



# Minnesota Housing Mortgage Loan Programs “Best Practices”

The details for all of the following best practice reminders are available in the Minnesota Housing Procedural Manual (PM), which can be found on the Minnesota Housing website at: <http://www.mnhousing.gov/partners/lenders/programs/index.aspx>.

This is not a comprehensive list and Lenders are responsible for all of the requirements contained in the Minnesota Housing Procedural Manual.

## 1. Underwriting Responsibility

Notes regarding loans underwritten using Desktop Underwriter/Loan Prospector:

- Lender’s underwriter is responsible for making the final underwriting decision and must sign and date the underwriting document (i.e. 1008, Approval Sheet, DU).
- The automated underwriting system (AUS) report must meet all data integrity tolerances.
- The lender must comply with all of the verification messages and/or approval conditions/requirements that are specified in the AUS report findings and in the AUS guidelines (i.e. The Guide to Underwriting with DU).

Lenders are responsible for the underwriting of Rural Development loans.

## 2. Personal Property

The Minnesota Housing Procedural Manual states that Personal Property may not be financed or listed as part of the total Minnesota Housing purchase transaction between the Borrower and Property Seller. Only permanently affixed property (fixtures) is eligible for financing (PM Section 3.06).

- Note that this includes personal property (i.e. appliances) for newly constructed homes.

## 3. Tax Returns

- Three years of tax returns need to be obtained for all borrowers (PM Section 2.05).
- If a borrower was not required to file a tax return in one or more of the three years preceding the closing of the loan, a signed affidavit (notarized) by the borrower stating this fact needs to be obtained (PM Section 7.02).
- All tax returns need to be signed and dated by the borrower(s) (PM Section 2.05).

## 4. Income Calculations

Two income calculations need to be completed for every loan.

- Qualifying income – Income used to underwrite the loan. Guidelines of the underlying product must be followed.
- Minnesota Housing Program Eligibility Income – Household income used to determine eligibility for the Minnesota Housing Program (PM Section 2.09).

*Note: The household eligibility income is the income that is entered into the HDS SF Web Application. A worksheet with instructions on the calculation of household eligible income is available on the Minnesota Housing Web Site at: [http://www.mnhousing.gov/idc/groups/homes/documents/webcontent/mhfa\\_002982.pdf](http://www.mnhousing.gov/idc/groups/homes/documents/webcontent/mhfa_002982.pdf).*

## 5. Homebuyer Education

Qualified Homebuyer Education is required to be completed before the closing of the loan by Minnesota Housing for at least one of the borrower securing Minnesota Housing financing under the following (PM Section 2.07):

- CASA
- Conventional Loans

Qualified Homebuyer Training is homebuyer training completed in a classroom setting by organizations that have had staff trained under HomeStretch or NeighborWorks America (PM Definitions).

## 6. Homeownership Assistance Fund (HAF) Requirements

- **Cash Investment:** A minimum cash investment of \$1,000, including prepaids, is required. The cash investment must come from the Borrower's assets and may not be a gift, grant, or sweat equity contribution (PM Section 5.04).
- **Asset Limit:** A Borrower's liquid assets after closing are limited to the greater of \$5,000 or six months principal, interest, taxes, and insurance (PITI) (PM Section 5.04).
- **Minimum Credit Score:** If the Borrower(s) have a credit score, the credit score the Lender's underwriter uses to underwrite the loan must be at least 620; if no Borrower(s) have credit scores, alternate credit suggesting a prudent underwriting risk must be developed; and, if one borrower has a credit score of at least 620 but the other Borrower(s) does not have a credit score, the question of whether alternative credit must be developed for the Borrower(s) without a score is deferred to the underlying loan product guidelines.

## 7. Minnesota Housing Required Documents

The Borrower Affidavit, Seller Affidavit, Lender Partner Statement, and Subsidy Recapture Statement must be fully completed. *These documents cannot be altered, amended or stamped.*

- Borrower Affidavit must be signed and dated, and duly notarized, by each Borrower who signs the Note (PM Section 7.02).
- Legal description of the subject property must be provided. If it is indicated that the legal description is attached, it must be provided.
- Property Seller Affidavit has been signed and dated, and duly notarized, by those persons conveying the residence and/or land to the Borrower (PM Section 7.02).
- Legal description of the subject property must be provided. If it is indicated that the legal description is attached, it must be provided.

The Lender Partner Statement (page 4 of the Seller Affidavit) must be completed by the lender. If a party other than the actual seller of the property signs the Seller Affidavit, the authorizing document (i.e. POA) needs to either be in the file or the correct section of the Lender Partner Statement must be fully completed and a box must be checked on this statement.

- Subsidy Recapture Disclosure Statement has been signed and dated by each Borrower at closing (PM Section 4.04).
- Subsidy recapture amount must be indicated.

*Note: Always use the latest Minnesota Housing forms which are located on the Minnesota Housing website at: [http://www.mnhousing.gov/partners/lenders/programs/MHFA\\_001509.aspx](http://www.mnhousing.gov/partners/lenders/programs/MHFA_001509.aspx)*