



STATE OF MICHIGAN

JENNIFER M. GRANHOLM GOVERNOR MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY LANSING

KEITH MOLIN EXECUTIVE DIRECTOR

MEMORANDUM

April 17, 2009

TO: All Current OCD Grantees
FROM: Bill Parker, Director of Field Services BP
RE: Program Enhancements

The Office of Community Development (OCD) is implementing program and policy changes in an effort to allow grantees and the program they administer to be more competitive in this difficult housing market. These changes are designed to increase the number of households eligible for OCD programs and to make your units and programs more attractive to prospective customers. If you have questions, please contact your CD Specialist.

The changes include:

- IRS 1040 Method of Calculating Income Eligibility (effective May 1, 2009)
• Minimum Homebuyer Subsidy for Acquisition Development Resale (ADR) (effective immediately)
• Forgivable Liens for Homebuyer Programs (available on OPAL by May 1, 2009)
• Increased Developer Fees (for existing ADR units only) (effective immediately)

Calculating Income/Eligibility: For many years OCD has used the Part 5 (or Section 8) method for calculating income to determine participant eligibility. Both the Rental Rehabilitation and Rental Development programs will continue to use Part 5, however, effective May 1, 2009 grantees administering OCD-funded Homeowner and Homebuyer Programs are required to use the IRS 1040 method.

The IRS 1040 method allows a household's adjusted gross income to be used when determining eligibility. Our hope is that using the IRS 1040 method will increase the number of households eligible to apply for your homeowner and homebuyer programs.

Mandatory Training - All agencies administering Homeowner or Homebuyer programs are required to attend IRS 1040 training. To date, OCD has scheduled four (4) live webinar sessions on April 28, April 29, May 4 and May 8, 2009. Additional training sessions will be scheduled as needed. Please register at www.mittac.org.

In preparation for the training, please review the Income Training "Power Point" presentation, revised Policy Bulletin #11, and the Annual Household Income Worksheet posted on MSHDA's website at http://www.michigan.gov/mshda/0,1607,7-141-5564\_46919-171308--,00.html. Please review these documents and the examples in PB #11 prior to the mandatory training you have registered for.



**Minimum 20% Homebuyer Subsidy (for ADR):** In an effort to help our customers sell units developed under the Acquisition/Development/Resale component, we are raising the minimum amount of homebuyer subsidy from \$1,000 to 20% of the appraised value. If you choose, all buyers of ADR homes may receive at least 20% of the appraised value of the unit in the form of a second mortgage forgivable over ten (10) years.

If you would like to exercise this option, simply enter 80% on Line B3 of the ADR proforma. The ADR proforma is currently being revised and the new version will be available May 1, 2009. Until then, the proforma will return a "no go" if the subsidy exceeds \$30,000. The "no go" will not prevent you from submitting the proforma. Simply explain in the "comments" that you are utilizing the 20% minimum homebuyer subsidy option.

**Forgivable Liens for Homebuyer Programs:** OCD has edited the mortgage documents for our homebuyer programs to allow the assistance to be forgiven over a ten (10) year period. These documents will automatically be created via the OPAL activity checklist for both the ADR and the Homebuyer Purchase Rehab (HPR) program. The new mortgage and note will be on the OPAL activity checklist by May 1<sup>st</sup>.

**Next Steps:**

- Market these program changes to potential participants.
- Keep sales prices current. To remain competitive the prices of ADR units must adjust as any other unit in the neighborhood. Grantees should continually analyze the market and adjust their prices accordingly (suggested every 90 days). Your realtor should be able to assist you.
- Take a second look at previously denied applicants to see if they now might qualify using the IRS 1040 income verification method.
- Curb-appeal is key! Make sure your units are among the best-looking on the street!

**Increases to Developers Fees:** Currently there are approximately 60 single-family homes for sale throughout the state developed using OCD's ADR program. Many of these units have been on the market well over a year which has caused a tremendous financial burden on grantees.

To help defray the cost of maintaining these units, OCD is allowing a \$5,000 increase in developer fees. Units that meet ALL of the following criteria are eligible for the increase:

- 1) Construction complete and the unit for sale for at least 9 months.
- 2) The unit is listed with a realtor.
- 3) The grantee is in good standing. Your agency has submitted all required document to MSHDA, and activity checklists on OPAL are up to date.
- 4) More than a year has passed since your agency received a \$5,000 increase to the developer fee for this unit.

**NOTE:** The additional \$5,000 may be used to pay expenses directly related to maintaining the unsold units (i.e., utilities, insurance, security, interest on construction loans, finance charges.)