



## RED WING HOUSING & REDEVELOPMENT AUTHORITY

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# Red Wing Housing and Redevelopment Authority Homebuyer Assistance Program



Program and Policies Adopted:

May 2010

Updated: November 2011

### Our Mission

To provide quality, affordable, sustainable housing and community redevelopment programs utilizing resources that develop public and private partnerships.

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## Purpose and Background

The purpose of the program is to assist low and moderate-income families with the purchase of affordable housing in the City of Red Wing. This program will provide financial assistance to households who have income at or below 80% of the area median income. This program's intention is to empower Red Wing households who are on the cusp of homeownership but need financial assistance to secure a home loan from a lender. Eligible households can receive up to \$20,000 for homebuyer assistance based on need.

The homebuyer assistance will act as a soft second loan at zero percent interest. This means that the borrower will not need to make monthly payments on this loan. The loan is not forgivable. It must be paid back by the homeowner upon the sale of the house, vacating the house as a primary residence, or at the expiration of the 30-year term.

The program is effective April 2010 and will continue until the \$100,000 allocation of funds is dispersed. \$40,000 of the \$100,000 is reserved for applicants who will receive loans under the Minnesota Community Participation Program (MCP) or the Minnesota Mortgage Program (MMP), both of which are Minnesota Housing Finance Agency (MHFA) First-time Home Buyers Programs. The HRA reserves the right to reassign the \$40,000, at any time, to the overall allocation.

Program is subject to change.

## Eligibility Criteria

### A. Maximum Income:

To be eligible for the Red Wing HRA Homebuyer Assistance Program, the total household income must be at or below the income limits\* based on household size:

Household Size	Maximum Income
1	\$40,250
2	\$46,000
3	\$51,750
4	\$57,450
5	\$62,050
6	\$66,650

\*80% income limits are determined by HUD and are subject to change.

All household members over the age of 18 will have their income reviewed to determine *household* eligibility even if all members do not sign the mortgage.

Households must initially be at or below the maximum income at time of closing; however, income will not be monitored after loan closing.

The agency will certify annually that the household resides in the house.

### B. Mortgage Qualification

Have prior contact with a lender and secure their conditional approval for a mortgage. Letter from the lending institution. It must state that your home mortgage application is accepted by them contingent on a down payment that is at or below \$20,000.

### C. Home Buyer Training

At least one household member must attend a Home Stretch (NSP approved) Homebuyer education course and provide us with a copy of the completion certificate. Courses can be located at: <http://www.hocmn.org/en/index.cfm>

### D. Credit Score

Applicant must have a credit score of 620 or higher

## **E. Budget**

Create an accurate household budget (free assistance is available from <http://www.hocmn.org> under 'other services' and 'credit repair'). It will need to show ability to repay home mortgage.

## **F. Processing Fees**

Each adult household member must pay a non-refundable \$25 fee at time of application, for a credit check. For applicants who receive the Homebuyer Assistance Program there will be a processing fee of \$300. The processing fee can be paid up front or subtracted from the final loan amount at closing. Applicants are also responsible for the filing fee with the court house and the cost of a title search.

## **G. Purchase Agreement**

Applicant must have a signed purchase agreement for the property. The property must meet the requirements as noted below. If the house is in question to any of the items below please contact HRA staff before submitting an application. The HRA will not inspect any houses until a purchase agreement is in signed.

## **H. Property Requirements**

- All properties must meet Section 8 Existing Housing Quality Standards; if a FHA House inspection has been completed it will meet this requirement as long a copy of the inspection is provided to the HRA.
- All properties constructed before 1978 must pass a visual inspection of lead paint hazards. This must be completed by qualified HRA staff. If a property fails a visual inspection, a formal lead inspection at the cost to the owner, will be required. Any unstable surfaces (including chipped or peeling paint) will need to be remediated before the HRA will consider the property eligible.
- House must be 'move-in' condition (no major construction or repairs needed prior to move-in).
- House must be primary residence of applicant(s).
- House must be located in the city of Red Wing.

- House must receive city water and sewer services (no private wells or septic systems).
- House must be suitable size for family size.
- House must have an appraised value equal to or greater than all loans.

### **I. Priority**

- Applications will be processed in order we receive them.
- Applications will be funded as they are completed and approved.
- You DO NOT need to be a first time homebuyer to receive funding.
- \$40,000 is allocated for participants enrolled in MHFA's First-time Home Buyer Programs: MCPP and MMP.
- The HRA will stop receiving applications once the HRA receives enough applications to utilize the \$100,000 allocation.

### **J. Household Contribution**

Applicant must contribute a minimum of \$1,000 of their own funds toward the purchase of the home (earnest money can make up part or the entire requirement).

## Loan Details

### A. Interest Rate and Terms

The maximum loan amount will be 10% of the 1<sup>st</sup> mortgage up to \$20,000.

The household's monthly house payment cannot exceed 30% of the gross income.

Applicant must contribute a minimum of \$1000 of their own funds toward the purchase of the home (earnest money can make up part or the entire requirement).

The interest rate will be set at 0% for the length of the term. The term is for 30 years or for as long as the original homebuyers owns and resides in the home. Loan is due in full upon sale of the house or when the owner moves out.

The loan may be transferred to another homeowner, at the time of sale; if they are income qualified and verified through the Red Wing HRA.

### B. Lending Institutions

You can use any lending institution of your choice.

Lending Institutions do not have to be located in Red Wing, MN.

Minnesota Housing Finance Agency offers First time homebuyer programs through local lenders. Local lenders who are currently participating in one or more first-time homebuyer program include:

- Merchants Bank, 2835 South Service Drive

For the most up to date list of local lenders who participate in a Minnesota Housing First-time homebuyer programs please go to:

<http://www.mnhousing.gov/consumers/lender/index.aspx>

### C. Other Requirements

The applicant must meet the following requirements:

- 1) Applicant does not own other real estate, such as lakeshore property, farmland or residential property. The only exception is commercial property that generates income for payment of the house loan.
- 2) Applicant does not have ample resources to make the loan without down payment assistance.

- 3) Lender indicates the applicant will not receive the loan without down payment assistance.

#### **D. Repayment Agreements**

The borrower(s) is required to sign a Note and Mortgage in order to receive homebuyer assistance. Assistance will be provided in the form of an interest free loan payable upon sale or transfer of the property. Full repayment of the principal is due upon the sale, maturity or other transfer of the property or when the buyer no longer occupies the property as the principal residence.

## Checklist for Applicant

To apply for this program the applicant will need to submit:

- A completed application with all signatures
- An accurate household budget, preferably created by a 3<sup>rd</sup> party
- Verification for a NSP homebuyer education course – a printout of upcoming class reservation or a NSP certificate that is less than 2 years old
- A check for \$25 per adult household member for credit report(s)
- A letter from lender stating conditional approval for a mortgage based on a down payment amount of \$20,000 or less
- Purchase agreement for selected property

**\*\*This list is for a complete application.\*\***

**Partial applications will not be accepted.**

## What to Expect

Once completed applications are received and reviewed:

- 1) Staff will contact applicant to set up time to meet and review documents
- 2) Staff will contact lender
- 3) If applicant meets all eligibility guidelines the HRA will issue a conditional approval of Homebuyer Assistance
- 4) HRA staff must receive all documents before approving loan (Homebuyer Education Course if pending)
- 5) Two weeks prior to the closing date, the lender will send all necessary documentation required to the HRA. Upon receipt of the required documents, the HRA will prepare a check in the amount requested on the Homebuyer Assistance Request Form. Lenders should note that the Red Wing HRA must receive the completed Claim Form in order to initiate the financing process. Lenders should allow at least 10 days from receipt of the Claim Form to process a check.
- 6) Following the closing, the lender will be responsible for immediately forwarding copies of the warranty deed, one copy of the Second Mortgage and the original Note to the HRA. The lender is responsible for recording the Second Mortgage with the Goodhue County Recorder's Office and forwarding the recorded document to the HRA.

Exception Authority—the HRA may consider applications that do not meet the exact criteria because of circumstances beyond the control of the applicant.

## Affirmative Marketing

The Red Wing HRA participates in the Community Development Block Grant Program. Although funding for the program limits the number of participants, marketing efforts will comply with requirements of fair housing and any entity engaged in marketing and implementing the Red Wing HRA program must not discriminate against households who may be included in protected classes. Furthermore, every effort must be made to engage in inclusionary marketing and to use the HUD fair housing logo whenever feasible. The logo appears on the cover of this guide.

## Program Contact

Contact Renee Lorence Standing tree, at (651) 301-7029 at the Red Wing HRA for more details. Applications can be picked up from the Red Wing HRA between the hours of 9a.m. and 3:30p.m. or they can be downloaded from <http://www.redwinghra.org/>