



Foreclosure Prevention  
Assistance Program  
Procedural Manual

February 25, 2010

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# Introduction

## Mission Statement

Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities.

## Background

The Minnesota Housing Finance Agency (“Minnesota Housing” or “MHFA”) was created in 1971 by the Minnesota Legislature.

Minnesota Housing offers programs funded by the State Legislature to assist homeowners facing foreclosure due to a temporary financial crisis by providing case management or financial assistance on a one-time basis. This will also help to preserve the integrity of neighborhoods by preventing properties from becoming vacant, abandoned, or blighted.

## Procedural Manual

This Procedural Manual sets forth for Administrators the terms and conditions under which Minnesota Housing will purchase mortgages originated under its Foreclosure Prevention Assistance Program (FPAP).

## Foreclosure Prevention Assistance Program

This program offers foreclosure prevention counseling and financial assistance.

Financial assistance is available through deferred, zero percent interest loans, offered on a one-time basis, to homeowners facing foreclosure. The loan should help stabilize or improve the Borrower’s financial situation and enable the Borrower to remain in the home.

# Chapter 1 – Partner Responsibilities and Warranties

## 1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement for Minnesota Housing Programs executed between the Administrator and Minnesota Housing. It is incorporated into such Participation Agreement by reference and is a part thereof as fully as if set forth in such Participation Agreement at length.

Minnesota Housing reserves the right to:

- Change the program interest rate at any time under its sole discretion,
- Alter or waive any of the requirements herein,
- Impose other and additional requirements, and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing is under no obligation to purchase any mortgage loan or retain ownership of a mortgage loan that does not comply fully with this Procedural Manual. Minnesota Housing grants waivers, alterations or revisions at its sole discretion.

## 1.02 Evidence of Misconduct Referred to Attorney General

- Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the program to the Minnesota Attorney General's office for appropriate legal action.
- If, after a loan is made, an Administrator who acted in good faith discovers any material misstatements or misuse of the proceeds of the loan by the Borrower or others, the Administrator shall promptly report such discovery to Minnesota Housing.
- Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Administrator and/or the Borrower. This includes loan funds, together with all other program-related disbursements received by the Administrator in connection with the loan and for all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the loan or recovery thereof.

### **1.03 Disclosure and Use of Social Security Number/Minnesota Tax Identification Number**

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Chapter 270A and Minnesota Statutes Section 270.66) allows the disclosure of the Borrower's Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

### **1.04 Unauthorized Compensation**

- Administrator may be reimbursed for fees paid on behalf of the Borrower (credit report, appraisal, recording fees, etc.); and, the Administrator may not charge/receive any other fees from the Borrower in connection with the Foreclosure Prevention Assistance Program.
- Administrator shall not receive or demand from Realtor/contractor or any other party to the transaction:
  - Kickbacks,
  - Commissions, or
  - Other compensation.

### **1.05 Minnesota Housing Due Diligence Audit Guidelines and Requirements**

The Administrator is required to keep on file a complete copy of documents for each loan originated. A loan file may be requested to be made available to Minnesota Housing at the Administrator's office during regular business hours or a copy forwarded to Minnesota Housing for review. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased.

Audited loans are reviewed for:

- Minnesota Housing program/policy compliance,
- Fraud or misrepresentation on the part of any party involved in the transaction, and
- Trends and/or other indicators that may have an impact on the financial viability of the loan portfolio in part or in whole.

### **1.06 Termination of Administrator Participation**

Minnesota Housing may terminate the participation of any Administrator under this Procedural Manual at any time and may preclude Administrator's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Participation Agreement;
- Applicable state and federal laws, rules and regulations;

- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act; and
- Other applicable state and federal laws, rules and regulations.

Upon termination of an Administrator's contract Minnesota Housing will continue to purchase eligible loans for which a commitment has been issued, until the commitment expiration date.

Minnesota Housing may, at its option, impose remedies other than termination of the contract for Administrator nonperformance.

Administrator may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate an Administrator shall be at Minnesota Housing's sole discretion.

## **1.07 Representations and Warranties**

The Administrator agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders, including but not limited to the following:

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- Equal Credit Opportunity Act;
- Fair Credit Reporting Act and any applicable regulations and orders thereunder;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Law (Title VIII);
- Minnesota Human Rights Act - Minnesota Statutes Chapter 363A;
- Data Privacy - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Americans with Disabilities Act, 42 U.S.C.A. Section 1201; and
- Real Estate Settlement and Procedures Act of 1974.

In addition to the above warranties and representations, Administrator warrants and represents the following:

- It will not supply the services described herein to any household that occupies a property in which the Administrator has an ownership interest or which it manages;
- It is not aware of any pending or threatened action for partial or total condemnation of the subject property;
- The subject property has suffered no damage by fire, windstorm or other hazard, whether or not it has insurance;

- It has disbursed all proceeds of the loan on the Borrower's behalf in accordance with the provisions of this Procedural Manual;
- Loan funds are used only for the purposes eligible under this Procedural Manual;
- It maintains adequate capital and trained personnel for the administration of the program; and
- It fully complies with all terms and conditions in the Participation Agreement and this Procedural Manual for each loan closed on behalf of Minnesota Housing unless a waiver with prior written approval is obtained from Minnesota Housing.

## **1.08 Administrative and Counseling Disbursements**

Minnesota Housing will disburse administrative/counseling funds in two payments of 50 percent of the amount awarded directly to the Administrator as follows:

- Initial disbursement upon the receipt of the fully executed Participation Agreement; and,
- Final disbursement approximately 6 months from the Participation Agreement start date upon receipt of required reports and completion of the following benchmarks:
  - If 35% or more of year-end performance goals are achieved, the second 50% will be disbursed.
  - If less than 35% of year-end performance goals are achieved, no additional disbursements will be made until the third quarter performance evaluation.
  - After the third quarter performance evaluation, disbursement will occur as follows:
    - If 60% or more of year-end performance goals are achieved, the second 50% will be disbursed.
    - If 50% to 59% of year end performance goals are achieved, 25% will be disbursed.
    - If less than 50% of year-end performance goals are achieved, no additional funds will be disbursed.

## **1.09 Borrower Selection Process**

Administrator must establish and maintain a Borrower selection process that ensures the loans are issued consistently and fairly in all cases.

## Chapter 2 - Counseling Responsibilities

### 2.01 Counseling and Service Assistance

Administrators provide counseling and service assistance based on the services outlined in the Administrator's Application for Funding and incorporated into the Participation Agreement.

- Service assistance may include, but is not limited to:
  - Information – General information about FPAP, other foreclosure prevention alternatives and sources of funding, foreclosure and loss mitigation alternatives available should be provided to the public and other public service agencies as well as the Client.
  - Assessment – Administrator assesses the Client's financial circumstances and whether or not assistance under the FPAP program is an option.
  - Referral Services – Administrator should refer FPAP Clients to other services that can augment and support the assistance the Administrator is able to provide including, but not limited to, social services agencies or other organizations that may be able to assist the Client in ways other than a FPAP loan. If the individual in need of the FPAP loan is not located within the Administrator's geographic service area, a referral to another Administrator should be provided.
  - Case Management – Administrator is responsible for assisting Clients with their financial situation, providing them with possible alternatives and solutions, and overseeing the coordination of effort of all who are involved in assisting the Client. This includes, but is not limited to, mortgage companies, servicing companies, attorneys, creditors, CD vendors, and other service organizations.
  - Advocacy – Administrator should try to work with the foreclosing or evicting attorney and/or companies/individuals to resolve the situation by advocating on behalf of their Client with these entities. In cases where it is necessary to have the Client initiate the contact, the Administrator should assist the Client.
  - Financial Counseling – Administrator, by providing educational services and/or referral to a financial/debt management counselor, should help the Client to outline their financial situation and construct a reasonable budget. In addition, the Administrator should follow up with the Client once the budget is in place.
- Service assistance options should be pursued prior to considering financial assistance.
- Each Administrator participating in the FPAP program is required to perform counseling and service assistance activities regardless of whether the Administrator has exhausted its FPAP financial assistance allotment.

## **2.02 Financial Assistance**

- The Administrator should calculate the assistance for which the Client is eligible prior to determining how and where the assistance can be applied.
- The Administrator should consider other sources of funds that can be used in conjunction with FPAP including, but not limited to, the Client's ability to pay and other foreclosure prevention programs or loss mitigation tools.

## **2.03 Conflict of Interest**

Private information obtained through counseling and the application for funds may not be used in a way which represents a conflict of interest or an unfair advantage by the Administrator, its officers, employees or agents.

## **2.04 Counseling and Service Assistance Reporting**

- The Administrator is responsible for collecting data and information regarding the intake and assistance provided to Clients under FPAP.
- The Administrator must report counseling and service assistance provided as designated by the Home Ownership Center.

## Chapter 3- Borrower Eligibility Requirements

### 3.01 Borrower

One individual or multiple individuals are eligible to be a Borrower only if such individual or individuals meet the requirements of this Procedural Manual.

### 3.02 Borrower Age

Borrower must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

### 3.03 Co-Signers

Co-signers are permitted on foreclosure prevention loans.

### 3.04 Unauthorized Compensation

Borrower shall not receive kickbacks, rebates, discounts, and/or compensation from any contractor, Realtor or Administrator.

### 3.05 Prior Minnesota Housing FPAP Assistance

Borrower is restricted to one loan during Borrower's lifetime.

### 3.06 Ownership Interest

A Borrower, individually or in the aggregate, must have at least one-third ownership interest in the property. If the property is a mobile home, the ownership interest requirement is 100%. Mobile homes may be held as real estate or personal property.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A leasehold estate; or
- A leasehold estate subject to a Community Land Trust.

Title may be held in the following ways:

- Individual, joint tenancy, a tenancy-in-common, or tenancy by the entirety;
- Vendee interest in a recorded contract-for-deed; or
- A recorded life estate, excluding remaindermen.

### **3.07 Principal Residence/Occupancy Requirement**

At least one Borrower must have resided in the property at least 6 months prior to applying for the loan and must regularly reside in the property as his/her Principal Residence for at least 9 months each year.

### **3.08 Eligible Borrowers**

In order to be eligible for a loan under Minnesota Housing's Foreclosure Prevention and Assistance Program the following criteria must be satisfied.

- It must be determined that the FPAP loan will, either as the sole assistance or in conjunction with other assistance, stabilize or improve the Borrower's financial situation and enable the Borrower to remain in the home; and,
- Borrower must have had an acceptable payment history for a period of six months prior to the event that triggered the default. An unsatisfactory payment history must be fully documented and submitted for prior written approval by Minnesota Housing.

Examples of eligible borrower circumstances include but are not limited to:

- Involuntary reduction in income;
- Unavoidable expense caused by the death of a primary wage earner;
- Disabled Household Resident;
- Serious illness or injury;
- Divorce;
- Disaster or catastrophic event; or
- Unanticipated costs for property repairs relating to safety, health or accessibility.

### **3.09 Ineligible Borrowers**

Examples of ineligible borrower circumstances include but are not limited to:

- Voluntary cessation of employment or a reduction in work hours;
- Seasonal layoffs experienced on an ongoing basis;
- Overuse of credit or unnecessary monthly expenses due to lifestyle choices; or,
- Purchase of a second home.

### **3.10 Minnesota Housing Income Limit**

There is no income limit to this program. Administrators are strongly encouraged to serve Borrowers at or below 60% of area median income.

### 3.11 Maximum Asset Limit

Although there is no asset limit for the program, Borrower assets, when available, must be incorporated into the loan eligibility and loan amount determination. Wherever possible, Borrower's cash on hand or in bank accounts as well as any securities and savings bonds must be applied to the loan delinquency prior to application of loan proceeds under this program.

Assets include, but are not limited to, the following:

- Cash on hand or in checking accounts;
- Securities or U.S. Savings Bonds;
- The current market value of all real estate less outstanding indebtedness, exclusive of the home and the parcel upon which it is situated provided that the parcel in question does not exceed two contiguous lots or 160 acres;
- All other property including but not limited to farm equipment, farm stock, golf carts, boats, snowmobiles, motorcycles, business equipment, business inventory and additional vehicles; and
- All land in which any resident of the household holds title and is selling on a contract-for-deed. Value in this case is defined as the outstanding principal balance expected to exist on the contract one year from the date of application.
- Retirement accounts (401K, IRA, Keogh, etc.) are not considered a liquid asset and Minnesota Housing does not require them to be liquidated to cure delinquencies.

**Note:** *If the Borrower's delinquency will be cured by refinancing the existing mortgage and the new loan product requires a cash reserve, the Borrower's liquid assets should be applied first to the reserve requirement of the new loan product and then to the delinquency.*

### 3.12 Separated Spouses

When the Administrator establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the application and note, but must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation.
- Proof of initiated divorce proceedings.
- Verification of separate Principal Residence and absence of joint accounts.

### **3.13 Loans to Employees and Affiliated Parties**

Administrators may make Minnesota Housing loans to their directors, officers, employees and/or their families as well as to builders, Realtors and/or their families, and any other principal with whom the Administrator does business. Minnesota Housing employees and/or their families are eligible. The Borrower must satisfy all eligibility criteria for the program.

## Chapter 4 - Property Eligibility Chapter

### 4.01 Eligible Properties

Properties that receive Minnesota Housing financing must be:

- Located within the State of Minnesota; and
- A residential property, which includes:
  - A single family detached home;
  - An individual unit in a Planned Unit Development (PUD);
  - A townhome;
  - A condominium;
  - A mobile/manufactured home; or
  - A Duplex<sup>1</sup>.

### 4.02 Ineligible Properties

Properties **not** eligible for financing are as follows:

- A unit in a Cooperative Corporation or a limited equity Cooperative Corporation;
- A property intended to be used as an investment property (except the rental of a second unit in a duplex);
- A property containing more than two dwelling units;
- A recreational or seasonal home; or
- A property primarily used for business (more than 50% of the floor space is used for business).

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<sup>1</sup> Borrower must occupy one unit of the property.

## Chapter 5 – Loan Eligibility

### 5.01 Eligible Loans

Minnesota Housing purchases closed loans from Administrators under contract in Minnesota Housing loan programs. The Administrator must warrant that the following criteria have been met for each loan submitted for purchase.

- All loans have been originated, processed, underwritten and closed in accordance with the requirements of this Procedural Manual;
- All local, state and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending and wrongful discrimination in residential housing have been met;
- The loan must be originated and closed in the name of the Administrator that is a party to the Participation Agreement and that has gained an Individual Commitment of funds from Minnesota Housing via the HDS SF Web Application; and
- The loan amount and the assistance for which the Borrower is eligible are based on need.

### 5.02 Loan Amount

The minimum and maximum loan amounts under this program shall be established in compliance with Minnesota Statutes section 462A.209.

### 5.03 Eligible Funds Use

Financial assistance under this Procedural Manual may be used as follows:

- Delinquent and future (up to six months) mortgage or contract-for-deed payments, mobile home lot rent, if applicable, credit report fees, title search fees, recording fees, miscellaneous fees, etc.
- Future and past-due payments for property taxes, special assessments, utilities, hazard and flood insurance, mortgage insurance premiums and homeowner's association dues.
- Home improvement repairs necessary to maintain the property as safe, habitable and accessible. This will be permitted only if the Borrower is not eligible for any other type of home improvement or emergency assistance.
- Payments to bring a Chapter 13 Bankruptcy Payment Plan current if a secured FPAP lien can be placed on the property.
- Other costs necessary to prevent foreclosure (i.e. loan and title fees associated with the FPAP loan).
- Funds to cover closing costs for Borrower's refinance into a more sustainable mortgage product.
- Funds to redeem the property post Sheriff's Sale.

#### **5.04 Ineligible Funds Use**

Financial assistance under this program must be used only as outlined in Section 5.03 above and may not be used to pay consumer debt (credit cards, installment loans, etc.).

#### **5.05 Security Requirements**

Administrator shall secure all loans with a mortgage or a lien on the mobile home title unless prior written approval is obtained from Minnesota Housing.

#### **5.06 Interest Rate/Amortization Requirements**

- If the loan is paid in full within 30 days of the date the loan becomes due and payable, the interest rate is 0%.
- If the loan is not repaid within 30 days of the date it becomes due and payable, the interest rate is the lesser of 18% per annum or the highest interest rate allowed by law.

#### **5.07 Mortgage Term**

All loans have a 30-year deferred term.

#### **5.08 Non-Complying Loans**

Minnesota Housing shall have the right to take one or more of the following actions in the event an Administrator submits a mortgage loan that does not, as determined by Minnesota Housing, comply with the requirements of this Procedural Manual:

- Terminate, suspend, or otherwise limit the Administrator's Participation Agreement with Minnesota Housing; or
- Preclude the Administrator from future participation in Minnesota Housing programs.

#### **5.09 Repurchase of Loans**

Minnesota Housing may, at its option, require the Administrator to repurchase the loan if:

- Any representation or warranty of the Administrator or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; and
- The loan is not in compliance with any term or condition set forth in the Participation Agreement and this Procedural Manual.

Upon written notice by Minnesota Housing, the Administrator has ten (10) business days to submit payment to Minnesota Housing for the unpaid principal balance and reasonable expenses incurred by Minnesota Housing, including attorney's fees. Failure to comply with this requirement may result in the termination, suspension, or otherwise limit the Administrator's Participation Agreement with Minnesota Housing.

## Chapter 6 – Commitment/Disbursement

Minnesota Housing funds a variety of programs and initiatives and reserves the right to establish limits for any program and/or initiative during any business day such as:

- A maximum dollar amount an Administrator may commit, or
- A maximum number of Individual Commitments an Administrator may commit.
- Administrators commit funds on a first come, first served basis from a single statewide loan pool.

Individual Commitments are to be considered as “forward commitments” by Administrator. It is expected that the loan will be submitted to gain a Purchase Approval status via HDS SF Web Application.

### 6.01 Requesting a Commitment

Once Administrator has determined that a Borrower meets the loan requirements, an Individual Commitment of funds is requested through Minnesota Housing’s HDS SF Web Application.

Requests for a commitment that meet the eligibility requirements in this Procedural Manual will be authorized electronically.

Commitments are valid for 120 days. All commitments will be automatically cancelled at day 121.

Loans must meet eligibility requirements and gain a status of Purchase Approval no later than the last day a commitment is still valid.

### 6.02 Modifying a Commitment

- Any change to a commitment must meet eligibility requirements and is submitted via HDS SF Web Application to qualify.
- Any qualifying commitment change will not alter the commitment period of the original commitment.
- A change of Borrower or property on the commitment will not be allowed.
- A change of the loan amount will be allowed if funds are available.

### 6.03 Canceling a Commitment

Minnesota Housing requires Administrator to cancel any commitment that will not be used for the specified loan.

## **6.04 Transfer of Individual Commitments**

Administrator may not transfer commitments to another Administrator. Minnesota Housing staff may transfer a commitment under the following conditions:

- Administrator requests in writing a transfer of the commitment to different Administrator and documents the reason,
- Original Administrator must transfer and/or assign case documents to the new Administrator.

## **6.05 Minnesota Housing Loan Purchase/Disbursement of Funds**

Minnesota Housing will purchase loans with a status of Purchase Approval by the daily cutoff time, Monday through Friday, except for state observed holidays. The disbursement of funds will occur on the next business day.

A Lender Certificate detailing purchase transaction details will be available only via the HDS SF Web Application.

## **6.06 Loan Purchase Corrections**

If it is determined that an adjustment to the purchase price of any purchased loan is necessary, Minnesota Housing will either invoice Administrator for any funds to be returned or disburse additional funds to Administrator.

## Chapter 7 – Documentation Requirements

### 7.01 Loan Processing and Closing

All loans submitted to Minnesota Housing for approval must meet the following requirements:

- Loans must be closed, and disbursed, prior to requesting Minnesota Housing loan approval via the HDS SF Web Application.
- All loan documents must be on Minnesota Housing forms and may not be altered in any way.
- All loan documents must be complete, accurate and reviewed by the Administrator at the various and appropriate stages of the loan.
- All mortgage assignments must run directly from the Administrator to Minnesota Housing and use the Minnesota Uniform Conveyance Blank.

### 7.02 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides Loan Transmittal 2<sup>nd</sup> Mortgage form detailing specific documentation/delivery requirements. Administrator must fully execute and deliver documents within designated timeframes. In addition, Administrator must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all Minnesota Housing requirements.

Documentation not delivered to Minnesota Housing/Servicer within the specified time frames, may result, at Minnesota Housing's discretion, in the Administrator being required to repurchase the loan, or any such remedy as identified in this Procedural Manual. Minnesota Housing may also, at its discretion, extend the timeframes.

### 7.03 Records Retention

Administrator must retain any and all documents (including compliance with Minnesota Housing program guidelines) as may be required for servicing/loan audit activities.

## Chapter 8 – Servicing

### 8.01 Servicing

- Each Administrator will be assigned a designated servicer by Minnesota Housing.
- Minnesota Housing may, at its discretion, designate other servicers.

### 8.02 Delivery of Loans to Servicer

Administrator must forward the loan, along with the required documentation in the prescribed order and format, to the assigned Servicer by mail within five (5) calendar days of the Minnesota Housing purchase of the loan.

### 8.03 Due on Sale

The loan is due upon sale of or transfer of title to the property or if the property is no longer the Borrower's Principal Residence.

### 8.04 Subordinations

Minnesota Housing allows subordinations only under limited circumstances and only with prior written approval. During the term of the loan, the Borrower's ability to use any equity in the property may be severely restricted.

# Appendix

[Definitions](#)

[Forms List](#)

[Process Guide](#)

# Definitions

All terms used in the Procedural Manual use industry standard definitions except for the following:

Term	Definition
Administrator	A nonprofit, incorporated organization or a governmental entity with which Minnesota Housing, in its sole discretion enters into a contract agreement for local administration of the program.
Client	Individual(s) seeking assistance through the Foreclosure Prevention Assistance Program.
Individual Commitment	A specific legal commitment of funds with specific terms and conditions for use by a specific Borrower purchasing a specific property.
Minnesota Housing Program Eligibility Income	Income used to meet the requirements of this Procedural Manual.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.

## Forms List

Borrower Application  
Income Calculation Worksheet  
Loan Transmittal 2nd Mortgage  
Mortgage  
Note  
Note and Mobile Home Security Agreement

## Process Guide

This guide is a supplement to the Minnesota Housing Foreclosure Prevention Assistance Program Procedural Manual. All policies and processes contained in the Minnesota Housing Foreclosure Prevention Assistance Program Procedural Manual must be followed.

The contents of this guide cover a number of Minnesota Housing eligibility guidelines, but do not contain all the information necessary to originate a loan for sale to Minnesota Housing.

All loans must meet the underwriting guidelines of the Seller that originates the loan.

### Borrower Selection

- Apply Administrator's established borrower qualification criteria.
- FPAP loan (alone or in conjunction with other assistance) stabilizes or improves the borrower's financial situation;
- Borrower's payment history for 6 months prior to the event that triggered the default is acceptable; and,
- The borrower's financial situation is due to circumstances beyond the borrower's control.

### Financial Assistance Amounts

Determine and use if available other sources of funds in conjunction with FPAP:

- Borrower's ability to pay,
- Other foreclosure prevention programs,
- Other loss mitigation tools.

### Rejected Applications

- Send a letter to the Applicant(s) describing the reason for loan denial and the appeal process.

### Origination

- Complete the application;
- Hold budgeting discussions with borrower;
- Administrator's loan committee reviews application.

**System:**

- Pre-Qualifying Assessment – Enter basic information and see programs borrower may qualify for with Minnesota Housing.
- Select program, enter appropriate information, making adjustments as needed (from error messages), and submit to gain commitment.

### **Minnesota Housing Program Eligibility**

- Confirm borrower eligibility (3.01 through 3.09)
  - At least 18 years of age
  - No prior FPAP loans
  - 1/3 ownership interest
  - Principal residence
  - Eligible circumstances
  - Ineligible circumstances
- Verify Income (3.10) (Use Income Calculation Worksheet)
- Verify Assets (3.11)
  - Verify all assets;
  - Obtain net worth statements to verify self-employed individuals' business assets;
  - Obtain written verifications dated within 1 year of application;
  - Use borrower-owned liquid assets to mitigate delinquency prior to application of FPAP loan funds.
  - Use (if possible) equity in the property, to resolve delinquency issues prior to FPAP loan funding.
- Verify Ownership (3.06)
  - Obtain an Owner and Encumbrance Report to:
    - Establish whether the property is Torrens or Abstract;
    - Obtain complete legal description;
    - Obtain recording information; and,
    - Determine the type of ownership
- Confirm Property Eligibility (4.01)
  - Home is located within the State of Minnesota
  - Residential property

- Confirm loan eligibility
  - Use of funds
  - Maximum Loan Amount
  - Security Requirements

**System:**

- Retrieve Commitment and enter required information, making adjustments as needed (from error messages).
- All information except the closing date can be entered and qualified prior to "Purchase Approval" by HDS SF Web Application.

**Closing**

- Execute required documents (7.01 & 7.02)
  - Check all documents to ascertain accuracy
- Ensure all documents are presented to the Borrower and that the borrower understands each document's contents.
  - For Real Property:
    - FPAP Mortgage Note and Lending Agreement
      - Signed by recipients of a 30-year deferred loan.

**FPAP Mortgage**

- Signed by recipients of a 30-year deferred loan.
- Borrowers sign mortgage documents exactly as name appears beneath the signature lines.
- Discuss:
  - Equity limitations with borrowers
  - Consequences of selling, transferring or otherwise conveying the interest in or ceasing to occupy the property as their primary residence, with the borrower.
- Provide borrowers with copies of all legal documents.

**For Personal Property:**

- FPAP Note-Lending Agreement and Mobile Home Security Agreement
  - Signed by recipients of a 30-year deferred loan on a Mobile Home taxed as personal property (on a site in a mobile home park).

- Discuss:
  - Equity limitations with borrowers
  - Consequences of selling, transferring or otherwise conveying the interest in or ceasing to occupy the property as their primary residence, with the borrower.
- Obtain the original Certificate of Title to the Mobile Home

**System:**

- After loan is closed, retrieve Commitment and enter loan closing date, submit to gain "Purchase Approval" on the loan.
- The Purchase view will show payment details and funds will be received in two business days!

**Post Closing/Delivery**

- Endorse the Note:
  - The Note must bear the following endorsement signed by the Administrator: "Pay to the Order of the Minnesota Housing Finance Agency, Without Recourse".
- Prepare Assignment of Mortgage
  - Complete the Assignment of Mortgage to Minnesota Housing.
- Have documents recorded
  - Real Property
- Deliver Mortgage and Assignment of Mortgage to the appropriate office within ten (10) days of loan closing:
  - Abstract property – County Recorder's Office
  - Torrens property – Registrar of Titles
- Personal Property
  - List Minnesota Housing's lien with the Motor Vehicle Division by obtaining Public Safety form 2017 (PS 2017) and sending the completed form to the Department of Public Safety.
    - Submit the original Certificate of Title along with PS 2017 to the Department of Public Safety. The borrower will receive a new Certificate of Title showing Minnesota Housing as the lien holder.
- Deliver documents to Minnesota Housing (Use Loan Transmittal 2nd Mortgage form)
- Deliver documents to Loan Servicer (Use Loan Transmittal 2nd Mortgage form)

System:

- Track submission deadlines for final documents.
- Retrieve the loan record and note deadlines and required corrections.