

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT

SUBJECT: Requirements for Eligible Recipients/Households for Homebuyer, Homeowner, and Rental Rehabilitation Programs

Policy Bulletin #16

EFFECTIVE DATE: August 5, 2009

This policy identifies the requirements and considerations for households to be eligible (beneficiaries of) to receive Community Development Block Grant (CDBG), HOME, or other MSHDA funds for:

- Homebuyer Assistance Programs
- Homeowner Assistance Programs
- Rental Rehabilitation

Homebuyer Assistance Program Requirements for Eligible Recipients

Generally, MSHDA's Office of Community Development (OCD) does not award funding for Down Payment Assistance (DPA) only. Homebuyer assistance must include the development of units that involves rehabilitation or new construction. MSHDA's Single Family Division offers DPA in conjunction with MSHDA mortgages on a statewide basis. Interested buyers should contact the Single Family Division at (517) 373-6840.

In addition to verifying gross annual income and calculating income from assets (addressed in Policy Bulletin #11), grant administrators will need to evaluate potential homebuyer assistance applicants on the following program criteria in addition to any other requirements grantees have outlined in their MSHDA approved program guidelines:

- They need not be a "first-time" homebuyer.
- Families receiving homebuyer assistance must have incomes not exceeding 80% of the area median income (AMI). (See **Attachment A, Income Limits by Household Size by County**.)
- Homebuyers cannot have more than **\$20,000** in liquid assets. (Exceptions can be made where the grantee is developing the property.) **Note: liquid assets include** cash, certificates of deposit, equity in real property or mobile home.
- Homebuyers must make a contribution to the down payment:
 - o HOME-assisted families must contribute at least 1% of the sales price.
 - o CDBG-assisted families must contribute at least 50% of the lender's required down payment or 1% of the sales price, whichever is greater.
- If they have received a homebuyers' subsidy, they must live in the property for a certain length of time (called the "affordability period") as their principal residence or pay back some or all of the funds they received. (Refer to Policy Bulletin #9.)

- Homebuyers must be willing to complete pre-purchase counseling before purchasing.
- Homebuyers must be able to qualify for a mortgage for the balance of the loan.

Homeowner Assistance Program Requirements for Eligible Recipients

As with homebuyer assistance programs, homeowner assistance programs require verification of gross annual income, calculation of income from assets, and the following program criteria in addition to any other added requirements grantees have outlined in their MSHDA approved program guidelines:

- Families must have gross annual incomes of 80% or less of the AMI.
- Households with incomes up to 60% of AMI are eligible to receive 100% of the project costs in CDBG/HOME assistance as a deferred loan. Households with incomes between 60% and 80% of AMI must pay back some of the project costs on a monthly basis (see Note below) OR the household must finance at least 5% of the project costs (from non HOME or CDBG resources). These resources could include a MSHDA PIP loan, USDA Rural Development funds, or other funds including private dollars. Grantees must provide assistance to applicants on a sliding scale based on income. The higher the income of the household (up to 80% of AMI), the lower the amount of CDBG or HOME assistance in the project.

Note: Grantees that do not have the capacity to service installment loans may have an alternate method to require greater payback of funds from households above 60% AMI (with MSHDA approval). See Attachment B entitled "Q & A on Requirements When Assisting Households with Incomes Greater than 60% AMI".

- The property must be their principal residence.
- The applicant must be current with mortgage payments, taxes, and property insurance.
- The family must repay some or all of the assistance if the property changes owners during the time the lien is in effect.

Rental Rehabilitation Program Requirements for Eligible Recipients (Tenant Households)

With rental rehabilitation programs, the end beneficiary is the tenant household whose annual income and assets must be verified. In addition, the tenant household who resides in a rental unit must meet the following criteria:

If HOME-Assisted:

- Generally, all tenant households must have gross annual incomes not exceeding 60% of the AMI.
- Occasionally, in targeted strategies only, MSHDA will allow tenant households to have gross annual incomes up to 80% of the AMI.

If CDBG-Assisted:

- All tenant households must have gross annual incomes not exceeding 80% of the AMI.
- If the project is in an **NPP or a Downtown Revitalization area** only 51% of the units in a project (unit structure) must be rented to tenant households with incomes not exceeding 80% of the AMI. The remaining 49% of the units may be rented to tenant households exceeding 80% of AMI.

Please note the following for additional clarification:

- o One-unit structures must be occupied by a tenant household not exceeding 80% AMI.
- o Two unit structures must have at least one unit occupied after rehabilitation by a tenant household not exceeding 80% of the AMI.
- o More than two unit structures must have at least 51% of the units occupied by tenant households with income not exceeding 80% AMI after rehabilitation.

Homebuyer, homeowner, and rental rehabilitation components/activities all have different eligibility requirements for the respective households benefiting from the assistance, which will differ based on the source of the federal assistance (CDBG or HOME).

Any questions regarding this Policy Bulletin should be addressed to your Community Development (CD) Specialist or CD staff at (517) 373-1974.

Attachments

A, Income Limits, <http://www.huduser.org/datasets/il.html>

B, Q & A on Requirements When Assisting Households with Incomes Greater than 60% AMI

C, Income and Demographic Report for CDBG Market Rate Rentals