

Michigan State Housing Development Authority
Investing in People. Investing in Places



Helping Hardest-Hit Homeowners

Homeownership Division
July 2010

Michigan State Housing Development Authority
Investing in People. Investing in Places

Background

February 19, 2010, President Obama announced the HFA Hardest-Hit fund, designed to assist families "hardest-hit" by the housing crisis. Michigan is one of ten states chosen to participate in the program and is eligible to receive \$154.5 million.

michigan.gov/mshda

Michigan State Housing Development Authority
Investing in People. Investing in Places

Background

- Programs must promote the purposes of the Emergency Economic Stabilization Act (EESA)
 - protects home values
 - preserves homeownership
 - promotes jobs and economic growth
- MSHDA staff initiated a planning process that included its homeownership counselors, MCUL, MAR, MBA, MACB and local, regional and national loan servicers.


michigan.gov/mshda

 Michigan State Housing Development Authority
Investing in People. Investing in Places

Targeted Homeowners

- Homeowners currently receiving unemployment compensation.
- Homeowners who have fallen behind in their mortgage payments or taxes due to a one-time, involuntary crisis such as a temporary layoff or medical emergency.
- Homeowners who can no longer afford their mortgage payments due to lower income.
- Homeowners that owe more on their mortgage than their home is currently worth.


michigan.gov/mshda

 Michigan State Housing Development Authority
Investing in People. Investing in Places

General Eligibility Requirements

- No Income limits
- Borrower must occupy property as primary residence and be obligated on the original mortgage note.
- Cash reserves cannot exceed 3 months PITI.

michigan.gov/mshda

 Michigan State Housing Development Authority
Investing in People. Investing in Places

General Eligibility Requirements

- Mortgage loans with unpaid principal balances equal to or less than \$729,250.
- Must be approved and meet all terms of their Servicer's requirements for loan modification, if applicable.
- Generally ratios should not exceed 31%/55% after approved modification

michigan.gov/mshda

 Michigan State Housing Development Authority
Investing in People. Investing in Places

Eligible Properties

- Located in the State of Michigan
- Existing single-family homes or condominiums (attached or detached)
- Existing manufactured homes on foundations permanently affixed to real estate
- Owner-occupied, primary residence; no second homes or investment properties

michigan.gov/mshda

 Michigan State Housing Development Authority
Investing in People. Investing in Places

Award Parameters

- A secured subordinate mortgage and note
- 0% non-amortizing loan
- Forgivable over a 5 year term at 20% per year
- Due on sale or transfer, payoff of existing mortgage, or when the property is no longer the borrowers primary residence

michigan.gov/mshda


 Michigan State Housing Development Authority
Investing in People. Investing in Places

Helping Hardest Hit Homeowners Program Options

- Unemployment Mortgage Subsidy Program
- Loan Rescue Program
- Principal Curtailment Program

HOMEOWNER IS ELIGIBLE FOR ONLY ONE OPTION


michigan.gov/mshda

 Michigan State Housing Development Authority
Investing in People. Investing in Places

Unemployment Mortgage Subsidy

- Borrower must be receiving Michigan unemployment benefits.
- Maximum subsidy is lesser of \$750/month or 50% of the required PITI.
- Maximum benefit per household is \$9,000.


michigan.gov/mshda

 Michigan State Housing Development Authority
Investing in People. Investing in Places

Unemployment Mortgage Subsidy

- Subsidy payment provided for up to 12 months.
- Once borrower returns to work, assistance provided for an additional two months, not to exceed 12 month maximum.
- If delinquent, Servicer must approve an acceptable repayment plan to bring loan current within a reasonable period of time.

michigan.gov/mshda

 Michigan State Housing Development Authority
Investing in People. Investing in Places

Unemployment Mortgage Subsidy

Joe's monthly unemployment income	\$1,594
Sally's monthly income	<u>\$2,917</u>
Total	\$4,511
30 yr, 8% first mortgage, PITI pmt (w/ escrows at \$500 per month)	\$2,000
2nd mortgage payment	<u>\$500</u>
Total housing expense	\$2,500
Current total housing ratio	55%

michigan.gov/mshda

Michigan State Housing Development Authority
Investing in People. Investing in Places

Unemployment Mortgage Subsidy

Lender/Service modifies the Davis's loan:

40 yr, 5% first mortgage, PITI pmt (w/ escrows at \$500 per month)	\$1,436
2 nd mortgage payment	<u>\$500</u>
Total	\$1,936

MSHDA provides:

- Monthly subsidy of \$718 (50% of the PITI payment)

The Davis's pay:

- \$718 on the 1st mortgage plus their 2nd mortgage payment of \$500

Overall, they receive total relief of \$1,282 per month

michigan.gov/mshda

Michigan State Housing Development Authority
Investing in People. Investing in Places

Loan Rescue Program

- Homeowners must document a one-time, involuntary crisis that resulted in mortgage delinquency.
- If the homeowner can now sustain homeownership, up to \$5,000 in assistance can be used to catch up on delinquent payments or escrow shortages.

michigan.gov/mshda

Michigan State Housing Development Authority
Investing in People. Investing in Places

Loan Rescue Scenario

Mary's monthly income	\$2,917
Monthly PITI payment	\$904
Current housing ratio	31%
Delinquent PITI payments and escrow shortage of \$500	\$3,212


A Loan Rescue request is processed and MSHDA remits funds directly to Mary's Lender/Service (excluding late fees) to get her back on track.

michigan.gov/mshda

Michigan State Housing Development Authority

Investing in People. Investing in Places

Questions?



Helping Hardest-Hit Homeowners

michigan.gov/mshda
