

Exciting, Affordable Housing Opportunities in Wyandotte

Neighborhood Stabilization Program 2

Housing Program Background

The Neighborhood Stabilization Program 2 (NSP2) is a federally funded housing grant that was awarded to the City of Wyandotte in 2010. The City received \$8 million to purchase abandoned, vacant and foreclosed homes in Wyandotte. The funds will be used to demolish or rehabilitate these homes, building new homes in place of the demolished ones. These homes will be sold at a mortgage discount to Low and Moderate income households, creating opportunities for affordable living in Wyandotte.

The homes are built with quality materials and have features to make living even more affordable for homeowners. All homes will have geothermal heating and cooling units and energy star appliances.

Approximately **25** new construction homes and **19** rehab homes will be built between the boundaries of Eureka to Northline and 15th Street to the water front.

Who qualifies to purchase a home?

The household must be low or moderate income.

The definition of low income is “a household income at or below 50% of the Area Median Income.”

Moderate income is defined as having “income at or below one 120% of the Area Median Income.”

Income requirements include the total annual income for all people living in the home 18 years of age and older.

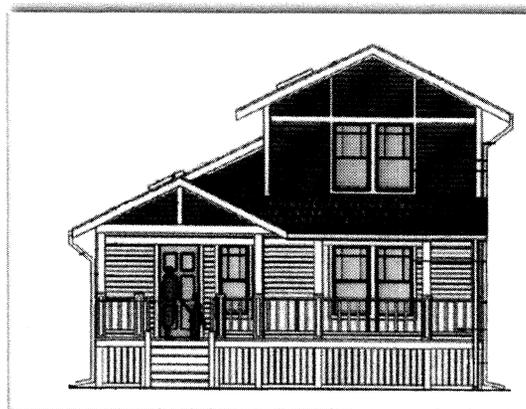
Eligible applicants must also: Have at least a 640 credit score, a debt-to-income ratio no greater than 40%, complete 8 hours of pre-purchase housing counseling, show a reliable source of income and put at least 1% of the sales price toward the down payment from their own savings.

Pricing and Affordability

The sales price of the homes will be determined by the appraised value. From there, the purchaser will receive a 17.5% discount off that value.

The program requires that the sum of the household’s monthly Principal, Interest, Taxes and Insurance payments (PITI) do not exceed 30% of the monthly household income. This ensures that the mortgage stays affordable.

Therefore, the mortgage price may be lowered to maintain affordability in households where the 17.5% discount is not enough to keep the PITI payments below 30% of the gross monthly income.



Above: 2 story home at 257 Walnut
Below: Brick ranch at 2446 8th Street



2012 Area Median Income Limits: Wayne County, Michigan							
Low-Income Limit (50% of the Area Median Income)							
1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$22,900	\$26,150	\$29,400	\$32,650	\$35,300	\$37,900	\$40,500	\$43,100
Moderate-Income Limit (120% of the Area Median Income)							
1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$54,850	\$62,700	\$70,500	\$78,350	\$84,650	\$90,900	\$97,150	\$103,450



Important Items to Note:

The first 25% of NSP2 homes to be completed will be sold to households at or below 50% of the Area Median Income (low income). This includes approximately the first 11 homes in Wyandotte. Once these homes are sold, the remaining homes can be sold to any household at or below 120% of the Area Median Income (moderate income).

Each home will have a dissolvable lien which will last until the homeowner has lived in the home for an amount of time that depends on the subsidy received. Please see the chart below for a breakdown of the secondary lien durations.

All program requirements must be met by the applicant before he/she can make an offer to purchase a home.

The City procured Lighthouse of Oakland County to provide pre-purchase housing counseling. The counselors will screen potential applicants and provide the tools and skills necessary for homeownership. Additionally, they will provide support services to help at-risk families remain stably housed. Classroom and 1-on-1 counseling may include credit education, budgeting concepts, mortgage products, real estate closing process, foreclosure prevention, etc. There is a non-refundable fee for housing counseling which will be deducted from the homebuyer’s down payment at the time of closing.

After Housing Counseling: Purchasing a home

Upon meeting program requirements, retrieving a mortgage pre-approval letter from a lender and receiving the 8 hour housing counseling certificate, each homebuyer will submit a sealed proposal with the price that they can afford to purchase the NSP2 home for. This will act as a lottery entry and will happen each time a home becomes listed on the real estate market.

Each home will have a lottery date which will determine who will purchase the home. The City will select a sealed proposal by drawing randomly. This ensures that the City and all parties involved follow the fair housing opportunity guidelines. Only one proposal per household may be submitted on any prospective property. “Household” includes all persons residing at the current residence or persons living at the current residence during the 12 months prior to filing an application. Any proposal submissions exceeding 1 per household will be disqualified.

If the sealed proposal includes all of the requested information and the homebuyer can meet all requirements to purchase the home within one month, the real estate agent shall prepare the necessary documents to close. If the first selected proposal cannot meet the requirements, then the second entry drawn and so on will be selected until documentation is prepared and all purchase requirements are met. If no proposals are received, then the City’s Real Estate Agent will present offers on a “first come first” served basis.

If this program is not for you, please pass this information along to family members, friends or co-workers who may benefit from this program

For questions about the NSP2 program, please call 734-324-4532. **Applications can be picked up in the Engineering and Building Department at City Hall, 3131 Biddle.**

Homebuyer Assistance	Lien Duration	Amount Forgiven Each Year
Less than \$15,000 per unit	5 years	1/5 of homebuyer assistance amount per year over five years
\$15,000 - \$40,000 per unit	10 years	1/10 of homebuyer assistance amount per year over 10 years
More than \$40,000 per unit	15 years	1/15 of homebuyer assistance amount per year over 15 years
*homebuyer assistance totaling more than \$30,000 will be presented to MSHDA for approval.		



Neighborhood Stabilization Program 2 in Wyandotte:

The City of Wyandotte was awarded a Federal Grant of nearly \$8 million, called the Neighborhood Stabilization Program 2 (NSP2). These grant dollars must be spent to purchase abandoned, vacant and foreclosed properties for demolition or rehabilitation. Additionally, the City will build new homes on vacant lots assembled through the Tax Increment Finance Authority (TIFA). Upon completion, the City will sell the NSP2 homes at a mortgage discount to qualifying low and moderate income households.

Background of the program on a National Level:

The Neighborhood Stabilization Program was established by the American Recovery and Reinvestment Act. Through the Act, nearly \$2 billion NSP2 grants were given to 56 grantees nationwide.

Overview of Program in Michigan and in Wyandotte:

The State of Michigan was awarded nearly \$224 million dollars in NSP2 funds. Of this grant, The City of Wyandotte was awarded a total of \$7,719,839 by the Michigan State Housing Development Authority (MSHDA), the direct grantee of HUD.

Other Michigan cities granted NSP2 funds and their award amounts are as follows:

Battle Creek = \$7,719,839
Benton Harbor= \$13,895,711
Detroit= \$40,799,351
Flint= \$25,089,478
Grand Rapids= \$15,555,476
Hamtramk= \$13,895,711
Highland Park= \$13,895,711
Kalamazoo= \$14,281,703
Lansing= \$17,369,638
Pontiac= \$13,895,711
Saginaw= \$17,369,638

Between October 2010 and February 2013, when the grant expires, Wyandotte plans to complete approximately 25 new constructions and 19 rehabilitation homes in the City.

The NSP2 territory in Wyandotte does not include the entire City. The boundaries are Eureka to Northline; and 15th Street to the water front.

Home ownership: Who qualifies for this Program?

To purchase an NSP2 home, the purchaser must meet the definition of low or moderate income. Income requirements include the total annual income for all people living in the home 18 years of age and older.

The definition of low income is "a household income at or below 50% of the Area Median Income." Moderate income is defined as having "income at or below one 120% of the Area Median Income."

Please see the Wayne County income chart below to determine if you qualify.

2012 Area Median Income Limits: Wayne County, Michigan							
Low-Income Limit (50% of the Area Median Income)							
1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$22,900	\$26,150	\$29,400	\$32,650	\$35,300	\$37,900	\$40,500	\$43,100
Moderate-Income Limit (120% of the Area Median Income)							
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\$54,850	\$62,700	\$70,500	\$78,350	\$84,650	\$90,900	\$97,150	\$103,450

*This chart may change on an annual basis

Upon meeting income requirements, homebuyer should have a credit score of 640 or higher, a debt-to-income ratio of no greater than 40%, the ability to contribute at least 1% of the selling price of the house from their own savings, attend 8 hours of pre-purchase housing counseling and show a reliable source of income.

Discussion of NSP home pricing and mortgage affordability

After completing at least 8 hours of home counseling from a HUD-certified home counseling agency and being prequalified for a mortgage, qualified homebuyers will be eligible to purchase a home at a price which is LESS THAN either the total development costs OR the appraised fair market value. From this price, a 17.5% discount will be given to each homebuyer.

Furthermore, the monthly Principal, Interest, Taxes and Insurance (PITI) payments cannot exceed 30% of the gross monthly household income. This is a program requirement to ensure that the family is able to afford the home. Therefore, if some homebuyers are not able to afford the mortgage price with just the 17.5% off, an additional subsidy may be granted. If more than \$30,000 in mortgage assistance is needed, the applicants file will need to be approved by MSDHA.

Example of homebuyer assistance:

If a family of 4 has a total household income of \$32,000 per year, they are considered low-income. They are income-eligible to purchase an NSP2 home. They have completed 8 hours of home counseling and qualified for a mortgage because they also have good credit and reliable income.

The next step is for the housing counselor to determine the price per month the family can afford to spend on housing payments using 30% of their gross monthly income. Again, the home buyer's PITI cannot exceed 30% of the household monthly income. For this particular low-income family, that means that PITI cannot exceed \$800 per month. Working backwards with **estimated** taxes and insurance at \$291.66 and \$66.66 per month respectively, the housing counselor determines that \$441.68 is the most this family can allocate for principal and interest on a mortgage. On a thirty-year mortgage at 5% they can afford to purchase the home for \$80,000 because the monthly principal and interest payment will be \$429. Monthly PITI will come to \$787.32, which is under their PITI limit of \$800.

The particular home this family is purchasing cost \$205,000 to build and appraised for \$120,000. The listing price was the lower of the two, as per NSP2 requirements. With 17.5% guaranteed off of the

appraisal price, the sales price becomes \$99,000. A mortgage at this price would **not** be affordable for this household; therefore an additional mortgage write down is given to the family. The family can afford to purchase for \$80,000 which will give the family \$40,000 of homebuyer assistance in the form of a mortgage write down.

Upon being approved for such a large subsidy by the Michigan State Housing and Development Authority, the family will have a 15 year no-interest lien on the home in the amount of \$40,000 which will dissolve 1/15 or \$2666.66 per year over the fifteen years that they live in the home. If the family should move out or sell prior to this, a percentage of the lien is due to MSHDA at the time of closing. Please see chart below regarding the duration of the lien associated with different amounts of homebuyer assistance provided.

Homebuyer Assistance	Affordability Period	Amount Forgiven
Less than \$15,000 per unit	5 years	1/5 of homebuyer assistance amount per year over five years
\$15,000 - \$40,000 per unit	10 years	1/10 of homebuyer assistance amount per year over 10 years
More than \$40,000 per unit	15 years	1/15 of homebuyer assistance amount per year over 15 years
*homebuyer assistance totaling more than \$30,000 will be presented to MSHDA for approval.		

Important Items to Note:

Michigan State Housing Development Authority (MSHDA) Regulations

The first 25% of NSP2 homes to be completed will be sold to low-income households. This includes approximately the first 11 homes. Once these homes are sold, the rest of the homes can be sold to any household at or below the moderate-income level.

The NSP2 Program determines the home listing price by subsidizing the difference between the total cost to build the home and the home’s appraisal price, or vice versa by listing the home at whichever amount is lower. The City has a contract with Silverwood Appraisal to determine the appraisal price of the homes.

In addition, the NSP2 Program will offer mortgage buy downs which reduce the sales price of the home to a value which is affordable to the low or moderate income buyer. The current maximum mortgage buy down is thirty thousand dollars (\$30,000). Buy downs exceeding thirty thousand dollars (\$30,000) must be presented to MSHDA for approval.

Each homebuyer will be required to have a minimum credit score of 640 and to complete at least 8 hours of home counseling from a HUD-certified home counseling agency before making an offer on and purchasing a home. Wyandotte has procured Lighthouse of Oakland County to perform these services. The housing counselors will screen potential new homeowners for NSP2 homes and provide the tools and skills necessary to maintain mortgages. In addition, they will provide support services to help at-risk families remain stably housed. Specific classroom and one-on-one counseling may include pre-purchase education, credit education, budgeting concepts, mortgage products, real estate closing process, foreclosure prevention, etc. There is a non-refundable fee for housing counseling which will be deducted from the required down payment and the time of closing.

Upon meeting income requirements, qualifying for a mortgage product and completing the required amount of housing counseling, each homebuyer will submit a proposal with the price that they can afford to purchase the NSP2 home for. This will happen each time a home becomes listed on the real estate market. The City will then select a proposal by drawing randomly. This ensures that the City and all parties involved follow the fair housing opportunity guidelines. Only one proposal per household may be submitted on any prospective property. "Household" includes all persons residing at the current residence or persons living at the current residence during the 12 months prior to filing an application. Any proposal submissions exceeding 1 per household will be disqualified.

The City will randomly select a sealed proposal. If the sealed proposal includes all of the requested information and interested homebuyer can meet all requirements to purchase the home within one month, the real estate agent shall prepare the necessary documents to close. If the first selected proposal cannot meet the requirements then the second sealed proposal and so on will be selected if necessary until documentation is prepared and all purchase requirements are met. If no proposals are received, then the City's Real Estate Agent will present offers as they are received.

To Get Started: Pick up a homebuyer application in the Engineering and Building Department of City Hall. Fill it out and return it back to the Engineering department with supplemental any documentation. If you have additional questions or comments, please contact the City of Wyandotte at:

The Engineering and Building Department

3131 Biddle
Wyandotte, MI 48192
Santina Daly
734-324-4532 | email: sdaly@wyan.org

Real Estate Agency

Downriver Realty Group
1644 Ford Ave.
Wyandotte, MI 48192
Jerry Miller
734-284-8888

Pre-Purchase Housing Counseling Agency contact information:

Lighthouse of Oakland County
4615 Woodward Avenue
Pontiac, MI 48342
David Everett
248-920-6000