

# Minneapolis Homes: Financing Recapture Assistance



## Recapture Assistance Program Guidelines



### 1. Program Summary:

- **Minneapolis Homes: Financing Recapture Assistance** provides homebuyers with a deferred loan to purchase certain affordable homes constructed or rehabilitated through the Minneapolis Homes: Financing program.

### 2. Eligible Borrower:

- Borrower must have a valid fully executed purchase agreement at the time of application.
- The Borrower does not have to be a first-time homebuyer.
- The borrower's household income may not exceed 80% of the area median income (AMI). Depending on developer contract a lower AMI may be required and posted marketing materials. 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 who is over the age of 18
  - Anyone 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.
- Borrowers front end debt to income ratios must be at minimum of 25% and combined ratios cannot exceed 50% based on the first mortgage.
- There is a max cash asset limit for borrowers in the amount of \$50,000. Retirement account (IRA, 401K, and pension) do not count against the asset limit.
- There is a reserve requirement of 2 months of the 1<sup>st</sup> mortgage payment. Retirement accounts (IRA, 401k, and Pensions) can be used for reserves.

### 3. Eligible Properties:

- Any property that is purchased through the Minneapolis Homes: Financing program. There are sales price limits for properties funded with federal HOME funds.
- 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.
- 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 amount available to a homebuyer is a minimum of 1% of the purchase price or \$1,000, whichever is greater, up to 15% of the appraised home value.
- The amount provided to a homebuyer is based on demonstrated need and availability of funds.
- This program may not be layered with other City of Minneapolis down payment assistance programs.
- Amount of assistance for homebuyers is determined by completion of the homebuyer worksheet which is completed by applicant/developer.

## **6. Use of Funds**

- The payment of down payment costs.
- Any portion of the loan that is not applied to the payment of down payment 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 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 HUD approved homebuyer education provided through through HomeStretch™ (sponsored by the Minnesota Homeownership Center, 651-659-9336 or [www.hocmn.org](http://www.hocmn.org)), Framework® (online homebuyer education available at [www.hocmn.org](http://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.
- This loan may not be used with sub-prime lending products.

## **9. Loan Security**

- The Homebuyer Assistance 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 developer of the newly constructed or rehabilitated property