

Hometown Housing Partnership, Inc.
HOMEBUYER PURCHASE/REHAB
PROCEDURAL GUIDE



Administered by
Hometown Housing Partnership, Inc.
541 E. Grand River Ave., Ste. 3
East Lansing, MI 48823
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 Homebuyer Purchase/Rehab “HPR” project is to provide rehabilitation assistance to home buyers at or below 80% of Area Median Income who are purchasing a house in the target area. The target area includes four core East Lansing neighborhoods; Central, Bailey, Red Cedar and Southeast Marble (see Appendix A). The goal is to assist four households during the grant period from July 1, 2011 to June 30, 2013.

The program seeks to improve the living situation of low-moderate income homebuyers by providing the opportunity to purchase a rehabilitated 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 and HOME funds being used for downpayment assistance and needed repairs.

SECTION II - ALLOWABLE AND NON-ALLOWABLE COSTS

ALLOWABLE COSTS

1. Downpayment Assistance
 - a. Closing Costs
 - b. Principal reduction
 - c. Required downpayment
2. Rehabilitation scope shall include any repairs needed to bring the house up to local code. Repairs as identified by Housing Rehab Specialist shall include but are not limited to:
 - a. Installation and/or repair of sanitary water and waste disposal systems, together with related plumbing and fixtures, which will meet East Lansing Plumbing and Mechanical Code.
 - b. Energy conservation measures such as:
 - Insulation
 - Insulated windows and/or exterior doors
 - c. Repair or replacement of heating system
 - d. Electrical wiring
 - e. Repair or provision of structural supports and foundations
 - f. Repair or replacement of the roof
 - g. Replacement or repair of deteriorated siding, porches, or stoops
 - h. Alterations of the home's interior or exterior to provide greater accessibility for any handicapped occupant within the household.

UNALLOWABLE COSTS

1. Funds may not be used for:
 - a. Any items not on the Work Specifications as of the date of signing the Homebuyer/Contractor Contract
 - b. Cosmetic remodeling
 - c. Central air

SECTION III - ADMINISTRATION

Hometown Housing Partnership, Inc. (HHP) 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 Executive Director determines that the program purpose will be best served by doing so. HHP 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 not currently own a home.
2. Applicant(s) must be of legal age to sign documents.
3. Applicant(s) must receive home ownership counseling from a member of the MSHDA Homeownership Counseling Network. Information will be provided to applicant on available resources in the area.
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 VI .
6. Applicant(s) liquid assets cannot exceed \$10,000. Liquid assets in excess of \$10,000 must be invested in the purchase and/or rehabilitation of the home in order to participate in this program.
7. Applicant(s) must agree to the Work Specifications as written by the Housing Rehab Specialist. The Housing Rehab Specialist must approve any alterations from the original Work Specifications before the Contract is signed.
8. 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 homebuyer subsidy will be secured by a deferred lien which is due on sale, death, title transfer, when home is no longer buyer's primary residence, or buyer refinances with cash out. Refinance for improved rate and term is acceptable.

9. A bid solicitation document will be prepared and sent to contractors on HHP's bid list after approval by the Applicant(s). An Applicant(s) can suggest other contractors and they will receive the solicitation if they can meet HHP requirements.

10. Applicant(s) must utilize a minimum of \$1,000 in HRF funds.

11. After rehab the property value will not exceed HUD Single Family Value (FHA 203 (b)) limits which for East Lansing is: \$271,050.

12. 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.

13. The program is available for units located in the target neighborhoods including; Bailey, Central, Red Cedar and Southeast Marble. Specific project boundaries apply.

14. At the time of listing, the property must be vacant if a licensed rental.

15. Applicant(s) must be pre-qualified by a lender.

16. 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.

17. 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.

18. Applicants are served on a first-come first-served basis.

SECTION V - CONTRACTOR REQUIREMENTS

1. Contractor must be licensed by the State of Michigan and provide a copy of their current license to HHP when bid is submitted.
2. Contractor must provide a copy of their current insurance policy covering liability (\$500,000 per occurrence minimum) and worker's compensation coverage to HHP to qualify for placement on the bidders list. A sole proprietor's form must be signed if you are excluded from carrying worker's compensation insurance.
3. Contractor must complete HHP's Vendor Form and IRS W-9 Form even if the company is incorporated.
4. Contractor must comply with all federal, state and city fair housing ordinances, be an equal opportunity employer, and solicit participation from female and minority subcontractors.
5. Contractor must sign all documents HOME, MSHDA, and HHP require for program participation.
6. Contractor agrees to attend a pre-rehab Contractor/Homebuyer meeting.
7. Contractor must comply with the provision of the Homebuyer Purchase/Rehab program.
8. When evidence of lead-based paint is found in the home, Work Wet/Work Safe practices must be used. Must also submit bid with two prices; one with lead and one without lead.
9. Contractor is responsible for the cost of cleaning and the clearance test in the home where lead based paint is found. In the event the clearance test does not pass, the Contractor is responsible for payment of the second clearance test.
10. Contractor is responsible for all measurements.
11. Please attach copies of subcontractor proposals when applicable.
12. Provide a list of all subcontractors along with a sworn statement for work completed.
13. Contractor must provide a Lien Waiver when submitting for payment. Additionally, Contractor will be required to provide copies of all invoices and bills showing the price, quantity and quality of materials used on all projects.

14. Lowest responsible bid price will be used unless the homeowner chooses higher bid and pays the difference.

15. The homebuyer cannot move into the home until all Health and Safety Issues have been completed and have passed final inspections. Therefore, all work must be completed within 45 days from start date.

16. The HHP CD Specialist reserves the right to reject any and all bids.

17. In the event of any dispute arising between the Contractor and Homebuyer/ Owner, the parties hereby agree, in the event an impasse is reached between the parties, to settlement of the dispute through a mediation process conducted by the Community Dispute Resolution/Mediation program.

SECTION VI - ELIGIBILITY PRIORITY

The income guidelines adopted by Hometown Housing Partnership, Inc. 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:

Income Category	HUD Income Limits for City of East Lansing as of July 2011							
	-----Household Size-----							
	1-person	2-per	3-per	4-per	5-per	6-per	7-per	8-per
80% AMI	\$ 38,000	43,440	48,880	54,240	58,640	62,960	67,280	71,600
40% AMI	\$ 19,000	21,720	24,440	27,120	29,320	31,480	33,640	35,800

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 income of the parent(s), or such other person(s), claiming the individual as a dependent.)

SECTION VII - PROGRAM PROCESS

1. HHP receives inquiry requesting HPR assistance.
2. Applicant(s) is pre-screened for income eligibility.
3. Applicant(s) is signed up for 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 East Lansing Homebuyer programs and Homebuyer Education book.
5. Applicant(s) may already be pre-qualified by a lender. An appointment is scheduled with HHP's CD Specialist.
6. At the individual appointment a program application and the required MSHDA 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.
7. Based upon applicant's information, household income is figured to determine eligibility. If applicant(s) already has a purchase agreement it is copied at this time. If applicant(s) already has a lender, the Good Faith Estimate is also copied.
8. Earnings and resource verifications to verify income and assets are mailed out.

9. Once Applicant(s) has found a home and provides a copy of Purchase Agreement; an Occupancy/Vacancy Certification and Relocation Notice is sent out to Seller to be signed.
10. The Purchase Agreement shall contain a clause that the purchase offer is contingent upon final approval by the Homebuyer Purchase/Rehab program and approved financing.
11. Housing Rehab Specialist completes whole house inspection and prepares a work specification cost estimate and determines if feasible to proceed with project.
12. HQS Inspection and DEQ Permit information checklist is completed. Lead-based paint (LBP) Inspection ordered.
13. Historical significance sent to SHPO if property requires consultation per HUD-SHPO guidelines.
14. When LBP review is received interim controls requirements added to Work Specifications.
15. Work Specifications reviewed and signed by Applicant(s).
16. Contractors are selected from HHP's bid list; 2-3 bids obtained.
17. Received bids are reviewed and bid selected by Bid Review Committee. CD Specialist reviews to be sure repair bills are less than \$20,000.
18. Project set-up is completed and sent into MSHDA for approval.
19. Requisition for funds to close is submitted to finance, Cash Request form prepared for MSHDA.
20. When notified by MSHDA that Applicant(s) is approved, lender and realtor are contacted to set closing date.
21. Once HUD closing statement is received, MSHDA pro forma is revised to obtain correct lien amount and mortgage and mortgage note are prepared.
22. Check for closing costs is taken to closing. Copy of mortgage is received, original and check left for closing agent to record.

23. A meeting scheduled with homebuyer, contractor, Rehab Specialist and CD Specialist. Contract and work specifications are reviewed, contract is signed, and order to proceed is issued.
24. MSHDA original mortgage note, lender mortgage, title insurance and copy of signed HUD closing statement are received.
25. Finance receives final numbers from closing, they report funds expended on the next cash request.
26. As soon as seller is out of the home (if applicable) home repairs are started and completed within 45 days of start as stated in the order to proceed.
27. HHP Executive Director manages project to ensure all repairs are completed.
28. Lead clearance test ordered and performed.
29. Upon clearance test passing, home buyer moves into home.
30. Project completion is done and sent in.
31. "After" photographs are taken.

SECTION VIII - 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).

SECTION IX - HHP REQUIRED LEGAL DOCUMENTS

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.

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 approved as to form by the East Lansing City Attorney.

SECTION X - COMPLAINT PROCEDURE

1. Hometown Housing Partnership informs participants at the time of application of the written complaint procedure.
2. Hometown Housing Partnership 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 complaint.
7. Administrator notifies client of review committee's decision within 15 working days of the date of the hearing.
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.
10. If the client still is not satisfied, HHP must notify MSHDA of the particulars of the case.

SECTION XI - DUE PROCESS RIGHT FOR APPLICANTS DENIED SERVICES

OFFERED BY THE HOMETOWN HOUSING PARTNERSHIP, INC.

Provision of the Policy

It is the policy of the HHP 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 HHP under the HOME and CDBG funded programs.

- This policy does not apply to organizations or individuals seeking financial assistance to conduct or operate programs.
- 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.
- This policy will utilize existing centralized intake applications and/or programmatic level application forms for each individual service or benefit.
- The following Appeal procedure will be used:
 1. HHP's CD Specialist 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 or, in the case of housing programs, the reasons may also be based on an on-site inspection.
 2. Along with the written denial, the applicant must be informed in writing that he/she may appeal the decision in the following manner:
 - Request a review within ten (10) days, in writing, to the CD Specialist (name, address and phone number must be supplied, in writing).
 - May submit additional written information that s/he feels would strengthen the request.
 3. The CD Specialist 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.
 4. The application must be reviewed by the Executive Director of HHP.

5. HHP's Executive Director will notify the applicant of the final decision, in writing, within ten (10) days of the appeal review.

6. 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.

- Publicity of the existence of the appeal process:
 - Items 5 A-F of this policy will be attached to all letters of denial for services.
 - Copies of the appeal process will be available upon request at the HHP offices.

- 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.

- 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.

SECTION XII - AVERAGE TIME LINE FOR HPR PROGRAM

of days/weeks*

1 week	Fill out application attend home buyer training
1 week	HHP sends out third party verifications and receives back
Depends on market conditions	Upon approval, start looking for home and sign purchase agreement
1 week	Rehab Specialist (et al) does walk through of house Whole House inspection completed
1 week	Lead assessment ordered and done
1 week	All inspections reviewed and all required repairs combined onto one bid specification. Bid specifications sent out to contractors
2 weeks	Bids obtained and reviewed by City Lowest responsible bid chosen
1 week	HPR package sent to MSHDA for approval of repair work and downpayment assistance
1 week	Upon approval, money is requested from MSHDA and a closing date is set.
1 week ASAP after closing	Closing takes place Homeowner/Contractor sign Contractor Agreement
3-5 weeks	Rehabilitation Period
1 week	Lead clearance test ordered and performed.
1 week	Upon lead clearance, homebuyer moves into the home

*These are estimates only

APPENDIX A - TARGET AREA MAP