

# **Saint Paul HRA Downpayment Assistance Program Guidelines**

## **Program Administrator**

Housing and Redevelopment Authority (“HRA”) of the City of Saint Paul, Minnesota.

## **Program Overview**

The HRA’s Downpayment Assistance Program (the “Program”) will deepen and expand homeownership opportunities to people with lower incomes, act as a wealth building tool, address the homeownership gap in Saint Paul and help mitigate displacement pressures. The Program provides residents within areas most vulnerable to unsustainable housing costs and displacement, access to necessary resources to assist with achieving homeownership in today’s increasingly pressured market.

The Program funds will be used for downpayment assistance, closing costs, and property inspections. All amounts used for downpayment assistance and closing costs will be offered as a loan at a 30-year deferred term at 0% interest and secured by a subordinate mortgage. At maturity, the balance of the loan is due, with exceptions where there are no net proceeds, as defined in the “Repayment Terms” section of the Guidelines.

The maximum loan amount is \$40,000.00 per eligible household, with specific amounts awarded depending on need. Unless prohibited by funders’ requirements, HRA funds may be layered with other downpayment assistance program funds.

Funds used for property inspections will be offered as a grant. See the “Reimbursement for Home Inspections” section of these Guidelines for additional information.

The Program will be operated in accordance with these Guidelines and all other relevant policies and procedures of the City of Saint Paul and the HRA.

## **Sources of Funds and Availability**

Program funds will be provided from HRA funds and other sources only as available and on a first-come, first-served basis.

Approximately one-half of available funds are reserved for homebuyer households with longer-term barriers to mortgage- and homeownership-readiness, and who are working in partnership with an approved pre-purchase homeownership counseling provider to address those barriers.

Additional and more restrictive requirements of the funding sources or underlying first mortgage lender may apply.

## **Coordination with Other Downpayment Assistance**

To ensure efficient use of resources, the HRA, in its sole discretion, requires that buyers whose needs may be met by other programs first access those programs.

The HRA will determine need based on its review of application buyer’s first-mortgage lender and make referrals to other program providers as appropriate.

## Property Eligibility

### Location

The home purchased must be within an eligible Census tract. Eligible Census tracts as shown in Appendix A are traditionally affordable areas that are experiencing market pressures or are vulnerable to such market pressures. The HRA will determine property location is within eligible census tracts prior to committing assistance.

### Property Type

Property must be a residential one-to-two unit occupancy that complies with zoning and code requirements. Individual condominium units, townhome units, and cooperative housing units are eligible and considered a one-unit occupancy.

***Special requirement for two-unit (duplex) properties:*** At least one unit must be owner occupied. Under [section 40.04](#) of the St. Paul Legislative Code, buyers of two-unit (duplex) properties applying for their first fire certificate occupancy are required to complete [Landlord 101 training](#) through the City of Saint Paul.

### Purchase Price Limits

Single-unit properties up to \$242,000 and two-unit (duplex) properties up to \$310,000 are eligible for purchase with Program funds.<sup>i</sup>

## Homebuyer Eligibility

### Owner Occupancy

Homebuyer must owner occupy and homestead the property as their principal residence for the duration of term of the HRA mortgage.

### Pre-Purchase Counseling and Education Required

Prior to executing a purchase agreement, the homebuyer must have completed at least one pre-purchase homeownership or financial counseling or coaching session with an approved service provider. A list of approved service providers is shown in Appendix B. The HRA strongly recommends buyers consult with their service provider as often as necessary throughout the homebuying process to discuss the Program and the homebuying process in general.

Also, prior to purchase, the homebuyer must complete homebuyer education through HomeStretch™ or Framework®. For more information on HomeStretch and Framework, contact the Minnesota Homeownership Center at 651-659-9336 or visit [www.hocmn.org](http://www.hocmn.org).

### Household Income

The homebuyer's gross annualized household income must not exceed 60 percent of Area Median Income, adjusted for household size.

The income of the following persons must be verified and included when calculating Household 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 one or more underlying mortgage loans (i.e., signs a promissory note for debt secured against the property) but who is not in title to the subject property.

- The legal spouse of the mortgagor who will also reside in the subject property.

**Asset Limit**

Homebuyer households must have net assets of no more than \$25,000.00 at the time of initial occupancy, excluding vehicles, equity in the unit, furnishings, clothing, any assets used in a business, and a combined \$50,000.00 in college savings and retirement account balances.

**No Limit on use of Gift Funds**

There is no limit on the use of gift funds.

**Housing Ratio**

The household housing ratio is the ratio at the time of initial occupancy of the household's monthly housing expenses associated with the financed principal residence (first and subordinate mortgage principal and interest, property taxes, homeowners' and mortgage insurance, and association dues) to its gross monthly household income.

Standard maximum housing ratios for Conventional, FHA, VA, etc. are acceptable.

**Minimum Borrower Contribution**

Borrowers must contribute a minimum of \$1,000.00 of their own cash funds, which may include earnest money and lender prepaid costs. This must come from the buyer's own funds and may not be a gift, grant, loan, or sweat-equity contribution.

**Cash Back at Closing**

The buyer may receive cash back at closing from Program funds only when the cash back is a refund of the buyer's own investment, as allowed under the terms of the first-mortgage loan.

**Other Permitted Financing**

Permitted sources of purchase money are cash and mortgage loans from "institutional lenders," such as federally or state insured banks and credit unions, and mortgage loans from nonprofit entities such as Habitat for Humanity. The following are not permitted:

- Loans with sub-prime rates and/or sub-prime closing costs.
- Loans with negative amortization.
- First-position mortgage loans with terms shorter than 30 years.
- Contracts for deed.
- Contracts for title.
- Lease-to-own agreements.

**Escrow of Property Taxes and Property Insurance Required**

Buyer must pay property taxes and insurance through monthly escrow paid in conjunction with a permitted mortgage.

**First Time Home Buyer Status Not Required**

Homebuyer may have previously owned a home.

## **Reimbursement for Home Inspections**

The HRA strongly encourages and recommends that buyers have the property inspected by a professional home inspector. Eligible prospective buyers are encouraged to join the inspector during the inspection to more fully understand the condition of the property.

The HRA will reimburse eligible buyers or prospective buyers for up to 80% of the costs of inspection on as many as three homes, provided that (1) the total HRA reimbursement for all inspections does not exceed \$500.00, (2) the buyer and seller have agreed to the sale and the home purchase is contingent on inspection or was contingent at the time of the inspection, and (3) the inspector in each case is a member of the American Society of Home Inspectors (ASHI) or the International Association of Certified Home Inspectors (InterNACHI). This reimbursement is in addition to financial assistance provided for downpayment and closing costs and is excluded from the Loan Amount.

## **Application Process**

### Reservation

Applicant or applicant's realtor contacts the HRA to request a reservation of funds.

### Closing

Applicant or applicant's realtor must contact the HRA following submission of the purchase offer and at least 30 days prior to the closing of the property. Materials required include but are not limited to:

- Copy of executed purchase agreement
- Preliminary Income Calculation Worksheet
- Income documentation in accordance with standard mortgage underwriting guidelines

### Conditions

Prior to closing the applicant's lender must submit to the HRA:

- Qualifying income documentation, Buyer Disclosure and preliminary 1003 application to show loan funds and NO cash back to buyer, no exceptions.
- Homebuyer education certificate from an approved counseling agency for all homebuyers dated within 12 months of closing.
- Copy of title commitment
- Copy of appraisal
- Date of closing, name and contact information of closer (Lender's closer or title company closer).
- A minimum of 3 business days prior to closing, lender must provide a copy of the final buyer closing disclosure for HRA approval, and title company wire instructions.
- The HRA must be listed as an additional insured party on the borrower's homeowners insurance binder and HRA must receive copies of final 1003 loan application, executed final buyer closing disclosure, copies of first mortgage note, mortgage deed, additional assistance documents (if any) and any other documents required by the HRA.

## Loan Product Description

Maximum Combined Loan Amount	Up to \$40,000.00, in one or two separate loans.
Interest Rate	0%
Term	Loans made with HRA funds are deferred over a thirty (30) year term, due at maturity (generally, at resale or at 30 years). See “Repayment Terms” section for loans made with HRA Funds, below. Loans made with Minnesota Housing Impact Fund dollars are deferred over a thirty (30) year term, due at maturity (generally, at resale or at 30 years).
Eligible Use of Funds	Funds will be used for downpayment and closing costs. Funds can be layered with other downpayment assistance programs subject to those programs’ and funding source requirements.
Loan Security	Loans made with HRA funds will be evidenced by a non-recourse promissory note and secured in the name of the HRA by a mortgage filed against the property. Loans made with Minnesota Housing Impact Fund dollars will be evidenced by a promissory note endorsed to Minnesota Housing and secured by a mortgage filed against the property and assigned to Minnesota Housing.
Fees	The HRA does not charge the buyer for origination, application or processing. Recording fees will be paid as part of the closing.

### Servicing, Subordination and Payoff

Loans made with HRA funds will be serviced by the HRA in accordance with all relevant policies and procedures of the City of Saint Paul and the HRA.

At the time of closing, loans made with HRA funds will be in the most senior lien position allowable and may be in a subordinate lien position to other mortgages.

After closing, loans made with HRA funds will be subordinated only according to the HRA’s Subordination Process in effect at the time of the refinance. No cash out refinances are the only type of refinance allowed. Loans made with funds other than HRA funds are subject to policies of the underlying funding source.

Before repaying a loan made with HRA funds buyers must receive refinance counseling from a HUD-approved counseling agency or a member of the Minnesota Homeownership Center’s Homeownership Advisors Network.

## Repayment Terms for Loans Made with HRA Funds

At the time of repayment, net proceeds will be calculated as follows:

Sales price

- First mortgage principal due
- Closing costs
- Other secured financing due, provided it is in a senior lien position or financed the homebuyer's purchase of the unit
- = Net proceeds

If net proceeds are greater than or equal to the HRA funded downpayment assistance loan, the loan will be due in full. If net proceeds are positive, but less than the HRA funded downpayment assistance loan, then net proceeds will be paid to the HRA and the remainder of the HRA funded downpayment assistance loan will be forgiven. If net proceeds are negative, and amount to a loss, the HRA funded downpayment assistance loan will be forgiven in full.

## Program Subject to Alteration, Suspension and Discontinuation

The HRA reserves the right to alter these Guidelines and to suspend or discontinue its Downpayment Assistance Program at any time.

## Notice of Nondiscrimination

The Housing and Redevelopment Authority of the City of Saint Paul, Minnesota does not discriminate on the basis of race, color, religion, gender, age, national origin, disability, marital status, familial status, sexual orientation or military status in any of its programs, services or activities.

## Reasonable Accommodation; Assistance for Persons with Limited English Proficiency

If you need an accommodation to better understand this information or access this program, or want help translating this information, please contact Hannah Burchill at [Hannah.Burchill@ci.stpaul.mn.us](mailto:Hannah.Burchill@ci.stpaul.mn.us).

Si desea recibir asistencia gratuita para traducir esta información, envíe un correo electrónico a [Hannah.Burchill@ci.stpaul.mn.us](mailto:Hannah.Burchill@ci.stpaul.mn.us).

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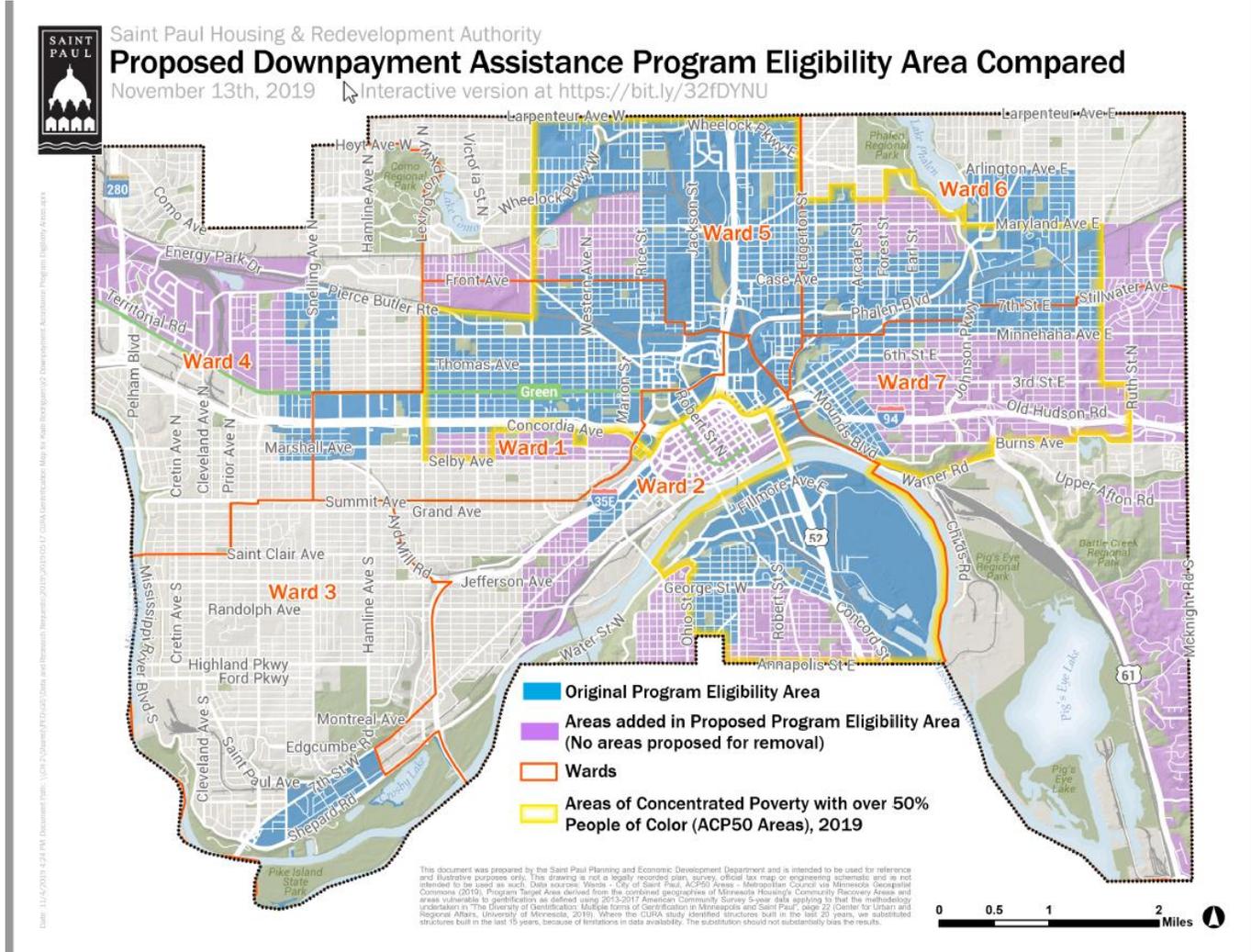
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<sup>i</sup> May be adjusted annually based on federal HOME sales price limits for existing homes.

APPENDIX A: Downpayment Assistance Program Eligibility Areas are the blue and purple highlighted areas.



The Eligibility Area consists of the shaded Census tracts in the City of Saint Paul, numbered as follows:

The Target Area is comprised of the following census tracts: 304, 305, 306.01, 307.04, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317.01, 317.02, 318.01, 318.02, 319, 320, 321, 324, 325, 326, 327, 330, 331, 334, 335, 336, 337, 338, 339, 340, 342.01, 342.02, 344, 345, 359, 361, 369, 370, 371, 372, 374.03, 376.02, 428.