

Homeownership Development Programs (HDP) Program Guide

Program Descriptions: The Homeownership Development Program is the umbrella for the Middle-Income Homeownership Affordability Subsidy “MIHDP Affordability Subsidy” and the VT Affordable Housing Tax Credit “Tax Credit” Programs.

VHFA’S Role: The State has assigned VHFA as the Program Administrator for the Middle-Income Homeownership Development Program (MIHDP) and the Vermont Affordable Housing Tax Credit. VHFA works with developers to identify and construct eligible projects and allocate HDP funds to the property in alignment with program requirements.

How do VHFA’s Homeownership Development Programs (HDP) Help Developers and Homebuyers:

- Developer Support: HDP may provide direct financial incentives and resources to developers to support the costs of construction or rehabilitation of modest homes for purchase by low-to-moderate income Vermont households.
- Homebuyers: HDP helps low-to-moderate homebuyers achieve homeownership by improving affordability of the home. For some designated units, an eligible buyer may receive additional funding in the form of **MIHDP Affordability Subsidy** and/or a **State Tax Credit** to apply as down payment.

| Contact Information/Eligible Property/Buyers | |
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| VHFA Contact Information | <p>For questions:</p> <ul style="list-style-type: none"> • middle.income.program@vhfa.org All Questions • 802-540-1270 for Compliance Questions • 802-540-1270 or 802-652-3438 for Closing Information and Documents |
| MIHDP Affordability Subsidy and/or Tax Credit (Community Second) | The MIHDP Affordability Subsidy and/or Tax Credit must be applied as a down payment to reduce the buyer’s mortgage debt. These funds create a lien on the property and are subject to repayment requirements. Lenders are responsible for determining whether the VHFA assistance is an acceptable community second. |
| Eligible Projects/Units | Only VHFA pre-approved projects and designated units are eligible. For a list of eligible projects go to MIHDP Homes for Sale for the current list of approved projects and designated units. |
| Buyers / Borrowers | <p>All buyers/borrowers must comply with the following:</p> <ul style="list-style-type: none"> • Meet all program eligibility requirements, • Provide documentation acceptable to VHFA to confirm program compliance, • Execute all required closing documents related to the assumption of debt. • VHFA does not allow a non-borrowing spouse with HDP. Spouse must provide full information for compliance purposes, even if not obligated on the first mortgage. Spouses are required to sign the applicable HDP closing documents, (Note, Covenant, Mortgage Deed) and are obligated on the HDP debt. <p>NOTE: Closings in trust are not permitted.</p> |
| Program Information and Requirements | |
| Developer Responsibilities | <p>Developers are responsible for:</p> <ul style="list-style-type: none"> • Initial review of the buyer’s eligibility for HDP. • Providing the buyer with a Introductory Letter to Lender. This letter notifies the lender that the home may be eligible for assistance from HDP. <p>Developers must ensure the Purchase and Sale Agreement:</p> <ul style="list-style-type: none"> • Identifies the amount of the MIHDP Affordability Subsidy and/or State Tax Credit. • Reflects the approved sale price. • Conditions the sale on the buyer’s eligibility to purchase an HDP unit and, when applicable, receive HDP assistance. <p>Lenders: If MIHDP Affordability Subsidy or Tax Credit is noted in the Purchase and Sale Agreement, lenders should request from the buyer at application.</p> |

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| Subsidy Amount and Terms | <p>The MIHDP Affordability Subsidy or Tax Credit must be used as down payment assistance to improve affordability. The MIHDP Affordability Subsidy or Tax Credit amount is set for each eligible unit and carries the following terms:</p> <ul style="list-style-type: none"> • 0% rate, non-amortizing • Repayment terms due upon refinance or default of first mortgage, sale of property, change of ownership. |
| Income Limit | <p>The total gross income of all buyers and spouses must not exceed the applicable limit for the specific unit. Income limits vary by project and property address. Go to VHFA's MIHDP website for the limits.</p> |
| Income Compliance | <p>The Income Compliance Worksheet must be completed and supported by sufficient documentation for all buyers and spouses.</p> |
| Asset Information | <p>Buyers must disclose all asset accounts, including retirement accounts, and provide statements for the most recent 90 days. The Asset Worksheet must be completed and supported by sufficient documentation for all buyers and spouses.</p> |
| Other Program Compliance | <p>See the HDP Compliance Affidavit for details:</p> <ul style="list-style-type: none"> • Buyers must occupy the unit as their principal and permanent residence within 60 days. • No more than 15% of the total area of the property used for a home business or commercial use. • No intent to lease, sell, assign or transfer any interest in the property to another person. • Property may not be used as recreational, seasonal, part-time or investment residence. • Buyers may not have an interest in any other real property. See affidavit for limited exceptions. |
| Eligible Mortgage Products | <ul style="list-style-type: none"> • Buyers may use any mortgage product offered by the lender. • VHFA Participating Lenders may offer the MOVE, MOVE MCC and Advantage programs to eligible buyers. Eligibility for HDP does not guarantee eligibility for VHFA Homeownership programs. • HDP buyers may also qualify for VHFA down payment assistance. |
| Forms | <p>For pre-approved Developers and non-VHFA participating lenders:</p> <ul style="list-style-type: none"> • Access HDP forms at VHFA.org • Forms must be downloaded and completed in Adobe <p>VHFA participating lenders:</p> <ul style="list-style-type: none"> • Access forms through the VHFA Lender Portal |
| Compliance Submission VHFA Review and Response | <p>A complete compliance package must include the following for review:</p> <ul style="list-style-type: none"> • Homeownership Development Compliance Checklist • HDP Compliance Affidavit with Sections 4C and 5B completed • HDP Income Compliance Worksheet • URLA, fully completed including all title holders and subordinate financing sources • Verification of all income. See the Income Worksheet for details. • HDP Asset Worksheet • Documentation for all asset accounts, including retirement accounts. • Executed Purchase and Sale Agreement with all addendums and attachments that reference, when applicable, the MIHDP Affordability Subsidy and/or Tax Credit. • IF Housing Trust Shared Equity applies, copy of the unsigned Lease Agreement or Covenant • Full Appraisal Report (FNMA/FHLMC) with all attachments • IF applicable, Borrower Affidavit for Separated Spouse with required supporting documents. • Evidence VHFA is a loss payee for hazard insurance and flood insurance, if applicable. <p>Loss Payee: Vermont Housing Finance Agency, PO Box 408, 164 St. Paul St, Burlington VT 05401</p> <p>VHFA will review the information received and issue a response to the email address provided.</p> <ul style="list-style-type: none"> • <u>Notice of Incomplete:</u> issued if additional information is required. • <u>Compliance Commitment:</u> issued when all borrowers are determined eligible. |

Pre-Closing and Closing

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| <p>Lender Responsibility Pre-Closing</p> | <p>To ensure all HDP closing forms are available for the scheduled closing date, the Compliance Commitment requires the lender to complete the following:</p> <ul style="list-style-type: none"> • Download and complete the Closing Information Form as instructed. • Submit the completed Closing Information Form to VHFA 5 business days prior to closing. <p>FHA loans: For FHA transactions, the lender is responsible for downloading, properly completing, and delivering the HDP Acknowledgement and Award Letter to the closing for execution. This form is provided by VHFA solely to support lender compliance with FHA requirements and is not required by VHFA.</p> <p>NOTE: VHFA property transfer tax exemption does not apply to the Homeownership Development Programs.</p> |
| <p>Closing Disclosure Preparation</p> | <ul style="list-style-type: none"> • Closing Disclosure: The VHFA Affordability Subsidy and/or VHFA Tax Credit must be shown on the Closing Disclosure as separate line items and clearly identified as <i>VHFA MIHDP Affordability Subsidy and VHFA Affordable Housing Tax Credit</i>. • Lien Position: MIHDP and/or Tax Credits must be in second position behind the first mortgage. If the lender providing the first mortgage is also providing a second mortgage, VHFA will accept third position for HDP. A Priority Agreement may apply to ensure VHFA's required lien position. • Recording Fees: Recording fees for MIHDP Affordability Subsidy and Tax Credit may NOT be charged to the borrower(s). Original, unrecorded VHFA documents must be returned to VHFA, via a trackable delivery method. VHFA will record the documents and pay all associated recording fees. |
| <p>VHFA Responsibilities</p> | <p>Upon receipt of the Closing Information form, VHFA will take the following steps:</p> <ul style="list-style-type: none"> • Confirm the closing date. • Prepare and deliver to the closing agent the applicable Closing Agent Instructions and the VHFA required closing documents. |
| <p>VHFA Pre-Closing Review</p> | <p>TWO DAYS BEFORE CLOSING:</p> <ul style="list-style-type: none"> • The closing agent provides VHFA with a copy of the buyer and seller's Closing Disclosure • VHFA will review the disclosures and notify the closing agent if revisions are needed. • If the CDs are acceptable, VHFA will notify the closing agent they are clear to close. |
| <p>Closing and Post-Closing</p> | <p>The closing agent must complete the transaction in accordance with the VHFA Closing Instructions and return all original VHFA documents to VHFA.</p> |

VHFA property transfer tax exemption is not applicable for Homeownership Development Programs.