

# Minnesota Housing Mortgage Programs

## Minnesota Mortgage Program (MMP)

- Mortgage loans offered statewide through local lenders for qualified low and moderate income first-time homebuyers throughout Minnesota.
- Homebuyer education course required for some borrowers.
- Affordable fixed rate loans.
- Interest-free loans for downpayment and closing costs for targeted borrowers which includes:
  - 60% of median income, OR
  - Purchasing a home in an MMP Spotlight Area (see website).

## Community Activity Set-Aside Program (CASA)

- Mortgage loans for qualified low and moderate-income, first-time homebuyers in Minnesota. CASA is offered through local lenders participating in a community partnership targeted towards: emerging markets, single-headed households, foreclosure remediation, and/or workforce housing.
- Homebuyer education course required.
- Affordable fixed-rate loans.
- Interest-free loans for downpayment and closing cost assistance for qualified CASA borrowers.

### ***Downpayment and closing cost assistance requirements for CASA and MMP:***

- Borrowers must contribute \$1,000 of their own funds to the transaction.
- Minimum credit score of 620 required for all borrowers who have a credit score.
- Post-close liquid asset limit of six months principal, interest, tax and insurance or \$5,000, whichever is greater.
- Downpayment assistance loans are due on sale, refinance or when the borrower no longer occupies the property.

*This reference guide does not contain all the information needed to originate loans for sale to Minnesota Housing. See the Minnesota Housing Mortgage Loan Program Procedural Manual at [www.mnhousing.gov](http://www.mnhousing.gov) for complete information.*



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## First-time Homebuyer Program Reference Guide

for Lenders, Real Estate Agents and Homebuyer Educators



[www.mnhousing.gov](http://www.mnhousing.gov)

## Borrower Eligibility

To be eligible for a Minnesota Housing first-time homebuyer loan, borrowers must meet the following requirements:

- First-time homebuyer: defined as anyone who has not had ownership interest in a principal residence for three years. Exceptions are:
  - Borrower owned/owns a mobile home on rented or leased land (mobile home court)
  - Initial financing with a term of 24 months or less (contract for deed, construction loan)
  - Ownership in a property that is not a principal residence (lake home, cabin)
- Acceptable credit as required by industry standard loan products (Minnesota Housing does not underwrite loans).
- Federal income tax returns for the past three years.
- Income and home price limits (see website). Income from all sources including: non-purchasing spouse's income, non-stable job income, and interest income if borrowers have more than \$5,000 in liquid assets after closing.
- No co-signers: all buyers/borrowers must be residents of the property and first-time homebuyers.
- Sign a borrower affidavit at closing.
- Occupy the property within 60 days after closing.

## Property Eligibility

- The property must be a principal residence located in Minnesota, including:
    - Single family residences
    - Duplexes (not eligible with HOME HELP downpayment assistance)
    - Townhomes/condos/planned unit developments
    - Modular homes
    - Manufactured homes financed with government insured/guaranteed loans that meet Minnesota Housing guidelines
    - Community Land Trust leasehold estates
- Excluding:
- Investment property
  - Recreational homes
- Trade/business/daycare is allowed provided exclusive use is less than 15% of the total area (including basement).
  - Maximum appraised value: the property cannot appraise for more than 125% of the maximum home cost for the area (i.e., if the area limit is \$298,125, the maximum appraised value is \$372,656).

[www.mnhousing.gov](http://www.mnhousing.gov)

## Subsidy Recapture

Subsidy Recapture allows the federal government to recover tax subsidies from homeowners under limited circumstances.

- To owe recapture tax, all three of the following criteria must apply. The borrowers must:
  - Sell their home within the first nine years after closing the loan
  - Earn significantly more income than when they bought the home, and
  - Realize a gain from the sale of the home as defined by the IRS (this is different from exposure to capital gains tax)

If Subsidy Recapture applies, the borrowers incorporate the tax into their federal income tax returns for the year in which they sell the home.

## Allowable Fees, Costs and Compensation

- No "special" lender fees can be added for Minnesota Housing loans.
- 1% origination fee plus normal customary closing costs and fees charged to the borrower.
- Lender receives 1% service release premium.

## Personal Property

- No personal property on the purchase agreement or addenda.
- Personal property is defined as anything which is not installed or attached to the property in some permanent manner and is not legally considered part of the real estate (i.e., free standing appliances, TVs, furniture, etc.).
- If there is personal property on the purchase agreement, the personal property must be removed from the transaction before the closing of the loan.
- Personal property will be removed upon the execution of the Borrower Affidavit and Seller Affidavit.



[www.mnhousing.gov](http://www.mnhousing.gov)