



Guidelines for the *Minneapolis Advantage Program* (Funded by the Federal Home Loan Bank Des Moines)

1. Program Summary:

The ***Minneapolis Advantage Program - FHLB*** ("FHLB") is a downpayment and closing cost assistance program to help rebuild the housing market in neighborhoods that have experienced high levels of mortgage foreclosures. There will be \$500,000 available for each of three FHLB areas. The program offers a \$10,000 zero-percent interest loan that is forgiven at the end of five years.

2. Loan terms:

- a) Zero percent interest.
- b) No monthly payment.
- c) 1/60th of the loan will be forgiven each month so that at the end of the fifth year the loan is no longer repayable.
- d) Prior to the end of the fifth year, the loan 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) 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. Loan amount:

Borrowers will receive \$10,000

4. Use of funds

The funds may be used to go toward either of the following uses:

- a) The payment of downpayment or normal and usual closing costs. The borrower may not receive any portion of these funds as cash.
- b) Any portion of the loan that is not applied to the payment of downpayment or closing costs must be paid to the City of Minneapolis and the loan balance will be reduced accordingly.
- c) Since the intent of the MAP loan is to help buyers with their home purchase, the FHLB loan may not be used to reimburse a borrower for a purchase transaction that has already occurred.

5. Eligible properties:

- a) The property must be a single family dwelling or a duplex located in a neighborhood that has been approved by the City for inclusion in the program (see Exhibit A attached for a list of eligible neighborhoods).
- b) The property to be purchased must be either a single-family detached home or a duplex that is in a foreclosed status, or was a foreclosed property that has been purchased by a non-profit for the purpose of selling it to an owner-occupant.
- c) There is no sale price limit.
- d) The homebuyer must occupy the home within 60 days following the loan closing, except that in the case of a home purchase and repair transaction, the homeowner must occupy the home within 60 days of the completion of the construction work.

6. Eligible borrower:

Borrowers will receive funds on a first come-first served basis, however, available funds will be divided into allocations by income group as indicated under "c" below:

- a) Borrowers must qualify for and receive a traditional (prime or A-rated) fixed-rate first mortgage loan or be purchasing the property using cash.
- b) Cash buyers must demonstrate the financial ability to maintain the home within the same affordability standards as a prime loan recipient. All cash buyers will be underwritten by the Program Administrator using standards approved by the City.
- c) Fund allocations by income group:
 - i. 30% of the funds are reserved for borrowers with household incomes at or below 50% of the area median income.
 - ii. 10% of the funds are reserved for borrowers with household incomes at or below 60% of the area median income.
 - iii. 60% of the funds are reserved for borrowers with household incomes at or below 80% of the area median income.

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 a "prime" or "A" lending product.
 - ii. The loan may also be offered in combination with a contract for deed financed and held by a non-profit developer who has renovated the foreclosed property for resale, provided that the non-profit developer does not sell the contract for

deed without the written approval of the City. The contract for deed program must be approved by the City prior to participating in this FHLB program.

- 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 when available to maximize the borrower's ability to qualify.
- c) FHLB loan funds may be combined with other assistance programs to provide greater opportunity for the borrower to secure the purchase of a home.
- d) These funds may not be combined with other MAP funds (regardless of the funding source).

9. Loan security

- a) The City loan funds will be secured by a Promissory Note and Mortgage separate of any other funding.
- b) The loan may be secured in a subordinate lien position behind other program funds.
- c) No title insurance is required.
- d) No mortgagee clause is required in the owner's hazard insurance policy.

10. 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.

11. Neighborhood participation

Some Minneapolis neighborhoods also provide home purchase and home renovation funds. The McKinley, Webber-Camden, and Folwell neighborhoods, with the help of the Family Housing Fund, are making available an additional \$4,000 in their neighborhoods, bringing the total loan amount to \$14,000 for McKinley, Webber-Camden, and Folwell. Harrison neighborhood also has \$4,000 in mortgage assistance that can be added to the program and an additional \$15,000 that can go toward renovation of the home bringing the potential assistance amount to \$29,000. Buyers are encouraged to check with the neighborhood organization in the neighborhood where the home is located for possible other available financing.

**Minneapolis Advantage Program
Eligible Neighborhoods
2009**

Neighborhood	FHLB Funded \$1,500,000	Locally Funded \$500,000
Corcoran		X
Bottineau		X
Regina		X
Victory		X
Bryant	X	X
Sheridan	X	X
Lind-Bohanon	X	X
Ventura Village	X	X
Whittier	X	X
Audubon Park	X	X
Holland	X	X
Phillips West	X	X
Cleveland	X	X
Mckinley	X	X
Harrison	X	X
Powderhorn Park	X	X
Webber-Camden	X	X
Midtown Phillips	X	X
Folwell	X	X
Near North	X	X
Central	X	X
Willard-Hay	X	X
Jordan	X	X
Hawthorne	X	X
East Phillips	X	X
Beltrami	X	