

OAKLAND COUNTY HOMEBUYER PROGRAM FOR VACANT FORECLOSED PROPERTIES

OVERVIEW and GUIDELINES

March 25, 2009

OVERVIEW

Oakland County'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.** NSP is funded through the Department of Housing and Urban Development (HUD), Office of Community Planning and Development under the Community Development Block Grant Program and locally administered by the Oakland County Community & Home Improvement Division.

Oakland County's Homebuyer Program provides loans to homebuyers for down payment assistance, closing costs, pre-pays, reasonable discount points, home improvements or other financing associated with purchasing eligible vacant foreclosed single family homes located within select participating Oakland County communities (Attachment A). The home must be purchased by the homebuyer as their primary residence.

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. Based on a total program budget of \$5 million to assist homebuyers, \$3 million are reserved to finance homebuyers with incomes at or below 50% of AMI. The remaining \$2 million is earmarked to assist homebuyers with incomes between 51 and 120 per cent of AMI. Eligible incomes by family size are identified in Attachment B.

General program information and applications are available through the Community & Home Improvement Division located at 250 Elizabeth Lake Road, Pontiac, MI 48341-0414 by contacting the Homebuyer Coordinator (248) 858-1529, fax (248) 858-5311 or on the Division's website at www.oakgov.com/chi.

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 B.

- Income determinations are made in accordance with HUD rules.
- **The 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.
- The applicant can not own more than two residential properties.

Homebuyer Education

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

Eligible Properties

- The property purchased must be a vacant and foreclosed property located in select Oakland County communities listed in Attachment A.
- Only single family homes or condominiums may be purchased. Mobile homes, co-operatives and multi-family units are not eligible.
- The house shall not be located in a 100 year flood plain.
- The property must be inspected by Oakland County Community & Home Improvement staff to ensure that the property can be improved at a reasonable cost.
- A certificate of occupancy may be required by the local municipality.

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 amount of the final fixed rate mortgage identified by the lending institution represents 51 percent of the total amount that will be available for the purchase and rehabilitation of the home.
 - Oakland County will finance the remaining 49 percent of the purchase and rehabilitation costs up to \$100,000.
 - Applicants whose income falls below 50 percent AMI may qualify for an additional \$5,000 toward down payment assistance.
 - Each case will be assessed on an individual basis.
 - Oakland County Housing Counseling must review and approve the lender's mortgage.
- Oakland County financing is provided as a deferred, no payment, 0% interest loan secured with a mortgage and mortgage note on the property. The loan is due and payable upon sale or transfer of the property title or when the property is no longer the homebuyer's principal residence.
- Homebuyers with incomes less than 50% AMI must have approximately \$1,000 to initiate the purchase. 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.

- In most cases, property taxes and homeowner insurance must be escrowed. Oakland County will not be the escrow agent.
- Oakland County will work closely with the lending institution to ensure the success of the program. A county 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.
- When applicable, the homebuyer may apply for funding from the Federal Home Loan Bank of Indianapolis (FHLBI) Neighborhood Stabilization Assistance (NSA) program through their lending institution. The NSA program is designed to assist homebuyers with a household income at or below 80 percent of the AMI. The NSA program may provide a maximum of \$10,000 per household. If the homebuyer is eligible to receive NSA funding, the Homebuyer funds available from the Oakland County Homebuyer program would be reduced by the amount of funding available from the FHLBI. The NSA funds would be available through lending institutions who are members of the FHLBI. NSA funds have a five year retention requirement with prorated recapture of assistance. After five years, the loan for NSA funds is forgiven.

Purchase Agreements

- The acquisition price of the home must be at least 15% less than the as-is appraised value.
- Oakland County will provide and pay for a two part appraisal. The appraisal will consist of an as-is appraisal and an after rehabilitation appraisal. The appraisal 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.
- The homebuyer must obtain a title policy that includes the mortgage amount, down payment assistance and home improvement amounts.

Home Improvements

- Houses acquired must meet HUD Housing Quality Standards when rehabilitation work is completed.
- The homebuyer must identify and retain a home inspector. The home inspector in conjunction with the homebuyer and an Oakland County Home Improvement technician will identify the home's deficiencies based upon HUD housing quality standards.
- If home improvements are required, homebuyers must agree to have the Oakland County Community & Home Improvement Division coordinate the work that needs to be completed in order to meet U.S. Department of Housing and Urban Development Regulations, Michigan Residential Code, Michigan State Historic Preservation Office and Lead Based Paint requirements. Oakland County will complete work specifications and cost estimates, bid the work to licensed and insured Michigan residential contractors, oversee the

work and issue contractor payments. Home improvement contracts are awarded to the lowest responsible bidder.

- Energy Star rated stove and refrigerator are eligible appliances purchased through the Oakland County Home Improvement Program.
- The home improvement contract will be compiled by the Oakland County Community and Home Improvement Division.
- The home improvement contract will be between the homebuyer and the contractor.
- All building permits are the responsibility of the contractor. All federal, state and local municipal requirements must be satisfied and documentation submitted before final funds are released to the contractor.
- Contractors are required to complete the home improvements within 120 days after the date of the Proceed to Work Order as stipulated in the contract.
- When possible, Oakland County will act as the fiduciary for all home improvement work and pay home improvement contractors directly.
- Homebuyer enjoys their new home!
- Post purchase housing counseling will help to ensure sustainability.

ATTACHMENT A

**OAKLAND COUNTY HOMEBUYER PROGRAM FOR VACANT FORECLOSED
PROPERTIES**

SELECT COMMUNITIES (43)

CITIES

Auburn Hills
Berkley
Birmingham
Clawson
Farmington
Ferndale
Hazel Park
Keego Harbor
Lathrup Village
Madison Heights
Novi
Oak Park
Rochester
Rochester Hills
South Lyon
Sylvan Lake
Troy
Walled Lake
Wixom

TOWNSHIPS

Addison
Brandon
Commerce
Groveland
Highland
Holly
Independence
Lyon
Milford
Oakland
Orion
Oxford
Rose
Royal Oak
Springfield
West Bloomfield
White Lake

VILLAGES

Holly
Lake Orion
Leonard
Milford
Ortonville
Oxford
Wolverine Lake

Attachment B

**OAKLAND COUNTY HOMEBUYER PROGRAM FOR
VACANT FORECLOSED PROPERTIES**

INCOME GUIDELINES

FAMILY SIZE	<u>50%AMI</u>	<u>80% AMI</u>	<u>120% AMI</u>
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
9	\$48,950	\$78,250	\$117,500
10	\$51,750	\$82,750	\$124,200
11	\$54,500	\$87,200	\$130,800
12	\$57,300	\$91,650	\$137,500
13	\$60,100	\$96,150	\$144,200
14	\$62,900	\$100,600	\$150,950

Based on Area Median Income (AMI)