

FirstHome
Down Payment Assistance Program
RAMSEY COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
POLICY FOR THE PROVISION OF FIRST TIME HOMEBUYER ASSISTANCE WITH THE USE OF
RAMSEY COUNTY HOUSING AND REDEVELOPMENT AUTHORITY TAX LEVY 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 with costs associated with the purchase of a home in Ramsey County.

Up to \$20,000 is available as a second mortgage for eligible first-time homebuyers purchasing in suburban Ramsey County. Up to 25% of the purchase price of a home is available to eligible first-generation homebuyers in suburban Ramsey County 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 and other down payment assistance programs. Borrowers cannot take any cash out or receive any cash back at closing.

FUNDING SOURCE

Funds for FirstHome are provided by the Ramsey County Housing and Redevelopment Authority (RCHRA) tax levy funds.

FIRST TIME HOMEBUYER PROGRAM

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 below. 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 to 100% 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 proof of the last 60 days of earned and/or unearned 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. A completed form must be forwarded to Ramsey County at the time a reservation of funds is requested. Income must be verified by paystubs and award letters for earned and unearned income. Self-employment income must be verified by tax returns, quarterly profit-and-loss statements, and bank account statements. 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 \$372,600. The purchase price shall be no more than the purchase price limit as determined by the Minnesota Housing Finance Agency (MHFA) for the 11-county

metro area.

3. First-time and First-generation Buyer. First-time 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.

First-generation borrower(s) or their parent(s) cannot have owned a home in their lifetime. First-generation borrower(s) are required to provide location of parent(s) residence and sign an attestation to affirm first-generation status.

Please note: The entire household must meet First-time and/or First-generation eligibility. This includes every adult, even if they are not going to be a party to the mortgage.**4. Homebuyer Training and Homebuyer Advising.** To qualify for participation in the FirstHome Program, all borrowers must have successfully completed an approved homebuyer education program. Homebuyer Education must be completed no more than 18 months prior to applying for DPA funds. Home Stretch, Framework or Realizing the American Dream through the Homeownership Center is acceptable. A list of approved training opportunities is available on the web at [Home Stretch Workshops](#) or [Framework](#). Evidence of successful completion of homebuyer training must be provided with a FirstHome downpayment assistance application.

FirstHome assistance participants are also required to participate in one-on-one homebuyer advising with a homeownership advisor. A certificate of completion with a list of required topics discussed must be provided with a FirstHome downpayment assistance application.

5. Mortgage Qualification. The borrower(s) must be able to qualify for a VA, FHA, Fannie Mae or Freddie Mac 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 Ramsey County.

6. Asset Limitations. Household's total liquid assets cannot exceed \$50,000 after closing.

7. Buyer Contribution. Homebuyers are required to contribute at least 1% of the purchase price of the home, up to \$3,726. The contribution can be in the form of earnest money, inspection fees, appraisal fees, and/or cash to close. These funds can be gifted to the homebuyer. However, the gift cannot come from another assistance program. Additionally, homebuyers must have enough documented assets (as listed on the 1003 & 1008) to account for any "Borrower funds to close."

8. Property Eligibility. The property being purchased must be located in Ramsey County and must be the principal place of residence of the borrower(s). Eligible properties include single family homes, condominiums, townhouses, duplexes, and land trust properties with at least 50-year leasehold interest. To be used in the City of Saint Paul, the FirstHome assistance must be used with a Ramsey County CED or HRA developed home.

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 or first-generation 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. Acquisition Price. The current maximum acquisition price for properties purchased with Ramsey County FirstHome Program assistance is \$372,600. The purchase price shall be no more than the maximum MHFA purchase price limit as determined by Minnesota Housing Finance Agency for the 11-county metro area or as established by Ramsey County.

3. Minimum / Maximum FirstHome Buyer Assistance

The buyer(s) is expected to pay at least 25% of adjusted income for principal, interest, taxes, and insurance (PITI) and/or ground lease payments, mortgage insurance and homeowner 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 \$20,000 for first-time homebuyers.

The RCHRA will fund a second mortgage in an amount equal to the difference between the maximum purchase price of \$372,600 and the approvable mortgage (based on the buyer paying 25% or more of household income) up to 25% (maximum of \$93,150) for first-generation homebuyers.

In order to ensure sustainable homeownership, the sum of all other debt at time of application approval should not exceed 45% of first-time or first-generation homebuyer's overall household income.

5. Repayment Agreement and Grant of Lien

The first-time homebuyer 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. 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. A FirstHome mortgage is only assumable upon the death of the homebuyer(s) and can only be assumed by an immediate family member. 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, if applicable. 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.

INSPECTION AND APPRAISAL REQUIREMENTS Ramsey County requires a full home inspection from an American Society of Home Inspectors (ASHI)-certified home inspector prior to closing. Before the buyer can close on the home, the property must be inspected to ensure the buyer is aware of any structural, health or safety defects. Local municipalities may require additional inspection requirements. A copy of the inspection must be sent to Ramsey County at the time FirstHome funds are requested for closing. An inspection should be completed early in the homebuying processing to avoid closing delays. The FirstHome Program cannot provide funds for the purchase of the home until the ASHI-certified home inspection is received by county staff.

If the home for purchase was constructed before 1978, a Lead-Based Paint Risk Assessment is required. The Lead-Based Paint Risk Assessment must be completed by Ramsey County Environmental Health Division. A referral will be automatically initiated by FirstHome program staff if the buyer is conditionally approved for FirstHome funds. Additionally, the \$435 cost of the Lead-Based Paint Risk Assessment will be deducted from the total amount of downpayment assistance provided.

If deteriorated lead paint is present in a home purchased with Ramsey County Down Payment Assistance and there is a child under the age of six that will move into the home, the lead must be mitigated within six months after the purchase of the home. Ramsey County's Environmental Health Division will then connect buyers with lead-based paint assistance programs.

A copy of the appraisal establishing the value of the property must also be provided before funds may be released. The purchase price of the home cannot be higher than the appraised value. The appraisal must be received by county staff prior to closing and the release of funds.

FIRST MORTGAGE REQUIREMENTS

Ramsey County requires that first mortgage underwriting:

- Be a 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 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. Ramsey County staff will provide the lender with a program checklist. The lender 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. Once the required documents are received, 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 25% 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 FirstHome Program to Ramsey County. Upon receipt of the required documents, including the title company's W-9, 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 Wire Request Form to process a wire.

Forms required to complete the application include the following, please note that Ramsey County staff may require additional forms or information upon request during the closing process:

- FirstHome Signed Disclosure and Certifications
- FirstHome Reservation/Application
- Mortgage Application 1003
- Underwriter Transmittal Summary 1008
- Income Verification/Documentation
- FirstHome Homebuyer Agreement (signed by borrower)
- A copy of the Inspection from an ASHI-certified inspector
- A copy of the Ramsey County lead-based paint assessment, if applicable
- Purchase Agreement
- Appraisal
- Homebuyer Homestretch or Framework Completion Certificate
- One-on-One Homeownership Counseling Certification
- FirstHome Ramsey County Wire Request including the title company's W-9 and official wire instructions (10 days before closing).

- Closing Disclosure

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.

3. 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 AND RECAPTURE OF 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.

Borrowers participating in the first-generation program will be required to be repay with the terms indicated below:

Year of Transfer	Amount to be Repaid
1	100%
2	95%
3	90%
4	85%
5	80%
6	75%
7	70%
8	65%
9	60%
10	55%
11	50%
12	45%
13	40%
14	35%
15	30%
16	25%
17	20%

18	15%
19	10%
20	5%

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 Loan 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.

AFFIRMATIVE MARKETING

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.

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) 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.