



**RAMSEY COUNTY
HOUSING AND REDEVELOPMENT AUTHORITY**

FirstHOME Program



**POLICY FOR THE PROVISION OF
FIRST TIME HOMEBUYER ASSISTANCE
WITH THE USE OF
HOME INVESTMENT PARTNERSHIP PROGRAM FUNDS**

Program and Policies Adopted:
March 9, 1999
Revised January, 2014

RAMSEY COUNTY HOUSING AND REDEVELOPMENT AUTHORITY

FirstHOME Program

SECTION I

OVERVIEW

The Ramsey County Housing and Redevelopment Authority (HRA) is committed to assisting low and moderate-income families with the purchase of affordable housing in suburban Ramsey County. The Ramsey County HRA's FirstHOME Program enables the HRA to assist first time homebuyers who will live in Ramsey County with costs associated with the purchase of a home in suburban Ramsey County. From 2000-2009, 173 first-time homebuyers have participated in the FirstHOME Program.

Funding in an amount up to \$10,000 can be provided as a second mortgage and 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 downpayment costs or principal subsidies and may be used in conjunction with Minnesota Housing's CASA and other approved programs. The program is approved by Fannie Mae.

SECTION II

FUNDING SOURCE

Funds for the FirstHOME Buyer Assistance program are provided by the U.S. Department of Housing and Urban Development (HUD) through the Home Investment Partnership Program (HOME Program.) Ramsey County is a member of the Dakota County Consortium. The HRA has been designated by the Ramsey County Board of Commissioners to implement the HOME and CDBG Programs within Ramsey County. The FirstHOME Buyer Assistance Program has been approved as an eligible use of HOME and is operated within Ramsey County by the HRA.

SECTION III

DETERMINATION OF ELIGIBILITY

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

- 1. Maximum Income.** Annual household income cannot exceed the maximum income limitation as stated by the Ramsey County HRA. 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 *Income Determination Worksheet* and must be forwarded to Ramsey County at the time that 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. In the event that Ramsey County HRA funds are used in conjunction with Minnesota Housing Finance Agency funding programs, the most stringent requirements of both programs must be met.

The HOME program excludes students from participating independently in the program that are enrolled in a higher education institution, under age 24, not a veteran of the US military, is unmarried, does not have a dependent child or children, is not a person with disabilities, is not otherwise individually or jointly not eligible on the basis of income.

2. Acquisition Price. 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 (see Fact Sheet) or as established by Ramsey County. The current maximum acquisition price for properties purchased with Ramsey County FirstHOME Program assistance is \$168,000 for existing single family homes and \$200,000 for new construction.

3. First Time Buyer. The borrower(s) cannot have owned a principal place of residence within the past three years except that displaced homemakers and/or single parents who may have owned a home with a former spouse may also be eligible. The Buyer(s) must also demonstrate that they have a minimum of three years of continuous, documentable full-time (2,080 hours annually) employment history. Post-secondary education (college) may not be substituted for employment.

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. Training provided Home Stretch or Framework through the Homeownership Center is acceptable. A list of approved training opportunities is available on the web at 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 the Ramsey County FirstHOME Buyer Assistance Program may have no more than \$5,000 in liquid assets after closing the FirstHOME loan. IRAs, 401Ks and other tax sheltered retirement accounts 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). Properties must minimally meet Section 8 Housing Quality Standards and must comply with federal lead-based paint and asbestos regulations. Inspection forms are included with the Property Standards description and must be signed by the inspector indicating that the housing quality inspection was performed on behalf of Ramsey County.

Eligible properties include single family homes, condominiums, townhouses, land trust properties with at

least 50-year leasehold interest, and manufactured housing only if it meets the following criteria:

Manufactured housing qualifies only if the unit is situated on a permanent foundation, is connected to permanent utility hook-ups, is located on land that is held in a fee-simple title, land trust, or long-term ground lease with a term at least equal to that of the appropriate affordability period. Properties must meet construction standards that are established under 24 CFR 3280 if produced after June 15, 1976. If the unit was built prior to June 15, 1976, it must comply with applicable State or local codes.

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 undoubtedly change over time and are regulated by state and federal law. The borrower(s) must abide by those requirements in place at the time he/she chooses to participate in the first time homebuyer program. The Homebuyer Agreement stipulates the provisions in effect at the time it is executed.

SECTION IV

FIRST TIME HOMEBUYER PROGRAM / HOME INVESTMENT PARTNERSHIP 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 recognized lender; however preference will be given to lenders who have attended county-sponsored information programs and those who have been designated as participating lenders by Minnesota Housing (MHFA).

A. DOWNPAYMENT ASSISTANCE QUALIFICATIONS

1. Income/Property

Borrowers must meet eligibility requirements and the property must meet criteria established under Section III.

2. 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 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 at www.hud.gov/offices/lead/training/index.cfm. 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 whose adjusted gross incomes fall between 60 percent and 80 percent of the area median income by

household size must contribute no less than \$2,000.00 toward the purchase transaction. Borrowers whose incomes are less than 60 percent of the area median are required to contribute at least one (1) percent of the purchase price of the property.

3. Minimum / Maximum FirstHOME Buyer Assistance

The Ramsey County HRA 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 10,000.

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.

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, except where participating in the Minnesota Housing **Community Activity Set-Aside Program (CASA)**.

CASA Program participants may receive additional assistance through lower mortgage interest rates, monthly payment assistance and 40-year mortgages. CASA participants are expected to contribute at least 30 percent of gross household income for PITI, except that CASA monthly payment assistance available during the first three years of the loan, may reduce initial monthly payments to 28 percent of monthly gross income.

Ramsey County FirstHOME cannot be used with Minnesota Housing's HOME HELP because funds are from the same federal source.

4. Repayment Agreement and Grant of Lien

The borrower(s) is required to sign a Homebuyer Agreement and Repayment Note and 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. FirstHOME 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 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.

5. Community Land Trust Properties

Rondo Community Land Trust is a non-profit organization that assures long-term affordability of homeownership by retaining ownership of the land and limiting appreciation upon resale. The Ramsey County Consolidated Plan identifies low-income homebuyers as a priority and provides support to Rondo CLT to enhance affordability for those families with less ability to secure sufficient private financing. The following policies clarify the use of FirstHOME Buyer Assistance for 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.

Minimum Monthly Housing Costs. Purchasers of CLT properties are expected to pay a minimum of 30 percent of gross monthly income for housing costs unless buyers are also participating in the Minnesota Housing CASA Program. Monthly mortgage assistance cannot be used to reduce minimum monthly payments below 28% of the household's gross monthly income.

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.

B. FIRST MORTGAGE REQUIREMENTS

Ramsey County first mortgage underwriting requires the following:

- ✓ The first mortgage will 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.
- ✓ The loan-to-value ratio may be at least 105 percent, including the Ramsey County FirstHOME loan.
- ✓ The loan must meet industry accepted underwriting standards.
- ✓ The interest rate in the first mortgage may be no higher than the current market rate in suburban Ramsey County communities.

C. SUBORDINATE MORTGAGE REQUIREMENTS—Minnesota Housing Program

- ✓ Entry cost assistance Where Ramsey County FirstHOME funds are in an amount greater than other subordinate financing, Ramsey County prefers that the other funds be subordinate to FirstHOME.
- ✓ Other eligibility requirements established by the Minnesota Housing Programs will apply when used in conjunction with the Ramsey County FirstHOME Program.

D. DOWNPAYMENT ASSISTANCE PROCEDURES

First-time homebuyers interested in participating in the FirstHOME Buyer Assistance Program must apply through their lender. Ramsey County will not work directly with homebuyers although staff is willing to answer questions from prospective buyer-borrowers.

1. The lender will complete the Buyer Assistance Reservation and Calculation Worksheet and the Income Determination Worksheet for FirstHOME Buyer Assistance to determine the amount of downpayment assistance for which the borrower qualifies. The lender will then forward the reservation and worksheet to the HRA, along with the completed Mortgage Application(1003) and underwriting summary (1008). FirstHOME submissions will be reviewed for accuracy and eligibility. An authorized HRA 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 must demonstrate or otherwise certify that the borrower is paying at least 30% of income for PITI before other public monthly payment assistance contributions. The Household Income Worksheet has been provided and must accompany the request to reserve FirstHOME funds.
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 the HRA. Upon receipt of the required documents, Ramsey County will prepare a check in the amount requested on the Check Request Form. Lenders should note Ramsey County must receive the completed Check Request in order to initiate the financing process. Lenders should allow at least 10 days from receipt of the Claim Form to process a check.

Forms required to complete the application include the following:

- a. Reservation and Assistance Calculation
 - b. Income Determination
 - c. 1003 and 1008
 - d. Homebuyer Agreement
 - e. Data Privacy Certification
 - f. Voluntary Transaction Certification-Addendum to Purchase Agreement
 - g. Appraisal
 - h. Housing Quality Inspection
 - i. Lead Certification
 - j. Check Request
3. The lender shall provide the FirstHOME buyer assistance check at closing and will be responsible for having the borrower(s) sign the Repayment Note and Grant of Lien at that time.
 4. Following the closing, the lender will be responsible for immediately forwarding copies of the HUD1 Settlement Statement, the warranty deed, and the original Repayment Note and Grant of Lien. The lender is responsible for recording the Lien with the Ramsey County Recorder's Office and forwarding the recorded document to the HRA. The Repayment Note and other required documents are available on the Community and Economic Development (CED) website.
 5. 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.

SECTION V

RESALE OF PROPERTY PURCHASED WITH HOME OR CDBG PROGRAM FUNDS

At such time as the borrower(s) wishes to resell 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.

SECTION VI

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 estimates of closing costs. Recipients of FirstHOME Buyer Assistance must show evidence of receiving approved refinance counseling prior to any refinance transaction.

SECTION VII

CONTINUING AFFORDABILITY

The aforementioned 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 HRA, thereby nullifying the continued affordability requirement. Funds repaid/recaptured during the period of affordability will be used to fund the FirstHOME Program.

SECTION VIII

RE-USE OF HOME AND CDBG PROGRAM FUNDS

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

SECTION IX

AFFIRMATIVE MARKETING

Ramsey County participates in Community Development Block Grant and Home Investment Partnership 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 the cover of these policies.

SECTION X

FirstHOME PARTNERS

Ramsey County will work with all suburban 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.

SECTION XI

POLICY MODIFICATIONS

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