


CITY COMMISSION POLICY

GRAND RAPIDS  MICHIGAN	NUMBER: 900-35	HISTORY	
	DATE: December 17, 1996	FILE #	DATE
	FILE NUMBER: 62769	69416	12/18/01
	DEPARTMENT: Community Development		

SUBJECT: HOMEBUYER ASSISTANCE FUND

PURPOSE: To increase homeownership and promote housing choice by providing down payment and closing cost assistance to low- and moderate-income homebuyers for homes purchased in the City of Grand Rapids

POLICY:

The City of Grand Rapids shall carry out this Policy under the following rules:

I. ELIGIBLE HOMEBUYERS

A homebuyer may receive financial assistance for down payment and closing costs to purchase a home if the following conditions are met:

- A. Homebuyer. The applicant(s) shall be at least 18 years of age and not have owned a home within the last three years. The homebuyer shall complete a City-approved homebuyer education counseling course, as applicable to funding sources used for assistance.
- B. Primary Residence. The homebuyer agrees to occupy, as his or her primary residence, the property being purchased.
- C. Income Eligibility. The homebuyer shall be low- or moderate-income, with an annual household income which does not exceed 80% of the area median income, adjusted for family size, as published by the U.S. Department of Housing and Urban Development (HUD). Household assets cannot be more than \$10,000 in excess of the homebuyer's cash contribution toward the purchase of the property.

- D. Homebuyer Contribution. A homebuyer shall make a cash contribution of at least 1% of the purchase price, or the minimum required by the lender, whichever is higher.
- E. City Employees. City employees and their spouses are not eligible to participate in the Homebuyer Assistance Fund.

II. PARTICIPATING SELLERS

Persons selling a home to be assisted through the Homebuyer Assistance Fund shall agree to comply with federal, state, and local requirements as applicable, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

III. ELIGIBLE PROPERTIES

Properties to be purchased are eligible under the following conditions:

- A. Zoning and Location. Properties shall be zoned to permit residential use, including mixed-use structures, and located within the City of Grand Rapids.
- B. Type of Structure. Eligible structures include single-family detached and attached houses, two-family structures, condominiums, and manufactured homes. Structures shall be sited on a permanent foundation, with a permanent utility hook-up.
- C. Occupancy Status. All properties shall either be vacant, occupied by the seller, or occupied by the homebuyer. Two-family structures are eligible as described in the Administrative Guidelines. A tenant shall not be displaced by a sale assisted with homebuyer assistance funds.
- D. Appraised Value/Purchase Price. The appraised value and purchase price of a house shall not exceed HUD established limits.
- E. Trade/Termite Inspections. All properties shall be inspected, with written reports provided to the homebuyer, by a qualified home inspector to include plumbing, electrical, mechanical, and structural components and a termite inspection prior to the closing.
- F. Property Standards. Eligible properties shall meet applicable federal, state, and/or local housing standards and codes at the time of initial occupancy, depending on source of funds used for assistance. Homebuyer assistance shall not be used for repairs or rehabilitation of properties.

IV. FINANCIAL ASSISTANCE

- A. Minimum and Maximum Loan Amount. The homebuyer must need a minimum of \$1,000. The maximum loan may not exceed \$7,500.

- B. Eligible Costs. The Homebuyer Assistance Fund shall be used for down payment, customary and reasonable closing costs, and certain pre-paid costs, as further defined in the Administrative Guidelines.
- C. Permanent Financing. Homebuyer assistance funds shall only be used in conjunction with a conventional or government-insured mortgage loan through an approved lender. Funds shall not be used to assist in the purchase of property through a land contract.
- D. Mortgage and Promissory Note. The homebuyer assistance loan shall be secured by a second mortgage and promissory note, with a loan term of sixty (60) months. The loan shall be forgiven in increments based pro-rata on each complete month the homebuyer has resided in the house, in accordance with recapture provisions established by the City. The loan is subject to said recapture provisions if the homebuyer moves and/or sells the property within five (5) years, or in the event of foreclosure by the lender or other transfer in lieu of foreclosure.
- E. Reservation of Funds/Written Agreement. The City shall reserve and disburse funds to the homebuyer in accordance with established procedures. The Managing Director of Community Services or his/her designee is authorized to enter into a Homebuyer Agreement with the homebuyer on behalf of the City.
- F. Availability of Funding. Funds must be available before a funding reservation may be made.

V. LENDER PARTICIPATION

Lenders who wish to participate in the Homebuyer Assistance Fund shall enter into a Memorandum of Understanding with the City regarding their responsibilities. The Managing Director of Community Services or his/her designee is authorized to enter into a Memorandum of Understanding on behalf of the City.

VI. REGULATIONS

This Policy shall automatically adopt by reference federal, state, or local program rules, regulations, or laws, as applicable.

VII. APPEALS

Applicants or lenders may appeal any administrative interpretation of this policy, or may request a relief variance from the strict application of a provision of this policy. Appeals may be directed to the Managing Director of Community Services, provided the action is consistent with the intent of the program and does not violate applicable federal, state, or local rules, regulations, or laws.

VIII. DELINQUENT ACCOUNTS

Financial assistance recipients who do not comply with the conditions of their mortgage and promissory note shall have their account forwarded to the Delinquency Control Committee.

IX. DEFINITIONS

Definitions of terms used in this Policy shall be found in the Administrative Guidelines.