

KEEGO HARBOR HOMEBUYER PROGRAM FOR VACANT FORECLOSED PROPERTIES

OVERVIEW and GUIDELINES

2009-2010

OVERVIEW

The City of Keego Harbor's Homebuyer Program for Vacant Foreclosed Properties is part of the Neighborhood Stabilization Program (NSP) created by the U. S. Congress in 2008 for the **purpose of redeveloping and occupying abandoned and foreclosed homes.**

The City of Keego Harbor's Homebuyer/Forgivable Soft Second Loan Program is designed to provide financial assistance to lower income families or individuals purchasing a home in Keego Harbor. The program is funded through the Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program.

Homebuyers must income-qualify based on income limits established by HUD. Homebuyers with incomes at or below 120% of Area Median Income (AMI) are eligible for assistance. At least 25% of the funds must assist lower income households with incomes at or below 50% of AMI. Eligible incomes by family size are identified in Attachment A.

General program information and applications are available through the NSP Coordinator Office located at City Hall, 2025 Beechmont P.O. Box 665, Keego Harbor, MI 48320 or by contacting the Homebuyer Coordinator (248) 682-1930 ext. 110.

GUIDELINES

Income Requirements

- Eligible household incomes fall within the U.S. Department of Housing and Urban Development (HUD) income limits based on household size. Gross household income may not exceed 120% of area median income (AMI) for a given household size. The maximum gross annual household income by household size is listed in Attachment A.
- Income determinations are made in accordance with HUD rules.
- **The City of Keego Harbor in coordination with Oakland County Community & Home Improvement Division retains the right and sole responsibility for determining eligibility for the Homebuyer Program.**

Eligible Homebuyers

- Homebuyers must purchase the vacant foreclosed single family home as their principal residence.

Homebuyer Education

- Applicants must complete a total of eight hours of homeownership education through Oakland County's Housing Counseling Unit.

Eligible Properties

- The City of Keego Harbor has purchased vacant and foreclosed property. The property has either been rehabilitated to provide for updated, clean and energy efficient living, or demolished and construction of a new, larger, energy efficient home. All homes come with energy efficient appliances, central air and eco friendly flooring. A list of the homes is available at the NSP Coordinator office, which will be continually updated.

Homebuyer Financing

- The homebuyer must prequalify for a fixed rate mortgage from a lending institution. This amount is the basis on which the maximum acquisition and rehabilitation cost potential is determined.
- The maximum amount of the forgivable soft second mortgage is 45% of the home's purchase price. Homebuyers with incomes greater than 50% AMI must have approximately \$2,000 to initiate the purchase. These funds would cover prepaid expenses such as earnest money for the purchase agreement, property insurance, mortgage application and property inspection fee.
- Property taxes and homeowner insurance must be escrowed with the mortgage company.
- No funds will be issued directly to the homebuyer.
- Adjustable Rate Mortgages, Balloon Mortgages, Interest Only Mortgages, Land Contracts or other mortgage options are not eligible.

Purchase Agreements

- The City of Keego Harbor will pay for an appraisal of the home.
- The purchase agreement must allow 60 days for closing without penalties from the date of the signing of the purchase agreement contract.
- The purchase agreement contract must indicate that the homebuyer is purchasing the house with federal Neighborhood Stabilization Program (NSP) funds and must meet NSP requirements.
- The homebuyer must obtain a title policy that includes the mortgage amount, down payment assistance and home improvement amounts.

ATTACHMENT A
KEEGO HARBOR HOMEBUYER PROGRAM FOR
VACANT FORECLOSED PROPERTIES
INCOME GUIDELINES
2009-2010

ELIGIBILITY GUIDELINES:

Income. Applicant's gross household income cannot exceed low/moderate income limits established by HUD to be eligible for the forgivable soft second assistance portion of the program. Applicants must meet income guidelines established by HUD and must submit proof of all current income including: wages, social security, pensions, AFDC, welfare benefits, interest and investment income, rental income and other sources as determined applicable. Income information must be submitted for all household members over the age of 18.

FAMILY

SIZE	<u>50%AMI</u>	<u>80% AMI</u>	<u>120% AMI</u>
1	\$24,850	\$39,750	\$59,650
2	\$28,400	\$45,450	\$68,150
3	\$31,950	\$51,100	\$76,700
4	\$35,500	\$56,800	\$85,200
5	\$38,350	\$61,350	\$92,000
6	\$41,200	\$65,900	\$98,850
7	\$44,000	\$70,450	\$105,650
8	\$46,850	\$75,000	\$112,450
9	\$49,000	\$79,500	\$119,300
10	\$52,550	\$84,100	\$126,100
11	\$55,400	\$88,600	\$132,900
12	\$58,200	\$93,150	\$139,750
13	\$61,100	\$97,700	\$146,500
14	\$64,000	\$102,250	\$153,350

Based on Area Median Income (AMI)

APPLICATION INFORMATION

The City of Keego Harbor's Homebuyer/Forgivable Soft Second Loan Program is designed to provide financial assistance to lower income families purchasing a home in Keego Harbor. The program is funded through the Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program.

The application package contains a complete program description and a list of eligible requirements. Applications should be completed and returned, along with the required documentation, to the NSP Coordinator Office, at City Hall, 2025 Beechmont, P.O. Box 665, Keego Harbor, Michigan 48320. If the required documents are not returned with your application, it will be deemed incomplete and will be rejected.

Applications will be serviced on a first come first served basis. No applicant shall on the grounds of race, color, religion, handicap, familial status, national origin or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded under this program.

WHAT KIND OF ASSISTANCE IS AVAILABLE?

The Homebuyer/Forgivable Soft Second Mortgage Program offers borrowers reduced cost mortgage financing.

First and "Forgivable Soft Second" Mortgage Financing- Mortgage Financing will be provided through participating lenders. **Co-signers are not permitted.** The total mortgage amount is funded through a First Mortgage and a subsidized "Forgivable Soft Second Mortgage" (maximum of 45% of the purchase price). Borrowers pay principal and interest on the first mortgage after closing and zero on the forgivable soft second mortgage as long as the home is owner occupied for the period shown on the chart below (period of affordability) according to the amount of the forgivable soft second.

PERIOD OF AFFORDABILITY:

Home must be owner occupied for the period of affordability. Any period under that time, the amount due from the borrower to the City of Keego Harbor, will be reduced on a pro-rata monthly amount.

<u>Period of Affordability</u>	<u>Amount</u>
5 years	Under \$15,000.00
10 years	\$15,000.00 to \$40,000.00
15 years	over \$40,000.00
20 years	All new construction homes

The Homebuyer assistance is a deferred obligation which is forgiven over a pro-rata period that the Homebuyer remains in the home as their primary residence. Amounts due for re-payment become due only on the sale, refinancing of the home (unless such re-financing is made only for better terms or interest and does not increase the amount due on the first mortgage) transfer of ownership or if the property is no longer the borrowers principal residence. Repayment of assistance will be determined on a pro-rate monthly basis over the period of time as provided in the Chart above or Soft Second Mortgage Documents.

FIRST TIME HOMEBUYER-

Applicants must be first time homebuyers (including displaced homemakers and single parents who may have owned a home with a spouse). A first time homebuyer is defined as not having an ownership interest in a property for the previous three (3) years.

HOMEBUYER COUNSELING COURSE-

Applicants must complete an approved Homebuyer counseling course. Courses are offered through the Oakland County Community and Home Improvement Division. Registration for the course will be made through the NSP Coordinator's office.

MAXIMUM PURCHASE PRICE-

Maximum purchase price will be determined by the applicant's income to housing payment costs ratio. Generally, the maximum monthly housing payment cannot exceed approximately 31% of the applicant's monthly income. The Oakland County Counseling Program will qualify individual applicants and determine maximum purchase price based on income and program standards at the time of application.

PROPERTY LOCATION-

The purchased property must be located in Keego Harbor.

MINIMUM HOUSING QUALITY STANDARDS-

All properties offered will meet the Minimum Housing Quality Standards (HQS) and Lead Paint compliance guidelines as determined by HUD. A property inspection and Lead Based Paint risk assessment will be conducted. Rehabilitation of the property is made in accordance with all building codes of the State of Michigan and adopted by the City of Keego Harbor. Additional features may include energy efficiency heating, cooling or appliances.

HOW DOES THE PROGRAM WORK?

STEP #1

Program Application-

Applicants must submit a completed program application (copy attached) to the Office of the NSP Coordinator for eligibility determination. Eligible applicants will receive an Application, Authorization to Release Information, Household Composition Form, Information and Documentations required form, Forgivable Second Mortgage form.

STEP #2

Borrower Pre-Qualification-

Applicants must attend the Oakland County Community and Home Improvement Program Homebuyer Counseling Course and select a lender. Applicants will be informed of their maximum affordable housing price based on their income, financial status and credit issues.

STEP #3

Assistance Reservation-

Assistance funds are available on a first come first served basis. Assistance will be provided by a lowering of the purchase price by the amount needed on the Forgivable Second Mortgage.

STEP #4

Property Purchase and Sale:

The City of Keego Harbor will provide a list of available properties, including those still under construction or rehabilitation. Interior viewing of properties will not be allowed while construction is ongoing.

STEP #5

Mortgage Financing-

The Applicant is responsible for procuring a mortgage or a mortgage pre-approval letter from the lender. Upon Mortgage approval and after Homebuyer Counseling has been completed, the Applicant may make a purchase offer for a home offered under this program. Upon receiving the application documents and mortgage commitment or pre-approval, the home buyer forgivable soft second amount, if any needed, will be calculated and the amount of assistance will be determined and mortgage documents will be prepared and executed at time of closing.

STEP #6

Loan Closing-

A minimum of two weeks prior notice of closing must be provided to obtain City Assistance for the purchase of a home.

For further information on this program or the homes available in this area, please contact:

NSP COORDINATOR
City of Keego Harbor
2025 Beechmont, P.O. Box 665
Keego Harbor, MI 48320
(248) 682-1930 ext.110

PENALTY FOR FALSE OR FRAUDULENT STATEMENT- U.S.C. TITLE 18, SE 1001- “whoever, in any manner within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies or makes any false, fictitious, or fraudulent statements or representations or makes or uses any false writing or document knowing the same to contain any false or fictitious or fraudulent statement or entry, shall be fined not more than \$10,000.00; or imprisoned not more than five years, or both.

The below applicant(s) certify that all information in this application is true to the best of their knowledge and belief. Verifications may be obtained from any source named herein.

Signature

Date

Homebuyer Program for Vacant Foreclosed Properties

Application

Part 1

CURRENT ADDRESS
Street _____
City/State/Zip Code _____

<i>APPLICANT</i>	<i>CO-APPLICANT</i>
Email Address _____ <input type="checkbox"/> Male NAME _____ <input type="checkbox"/> Female	Email Address _____ <input type="checkbox"/> Male NAME _____ <input type="checkbox"/> Female
DAYTIME PHONE NO. () _____ Work Phone NO. () _____	DAYTIME PHONE NO. () _____ Work Phone NO. () _____
CELL PHONE NO. () _____	CELL PHONE NO. () _____
<input type="checkbox"/> MARRIED <input type="checkbox"/> UNMARRIED <i>incl. single, divorced, widowed</i>	<input type="checkbox"/> MARRIED <input type="checkbox"/> UNMARRIED <i>incl. single, divorced, widowed</i>
EMPLOYMENT INFORMATION	EMPLOYMENT INFORMATION
EMPLOYER _____ Occupation _____ Date Hired _____ Paid: <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Twice Monthly Work: <input type="checkbox"/> Full Time <input type="checkbox"/> Part Time Hours Worked Per Pay _____ Gross Wages Per Pay \$ _____	EMPLOYER _____ Occupation _____ Date Hired _____ Paid: <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Twice Monthly Work: <input type="checkbox"/> Full Time <input type="checkbox"/> Part Time Hours Worked Per Pay _____ Gross Wages Per Pay \$ _____
2nd EMPLOYER _____ Occupation _____ Date Hired _____ Paid: <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Twice Monthly Work: <input type="checkbox"/> Full Time <input type="checkbox"/> Part Time Hours Worked Per Pay _____ Gross Wages Per Pay \$ _____	2nd EMPLOYER _____ Occupation _____ Date Hired _____ Paid: <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Twice Monthly Work: <input type="checkbox"/> Full Time <input type="checkbox"/> Part Time Hours Worked Per Pay _____ Gross Wages Per Pay \$ _____
ARE YOU UNEMPLOYED ? Yes No If yes, date you became unemployed: _____	ARE YOU UNEMPLOYED ? Yes No If yes, date you became unemployed: _____

Income from <u>all sources</u> for <u>all household members</u>, including unrelated persons
Social Security \$ _____ per month Child Support _____

IMPORTANT: READ THIS BEFORE SIGNING

FINANCIAL PRIVACY NOTICE: By the Right to Financial Privacy Act of 1978, City of Keego Harbor and Oakland County Community & Home Improvement has a right to access financial records held by any financial institution in connection with the consideration or administration of the Local NSP Oakland County Program for which you have applied. Financial records involving your transactions will be available without further notice or authorization but will not be disclosed or released to another government agency or department without your consent except as required or permitted by law.

APPLICANTS CERTIFICATION: The applicant certifies that all information in this application; Parts 1,2,3, and all information furnished in support of this application is for the purpose of income qualifying for the **Keego Harbor Homebuyer Program for Vacant Foreclosed Properties**, and that these statements are true to the applicants knowledge and belief.

PENALTY FOR FALSE OR FRAUDULENT STATEMENT: U.S.C. Title 18, Sec. 1001, provides: Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies...or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing, or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than \$10,000 or imprisoned not more than 5 years, or both."

<i>Applicants Signature:</i> _____	<i>Date:</i> _____	<i>Co-Applicants Signature:</i> _____	<i>Date:</i> _____
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Homebuyer Program for Vacant Foreclosed Properties

DOCUMENTATION REQUIRED

Application Part 3

YOU MUST SUBMIT COPIES OF THE FOLLOWING DOCUMENTATION. DO NOT MAIL ORIGINAL DOCUMENTS

INCOME TAX FORMS

- FEDERAL INCOME TAX FORMS.**
Sign and date a copy of your most recently filed tax forms, including W2's, 1098, 1099, and Schedules.
We do not need the worksheets.
- STATE OF MICHIGAN INCOME TAX FORMS**
Sign and date a copy of your most recently filed State income tax forms, including Schedules and Homestead Property Tax Credit forms. **We do not need the Worksheets.**
- SELF EMPLOYED: please submit 2 years tax forms. Both Federal and State.**

CURRENT GROSS HOUSEHOLD INCOME

SUBMIT COPIES OF THE DOCUMENTATION THAT APPLIES TO YOUR HOUSEHOLD. WE ARE REQUIRED TO CONSIDER THE INCOME FROM ALL SOURCES, FOR ALL HOUSEHOLD MEMBERS, INCLUDING UNRELATED PERSONS.

Please Note: income documentation will be verified

- EMPLOYMENT** If you or any adult (18 years of age or older) living in the household is employed, submit copies of their last 3 payroll check stub/s
- UNEMPLOYMENT** If you or any adult (18 years of age or older) living in the household is unemployed, submit a copy of their most recent unemployment check stub/s
- SOCIAL SECURITY BENEFITS**, submit a copy of the following:
 - Current Annual Social Security award letterIf you do not have the above item you can phone the social security office at (800) 772-1213 and ask them to send you documentation of your benefits.
NOTE: You must document the Social Security Benefits for all household members receiving Social Security Benefits
- WORKMEN'S COMPENSATION OR DISABILITY**, submit a copy of the most recent check stub
- TRUSTS, ANNUITIES OR INHERITANCE**, submit copies of the most recent documentation of periodic payment
- RETIREMENT FUNDS OR PENSIONS**, submit copies of the most recent check stub
- CHILD SUPPORT**, submit a copy of a child support payment history for the last 6 months, known as court **Order Information Report**, which can be obtained in person at the Oakland County Friend of the Court, Banking Dept., 230 Elizabeth Lake Rd, Pontiac, MI or request by phone toll free at 888-350-0900 ext. 81565.
- FULL-TIME STUDENT**, any household member 18 or older, excluding borrower and co-borrower, submit proof of enrollment ex: current report card, student registration form
- PUBLIC ASSISTANCE**, submit a copy of most recent Budget Letter or Family Independence Agency Quarterly Statement. Foster care payments are excludable.
- SOLE PROPRIETOR BUSINESS** submit a Profit and Loss Statement, for the current year
- PARTNERSHIP OR "S" CORPORATION INCOME**, submit a copy of your Schedule K-1, for the current year

- DRIVERS LICENSE AND/OR MICHIGAN ID**, submit copy of current document

HOMEBUYER SUBSIDY PROGRAM FOR VACANT FORECLOSED PROPERTIES MORTGAGE

§
Loan No.

Date:

FOR VALUE RECEIVED, the undersigned (hereinafter "Borrower") promises to pay to the order of the City of Keego Harbor Local Neighborhood Stabilization Program (hereinafter "Note Holder" or HPLNSP"), with officers at 2025 Beechmont, Keego Harbor, Michigan 48320, the principal sum of _____ Dollars (\$) with interest on such amount of Principal computed at the rate of Zero Percent (0%) per annum (hereinafter "Loan Rate") for so long as the Principal, or any part thereto shall remain outstanding (hereinafter "Loan Term"), from and after this date as hereinafter provided.

1. PAYMENTS

Borrower acknowledges that Note Holder is assisting Borrower in financing the purchase of Borrower's residence from funds made available to HPLNSP under the Neighborhood Stabilization Program administered by Oakland County Michigan in association with HUD, (hereinafter the "NSP" program) and pursuant to rules and regulations promulgated there under and requirements of HPLNSP.

Federal Recapture (hereinafter "Recapture") provisions require that HPLNSP recoups all or a portion of the Home assistance to the homebuyers if the housing subsidized does not continue to be the principal residence of the family for the duration of the period of affordability. The period of affordability is based upon the total amount of HOME funds subject to Recapture described in 24 CFR 92.254 (a)(5)(ii)(A)(5). For Note Holder, this period is ____ years for homebuyers assisted by the HOME program. The Home investment that is subject to Recapture is based on the amount of HOME assistance that enables the homebuyer to buy the dwelling.

Principal and accrued interest, if any, shall be due and payable upon the happening of the following grounds for Recapture:

- a. Sale. If Borrower sells the property during the ____ year period of affordability, Note Holder shall calculate the Recapture amount using the Reduction method. Under this method, the terms of forgiveness shall be as follows:

Principal amounts of less than fifteen thousand dollars (\$15,000) shall be reduced by a pro rata monthly reduction of the principal balance over a period of sixty (60) months, provided all rules and regulations associated with the Program are complied with.

Principal amounts of fifteen thousand dollars (\$15,000) to forty thousand dollars (\$40,000) shall be reduced by a pro rata monthly reduction of the principal balance over a period of one-hundred and twenty months, provided all rules and regulations associated with the Program are complied with.

Principal amounts of over forty thousand dollars (\$40,000) shall be reduced by a pro rata monthly reduction of the principal balance over a period of one hundred and eighty months, provided all rules and regulations associated with the Program are complied with.

- b. Foreclosure. If the property goes into foreclosure or Borrower deeds the property in lieu of foreclosure, Note Holder shall calculate the Recapture amount by using the Shared net Proceeds Method. Under this method, if there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, Note Holder will only Recapture the net proceeds, if any. The net proceeds are the sales price minus superior loan repayment (other than HOME funds) and any closing costs.

If the net proceeds are not sufficient to Recapture the full HOME investment (or a reduced amount as provided for in paragraph 24 CFR 92.254 (a)(5)(ii)(A)(5)) plus enable the homeowner to recover the amount of the homeowner's down payment and any capital improvement investment made by the owner since purchase, Note Holder will share the net proceeds. The net proceeds are the sales price minus loan repayment (other than HOME funds) and closing costs. The net proceeds may be divided proportionally as set forth in the following mathematical formulas:
HOME Investment / (HOME Investment + Homeowner investment) = HOME Percentage

Homeowner Investment / (HOME Investment + Homeowner investment) = Homeowner Percentage

NOTE HOLDER will permit the homebuyer to recover up to the homebuyer's entire investment (down payment and capital improvements made by the owner since purchase) after recapturing the HOME investment. The Homeowner must provide documentation, including, but not limited to receipts for materials or services performed. "Sweat Equity" by the homebuyer or any member of their family will not be considered investment. Only work performed by licensed professionals in an arms-length transaction and paid for by the homeowner will be considered in this calculation. Only actual investment will be considered; appreciation of the property will be considered to be a function of the Market, and will be shared per the formulas described below, up to the total amount of HOME subsidy originally provided.

- c. Out of Compliance. If the Borrower is out of compliance with the program by:
- (1) Converting the property to rental use;
 - (2) Refinancing the property without written approval by Note Holder;
 - (3) Failing to use the property as the Note Holder's principal residence for the duration of the affordability period; or
 - (4) Failing to comply with any other regulation or requirement of HUD or the Note Holder,

the entire original subsidy amount shall be immediately due and owing Note Holder without any forgiveness for items (1)(2) and/or (4). Should the Borrower be out of compliance for item (2), the amount due will be prorated for each month not in compliance during the affordability period.

If all of the terms and conditions of the Second Mortgage (hereinafter "Mortgage") and this Note have been truly fulfilled at the end of __ years from the date of this Note, the loan evidenced by this Note will be forgiven, and the Note cancelled by HPLNSP.

Principal and interest, if any shall be due, shall be payable at 2025 Beechmont, P.O. Box 665, Keego Harbor, Michigan 48320 or such other place as the Note Holder may designate in the manner described below.

If the Note Holder exercises its acceleration option as described under the Mortgage, Note holder shall give Borrower notice of acceleration. The notice shall provide a period of not

less than thirty (30) days from the date the notice is mailed, as provided in Paragraph 4 in this Note, within which borrower must pay all sums due under this Note and secured by the Mortgage. If Borrower fails to pay these sums prior to the expiration of this period, borrower may invoke any remedies permitted by the Mortgage without further notice or demand on the Borrower.

2. NOTE SECURED BY SECOND MORTGAGE

The indebtedness evidenced by this Note is secured by a Second Mortgage, dated _____ 2009, and reference is made to the Mortgage for rights as to acceleration of the indebtedness evidenced by this Note.

3. BORROWER'S FAILURE TO PAY AS REQUIRED

In addition to the option to accelerate set forth above, if any payment under this Note is not paid when due and remains unpaid after a date specified by a notice to borrower, the Note holder may proceed with any remedy available at law or in equity, including foreclosure. The date specified shall not be less than thirty (30) days from the date such notice is mailed. If suit is brought to collect this Note, the Note Holder shall be entitled to collect all reasonable costs and expenses of suit, including but not limited to, reasonable attorney fees.

4. GIVING OF NOTICES.

Any notice to Borrower provided for in this Note shall be given by mailing such notice by certified mail addressed to Borrower at the Property Address stated below, or to such other address as Borrower may designate by notice to the Note Holder. Any notice to the Note Holder shall be given by mailing such notice by certified mail, return receipt requested, to the Note Holder at the address stated in this Note, or at such other address as may have been designated by notice to Borrower.

5. RESPONSIBILITIES OF PERSONS UNDER THIS NOTE

This Note shall be the joint and several obligations of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns.

Borrower _____ Borrower _____
Property Address: _____

I (WE) ACKNOWLEDGE RECEIPT OF ONE COPY OF THE SECOND MORTGAGE PROMISSORY NOTE AT THE TIME OF ITS EXECUTION

Borrower _____ Borrower _____
Dated: _____

Prepared by: Linda Voll
And when recorded return to:

Linda Voll
City of Keego Harbor
2025 Beechmont, P.O. Box 665
Keego Harbor, MI 48320