

1.1 A bill for an act

1.2 relating to housing; creating a pilot program to stabilize market values of
1.3 residential real estate in certain areas; providing a five-year guarantee against
1.4 depreciation in value of certain properties; providing incentives to restructure
1.5 mortgage loans; appropriating money; proposing coding for new law in
1.6 Minnesota Statutes, chapter 462A.

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

1.8 Section 1. [462A.37] HOME VALUES GUARANTEE PILOT PROGRAM.

1.9 Subdivision 1. Definitions. (a) For purposes of this section, the terms defined in
1.10 this subdivision have the meanings given.

1.11 (b) "Agency" means the Housing Finance Agency.

1.12 (c) "Pilot program areas" means Hennepin, Olmsted, Ramsey, St. Louis, and Stearns
1.13 Counties.

1.14 (d) "The program" means the home values guarantee pilot program created in this
1.15 section.

1.16 Subd. 2. Creation of program. (a) The home values guarantee pilot program is
1.17 created to provide a five-year guarantee from the state against declining property values in
1.18 certain areas of the state.

1.19 (b) The agency shall administer the program and has for the purposes of this program
1.20 all powers otherwise available to the agency. The agency may contract for all or any part
1.21 of the administrative and related functions, and shall pay for any such services from the
1.22 fees collected under subdivision 9, paragraph (a).

1.23 Subd. 3. Home values guarantee. (a) A purchaser of real estate may apply to the
1.24 agency for enrollment of the property in the program. The property must:

1.25 (1) be located in one of the pilot program areas;

2.1 (2) be purchased or to be purchased between July 1, 2009, and June 30, 2011, by a
2.2 buyer who intends to occupy the property as the buyer's single-family homestead;

2.3 (3) be in a physical condition that complies with all applicable building and housing
2.4 codes, as documented in a home inspection report conducted by a disinterested, qualified
2.5 inspector;

2.6 (4) be suitable for residential use only and not suitable for business or commercial
2.7 use, including agriculture. This does not disqualify a property used for home-based
2.8 businesses that complies with local zoning laws;

2.9 (5) have an appraised value of no less than \$75,000 nor more than \$300,000, or no
2.10 less than \$30,000 nor more than \$74,999 if the average property value for the municipality
2.11 in which the property is located is between \$30,000 and \$74,999, based on an appraisal by
2.12 a licensed and bonded professional appraiser with no conflict of interest with the potential
2.13 owner of the property; and

2.14 (6) be purchased or proposed for purchase without a mortgage loan, or with a
2.15 mortgage loan made by a lender licensed to make residential mortgage loans in this
2.16 state, that includes an interest rate and monthly payment that are fixed for the full term
2.17 of the loan and a downpayment of at least 3.5 percent and no more than \$25,000, by a
2.18 borrower who meets mortgage loan underwriting criteria required for loans guaranteed by
2.19 the Federal Housing Administration, but the borrower need not obtain a loan guarantee
2.20 from that source. The requirement that the monthly mortgage payment be fixed does not
2.21 apply to charges for escrowed property taxes, homeowner's insurance, flood zone status
2.22 monitoring, or similar charges required by the mortgage lenders that may vary over the
2.23 course of the loan. The downpayment must not have come from a junior mortgage loan on
2.24 the property. A downpayment from a government program must be in the form of a loan
2.25 in order to be considered towards the minimum downpayment amount.

2.26 (b) To be eligible for the program, the purchaser of the property to be enrolled
2.27 in the program must not have been convicted of fraud and must not have had a license
2.28 revoked under chapter 82.

2.29 (c) The agency shall issue to the new owner of a property that is approved for
2.30 enrollment in the program a written guarantee on behalf of the state that the state will pay
2.31 the owner, if the property has declined in value, the lesser of an amount equal to the
2.32 downpayment and principal payments required under the loan made by the owner or the
2.33 difference between the appraised value of the property at the time of purchase and the
2.34 appraised value at the end of the five-year guarantee period, up to a maximum of \$30,000.

2.35 (d) The total dollar amount of guarantees issued must not exceed \$25,000,000.

3.1 Subd. 4. Effect of resale or other transfer. If the purchaser transfers the fee title
3.2 to the property prior to the end of the five-year guarantee period, the guarantee expires
3.3 and is not assumable by the new owner. For purposes of this subdivision, "transfer"
3.4 includes, but is not limited to, a voluntary or involuntary transfer through eminent domain,
3.5 foreclosure, deed, contract for deed, probate, a transfer on death deed, a deed to a trust,
3.6 or other transfer, other than a transfer between spouses.

3.7 Subd. 5. Effect of use as other than single-family principal residence. If
3.8 the property is no longer homestead and owner-occupied as the owner's single-family
3.9 principal residence at any time, the guarantee automatically expires.

3.10 Subd. 6. Procedure for claim on guarantee. (a) If an owner of a property that was
3.11 issued a guarantee under this section wishes to make a claim under the guarantee, the
3.12 owner shall submit a claim to the agency on a form provided by the agency.

3.13 (b) No claim may be made later than 120 days after the end of the five-year
3.14 guarantee period.

3.15 (c) The appraised value of the property at the end of the five-year guarantee period
3.16 must be based on an appraisal commissioned by the agency. If the homeowner disputes
3.17 the value determined by the appraisal commissioned by the agency, the homeowner may
3.18 obtain another appraisal conducted by a licensed and bonded professional appraiser and
3.19 may submit the appraisal to the agency. The appraised value at the end of the five-year
3.20 guarantee period shall be the average of the appraisal commissioned by the agency and the
3.21 appraisal obtained by the homeowner. If all or a portion of the downpayment came from a
3.22 government program, the amount of the guarantee payment equal to the amount of the
3.23 downpayment from a government program must be paid to the government program in
3.24 satisfaction of the loan.

3.25 (d) The property must be free of any encumbrances such as mechanic's liens,
3.26 second mortgages, or tax liens, and an inspection report done by a disinterested, qualified
3.27 inspector must document that the property is in substantially the same condition as the
3.28 original inspection report under subdivision 3, paragraph (a), clause (3), taking into
3.29 consideration normal wear and tear on the property.

3.30 (e) If the agency determines that the claim is payable under the terms of the
3.31 guarantee, the agency shall pay the claim to the owner to whom the guarantee was made,
3.32 or as otherwise provided for a spouse of the original owner under subdivision 5, from the
3.33 appropriation made under subdivision 8.

3.34 Subd. 7. Pilot project features. (a) The agency shall report to the legislature in
3.35 writing on the status and effects of the pilot project and on recommendations for changes

4.1 or clarifications, if any, no later than February 15 of each year of the pilot project's
4.2 existence and of each of the two years following its existence.

4.3 (b) Each year's report shall assess the extent to which the program is stabilizing home
4.4 values and influencing lenders and other holders of mortgage loans to restructure existing
4.5 loans to reduce the likelihood of foreclosures and short sales in the pilot project areas.

4.6 (c) The pilot project ends 120 days after the last guarantee under the program has
4.7 expired or after the last guarantee claim is resolved, whichever is later.

4.8 Subd. 8. **Statutory appropriation.** (a) The amounts necessary to make payments
4.9 required by guarantees issued under this section are appropriated from the general fund to
4.10 the Housing Finance Agency for fiscal years 2015, 2016, and 2017, for the purposes of
4.11 payments required under this section. The agency must not be liable to any person for
4.12 recovery of guarantee funds if the funds appropriated to the agency are insufficient to
4.13 pay the amounts claimed.

4.14 (b) \$70,000 is appropriated from the general fund in fiscal year 2009 to the agency
4.15 to cover the administrative costs of starting the program.

4.16 Subd. 9. **Application fee; creation of account; appropriation.** (a) The agency
4.17 shall charge a property owner applying for the program an application and administration
4.18 fee in the amount of \$90 at the time of application. The agency shall not accept an
4.19 application unless the fee is paid.

4.20 (b) The home values guarantee pilot program account is created in the special
4.21 revenue fund.

4.22 (c) The agency shall deposit fees received under paragraph (a) into the account
4.23 created in paragraph (b).

4.24 (d) Amounts in the account created under paragraph (b) are appropriated from that
4.25 account for fiscal years 2010 and 2011 to the Housing Finance Agency for purposes of
4.26 performing the agency's duties in administering this section.

4.27 **EFFECTIVE DATE.** This section is effective July 1, 2009.