



**RED WING HOUSING & REDEVELOPMENT AUTHORITY**

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**Red Wing  
Housing and Redevelopment Authority**

**Affordable Housing Trust Fund  
Homebuyer Assistance Program**



**EQUAL HOUSING  
OPPORTUNITY**

Program and Policies:  
Revised June 2019

**Our Mission**

To provide quality, affordable, sustainable housing and community redevelopment programs utilizing resources that develop public and private partnerships.

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## Purpose and Background

### Funding

Funding for this program is made available through the Red Wing Affordable Housing Trust Fund (AHTF). The AHTF Memorandum approved by the HRA and City has a preference for funding opportunities for workforce housing. At least one member of the applying household must be employed as full-time. At this time, approximately 20% of the AHTF is being made available to eligible applicants for homebuyer assistance. For 2019, the allocation is \$63,000.

The purpose of the program is to assist low and moderate-income workforce families with the purchase of affordable housing in the City of Red Wing. This program will provide financial assistance to households who have income at or below 115% of the area median income. This program's intention is to empower Red Wing households who are on the cusp of homeownership but need financial assistance to secure a home loan from a lender. Eligible households can receive up to \$9,000 for homebuyer assistance based on need.

The homebuyer assistance will act as a soft second loan at zero percent interest. This means that the borrower will not need to make monthly payments on this loan. The loan is not forgivable. It must be paid back by the homeowner upon the sale of the house, vacating the house as a primary residence, or at the expiration of the 30-year term.

The program is in effect and will continue until the \$63,000 allocation of funds is dispersed. Applicants are encouraged to apply for loans funded through Minnesota Housing Finance Agency (MHFA) Home Buyers Programs, the USDA Rural Development Housing programs and HUD FHA programs. These programs are often available through local lenders or mortgage brokers.

Program is subject to change.

## Eligibility Criteria

### A. Maximum Income:

To be eligible for the Red Wing HRA Homebuyer Assistance Program, the total household income must be at or below the income limits\* based on household size:

Household Size	Maximum Income
1	\$66,125
2	\$75,555
3	\$84,985
4	\$94,415
5	\$102,005
6	\$109,595

\*115% income limits are based on HUD income limits and are subject to change. (Revised October 2019)

All household members over the age of 18 will have their income reviewed to determine *household* eligibility even if all members do not sign the mortgage.

Households must initially be at or below the maximum income at time of closing; however, income will not be monitored after loan closing.

The agency will certify annually that the household resides in the house.

### B. Mortgage Qualification

Have prior contact with a lender and secure their conditional approval for a mortgage. Letter from the lending institution. It must state that your home mortgage application is accepted by the lender contingent on a homebuyer assistance that is at or below \$9,000.

### C. Home Buyer Training

At least one household member must attend a Home Stretch (NSP approved) Homebuyer education course and provide us with a copy of the completion certificate. Courses can be located at: <https://www.hocmn.org/search-workshops/>

### D. Credit Score

Applicant must have a credit score of 620 or higher and lender will provide confirmation that the credit score meets the requirement. If the HRA must

perform a credit check, there is a non-refundable \$25 fee per adult on the application.

### **E. Budget**

Create an accurate household budget (free assistance is available from <http://www.hocmn.org> under 'other services' and 'credit repair'). It will need to show ability to repay home mortgage.

### **F. Processing Fees**

For applicants who receive the Homebuyer Assistance Program there will be a processing fee of \$100. The processing fee can be paid up front or subtracted from the final loan amount at closing. Applicants are also responsible for the all filing fees at the court house and any cost regarding a title search.

### **G. Purchase Agreement**

Applicant must have a signed purchase agreement for the property. The property must meet the requirements as noted below. If the house is in question to any of the items below please contact HRA staff before submitting an application. If applicable, the HRA will not inspect any houses until a purchase agreement is signed.

### **H. Property Requirements**

- All properties must meet Section 8 Existing Housing Quality Standards; if a FHA House inspection has been completed it will meet this requirement as long a copy of the inspection is provided to the HRA.
- All properties constructed before 1978 must pass a visual inspection of lead paint hazards. This must be completed by qualified HRA staff. If a property fails a visual inspection, a formal lead inspection at the cost to the owner, will be required. Any unstable surfaces (including chipped or peeling paint) will need to be remediated before the HRA will consider the property eligible.
- House must be 'move-in' condition (no major construction or repairs needed prior to move-in).
- House must be primary residence of applicant(s).
- House must be located in the city of Red Wing.

- House must receive city water and sewer services (no private wells or septic systems).
- House must be suitable size for family size.
- House must have an appraised value equal to or greater than all loans.

### **I. Priority**

- Applications will be processed in order we receive them.
- Applications will be funded as they are completed and approved.
- You DO NOT need to be a first time homebuyer to receive funding.
- The HRA will stop accepting applications once the HRA receives enough applications to utilize the \$60,000 allocation.
- Funding is subject to availability.

### **J. Household Contribution**

Applicant must contribute a minimum of \$1,000 of their own funds toward the purchase of the home (earnest money can make up part or the entire requirement).

## Loan Details

### **A. Interest Rate and Terms**

The maximum AHTF loan amount will be up to \$9,000.

The household's monthly house payment cannot exceed 32% of the gross income.

Applicant must contribute a minimum of \$1,000 of their own funds toward the purchase of the home (earnest money can make up part or the entire requirement).

The interest rate will be set at 0% for the length of the term. The term is for 30 years or for as long as the original homebuyers owns and resides in the home. Loan is due in full upon sale of the house or when the owner moves out.

The loan may be transferred to another homeowner, at the time of sale; if they are income qualified and verified through the Red Wing HRA.

### **B. Lending Institutions**

You can use any lending institution of your choice.

Lending Institutions do not have to be located in Red Wing, MN.

Minnesota Housing Finance Agency offers First time homebuyer programs through local lenders. Local lenders who are currently participating in one or more first-time homebuyer program include:

- Associated Bank 222 Bush St
- Merchants Bank, 2835 South Service Drive
- Well Fargo, 401 Plum Street

For the most up to date list of local lenders who participate in a Minnesota Housing First-time homebuyer programs please go to:

<http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1360799177096&pagename=External%2FPage%2FEXTIFrameLayout>

## **Other Requirements**

The applicant must meet the following requirements:

- 1) "Workforce Housing" shall mean owner-occupied or rental housing units that are provided to households with at least one member per unit who is gainfully employed at the time of entry into the unit.
- 2) (i) Workforce housing may be designated for households that make 50% to 115% of AMI but shall be inclusive of all income levels households who meet the definition of gainful employment and can meet the Affordable Housing Cost as defined in Subpart b (1) and (2).
- 3) (ii) Gainful Employment is defined as an employment situation where the employee receives consistent work and payment from an employer at 30 hours per week or more.
- 4) Applicant does not own other real estate, such as lakeshore property, farmland or residential property. The only exception is commercial property that generates income for payment of the house loan.
- 5) Applicant does not have ample resources to make the loan without down payment assistance.
- 6) Lender indicates the applicant will not receive the loan without down payment assistance.

## **C. Repayment Agreements**

The borrower(s) is required to sign a Note and Mortgage in order to receive homebuyer assistance. Assistance will be provided in the form of an interest free loan payable upon sale or transfer of the property. Full repayment of the principal is due upon the sale, maturity or other transfer of the property or when the buyer no longer occupies the property as the principal residence.



## Checklist for Applicant

To apply for this program the applicant will need to submit:

A completed application with all signatures

An accurate household budget, preferably created with assistance from a 3<sup>rd</sup> party

Verification for a NSP homebuyer education course – a printout of upcoming class reservation or a NSP certificate that is less than 2 years old

A check for \$25 per adult household member for credit report(s), if applicable.

A letter from lender stating conditional approval for a mortgage based on a down payment amount of \$9,000 or less

Purchase agreement for selected property

\$1,000 to be used as equity for the applicant's purchase.

**\*\*This list is for a complete application.\*\***

Partial applications will not be accepted.

## What to Expect

Once completed applications are received and reviewed:

- 1) Staff will review documents.
- 2) Staff will contact lender.
- 3) Staff may request to meet with the applicant(s).
- 4) If applicant meets all eligibility guidelines the HRA will issue a conditional approval of Homebuyer Assistance.
- 5) HRA staff must receive all documents before approving loan (including Homebuyer Education Course certificate).
- 6) Two weeks prior to the closing date, the lender will send all necessary documentation required to the HRA. Upon receipt of the required documents, the HRA will prepare a check in the amount requested on the Homebuyer Assistance Request Form. Lenders should note that the Red Wing HRA must receive the completed Claim Form in order to initiate the financing process. Lenders should allow at least 10 days from receipt of the Claim Form to process a check.
- 7) Following the closing, the lender will be responsible for immediately forwarding copies of the warranty deed, one copy of the Second Mortgage and the original Note to the HRA. The lender is responsible for recording the Second Mortgage with the Goodhue County Recorder's Office and forwarding the recorded document to the HRA.

Exception Authority—the HRA may consider applications that do not meet the exact criteria because of circumstances beyond the control of the applicant.

## Affirmative Marketing

Although funding for the program limits the number of participants, marketing efforts will comply with requirements of fair housing and any entity engaged in marketing and implementing this Red Wing AHTF program must not discriminate against households who may be included in protected classes. Furthermore, every effort must be made to engage in inclusionary marketing and to use the HUD fair housing logo whenever feasible. The logo appears on the cover of this guide.

## Program Contact

Contact Randal Hemmerlin, at (651) 301-7028 at the Red Wing HRA for more details. Applications can be picked up from the Red Wing HRA between the hours of 9a.m. and 3:30p.m. or they can be downloaded from <http://www.redwinghra.org/>