



**SHOREVIEW FIRST-TIME HOMEOWNERS DOWN PAYMENT ASSISTANCE  
PROGRAM GUIDELINES**

**July 8, 2019**

**Overview:** The City of Shoreview is offering down payment and closing cost assistance loans to encourage first-time homebuyers to purchase a home in Shoreview. Current available dollars for loans are based upon the fund balance for any given period.

**Loan Amount:** The maximum loan amount is \$15,000, however, the amount borrowed cannot exceed 5% of the purchase price.

**Interest Rate & Loan Term:** The interest rate is below market rate and will be a fixed with simple annual interest, with monthly installment payments of interest only. 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 City of Shoreview. The loan may be secured in a subordinate lien position behind other loans in accordance with the City's loan subordination policy. Applicant will be required to obtain title insurance on this loan for the City of Shoreview.

**Loan Costs:** Filing fees, title policy, wire transfer fee, prepaid daily interest and credit report will be paid by the borrower (s).

**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.

**Borrower Eligibility:**

- a. **First-Time Homebuyer Status:** Borrower(s) must be a first-time homebuyer (a person or household that has not owned a home within the last three years)
- b. **Debt to Income Limit:** Borrower's gross monthly debts cannot exceed 50% of gross monthly income.
- c. **Current on Debt Payments:** Borrower(s) must be current on any ongoing debt payments.
- d. **Credit:** Standard underwriting criteria apply including review of a credit report.
- e. **Minimum Contribution:** There must be a minimum contribution of 5% of the purchase price paid by or on behalf of the borrower. Acceptable sources of the minimum contribution include: earnest money, buyer funds brought to closing and seller paid closing costs. 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.
- f. **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.

- g. Income Limit: The total gross annual borrower income cannot exceed 120%\* of the Twin Cities median household income, as follows:

<u>Household Size</u>	<u>Income Limit*</u>
1	\$84,000
2	\$96,000
3	\$108,000
4	\$120,000
5	\$129,600
6	\$139,200
7	\$148,800
8	\$158,400

*\* Calculated using 2019 HUD Median Income Data*

**Property Eligibility:**

- Single-family homes, townhomes, twin homes or duplexes, condominiums located in the City of Shoreview and to be used as the buyer’s principle place of residence.
- First mortgage must be a prime/A-rated fixed rate mortgage loan
- The residential structure (dwelling unit) shall not be located within a flood plain as identified by FEMA
- Purchase price of the home shall not exceed \$303,800
- \$25 Application fee submitted at the time of application

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**APPLICATION & LOAN DISBURSEMENT PROCESS**

**Application Process:** The borrower’s first mortgage lender will provide application materials and will collect income and property documentation and submit to NWHP. Completed applications will be processed by the NeighborWorks Home Partners on a first-come, first-served basis, as funds are available until all program funds are committed. Please allow 30 days to closing from the time of submission of a full package. After loan approval you will be notified to come for a loan closing to sign a Promissory Note, Mortgage and subordination disclosure.

**Loan Costs:** Borrowers will be charged a credit report fee and application fee at time of application. The title policy fee may be financed through the loan. The recording fees and servicing fees will be paid by the borrower at closing.

**Reservation of Funds:** Loan funds will be reserved after receipt of the application, submittal of all documentation listed in the Application and loan approval.

1. Funds will be wired in the approved amount and the Shoreview Loan documents will be sent to the loan closing or title insurance company prior to loan closing.
2. The borrower must sign the deferred loan note and mortgage at the 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 NeighborWorks. The borrower shall pay the filing fee.
3. After the loan closing, the title company must provide NeighborWorks with the original signed Shoreview loan documents, including the Note and Closing Disclosure, the City of Shoreview Title Insurance Policy and copy of the first mortgage executed closing disclosure.

**Program Disclaimer:** The City of Shoreview and the Shoreview EDA maintain the right to at any time to change or discontinue the Shoreview Home Improvement Loan. The potential changes may impact the maximum/minimum loan amount, loan term, interest rate, and/or qualifications for borrower, property and improvement eligibility.