

Appendix D

BUILD Homebuyer Incentive

Down Payment Assistance Program Guidelines



1. Program Summary:

- The **BUILD Homebuyer Incentive** provides up to \$20,000 in need-based homebuyer assistance to **purchase a vacant lot and construct a new 1-4 unit home** through the Minneapolis Homes Build program. An additional \$5,000 is available to active, uniformed, sworn City of Minneapolis police officers, firefighters, EMTs, and full-time Minneapolis Public School pre-K – 12 teachers.

2. Eligible Borrower:

- The Borrower must meet the requirements of the Minneapolis Homes program.
- The Borrower does not have to be a first-time homebuyer.
- The Borrower does not have to be within a certain income limit.
- The Borrower will be required to be in title to the subject property and sign the Mortgage Deed.
- The Borrower is expected to reside in the subject property, as their primary residence.
- All cash buyers will be underwritten by the Program Administrator using standards approved by the City.

3. Eligible Properties:

- Limited to North Minneapolis vacant lots sold for 1-4 unit residential new construction through the Minneapolis Homes BUILD Program.
- There is no sale price limit.

4. Loan Terms:

- The loan has a zero percent interest.
- There are no monthly payments.
- The loan is forgiven at a prorated rate (20% per year) over a five-year owner occupancy period. If the homeowner ceases to occupy the home as a primary residence during the five-year owner occupancy period, the remaining balance of the loan is repaid.
- The mortgage may be subordinated as part of a refinance of the primary loan.
- These loans are considered a "Special Mortgage" under the terms of Minnesota Statute 58.13, which means a mortgage with an interest rate or repayment term that is not standard in the real estate market.

5. Loan Amount:

- The maximum homebuyer incentive loan amount is \$20,000, based on demonstrated need. The loan amount can finance either development gap (the difference between the cost to construct a home and what it appraised for on completion) or affordability gap (the difference between the appraised value of a home and what a buyer can afford).
- An additional \$5,000, not adjusted based on need, is available for active, uniformed, sworn City of Minneapolis police officers, firefighters, EMTs, and full-time Minneapolis Public School pre-K – 12 teachers that provide a certification letter.
- This program may be layered with Long Term Affordability financing from the City of Minneapolis.

6. Use of Funds

- The payment of down payment costs and normal and usual closing costs as needed to fill affordability gap defined above.
- The payment of project expense in excess of the appraised value of the completed project as needed to fill development gap defined above.

7. Required Homebuyer Financial and Homeownership Counseling and Education:

- Homebuyers must complete homebuyer education through HomeStretch™ (sponsored by the Minnesota Homeownership Center, 651-659-9336 or www.hocmn.org), Framework® (online homebuyer education available at www.hocmn.org), or the Minneapolis Urban League American Dream Program.

8. Eligible Primary Financing:

- The loan may be offered in connection with any fixed-rate portfolio FHA, VA, Fannie Mae, or Freddie Mac insured or uninsured loan product that is generally considered in the lending industry to be an “A” or “prime” lending product, alternate mortgage products must be pre-approved by Minneapolis Homes staff.
- The loan may also be offered in combination with a contract for deed financed and held by a nonprofit developer provided that the nonprofit developer does not sell the contract for deed without the written approval of the City. The contract for deed program must be approved by the City prior to participation in the Local program.
- This loan may not be used with sub-prime lending products.

9. Loan Security

- The loan funds will be separately secured by a Promissory Note and Mortgage.
- The loan may be secured in a subordinate lien position behind other lender resources.
- No title insurance is required.
- No mortgagee clause is required in the owner’s hazard insurance policy.

10. Catastrophic Language

- In the event the Mortgage holder and the servicer, in their sole and absolute discretion, after a loss mitigation analysis, find that a catastrophic event, including but not limited to Borrower’s death or extended illness, or the extended illness of a close family member who depends primarily on the borrower for support, has occurred which substantially and permanently impairs their ability to repay this Promissory Note and Mortgage and requires them to sell the Property for an amount less than the existing balance on the Promissory Note and Mortgage, that portion of the lien of Promissory Note and Mortgage that cannot be satisfied from the proceeds of such sale shall be released.

11. How to Apply

- To determine eligibility and fund availability interested applicants should complete Homebuyer Incentive application in the BUILD offer to purchase packet.