

## Program Guidelines

### Penn Avenue Community Works Homebuyer Assistance Program

**Program Overview:** The purpose of the PACW Homebuyer Assistance Program is to encourage homeownership in the Penn Avenue corridor by providing down-payment assistance and/ or closing cost assistance.

1. **Loan Pool:** Approximately \$89,250 will be initially available in this program. Funding is made available by Hennepin County through the Penn Avenue Community Works Homebuyer Assistance Program. The program is administered by Center for Energy and Environment (CEE).
2. **Income Limits:** Eligibility is limited to households with gross annual income at or below 120% of HUD's Area Median Income for the Twin Cities region, currently \$102,960. The Median Income is adjusted annually. The borrower(s) household income is based on the Adjusted Gross Income from the most recent filed Federal Tax Returns. If borrower(s) are not required to file a return CEE will use alternate documentation to determine income.
3. **Loan Security:** All loans will be secured with a mortgage in favor of Hennepin County.
4. **Application, Credit Report, and Mortgage Filing Fees:** At the time of closing, the borrower(s) are responsible for all applicable filing and closing fees. These include Owners & Encumbrance Report (\$60), Mortgage Recording Fee (\$46), Mortgage Recording Service Fee (\$10), Flood Certification Fee (\$8.75), Credit Report Fee (not to exceed \$20). Fees may be updated per provider fee changes
5. **Eligible Properties:** A single family home, duplex, townhouse, or condominium unit that will be occupied by the buyer as a primary residence. Property must qualify for the homestead property tax classification and be located in the Penn Avenue Corridor which extends from Interstate 394 to 49<sup>th</sup> Avenue North and from Oliver Avenue North to Queen Avenue North (please see attached map).
6. **Loan Amount:** The maximum loan amount for each household is \$3,000.
7. **Eligible Financing:** Applicants must obtain approval for a fixed-rate mortgage from an approved lender. Rent-To-Own purchasers are not eligible, and this loan may not be used with adjustable rate or interest only mortgages.

The loan may also be offered in combination with a contract for deed financed and held by a nonprofit developer who has developed or renovated the property for resale, provided that the nonprofit developer does not sell the contract for deed without the written approval of Hennepin County.

8. **Deferred Loan Interest Rate:** 0%

9. **Deferred Loan Repayment Terms:** : No repayment is due to the Penn Avenue Community Works Homebuyer Assistance program if the property owner remains as an owner-occupant for a period of five years following the date of the deferred loan closing. If the loan recipient maintains ownership and occupancy requirements, the entire loan amount will be forgiven five years following the date of the deferred loan closing. If the property ownership transfers or the home is no longer occupied by the loan recipient as a primary residence in the first five years, the deferred loan will be immediately repaid per the following guidelines:

- 0-12 Months: 100% of original loan amount
- 13-24 Months: 80% of original loan amount
- 25-36 Months: 60% of original loan amount
- 37-48 Months: 40% of original loan amount
- 49-60 Months: 20% of original loan amount

\*After 5<sup>th</sup> anniversary: 100% of original loan amount forgiven

10. **Eligible Uses of Funds:** The deferred loan money can only be used to assist with costs for down payment and/or closing cost assistance. Any portion of the loan that is not applied to the payment of down-payment or closing costs must be immediately repaid to HENNEPIN COUNTY and the loan balance will be reduced accordingly. Since the intent of the loan is to help buyers with their home purchase, the loan may not be used to reimburse a borrower for a purchase transaction that has already occurred.

11. **Application Processing:** All applications will be submitted to CEE. Completed applications will be processed on a first-come, first-served basis.

12. **Disbursement Process:** The following procedures shall apply:

- a) The purchaser must notify CEE of his/her intent to participate in the program. The purchaser should try to provide an executed copy of the purchase agreement at least 30 days prior to purchasing the property.
- b) The purchaser must be pre-approved for financing and have an executed purchase agreement.
- c) A copy of the 1<sup>st</sup> mortgage pre-approval/commitment letter shall be provided.
- d) A copy of the title commitment to be provided.
- e) A copy of the 1<sup>st</sup> Mortgage loan estimate, closing disclosure or similar closing cost/financing statement shall be provided.

13. **First Time Buyer Education:** First time buyers are REQUIRED to take an approved HomeStretch course and submit certificate of completion to CEE prior to loan approval.

14. **Catastrophic Language:** In the event the Mortgage holder and the servicer, in their sole and absolute discretion, after a loss mitigation analysis, find that a catastrophic event, including but not limited to Borrower's death or extended illness, or the extended illness of a close family member who depends primarily on the borrower for support, has occurred which substantially and permanently impairs their ability to repay this Promissory Note and Mortgage and requires them to sell the Property for an amount less

than the existing balance on the Promissory Note and Mortgage, that portion of the lien of Promissory Note and Mortgage that cannot be satisfied from the proceeds of such sale shall be released.

15. **Equal Housing Opportunity Statement:** Hennepin County housing programs promote equal housing opportunity in accordance with the Fair Housing Act, Americans with Disabilities Act, and Minnesota Human Rights Act.