

**Guidelines for the
Minneapolis Advantage
Loan Program
(with 3/25/08 CD Committee amendments)**

1. Program Summary:

The **Minneapolis Advantage** loan program is a housing rehabilitation assistance program to help rebuild the housing market in neighborhoods that have experienced higher than normal levels of mortgage foreclosures and have a comparatively high percentage of buildings on the City's 249 vacant and boarded buildings' list (see Minneapolis Advantage Eligible Properties map). The program offers a \$10,000 zero-percent interest loan for rehabilitation costs. The loan is forgivable over five years to anyone buying a home in which they will live in these key neighborhoods.

2. Loan terms:

- a) Zero percent interest.
- b) No monthly payment.
- c) Subject to the conditions in paragraph e) below, the loan will be forgiven over a five-year period with forgiveness occurring at a rate of 20% each year on the anniversary of the closing date.
- d) The unforgiven loan balance 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 CPED Subordination Policy in effect at the time of the request for subordination.
- e) Up to \$10,000 of the loan may be forgiven to cover any gap between the value of the property as determined by an appraisal and the total cost of the purchase price plus the cost of the home repairs and improvements.
- f) 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.

3. Maximum and minimum loan amounts:

- a) Minimum: none
- b) Maximum: \$10,000

- c) The McKinley, Webber-Camden, and Folwell neighborhoods, with the help of the Family Housing Fund, are making \$4,000 available in their neighborhoods for down payment and closing cost assistance, bringing the total of the financial assistance to \$14,000 for McKinley, Webber-Camden, and Folwell. Harrison neighborhood has \$4,000 in down payment and closing cost assistance and an additional \$15,000 that can go toward renovation of the home bringing the potential assistance amount to \$29,000.

(The City of Minneapolis continues to seek additional partners to match City funding and expand the amount available to homeowners in the eligible neighborhoods. If you are interested in pursuing a partnership, please contact Mark Anderson at 612-673-5289.)

4. Use of funds

The following applies to the use of funds:

- a) The funds may be used for the payment of housing rehabilitation work to the house.
- b) Any portion of the loan that is not applied to the payment of the costs of housing rehabilitation work must be repaid to the City of Minneapolis and the loan balance will be reduced accordingly.

5. Eligible properties:

- a) A single family property located within a neighborhood that has been identified by the City as experiencing higher than normal levels of foreclosures and comparatively high percentages of buildings on the City's 249 vacant and boarded buildings list (see Minneapolis Advantage Eligible Properties map).
- b) The purchase price limit for the program will be the same as the limit for the *CityLiving* home program.
- c) For the first six months, the house must be on the City's 249 vacant and boarded buildings list, or be a property that is vacant because of a foreclosure, or a property that is currently not homesteaded.
- d) The homebuyer must occupy the home within 60 days within 60 days of the closing or the completion of the construction work, which ever occurs later. All construction work must be completed within a time limit established by the City or the program administrator.

6. Eligible borrower:

Anyone who is buying a home in a neighborhood that has been approved by the City as eligible under this program and who qualifies for and is financing this purchase with either a traditional (prime or A-rated) fixed-rate first mortgage loan or cash.

7. Homeownership Counseling:

Borrower must complete homeownership counseling through the Homestretch counseling program sponsored by the Minnesota Home Ownership Center (telephone 651-659-9336 or online at www.hocmn.org) or a comparable approved counseling program prior to closing of the loan.

8. 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 City. This provision assumes that all the rehabilitation work has been completed prior to closing.
 - 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) *Minneapolis Advantage* loan funds may be combined with other assistance programs to provide greater opportunity for the borrower to secure the purchase of a home.

9. Loan security

- a) The City loan funds and any neighborhood loan funds will be separately secured by a Promissory Note and Mortgage.
- b) The *Minneapolis Advantage* loan may be secured in a subordinate lien position behind other funds.
- c) No title insurance is required.
- d) No mortgagee clause is required in the owner’s hazard insurance policy.

10. Program Evaluation and Renewal

The *Minneapolis Advantage* loan program demonstration may be renewed depending on the outcome of a program evaluation. Six months after the program start City staff and key partners will conduct an evaluation of the program’s performance, assess market conditions in eligible neighborhoods, and make recommendations regarding:

- a) Possible modifications to the program;
- b) Whether the Program should be expanded to other adjacent neighborhoods;

- c) Whether neighborhoods should be removed from eligibility; and
- d) Whether the Program should be continued.

11. 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 shall be released.