

CITY OF OAK PARK, MI

**Neighborhood
Stabilization
Program**

OVERVIEW and GUIDELINES

August 1, 2010

CITY OF OAK PARK NEIGHBORHOOD STABILIZATION PROGRAM FOR VACANT FORECLOSED PROPERTIES

OVERVIEW

The City of Oak Park's Neighborhood Stabilization Program (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 City of Oak Park. The purpose of the NSP is to redevelop abandoned and foreclosed properties and to house HUD income-qualified individuals or families. Homebuyers with incomes at or below 120% of Area Median Income (AMI) are eligible for assistance. At least 25% of the City's total NSP allocation will assist households with incomes at or below 50% of AMI. Homebuyer assistance to the maximum \$14,999 for five year eligibility (120% of AMI category) will be offered in the form of a second mortgage (0% interest decreasing term loan).

The City has hired an NSP sales and marketing firm to implement the Program. General information is available through the City of Oak Park, Technical and Planning Department, 13700 Oak Park Blvd., Oak Park MI 48237 or the City's NSP marketing firm Home Renewal Systems 866-996-9754.

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 (see table below).
- Income determinations are made in accordance with HUD rules.
- The City's NSP marketing firm determines income eligibility.
- Homebuyers must purchase the vacant foreclosed single family home 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 Oakland County's Housing Counseling.

Eligible Properties

- The properties are vacant and foreclosed properties located in the City of Oak Park.
- Homebuyers may select a house from those available through the City's NSP marketing firm. Homebuyers will only be shown houses for which they can income qualify.

Home Rehabilitation

- The City of Oak Park will rehab each house to increase energy efficiency. Energy Star appliances will be included.
- Rehabilitation of the property is made in accordance with all building codes of the State of Michigan and adopted by the City of Oak Park.
- A Housing Quality Standards (HQS) inspection will be performed on all properties.
- Lead Paint compliance guidelines as determined by HUD have been met. A property inspection and Lead Based Paint risk assessment have been conducted.
- Maximum purchase price will be determined by the applicant's income to housing payment costs ratio. Generally, the maximum monthly housing payment cannot exceed approximately 31% of the applicant's monthly income. Front end and back end debt ratios. 29% 42%. Purchase price cannot exceed appraised value, the total amount spent on acquisition/rehab, or the HUD single family mortgage limit.

Homebuyer Financing

- The homebuyer will work with the City's NSP marketing firm to qualify for a fixed rate mortgage from a lending institution.
 - Each case will be assessed on an individual basis.
 - Oakland County's Housing Counselor must review and approve the lender's mortgage.
 - City of Oak Park will finance up to \$14,999 (120% of AMI category) to purchase a home.
- Homebuyers must have approximately \$1,000 to initiate the purchase.
- In most cases, property taxes and homeowner insurance must be escrowed. The City of Oak Park will not be the escrow agent.
- The City's NSP marketing firm 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 Oak Park's down payment assistance (120% of AMI category) is financing provided as a forgiven, no-payment, 0% interest loan secured with a mortgage and mortgage note on the property, and has a five year retention requirement with yearly prorated recapture of assistance. After five years, the loan from the City of Oak Park NSP funds is forgiven. Homebuyer assistance is a deferred obligation which is forgiven over a pro-rata period 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. Repayment of assistance will be determined on a pro-rata monthly basis over the five year period as provided in the Soft Second Mortgage Documents.
- Homebuyers under the 50% AMI may qualify for higher down payment assistance as 0% interest second mortgage.

Purchase Agreements

- The acquisition price of the home must be at least 1% less than the as-is appraised value.
- 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

- Application and all required documentation must be submitted to the City's NSP marketing firm Home Renewal Systems, 23370 Commerce Drive, Farmington Hills, MI 48335. Questions regarding application please call (866) 996-9754.



HOW DOES THE PROGRAM WORK?

STEP #1

Program Application

Applicants must submit a completed program application to the City's agent Home Renewal Systems (866) 996-9754, 23370 Commerce Drive, Farmington Hills, MI 48335, for eligibility determination.

STEP #2

Borrower Pre-Qualification

Applicants must attend the Oakland County Community and Home Improvement Program 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 City's NSP marketing firm 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 City's NSP marketing firm to procure a mortgage. This step takes time. 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 this Program. The homebuyer down payment assistance will be calculated by the City's NSP marketing firm. 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 the City's NSP marketing firm Home Renewal Systems (866) 996-9754, 23370 Commerce Drive, Farmington Hills, MI 48335. If the required documents are not returned with your application, it will be deemed incomplete and will be rejected. Applications will be serviced 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.

FAMILY SIZE	VERY-LOW INCOME (50%)	MODERATE INCOME (80%)	MIDDLE INCOME (120%)
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	\$37,700	\$60,400	\$90,600
6	\$40,500	\$64,850	\$97,300
7	\$43,300	\$69,350	\$104,000
8	\$46,100	\$73,800	\$110,700

Home Renewal Systems, LLC

Application for Homebuyer Assistance

Please complete this application as accurately as possible. Documentation verifying all sources of income, benefits, and assets must be submitted with this application. If you are unsure of which documents to submit, please contact the application processor. If you wish to provide additional information or explanation, you may use the back of this form. All responses should be provided by the loan applicant(s).

Please type or print legibly.

Date:

Applicant Name(s):
Current Street Address, City, State, Zip Code:
Phone Number (Home and Work)

Are you a first-time homebuyer? (circle one) YES NO

Starting with the Head of Household, list all persons residing in the household.

Family Members	Date of Birth	Relationship to Head of Household

Annual Wages/Salaries		
Family Members	Gross Base Employment	Average Overtime

Annual Benefits/Pensions				
Family Members	Unemployment	Social Security	Insurance Policy	Disability

Annual Public Assistance/Other					
Family Members	Public Aid	Alimony	Child Support	Annuities	Other

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<i>Assets</i>		
Type of Asset	Current Cash Value	Annual Income
Checking Account		
Savings Account		
Money Market Account		
Stocks/Bonds		
Life Insurance Policy		
Additional Property		
Owned Business		
Other Financial Assets		

Household Information:
 This information is for record keeping purposes only and will not be used to approve or deny assistance.
 Head of Household: (circle one)

Single, Non-Elderly Elderly Related/Single Parent
 Related/Two Parents Other

Race/Ethnicity: Hispanic () Yes () No
 (circle one)

White Black/African American Black/African American & White Asian Asian & White
 Asian/Pacific Islander American Indian/Alaskan Native American Indian/Alaskan Native & White
 Native Hawaiian/Other Pacific Islander American Indian/Alaskan Native & Black/African American
 Other Multi-Racial

A signature and date are required in order for this application and statement of income to be considered valid. The applicant(s) certifies that all the information in this application and all the information furnished in support of this application, is given for the purpose of obtaining a loan and is true and complete to the best of the Applicant's knowledge and belief. Verification of any of the information contained in the application in this application may be obtained from any source named herein. **PENALTY FOR FALSE OR FRAUDULENT STATEMENT: U.S.C. Title 18, Section 1001, provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies or makes any false, fictitious or fraudulent statements, representations, or makes or uses any false writing or document knowing the same or contain any false, fictitious or fraudulent statement or entry, shall be fined not more than \$10,000 or imprisoned no more than five years or both."**

Signature of Applicant	Date:
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Signature of Co-Applicant	Date:
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For Office Use Only	
Verified Annual Household Income Amount: \$ _____	Approval for Assistance: YES NO
Reviewed By: _____	Date: _____
Lender Company Name: _____	Contact Person: _____
Telephone Number: _____	FAX Number: _____
Purchase Property Address, City, State, Zip Code: _____	