

## Woodbury HRA Program Guidelines

# First-time Homeownership

**Program Overview:** The City of Woodbury HRA has made down payment and closing cost assistance loans available to encourage homeownership in the City of Woodbury. Current available dollars for loans are based upon the fund balance for any given period.

**Loan Amount:** The maximum loan amount is \$25,000.

**Eligible Use of Funds:** The loan funds can be used for down payment and closing costs. The borrower cannot receive any portion of these funds as cash.

**Interest Rate & Deferred Loan Term:** The interest rate is below market rate and will be fixed with simple annual interest, with monthly installment payments of interest only. Borrowers aged 65 or older or who are military veterans shall receive a discounted rate. Payment of principal will be deferred until sale, transfer of title, when the primary mortgage is paid off, or when the property ceases to be owner-occupied. Loan term shall not exceed 30 years.

**Loan Security:** All loans will be secured by a mortgage in favor of the Woodbury HRA. Applicant will be required to obtain title insurance on this loan for the City of Woodbury HRA.

### **Applicant Eligibility:**

- **First-Time Homebuyer Status:** Applicant(s) must be a first-time homebuyer (a person or household that has not owned a home within the last three years).
- **Debt-to-Income Ratio:** Applicant "debt-to-income" ratio cannot exceed 50 percent.
- **Current on Debt Payments:** Applicant(s) must be current on any ongoing debt payments.
- **Minimum Contribution:** There must be a Minimum Contribution of 5 percent of the purchase price paid by or on behalf of the home buyer. Acceptable sources of the Minimum Contribution include earnest money, buyer funds brought to closing, lender credits or seller paid closing costs. The acceptable sources must be in the shape of seasoned funds that have been in documentable bank accounts of the applicant(s) for a minimum of ninety days prior to the loan closing. Buyer funds that result from a gift must be accompanied by a gift letter documenting the source as a relative. In no case shall proceeds from a loan or other debt instruments be allowed to meet this Minimum Contribution criterion.
- **Income Limit:** Applicant total gross annual household income shall not exceed \$95,000.
- **Education:** All applicants must have 8 hours pre-purchase education or an online equivalent, as evidenced by an acceptable completion certificate. Applicants may work with eligible counseling agencies that are HUD-approved that have adopted the National Industry Standards for Homeownership Education and Counseling. Applicants who have previously completed their pre-purchase education through an approved provider must have a completion certificate that is dated not more than 12 months prior to closing.
- Borrower does not need to be a first-time homebuyer IF the property being purchased is in a foreclosed status, with the Woodbury loan recipient as the first owner-occupant after the foreclosure, OR the property is in foreclosure prior to the sheriff's sale.

**Property Eligibility:**

- Purchase price cannot currently exceed \$390,000.
- Single family homes, townhomes, twin homes, or condominiums in the City of Woodbury to be used as the buyer's principle place of residence.
- The first mortgage must be a prime/A-rated fixed rate mortgage loan.
- Properties may not be within the flood plain as identified by FEMA.

**Loan Costs:** Washington County Recording fee, title insurance, title company settlement fees, wire transfer fee and prepaid daily interest will be paid by the borrower(s) and may be paid from the Woodbury loan funds. Credit report fee will be paid by the borrower(s) at application unless a credit report is shared by the first mortgage lender that is dated within thirty days of the application. There is a \$25 processing fee requested after the loan estimate is provided to the home owner.

**Application Process:** The Woodbury HRA has selected NeighborWorks Home Partners to administer the loan funds. Please visit their website for an application and list of documents needed <https://nwhomepartners.org/city-woodbury-homeownership-programs/>.

**Disbursement Process:** After receiving the application and all of the documentation listed on the Application Process Sheet, the following procedures shall apply:

- If the application meets the program requirements, the loan funds (not to exceed \$25,000) will be wired to the Title Company and the Woodbury loan documents will be sent to the loan closing or title insurance company.
- The purchaser must sign the deferred loan note and mortgage at the loan closing. The loan closing or title insurance company conducting the loan closing will be responsible for recording the mortgage. Documentation of the recording must be sent to the Woodbury HRA. The purchaser will pay the filing fee.
- After the loan closing, the title company must provide the Woodbury HRA with the original signed loan documents including the Note and Closing Disclosure, the City of Woodbury HRA's Title Insurance Policy, and a copy of the first mortgage executed Closing Disclosure.

**Contact info:****NeighborWorks Home Partners****Down Payment Team****(651) 292-8710****[downpayment@nwhomepartners.org](mailto:downpayment@nwhomepartners.org)**