

Appendix E

REHAB Homebuyer Assistance

Down Payment Assistance Program Guidelines



1. Program Summary:

- The **REHAB Homebuyer Assistance** provides homebuyer assistance to **purchase a 1-4 unit vacant structure to rehabilitate or one that has been recently rehabilitated** through the Minneapolis Homes Rehab program.

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; however the program is first-come, first-served. Some program sources are not income restricted, some are restricted to buyers at 115% AMI, and some are restricted to buyers at 80% AMI.
- 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:

- A 1-4 unit property located within the city limits of Minneapolis that is rehabilitated through the Minneapolis Homes Rehab 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 100% repayable at the end of the life of the first mortgage OR refinanced OR when the homeowner ceases to occupy the home as their primary residence OR transfer of title OR at the end of the 30-year deferment period.
- 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 assistance loan amount is \$5,000.
- This program may not be layered with other City of Minneapolis down payment assistance.

6. Use of Funds

- The payment of down payment costs and normal closing costs.
- Any portion of the loan that is not applied to the payment of down payment assistance or closing costs must be repaid to the City of Minneapolis and the loan balance will be reduced accordingly.
- Since the intent of the loan is to help homebuyers with their purchase, the loan may not be used to reimburse a borrower for a purchase transaction that has already occurred.

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 contact the City of Minneapolis-CPED Residential and Real Estate Development
Crown Roller Mill Building
105 5th Ave S- Suite 200
Minneapolis, MN 55401
612-673-5174