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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 2585

03/06/2023 Authored by Hassan, Noor, Hussein, Gomez and Xiong
The bill was read for the first time and referred to the Committee on Housing Finance and Policy

1.1 A bill for an act
1.2 relating to housing; establishing a fee-based, first-time homebuyer home purchase
1.3 financing program; requiring a report; appropriating money.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. FIRST-TIME HOMEBUYER, FEE-BASED HOME PURCHASE
1.6 FINANCING PROGRAM; APPROPRIATION.

1.7 Subdivision 1. Appropriation. \$20,000,000 in fiscal year 2024 is appropriated from
1.8 the general fund to the commissioner of the Housing Finance Agency for a grant to
1.9 NeighborWorks Home Partners to finance home purchasing through down payment assistance
1.10 to eligible homebuyers using non-interest-bearing, fee-based loan products. The Housing
1.11 Finance Agency must release grant funds as needed, and may do so in tranches for
1.12 administrative efficiency. This appropriation is onetime and is available until June 30, 2025.

1.13 Subd. 2. Administration. A first-time homebuyer, fee-based home purchasing financing
1.14 program is established as a pilot project under the administration of NeighborWorks Home
1.15 Partners.

1.16 Subd. 3. Eligible homebuyer. For the purposes of this section, an "eligible homebuyer"
1.17 means an individual:

1.18 (1) whose income is at or below 130 percent of area median income;

1.19 (2) who resides in a census tract where at least 60 percent of occupied housing units are
1.20 renter-occupied, based on the most recent estimates or experimental estimates provided by
1.21 the American Community Survey of the United States Census Bureau;

2.1 (3) who is financing the purchase of an eligible property with an interest-free, fee-based
2.2 mortgage; and

2.3 (4) who is a first-time homebuyer as defined by Code of Federal Regulations, title 24,
2.4 section 92.2.

2.5 Subd. 4. **Eligible property.** (a) For the purposes of this section, an "eligible property"
2.6 means residential real property that is a condominium, a townhouse, a single-family home,
2.7 a manufactured home titled as real property, or another building containing up to four
2.8 dwelling units.

2.9 (b) An eligible property may include property subject to a ground lease with a community
2.10 land trust, property on Indian Trust Land, or property participating in a shared equity
2.11 homeownership program.

2.12 Subd. 5. **Use of funds.** NeighborWorks Home Partners shall use the money appropriated
2.13 under subdivision 1 to provide forgivable grants of down payment assistance not to exceed
2.14 30 percent of the price of the eligible property that an eligible homebuyer seeks to purchase.
2.15 NeighborWorks Home Partners shall provide grants to eligible homebuyers using no-interest,
2.16 fee-based loans to finance the purchase of eligible properties. In making grants,
2.17 NeighborWorks Home Partners shall determine the circumstances, terms, and conditions
2.18 under which all or any portion of the grant will be repaid and shall determine the appropriate
2.19 security required for a repayment. The administrative fees for operating the program shall
2.20 not exceed five percent of the appropriation. An eligible homebuyer may use the funds in
2.21 conjunction with any other funding programs.

2.22 Subd. 6. **Conditions of receiving a grant.** (a) To qualify for assistance under this section,
2.23 an eligible homebuyer must:

2.24 (1) complete an approved homebuyer education course prior to signing a purchase
2.25 agreement;

2.26 (2) complete an approved landlord education course prior to signing a purchase agreement
2.27 if the property being purchased contains more than one dwelling unit;

2.28 (3) contribute a minimum of \$1,000 to down payment or closing costs; and

2.29 (4) occupy the purchased property as the homebuyer's primary residence.

2.30 (b) NeighborWorks Home Partners may establish additional requirements to ensure that
2.31 program participants comply with this subdivision.

3.1 Subd. 7. Reports. By January 15 and July 15 each year, NeighborWorks Home Partners
3.2 must report to the chairs and ranking minority members of the legislative committees having
3.3 jurisdiction over housing the following information:

3.4 (1) the number and amount of grants issued;

3.5 (2) the median grant amount;

3.6 (3) the number and amount of grants issued by race or ethnic categories;

3.7 (4) the median home purchase price;

3.8 (5) the total amount returned to the fund; and

3.9 (6) the number and amount of grants issued by county.