



Goodhue County Housing Trust Fund Workforce Housing Assistance Program

Policies & Procedures



Adopted 1/16/19

Mission Statement

The Goodhue County Housing Trust Workforce Housing Assistance Program's mission is to support working individuals and families in achieving homeownership.

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Purpose and Background of Program

The Goodhue County Housing Trust Workforce Housing Assistance Program has the goal of promoting homeownership in Goodhue County. The purpose of the program is to assist workers and their families in purchasing affordable, decent, and safe housing. A strong, stable workforce is vital to the communities and economy of Goodhue County.

SEMMCHRA's funding for this program is made possible through levy funds provided by Goodhue County. Currently, SEMMCHRA has about \$30,000 to allocate to the program. Going forward, the amount of available funds will depend on the amount received from the Goodhue County levy and the amount of funds received from loan repayments. Funding is subject to change at any time.

The assistance will act as a second mortgage on the house. This loan is NOT forgivable. The terms of the loan will require the applicant to payback the loan at low interest rate over the course of five years. The five-year loan will start six months after the date of closing. The first payment will also be due six months after the closing. If the home is sold, vacated, or refinanced before the end of the five-year term, the loan must be paid back immediately.

Applicants can work with any lender they choose, but applicants are encouraged to talk with local banks when researching financing options. SEMMCHRA reserves the right to deny an application based on unusually high interest rates or closing costs.

Eligibility Criteria

Income Limits

In order to qualify for the Goodhue County Housing Trust Workforce Housing Assistance Program, the household income must be at or below the established income limits set by the Minnesota Housing Finance Agency (MHFA). Income limits are based on household size:

| Household Size | Maximum Annual Income |
|----------------|-----------------------|
| 1-2 Person | \$88,600 |
| 3+ Person | \$101,800 |

Income limits are subject to change annually and shall be effective immediately.

The income of all household members over the age of 18 will be included when calculating income. The income of the household must meet the income criteria at the time of application. SEMMCHRA will not require applicant(s) to recertify their income each year.

Program Qualifications

Applicant(s) must be preapproved for a mortgage before applying for the Goodhue County Housing Trust Workforce Housing Assistance Program. At least one member of the household must be employed a minimum of 30 hours per week. At least one applicant must be a United States Citizen.

A copy of the loan estimate and closing disclosure will be required to ensure the amount of closing costs being charged is reasonable.

Home Buyer Education

A home buyer education class must be completed by at least one of the applicant's who will be signing the mortgage documents. Applicants can choose between taking Homestretch, which is an in-person class, or the online class Framework. A schedule of classes and locations can be found at <https://www.hocmn.org/buyingahome/>

Credit Score

Applicants will be required to have a credit score of 640 or higher.

Processing Fee

A \$100 nonrefundable fee will be charged to process every application for the Goodhue County Housing Trust Workforce Housing Assistance Program. The processing fee must be submitted with the completed application.

Purchase Agreement

A completed, signed purchase agreement must be submitted before an application can gain final approval. Purchase agreements must contain a home inspection contingency and a financing contingency.

Property Requirements

Any property being purchased using the program's funds must meet several requirements: The house must be in "move-in" condition. Meaning no major construction or repairs need to be made.

The home's purchase price may not exceed the maximum price allowed by MHFA. The current limit is \$283,300, but this amount is subject to change. The new limit shall be effective immediately.

The house must be the applicant(s) primary residence. SEMMCHRA will verify residency each year until the loan is paid back. If the home is found not to be the applicant(s) primary residence, it will trigger an automatic payback of the loan.

The house must be located within Goodhue County, excluding the City of Red Wing.

If the home is a mobile or manufactured home, the applicant must own the lot.

The appraised value of the home must be equal to or greater than the total of all the loans on the property. SEMMCHRA will not allow the total LTV of all loans to exceed 100%. A copy of the appraisal is required.

The applicant(s) must obtain a home inspection of the property as part of the purchase agreement. The inspection must be conducted by an experienced, professional inspector. Self-inspections or inspections conducted by a friend or family member do not qualify.

Lead inspections and radon tests will not be required. However, priority will be given to those applicants who obtain tests on environmental hazards.

Priority

Applications will be prioritized in the order they are received in the SEMMCHRA Office. In the event several applications are received the same day the following points system will be utilized:

- 3 points for applicants already living in Goodhue County
- 2 points for applicants who work in Goodhue County
- 1 point for applicants who have children enrolled in school in Goodhue County
- 1 point for applicants having a lead test done
- 1 point for applicants having a radon test done

1 point for new construction

SEMMCHRA will stop taking applications once the funding is exhausted. Funding is subject to availability.

Household Contribution

Applicant(s) must contribute a minimum of \$500 of their own money toward the purchase of the home. The contribution can be used to pay for the home inspection, environmental testing, or earnest money. Proof of payment must be provided to SEMMCHRA before the application's final approval.

Loan Details

The funds provided by this program can be used to pay the down payment and/or closing costs associated with the applicant(s) home purchase. The funds can be used in conjunction with other down payment and closing cost assistance programs.

Interest Rate & Terms

The funds will be provided in the form of an installment loan. The interest rate charged will be 1% lower than the interest rate being charged on the first mortgage. For example, if the first mortgage is charging a 5% interest rate, SEMMCHRA will charge 4% on its installment loan.

The term of installment loan will be five years. The first payment will be due six months after the closing date, with payments made monthly.

The maximum amount loaned to any applicant will be \$5,000.

SEMMCHRA retains the right to deny any application based on excessive closing costs or interest rates being charged for the first mortgage. A copy of the loan estimate and closing disclosure will be required before final approval can be granted. Banks will be required to disclose the ratios used to qualify the applicant for a mortgage. The maximum LTV of the first mortgage will be 97%.

The loan is not assumable, it may not be transferred to another person at any time.

Payback Requirements

In the event the home is sold or vacated before the loan is satisfied, the full amount of remaining loan will become due. If the applicant refinances the first mortgage, SEMMCHRA's loan must be paid off. No subordinations will be allowed.

Lending Institutions

Applicants can use the lending institution of their choice. The lender does not have to be located within Goodhue County. Applicants are encouraged to interview several lending institutions before deciding on a loan product. Please check with the lender to ensure the mortgage product being used allows the use of down payment and closing cost assistance programs.

Late Payments

Any payments made after the grace period has ended will be charged a \$25 late fee. After two consecutive late payments, borrowers will be required to meet with a credit counselor to ensure that they can meet all their debt obligations. Proof of credit counseling must be provided to

SEMMCHRA. SEMMCHRA reserves the right to utilize revenue recapture to recoup its loan funds if the borrower is no longer making payments.

Repayment Agreements

The borrower(s) will be required to sign a Mortgage and Repayment Agreement before funds will be released. The assistance is in the form of a fixed rate, installment loan. Repayment will be triggered if the home is refinanced, sold, or vacated prior to the loan being fully satisfied.

Application Checklist

To apply for the program please submit:

- Completed application with all signatures
- Completed and signed Consumer Credit Authorization
- Two years of tax returns
- \$100 processing fee
- Current homebuyer education course completion certificate
- Pre-approval letter from lender with a copy of the loan estimate
- Copy of purchase agreement with all necessary contingencies
- Copy of current appraisal
- Copy of inspection report and proof of payment
- Copy of earnest money check

Release of Funds

Once the necessary paperwork and documents have been provided, SEMMCHRA will review the application. Once final approval is granted, the lender can request the funds be released. The lender should contact the SEMMCHRA office a minimum of two weeks prior to closing to allow plenty of time for SEMMCHRA to process the check. All checks will be sent directly to the title company for dispersal at closing.

Equal Housing Opportunity Statement

This is an Equal Housing Opportunity program.

Contact Information

To request an application, please contact:

Tressa Sauke
Special Projects Coordinator
134 East 2nd Street
Wabasha, MN 55981
651-565-2638 Ext. 204
tsauke@semmchra.org