

COMMUNITY DEVELOPMENT DEPARTMENT

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LINDA S. LIKELY
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Kent County Neighborhood Stabilization Program (NSP1) Summary

Under the Neighborhood Stabilization Program (NSP), Kent County received federal funds through the Housing and Economic Recovery Act of 2008 to address vacant foreclosed houses in several target areas in Wyoming, Kentwood, Grandville, Gaines Township, and Plainfield Township. The NSP funds are part of the overall funding Kent County receives from the U.S. Department of Housing and Urban Development (HUD). The “Annual Action Plan Neighborhood Stabilization Program Substantial Amendment” posted at http://www.accesskent.com/pdfs/NSP_AnnualActionPlan.pdf outlines the plan for use of the \$3.9 million in NSP1 funds.

Target Areas

The target areas were based on several factors as required by HUD including:

- Estimated Foreclosed Abandonment Risk Scores (FARS) - areas with current existence of foreclosed properties and properties at risk of foreclosure,
- Predicted 18 month Underlying Foreclosure Rates – areas with a predicted trend of increased foreclosure,
- Total Foreclosure as a Percent of Total Parcels –highest percent of foreclosures relative to number of parcels in that area.

Areas where all three of these factors overlapped were selected as the target areas for NSP activities.

NSP Activities

Kent County Community Development selected the following eligible activities for NSP1:

- Purchase and rehabilitation of foreclosed homes for resale to households earning at or below 120% of area median income (\$2,781,516, of which \$258,681 is set aside for households earning at or below 50% area median income). This activity includes provision of homebuyer assistance to eligible homebuyers.
- Purchase and rehabilitation of foreclosed rental units for affordable rentals serving households earning at or below 50% area median income (\$720,000)
- Funds to facilitate establishment of a Land Bank (\$20,000)
- Administration of the NSP (\$391,280).

Several developers were selected through a Request for Qualifications issued in February 2009 to implement NSP activities including Inner City Christian Federation, Lighthouse Communities, Lee Kitson Builders, MoHawk Construction, and Habitat for Humanity of Kent County.

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Homebuyer Qualifications

- The homebuyer's household income cannot exceed 120% of area median income. The household income verification process will be completed by Homebuyer Education staff and is a separate process from qualifying for mortgage financing.

FY 2010 Income Limits for 120% of HUD Area Median Income						
<u>1 person household</u>	<u>2 person household</u>	<u>3 person household</u>	<u>4 person household</u>	<u>5 person household</u>	<u>6 person household</u>	<u>7 person household</u>
\$52,500	\$60,000	\$67,500	\$75,000	\$81,000	\$87,000	\$93,000

Source: U.S. Department of Housing and Urban Development for Kent County MSA, effective 5/14/10

Homebuyer Incentives

- In order to purchase an NSP home, each homebuyer must complete at least 8 hours of homebuyer education at a HUD-approved housing counselor.
- The NSP homebuyer assistance is based on the buying power of the homebuyer (as determined by their lender and homebuyer education program) and market sales price of the home. In general the NSP assistance will constitute at least 20% of the purchase price of the home and may also include closing costs over and above the 20%. Homebuyers will receive a minimum of \$1,000 toward closing costs or down payment assistance from Kent County NSP or HOME funds. The final amount is determined by Kent County NSP staff, based on details of the purchase such as home price, amount of funds contributed by buyer, purchase loan from lender and closing costs.
- Homebuyer assistance is provided in the form of a forgivable loan, also called a "soft second mortgage" because there are no monthly payments. The term of the mortgage states that a homebuyer assisted with \$15,000 or less has a five (5) year affordability period. Homebuyer assistance of \$15,000 to \$40,000 requires a ten (10) year affordability period.
- The mortgage and note for the loan will be between the buyer and KCCD. The forgivable loan is only due and payable upon default (e.g. the person sells or moves from the home prior to the end of the affordability period) and is forgiven gradually over the affordability term. At the end of the affordability term, the entire amount is forgiven as long as the homebuyer is not in default.

For more information, please contact Stephanie Gingerich or Tracy Clingan at 616-632-7413, or 632-7428.