

Minnesota Housing Mortgage Programs

Minnesota Mortgage Program (MMP)

- Mortgage loans offered through local lenders for qualified low and moderate income first-time homebuyers throughout Minnesota.
- Homebuyer education course required for conventional loans (see www.hocmn.org for class availability).
- Affordable fixed rate loans.
- Interest-free loans for downpayment and closing costs for targeted borrowers who meet the following criteria:
 - 60% of median income, or
 - Purchasing a home in an MMP Spotlight Area (see website)

Community Activity Set-Aside Program (CASA)

- Mortgage loans for qualified low and moderate-income, first-time homebuyers in Minnesota. CASA is offered through local lenders participating in a community partnership targeted towards: emerging markets, single-headed households, foreclosure remediation, and/or workforce housing.
- Affordable, fixed-rate loans.
- Interest-free loans for downpayment and closing cost assistance for qualified CASA borrowers.
- Homebuyer education course required (see www.hocmn.org for class availability).

Downpayment and closing cost assistance requirements for CASA and MMP:

- Borrowers must contribute \$1,000 of their own funds to the transaction.
- Minimum credit score of 620 required for all borrowers who have a credit score.
- Post-close liquid asset limit of six months principal, interest, tax and insurance or \$5,000, whichever is greater.
- Downpayment assistance loans are due on sale, refinance or when the borrower no longer occupies the property.

This reference guide does not contain all the information needed to originate loans for sale to Minnesota Housing. See the Minnesota Housing Mortgage Loan Program Procedural Manual at www.mnhousing.gov for complete information.



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First-time Homebuyer Program Reference Guide

for Lenders, Real Estate Agents and Homebuyer Educators



www.mnhousing.gov

Borrower Eligibility

To be eligible for a Minnesota Housing first-time homebuyer loan, borrowers must meet the following requirements:

- First-time homebuyer: defined as anyone who has not had ownership interest in a principal residence for three years. This also includes:
 - Borrower-owned mobile home on rented or leased land (mobile home court)
 - Initial financing with a term of 24 months or less (contract for deed, construction loan)
 - Ownership in a property that is not a principal residence (lake home, cabin)
- Federal income tax returns or IRS transcripts are required for three years. Borrowers may sign an affidavit if they were not legally required by the IRS to file tax returns in the last three years.
- Acceptable credit as required by industry standard loan products (Minnesota Housing does not underwrite loans).
- Household income and home price limits (see website). Household income includes all sources of income for all household residents over the age of 18 such as non-purchasing spouse's income, non-stable job income, and child support payments.
- No co-signers: all buyers/borrowers must be residents of the property and first-time homebuyers.
- Sign a Borrower Affidavit at closing.
- Occupy the property within 60 days after closing.
- Homebuyer education course required for some programs and borrowers (see www.hocmn.org for class availability).

Property Eligibility

- Maximum acquisition cost: the property must meet the current acquisition cost limits.
- The property must be a principal residence located in Minnesota, including:
 - Single family residences
 - Duplexes (not eligible with HOME HELP downpayment assistance)
 - Townhomes/condos/planned unit developments
 - Modular homes
 - Manufactured homes financed with government insured/guaranteed loans
 - Community Land Trust leasehold estates

Excluding:

- Investment property
- Recreational homes
- Home-based businesses are allowed provided exclusive business use of home is less than 15% of the square footage (including basement).

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Purchase Agreement

- No personal property may be included on the purchase agreement or addenda.
- Personal property is defined as anything which is not installed or attached to the property in some permanent manner and is not legally considered part of the real estate (i.e., free standing appliances, TVs, furniture, etc.).
- If there is personal property on the purchase agreement, the personal property must be removed from the transaction before the closing of the loan.

Subsidy Recapture

Subsidy Recapture allows the federal government to recover tax subsidies from homeowners under limited circumstances.

- To owe recapture tax, *all three* of the following criteria must apply. The borrowers must:
 - Sell their home within the first nine years after closing the loan
 - Earn significantly more income than when they bought the home, and
 - Realize a gain from the sale of the home as defined by the IRS (this is different from exposure to capital gains tax)

If Subsidy Recapture applies, the borrowers incorporate the tax into their federal income tax returns for the year in which they sell the home.

Loan Requirements

- Fixed rate, fully amortized loans
- Escrows required
- 15- and 30-year terms allowed, but no Minnesota Housing entry cost assistance can be used with 15-year terms
- The following products are allowed: FHA, including Streamlined 203k, RD Guaranteed (GRH), VA, Conventional Fannie Mae HFA Preferred, and Conventional Fannie Mae HFA Preferred Risk Sharing
- 1% origination fee plus normal customary closing costs and fees charged to the borrower.



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