

CARVER COUNTY COMMUNITY DEVELOPMENT AGENCY



Down Payment Closing Cost Assistance Program

PROGRAM GUIDELINES

May 2025

PURPOSE

The Carver County Board of Commissioners created a Local Housing Trust Fund (LHTF) to encourage the creation of affordable housing for rental housing and owner-occupied housing, to promote the preservation of existing affordable housing and naturally occurring affordable housing, and to provide rental assistance and homeownership assistance to people of very low income, low income, and moderate-income. The Commissioners designated the Carver County Community Development Agency (CDA) to administer the LHTF on behalf of Carver County. The LHTF programs are guided primarily by the following documents:

- Minn. Stat. §462C.16 462C.16 Housing Trust Funds for Local Housing Development
- Ordinance Establishing a Housing Trust Fund in Carver County (Ordinance No.104-2023), effective 12/19/23

The Down Payment Closing Cost Assistance Program is an initiative of the Carver County LHTF. The Carver County CDA will provide financing for qualified first-time homebuyers to use towards down payment and/or closing costs.

PROGRAM GOALS

- ✓ Provide an affordable pathway for low to moderate income households to achieve first-time homeownership.
- ✓ Encourage homeownership within Carver County.
- ✓ Maintain a strong residential real estate market for all household income and property types.

This document outlines the guidelines and procedures for the administration of Carver County CDA Down Payment Closing Cost Assistance Program.

PROGRAM ELIGIBILITY

Borrower Eligibility

This program will provide financial assistance to households with income at or below 100% of the Area Median Income (AMI) for Carver County to assist in the purchase of a home in Carver County. Borrower must be a first-time homebuyer (have never owned a home or have not owned a home in the past three years) to receive funding. Borrowers do not need to be current residents of Carver County but there is preference for those who live, rent or work within the County. Non-occupant co-borrowers are not allowed.

Property Eligibility

Eligible properties must be in Carver County and may include any of the following property types:

- A single-family detached home
- A duplex or twin home
- A condominium unit
- A townhome
- The purchase price of the property may not exceed \$415,000.*

**This is approximately 85% of the area median sales price for a single-family home in Carver County. Maximum purchase price may be adjusted annually by the CDA staff based on area median sales information provided by the Minneapolis Area Realtors Association.*

Property Requirements

- House must be 'move-in' condition (no major construction or repairs needed prior to move-in).
- House must be primary residence of Borrower(s) and homesteaded.
- House must have an appraised value equal to or greater than all loans.
- Homeowners must secure homeowners' insurance for the property.
- Property must conform to all applicable zoning ordinances and possess all appropriate use permits.
- An independent full home inspection is required prior to closing. Note there are no minimum property standards.

Loan Amount

Eligible borrowers can receive a maximum of 25% of the purchase price not to exceed \$50,000 for homebuyer assistance.

Loan Terms

The homebuyer assistance will act as a soft second loan. The interest rate will be set at zero percent (0%) for the length of the term. This is a twenty (20) year forgivable loan

with 5% of the original loan principal forgiven annually as long as the original homebuyer(s) owns and resides in the home. The balance of the loan is due in full upon sale, transfer, conveyance, or when it is no longer the primary residence. The borrower(s) is required to sign a Note and Mortgage.

Qualifying Ratio

The minimum housing ratio is not less than 25% as calculated by the first mortgage lender. The maximum debt-to-income ratio is not greater than 50%, as calculated by the first mortgage lender. Ratios are based on gross household income and established to ensure affordability and preservation.

Mortgage Qualification

The household's monthly mortgage payment must meet the Qualifying Ratio requirements. Homebuyers shall have prior contact with a lender and secure a fully underwritten conditional pre-approval for a first mortgage prior to applying for the CDA's downpayment assistance program. Borrowers may use a lending institution of their choice.

The first mortgage must be a prime/A-rated fixed rate mortgage loan. Conventional, FHA and VA mortgages are acceptable. In no instance will an adjustable-rate mortgage be allowed. Borrowers are encouraged to apply for loans and other down payment closing cost assistance funded through the Minnesota Housing Finance Agency (MHFA) Home Buyers Programs, HUD FHA programs, and other local opportunities.

Household Contribution

Borrowers 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).

Layering

Funds can be layered with other Down Payment Assistance.

Purchase Agreement

Borrowers must have secured a conditional pre-approval mortgage commitment and completed homebuyer education prior to signing a purchase agreement.

INCOME QUALIFICATIONS

Income Limit

Borrower income, as determined by the first mortgage lender, must be at or below 100% of the Area Median Income (AMI) for Carver County, as determined annually by the U.S. Department of Housing and Urban Development. Borrower income is not adjusted for household size and instead a maximum income is established based on

the median family income, currently for FY25 is \$132,400.

Asset Limits

Borrower does not own other real estate, including but not limited to lakeshore property, farmland, or residential property. The only exception is commercial property that generates income for payment of the house loan. Borrower liquid assets cannot exceed \$50,000 after closing and excludes: retirement accounts, life insurance, and college savings accounts.

Homebuyer Education

At least one borrower must attend a Home Stretch homebuyer education workshop within the last 12 months, and it was completed PRIOR to submitting a purchase agreement. A copy of the completion certificate is required to receive a CDA commitment of funds. Virtual and in person courses can be located at: <https://www.hocmn.org/>

EVALUATION AND SELECTION

Borrower Selection

Borrowers will be considered on a first-come, first-serve basis by the date and time of receipt of a complete application package. In the event multiple eligible applications are received at the same time, preference will be given to those who live, rent or work within Carver County. The CDA may also consider priorities established in the HTF ordinance and guidelines when making selection decisions.

Previous recipients of program benefits are ineligible. Awards are subject to funding availability.

Pre-Application

All borrowers must complete a pre-application to help determine program eligibility. If eligible, borrowers will move forward with a full application and underwriting process to determine size of the loan.

Intent to Proceed

If the initial eligibility screening deems the borrower eligible, then CDA staff will submit an intent to proceed. The borrower must sign the intent to proceed for the full underwriting process to begin. If the borrower wishes to proceed, they will need to pay an application fee to CDA.

Fund Reservation & Commitment Period

Borrowers will undergo a full underwriting process, and final eligibility will be determined during the underwriting for the loan. Borrowers may still be denied if more

information is discovered during underwriting that would make a borrower ineligible. Funds will be reserved for 150 days for approved borrowers. Once a Purchase Agreement has been executed, a commitment letter is issued and allows 60 days for a closing.

Loan Disbursements

Homeownership loans are disbursed to the title company one day prior to closing. Same day disbursements are not authorized. In no instance will funds be disbursed directly to the borrower.

Data Privacy

Information on program Borrowers (including, but not limited to, credit reports, financial statements, income calculations, and asset information) is private data, which must be administered in accordance with the Minnesota Government Data Practices Act. Borrowers shall be provided with proper written notice as specified under the Act. Solely for the purpose of administering the program, information may be made available to the members of the Carver County CDA Board of Commissioners, CDA staff, and the staff of participating agencies, organizations, or financing sources.

LOAN ADMINISTRATION

CDA Administration

The CDA Community Development staff will administer this program. Center for Energy and the Environment (CEE) will service the loan.

Application Fees

There is an application fee of \$100. Borrowers are also responsible for all filing fees at the courthouse and title search costs.

Re-subordination

Re-subordination of the CDA loan is allowable if in the best interest of the borrower and results in a lower interest rate and/or payment or prompted by a life event, such as death or divorce of one of the borrowers. Cash out is restricted to home improvements or repairs.

Lien Position

Allows for any lien position.

OTHER POLICIES AND PROCEDURES

Appeal and Complaint Procedures

Borrowers denied program participation or having other complaints concerning the program may direct their complaint or appeal to the Carver County CDA. Staff will contact the complainant and attempt to resolve the problem and provide a written response to the complaint or appeal within fifteen (15) working days. If the complainant is not satisfied with the response, he/she may file a complaint with the CDA Executive Director for a final decision.

Conflict of Interest

Any potential conflicts of interest under Minnesota Statutes 471.88 shall be evaluated based on a legal opinion to be requested from the CDA attorney. Approval must also be obtained from the CDA for all potential conflicts. No assistance may be given until such an opinion has been made.

Fair Housing/Equal Opportunity

It is the policy of the Carver County CDA to work to further fair housing opportunities in its programs and to administer housing programs in a way that all residents of similar incomes have equal access to programs regardless of race, color, creed, assistance, disability, sexual orientation, or familial status.

No person will be denied services, contracts for project services, or access to program information and materials due to race, color, creed, religion, national origin, sex, marital status, status regarding public assistance, disability, sexual orientation, or familial status. There will be no discrimination against persons in the administration of the down payment assistance program.

It is the policy of the Carver County CDA that marketing efforts will be such that no potentially eligible Borrowers or providers of services are excluded from participation. Affirmative marketing will include efforts to reach people who have traditionally not participated in similar programs or have not been aware of available assistance. This includes, but is not limited to, single heads of households, people of color, or people with disabilities.