

## MSHDA POLICIES & PROCEDURES

### MI HOME LOAN \$10,000 DPA

Effective Date: 07-24

Replaces Issue: 12-23

Product Name: 10K DPA

**SUMMARY:**

This is a down payment assistance program, which can only be combined with a MSHDA/FHA, MSHDA Conventional or MSHDA/RD Guaranteed first mortgage. The down payment assistance is provided in the form of a second mortgage for a maximum amount of \$10,000 toward payment of the minimum required down payment, borrower paid closing costs, prepaids/escrows less a minimum cash investment from the borrower of 1% of the sales price. This program is available to low- and moderate-income borrowers who meet the MSHDA sales price and income limit eligibility guidelines. The second mortgage is a 0% non-amortizing loan. The second mortgage is due on sale or transfer of the property, or when the property ceases to be the principal residence of the mortgagor or when the mortgagor repays in full any mortgage loans encumbering the property that are senior to the debt.

**LOAN PURPOSE:**

To provide down payment assistance to low- and moderate-income households for the payment of the minimum required down payment, borrower paid closing costs, prepaid expenses, less a minimum of 1% cash investment from the borrower.

**LOAN TERMS:**

The second mortgage for down payment assistance will be a 0%, non-amortizing loan, which will be due on sale or transfer of the property, or when the property ceases to be the principal residence of the mortgagor, or if the mortgagor repays in full any mortgage loans encumbering the property that are senior to the debt.

**REQUIREMENTS:**

Maximum financing is not required.

FHA-UFMIP may be included in the dpa

RD-Guarantee Fee may be included in the DPA.

Conventional-Mortgage insurance single premiums may be included in in first mortgage. Max CLTV 105%.

**ELIGIBLE PROPERTIES:**

New or existing single-family homes.

Condominiums (attached or detached) agency approved.

New or existing single-wide and multiple-section manufactured (mobile) homes on foundations permanently affixed to real estate. Must meet loan type guidelines. Single-wides in a PUD or co-op are not eligible.

***NOTE:** Existing single-wide and multiple-section manufactured homes must have been constructed after June 14, 1976.*

**APPRAISED VALUE:** If the sales price exceeds the appraised value, the borrower is required to pay the difference from their own funds or a gift from an eligible donor.

**ELIGIBLE  
LOAN  
PROGRAMS:** The down payment assistance program can only be combined with a MSHDA/FHA, MSHDA/Conventional (Max CLTV 105%) and MSHDA/RD.

**UNDERWRITING  
GUIDELINES:** See FHA, Conventional and RD product specs for additional information.

**SALES PRICE  
LIMITS:** Sales price limits are available on-line at: [www.michigan.gov/mshda](http://www.michigan.gov/mshda)

**INCOME LIMITS:** Income limits apply and are available online at:  
[www.michigan.gov/mshda](http://www.michigan.gov/mshda)

**OCCUPANCY  
REQUIREMENTS:** Borrower(s) must occupy the property within 60 days of closing.

**ASSUMABILITY:** The second mortgage is not assumable. It is due on sale or transfer of the property, or when the property ceases to be the principal residence of the mortgagor, or if the mortgagor repays in full any mortgage loans encumbering the property that are senior to the debt.

**LOAN TERM:** Payment in full is required the earlier of 30 years or the sale or transfer of the property.

**PREPAYMENT  
PROVISION:** Prepayment of the principal amount outstanding in whole only. No partial prepayment is permitted.

**MINIMUM LOAN  
AMOUNT:** No minimum loan amount.

**MAXIMUM LOAN  
AMOUNT:** The maximum down payment assistance loan amount is \$10,000.

**MINIMUM CASH INVESTMENT:**

A minimum cash investment of 1% of the sales price is required from the borrower. For IDA Participants, the participant savings amount will be counted as the minimum cash investment providing it is at least 1% of the sales price.

**HOMEBUYER EDUCATION:**

All homebuyers applying for a MSHDA Mortgage with MSHDA down payment assistance must complete a Homebuyer Education class and receive a “certificate of completion” from the class provider. Approved providers are listed below.

- Fannie Mae Homeview
- Freddie Mac CreditSmart
- eHome America
- Framework
- HUD approved counseling agency

**HOME INSPECTION FEES:**

A maximum of one (1) home inspection fee may be included in the down payment assistance funds provided it is listed on the HUD-1 as a cost to the buyer and either paid at time of closing or listed as a “POC” (paid outside of closing).

**FEES**

No fees can be assessed to the down payment assistance second mortgage except the recording fee. The recording fee for the down payment assistance must be listed on the CD for the first mortgage. There are no other fees associated with the origination and or closing of the down payment assistance.

**COSTS INCLUDED IN DPA:**

The lender may include a maximum of 1% Loan Origination Fee in the amount of the down payment assistance. All other closing costs must comply with the MI Home Loan Closing Cost Guide

*NOTE: The borrower must have a minimum investment of 1% of the sales price.*

**COSTS NOT INCLUDED IN DPA:**

None of the following items can be included in the amount of the down payment assistance funds (see Closing Cost Chart for more info):

- The difference between the sales price and appraised value. When the appraisal is lower than the sales price.
- Real Estate Commission
- Property repairs and/or repair escrows
- Debt
- More than 2 months of private mortgage insurance premiums on a conventional loan or more than 2 months of mortgage insurance premiums on an FHA loan.
- “Junk” fees.

**CASH BACK  
AT CLOSING:**

No cash back at closing is permitted.

**CALCULATING  
AMOUNT OF DPA:**

Down Payment Assistance Calculation Worksheets are provided to aid in the calculation of the maximum dollar amount of DPA.

**ADDITIONAL  
LIENS:**

A HOME funded subordinate lien is permitted to satisfy the HOME requirement in those situations where non-profits and communities provide HUD HOME funds to reduce the purchase price of acquisition rehabilitation and in-fill projects. The subordinated lien must be disclosed at time of loan submission and fulfill the following conditions:

- The maximum amount of the subordinate lien is \$1,000.
- The term of the subordinate lien is five (5) years.
- The subordinate lien cannot require principal or interest payments, except in the case of HOME non-compliance.
- The loan must be in no less than a 3rd lien position.
- Any fees associated with the HOME-funded loan, such as title commitment fees, cannot be charged to the MSHDA mortgage. Such fees must be billed separately to the borrower and/or paid from HOME funds.
- No other mortgage or lien can be placed against the property other than the MSHDA first mortgage, the MSHDA DPA second mortgage and/or the HOME funded \$1,000 loan. Any other reduction in the cost of the home must be in the form of a grant or a gift from a MSHDA approved non-profit housing corporation or local unit of government.

**LOAN DOCUMENTATION REQUIREMENTS:**

**The most current version of all mortgage documents forms must be used.**

**MORTGAGE:** Down Payment Assistance Mortgage: SFH 100C

**NOTE:** Down Payment Assistance Mortgage Note: SFH 101D