



City of  
**WESTLAND**  
An All **AMERICAN** City

# **CITY OF WESTLAND**

## **Neighborhood Stabilization Program**

### Homebuyer Assistance **OVERVIEW and GUIDELINES**

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Department of Housing and Community Development  
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***EQUAL OPPORTUNITY PROGRAM***

# CITY OF WESTLAND NEIGHBORHOOD STABILIZATION PROGRAM

## OVERVIEW

The City of Westland's Neighborhood Stabilization Program (NSP) is funded through the Department of Housing and Urban Development (HUD). The purpose of the NSP Program is to redevelop abandoned and foreclosed properties and to provide affordable housing opportunities for HUD income-qualified individuals or families. Homebuyers with incomes at or below 120 percent of Area Median Income (AMI) are eligible for assistance. At least 25 percent of the City's total NSP allocation will assist households with incomes at or below 50 percent of AMI. Homebuyer assistance for five year eligibility will be offered in the form of a 0 percent interest second mortgage.

The City will coordinate the NSP Program implementation with NSP Contractors. General information is available through the City of Westland, Housing and Community Development Department.

## GUIDELINES

### **Income Requirements**

- Eligible household incomes fall within the Department of Housing and Urban Development income limits based on household size. Gross household income may not exceed 120 percent of area median income for a given household size (see table below).
- Income determinations are made in accordance with HUD rules.
- The City of Westland's NSP Contractors determine income eligibility.
- Homebuyers must purchase the NSP eligible, vacant foreclosed single family house as their principal residence.
- Applicants must have a qualifying, minimum credit score.

### **Homebuyer Education**

- Applicants must complete a total of eight hours of homeownership education through National Faith Homebuyers.

### **Eligible Properties**

- The property purchased must be an NSP eligible, vacant and foreclosed property located in the City of Westland.
- Homebuyers may select a house from those available through the NSP Contractors. Homebuyers will only be shown houses for which they can income qualify.
- Only single family houses may be purchased. Mobile homes, co-operatives and multi-family units are not eligible.

### **Home Rehabilitation**

- Rehabilitation of the property is made in accordance with all building codes of the State of Michigan and the City of Westland.
- Rehabilitation will include specifications to increase energy efficiency. Energy Star appliances will be included.
- Rehabilitation will include lead-based paint compliance as required by HUD. A property inspection and Lead Based Paint risk assessment will be conducted.
- The City's Building Department will conduct a Certificate of Occupancy inspection prior to the sale of the house.
- The NSP Contractor will coordinate with the potential homeowner regarding finish material specifications, within the project budget.
- The maximum purchase price will be determined by the applicant's income to housing payment costs ratio. Generally, the maximum monthly housing payment cannot exceed 31 percent of the applicant's monthly income. Front end and back end debt ratios are 29 percent and 42 percent.

- The purchase price cannot exceed appraised value, the total amount spent on acquisition and rehabilitation, or the HUD single family mortgage limit.

### **Homebuyer Financing**

- The homebuyer will work with the NSP Contractors to qualify for a fixed rate mortgage from a lending institution.
  - Each case will be assessed on an individual basis.
  - National Faith Homebuyers must review and approve the lender's mortgage.
  - City of Westland will finance up to \$10,000 to purchase a home (an exception up to \$14,999 may be considered in limited cases.)
- Homebuyers must contribute approximately \$1,000 to initiate the purchase.
- Homebuyers may not have more than \$10,000 in liquid assets (e.g., savings or checking accounts).
- In most cases, property taxes and homeowner insurance must be escrowed. The City of Westland will not be the escrow agent.
- The City's NSP Contractors will work closely with the lending institution to ensure the success of the program. A City representative will attend the mortgage closing with the agreed upon funds. 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.
- 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".
- The City of Westland's down payment assistance is financing provided as a forgiven, no-payment, 0 percent interest loan secured with a mortgage and mortgage note on the property, and has a five year retention requirement. After five years, the loan from the City of Westland NSP funds is forgiven. Homebuyer assistance is a deferred obligation which is forgiven at the end of the five year affordability period, given that the homebuyer remains in the home as their primary residence. Amounts due for re-payment become due only on the sale, refinancing (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 borrower's principal residence during the five year period. Repayment of assistance will be due upon the occurrence of any of these circumstances, as provided in the Soft Second Mortgage documents.

### **Purchase Agreements**

- The acquisition price of the home must be at least 1 percent less than the as-is appraised value. As-is appraisals will conform to 49 CFR 24.103 and FHA 203 (k) requirements.
- The purchase agreement must allow 75 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.
- A title policy that includes the mortgage amount, including down payment assistance must be in place.

### **Documentation**

- All required documentation must be submitted to the City of Westland Department of Housing and Community Development.

## HOW DOES THE PROGRAM WORK?

### **STEP #1**

#### **Program Application**

Applicants must submit a completed program application to National Faith Homebuyers or the NSP Contractors for eligibility determination.

### **STEP #2**

#### **Borrower Pre-Qualification**

Applicants must attend the National Faith Homebuyers Homebuyer Counseling Course. Applicants will be informed of their maximum affordable housing price based on their income, financial status and credit issues.

### **STEP #3**

#### **Property Purchase and Sale**

The NSP Contractors will provide a list of available properties, including those still under rehabilitation. Interior viewing of properties will not be allowed during construction.

### **STEP #4**

#### **Mortgage Financing**

The applicant will work with the NSP Contractors to procure a mortgage. This step is a timely process. Upon Mortgage approval and completion of the Homebuyer Counseling, the applicant will work with the NSP Contractor to make a purchase offer for a home offered under the NSP Program. The homebuyer forgivable soft second mortgage will be calculated by the NSP Contractor. Mortgage documents will be prepared and executed at time of closing.

### **STEP #5**

#### **Loan Closing**

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

Applications should be completed and returned, along with the required documentation, to National Faith Homebuyers or the NSP Contractors. If the required documents are not returned with the application, the application will be deemed incomplete and will be rejected. Applications will be processed 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.

#### **Income Limits**

| <b>FAMILY SIZE</b> | <b>VERY-LOW<br/>INCOME<br/>(50percent)</b> | <b>MODERATE<br/>INCOME<br/>(80PERCENT)</b> | <b>MIDDLE<br/>INCOME<br/>(120percent)</b> |
|--------------------|--|--|---|
| 1                  | \$24,450                                   | \$39,150                                   | \$58,700                                  |
| 2                  | \$27,950                                   | \$44,750                                   | \$67,100                                  |
| 3                  | \$31,450                                   | \$50,350                                   | \$75,500                                  |
| 4                  | \$34,950                                   | \$55,900                                   | \$83,900                                  |
| 5                  | \$37,750                                   | \$60,400                                   | \$90,600                                  |
| 6                  | \$40,550                                   | \$64,850                                   | \$97,300                                  |
| 7                  | \$43,350                                   | \$69,350                                   | \$104,000                                 |
| 8                  | \$46,150                                   | \$73,800                                   | \$110,700                                 |