



# Mortgage Loan Program Compliance Overview

The following overview highlights the basic requirements necessary to comply with Minnesota Housing’s Mortgage Loan Programs, **but does not contain all** of the information necessary to originate a loan for sale under the Mortgage Loan Program. The Minnesota Housing compliance review is **in addition** to the industry standard credit underwriting and loan product requirements. The lender should consult the [Mortgage Loan Program Procedural Manual](#), [process guide](#) and [US Bank Home Mortgage- MRBP Division requirements](#).

Compliance Requirement	Recommended documentation to fulfill the requirement	Comments/Resources
<b>BORROWER</b>		
<b>Prior Homeownership-Three Year Requirement</b>	Verify first time homebuyer status by checking: <ul style="list-style-type: none"> <li>• Tax returns for mortgage interest (Schedule A)</li> <li>• Credit report for mortgages</li> <li>• VOR</li> <li>• Cancelled checks for rental payments</li> <li>• Previous address on tax returns/utility statements</li> </ul>	A Borrower may not have had an ownership interest in a Principal Residence at any time during the three year period ending on the date of execution of the mortgage. This requirement applies to all borrowers.  Common Exceptions: See “Mortgage Loan Program, MBS Manual” section 2.05 on website.
<b>3 years tax returns</b>	Obtain <b>one</b> of the following: <ul style="list-style-type: none"> <li>• 3 yrs filed 1040s-signed by borrower</li> <li>• 3 years tax transcripts – borrower signature not required</li> <li>• Affidavit – if not required by IRS to file taxes</li> </ul> Or a combination the above documents.	If borrower was required by the IRS to file taxes: <ul style="list-style-type: none"> <li>• Required on all files</li> <li>• <b>No exceptions</b> and <b>no</b> extensions allowed</li> <li>• Tax returns must be filed.</li> <li>• Copies of amended taxes allowed if original (incorrect tax return) is included in the file.</li> </ul> If the borrower was not legally required by the IRS to file taxes: <ul style="list-style-type: none"> <li>• Borrower may provide an affidavit stating that he/she was not required to file an Income Tax Return during 1 or more of the 3 preceding years.</li> </ul>
<b>Principal Residence/ Occupancy</b>	Confirm Borrower Intent.  All borrowers are required to sign <i>Borrower Affidavit</i> prior to or at closing.	Minnesota Housing requires occupancy within 60 days of closing. Non-occupant co-borrowers or co-signers are not allowed.

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<b>BORROWER</b>		
<b>Income Limits</b>	<p>Verify and review <b>all</b> sources of income for <b>all</b> household residents over the age of 18.</p> <p>Minnesota Housing <i>Eligibility Income Worksheet</i>:  <a href="http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_002982.pdf">http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_002982.pdf</a></p>	<p>Income Limits:  <a href="http://www.mnhousing.gov/resources/resources/limits/MHFA_004718.aspx">http://www.mnhousing.gov/resources/resources/limits/MHFA_004718.aspx</a>.</p> <p>Income limits vary based on program, county and household size.</p> <p><b>Eligibility Income may be different from Qualifying Income.</b> Lenders calculate Eligibility Income per Minnesota Housing guidelines to determine if the borrower is eligible for the program and Qualifying Income for credit underwriting. Under NO circumstances can Qualifying Income be greater than Eligibility Income.</p>
<b>Homebuyer Education</b>	<p>Required for borrowers securing Minnesota Housing financing under the following:</p> <ul style="list-style-type: none"> <li>• MMP Conventional Loans</li> <li>• All CASA loans</li> </ul> <p>At least one borrower per household must provide a certificate of completion.</p> <p>For Minnesota Housing purposes, certificates do not expire.</p>	<p>Recommended for all borrowers. Not required for MMP FHA, VA or RD loans.</p> <p>Qualified Homebuyer Training is defined as homebuyer training completed in a classroom setting by organizations that have had staff trained under HomeStretch or NeighborWorks America.</p> <p>For class schedule, refer to <a href="http://www.hocmn.org">www.hocmn.org</a>.</p>
<b>PROPERTY</b>		
<b>Acquisition Cost limits</b>	<p>Verify the acquisition cost is under the limit.</p> <ul style="list-style-type: none"> <li>• Complete <i>Acquisition Cost Worksheet</i>:  <a href="http://www.mnhousing.gov/partners/lenders/programs/MHFA_001509.aspx">http://www.mnhousing.gov/partners/lenders/programs/MHFA_001509.aspx</a></li> </ul>	<p>Acquisition Cost limits may vary based on the county. Check limits on Minnesota Housing website and use worksheet to calculate.</p> <p>Link to the house price limits:  <a href="http://www.mnhousing.gov/partners/lenders/qualification/index.aspx">http://www.mnhousing.gov/partners/lenders/qualification/index.aspx</a></p>
<b>Appraised Value</b>	<p>Review appraisal and confirm appraised value is less than 125% of the maximum acquisition cost limit of the area.</p>	<p>Link to the house price limits:  <a href="http://www.mnhousing.gov/partners/lenders/qualification/index.aspx">http://www.mnhousing.gov/partners/lenders/qualification/index.aspx</a></p>
<b>Business Use</b>	<p>Confirm Borrower Intent.</p> <p>Verify fully executed <i>Borrower Affidavit</i>.</p> <p>Review appraisal.</p>	<p>Minnesota Housing has a 15% business use restriction for all subject properties. Daycare is allowable in the residence only if the borrower certifies that less than 15% of the total area of the residence will be used exclusively for business.</p> <p>No part of the residence may be specifically designed for commercial use.</p>
<b>Personal Property</b>	<p>Review purchase agreement and all addendums. If purchase agreement contains personal property:</p> <ul style="list-style-type: none"> <li>• Remove personal property with addendum</li> <li>• Verify signed <i>Borrower and Property Seller Affidavits</i></li> </ul>	<p>Personal property is not allowed in the Purchase Agreement and is anything which is not permanently installed or attached to the property (e.g., freestanding appliances, furniture, radio, boat).</p> <p>This policy applies to both existing homes and newly constructed homes.</p>

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<b>LOAN</b>		
<b>Eligible Loan Products</b>	<ul style="list-style-type: none"> <li>FHA- including Streamlined 203K</li> <li>RD Guaranteed (GRH)</li> <li>VA</li> <li>Conventional – MCM or HP only</li> </ul>	<p>Conventional loans follow My Community Mortgage (MCM) or Home Possible (HP) coverage requirement for Mortgage Insurance (MI).</p> <p>Insured Conventional loans must also meet MI underwriting guidelines.</p>
<b>Loan Requirements</b>	<ul style="list-style-type: none"> <li>Fixed rate, fully amortized</li> <li>Escrows required</li> <li>Terms: 15 and 30 years</li> <li>15 year term not allowed in combination with HAF loans</li> </ul>	<p>Additional information in the Minnesota Housing Mortgage Loan Program, MBS Procedural Manual:</p> <ul style="list-style-type: none"> <li>-New construction</li> <li>-Ineligible loans</li> <li>-Subsidy Recapture</li> <li>-Settlement Costs</li> <li>-Junior Liens</li> </ul>
<b>Replace Temporary Financing</b>	<p>Review copy of the temporary initial financing to verify loan term of 24 months or less</p>	<p>Minnesota Housing financing may replace temporary initial financing with an original loan term of 24 months or less such as:</p> <ul style="list-style-type: none"> <li>Construction or interim loans</li> <li>Contract for Deed</li> <li>Bridge loans or gap loans</li> </ul>
<p><b>Homeownership Assistance Fund (HAF)</b> – Requirements apply only to borrowers receiving a HAF loan. If the borrower is receiving MMP without HAF, the HAF requirements do not apply.</p>		
<b>HAF Credit Score</b>	<p>Confirm eligible credit score</p> <ul style="list-style-type: none"> <li>Review credit report and use the score used to underwrite the loan</li> </ul>	<p>HAF borrower(s) must have a credit score greater than or equal to 620.</p> <p>If the HAF borrower has no credit score, the program allows alternative credit references as long as it is acceptable with the underlying mortgage guidelines (FHA, VA, RD, and Conventional).</p>
<b>HAF Eligibility</b>	<p>Verify HAF Eligibility.</p> <p>Link to Minnesota Housing income limits: <a href="http://www.mnhousing.gov/resources/resources/limits/MHFA_004718.aspx">http://www.mnhousing.gov/resources/resources/limits/MHFA_004718.aspx</a></p> <p>Link to Minnesota Mortgage Program (MMP) Spotlight Areas: <a href="http://www.mnhousing.gov/resources/resources/limits/MHFA_004719.aspx">http://www.mnhousing.gov/resources/resources/limits/MHFA_004719.aspx</a></p>	<p>HAF eligibility applies as follows:</p> <p>MMP Program:</p> <ul style="list-style-type: none"> <li>Borrowers purchasing in a Spotlight Area <b>or</b></li> <li>Borrower's earning less than 60% of median income, tiered by household size</li> </ul> <p>CASA Program:</p> <ul style="list-style-type: none"> <li>All CASA borrowers are eligible</li> </ul>
<b>HAF Liquid Asset</b>	<p>Verify liquid assets.</p> <p>Review recent statements from all asset accounts.</p> <p>Include joint accounts, business accounts, stocks and bonds and other liquid assets.</p>	<p>HAF borrower's liquid asset reserves after closing are limited to the greater of 6 months PITI or \$5,000.</p> <p>Liquid assets do not include retirement accounts (401K, 403B, IRA, etc.) or federally recognized Educational Savings Accounts.</p>
<b>HAF Minimum Borrower Investment</b>	<p>Verify minimum borrower investment.</p> <p>Calculate borrower investment by using recent bank statements, VOA, HUD 1, 1003.</p>	<p>HAF borrowers must invest \$1,000 of their own funds into the transaction. The borrower investment must come from borrower assets and may not be a gift, grant, or loan. In determining borrower investment, include POC items.</p> <p>Cash back at closing is allowed, if permitted by the underlying mortgage product. Cash back should not lower borrower investment of \$1,000.</p>

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<b>OTHER INFORMATION</b>		
<b>Minnesota Housing Specific Documents</b>	<p>Documents are available through the Single Family HDS Web Application forms generator or on the website:  <a href="http://www.mnhousing.gov/partners/lenders/programs/MHFA_001509.aspx">http://www.mnhousing.gov/partners/lenders/programs/MHFA_001509.aspx</a></p> <p>Link to Forms Generator Guide:  <a href="http://www.mnhousing.gov/idc/groups/homes/documents/webcontent/mhfa_008433.pdf">http://www.mnhousing.gov/idc/groups/homes/documents/webcontent/mhfa_008433.pdf</a></p> <p>Review to ensure that documents are completed and correctly executed.</p>	<p>All Loans require</p> <ul style="list-style-type: none"> <li>• <i>Borrower Affidavit</i> – notarized – original ink</li> <li>• <i>Property Seller Affidavit</i>- notarized – original ink</li> <li>• <i>Subsidy Recapture Disclosure Statement</i></li> <li>• <i>Mortgage Deed Amendment</i> –recorded</li> </ul> <p>If Applicable</p> <ul style="list-style-type: none"> <li>• <i>Notice to Buyers (FHA/VA)</i></li> <li>• <i>Endorsed HAF Note</i></li> <li>• <i>Recorded and Assigned HAF Mortgage</i></li> <li>• <i>FHA 203K Appliance Form</i></li> </ul>
<b>Other</b>	<p>The Minnesota Housing Mortgage Loan Program Manual contains additional information on these topics:</p> <ul style="list-style-type: none"> <li>• Housing Choice Voucher Loans</li> <li>• Note endorsement</li> <li>• Hardship Policy</li> </ul>	