

Neighborhood Stabilization Program
Homebuyer Assistance Incentive Program
PROGRAM GUIDELINES
June 6, 2013

Program Administrator

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

Program Overview

All funds will be in the form of a five (5) year forgivable loan and will be recorded subordinate to primary financing. The program funds will be used for mortgage affordability enhancements or principal reductions in the form of a deferred mortgage, creating an affordability incentive for prospective homebuyers to purchase and occupy homes that have been fully rehabilitated under the Neighborhood Stabilization Program (NSP). The loan will be forgiven at a rate of 20% each year beginning from the date of closing. If the property is sold within five (5) years, then the remaining assistance is to be repaid to the HRA. The maximum amount of assistance is \$5,000 per property.

Loan Pool

\$ 1,000,000

Property Eligibility

Geographical Restrictions: Property must be located within the designated NSP areas in Saint Paul, MN.

Property Type: Property must have been rehabilitated by the HRA or private developer who purchased the property from the HRA, with NSP funds. Property must be residential 1 to 2-units that comply with zoning and code requirements. For 2-unit properties, one unit must be owner occupied.

Borrower Eligibility

Owner Occupancy: Buyers must occupy the property as their principal residence for at least five (5) years from date of closing. Buyer must homestead the property.

First Time Home Buyer: Not required. Buyer can have previously owned a home.

Timing of Purchase: Home must be purchased and closed on or before December 31, 2013.

Education Requirement: Any home buyer under this Program shall be required to attend and complete an eight (8) hour pre-purchase homebuyer education program provided by a NSP and HUD approved Counseling Agency, prior to and within twelve months of closing. For more information, and a link to approved agencies visit: <http://www.hocmn.org>.

Borrower Contribution: Borrower must contribute from Borrower’s own funds to the acquisition of the property a minimum of one percent (1%) of the purchase price. These funds cannot be borrowed or granted funds from public or private sources. This is a seller/program required contribution.

Note: When the HRA is the seller, the HRA *cannot* contribute to the minimum lender-required investment. For example, on FHA loans this amount is typically 3.5% of the purchase price, which will need to come from either the borrower or another FHA approved source (City Living, MHFA, etc.). *This is an FHA regulation: [12 U.S.C 1709(b)(9)].*

Household Income Limit: 120% of area median income as defined by the Department of Housing and Urban Development (“HUD”)(chart attached) as of date of closing. Note: *total gross* household income is used in the calculation.

Loan Product Description

Loan Amount: At or below 80% AMI: \$5,000
 Above 80% and at or below 120% AMI: \$2,500

Interest Rate: 0%

Term: Five (5) years of continuous ownership and residency from date of closing. Upon satisfaction of this term, the loan will be forgiven.

Housing ratio: 31-38% of gross household income for principal, interest, taxes and insurance (“PITI”).

Eligible Use of Funds: Affordability gap or principal reduction, thereby reducing the amount of the first mortgage. Funds may also be used to augment a borrower’s down payment for anything over and above the lending program’s minimum required investment. (See Borrower Contribution for restrictions related to down payment assistance).

Loan Security: Loans will be evidenced by a promissory note and secured in the name of the HRA by a mortgage filed against the property.

Other General Conditions and Procedures

Application Process: Applicant's lender must contact the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota ("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 the *Neighborhood Stabilization Program Income Verification and Documentation Policy for the Purchase of Property Rehabilitated by the City of Saint Paul Housing and Redevelopment Authority* (see www.stpaulcommunities.com)

Conditions: Prior to closing the applicant or their lender must submit to the HRA:

- Lender letter of acceptance to acknowledge approval of NSP funds
- Lender to provide updated Good Faith Estimate, Truth in Lending, and final application to show NSP funds and NO cash back to buyer, no exceptions.
- Homebuyer education certificate from an approved counseling agency required 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).
- The HRA must be listed as an additional insured party on the borrower's homeowners insurance binder

These program guidelines may be amended, modified or terminated from time to time and without notice by the HRA.