

Home Ownership Works



Down Payment Assistance Program Guidelines



1. Program Summary:

- **Home Ownership Works (HOW)** provides homebuyers at or below 80% of Area Median Income (AMI) assistance to purchase a home in Minneapolis.

2. Eligible Borrower:

- Household income may not exceed 80% of the area median income (AMI). The income of the following persons must be verified and included when calculating Annualized Gross Income:
 - Anyone who will have title to the subject property and signs the Mortgage Deed
 - Anyone expected to reside in the subject property and who will be obligated to repay the underlying mortgage loans (signs the Note) but who is not in title to the subject property; i.e. the Co-Signer (not named in title to the subject property and does not sign the Mortgage Deed)
 - The legal spouse of the mortgagor who will also reside in the subject property
- Borrower must have a valid fully executed purchase agreement at the time of application.
- Borrower's maximum housing debt ratio cannot exceed 33% and total monthly debt to income ratio cannot exceed 50%.
- Borrower does not have to be a first-time homebuyer.
- Borrower must be a U.S. Citizen or be a legal U.S. Resident (have legal immigration status).
- Household income must include the income of all residents of the household, whether or not they will be on the title of the property or be obligated for repayment of the HOW loan.
- All cash buyers will be underwritten by the Program Administrator using standards approved by the City.

3. Eligible Properties:

- A single family, condominium, townhome or duplex property rehabilitated or constructed through the HOW program.
- The sale price (supported by an appraisal) is limited to 95 percent of the area median purchase price or after-rehabilitation price for single family housing, as determined by the U. S. Department of Housing & Urban Development.
- The homebuyer must occupy the home within 60 days following the home purchase closing.

4. Loan Terms:

- Zero percent interest
- No monthly payment
- 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.
Note: If borrower fails to maintain the property as borrower's principal residence during the affordability period, the full direct assistance amount plus the development subsidy amount shall be immediately due and payable regardless of net proceeds.
- 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.

5. Loan Amount:

- The loan will be a minimum of \$1,000 to a maximum of \$14,999, depending on eligibility requirements.
- This program may not be layered with other City of Minneapolis down payment assistance programs.
- To ensure compliance with HOME guidelines, City will have to review for approval the layering of other federally-funded sources, including non-City HOME programs.

6. Use of Funds

- The payment of down payment and normal closing costs (no pre-paid costs are eligible).
- Since the intent of the loan is to help buyers with their home 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.
- Homebuyers must complete homebuyer maintenance education offered through the City of Lakes Community Land Trust (612-594-7150 or www.clclt.org).

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.
- This loan may not be used with sub-prime lending products.

9. Loan Security

- The HOW loan funds will be separately secured by a Promissory Note and Mortgage.
- The loan may be secured in a second lien position behind other lender resources.
- No title insurance is required.
- The City of Minneapolis must be listed as an “Additional Insured” on 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 applicable HOW-approved developer:

Project for Pride in Living (PPL) 1035 East Franklin Ave Minneapolis, MN 55404 612-455-5100	Powderhorn Residents Group (PRG) 2017 East 38 th Street Minneapolis, MN 55407 612-721-7556	Urban Homeworks (UHW) 2015 Emerson Ave N Minneapolis, MN 55411 612-724-9002
Twin Cities Habitat for Humanity (TCHFH) 1954 University Ave W St. Paul, MN 55104 651-207-1700	City of Lakes Community Land Trust (CLCLT) 1930 Glenwood Ave Minneapolis, MN 55405 612-591-7150	Greater Metropolitan Housing Corporation (GMHC) 15 South Fifth Street, Suite 710 Minneapolis, MN 55402 612-339-0601