CITY OF WARREN
DIRECT HOMEBUYER ASSISTANCE PROGRAM
POLICIES AND PROCEDURES
FOR SALE OF CITY-OWNED PROPERTIES

PROGRAM DESCRIPTION

The City has allocated HOME Investment Partnerships (HOME) funds to provide direct homebuyer assistance (also known as down payment assistance (DPA)) to low- to moderate-income homebuyers purchasing City-owned properties in the City of Warren. To receive the City's assistance, the homebuyer and the financial institution providing the primary mortgage financing for the purchase must meet eligibility criteria established by the City's Community Development Block Grant Technical Committee (The Committee). The City will provide half of the required down payment (typically dependent upon loan type) and up to $3,500 in closing costs (which includes prepaid taxes and interest) for a total not to exceed $25,000 per eligible household based on need. The City's assistance is provided as a forgivable loan secured by second mortgage on the residence purchased. Payments on the loan are deferred and the loan will be entirely forgiven at the end of the affordability period: five (5) years after the date of loan closing. Total repayment of the loan will be due if any of the following events occur during the affordability period:

- the property is sold,
- the homebuyer doesn't use the property as a principal residence,
- the homebuyer fails to maintain the property in a reasonable condition,
- the homebuyer fails to pay the property taxes when due,
- the homebuyer fails to make payments when due on other loans secured by the property,
- the homebuyer fails to keep the property insured against loss.

If it is necessary to repay the DPA loan during the affordability period, the loan funds recaptured will be returned to the City's HOME Fund, a revolving fund that will be used to finance future HOME-eligible activities. If the sale of the residence will not generate sufficient funds to repay both the DPA loan and the homebuyer's investment in the property, The Committee may, upon appeal from the homebuyer, reduce the amount of the loan to be repaid based upon the time the buyer owned and occupied the property. Decisions of The Committee to accept less than full repayment of the loan or recapture amount will be made on a case-by-case basis. Upon recapture of the loan funds, the affordability period will end, allowing the owner to sell the residence without restriction.

The homebuyer must provide at least one half of the minimum down payment plus all additional closing costs in excess of $3,500. The homebuyer will be required to provide a deposit of one half of the down payment upon execution of a purchase agreement.

ADMINISTRATION

The City's Community Development staff is responsible for the administration of the DPA Program, and the Mayor and City Council have designated The Committee to provide oversight and technical advice regarding administration of the Program. The Committee has been authorized to adopt policies and

procedures to govern the administration of the DPA Program to ensure compliance with Federal rules and regulations and the uniform treatment of all applicants and participants.

NONDISCRIMINATION

The City requests information from applicants and participants that is needed to satisfy federal reporting requirements. Such information shall not be used to discriminate against any applicant or participant because of race, religion, color, sex, national origin, marital status, age, handicap/disability, familial status, height, or weight.

ELIGIBILITY REQUIREMENTS

Household Requirements

All adult household members must complete a Housing and Urban Development (HUD)- and City-approved homebuyer education course. All counseling will be offered free of charge.

DPA loan recipients must be members of income eligible households and not currently own a home. They must also be capable to obtaining mortgage financing adequate to purchase the home. Non-occupant, co-borrowers/co-signers will not be permitted. In addition, the household may not have more than $15,000 in any combination of gift money, and/or other DPA grants/loans at the time of the home purchase.

For the purposes of this program, income eligible households will be considered households whose annual gross household income is at or below 80 percent of the median area income adjusted for household size as determined by the Department of Housing and Urban Development (HUD). Listed below is a schedule of income limits:

Annual gross household income for this program is defined as the gross amount of income all adult household members can anticipate receiving during the twelve (12) months following the effective date of determination. The wages of full time students will not be counted if they are listed on the most recent Federal income tax return as a dependent of the household and provided the student will not be listed on the deed as an owner. Verification of household income will be good for a period of six (6) months.
Sources of income that will be included when projecting the annual household income are summarized below:

1. Earned Income (gross i.e. prior to payroll deductions) for all household members age 18 or older including wages, salary, overtime, commissions, fees, tips, and bonuses.
2. Net income from the operation of a business or profession (deductions are not allowed for business expansion or amortization of capital). An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be counted as income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the household (equivalent to the amount reported on the loan application).
3. Income from assets including interest, dividends, or other net income of any kind from real or personal property. When household assets are less than or equal to $5,000, actual income from the assets will be included as income. When household assets are more than $5,000, the greater of the following will be counted as income:
    a. the actual income from the assets, or

b. a percentage value of such assets based on the current passbook savings rate, as determined by HUD.

4. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining income. An allowance for depreciation is permitted only as authorized above. Any withdrawal of cash or assets from an investment will be included as income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family.
5. The full amount of periodic payments from Social Security, annuities, insurance policies, retirement funds, pensions, disability benefits, and death benefits, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except for deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts).
6. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay.
7. Welfare assistance payments (more fully explained at 24 CFR 5.609(a)(6)).
8. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
9. Regular or special armed forces pay.
10. Lottery winnings in periodic payments.

Sources of income that will not be included in calculating the annual household income are as follows:

1. Wages of children under the age of 18.
2. Payments for child or adult foster care.
3. Lump sum additions to household assets such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses.
4. Reimbursement of the cost of medical expenses.
5. Income of a live-in aide (as defined by HUD).
6. Student financial assistance paid directly to the student or to the educational institution.
7. Special pay to a household member serving in the Armed Forces who is exposed to hostile fire.
8. Amounts received under training programs funded by HUD (see 24 CFR 5.609(c)(8)).
9. Temporary, nonrecurring or sporadic income, including gifts.
10. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
11. Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household and spouse/co-head). Provided the full time students is listed on the most recent Federal income tax return as a dependent of the household and provided the student will not be listed on the deed as an owner
12. Adoption assistance payments in excess of $480 per adopted child.
13. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
14. State property tax refunds or rebates.
15. Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.

At a minimum, the following information will be used to verify income; however, the City may require additional information in order to document that the household meets the income requirements for this program:

1 Paycheck stubs for the sixty (60) day period prior to application for a DPA loan must be provided for all household members 18 years or older earning wages or salaries.

2. The previous year's completed federal and state tax returns (including W-2 forms, Michigan Homestead Property Tax Credit forms, if applicable, and all other schedules) must be provided for all household members.

3. All sources of periodic income must be verified in writing.

For the purpose of this program, applicants currently must not own a home. One or more of the following will be required to document applicant currently does not own a home:

A. If applicant is renting, please provide a copy of the lease or a letter from the landlord which states:
    1. Address of property
    2. Dates rented to potential homebuyer
    3. Landlord's name, address and telephone number
B. Rent receipts for the last year.
C. The previous year Michigan Homestead Property Tax Credit form
D. If potential homebuyer(s) resides with parents, a verification letter from parents must be provided along with a copy of a utility bill in parents name and address.

CITIZENSHIP REQUIREMENTS

All members of the household must also be U.S. citizens or non-citizens who have eligible immigration status. In order to verify compliance with this requirement, the City will require at least one of the following for all household members; however, the City will require that the applicant provide any and all documentation necessary to adequately verify compliance with this requirement:

- Birth certificate
- Social security card
- Naturalization papers
- Qualified alien papers

Mortgage Product Requirements

The City of Warren DPA Program requires that the household obtain a mortgage from a company. The mortgage product selected by the household must meet all of the following criteria:

- Only fully amortizing, fixed rate 30-year mortgages will be acceptable. "Interest-only", "Balloon Payment" or "Adjustable Rate" (ARM) mortgages will not be allowed. Reduced term may be permitted on a case by case basis.
- "No-doc" or "Stated Income" loans will not be allowed.
- The interest rate for the senior loan and associated loan costs must be within 100 basis points of the current national average fixed rate as published weekly by Freddie Mac (www.freddiemac.com).
- Only competitive and reasonable closing costs as shown on the chart attached as Appendix A will be allowed.
- Housing debt to income ratio cannot exceed 30%.
- Total debt to income ratio cannot exceed 45%.
- Property taxes and homeowner's insurance must be escrowed with the monthly mortgage payment.

DETERMINATION OF ASSISTANCE AMOUNT

The maximum amount of assistance is $25,000 and will be determined on an **as needed basis** using the following methodology:

Sales Price – cost of home
Loan Amount – amount of loan after minimum down payment is applied
Interest Rate – cost to borrow
Term – number of payments for duration of loan
Taxes – annual local property taxes
Insurance – annual homeowner's insurance

Annual Income = gross household income
Mortgage affordability monthly = (gross household income * 30%)/12
PITI (principal, interest, taxes, & insurance) = monthly mortgage payment
Mortgage payment must be less than the mortgage affordability to purchase this property.

Example A: Buyer can afford mortgage; assistance is equal to half of down payment plus eligible closing costs.

Sales Price – $200,000
Down Payment 3.5% ($7,000); ½ of down payment =$3,500
Loan Amount – $193,000 (assuming 3.5% required down payment or $7,000)
Interest Rate – assume 6.80%
Term – 360 (30 years)
Taxes – assume $4,800/year
Insurance – assume $900/year
Mortgage Payment PITI = $1,733.22

Annual Income **= $75,750**
Mortgage affordability (75,750*.30)/12**=$1,893.75/month**
If total household income is $75,750/year, then 30% of total household income is $22,725/12 or $1,893.75/month (mortgage affordability).

In Example A, this household could afford a loan amount of $193,000 with a monthly PITI (principal, interest, taxes, and insurance) of $1,733.22. Based on the mortgage affordability, this household could afford the monthly payment. In this example the assistance amount would be $3,500 plus up to $3,500 in closing costs for a total of not to exceed $7,000.

Example B: Buy down mortgage to make it affordable for buyer; assistance is equal to homebuyer subsidy plus eligible closing costs

Sales Price – $200,000
Maximum Loan Amount – $193,000 (assuming 3.5% required down payment or $7,000)
Interest Rate – assume 6.80%
Term – 360 (30 years)
Taxes – assume $4,800/year
Insurance – assume $900/year

Mortgage Payment PITI = $1,733.22

Annual Income = **$65,000**
Mortgage affordability (65,000*.30)/12=**$1,625/month**
If total household income is $65,000/year, then 30% of total household income is $19,500/12 or $1,562.50/month (mortgage affordability)

In Example B, this household could afford a loan amount of $166,813.62 with a monthly PITI of $1,625. The difference between what this household could afford and maximum loan amount above is $16,599.39 (193,000 – 176,400.61). This homebuyer subsidy amount is needed to make this home affordable. In this example the assistance amount would be $16,599 plus up to $3,500 in closing costs for a total not to exceed $20,099.

Please Note: The buyer must have available cash to close to cover the balance of the excess closing costs in addition to half of the down payment.

FINANCIAL INSTITUTION ELIGIBILITY

Financial institutions must submit a participation statement to the City in order to participate in the DPA Program. A copy of this statement is attached as Appendix B. Financial institutions requesting to participate in the program must agree to share with the City the information used to document the loan applicant's eligibility. They must also agree to provide the City with a copy of the buyer's loan application and good faith estimate, upon request.

APPLICATION PROCESSING

Individuals interested in applying for the City's DPA Program must complete an Expression of Interest Form (Appendix C) and provide a pre-approval letter from a financial institution then submit both items to the City via email at home@cityofwarren.org . The pre-approval letter must be conditioned ONLY upon receiving a satisfactory appraisal and title work and, if necessary, the re-verification of the buyer's income prior to closing. City Staff will contact the applicant and schedule a meeting either in person or via zoom. At this meeting, the program will be explained in detail and the City will conduct an initial assessment of the household's income and eligibility for the program. All proposed title-holders must complete a HUD-approved homebuyer counseling course, as well as a pre-closing consultation with a housing counselor. Michigan State University Extension – Macomb Office (MSUE) may offer this service free of charge to buyers via one-on-one, virtual, and/or self-paced online classes. The telephone number is (586) 469-7614. While the household is satisfying the counseling requirements, the City will document whether or not the household will be eligible for the program. Following the documentation of eligibility, the City will present the application to The Committee who will forward the request to the City Council for authorization to sell the City-owned property to the eligible household. Once approved by Council Resolution, the buyers will execute a purchase agreement and forward it to the financial institution for processing.

ELIGIBLE PROPERTIES

See below for the applicable property currently owned by the City of Warren. It is a newly constructed home, and it is listed for sale on the City's website at https://www.cityofwarren.org/government/c-e-d-development/homes-for-sale/.

New Construction Homes Available

22708 Mac Arthur, Warren, MI 48089
22728 Mac Arthur, Warren, MI 48089

REAL ESTATE CLOSING

The City will schedule the real estate closing and the DPA loan closing for the same day and time. The City would prefer to host all closings at City Hall. Should City Hall be closed for any reason, other suitable arrangements may be considered. The City would prefer a single title company to perform the closing. The direct homebuyer assistance funds provided by the City from the proceeds of the sale will be used as follows:

1. To pay reasonable closing costs including, but not limited to, fees for the appraisal, survey, title insurance, recording fees, and credit report,
2. To pay the property tax escrow and the initial PMI (private mortgage insurance) premium.
3. Any remaining funds shall either be added to the down payment or applied to the principal.

A completed Closing Statement must be faxed to the City of Warren at (586) 574-4685 as soon as possible for review prior to closing. The City will verify that the required buyer's funds and the recording fee for the City's second mortgage ($30.00) appear on the Closing Statement. The City will be attending the closing as the seller and to execute the City of Warren DPA loan agreement, mortgage and note.

ANNUAL RECERTIFICATION

The City will send an annual notice to each DPA recipient household for until the end of the affordability period following the property closing. The homeowner must sign the notice certifying that they are in compliance with all of the requirements of the DPA Program and return it to the City each year. Households who do not cooperate with the annual recertification process may be found in violation of the program requirements and the down payment assistance loan and may not be forgiven.

REFINANCING – SUBORDINATION OF DPA LOANS

If the homeowner decides to refinance within the affordability period, they may either pay off the DPA Loan or request that the City take a subordinate position with the lien remaining on the property. A determination will be made by The Committee at the time of the request.

The City will consider subordinations when the homeowner is refinancing existing debt from their mortgage for rate and/or term improvements. This includes rolling in reasonable closing costs and re-establishing an escrow account. A subordination will only be allowed if **all** of the following criteria are met:

1. A minimum of two years must have expired since the assistance was received.
2. The homeowner has not received a subordination from the City in the past.
3. Only fully amortizing, fixed rate mortgages will be acceptable.
4. "No-doc" or "Stated Income" loans will not be accepted.
5. The interest rate for the senior loan and associated loan costs must be within 100 basis points of the current national average fixed rate as published weekly by Freddie Mac. (www.freddiemac.com)
6. Only competitive and reasonable closing costs as approved by the City will be allowed.
7. An escrow account must be established for property taxes and insurance.

The City will not consider the subordination of a lien where new debt is being incurred unless **all** of the following criteria are met:

1. No cash out.
2. A minimum of two years must have expired since the assistance was received from the City.
3. The homeowner has not received a subordination from the City in the past.
4. Only fully amortizing, fixed rate mortgages will be acceptable.
5. "No-doc" or "Stated Income" loans will not be accepted.
6. The interest rate for the senior loan and associated loan costs must be within 100 basis points of the current national average 30-year fixed rate as published weekly by Freddie Mac. (www.freddiemac.com)
7. Only competitive and reasonable closing costs as approved by the City will be allowed.
8. An escrow account must be established for property taxes and insurance.
9. The total amount of all liens against the property, including the City's lien, cannot exceed 95% of the value of the property. The value of the property will be based on a current appraisal or 2 X SEV in lieu of an appraisal.
10. The lender must disburse the proceeds of the senior loan for the approved purposes. The approved purposes are as follows:
    - Medical bills
    - Balloon loan that comes due
    - Property taxes
    - Paying off unsecured debt
11. The City must receive satisfactory, detailed documentation of how the loan funds will be disbursed prior to Committee approval.

DISCHARGE OF LIENS SECURING DPA LOANS

The City will discharge the lien securing the DPA Loan at the end of the affordability period, provided the homebuyer is in compliance with the program requirements.

Appendix A
City of Warren Closing Costs and Other Fee Schedules

Description of Cost	Max Amount	Explanation or Exception
Application/Commitment Fee – (Lock-in Fee)	Not allowed	
Appraisal Fee	Actual	
AUS Automated Underwriting Fee	Actual cost if allowed	AUS System that is not the lender's own system, lender can collect one AUS fee. May not be allowed on FHA and VA loans
Broker Administration, Processing, Transaction Fee, etc.	Not allowed	Fees charged by a real estate broker
Buyer-Broker Fees (Real Estate)	Actual cost if allowed	Real estate broker must be exclusive agent of the buyer. Prohibited if there is any financial interest between the broker and the lender. May not be allowed on FHA and VA loans
Closing Fee	Actual cost	Allowable provided loan is closed by a 3rd party
Commission	Not allowed	Real estate commission
Courier Fees	Actual cost if allowed	May not be allowed on FHA and VA loans
Credit Report Fees	Actual cost	Costs exceeding $75.00 should be explained and justified.
Documentation Preparation	Not allowed	Only permitted if documents are prepared by a 3rd party. Lender may not charge.
Document Stamp on Deed	Actual cost	May be charged to either buyer or seller
Express Mail/Special Delivery	Actual cost if allowed	May not be allowed on FHA and VA loans
Finders Fees & Kickback Payments	Not allowed	
Flood Plain Determination Insurance	Actual cost	Reasonable & customary fee for the initial determination of flood zone.
Flood Certification	Actual cost	Fee for determining the continuing determination flood zone status for the life of the mortgage may be charged to the buyer.
Home Inspection Fee	Actual cost	The lower of $400 or the actual cost may be included as closing costs in calculation of the mortgage amount. (Not allowed as part of the buyer's required $1,000 contribution for a DPA loan).
Homeowners Insurance	Not allowed	Must be paid out of pocket by the buyer and not allowed as part of the buyer's required $1,000 contribution for a DPA loan
Discount, Lock-in, or Commitment Fee	Actual cost	If charged, must be in writing & must guarantee the rate and/or discount points for a period of not less than 15 days before the anticipated closing date.
Notary Fee	Actual cost	Provided services are performed by a 3rd party
Origination Fee	Allowed	Up to 1% of base mortgage amount (if higher, additional origination charges must be itemized)
Pest Inspection	Actual cost	
Processing Fee	Not allowed	Not allowed when charged by the lender or real estate broker
Recording Fee	Actual Costs	
Recording Fee - Assignment	Not allowed	Not allowed on the assignment of the mortgage to the investor (FHA & VA loans only)
Tax Certificate	Not allowed	
Tax Service Fee (Real Estate)	Not allowed	
Title Policy/Owner	Actual cost	Mortgage premium only
Transfer Tax	Actual charge	
Underwriting Fee	Allowed	Maximum $500
Verifications	Actual cost	Only if charged by a 3rd party - a maximum of $30
Wire Fee	Actual Cost	

Appendix B

City of Warren
Direct Homebuyer Assistance Program
Down Payment Assistance Program
Financial Institution Participation Statement

Institution name: _____

Local Address: _____

Official Address: _____

_____

Phone: _____

Name of Authorized Representative: _____

I agree to obtain authorization from the loan applicant and share with the City of Warren the information used to document the loan applicant's eligibility. I agree to provide the City with a copy of the loan applicant's loan application and good faith estimate. I have read and understand the enclosed City of Warren HOME Direct Homebuyer Assistance Program Policies and Procedures for Sale of City-Owned Properties.

I understand that the City will only accept a pre-approval conditioned upon receiving a satisfactory appraisal and title work and, if necessary, the re-verification of the buyer's income prior to closing.

I certify that the above address is the official company address which may be used in reference on the City of Warren's DPA Mortgage and Note.

_____ _____
Signature of Authorized Representative Date

Appendix C

CITY OF WARREN
DIRECT HOMEBUYER ASSISTANCE PROGRAM
EXPRESSION OF INTEREST

Head of Household's Name: _____

Property Address of Interest: _____

Home Address: _____

Home Phone: _____ Cell Phone: _____

Email Address: _____

How many people will be living in this house (including head of household)? _____

What is your total household income (include income of everyone over 18)? _____

Does any member of your household currently own a home? _____

Have you been approved for mortgage? _____If yes, which company? _____

Name of Mortgage Loan Officer: _____ Phone No. _____

Email Address: _____

Please attach a copy of your pre-approval letter.

By signing below, you certify that you have read the "City of Warren's Policies and Procedures for Sale of City-Owned Properties" packet. If you have any questions, you can contact the Community Development Program at 586-574-4686 or by email at home@cityofwarren.org .

Signature of Head of Household: _____

Date: _____

Please return completed form to: Community Development
Email: tbabinski@cityofwarren.org
Phone: 586-574-4686
Fax: 586-574-4685

Appendix D

Income Limits
Prepared by HUD June 2026

Household Size	Maximum Household Income
1	$58,700
2	$67,100
3	$75,500
4	$83,850
5	$90,600
6	$97,300
7	$104,000
8	$110,700