

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
OFFICE OF COMMUNITY DEVELOPMENT

**REQUIRED DOCUMENTS – COMPREHENSIVE  
ACQUISITION DEVELOPMENT RESALE (ADR)**

**Updated July 29, 2009**

The following list of documents represents file documentation MSHDA expects all grantees to maintain in their local project files. The list of required documents is generally organized in chronological order and broken into key phases in the lifecycle of a specific project.

Several documents may be required in any given file but will not be applicable to every project; these documents are indicated by a parenthetical “if applicable” within the checklist below. For example, a SHPO review is unnecessary for homes less than 50 years old. Many other documents listed below—indicated by “(R)”—are only required for ADR projects involving rehabilitation of an existing structure.

Additionally, documents listed in *italics* are currently not “required” but are recommended by MSHDA and often represent best practices in local programs. While we feel these documents are important enough to specifically list within this checklist, they are not fundamentally required. In most cases, commentary has been provided explaining why and under what circumstances such documents may prove useful.

Finally, underlined documents are generated through MSHDA’s online grant management system known as OPAL, and documents **highlighted in yellow** are new additions since the last publication of this list.

**STEP 1: Property Evaluation, Construction Determination, and Purchase.** The first step in completing an ADR project is to identify property for purchase, evaluate the scope of necessary development activity, and estimate project costs. Together this information allows an analysis of the specific project’s feasibility.

1. Purchase Agreement
2. Homebuyer Assistance Program Occupancy/Vacancy Certification (PB #24)
3. Notification to Seller of Voluntary Sale
4. Environmental Checklist
5. Historical Clearance – SHPO (if applicable)
6. Flood Plain Map or documentation that area is not mapped
7. Noise Attenuation (if applicable)
8. *Transactional Screening Analysis (TSA) or Phase I Environmental Assessment: Grantees are encouraged to carefully consider obtaining either a TSA or a Phase I Assessment to determine the likelihood of environmental contamination on a site. These studies are used to help establish the environmental condition of a site and to protect grantees, as owners, from future liability for environmental contamination. NOTE: These studies do not take the place of or eliminate the requirement for the site-specific Environmental checklist and associated documentation (SHPO signoff, flood plain map, and noise attenuation worksheet) required under NEPA.*

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9. Assessor's Card (to verify age and value of property) (R): The Assessor's record on the property provide official documentation of a home's building date for purposes of determining if Lead Based Paint compliance and SHPO reviews are necessary. Appraisals and/or real estate listings are not acceptable substitutes as they often rely exclusively on the seller's statement of a building date. Consulting the Assessed Value of the property can also help determine if the negotiated purchase price is reasonable and may point to errors/discrepancies in the seller's description of the property.
10. Initial Inspection (minimum HQS) (R)
11. Survey: For projects involving new construction or changes to the footprint of existing structures, a topographical survey should be obtained showing not only lot dimensions but elevations.
12. *Soil Borings: Projects involving new construction, especially those in urban settings where demolition of previous structures took place years ago, should involve soil borings and/or other efforts to determine the bearing capacity of the soil and/or the presence of buried foundations or debris.*
13. Work Specifications and Blueprints
14. Home Energy Rating System (HERS) rating of final plans and specifications documenting 5-Star Energy Star rating (New Construction)
15. Certification of Compliance with MSHDA Visitability Requirements (New Construction) And Approved Visitability Waiver Request (If Applicable)
16. Cost Estimates
17. Lead Risk Assessment (R)
18. Revised Work Specifications, Blueprints, and Cost Estimate: Based upon the results of the LBP Risk Assessment, specifications and cost estimates may need to be revised prior to bidding.
19. Zoning Approval (both of appropriate use and compliance with applicable setbacks, lot coverage, building height, and other related regulations)
20. Commitment for Title Insurance in amount of anticipated project setup (and submit final Title Policy to MSHDA)
21. Settlement Statement from property acquisition
22. Deed/Title to Property
23. Property Insurance Policy naming MSHDA as insured party
24. Senior (non-MSHDA) financing documents from purchase
25. Construction Loan Mortgage and Note between MSHDA and grantee (Originals submitted to MSHDA)

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26. As-completed (or post-rehabilitation) Appraisal

**27. Typically, the Setup Proforma can be submitted via OPAL once the above documents have been collected.**

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**STEP 2: Bidding and Contractor Selection.** After determining a project's initial feasibility, a contractor can be identified, and actual costs of the project can be determined. While often not possible, it is best to have solid bids that fit within the budget and compliance standards for the grant before actually closing on the purchase of property. This is particularly true for rehabilitation projects.

1. Prepared Bid Package
2. List of Contractors invited to Bid
3. Copies of bids received
4. Bid Comparison Summary
5. Record of Bid Selection
6. Verification that selected contractor(s) is not on debarred list (<http://epls.arnet.gov>)
7. Notice to unsuccessful bidders

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**STEP 3: Construction Management.** Once the property has been purchased and a contractor is selected, the construction contract can be signed and development activity can begin.

1. Contractor(s) License
2. Contractor(s) Insurance
3. Contractor(s) Lead Training/Certification
4. Contract(s) between Contractor and Grantee, to include:
  - a. Lead Work Contractor attachment (R)
  - b. Equal Opportunity Clause (Executive Order 11246)
  - c. Visitability Rider (New Construction)
5. **At this point, the Contract Proforma should be completed in OPAL. As costs change due to change orders throughout the course of construction management, one or more Revised Proformas may be required to show the current project cost and allow full billing of MSHDA funds needed for non-developer fee costs.**
6. Recorded Notice of Commencement
7. Notice to Proceed
8. Change Order(s)
9. Interim Payment Requests/Authorizations and Inspection Requests (could be separate or combined forms; could be invoiced by contractor or placed on standard form; requires signature by contractor and approval by grantee prior to payment)
10. Copy of Inspection Reports by local building inspectors
11. Documentation of satisfactory Pre-Drywall Inspection by certified HERS Rater and documentation that any identified deficiencies were corrected (New Construction)
12. Sworn Statements (could be incorporated into payment request form from contractor)
13. Partial and Final Unconditional Lien Waivers
14. Lead Clearance Report (R)
15. Lead Based Paint Inspection/Compliance Certification Form (R)
16. Certificate of Occupancy
17. Final Inspection Report by grantee

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18. Final Inspection Report and Blower Door Testing Report by certified HERS Rater (New Construction)
19. Energy Star Rating Certificate (New Construction)
20. Final Payment Request/Authorization (again, could be a combined or separate forms, but should clearly show signature of contractor and approval by grantee)
21. Itemized summary listing of all project costs including acquisition, closing costs, construction costs, LBP testing costs, LBP remediation activities, and soft costs/developer fee

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**STEP 4: Applicant Eligibility.** While the specific buyer is typically not identified at the time a project is setup, marketing efforts should be underway once the property has been purchased and construction begins. The next step is to identify the specific buyer for the completed unit and determine that buyer's eligibility for the program. Please note: Income eligibility is not the same thing as program eligibility; not everyone who is income eligible is qualified to purchase an ADR home.

1. Application
2. Income Verification: **IRS 1040 method required after 5/1/2009.** Package to include:
  - a. **Annual Household Income Worksheet**
  - b. Third Party Verification Monitoring
  - c. Family Composition
  - d. Authorization for Release of Information and Privacy Act Notice
  - e. Declaration of Section 214 Status
  - f. Checklist(s) of income and assets
  - g. Verifications of income, assets, assistance, etc.
3. *Pre-qualification from Lender: Most grantees require that an applicant be pre-qualified or pre-approved for a loan prior to designating an application as "complete." While not fundamentally required, including a pre-qualification in your application process can help avoid "reserving" a house for a potential buyer who is not, in fact, able to obtain acceptable first mortgage financing.*
4. *Credit Report: While some grantees do not work with prospective buyers in advance of receiving a purchase offer, most do. Pulling a credit report as a part of the initial intake/application process can quickly identify prospective buyers who are not ready to purchase a home or are not yet eligible to participate in a MSHDA Homebuyer project. Additionally, having the credit report in advance allows grantees to better direct clients to appropriate and competitive mortgage loan products and lenders.*
5. Homeownership Counseling Certificate
6. *Documentation of First Time Homebuyer Status: Many programs prefer to track what percentage of homebuyers qualified as first-time homebuyers.*
7. **Pre-Evaluation Disclosure of LBP Procedures to Property Owner (include Renovate Right pamphlet for rehabilitation of homes built before 1978) (R)**
8. *Applicant receipt of Fair Housing: It's Your Right pamphlet*
9. **Upon completion of the above, the Pre-Closing Proforma should be submitted on OPAL.**

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**STEP 5: Sale/Lien Documents.** Steps 4 and 5 often overlap, but once it appears an applicant is eligible, a purchase agreement can be signed and the final closing details can be worked out. Any purchase agreement between a grantee and homebuyer should contain a contingency requiring MSHDA approval of the transaction.

1. Purchase Agreement between grantee and homebuyer
2. Good Faith Estimate from lender
3. Request Release of Mortgage from MSHDA at least two weeks in advance of the anticipated closing
4. Settlement Statement(s) showing both buyer's and seller's transactions
5. HB Subsidy Second Mortgage documents. Note that for ADR buyers using a MSHDA first mortgage, the lender is responsible for preparing the Homebuyer Subsidy Second Mortgage Documents. In such cases, the grantee must still keep copies of those executed documents in its local file.
6. Copies of all closing documents
7. **After the closing has taken place, a Final Proforma matching the Settlement Statement should be submitted. Upon approval of the Final Proforma, you will be able to draw any remaining balance within the project for hard costs and/or developer fee expenses.**

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**STEP 6: Project Closeout and Ongoing Monitoring.**

1. *Client Satisfaction Survey: While there is no formal requirement for ongoing interaction between the grantee and the homebuyer, MSHDA recommends that grantees survey participants on their experience with the program.*
2. *Pre-Warranty Expiration Follow-up for warranty repairs: It may be a good idea to follow-up six months before the warranty on workmanship and materials expires. While the contractor provides the warranty, buyers will often initially come to the grantee with problems, and it's best to be proactive about identifying problems before the warranty runs out.*

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**REQUIRED DOCUMENT SUBMISSIONS  
ACQUISITION-DEVELOPMENT-RESALE (ADR)**

**INSTRUCTIONS:** The following documents must be submitted to your Community Development Specialist at various stages of an ADR project. Grantees should be aware that the list of required document submissions is NOT a comprehensive list of required documents for your local project file. For input on the broader list of documentation you should maintain, please refer to the Comprehensive Required Documents list for ADR projects.

Additionally, please be aware that MSHDA may randomly select projects for file reviews and request that you submit copies of all documents in your project file for review. For cause, your CD Specialist may also require that you submit other documents during the course of a project to document compliance with MSHDA's requirements.

Underlined documents below are generated through the OPAL system. MSHDA eventually expects to incorporate this list into the Activity Tracking Checklist for ADR projects in the OPAL system rather than maintaining this separate document.

**REQUIRED FOR PROJECT SETUP/COMMITMENT:** All projects should be set up and approved by your CD Specialist prior to actually purchasing the property and signing a construction contract. The following documents should be submitted concurrently with your Setup Proforma in OPAL.

- 1.1 Purchase Agreement (or Option) - proof of ownership or site control
- 1.14 HERS Rating of Plans/Specifications showing 5 Star Energy Star Rating (New Construction Only)
- 1.15 Visitability Certification (New Construction Only)
- 1.18 Building Plans and Specifications
- 1.20 Commitment for Title Insurance
- 1.26 Appraisal (or, with prior approval, other documentation of sales price determination)

**REQUIRED TO DRAW CONSTRUCTION EXPENSES:** The following documents must be submitted before you can bill for Construction expenses in OPAL.

- Final Title Insurance Policy—upon completion of the initial purchase, the original Title Insurance Policy should be submitted to MSHDA
- 1.23 MSHDA Construction Mortgage—Copy of Executed Mortgage (The original recorded copy should be forwarded to MSHDA by the Register of Deeds; if it is returned to the grantee, it should be mailed to your CD Specialist.)
- 1.23 MSHDA Construction Mortgage Note—Original
- 3.4c Visitability Contract Rider (New Construction Only)

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**REQUIRED PRIOR TO SALE TO HOMEBUYER:** The following documents should be submitted concurrently with your Preclosing Proforma in OPAL. Generally these items should be submitted two weeks prior to an anticipated closing to allow adequate time for MSHDA to review, approve, and process the paperwork for the closing.

- 3.18 Final Inspection Report & Blower Door Testing Report by HERS Rater (New Construction Only)
- 3.19 Energy Star Rating Certificate (New Construction Only)
- 5.2 Good Faith Estimate from lender
- Income Verification Package: If the household income is more than 70% of the Area Median Income or less than \$5,000 from the 80% AMI limit, the Income Verification Package must be submitted. Also, if the household income includes income from self-employment, the Income Verification Package must be submitted. Otherwise, the Income Verification Package need not be submitted but should be retained in the local project file
  - 4.2a Annual Household Income Worksheet
  - 4.2b Third Party Verification Monitoring
  - 4.2c Family Composition
  - 4.2e Declaration of Section 214 Status
  - 4.2f Checklist(s)
  - 4.2g Verifications
- Name, Address, Phone, and Fax numbers for the Closing Agent at the Title Company who will be closing the loan. (This can be submitted via e-mail.)

**REQUIRED FOR PROJECT COMPLETION:** The following documents must be submitted before a project can be closed out or completed in OPAL. MSHDA will not disburse the final developer fee payment (if any) to the grantee on a project until the following documents are received.

Note: Generally, the closing agent will be asked to forward these three documents directly to MSHDA, but if they are returned to the grantee at closing, they should be forwarded to your CD Specialist.

- 5.4 Settlement Statement(s) for both the Buyer and the Seller
- 5.5 Homebuyer Subsidy Second Mortgage—Copy of Executed Mortgage (The original recorded copy should be forwarded to MSHDA by the Register of Deeds or, in the case of a MSHDA first mortgage, to the bank; if it is returned to the grantee, it should be mailed to your CD Specialist.)
- 5.5 Homebuyer Subsidy Second Mortgage Note—Original