CARVER COUNTY
COMMUNITY
DEVELOPMENT
AGENCY

Down Payment Assistance Program

PROGRAM GUIDELINES

Updated October 2026

PURPOSE

Local Affordable Housing Aid (LAHA) was established during the 2023 Legislative Session. LAHA funds must be spent on qualifying projects. The Carver County Board of Commissioners designated the Carver County Community Development Agency (CDA) to administer a percentage of LAHA funds on behalf of Carver County. The DPA program is guided primarily by the following:

- Minn. Statutue 477A.35 Local Affordable Housing Aid

The Down Payment Assistance Program (DPA) is an initiative of the Carver County CDA. 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 Assistance Program.

PLAIN LANGUAGE SUMMARY

The Down Payment Assistance Program (DPA) helps qualified first-time homebuyers with funds for down payment and closing costs. Assistance is provided as a forgivable loan with no interest. This guide explains eligibility, property requirements, application steps, and compliance rules.

PROGRAM ELIGIBILITY

Applicant Eligibility

To participate in the Carver County Community Development Agency Down Payment Assistance (DPA) Program, applicant(s) must meet the following criteria:

- **First-Time Homebuyer / Residency Status:** A First-Time Homebuyer refers to an individual who has not held an ownership interest in another property in the three years prior to the application. First-Time Homebuyer includes an individual who is divorced or legally separated and who has had no ownership interest in a Principal Residence (other than joint ownership interest with a spouse) during the three years prior to the application.

- The following criteria classifies first time homebuyers:
    - Individuals who have had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This may also include a spouse, so if either meets the above test, they are considered first-time homebuyers.
    - Single parents who have only owned a property with a former spouse while married.
    - Individuals who are displaced homemakers and have only owned with a spouse.
    - Individuals who have only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
    - Individuals who have only owned property that was not in compliance with state, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.

- **DPA Program Eligibility Income Limit:** Applicant(s) gross household annual income must be at or below 100% of the Area Median Income (AMI) for Carver County, currently at $132,400. Income is not adjusted for household size; however, gross annual incomes for the following people must be included in the determination of program income eligibility:
    - Each Applicant and anyone who will be on deed, sign the mortgage, and the note.
    - The legal spouse of an Applicant who will *live* in the property. If the current legal spouse will not be living in the subject property, their income is not included in the eligibility calculation. The Non-Income Occupant Spouse Statement must be used to document this.
    - Anyone signing the Note who will not be on title but is expected to live in the property (i.e., an occupant co-signer).

  Please refer to the DPA Eligibility and Qualifying Income Reference Guide and Worksheet for more information.

- **Asset Limits:** Applicant(s) does not own other real estate including but is not limited to lake shore property, farmland, or residential property. The total of all Borrowers' liquid assets at the completion of closing are limited to $50,000. Borrowers may spend down excess liquid assets to meet the post-closing liquid asset limit, provided the following requirements are met:
    - Funds must be used to pay down a borrower's own existing debt(s).
    - Payment transaction(s) must be completed prior to or at loan closing.
    - Documentation of the debt(s) and the payment transaction(s) must be in the loan file.
- **Education:** At least one applicant must attend a Home Stretch homebuyer education workshop withing the last 12 months, and it was completed PRIOR to submitting a purchase agreement. A copy of the completion certificate is required. 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/
- **Debt-to-Income Ratio:** Applicant(s) "debt-to-income" ratio cannot exceed 50 percent.
- **Housing Ratio:** Applicant(s) minimum housing ratio is not less than 25 percent.

- **Current on Debt Payments:** Applicant(s) must be current on any ongoing debt payments.
- **Minimum Contribution:** Borrower(s) 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.
- Non-occupant co-borrowers are not allowed.

PROPERTY REQUIREMENTS

Property Eligibility

The purchase price of the property may not exceed $415,000.* The property may not be a related party transaction. 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

**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.
- 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.

Purchase Agreement

Applicants must have secured a conditional pre-approval mortgage commitment, completed homebuyer education and received a DPA Reservation Letter PRIOR to signing a purchase agreement.

FINANCING REQUIREMENTS

DPA Loan Amount

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

- **Combined Loan to Value (CLTV)** of the first mortgage and the Carver County DPA loan cannot exceed 100% as evidenced by an appraisal.

DPA Loan Terms

The homebuyer assistance will function 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. Please note that:

- No additional fees are allowed by the first mortgage lender to use/administer this program.
- Cashback is not allowed unless Earnest Money exceeds settlement costs or prepaid fees.

First Mortgage Qualifying Ratios

The ***minimum housing ratio is not less than 25%*** as calculated by the first mortgage lender, which is based on the qualifying income. ***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.

First Mortgage Qualification

The underwriting income used to qualify the Applicant for the first mortgage loan for repayment of the note is based on a complete review of the Applicant's income, assets, liabilities, credit history, employment history, debt to income ratios, and qualified loan amount. The household's monthly mortgage payment must meet the Qualifying Ratio requirements. Applicants 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. Applicants may use a lending institution of their choice.

An eligible loan must be fixed rate, fully amortized Qualified Mortgage as defined by the Consumer Financial Protection Bureau. 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. Applicants 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.

***Applicant(s) must submit a CDA Mortgage Underwriter Pre-Approval Attestation Form with their application.

Household Contribution
Applicants 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.

Lien Position
Allows for any lien position.

EVALUATION, SELECTION AND FUNDING

Applicant Selection
Applicants 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. Below is an outline of the process.

1. Pre-Screening Application

All applicants must complete an online pre-screening application to help determine initial program eligibility. Eligible applicants will be invited to submit a full application.

2. Full Application

If applicants meet the initial screening criteria, they will need to submit the following:

- Government identification
- Income Verification
- Home Stretch Certification
- Mortgage Underwriter Pre-Approval Attestation Form
- Application Fee - $100 fee

CDA staff will not review the application until all items are received.

3. Fund Reservation

The CDA will review the full application and confirm eligibility with DPA requirements. If funding is available, CDA will reserve the DPA funding and provide the applicant(s) with a Reservation Letter to be used in finding a home.

- DPA funds will be reserved for 150 days for approved applicants.
- Applicant(s) may be denied if more information is discovered during underwriting that would make an applicant ineligible.

APPLICANTS WITH PURCHASE AGREEMENTS SIGNED BEFORE THE RESERVATION DATE ARE INELIGIBLE FOR THIS PROGRAM.

4. Purchase Agreement & Commitment

Within three business days of securing a Purchase Agreement that meets the DPA requirements, the applicant and lender will submit to the CDA the following:

- Copy of signed Purchase Agreement
- Signed Uniform Residential Loan Application (URLA - also known as 1003)
- Loan Estimate
- Confirmation of any changes in income since the Reservation Letter was issued.
- Confirmation that an inspection is scheduled. Inspection Report should be forwarded as soon as it is available.

Once the inspection report is reviewed and accepted, the CDA will issue a Conditional Commitment Letter. The letter is valid for sixty calendar days, and the loan must close before expiration. ***A minimum of 30 days is needed to Close once the Commitment is issued.***

5. Loan Closing

The applicant, lender and title company will work together to provide the following:

- Appraisal
- Title Commitment
- Confirmation of closing date, time, and location
- Homeowners Insurance Binder listing CDA as Loss Payee, including Flood Insurance if applicable.
- Final URLA with verified assets not exceeding $50,000 after closing – signed by lender.
- Signed 1008 Underwriting Transmittal, FHA 929000-LT, or equivalent.
- Closing Disclosure – must be balanced and no TRID exceptions.
- Copy of all Gift Letters with verification
- Copy of First Mortgage & Note
- Settlement Statement

The CDA will review all information, make any adjustments to DPA amount, if necessary, and prepare the DPA loan and note documents. A Final Commitment Letter will be issued with instructions to the title company on how to proceed and when funding is to be released.

DPA loans are disbursed to the title company at least one day prior to closing. Same day disbursements are not authorized. In no instance will funds be disbursed directly to the applicant.

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 payable to the CDA. Applicants are responsible for all recording, wiring and title fees related to the DPA loan.

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 Applicants.

Cash out is restricted to home improvements or repairs.

The homeowner will work with loan service provider on any subordination or pay off actions.

OTHER POLICIES AND PROCEDURES

Data Privacy

Applicant information (including, but not limited to, credit reports, financial statements, income calculations, and asset information) is confidential data, which will be administered in accordance with the Minnesota Government Data Practices Act. Applicants 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.

Appeal and Complaint Procedures

Applicants 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, applicant 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 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 CDA that marketing efforts will be such that no potentially eligible Applicants 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.

The DPA Program is administered by the CDA's Community Development Department located at 705 N. Walnut Street, Chaska, MN 55318. Questions may be directed to (952) 448-7715 or dpa@carvercda.org.