



**Wayne County
HOME Program**

***Wayne County
First-Time Homebuyers Program
National Faith Homebuyers Program***

PROGRAM GUIDELINES AND PROCEDURES

Last Revised: August 2007

INTRODUCTION

The Goal of this program is to provide homeownership assistance for low-income households purchasing either existing or newly constructed homes in 37 Wayne County HOME Participating Communities and Consortium Communities (listed below) while insuring affordability and sustaining home ownership in neighborhoods. Therefore, this program is designed to insure that only those households demonstrating the capacity to manage the monthly housing expenses are approved. Furthermore, the program requires clients to obtain education about the homebuying process and counseling to prepare for the responsibilities of ownership. In the end, qualified low-income households will be prepared to make knowledgeable decisions and achieve sustainable home ownership.

The homeownership assistance consists of a 0%-deferred loan used to pay for closing costs and the downpayment in the amount of \$5,000 for an existing home, or \$10,000 for a newly constructed home. The loan is a flat amount with any funds leftover at closing to be applied to the first mortgage payment, however the amount can be reduced if requested by the applicant. Certain projects may be eligible for certification as a Qualified Project. Units within such Projects are eligible for loans of up to \$25,000, based on need. The loan will be secured as a second lien against the property with the first lien holder being the primary mortgager. Eligible properties must meet a Housing Quality Standards (HQS) inspection that includes a lead-based paint visual assessment.

The National Faith Homebuyers Program administers the Wayne County First-Time Homebuyers Program. The Wayne County HOME Program provides oversight and funding from the U.S. Department of Housing and Urban Development, Home Investment Partnerships Program (HOME). The funding carries with it specific federal regulations described in the

Wayne County HOME Participating Communities and Consortium Communities: Allen Park, Belleville, Brownstown Township, Ecorse, Flat Rock, Garden City, Gibraltar, Grosse Ile Township, Grosse Pointe, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Hamtramck, Harper Woods, Highland Park, Huron Township, Inkster, Lincoln Park, Livonia, Melvindale, Northville, Northville Township, Plymouth, Plymouth Township, River Rouge, Riverview, Rockwood, Romulus, Southgate, Sumpter Township, Taylor, Trenton, Van Buren Township, Wayne, Woodhaven, and Wyandotte.

HOME Investment Partnership Program Final Rule, 24 CFR, Parts 91 and 92, as amended from time to time that may not be waived by Wayne County. The federal regulations take precedence over any County developed policies and procedures described herein.

The following program guidelines and procedures are used in conjunction with providing homebuyer assistance for existing housing. These guidelines and procedures are subject to change at the discretion of Wayne County.

EQUAL HOUSING OPPORTUNITY



Wayne County is an equal housing lender. The County does not discriminate on the basis of race, sex, color, creed, ethnic or national origin, familial status or physical or mental disability.

ELIGIBILITY

1. **Income Limits-** Eligibility for assistance is determined on the basis of gross annual income adjusted for family size. Eligibility must exist at the time of application. Income may not exceed 80% of the Detroit metropolitan statistical area median income as annually published by the U.S. Department of HUD.
2. Income must be calculated by adding all income from household members over 18 years of age. The income of full time students is exempt, with documentation of school enrollment. The cost of childcare provided by a bonafide care provider may be deducted from gross household income with appropriate documentation. More detailed guidelines are found in the “Technical Guide for Determining Income and Allowances for the HOME Program” under the 24 CFR Part 5 Annual Income (Section 8) definition.
3. The prospective applicants must complete a homebuyer education program (which includes a minimum of one homebuyer workshop) and one individual counseling session. Processing for a loan will not begin until these requirements are met.
4. An applicant may not own any other residential property at the time of application and may not have owned a home in the past 3 years (prior to closing date of loan). An exception is permitted for persons who became separated, divorced, or widowed during the immediately preceding three years and for owners of manufactured housing or substandard housing documented through a notice of such condition by appropriate authorities.
5. The applicant must meet the mortgage loan requirements of the participating lender who has agreed to abide by these guidelines and procedures.

PROPERTY CRITERIA

1. The property being purchased may be an existing single-family detached or semi-detached dwelling, townhouse, condominium or cooperative apartment.

2. To avoid involuntary displacement of occupants, at the time of the execution of the purchase agreement, the property must be:
 - a) Vacant;
 - b) Occupied by the Seller; or
 - c) Occupied by the prospective borrower under the terms and conditions of a valid State of Michigan rental agreement for a period no less than 90 days.
The Seller will be required to sign an Affidavit of Voluntary Sale at closing (Appendix G)
3. The purchase price of the home cannot exceed the current basic standard mortgage limits for FHA insured loans.
4. Within sixty (60) days of closing, the property must be occupied as the primary residence of the borrower. Failure to do so is a default of the loan and will cause the loan to be immediately repayable. Spot-checking of occupancy will be done on a periodic basis by or at the direction of the Wayne County Housing Division.
5. An individual, certified to perform visual assessments for lead-based paint and Housing Quality Standards (HQS) inspections, must perform a HQS inspection (form HUD-52580) that includes a visual assessment for lead-based paint. Homebuyer assistance will not be provided for any home that fails the HQS that includes a visual assessment for lead-based paint (i.e., no deteriorated paint).
6. In accordance with 24 CFR Part 58.6 (a), the house cannot be not located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards. A Flood Insurance Rate Map must be consulted and if the house is in an area with special flood hazards, flood insurance is to be obtained as a condition of the approval of homebuyer assistance through this program.

LOAN TERMS

1. The homebuying assistance loan will be evidenced by a Promissory Note (Appendix D) and secured by a Second Mortgage (Appendix C) on the property, which will be recorded with the Wayne County Register of Deeds. The borrower must sign both documents.
2. The loan has a 0% interest rate and is deferred until the earlier to occur of sale, transfer, refinance*, default on the primary loan, failure to occupy within sixty days or discontinuance of borrower occupancy.
3. The loan amount is \$5,000 or \$10,000 or up to \$25,000 for Qualified Projects. If settlement expenses are less than these amounts, the balance will be applied to the first mortgage payment. Upon request by the lender or applicant, the loan amount may be less than the \$5,000 or \$10,000.
4. The borrower may repay the loan in whole at any time. Loan repayments must comply with the County's Loan Recapture Policy included at Appendix J.

5. All participants are personally required to pay \$1,000 toward downpayment or closing cost expenses including the required HQS inspection.
6. The homebuyer assistance loans are geared towards affordable housing opportunities for low-income households. Loans will be approved for applicants whose household expenses including: mortgage interest and principal, property taxes, hazard insurance, mortgage insurance and condo association or homeowners association fees, do not exceed 30% of a household's income. Exceptions may be granted for applicants that have minimal overall debt and stable incomes and financial histories. Furthermore, the County has adopted the Center for Responsible Lending's Seven Signs of Predatory Mortgage Lending, as the guiding principles to assess whether a certain loan is in the best interest of the applicant. The County reserves the right to deny an applicant whose primary mortgage is not consistent with these principals.

*Exceptions may be granted at the discretion of Wayne County, for refinancing for the sole purpose of rate reduction with no equity taken out, or to permit conversion from an adjustable rate mortgage to a fixed rate. See section on "Post Closing".

ELIGIBLE SETTLEMENT EXPENSES

The following fees and expense are eligible, in amounts acceptable to the National Faith Homebuyers Program and Wayne County.

1. Fees or premiums for title examination and title insurance
2. Reasonable fees for preparation of a deed, loan documents and settlement statement
3. Prepays of property taxes, hazard insurance, mortgage insurance, HOA or condominium fees and ground rent
4. Notary fees
5. Transfer and recordation taxes and fees
6. Loan discount points and origination fees
7. Down payment, beyond minimum cash contribution specified, unless prohibited by the first mortgage lender
8. Termite inspection fee
9. Location survey
10. Appraisal fee and credit report
11. Home inspection fees not previously paid
12. Flood certification

RESPONSIBILITIES OF THE PARTIES

The loan process must be coordinated between and among the applicant, the National Faith Homebuyer Program, the primary lender, the Wayne County HOME Program, and the title company. It is necessary to set time frames, which accommodate the program requirements and also meet the various deadlines of the parties. Understanding the roles and responsibilities of the parties will facilitate that process.

The National Faith Homebuyers Program Will:

1. Accept Wayne County HOME Homebuyer Assistance applications (Appendix A) and determine income eligibility of the borrowers using the Income Calculation Form (Appendix B) and communicate it to the primary mortgage lenders.
2. Review the Contract for Sale with applicants and assure the required addendum stipulating that the purchase is contingent upon approval of the homebuyer assistance is included.
3. After (a) obtaining a ratified sales contract with the required homebuyer assistance addendum; (b) evidence of the applicant's mortgage loan application and (c) made a preliminary homebuyer assistance eligibility determination of the applicant, assist the homebuyer with ordering the Housing Quality Standards (HQS) inspection (form HUD-52580) which includes the lead-based paint visual assessment to be paid for by the homebuyer from the \$1,000 required for closing costs and downpayment. Before final loan approval, obtain a copy of the HQS inspection from an individual, certified to perform HQS with visual assessments for lead-based paint, that the property passed HQS.
4. Verify that the house is not located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards. The Loan File must contain evidence that a Flood Insurance Rate Map was consulted including identification of the map's Community-Panel Number. If the house is in an area with special flood hazards, flood insurance is to be obtained as a condition of the approval of homebuyer assistance.
5. Obtain from the Seller an executed "Notice To Seller Of Residential Property Of The Uniform Relocation Assistance And Real Property Acquisition Policies Act Of 1970, As Amended"
6. Obtain from the potential buyer an executed "Affidavit Regarding Conflict of Interest"
7. After review of all the documentation and a determination is made that all the program requirements have been met, submit a Loan Package to the HOME Program for approval.
8. The Loan Package will include the following items:
 - a) Cover Sheet with name and address of application and checklist verifying inclusion of items b) through p).
 - b) Invoice to Wayne County for the homebuyer assistance loan and the transaction fee
 - c) Loan File Checklist (Appendix E)
 - d) HOME Program Grant Application (Appendix A)
 - e) Data Entry Form (Appendix H)
 - f) Income Calculation Form (Appendix B)
 - g) Pay Stubs and/or Income Verification
 - h) Income Memo of Explanation (if needed)
 - i) Certificated attesting completion of Homebuyer Counseling Program
 - j) HQS Inspection (for existing homes) or Certificate of Occupancy (for new homes)
 - k) Flood Determination
 - l) Good Faith Estimate
 - m) Signed Notice to Seller regarding Relocation (Appendix G)

- n) Notarized Conflict of Interest Affidavit (Appendix F)
 - o) Lead Disclosure
 - p) HOME Loan Calculation Form for loans exceeding \$5,000 (Appendix K)
9. Maintain the Loan File (see the section titled “Loan File”) for the duration of the loans.

Primary Lender will:

1. Refer the first time homebuyer applicants to the appropriate housing counseling agency for homebuyer education workshops and individual counseling prior to the execution of the purchase agreement. Agency must be certified by either the U.S. Department of HUD or MSHDA.
2. Make a determination of the applicant’s qualification for a first mortgage.
3. Maintain standard application fees. The HOME program prohibits the charging of separate or increased application fees for HOME-funded loans.
4. Submit to The National Faith Homebuyers Program the following documents:
 - a) Copy of the first mortgage application
 - b) The Purchase Agreement with conditions mandated by the homebuyer assistance loan
 - c) Appraisal
 - d) Good faith estimate that includes the loan amount from the Wayne County HOME Program
 - e) Employment and deposit verifications
 - f) Underwriter’s worksheet
5. Advise the Title Company that Wayne County must be named as additional mortgagee and loss payee on the title insurance policy. The mortgagee clause should read: Wayne County, Michigan, c/o HOME Program, 600 Randolph- Suite L-14, Detroit, MI 48226.

Wayne County HOME Program will:

1. Provide standard documents as needed.
2. Review the loan package and prepare a check to the Washtenaw Homebuyers Program (the fiduciary for the National Faith Homebuyers Program) that will take between five (5) and ten (10) business days to process.
3. Monitor performance by reviewing for program compliance and monitor the overall homeownership effort on an annual basis.
4. Process requests and execute Mortgage Discharges and Subordination Agreements (see Post Closing section).

5. Clarify policies where the Program Guidelines and Policies do not address specific circumstances of the borrower.
6. Manage Professional Service Agreements and Contracts as needed.

The Title Company will:

1. Schedule a closing, upon notification by the National Faith Homebuyer Program.
2. Attach a property description to, and record the County's Second Mortgage with the Wayne County Register of Deeds.
3. After closing, apply any excess downpayment and closing cost assistance funds to the buyer's first mortgage payment.
4. Return the following documents to the National Faith Homebuyers Program:
 - a) Promissory Note (original)
 - b) Copy of Second Mortgage
 - c) Completed Letter of Closing Instructions (countersigned)
 - d) Mortgagee's Title Insurance Policy

LOAN FILE

1. A loan file, maintained by the National Faith Homebuyers Program, will consist of the following:
 - a) First Mortgage Loan Application
 - b) Homebuyer Assistance Application (Appendix A) with original signature of the applicant and the completed "Office Use" section indicating loan approval recommendation signed by a representative from the National Faith Homebuyers Program.
 - c) Income Calculation Form (Appendix B)
 - d) Pay stubs from the last thirty days. If overtime is involved, an adequate number of pay stubs to make a reasonable determination of normal overtime income should be obtained. Three months of stubs would generally be adequate for this purpose.
 - e) Copy of most recent filed Federal Income Tax Return with W-2s.
 - f) Asset Verifications
 - g) Homebuyers Education Certificate
 - h) HQS Inspection Checklist (form HUD-52580)
 - i) Copy of the Purchase Agreement including Homebuyer Assistance conditions
 - j) Uniform Residential Appraisal Report
 - k) Good Faith Estimate from the Lender
 - l) Underwriter's Worksheet
 - m) Copy of the Title Insurance Policy
 - n) Copy of the Homeowner's Insurance Policy
 - o) Documentation of Review of Flood Insurance Rate Map and Flood Insurance if Required

- p) Data Entry Report (Appendix H)
 - q) Conflict of Interest Affidavit (Appendix F)
 - r) Affidavit of Voluntary Sale (Appendix G)
 - s) Copy of the Second Mortgage (Appendix C)
 - t) The original Promissory Note (Appendix D)
 - u) HOME Loan Calculation Form for loans exceeding \$5,000 (Appendix K)
2. Whenever the borrower's income calculation or household composition is not straightforward or clear from the application alone, an explanatory memorandum should be placed in the file immediately following the application.
 3. Contradictory documentation needs an explanatory memorandum for the file, for instance, where amounts on the pay stub or award letter and monthly income used by the lender on the mortgage application do not agree. This is particularly critical if the discrepancy would have a possible effect on the borrower's eligibility under the homebuyer assistance underwriting or eligibility guidelines.

UNDERWRITING GUIDELINES: INCOME QUALIFICATIONS

The purpose of these guidelines is to assist the designated agencies and the lenders in understanding some of the issues that may arise in the determination of qualification for homebuyer assistance and the required documentation for the file through the Wayne County HOME Program. The intent is to clarify complex or unusual situations that arise and to apply policies consistently. Additional guidance can be found in *the Technical Guide for Determining Income and Allowances for the HOME Program* using the 24 CFR Part 5 Annual Income (Section 8) definition.

1. Income Calculations

- a) The optimum method of "annualizing" current income is to multiply the gross salary by the number of pay periods (weekly salary X 52; bi-weekly salary X 26; or the semi-monthly salary X 24). Use this method when the borrower receives the same salary on each paycheck and there is no overtime.
- b) When the borrower receives an hourly wage, multiply the hourly wage by the number of hours normally worked per week, then by 52 weeks.
- c) When the borrower receives overtime, use the last three- (3) months of overtime to calculate that income. If this does not accurately reflect the annual overtime figure, such as overtime which is earned only during a peak season, then annualize the overtime from the entire prior year, or base overtime on a statement from the employer.

One technique of annualizing hourly and/or overtime compensation is to divide the "year to date" gross by the number of weeks or months which have transpired and then to multiply by 52 weeks or 12 months. This works best near the middle or end of the calendar year.

- d) When income cannot be clearly anticipated, such as the case of self-employed individual, analyze last year's income to determine the amount of income anticipated during the upcoming twelve months.
 - e) Bonuses from employers count as household income. If the employee usually receives a bonus during a work year, then the bonus amount received in prior years should be used to calculate the anticipated bonus in the next year. If the employee does not know if there will be a bonus, or bonuses have been sporadic, bonus income need not be included in the anticipated income calculation.
2. All household members over the age of 18 must have documentation of income or should provide information regarding lack of income. For example: a homemaker (with young children) should note "homemaker" where employment information is requested on the application. Full time students should present evidence of full time registration at college. Other plausible reasons as to why an adult member of the household has no income must be explained in a memorandum to the file.
 3. Any changes or cross outs on the Homebuyer Assistance application regarding income calculations should be initialed by the person making those changes.
 4. If a child or children reside in a household who are not the natural children of one of the borrowers, for instance, grandchildren cared for by a grandparent, then documentation of legal custody must be provided in order to count those dependents as part of the household. A court order or verification from the Family Independence Agency will be acceptable. A notarized letter from the borrower will only be allowed when circumstances dictate that no other documentation is possible.
 5. If there are dependents listed as household members on the loan application, but those same dependents are not listed on latest federal income tax return, a reasonable explanation must be provided and noted in the file. This might occur, for instance, by agreement of divorced parties whereby parents share custody, and alternate claiming the child as a dependent. This type of agreement or arrangement must be documented.
 6. In order for a borrower to qualify for homebuyer assistance, the borrower must qualify for a fixed rate loan from the primary mortgage lender without the benefit of a co-signer.
 7. Applicants who are deemed to be over-income when applying, but who later claim a change in income or family size which now results in the income eligibility of the household are not eligible to reactivate the Homebuyer Assistance application until the current income or family configuration has been stable for a six month period.

POST CLOSING

1. A homebuyer assistance loan is evidenced by a Promissory Note and secured by a Second Mortgage recorded in the land records of the Wayne County Register of Deeds.
2. The homebuyer assistance loan accrues 0% interest.
3. The loan becomes fully repayable upon the occurrence of any of the following:
 - a) Discontinuance of occupancy of the property as the borrower's primary residence; or
 - b) Sale or transfer of the property; or
 - c) Refinance of the primary loan in cases where a subordination agreement is not approved by the HOME Program.
4. Requests for a mortgage pay-off is processed by the HOME Program. Once Wayne County receives the amount due in full, the County will execute a Discharge of Mortgage.
5. A request for subordination of the Homebuyer Assistance loan is first reviewed and approval by the Wayne County HOME Program if consistent with the County Mortgage Subordination Policy (Appendix I).

Appendix C

SECOND MORTGAGE

Wayne County Homeownership Crusade: First-Time Homebuyers Program

This Second Mortgage is made on ___<insert date of second mortgage>_____ by ___<insert clients' full names>_____, whose address is ___<insert street address>_____, ___<insert city name>_____, Michigan ___<insert zip code>_____ (referred to herein as the "Mortgagor"), to the Charter County of Wayne HOME Program, whose address is Wayne County Building, 600 Randolph, Room L-14, Detroit, Michigan 48226 (herein called the "Mortgagee").

WHEREAS, the Mortgagee is the recipient of funding from the United States Department of Housing and Urban Development ("HUD"), pursuant to the HOME Investment Partnership Program (24 C.F.R. Part 92) (the "HOME Program"), and the Mortgagee has provided such funds to ___National Faith Homebuyers Program___(the "Agency")_which, in turn, has provided a down-payment loan to the Mortgagor.

WITNESSETH

The Mortgagor does hereby MORTGAGE and WARRANT unto the Mortgagee, and its successors and assigns, the lands, premises and property and all other rights and restrictions of record, situated in the City of ___<insert city name>_____, County of Wayne and State of Michigan, described in Exhibit A which is attached hereto and incorporated herein (called the "Mortgage Premises").

The Mortgagor is taking this action to secure the payment of a certain Promissory Note dated today made by the Mortgagor in favor of the ___County of Wayne___ in the amount of _____(which made a certain down-payment loan to the Mortgagor with funds made available to the Agency by the Mortgagee through its HOME Program), and the Mortgagor's performance of the covenants herein contained and any monies expended by the Mortgagee in connection therewith (all of this indebtedness and obligations of the Mortgagor being herein called the "Mortgage Indebtedness.")

The Mortgagor is further taking this action so that the Mortgagee may have and hold the Mortgaged Premises, and each and every part thereof, for itself, and its successors and assigns forever, subject only to the first mortgage interest of any purchase money lender.

The Mortgagor does hereby further covenant and warrant as follows:

1. Payment of Mortgage Indebtedness; Performance of Agreements. The Mortgagor shall pay the principal on the Mortgage Indebtedness according to the terms thereof, and will keep and perform all the covenants, promises and agreements in the Note and this Mortgage.

2. Due on sale or lease. The note shall be due and payable upon the sale of the mortgaged premises by the mortgagor or the execution of a lease between a mortgagor and a tenant, regardless of the term of the lease, which is in compliance with the recapture option under the affordability requirements of the Wayne County HOME Program as currently set forth in 24 C.F.R. Part 92.254(a)(5)(ii).

3. Covenants of Title. The Mortgagor has good and indefeasible title to the entire Mortgaged Premises in fee simple and with good right and full power to sell, mortgage and convey the same; the Mortgaged Premises are free and clear of easements, restrictions, liens, leases and encumbrances, except those easements, restrictions, liens, leases and encumbrances to which this Mortgage is expressly subject, whether presently existing or which may hereafter be created in accordance with the terms hereof; and the Mortgagor

will warrant and defend the Mortgaged Premises against all lawful claims and demands whatsoever. The Mortgagee shall have the right, at its option and at such time or times as it, in its sole discretion, shall deem necessary, to take whatever action it may deem necessary to defend or uphold the lien of this Mortgage or otherwise enforce any of the rights of the Mortgagee hereunder or any obligation secured hereby, including, without limitation, the right to institute appropriate legal proceedings for such purposes.

4. Payment of Taxes, Assessments and Charges. The Mortgagor shall pay when due, and before any interest, collection fees or penalties shall accrue, all real estate taxes, special assessments, water and sewer charges or other governmental charges and impositions levied or assessed with respect to the Mortgaged Premises or any part thereof. If the Mortgagor diligently and in good faith reasonably contests the validity or the amount of any such taxes, assessments or charges in appropriate proceedings, the Mortgagor may defer any payment of the contested items during the pendency of said contest. Should the Mortgagor fail to pay such taxes, special assessments, water and sewer charges or other governmental charges or impositions, the Mortgagee may, at its option, pay the same for the account of the Mortgagor.

5. Payment of Other Obligations. The Mortgagor shall also pay any and all other obligations, liabilities or debts which may become liens, security interests, or encumbrances upon or charges against the Mortgaged Premises for any repairs or improvements that are now completed or are in progress or which may hereafter be made thereon, or for any other goods, services, or utilities furnished to the Mortgaged Premises, and shall not permit any lien, security interest, encumbrances or charge of any kind securing the repayment of borrowed funds to accrue and remain outstanding against the Mortgaged Premises or any part thereof, or any improvements thereon.

6. Maintenance and Repair: Inspection. The Mortgagor will keep the Mortgaged Premises and all the improvements thereon in good order and repair, reasonable wear and tear and obsolescence excepted, and the Mortgagor expressly agrees that it will not do or permit waste on the Mortgaged Premises nor do any other act whereby the Mortgaged Premises will become less valuable or the lien hereof may be impaired. Should the Mortgagor fail to effect the necessary repairs, and after thirty (30) days written notice of such failure to the Mortgagee, the Mortgagee may at its option make such repairs for the account of the Mortgagor. The Mortgagee, and any person authorized by the Mortgagee, shall have the right to enter upon and inspect the Mortgaged Premises at all reasonable times and upon reasonable notice.

7. Insurance. (a) The Mortgagor shall keep the buildings and other improvements on the Mortgaged Premises, or which may hereafter be erected thereon, constantly insured for the benefit of the Mortgagee as its interest may appear, until the Mortgage Indebtedness and all interest thereon and all of the amount due hereunder are fully paid, against fire and such other hazards and risks customarily covered by the standard form of extended coverage endorsement available in the State of Michigan, including risks of vandalism and malicious mischief, and shall further provide flood insurance (if the Mortgaged Premises are situated in a flood hazard area), and public insurance and such other appropriate insurance as the Mortgagee may require from time to time, all in such amounts in such forms and with such companies as may be satisfactory to the Mortgagee, and shall deliver to the Mortgagee at its principal office aforesaid or at such other place as may be designated by the holder hereof the insurance policies with premiums fully paid and with standard mortgage clauses or such other mortgage clauses as may be satisfactory to the Mortgagee attached, and renewals thereof shall likewise be delivered to the Mortgagee at least fifteen (15) days before the expiration of any existing policies.

(b) All such policies shall include standard loss payable clauses in favor of the Mortgagee, as its interest may appear, and shall provide that the same may not be cancelled or terminated without giving the Mortgagee at least thirty (30) days prior written notice of such cancellations or termination;

(c) Should the Mortgagor fail to insure or fail to pay the premiums on any such insurance or fail to deliver the policies or renewals thereof as provided above, the Mortgagee at its option may have such insurance written or renewed and pay the premiums thereon for the account of the Mortgagor.

(d) Insurance proceeds payable to the Mortgagee will, in the absence of an Event of Default or of any event as to which the Mortgagee has given written notice of default to the Mortgagor be made available to replace and restore the Mortgaged Premises upon such terms and subject to such conditions as the Mortgagee shall reasonably establish.

(e) In the event of a foreclosure of this Mortgage, the purchaser of the Mortgaged Premises shall succeed to all of the rights of the Mortgagor under said insurance policies payable to the Mortgagee, including any right to unearned premiums and the right to receive the proceeds of any insurance payable by reason of any loss theretofore or thereafter occurring.

8. Eminent Domain. In the event of any taking under the power of eminent domain, alteration of the grade of any street, or other injury to or decreases in value of the Mortgaged Premises by any public or quasi-public authority or corporation, the Mortgagor shall continue to pay the Mortgage Indebtedness at the option of the Mortgagee.

9. Waste. The failure of the Mortgagor to pay any taxes or assessments assessed against the Mortgaged Premises, or any installment thereof, of any premiums payable with respect to any insurance policy covering the Mortgaged Premises, shall constitute waste, as provided by Act No. 236 of the Michigan Public Acts of 1961 as amended (MCLA 600.2927). The Mortgagor further hereby consents to the appointment of a receiver under said statute, should the Mortgagee elect to seek such relief, thereunder.

10. Events of Default. The occurrence of any of the following events shall be deemed events of default hereunder and shall entitle the Mortgagee to exercise its remedies hereunder and shall entitle the Mortgagee to exercise its remedies hereunder and under any of the Security Documents or as otherwise provided by law:

(a) Default by the Mortgagor in the observance or performance of any covenant, promise or agreement provided herein and continuance thereof following notice of the default from the Mortgagee to the Mortgagor;

(b) Default by the Mortgagor under any superior lien interest, to which this Mortgage may be expressly made subordinate, and the expiration of any applicable cure period; and

(c) The Mortgagor becomes insolvent, files for bankruptcy protection, an involuntary petition for bankruptcy is filed against it or it is unable to pay its debts as they become due.

11. Remedies Upon Default. Immediately upon the occurrence of any of the events of default referred to in Paragraph 1, the Mortgagee shall have the option, in addition to and not in lieu of or substitution for all other rights and remedies provided in this Mortgage or provided by law, and is hereby authorized and empowered by the Mortgagor, subject to the rights of the holder of any superior lien interest, except where the net proceeds are insufficient to repay the entire HOME investment, to do any or all of the following:

(a) Declare the entire unpaid amount of the Mortgage Indebtedness, together with any and all charges payable to Mortgagor to the Mortgagee, immediately due and payable and, at the Mortgagee's option, (i) to bring suit therefor, or (ii) to bring suit for any delinquent payment of or upon the Mortgage Indebtedness, or (iii) to take any and all steps and institute any and all other proceedings that the Mortgagee deems necessary to enforce payment of the Mortgage Indebtedness and performance of other obligations secured hereunder and to protect the lien of this Mortgage;

(b) Immediately commence foreclosure proceedings against the Mortgaged Premises pursuant to the applicable laws. The commencement by Mortgagee of foreclosure proceedings by advertisement or in equity shall be deemed an exercise by Mortgagee of its option set forth in paragraph 11 (a) to accelerate the due date of sums secured hereby. Mortgagor hereby grants power to Mortgagee, in the event of the occurrence of an event of default hereunder, to grant, bargain, sell, release and convey the premises at public auction or venue, and upon such sale to execute and deliver to the purchaser(s) instruments of conveyance pursuant to the terms hereof and to the applicable laws. Mortgagor acknowledges that the foregoing sentence confers a power of sale upon Mortgagee, and that upon default this Mortgage may be foreclosed by advertisement as described below and in the applicable Michigan statutes. Mortgagor understands that upon default, Mortgagee is hereby authorized and empowered to sell the mortgaged premises, or cause the same to be sold and to convey the same to the purchaser in any lawful manner, including but not limited to purchaser in any lawful manner, including but not limited to that provided by Chapter 32 of the Revised Judicature Act of Michigan, entitled "Foreclosure of Mortgage by Advertisement", MCLA 600.3201 et seq., which permits Mortgagee to sell the mortgaged premises without affording Mortgagor a hearing, or giving him actual personal notice. The only notice required under such Chapter 32 is to publish notice in a local newspaper and to post a copy of the notice on the mortgaged premises; and

(c) In the event of any sale of the Mortgaged Premises by foreclosure, through judicial proceedings, by advertisement or otherwise, except where the net proceeds are insufficient to repay the entire HOME investment, apply the proceeds of any sale in the order following to: (i) all expenses incurred for the collection of the Mortgage Indebtedness and the foreclosure of this Mortgage, including reasonable attorneys' fees, or such attorneys' fees as are permitted by law; (ii) all sums expended or incurred by the Mortgagee directly or indirectly in carrying out the terms, covenants and agreements of the Note or Notes evidencing the Mortgage Indebtedness, of this Mortgage and of the Loan Documents, together with interest thereon as therein provided; (iii) all accrued and unpaid interest upon the Mortgage Indebtedness; (iv) the unpaid principal amount of the Mortgage Indebtedness; and (v) the surplus, if any there be, unless a court of competent jurisdiction decrees otherwise, to the Mortgagor.

(d) If the mortgagor has obtained a FHA-insured mortgage, the HOME Program restrictions on the property shall terminate upon foreclosure, transfer in lieu of foreclosure or assignment of the FHA insured mortgage to HUD. To the extent that there are any proceeds from the foreclosure or other sale of the property by HUD remaining after the HUD insurer loan is paid, the remaining proceeds shall be paid to the Mortgagee.

12. Successors In Ownership . In the event ownership of the Mortgaged Premises or any part thereof becomes vested in a person or persons other than the Mortgagor, without the prior written approval of the Mortgagee, the Mortgagee may (but shall not be obligated to) deal with such successor or successors in interest with reference to this Mortgage in the same manner as with the Mortgagor, without in any manner discharging or otherwise affecting the Mortgagor's liability hereunder or upon the Mortgage Indebtedness. This clause is not meant to affect the "Due on Sale or Lease Clause" at Section 2.

13. No Other Liens. The Mortgagor shall not consent or agree to any lien, mortgage, security interest or sale and leaseback transaction upon or affecting the Mortgaged Premises, or any part hereof , except as granted to the Mortgagee or to which this Mortgage is expressly subject.

14. Severability. If any provision hereof is in conflict with any statute or rule of law of the State of Michigan or is otherwise unenforceable for any reason whatsoever, then such provision shall be deemed null and void to the extent of such conflict or unenforceability and shall be deemed severable from but shall not invalidate any other provisions of this Mortgage.

15. Waiver. No waiver by the Mortgagee of any right or remedy granted hereunder or failure to insist on strict performance by the Mortgagor hereunder shall effect or extend to or act as a waiver of any other

right or remedy of the Mortgagee hereunder, nor affect the subsequent exercise of the same right or remedy by the Mortgagee for any further or subsequent default by the Mortgagor hereunder, and all such rights and remedies of the Mortgagee hereunder are cumulative.

16. Notice and Hearing on Foreclosure. The Mortgagor hereby waives all rights to a hearing prior to sale in connection with any foreclosure of this Mortgage by advertisement and all notice requirements except as set forth in the Michigan statute providing for foreclosure by advertisement.

17. Further Instruments. The Mortgagor shall execute, acknowledge and deliver any and all such further conveyances, documents, mortgages and assurances, and do or cause to be done all such further acts, as the Mortgagee may reasonably require to confirm and protect the lien of this Mortgage or otherwise to accomplish the purposes hereof forthwith upon the request of the Mortgagee, whether in writing or otherwise.

18. Notices. Any notice which the Mortgagee may give or its required to give under this Mortgage, shall, if mailed, be effective when received by the Mortgagor, and notice shall be sent by first class mail, certified or registered mail, postage prepaid, addressed to the Mortgagor at the Mortgagor's address first above set forth or at such other address as the Mortgagor shall provide to the Mortgagee in writing.

19. Governing Law; Binding Effect. This Mortgage, made in the State of Michigan, shall be construed according to the laws thereof and shall be binding upon the Mortgagor and its successors and assigns and any subsequent owners of the Mortgaged Premises, and all of the covenants herein contained shall run with the land, and this Mortgage and all of the covenants herein contained shall inure to the benefit of the Mortgagee, its successors and assigns.

20. Headings. The headings in this Mortgage are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

SIGNATURE PAGE TO FOLLOW

EXHIBIT A
Legal Description

Appendix D

Promissory Note

Wayne County Homeownership Crusade: First-Time Homebuyers Program
(0% Deferred Loan)

COUNTY OF WAYNE
<insert city>, Michigan

_____ <insert date> .

FOR VALUE RECEIVED, the undersigned, _____ <insert clients' names> _____, ("Borrower"), promises to pay the _____ County of Wayne _____, ("Lender") or order, the principal sum of _____ (\$_____) if the Borrower's interest in the following property ("Property") located in the City of _____ <insert city name> _____, County of Wayne, State of Michigan, commonly known as _____ <insert street address and city name> _____, Michigan, is sold, transferred, or otherwise conveyed, voluntarily or involuntarily, either while the Borrower is living or by reason of the death of the Borrower or the Property ceases for any other reason to be the Borrower's principal place of residence, or if the Borrower defaults in the terms or payment of any other lien now existing against the Property, or hereafter incurred.

The indebtedness evidenced by this Note must be repaid from the sales proceeds in the event the Borrower sells or conveys its interest in the property. The balance due the Lender shall be the full amount of the principal sum above written with no interest.

Any required repayment shall be made in full not later than the 30th day following the sale, transfer, or other conveyance, or following the date upon which the Property ceases to be the Borrower's principal place of residence, or after written notice from Lender that the Borrower is in default of any other lien then existing against the Property, or later if Lender, in its sole discretion, may designate.

In no event shall a FINANCE CHARGE be payable on the Principal Sum or any fraction thereof.

This Note shall be payable at the offices of the Wayne County HOME Program or such other place as the holder may designate in writing.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. This Note shall be the joint and several obligations of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, personal representatives, successors, and assigns.

Unless prohibited by law, the undersigned agrees to pay all costs of collection, including reasonable attorney's fees and legal expenses, incurred by any holder hereof in the event this Note is not duly paid. If this Note is signed by more than one person, all such persons shall be jointly and severally obligated hereunder.

The indebtedness evidenced by this Note is secured by a Second Mortgage, dated the same date as this Note, and reference should be made to those instruments for additional rights and obligations.

_____ <insert client #1 name>

_____ <insert client #2 name or delete>