

Michigan Credit Union League & Affiliates
Annual Convention and Exposition
Helping Credit Unions Serve, Grow and Remain Strong **#mculace**

**MSHDA's Homeownership Programs
Delivering the Dream to Michigan Families**

June 5, 2014 | 10:30 a.m. – 11:30 a.m.
Nancy Baker
Sponsored by:



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MICHIGAN CREDIT UNION LEAGUE & AFFILIATES
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Investing in People.
Investing in Places.
MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
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**Unite for
Good**
www.uniteforgood.org

 **Michigan State Housing Development Authority**
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Homeownership Division





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Who We Are

- MSHDA is an investor
- We issue Mortgage Credit Certificates
- We administer funds for Homebuyer Education and Foreclosure Prevention Counseling
- We oversee the Step Forward Michigan program to Help Michigan's Hardest Hit homeowners

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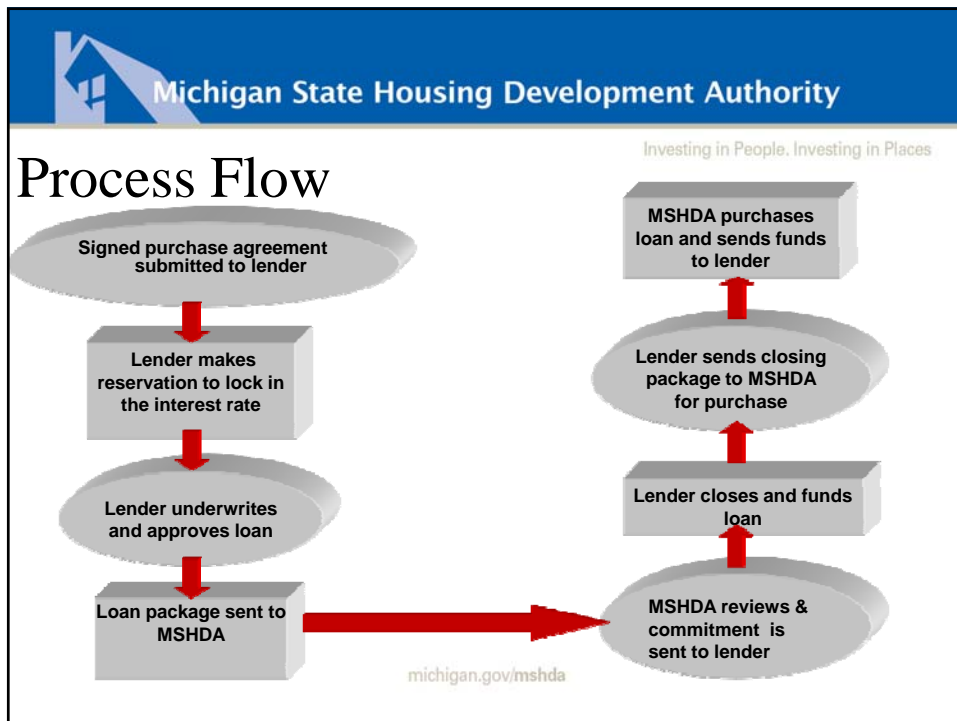
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Statistics - 2013

- Funded over 1,251 home purchases.
- Funded 1,094 down payment assistance loans.
- Issued \$21.7 million worth of Mortgage Credit Certificates
- Responded to 120,049 phone calls for foreclosure prevention assistance
- Provided \$77.2 million in assistance to 42,082 homeowners through the Step Forward Michigan program
- Funded \$15.1 million first-time homebuyer grants and HARP refinance grants.


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The image shows a slide header for the Michigan State Housing Development Authority. It features a blue banner with a white house icon and the text "Michigan State Housing Development Authority" and "Investing in People. Investing in Places". Below the banner is the title "Compliance Requirements" in a large, black, serif font. Underneath the title is a bulleted list of requirements. At the bottom of the slide is the website address "michigan.gov/mshda".


- Prior Homeownership (Targeted/Non-Targeted areas)
- Sales Price Limits
- Income Limits
- Asset Limit for Down Payment Assistance loans

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Interest Rates



30 year fixed	= 4.125%
30 year fixed with Down Payment Assistance	= 4.750%

Rates good for 90 days (existing) and 180 days (new construction)

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Sales Price & Income Requirements

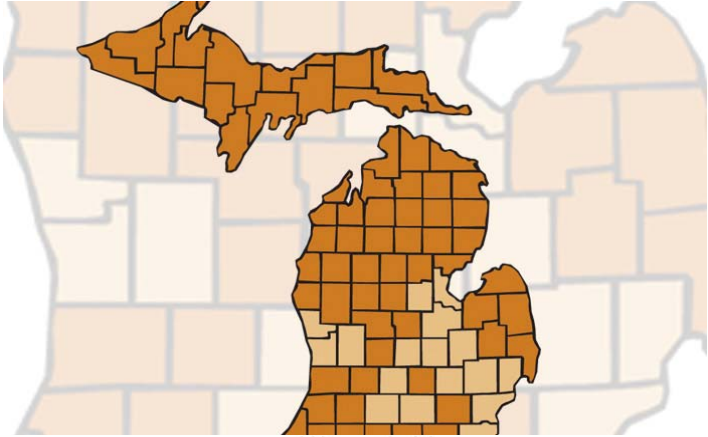
<u>Sales Price</u>	<u>Income Limits</u>
\$224,500 (maximum purchase price - Statewide)	\$60,400 - \$122,360 (maximum combined household income)
	Income requirements vary depending on location & family size

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Targeted vs. Non-Targeted



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Targeted Areas

- Prior homeownership permitted
- Income limits are higher
- 66 of Michigan's 83 counties are targeted

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Non-Targeted Areas

- Must be a first-time homebuyer
- Income limits are lower
- 17 of Michigan's 83 counties are non-targeted

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Buyer Requirements

- Principal residence
- Co-signers/non-occupying co-borrowers not allowed
- All adults in household must apply *(unless full-time student-12 credit hours)*



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Credit Requirements

- FICO: minimum 640 -- 660 for manufactured housing
- Previous foreclosure/deed in lieu or bankruptcy (*lender must follow guidelines per specific loan type*)
- No open collections or judgments
- Alternative Credit (*2 lines minimum required*)

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Seller Contributions

- FHA, VA, RD – maximum allowed by these programs
- Conventional
 - a) 6% if LTV is 76% - 80%
 - b) 9% if LTV is 75% or less

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Eligible Property Types



- **Single-family homes** (*New or Existing*)
 - New, never occupied homes
 - End financing
 - Must be completed prior to loan purchase
- **Manufactured housing** (*New or Existing*)
 - Original site where constructed
 - Built after 6/14/1976
 - Multiple-section
 - Taxed as real estate
 - Permanently affixed to foundation

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Eligible Property Types



- **Condominiums**
 - Approved by Fannie Mae, Freddie Mac or insurer (FHA or VA)
 - FHA: Lender responsible for making sure condo is insurable for both new and existing
 - Conventional: Condo Warranty Certificate signed by underwriter

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Property Requirements

- Full Appraisal: Appraised value must support the purchase price when using MSHDA down payment assistance
- Repair Escrows are permitted for weather related repairs **only** (\$500 minimum or 1 ½ times the bid OR the repair amount on the appraisal)
- Mortgage Survey (New construction, required by title company, or case-by-case basis)

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Maximum Acreage/Lot Size

- Cannot be large enough to construct more than one house or include land that consists of two or more separate buildable lots
- Maximum 2 acres *or*
Minimum lot size established by local zoning
- Exceptions - up to a 5-acre maximum
(additional documentation is required; survey or letter from local municipality)

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FHA

- 96.5% LTV
- Gift allowed for 100% of cash required
- Down Payment Assistance available
- May be used for manufactured housing

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Rural Development

- LTV determined by RD
- Gift allowed for 100% of cash required
- Down Payment Assistance (prepaids, closing costs and guarantee fee)
- RD commitment required
- May be used for **new** manufactured housing

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Conventional 80%

- 80% LTV
- May be used for manufactured housing

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VA

- LTV determined by VA
- Gift allowed for 100% of cash required
- May be used for manufactured housing


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The image shows the Michigan State Housing Development Authority logo on the left, which consists of a stylized house icon. To the right of the logo, the text "Michigan State Housing Development Authority" is written in white on a blue background. Below this, the tagline "Investing in People. Investing in Places" is written in a smaller font.

Description

- Mortgage Backed Security product
- Available to repeat homebuyers
- Less restrictive than Bond product
- Down Payment Assistance available
- Rate floats with the market and can change daily

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Program Comparison

MI First Home	MI Next Home
<ul style="list-style-type: none"> • No open collections • DPA up to \$7500 for qualified buyers • Maximum lot size – 2 acres • All adults in household must apply and credit qualify 	<ul style="list-style-type: none"> • Follow AUS findings • DPA up to 4% of sales price (\$7,500 max) • Maximum lot size – no restrictions • Only one qualified buyer required


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Down Payment Assistance

- \$7,500 maximum
- Appraised value must support sales price
- Down payment, closing costs, prepaid/escrow items (no cash back)
- 0% interest with no monthly payments
- Use with MSHDA/FHA & MSHDA/RD (Not for repairs or principal buy-down)



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Down Payment Assistance

- Borrower cash investment 1% of sales price (may come from approved gift source)
- Cash asset restriction - \$7,500 (includes equity in current home)
- Homebuyer Education required – MSHDA approved counselors only (all adults must be certified)
- DPA loan due on sale, transfer, refinance, or repayment of first MSHDA mortgage

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Mortgage Credit Certificate (MCC)



Attach to Form 1040. See In...


Do not include expenses reimbursed or paid by...
rental expenses (see page A-1)
on Form 1040, line 38 [2]
may 7.5% (.075)
from line 1. If line 3 is more than line 1, ent...

Local (check only one box):
Income taxes, or
General sales taxes }
Estate taxes (see page A-5)
Motor vehicle taxes from line 11 of the worksh...
Skip this line if you checked box 5b
taxes. List type and amount ▶

Interest You Paid
(See page A-6.)
Note.
Personal interest is not deductible.

Gifts to Charity
If you made a gift and not...

10 Add lines 5 through 8.
11 Home mortgage interest and points reported to you on Form 1098.
12 Points not reported to you on Form 1098. See page A-7 for special rules.
13 Qualified mortgage insurance premiums (see page A-7).
14 Investment interest. Attach Form 4952 if required. (See page A-7).
15 Add lines 10 through 14.
16 Gifts by cash or check. If you made any gift of \$25 or more, see page A-8.
17 Other than by check, cash, or money order.



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MCC Description

- Federal income tax credit
- Tax credit is based on the annual mortgage interest paid times the 20% credit issued by MSHDA
- **Available for life of original mortgage**
(as long as home is primary residence)
- Single family, owner occupied principal residences

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MCC Eligibility & Fees

- Sales Price - \$224,500
- Income Limits - \$60,400 to \$122,360
- Targeted and Non-Targeted areas apply
- Fee = 1% of total loan amount – (paid at closing and can be paid with seller concessions)
- Land not to exceed 2 acres (no acreage waiver)
- Use credit after all other credits subtracted
- Unused credit can be carried forward (3 years)
- MCC participating lender

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MCC – Credit Calculation

Total Mortgage Amount x loan Interest Rate = Interest for Year


Annual Interest x MCC Rate (20%) = Tax Credit for the Year

Assuming a mortgage of \$100,000 at 5% interest,
the Tax Credit would be:

\$100,000 mortgage x 5% interest rate = \$5,000 interest paid

\$5,000 x 20% = **\$1,000 first year tax credit**

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MCC Benefits

- Two ways to receive credit:
 - Up to 20% of the mortgage interest credited on federal tax return, (dollar for dollar reduction of borrower's annual tax liability). Remaining mortgage interest (80%) qualifies as itemized deduction.
 - Buyer can file a revised W-4 with employer to receive immediate benefit

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Recapture Tax


Most borrowers will NEVER pay this tax

Tax is limited to 6.25% of original mortgage or 50% of net gain on sale (whichever is less)

ALL of the following must happen:

- 1) Sell the MSHDA purchased home in 9 years
- 2) Earn significantly more income than when the home was purchased
- 3) Gain from the sale

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Recapture Tax Reimbursement Program

Michigan homeowners that are liable for this tax will receive a reimbursement from MSHDA by providing an IRS form 8828, a signed copy of their IRS 1040 form and proof of payment.

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Homeownership Counseling Program





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Homeownership Counseling Program

- Statewide network of [counselors](#) that help increase homeownership opportunities
- Home inspection funds program
- Required for Down Payment Assistance

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Homeownership Counseling Services

- One-on-One Pre-Purchase Individual Counseling
- Financial Management and Budget Counseling
- Pre-Purchase Home Inspection Assistance
- Home Maintenance Training
- Foreclosure Prevention Counseling
- Loss Mitigation Assistance
- Transition, Relocation or Rental Guidance

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A Step Forward when you're a step behind



Helping Michigan's Hardest-Hit Homeowners

866-946-7432
StepForwardMichigan.org
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Step Forward Michigan

- Programs designed to help Michigan residents maintain homeownership during periods of job loss or other involuntary hardships
- Federally funded through the Emergency Economic Stabilization Act
- Michigan received \$498.6 million

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Step Forward Michigan

- On-line application process
<https://www.stepforwardmichigan.org>
- If homeowners do not have internet access, they still may contact the call center @866-946-7432

General eligibility or triage questions will direct the homeowners' application to either the Step Forward operation center or MSHDA's Foreclosure Prevention Counseling network

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Step Forward Michigan

- Home must be located in the State of Michigan and be the homeowners primary residence
- Existing one family, single unit homes, includes condominiums (attached or detached)
- Existing manufactured homes affixed on a permanent foundation and taxed as real estate (single or doublewide)
- No second homes or investment properties
- Multi-Unit properties are not eligible even if owner occupied

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Step Forward Michigan

- Eligible for only one of the four programs
- 0% non-amortizing loan
- Forgivable over a 5 year term @ 20% per year
- If existing 1st mortgage is refinanced, MSHDA will not subordinate our lien
- Servicer may not charge the homeowner any fees to participate in the programs (only 3rd party vendor fees)

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Step Forward Michigan

- **Unemployment Mortgage Subsidy**
Homeowners currently receiving unemployment compensation (up to \$1000/mo. or 50% of PITI up to for a maximum of 12 months).
Maximum benefits \$ 30,000.
- **Loan Rescue**
Homeowners who have fallen behind in their mortgage payments ,
taxes and any accrued escrow shortages due to a one-time,
involuntary crisis (up to \$30,000 per Household)

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Step Forward Michigan

- **Principal Curtailment**
Homeowners who have a decrease in income and severe negative equity and need a principal reduction to reach a sustainable payment up to \$10,000 per household (with a 1:1 Servicer match for \$20,000)
- **Modification Plan**
Helps homeowners who have negative equity and who are struggling with the monthly payment. Funds can be used to pay delinquent amounts or reduce principal. Lender must modify remaining balance to more affordable terms after principal reduction. Maximum Benefit \$30,000.

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Becoming a MSHDA Lender



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Lender Requirements

Eligible lenders must be one of the following:

- State or federally chartered bank
- State or federally chartered credit union
- Licensed or registered under the Michigan Mortgage Lenders and Servicers Licensing Act

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Lender Requirements

Eligible lenders must meet ALL of the following:

- Net worth of at least \$250,000
- Mortgagee Errors & Omissions insurance minimum \$300,000
- Fidelity Bond insurance minimum \$300,000
- Licensed to *service* mortgage loans in Michigan

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Lender Requirements

Eligible lenders must have one or more of the following designations:

- Conventional Loans - FNMA, FHLMC, or Federal Home Loan Bank approved seller/ servicer
- FHA Loans – FHA Direct Endorsement approved mortgage lender
- VA Loans – VA Automatic approved mortgagee
- RD Loans – USDA Rural Development Guaranteed mortgagee

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Why become a MSHDA Lender?


- Below market interest rates
- Down payment assistance to qualify more buyers
- Enhanced CRA performance
- Participating lenders receive free MSHDA marketing materials and a preferred lender listing on MSHDA's website
- Assistance building relationships with local Realtors

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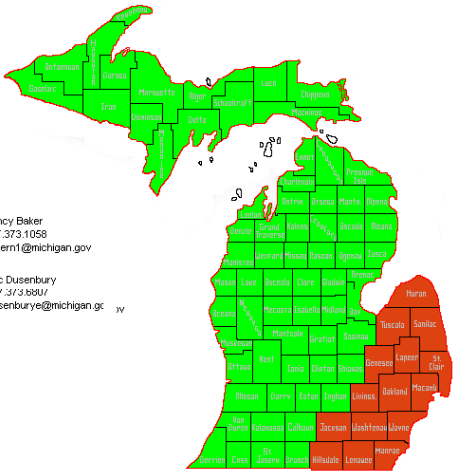
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Questions?

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Business Development Regional Territories



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