

## Middle-Income Homeownership Development Program (MIHDP) Program Guide

**Program Intent:** The Middle-Income Homeownership Department Program was created by the Vermont Legislature to address the state's housing shortage and high cost of new construction.

**VHFA'S Role:** The State has assigned VHFA the role of MIHDP Program Administrator. VHFA works with developers to identify eligible properties and allocate MIHDP funds in alignment with program requirements.

## How does MIHDP Help Developers and Homebuyers:

- <u>Developer Support</u>: MIHDP provides financial incentives and resources to developers to support the construction or rehabilitation of modest homes for purchase by low-to-moderate income Vermont households. The support developers receive reduces the purchase price of MIHDP designated units.
- <u>Homebuyers:</u> MIHDP helps low-to-moderate homebuyers achieve homeownership by improving affordability. For some designated units, a buyer may receive an **Affordability Subsidy** to apply as down payment and reduce the buyers mortgage amount.

	Contact Information/Eligible Property/Buyers
VHFA Contact Information	For questions or more information about the program or a file under review:  • middle.income.program@vhfa.org. All Questions  • 802-540-1270 for Compliance Questions  • 802-652-3438 for Closing Information and Documents
MIHDP Affordability Subsidy (Community Second)	MIHDP funds provided to buyers, the Affordability Subsidy, must be used as down payment to reduce the amount borrowed. The Affordability Subsidy places a lien on the property and has a repayment requirement. Lenders are responsible for determining whether the MIHDP funds are an acceptable community second.
Eligible Projects/Units	Only projects and designated units approved by VHFA in advance of construction are eligible. For a list of eligible projects go to MIHDP Homes for Sale.
Buyers / Borrowers	<ul> <li>All buyers/borrowers must comply with the following:         <ul> <li>Meet all program eligibility requirements,</li> <li>Provide documentation, acceptable to VHFA, to confirm program compliance,</li> <li>Execute all required closing documents for assumption of debt.</li> </ul> </li> <li>MIHDP requires all borrower spouses, even if not a borrower on a first mortgage, to provide full information for compliance and sign the applicable closing documents, (i.e. Note, Covenant, Mortgage Deed) related to responsibility for the MIHDP debt incurred and securing the debt with a lien on the purchased property.</li> </ul>
	Program Information and Requirements
Developer Responsibilities	<ul> <li>Developer responsibilities regarding the Purchase &amp; Sale Agreement:</li> <li>Provide the buyer with the MIHDP Introductory Letter to Lender.</li> <li>Include the amount of the Affordability Subsidy in the P&amp;S, if applicable.</li> <li>Sell the property at the MIHDP price per the project eligibility terms agreed to with VHFA.</li> <li>Condition the sale based on the buyer meeting eligibility to purchase an MIHDP unit and, when applicable, receive an Affordability Subsidy.</li> <li>Lenders: If MIHDP is noted in the P&amp;S, please request the MIHDP Introductory Letter to Lender from the buyers at time of application.</li> </ul>
Affordability Subsidy (Community Second)	An Affordability Subsidy is funding that directly benefits the buyer. The Affordability Subsidy must be <b>used as a down payment</b> to reduce the amount the buyer is required to borrow to complete the purchase. An MIHDP Affordability Subsidy is only available for previously designated units in eligible projects. See <u>VHFA's MIHDP website</u> .

MIHDP Form # 501 Page 1 of 3 Effective 2025 08

Affordability Subsidy Amount and Terms	<ul> <li>The Affordability Subsidy amount is set for each MIHDP eligible unit.</li> <li>Apply the Affordability Subsidy to down payment</li> <li>0% rate, non-amortizing</li> <li>Repayment terms due upon refinance or default of first mortgage, sale of property, change of ownership.</li> </ul>
Income Limit and Income Compliance	Income Limits: The total gross income of all buyers/borrowers must be within the program limit for the MIHDP unit. The program limits are based on the project and the MIHDP eligible unit. Refer to <a href="VHFA's MIHDP website">VHFA's MIHDP website</a> for the limits by project and property address.  Income Compliance Calculation: The Income Compliance Worksheet must be completed, and sufficient/acceptable documentation must be provided. <a href="NOTE">NOTE</a> : If buyer is separated (not legally divorced) the estranged spouse's gross income must be included in the income calculation. For VHFA to consider an exception, see the VHFA Borrower Affidavit for Separated Spouse.
Other Program Compliance	<ul> <li>Other Compliance Requirements. See the MIHDP Compliance Affidavit for details:</li> <li>Buyers must occupy the unit as their principal and permanent residence within 60 days.</li> <li>No more than 15% of the total area of the property is for a home business or commercial use.</li> <li>No intent to lease, sell, assign or transfer any interest in the property to another person.</li> <li>Property will not be used as a recreational, seasonal, part-time residence, investment property.</li> <li>Buyers do not have an interest in any other property. See affidavit for limited exceptions</li> </ul>
Eligible Mortgage Products	<ul> <li>Buyers purchasing an MIHDP eligible unit may use any mortgage product the lender offers.</li> <li>For VHFA Participating Lenders, the MOVE, MOVE MCC and Advantage programs are available for eligible buyers. All requirements for Homeownership purchase programs apply. Eligibility for MIHDP does not guarantee eligibility for VHFA Homeownership programs.</li> <li>MIHDP buyers may be eligible for VHFA down payment assistance.</li> </ul>
Program Forms and Lender Processing	<ol> <li>When applicable, the Purchase &amp; Sale Agreement should include information about the Affordability Subsidy. The buyer may also have additional information from the developer.</li> <li>No reservation process – for MIDHP a reservation process is not in place.</li> <li>MIHDP forms are fillable forms that must be downloaded and opened in Adobe for proper completion</li> <li>Review the VHFA MIHDP forms with the buyers and non-buying spouse, complete and have the buyers and non-buying spouse sign as applicable.</li> <li>Gather all supporting documentation as needed to verify the total gross income for all buyers and non-buying spouses.</li> <li>Complete the MIHDP Compliance Checklist and submit with all information following the instructions for uploading documents to VHFA.</li> <li>VHFA will review the file and issue a Notice of Incomplete or a Conditional Commitment. The commitment will include the lenders' responsibility for closing.</li> </ol>
Compliance Submission VHFA Review and Response	<ol> <li>The MIHDP compliance package submission must include the following to be eligible for review:         <ul> <li>MIHDP Compliance Checklist, fully completed.</li> <li>MIHDP Compliance Affidavit, fully completed Sections 4C and 5B, signed and notarized.</li> <li>MIHDP Income Compliance Worksheet</li> <li>Uniform Residential Loan Application, fully completed, including title holders.</li> <li>Verification of all income for the buyer(s) and non-buying/non-borrowing spouse.</li> <li>Executed Purchase and Sale Agreement with all addendums and attachments.</li> <li>IF Housing Trust Shared Equity applies, copy of the unsigned Lease Agreement or Covenant</li> <li>Full Appraisal Report (FNMA/FHLMC)</li> <li>IF applicable, Borrower Affidavit for Separated Spouse with required supporting documents.</li> </ul> </li> <li>VHFA will review the information received and issue a response to the email address provided.         <ul> <li>Notice of Incomplete: issued if additional information is required.</li> <li>Compliance Commitment: issued if all required information received and borrowers are eligible.</li> </ul> </li> </ol>

For MIHDP, VHFA will provide the closing agent with the MIHDP closing forms and, if applicable, the Affordability Subsidy funds. The closing agent is instructed to return all original MIHDP forms to VHFA. VHFA will record all applicable documents.		
Lender Responsibility Pre-Closing	To ensure all MIHDP closing forms and funds are available for the scheduled closing date, the Compliance Commitment <b>requires</b> the lender to complete the following steps:  Download the Closing Information form, complete as requested.  Submit Closing Information Form to VHFA <u>5 business days</u> prior to closing.  NOTE: Only for FHA loans, the lender is responsible for downloading and proper completion of the MIHDP Acknowledgement and Award Letter and delivering the form to the closing for completion. This form is provided by VHFA for lender compliance with FHA. VHFA does not require this form.	
Closing Disclosure Preparation	<ul> <li>When applicable, the MIHDP Affordability Subsidy must appear on the closing disclosure as a separate item and be identified as VHFA MIHDP Affordability Subsidy.</li> <li>No recording fees may be charged to the borrower for MIHDP documents. VHFA will cover the cost of recordings.</li> </ul>	
VHFA Responsibility	<ul> <li>Upon receipt of the Closing Information, VHFA will take the following steps:</li> <li>Confirm wire instructions with the closing agent.</li> <li>Prepare and deliver to the closing agent the MIHDP Closing Agent Instructions, the MIHDP closing documents and the Affordability Subsidy, if applicable.</li> <li>Per the Closing Agent Instructions, the closing agent returns the original MIHDP documents and other requested information to VHFA immediately after closing.</li> <li>VHFA will review all documents and send the applicable documents for recording.</li> </ul>	

**Pre-Closing and Closing**