



## Guidelines for the University District Home Buyer Incentive Program

### 1. Program Summary:

The **University District Home Buyer Incentive** loan program offered through the University District Alliance (“Alliance”) is a down payment and closing cost assistance program to encourage the purchase of homes by owner occupants as a primary residence in the University District neighborhoods. The program offers up to a \$10,000 two-percent interest loan that is forgivable over five years to qualified borrowers, buying a home in which they will live, located in the five University District neighborhoods: Cedar Riverside/West Bank, Marcy Holmes, Prospect Park East River Road, University, and Southeast Como. The Alliance member organizations include, among others, the University of Minnesota, City of Minneapolis and the Cedar Riverside/West Bank, Marcy Holmes, Prospect Park East River Road, and Southeast Como neighborhood organizations.

A portion of the funding for this program will be available specifically for employees of the University of Minnesota who are otherwise eligible to participate. **University of Minnesota employees, please refer to section 11, below.**

A portion of the funding for this program may be available specifically to one or more targeted areas within the University District. Any part of this program targeted to specific areas within the University District is further described in section 12, below.

### 2. Loan Terms:

- a) Two-percent interest
- b) No monthly payment
- c) The loan will be forgiven over a five year time period from the date of closing with forgiveness occurring at a rate of 20% each year on the anniversary of the closing date
- d) The loan is due on sale, transfer of title, when the primary mortgage is paid off, or when the property ceases to be the owner’s primary place of residence, except that in the case of a refinance, the loan may be subordinated subject to the Subordination Policy in effect at the time of the request for subordination.
- e) These loans are considered a “Special Mortgage” under the terms of Minnesota Statute 58.13. The mortgage may be subordinated as part of a refinance of the primary loan; however, the owner must receive counseling regarding their refinance transaction. Proof of the completion of the counseling will be required prior to approval of the subordination in a refinancing.
- f) Borrowers will agree to a ‘right of first offer and refusal’ which requires the borrower to offer the home to the entity who holds the lien on the property, should

they decide to sell. If the lien holder cannot offer a price satisfactory to the owners, they may sell through conventional channels.

**3. Loan Amount:** Up to \$10,000.

**4. Use of Funds**

The funds may be used only for down payment or for the payment of normal and usual closing costs. The borrower may not receive any portion of these funds as cash.

**5. Eligible Properties:**

- a) Any single family detached dwelling, duplex or triplex (where the homebuyer occupies one unit) in the University District Alliance area which includes the neighborhoods of Cedar Riverside/West Bank, Marcy Holmes, Prospect Park East River Road, University, and Southeast Como. There is no sale price limit.
- b) The homebuyer must occupy the home within 60 days following the home purchase closing, except that in the case of a home purchase and repair transaction, the homeowner must occupy the home within 60 days of the completion of the construction work, which must be within one year of date of closing.
- c) This program may not be used on properties where the buyer is tearing down an existing home, except in cases where there is Alliance approval.
- d) A completed purchase agreement may not have been executed before January 1, 2009.

**6. Eligible Borrower:**

Anyone buying a home in the University District who will live in the home as an owner occupant (relative homestead not included) and who qualifies for and is receiving a traditional (prime or A-rated) fixed-rate first mortgage loan or is purchasing using cash or Contract for Deed as described herein. A buyer who is purchasing a home for a relative to live in, and who will not occupy the home himself or herself as their place of principal residence (relative homesteading) is not eligible for the loan.

**7. Combining Funds:**

- a) Eligible primary financing:
  - i. The loan may be offered in connection with any fixed-rate FHA, VA, Fannie Mae, or Freddie Mac insured or uninsured loan product that is generally considered in the lending industry to be an "A" or "prime" lending product.
  - ii. 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 the Alliance.
  - iii. This loan may not be used with sub-prime lending products.
- b) Lenders are encouraged to consider combining this loan with the *CityLiving* home program to maximize the borrower's ability to qualify.

- c) **University District Home Buyer Incentive** loan funds may be combined with other assistance programs to provide greater opportunity for the borrower to secure the purchase of a home.

**8. Loan Security**

- a) The loan funds and any neighborhood loan funds will be separately secured by a Promissory Note and Mortgage.  
b) The loan(s) will be secured in a subordinate lien position behind the primary mortgage, unless otherwise agreed.  
c) No title insurance is required, except for cash sales.  
d) No mortgagee clause is required in the owner's hazard insurance policy.  
e) The buyer must sign documents which provide for the lien holder to have right of first offer and refusal.

**9. 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 can not be satisfied from the proceeds of such sale may be released following waiver of right of first refusal.

**10. Participant Feedback**

Participants in the program may be asked to participate in surveys to evaluate the effectiveness of the program.

**11. University of Minnesota Employees**

A portion of the funding for this program is available specifically for employees of the University of Minnesota who are:

- a member of the academic staff, tenure or non-tenure track, or administrative staff eligible for the Faculty Retirement Plan or a federal retirement plan;
- a current civil service or union-represented employee of the University whose employment is at least 75% time per year, or academic or contract year, excluding probationary employees or employees normally referred to as "temporary" whose employment is for a non-renewable period;
- retired employees who have been certified as eligible for continued coverage under the retiree provisions of the University of Minnesota health and dental benefits program;
- a surviving spouse of an eligible individual; or
- an individual who has accepted in writing an offer of employment in a position as described above but has not yet begun that employment.

All other provisions of this program will apply to University employees as to any other participant.

University employees who wish to participate in the program will need to provide an eligibility letter confirming their employment status. To request an eligibility letter, please contact Melinda Soderberg, UMN Employee Benefits, (612) 625-4050.

**12. Program funds for targeted areas within the University District**  
(Reserved.)

**Additional resource for participants:**

Homeownership counseling is available at no cost through the Homestretch counseling program sponsored by the Minnesota Home Ownership Center (telephone 651-659-9336 or online at [www.hocmn.org](http://www.hocmn.org)).

**For more information or to apply:**

If you have additional questions or would like to apply for a loan please contact the administrator of University District Home Buyer Incentive loan program, The Greater Metropolitan Housing Corporation Housing Resource Center, at 612-378-7985.



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