

1 Minnesota Housing Finance Agency

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3 Adopted Permanent Rules Relating to Home Ownership Assistance

4 Fund

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6 Rules as Adopted

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HOME OWNERSHIP ASSISTANCE FUND

8 4900.1300 SCOPE.

9 Parts 4900.1300 to 4900.1390 govern the home ownership
10 assistance fund.

11 4900.1315 DEFINITIONS.

12 Subpart 1. **Scope.** The terms used in parts 4900.1300 to
13 4900.1390 have the meanings given them in this part.

14 Subp. 2. **Agency.** "Agency" means the Minnesota Housing
15 Finance Agency.

16 Subp. 3. **Entry costs.** "Entry costs" means the financial
17 requirements other than first mortgage loan proceeds needed to
18 purchase residential real property, including required down
19 payment, closing costs, mortgage insurance premium, origination
20 fee, and other costs and expenses.

21 Subp. 4. **First mortgage loan.** "First mortgage loan" means
22 a real estate loan that has priority over all other voluntary
23 liens against certain real property.

24 Subp. 5. **Mortgage revenue bonds.** "Mortgage revenue bonds"
25 means tax-exempt bonds issued by public entities payable from
26 revenues derived from repayment of principal and interest on
27 mortgage loans that were financed from the proceeds of the bonds.

28 Subp. 6. **Participation interest.** "Participation interest"
29 means a percentage or specified monetary interest in a first
30 mortgage loan that is shared by more than one lender.

31 Subp. 7. **Principal residence.** "Principal residence" means
32 the primary, year-round domicile of the recipient. A residence
33 that is primarily used in a trade or business, as an investment
34 property, or a recreational home is not a principal residence.

35 Subp. 8. **Purchase price.** "Purchase price" means the

1 contract price paid or payable by the buyer to the seller for
2 the purchase of a property covered by a first mortgage loan.

3 Subp. 9. **Recipient.** "Recipient" means a person or
4 household receiving home ownership assistance fund loans as
5 described in part 4900.1375, subparts 2 to 8.

6 Subp. 10. **Single head of household.** "Single head of
7 household" means an adult who is 18 years of age or older and is
8 the parent, guardian, or legal custodian of one or more minor
9 children under 18 years of age living in the home of the parent,
10 guardian, or legal custodian.

11 4900.1331 HOME OWNERSHIP ASSISTANCE FUND.

12 Subpart 1. **Purpose of program.** The home ownership
13 assistance fund is established to assist persons and families of
14 low and moderate income as specified in part 4900.1345, subpart
15 2, in the purchase of affordable housing according to parts
16 4900.1300 to 4900.1390. Toward this end, the agency may provide
17 assistance directly to home buyers, may use funds to provide
18 additional security for eligible loans, and may provide
19 additional security for bonds issued by the agency.

20 Subp. 2. **Use of fund; general.** Home ownership assistance
21 fund money may only be used in conjunction with first mortgage
22 loans made or purchased by the agency. However, within this
23 limitation, money may be combined with funds from outside
24 sources, including funds from other federal, state, and local
25 government agencies or instrumentalities, private foundations,
26 mortgage insuring entities, the Federal Housing Finance Board,
27 or other public or private sources.

28 Subp. 3. **Fund recapture.** Home ownership assistance must
29 provide for a reasonable likelihood of recapturing the money for
30 later use. Home ownership assistance fund money under part
31 4900.1375, subparts 2 to 9, must be secured by a lien on the
32 property being purchased with an appropriate repayment
33 schedule. A repayment provision under part 4900.1375, subparts
34 2 to 8, must take into consideration potential income growth of
35 recipients and the percentage of income that recipients may

1 reasonably dedicate toward mortgage payments under mortgage
2 industry accepted underwriting standards.

3 Subp. 4. **Default.** A home ownership assistance fund loan
4 under part 4900.1375, subparts 2 to 8, is in default if the
5 recipient defaults in the timely observance and performance of a
6 condition or covenant of the first mortgage loan or of the home
7 ownership assistance fund loan, or sells, assigns, rents, or
8 transfers the property, whether by deed, contract for deed, or
9 otherwise. A transfer of the property to a surviving joint
10 tenant, if any, by reason of the death of the recipient does not
11 constitute a default.

12 In the event of default, the home ownership assistance fund
13 loan is immediately due and payable in its entirety, at the
14 option of the agency, and is subject to interest from the date
15 of default until the date of payment at the same rate of
16 interest as the first mortgage loan on the property.

17 4900.1345 RECIPIENTS HOME OWNERSHIP ASSISTANCE FUND.

18 Subpart 1. **Three-year requirement.** In cases in which home
19 ownership assistance fund money is to be used in conjunction
20 with mortgage revenue bond funds, each recipient of home
21 ownership assistance fund money under part 4900.1375, subparts 2
22 to 7, must not have had an ownership interest in a principal
23 residence for three years before the date of receipt of home
24 ownership assistance fund money. In cases in which home
25 ownership assistance fund money is to be used under part
26 4900.1375, subparts 2 to 7, in conjunction with funds other than
27 mortgage revenue bond funds, the three-year requirement also
28 applies, except that recipients who are single heads of
29 households who have sold a principal residence as a result of a
30 marriage dissolution decree or who have been displaced through
31 government action or natural disaster are exempt from the
32 requirement.

33 Subp. 2. **Income limits.** In cases in which home ownership
34 assistance fund money is to be used under part 4900.1375,
35 subparts 2 to 8, in conjunction with mortgage revenue bond

1 funds, the maximum income for a recipient of home ownership
2 assistance fund money must not exceed 60 percent of the greater
3 of state or area median income as determined and adjusted from
4 time to time by the United States Department of Housing and
5 Urban Development. In cases in which home ownership assistance
6 fund money is to be used under part 4900.1375, subparts 2 to 8,
7 in conjunction with funds other than mortgage revenue bond
8 funds, the maximum income for a recipient must not exceed 75
9 percent of the greater of state or area median income as
10 determined and adjusted from time to time by the United States
11 Department of Housing and Urban Development.

12 4900.1359 ELIGIBLE PROPERTY.

13 To qualify as an eligible property, the property being
14 purchased with the assistance of a home ownership assistance
15 fund loan must be a newly constructed or existing single-family
16 residential dwelling located within the state. At the time the
17 property is purchased, the property must be totally completed,
18 in good repair, and meet mortgage industry accepted underwriting
19 standards, or provisions must be made to assure that these
20 standards will be met.

21 4900.1375 USE OF HOME OWNERSHIP ASSISTANCE FUND.

22 Subpart 1. Scope. The home ownership assistance fund may
23 be used for the purposes specified in this part and within the
24 limitations specified.

25 Subp. 2. Monthly assistance. The agency may provide
26 recipients with interest-free monthly assistance loans in the
27 form of monthly payments of a portion of the principal and
28 interest installment due on mortgage loans for eligible
29 properties. The payment must not exceed \$160 per month, and
30 must be reduced annually.

31 Subp. 3. Entry cost assistance. The agency may provide
32 interest-free loans to recipients who are determined, on the
33 basis of normal credit procedures, to lack the financial
34 resources necessary to pay entry costs on the property to be
35 purchased. The amount of the entry cost assistance loan must

1 equal (1) the maximum allowable under the applicable mortgage
2 insurance program; or (2) the lesser of 50 percent of the entry
3 costs or \$3,500 if the maximum allowable under clause (1)
4 exceeds this amount. Entry cost assistance may be used to pay a
5 portion of the entry costs on the property to be purchased that
6 are customary within the mortgage industry.

7 Subp. 4. **Noninterest participation loans.** The agency may
8 take an interest-free participation interest in a first mortgage
9 loan on an eligible property to reduce the interest rate on the
10 mortgage note executed by recipients to affordable levels. The
11 maximum interest rate reduction that the agency may effect on a
12 first mortgage through a participation interest is two percent.

13 Subp. 5. **Equity participation loan.** The agency may
14 provide equity participation loans to recipients in which a
15 share of the equity proportionate to the agency's share of the
16 equity participation loan shall be repaid to the agency upon
17 sale of the property. The maximum equity participation loan
18 that the agency may provide must not exceed 20 percent of the
19 purchase price of the property or \$15,000, whichever is less.

20 Subp. 6. **Buydown loans.** The agency may provide an
21 interest-free loan to buy down the interest rate on a first
22 mortgage on an eligible property to enable increased recipient
23 affordability. The maximum amount that a mortgage interest rate
24 may be permanently bought down is 1.5 percent. The maximum
25 amount that a mortgage interest rate may be temporarily bought
26 down is three percent, and the amount of the interest rate
27 buydown may not be reduced to a level that exceeds one percent
28 per year.

29 Subp. 7. **Equity contribution loans.** The agency may
30 provide interest-free equity contribution loans on an eligible
31 property to enable a recipient to afford to purchase a home.
32 The maximum equity contribution loan that the agency may provide
33 must not exceed 20 percent of the purchase price of the property
34 or \$15,000, whichever is less.

35 Subp. 8. **Emergency mortgage assistance.** The agency may
36 provide interest-free emergency mortgage assistance loans or

1 mortgage reinstatement loans for recipients who own and occupy
2 an eligible property and who have been unable to make mortgage
3 payments due to unemployment, medical reasons, death of a
4 mortgagor, or other valid, substantiated reasons; are at least
5 60 days behind in monthly payments on a first or second
6 residential mortgage; and have reasonable prospects for
7 maintaining a first or second mortgage after receiving such a
8 loan. Recipients must have established an acceptable credit
9 rating before requesting assistance under this subpart and be
10 ineligible for mortgage assistance from any federal government
11 program. Loans may provide for installment of principal,
12 interest, real estate taxes, hazard or flood insurance, mortgage
13 insurance premiums, and homeowners association dues. A maximum
14 of 24 months of assistance may be provided.

15 Subp. 9. Construction or rehabilitation loans. The agency
16 may make or participate in construction or rehabilitation loans
17 to nonprofit entities as defined in part 4900.0010, subpart 21,
18 for the construction or rehabilitation of housing designed for
19 program recipients. The maximum loan may not exceed the
20 "average area purchase price safe harbor limitations for single
21 family residences" as provided and adjusted from time to time by
22 the United States Department of Housing and Urban Development
23 under section 103(a) of the Internal Revenue Code of 1986. The
24 minimum interest rate for loans under this part must not be less
25 than three percent per year and the maximum term of the loan
26 must not exceed three years. The loans shall be provided
27 primarily in circumstances in which the agency is implementing
28 efforts or programs to aid in disposition of government real
29 estate assets or in specific neighborhood revitalization
30 efforts. The loans may be made in conjunction with other
31 subsidies from public or private sources. The agency shall
32 impose requirements customarily used within the mortgage
33 industry to effect repayment of loans provided under this part.

34 Subp. 10. Coinsurance and mortgage insurance risk sharing
35 agreements. The agency may provide for coinsurance or risk
36 sharing pools to facilitate the availability of agency mortgage

1 financing programs in cooperation with either government
2 mortgage insuring or guaranteeing entities, or with private
3 mortgage insurance entities licensed to do business in the state
4 and maintaining an A2 rating from Moody's Investor's Service and
5 AA from Standard and Poors Corporation. The fund must be
6 limited to provide for mortgage insurance services for first
7 mortgage loans with loan-to-value ratios in excess of 90 percent
8 in areas of the state in which mortgage insurance services are
9 unavailable on reasonable terms and conditions. The agency may
10 not contribute more than five percent of the original principal
11 amount for each loan to be coinsured under the pool, and may not
12 pay more than 50 percent of the losses incurred on a claim for a
13 defaulted mortgage loan subject to the pool.

14 4900.1390 LIMITS ON HOME OWNERSHIP ASSISTANCE.

15 The agency may further limit the amount of home ownership
16 assistance fund money provided under part 4900.1375, subparts 2
17 to 8, to provide that recipients do not receive assistance
18 beyond the amount necessary to make home ownership affordable
19 under mortgage industry accepted underwriting standards. Among
20 the factors that the agency must consider in limiting the amount
21 of assistance shall be the interest rate on the first mortgage
22 loans, the percentage of recipient income that may reasonably be
23 spent on housing payments, the availability of funds from other
24 sources to combine with the home ownership assistance fund, the
25 resources available under the home ownership assistance fund,
26 and general housing and construction costs in the state.

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28 REPEALER. Minnesota Rules, parts 4900.1310, 4900.1320,
29 4900.1330, 4900.1340, 4900.1350, 4900.1360, 4900.1361, and
30 4900.1362, are repealed.