pre-sell Purchase Agreement for the HHP Wolf Court house and it contains a clause that the purchase offer is contingent upon final approval by the HHP Wolf Court program and approved financing.
10. Construction of home takes place (3 month time lapse)
11. Upon completion of house the client and lending agent are contacted to set closing date.
12. HHP ED coordinates closing requirements with lender, buyer, and Title Company; closing occurs. Possession is taken at closing.

SECTION VII – REQUIRED LEGAL DOCUMENTS

By Hometown Housing Partnership, Inc.:

1. **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.

2. **Promissory Note:** This legal document also states the amount of the deferred loan. The Note gives legal notice of the mortgage.
3. **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.
4. **Right of First Offer:** The buyer will give Right of First Offer to HHP under terms in the Right of First Offer document. (When the homeowner decides to sell the property, the opportunity to purchase the property at fair market value will be offered to HHP first.)

SECTION VIII- COMPLAINT PROCEDURE

1. Hometown Housing Partnership, Inc. (HHP) informs participants at the time of application of the written complaint procedure.
2. HHP establishes a review committee of at least three members.
3. HHP responds to client's written complaint within 15 working days.
4. If client is satisfied with response, the file is closed.
5. If client is not satisfied with the response, he/she must seek the services of the Dispute Resolution/Mediation program.
6. If the client still is not satisfied, HHP must notify City of East Lansing of the particulars of the case.

SECTION IX – DUE PROCESS RIGHT FOR APPLICANTS DENIED SERVICES

OFFERED BY Hometown Housing Partnership, Inc.

Provision of the Policy:

1. It is the policy of HHP to provide clients due process of appeal in the event they should be denied use of a program. This policy will be used for partial, or complete, denial of specific tangible benefits or services offered by HHP through the HHP Wolf Court program.
2. This policy does not apply to organizations or individuals seeking financial assistance to conduct or operate programs.
3. The applicant has the right to appeal a decision if denied assistance.
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:
 - The HHP ED will notify the applicant, in writing, of the denial within ten (10) days of such, stating specifically the reasons for the denial. The reasons will be based on information contained in the application.
 - 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 ten (10) days, in writing, to the Executive Director (name, address and phone number must be supplied, in writing).
 2. May submit additional written information that he/she feels would strengthen the request.

- ❑ The HHP ED must schedule a review to occur within ten (10) days of the appeal request. 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.
- ❑ The application must be reviewed by the HHP's Executive Committee and will notify the applicant of the final decision, in writing, within ten (10) days of the appeal review.
- ❑ 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.
- ❑ 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 an interpreter to translate the process verbally.
- ❑ 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.