

CITY OF FLINT DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT FIRST-TIME HOMEBUYERS DOWNPAYMENT AND CLOSING COSTS LOAN PROGRAM

PROGRAM OVERVIEW

The City of Flint invites all eligible lenders, on behalf of interested borrowers, to submit an application for the City's Downpayment and Closing Costs Assistance Loan Program. Funds for this program are made available from the U.S. Department of Housing and Urban Development's HOME Investment Partnerships Program. The funds will be applied specifically toward the downpayment and closing costs for the purchase of a home.

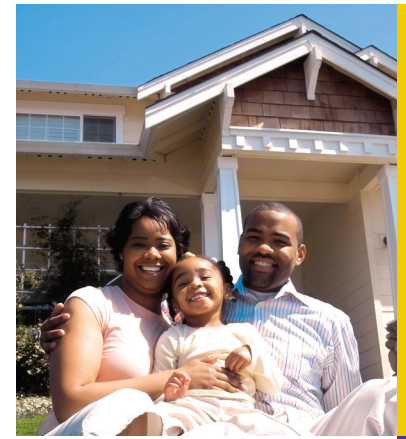
The program loan must be processed simultaneously with a first mortgage through the borrower's lender of choice and recorded as a second mortgage on the property purchased with the loan.

HOME funds up to \$7,500 shall be made available on a first come first serve basis subject to the borrower meeting all of City of Flint's eligibility criteria as set forth below. Lending institutions are required to determine the minimum level of investment that ensures borrower affordability.

ELIGIBILITY CRITERIA

To be eligible, borrowers must meet all of the following:

1. Be a United States citizen
2. In good standing with the City of Flint.
3. Member of a household earning 80 percent or less of the annual median income for the Flint area regardless of race, sex, creed, or religion (FY 06 income limits are included).
4. Must commit to expending one percent toward downpayment of a home using personal financial resources.
5. Have no more than \$5,000 in liquid assets. The value of retirement accounts or pension funds shall not be considered liquid assets.
6. Prior to submittal of an application, have no more than 51 percent or more interest in real property in fee simple or leasehold, where such property is deemed suitable for dwelling purposes.
7. Pre-approved for a mortgage by a qualified financial institution for a single-family residential property, provided the down payment is made available.
8. Mortgage to income ratio must not exceed 33 percent and overall debt ratio must not exceed 41 percent of monthly income.
9. Housing purchased by the borrower must meet minimum state and local housing standards at the time of purchase as evidenced by an appraisal or inspection of the property.



10. Provide income verification for all employed adult members of borrowers household.
11. Provide Certificate of Completion of home ownership counseling from a HUD or MSHDA certified home ownership counseling organization.

BASIC TERMS AND CONDITIONS

1. **Loan Amount:** The maximum loan amount available under the Program shall not exceed seventy five hundred dollars (\$7,500) for homes purchased within the City of Flint boundaries. The actual amount of the downpayment assistance loan shall be the sum of the borrower's closing cost plus the required downpayment as determined by the lending institution less borrower's contribution. The proceeds of the downpayment assistance loan will be disbursed at closing to the lending institution or the designated title company. Lending institutions must determine the minimum level of investment that ensures borrower affordability
2. **Term of Loan:** The term of the loan shall be five (5) years from the date of purchase of the mortgaged property. Borrower agrees to sign a second mortgage and promissory note to secure funds at the time of closing.
3. **Repayment:** The First Time Homebuyers Down Payment and Closing Costs Loan shall be interest free and repayment is not required as long as the mortgaged property remains the principal residence of borrower for the term of loan. If at any time during the period of five (5) years from the date of purchase of the mortgaged property, the property is sold, transferred or the borrower's interest in the mortgaged property is assigned to another person or entity, borrower must repay a pro-rata amount for the remainder of the 5-year term and such funds will be returned to the First Time Homebuyers Downpayment and Closing Costs program income account for reinvestment.
4. **Restrictions:** Owner-Occupancy Requirement: The borrower(s) must physically reside in the purchased residential property for a period of 5 years. The City of Flint will enforce this provision and any violation will cause the entire loan balance to become immediately due as set forth above under the repayment provision.
5. **Refinancing:** Borrowers being assisted by this program must secure approval from the City of Flint at the time of refinancing options. Refinancing will only be considered to lower monthly housing costs or for the purpose of a reduction of interest rate.
6. **No Cash Back Policy:** There must be no cash back to the borrower at closing.
7. **Combined Financial Sources:** Combined financial resources (i.e. gifts, seller incentives or other homebuyer programs) are acceptable, however, such assistance, in addition to the City of Flint's downpayment assistance financing, cannot exceed \$7,500.
8. **Maximum Purchase Limit:** Purchase price for a single family home cannot exceed FHA mortgage limits.



FINANCIAL INSTITUTIONS TERMS AND CONDITIONS

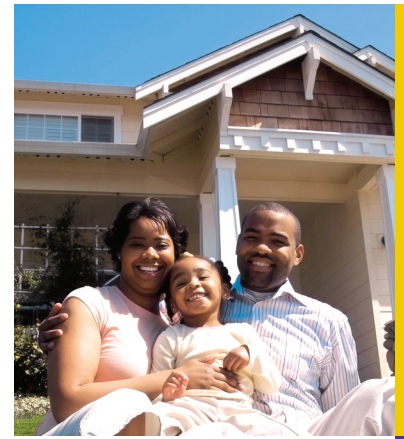
For processing of a downpayment loan application, lenders are required to submit the following information:

1. **Pre-Approval Commitment/Loan Information:** Lending institutions must submit evidence of pre-approval commitment to the City of Flint Department of Community and Economic Development including details on the type of loan pre-approved for borrower.
2. **Application:** Lending institutions must forward borrowers application, along with Truth-in-Lending statement, and include all source documentation pertaining to income eligibility and household composition. Documents are to be forwarded to the Department in a sealed envelope labeled "Downpayment and Closing Cost Assistance Application". A contact person including a telephone number must be included to ensure communication between City staff and the lending institution.
3. **Appraisal and/or HQS Inspection:** A copy of a recent appraisal and/or an HQS inspection (not more than 6 months old) for the subject property must be forwarded to the Department prior to final release of downpayment and closing costs for the closing. The appraisal or inspection must ensure that the property meets all state and local housing codes.
4. **Purchase Agreement:** A copy of a binding purchase agreement (including lead based paint disclosure) signed and accepted between the purchaser and the seller must accompany application.
5. **Invoice/Reservation of Funds:** A reservation commitment showing the name of the borrower, the amount of downpayment requested and the title company which payment should be remitted must be included with borrower(s) application for downpayment and closing costs assistance.

CITY OF FLINT'S APPROVAL PROCESS

For processing of a downpayment loan application, the approval process is as follows:

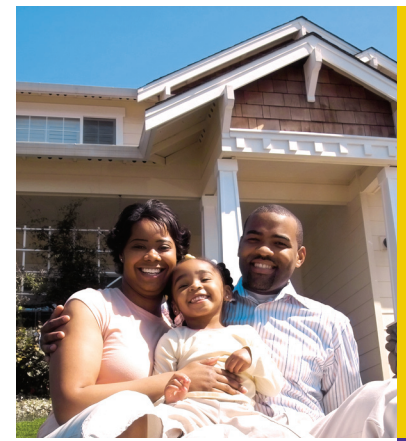
1. Upon receipt of all required information, the City will assess eligibility criteria for borrower and lender to ensure that both are in compliance with terms and conditions set forth for the program.
2. Upon completion of eligibility assessment, the Department will forward reservation form for approval and processing.
3. The City of Flint's Finance Department will issue a two-party check to the designated title company and the borrower in order for a closing date to be established within 3 to 7 days after issuance of the check.
4. The Department will be responsible for ensuring that all properties are assessed for environmental review compliance consistent with HUD's environmental review process and National Environmental Protection Agency requirements.
5. The Department will complete project set-up and close out information for HUD compliance requirements.



TITLE COMPANY TERMS AND CONDITIONS

For processing of a downpayment loan application, the lender agrees to the following:

1. Lender agrees that title company will obtain borrowers signature on City of Flint HOME Mortgage and City of Flint's Promissory Note.
2. Lender agrees that title company will have sole responsibility for recording documents with the Genesee County Register of Deeds immediately after closing.
3. Lender agrees that title company will forward a complete set of closing documents, including settlement statement, to the Department immediately after closing.



ATTACHMENT

Income Limits

City Of Flint 2006 Median Income								
Adjusted Income Limits (by household size)								
Person(s)	1	2	3	4	5	6	7	8
30% of Median	12,150	13,900	15,600	17,350	18,750	20,150	21,500	22,900
Very Low Income (50% Limits)	20,250	23,100	26,000	28,900	31,200	33,500	35,850	38,150
Low Income (80%)	32,400	37,000	41,650	46,250	49,950	53,650	57,350	61,050

Key Definitions

Annual Income - The gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.

First Time Homebuyer - An individual who meets any one of the following criteria:

- An individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. The individual can be either spouse to be considered first-time homebuyers.
- A single parent who has only owned with a former spouse while married. An individual who is a displaced homemaker and has only owned with a spouse. An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
- An individual who has only owned a property that was not in compliance with State, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure

Good Standing - A borrower that remains current and not in default on any obligations related to taxes, fines, penalties, water service, licenses or other forms of penalties.

Single family housing – A one to four family residence, condominium unit, cooperative unit, combination of manufacturing housing and lot or manufactured housing lot.

These guidelines outline the program requirements and are not meant to be all-inclusive. All applicable federal regulations contained in 24 CFR 92 govern this program. For a copy of these regulations, please go to www.hud.gov.

The City of Flint reserves the right to reject applications and lenders that do not comply with its policies and procedures.