

FirstHOME
Down Payment Assistance Program
RAMSEY COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
POLICY FOR THE PROVISION OF FIRST TIME HOMEBUYER ASSISTANCE WITH THE USE OF
HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDS

OVERVIEW

The Ramsey County Housing and Redevelopment Authority (RCHRA) is committed to assisting low and moderate- income families with the purchase of affordable housing in suburban Ramsey County. The FirstHOME Program enables the RCHRA to assist first-time homebuyers who will live in Ramsey County with costs associated with the purchase of a home in suburban Ramsey County.

Up to \$15,000 is available to eligible homebuyers as a second mortgage. Funds may be used to pay any or all generally-accepted closing costs including: loan points, origination fees, appraisals, credit and title examinations, and legal and recording fees. Funds may also be used for down payment costs or principal subsidies and may be used in conjunction with some Minnesota Housing programs. The program is approved by Fannie Mae.

FUNDING SOURCE

Funds for FirstHOME are provided by the U.S. Department of Housing and Urban Development (HUD) through the Home Investment Partnerships Program (HOME.) FirstHOME has been approved as an eligible use of HOME and is operated within Ramsey County, excluding the City of Saint Paul, by the RCHRA.

FIRST TIME HOMEBUYER PROGRAM /HOME INVESTMENT PARTNERSHIPS ASSISTANCE

FirstHOME assistance is available from Ramsey County on a first-come, first-served basis to households who meet the income, employment, property, homebuyer education and other criteria established in Section III (qualified borrowers). The Ramsey County HRA will work with any licensed lender.

DETERMINATION OF ELIGIBILITY

To be eligible to participate in FirstHOME, the following requirements must be met:

1. Maximum Income. Annual household income cannot exceed the maximum income limitation as stated by the RCHRA. This limit is based upon 80% of the Minneapolis/St. Paul Metropolitan Statistical Area median income by household size, as determined periodically by HUD. A breakout of these figures is included in the lender package and on the Fact Sheet. Income is to be arrived at using the IRS 1040 Adjusted Gross income for EACH adult living in the household, even if that adult is not listed on the mortgage. Income must be projected forward for the next 12 months from the time of application. The format for calculating household income using this method is outlined in the Reservation and Application Form. A completed form must be forwarded to Ramsey County at the time a reservation of funds is requested. Income must be verified by third parties, especially where earnings are irregular, uncertain or are based on self-employment. If Ramsey County HRA funds are used in conjunction with other funding programs, the most stringent requirements of both programs must be met.

2. Acquisition Price. The current maximum acquisition price for properties purchased with Ramsey County FirstHOME Program assistance is \$273,000. The purchase price shall be no more than the maximum HOME Program purchase price limit as determined by HUD for the Minneapolis/St. Paul Metropolitan Statistical Area or as established by Ramsey County.

3. First Time Buyer. Borrower(s) cannot have owned a principal place of residence within the past three years. However, displaced homemakers and/or single parents who may have owned a home with a former spouse may be eligible.

4. Homebuyer Training. To qualify for participation in the FirstHOME Program, at least one household member must have successfully completed an approved homebuyer education program. Education must be completed prior to closing the loan. Home Stretch or Framework through the Homeownership Center is acceptable. A list of approved training opportunities is available on the web at <http://www.HOCMN.org>. Evidence of successful completion of homebuyer training must be provided prior to issuance of the check for FirstHOME downpayment assistance.

5. Mortgage Qualification. The borrower(s) must be able to qualify for a VA, FHA, or Fannie Mae approved conventional mortgage as determined by the participating private lender, or must meet the requirements of locally approved initiatives designed to meet affordable housing needs in suburban Ramsey County.

6. Asset Limitations. Borrowers using FirstHOME may have no more than \$5,000 in liquid assets after closing. Tax-sheltered retirement accounts, such as IRAs, and 401Ks, do not have to be considered in calculating maximum assets.

7. Property Eligibility. The property being purchased must be located in suburban Ramsey County and must be the principal place of residence of the borrower(s). Eligible properties include single family homes, condominiums, townhouses, and land trust properties with at least 50-year leasehold interest.

A multi-unit, owner-occupied property is not an eligible property. Downpayment assistance will not be provided for the purchase of a property that is primarily occupied by tenants. This includes halfway housing, dormitories, and all types of student housing.

The specifics of the above qualifications will change over time and are regulated by state and federal law. The borrower(s) must abide by requirements in place at the time they choose to participate in the first time homebuyer program. The Homebuyer Agreement stipulates the provisions in effect at the time it is executed.

DOWNPAYMENT ASSISTANCE QUALIFICATIONS

1. Income/Property

Borrowers must meet eligibility requirements described above.

2. Property/Housing Quality Standards

The property must minimally meet Section 8 Housing Quality Standards. Lenders must provide evidence that the property has been inspected and meets housing quality and lead standards prior to closing, and must be conducted by an inspector operating as an agent of Ramsey County.

All properties constructed before 1978 must pass a visual inspection for lead hazards conducted by an individual trained in visual assessment. Training is available on-line from HUD at <https://www.hud.gov/offices/lead/training/visualassessment/h00101.htm>

Upon successful completion of the hour -long course, the trainee can print out a completion certificate. A copy of the certificate should accompany the visual assessment forwarded to Ramsey County prior to closing.

3. Buyer Downpayment/Transaction Investment

Borrowers with adjusted gross incomes between 60 percent and 80 percent of the area median income (AMI) by household size must contribute no less than \$2,000.00 toward the transaction. Borrowers whose incomes are less than 60 percent AMI are required to contribute at least one (1) percent of the property's purchase price.

4. Minimum / Maximum FirstHOME Buyer Assistance

The buyer(s) is expected to pay at least 30% of adjusted income for principal, interest, taxes and insurance (PITI) and/or ground lease payments and owner association fees.

The RCHRA will fund a second mortgage in an amount equal to the difference between the maximum approvable mortgage (based on the buyer paying 30% or more of household income) and the purchase price of the home, up to a maximum of \$15,000.

In order to ensure sustainable homeownership, the sum of all other debt at time of application approval should not exceed 45% of buyers overall household income.

5. Repayment Agreement and Grant of Lien

The borrower(s) is required to sign a Homebuyer Agreement and Repayment Note/Grant of Lien included in the lender package in order to receive FirstHOME assistance. Financial assistance will be provided in the form of an interest-free loan secured and payable upon sale or transfer of property. A FirstHOME mortgage is not assumable. 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. Ramsey County may subordinate only when the property is being refinanced to secure a lower fixed interest rate and/or term and no cash is refunded to the borrower(s). If the original buyer(s) remains in the property and repays the first mortgage in full, the borrower must repay the full principal amount of the FirstHOME. Once satisfied, the FirstHOME lien will be removed.

6. Community Land Trust Properties

Maximum Purchase Price. The maximum purchase price for the buyer, including rehabilitation, may be no more than the maximum established for the Ramsey County FirstHOME Program, except that the cost of the land (up to 25% of the purchase price) may be excluded.

Downpayment Requirement. Downpayment requirements are consistent with those established for the Ramsey County FirstHOME Program. Downpayment may be calculated based on Community Land Trust (CLT) sales price.

Resale Restriction. Mortgages will be filed for all CLT purchases using FirstHOME loans. Written agreements will include language requiring that the subsequent buyer of the CLT home meet all FirstHOME program requirements.

FIRST MORTGAGE REQUIREMENTS

Ramsey County requires that first mortgage underwriting:

- Is be fixed term, fully amortizing, over a minimum term of twenty (20) years. No rollover, adjustable rate mortgages, interest-only, or other mortgage loans with principal balloons will be permitted.
- Loan-to-value ratio may be at least 105 percent, including the Ramsey County FirstHOME loan.
- Loan must meet industry accepted underwriting standards.
- Interest rate for the first mortgage may be no higher than the current market rate in suburban Ramsey County communities.

DOWNPAYMENT ASSISTANCE PROCEDURES

First-time homebuyers interested in participating in the FirstHOME Buyer Assistance Program must apply through their lender. Ramsey County prefers that lenders assist homebuyers with the process and RCHRA staff is willing to answer questions from prospective buyer-borrowers. RCHRA staff can assist with the process if the lender is unwilling or unable.

1. The lender or Ramsey County staff will complete the FirstHOME Reservation and Application form to determine the amount of downpayment assistance for which the borrower qualifies. The lender will forward the completed Mortgage Application (1003) and underwriting summary (1008) to Ramsey County. The lender will also forward the FirstHOME Reservation and Application form (if applicable). FirstHOME submissions will be reviewed by RCHRA staff for accuracy and eligibility. An authorized RCHRA staff member will provide a conditional approval, indicating that downpayment assistance funds in the amount indicated on the worksheet have been reserved for that borrower. The lender or Ramsey County staff must demonstrate or otherwise certify that the borrower is paying at least 30% of income for PITI before other public monthly payment assistance contributions. A completed Household Income Worksheet has been provided and must accompany the request to reserve FirstHOME funds. This can be filled out by the homebuyer and lender or RCHRA staff.
2. Not later than two (2) weeks prior to the closing date, the lender will send all necessary documentation required by the HOME Program to Ramsey County. Upon receipt of the required documents, Ramsey County will prepare a wire in the amount requested on the Wire Request Form. Lenders should note Ramsey County must receive the completed Wire Request in order to initiate the financing process. Lenders should allow at least 10 days from receipt of the Claim Form to process a wire.

Forms required to complete the application include the following:

- FirstHOME Signed Disclosure and Certifications
 - FirstHOME Reservation/Application
 - Mortgage Application 1003
 - Underwriter Transmittal Summary 1008
 - Income Verification/Documentation
 - FirstHOME Homebuyer Agreement (signed by borrower)
 - FirstHOME Housing Quality Inspection and Lead Paint Assessment Certification
 - Purchase Agreement
 - Appraisal
 - Homebuyer Homestretch or Framework Completion Certificate
 - FirstHOME Voluntary Transaction Agreement (signed by seller)
 - FirstHOME Ramsey County Check or Wire Request (10 days before closing)
 - Closing Disclosure
3. The lender and/or title company shall provide the FirstHOME funds at closing and will be responsible for having the borrower(s) sign the Repayment Note and Grant of Lien at closing.

4. Following the closing, the title company will be responsible for immediately forwarding copies of the ALTA Settlement Statement and the Repayment Note and Grant of Lien. The lender and/or title company is responsible for recording the Lien with the Ramsey County Recorder's Office and forwarding the recorded document to Ramsey County HRA. By participating in the program, the lender agrees to retain and make available all submission and source documents for review by Ramsey County and/or the U.S. Department of Housing and Urban Development immediately upon request.

RESALE OF PROPERTY PURCHASED WITH HOME OR CDBG PROGRAM FUNDS

When the borrower(s) sells the home purchased using downpayment assistance direct subsidy from Ramsey County FirstHOME Program funds, it is required that the entire amount of the downpayment assistance funds provided to the borrower(s) be repaid in full to the Ramsey County Housing and Redevelopment Authority.

However, in cases where there are no net proceeds (sales price minus loan repayment, other than the FirstHOME downpayment) from the sale, or the net proceeds are insufficient to repay the FirstHome downpayment, the amount repaid may be less than the original downpayment.

REFINANCING

Ramsey County may subordinate the FirstHOME Buyer Assistance loan if refinancing results in greater housing affordability for the participants. Subordinations may be made on a case-by-case basis; however no cash may be taken out as a result of refinancing. Borrowers may need to document continuing income eligibility for the program. Requests for subordination should be submitted to Ramsey County Community and Economic Development along with a copy of the lender 1003, appraisal, title report, and the Good Faith Estimate of closing costs. Recipients of FirstHOME Buyer Assistance must show evidence of receiving approved refinance counseling prior to any refinance transaction that pays off the FirstHome loan.

CONTINUING AFFORDABILITY

These guidelines will ensure that all borrowers receiving downpayment assistance through the Buyer Assistance Program meet the applicable HOME Program rules and regulations. The HOME Program has established periods of affordability. Properties purchased with assistance from the Ramsey County FirstHOME program must remain affordable for a period of no less than 10 years. Properties with FHA insured, VA guaranteed, or Fannie Mae conventional mortgages must remain affordable for the longer of the length of the mortgage or FirstHOME affordability period.

Because the use of HOME Program funds as described in these policies requires that borrowers using FirstHOME Buyer Assistance repay that assistance upon sale or transfer of the property, all HOME Program funds utilized for FirstHOME downpayment assistance will be returned to the RCHRA, thereby nullifying the continued affordability requirement. Funds repaid/recaptured during the period of affordability will be used to fund the FirstHOME Program.

RE-USE OF HOME FUNDS

The RCHRA will reinvest returned HOME Program funds for the purpose of assisting other low and moderate-income families to obtain decent and affordable housing within suburban Ramsey County.

AFFIRMATIVE MARKETING

Ramsey County participates in Community Development Block Grant and Home Investment Partnerships Programs. Although funding for the FirstHOME program limits the number of participants, marketing efforts will comply with requirements of the Consolidated Plan. Specifically, any entity engaged in marketing Ramsey County funded programs 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 each page of these policies.

FirstHOME LENDING PARTNERS

Ramsey County will work with all lenders to make FirstHOME funding available to eligible buyers. Lenders must agree to comply with requirements of the Ramsey County FirstHOME Program and make files available for monitoring by Ramsey County and the U.S. Department of Housing and Urban Development upon request.

POLICY MODIFICATIONS

Ramsey County HRA/Community and Economic Development shall have the authority to make modifications to this policy as necessary for the continued implementation of the program, including, but not limited to: (1) policy revisions necessary due to a change in design of the FirstHOME Program; and (2) policy changes necessary due to revisions in the rules and regulations of the Home Investment Partnerships Program (24 CFR Part 92) Program as administered by the U.S. Department of Housing and Urban Development, and 3) to appropriately address market conditions.

Ramsey County HRA/Community and Economic Development has the right to amend this policy and/or discontinue the HRA homebuyer assistance program at any time.