

HENNEPIN COUNTY

MINNESOTA

Program Guide

Homebuyer Assistance

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Homebuyer Assistance Program Manager

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1 Introduction

Hennepin County and the Hennepin County Housing and Redevelopment Authority (hereafter referred to jointly as Hennepin County) contracts with a Homebuyer Assistance Program Administrator(s) that has substantial staff expertise, experience, and ongoing successes in engaging communities with historically low homeownership rates, and in providing those communities financial empowerment and financial coaching that facilitates the pre- and post-purchase process. The Homebuyer Assistance Program Administrator(s) will carry out the program, with oversight provided by Hennepin County staff according to this program guide.

2 Homebuyer Assistance Program Loan

2.1 Loan criteria

The Administrator will originate loans on behalf of Hennepin County. Loans will be forgivable ten (10) or fifteen (15) year term, zero percent interest, deferred mortgages based on the amount of assistance provided:

- The maximum loan for an applicant with household income at or below 60% area median income (AMI) or below will be \$35,000.
- The maximum loan for an applicant with household income at 61% to 80% AMI will be \$20,000.

Household income	Max loan Amount	Minimum loan term
61%-80% AMI	\$20,000	10 years
60% AMI or below	\$35,000	15 years

Households may use any lender that makes a commitment to the Program by reading the guidelines. The Homebuyer Assistance Program loan will run concurrent to the first mortgage and will typically take second lien position behind the first mortgage. If stacking assistance with another deferred lender who has a larger amount than the Homeownership Assistance Program, then Hennepin County is willing to take a lower position to that loan.

The Homebuyer Assistance Program loan may be used to pay:

- the upfront costs of acquiring a principal residence, but not the entire cost of the acquisition
- down payment; and/or
- the reasonable and necessary costs incurred by the Borrower associated with the purchase. These costs may include: private lender origination fees, credit reports, fees for title evidence, fees for the recording and filing of legal documents, attorney fees and private appraisal fees.

When calculating the amount of assistance, Administrator may not use Community Development Block Grant (CDBG) funds for more than 50% of the downpayment. All other related costs detailed above are eligible.

2.2 Disbursement

The proceeds of the Homebuyer Assistance Program loan shall be disbursed at the purchase closing. The closing is the legal process that transfers the property title to the Borrower, transfers loan funds and makes the property the legally enforceable collateral for the lender. All of the proceeds of the Homebuyer Assistance Program loan must be disbursed to persons or entities other than the Borrower. Any excess funds loaned to the Borrower not needed for the property purchase must be applied to decrease the amount of the first mortgage or be returned to Hennepin County. If returned, funds shall be applied as a partial prepayment of the Loan.

2.3 Subordination

Hennepin County may subordinate the Homebuyer Assistance Program loan to additional debt or upon refinance only if it meets Hennepin County subordination guidelines.

2.4 Repayment

The Homebuyer Assistance Program loan carries an affordability period for its 10- or 15-year term, and thus must be repaid in full if during the term of the loan the property:

- is sold
- ownership is transferred
- is refinanced and unable to be subordinated
- is not maintained as the Borrower's principal place of residence

If the Homebuyer Assistance Program loan must be repaid due to the sale of the property, and proceeds from sale are not sufficient to repay it in full after paying obligations to the first mortgage, the repayment amount will not exceed said proceeds and will allow the owner to recover any cash investment made at the original closing.

Homebuyer Assistance Program loans are considered a "special mortgage" under the terms of Minnesota Statutes 58.13. The Borrower must receive counseling prior to making a payoff if any mortgage refinancing includes a mortgage that will be used to repay the loan.

Repaid funds will be returned to Hennepin County and used for the purpose of assisting other affordable homeownership activities.

Hennepin County may modify or terminate the Homebuyer Assistance Program as it deems appropriate. Once Hennepin County has provided financial assistance and the mortgage has been executed, financial assistance shall not be rescinded except as provided for in the executed Homebuyer Assistance Program Mortgage and Promissory Note.

3 Administrator Roles

3.1 Marketing and outreach

The Administrator will conduct outreach efforts through proven methods, such as:

- Creating informational materials
- Attending housing fairs and neighborhood meetings
- Working with realtors and lenders, particularly those that are currently participating in Minnesota Housing programs, to announce the program and provide training on the requirements
- Providing information to eligible homeownership counseling agencies to make announcements at workshops, share in their newsletters and make referrals
- Sharing information with public housing agencies, housing authorities, and target cities to put on their websites and in their newsletters
- Provide as a press release to neighborhood newspapers covering the target areas
- Posting information on agency website.

3.2 Financial counseling

The Administrator will ensure that all participants complete qualified homebuyer training. Participants may take any of the Minnesota Housing Finance Agency approved courses including the Home Stretch classes and curriculum maintained by the Minnesota Home Ownership Center. In addition, the Administrator will either partner with agencies that do or provide one-to-one pre-purchase counseling with a homeownership counselor to review personal credit and income. In the case of a Joint Tenancy purchase, both Borrowers should attend and satisfactorily complete a homebuyer course and at least one Borrower shall complete pre-purchase counseling within one year prior to purchase.

3.3 Borrower eligibility

Prior to approving assistance, the Administer will determine all eligibility criteria using the lender's standard methods or other methods approved by Hennepin County. Eligibility criteria are listed below.

Hennepin County and its Administrator shall not deny any family or individual the equal opportunity to apply for or receive assistance under the Homebuyer Assistance Program on the basis of race, color, gender, religion, creed, national origin, age, familial or marital status, handicap or disability, sexual or affectional orientation or reliance on public assistance.

First-generation buyer

The Borrower(s) must be a first-generation buyer. First-generation buyer shall mean the buyer is a current Minnesota resident and the buyer AND the buyer's parent(s) or legal guardian(s) never owned a home in any country, OR owned a home but the home was lost due to foreclosure. The administrator may request a waiver to this requirement based on the utilization rate of contracted funds. If this requirement is waived, then borrowers must be first-time buyers (must not have an ownership interest in another property in the last three years).

Income eligibility

Borrower's gross household income (income before any deductions) must be at or below eighty percent (80%) of the current area median income (AMI) for the Minneapolis/Saint Paul metropolitan statistical area as determined by HUD

- Income verification must include the income of the following persons:
 - Anyone who will have title to the subject property and signs the Mortgage Deed
 - Anyone expected to reside in the subject property over the age of 18 and/or who will be obligated to repay the underlying mortgage loans (signs the Note) but who is not in title to the subject property, i.e. the co-signer (not named in title to the subject property and does not sign the Mortgage Deed)
 - The legal spouse of the mortgagor who will also reside in the subject property
 - When Community Development Block Grant (CDBG) funds are used: income verification must include the entire household, not just the borrower and other persons listed above. Household income shall include income for any person 18 or older and unearned income of minors that will be a part of the household regardless of relationship
- Income documentation either from the lender or from the Borrower shall include
 - Income documentation as necessary to verify the total household Gross Annual income from all sources (i.e. employment, social security income, child support, asset income, etc.)
 - Signed copy of the most recent federal tax return or most recent two years if self employed
 - Additionally, self-employed person(s) shall provide a current profit and lost statement

Borrower contribution

The Borrower must contribute at least \$1,000 of their own funds toward the purchase of the property, to be applied to entry costs (i.e. appraisal fees, application fees, earnest money, prepaid expenses, appliances, or other items as approved by Hennepin County).

In addition, Borrowers are strongly encouraged to purchase an Owner's Title Insurance Policy.

Access to mortgage

The Borrower must meet the requirements of a participating lending institution and qualify for an eligible first mortgage without a co-signer.

Program participation

The Borrower must fulfill the Homebuyer Assistance Program obligations in a timely manner and must remain eligible to participate based on the program requirements and those of the lender through the time of the loan closing.

The Borrower must meet the requirements as specified elsewhere in these guidelines.

3.4 Eligible properties

Properties must be:

- single family housing, which includes a detached single-family unit, a townhome unit, a condominium unit, a manufactured unit with or without the lot, or a cooperative or mutual housing unit
- valued below the current FHA lending insurance limit: [FHA Mortgage Limits \(hud.gov\)](https://www.hud.gov/program_offices/secretary_portfolio/fha_mortgage_limits)
- ownership in fee simple title, a 99-year leasehold interest (CLT), or in a state recognized cooperative or mutual housing unit
- located in Hennepin County

If CDBG funds are used, the Administrator shall provide Hennepin County with the address as soon as it's identified for purposes of completing an Environmental Review. Administrator may not close on a home prior to receiving notice from Hennepin County that the review is complete.

3.5 Ineligible properties

Properties specifically ineligible include:

- property located in a 100-year flood plain;
- recreational or seasonal property; and
- those valued over the FHA Insurance limit.

If funded with CDBG: property must NOT be located in Minneapolis, Bloomington, Plymouth, or Eden Prairie.

3.6 Underwriting and loan processing

The Homeownership Assistance Program goals are to assist as many households as possible, while ensuring affordability and thus sustainability for those assisted by the program. The Homebuyer Assistance Program relies upon the first mortgage lenders to apply prudent Borrower and property underwriting standards to support successful homeownership.

The Homebuyer Assistance Program loan must result in:

- a front-end/monthly housing ratio payments of principal, interest, taxes and insurance (PITI) within 28% to 35% of the household's gross income, and
- a back-end ratio should not exceed 50 percent of gross income.

PITI amounts not meeting these guidelines will need to be reviewed by Administrator to determine they qualify for an exception using the exception process established below.

The first mortgage product should be a 30-year term and must be considered an "A" or "prime" lending product. It must be a fixed rate FHA, VA, or Conventional, or Fannie Mae or Freddie Mac insured loan. The Homebuyer Assistance Program loan cannot be provided with interest only loans, adjustable-rate loans, balloon loans, or any loan that is considered sub-prime or predatory.

The Administrator will collect the following information from the lender:

- A copy of the Lender's Residential Loan Application – 1003 form

- A copy of the Lender's Uniform Underwriting sheet – 1008 form

Upon verification of the borrower and property eligibility, the Administrator

- approves the Homebuyer Assistance Program loan as described in these guidelines, issues an approval letter to the lender, and reserves funds for closing
- coordinates with the Borrower and lender on closing requirements, including confirming completion of the Environmental Review where required, collecting a copy of the Borrower's title commitment, and preparing closing documents and funds for the loan closing
- delivers Homebuyer Assistance Program loan documents and loan funds to title at closing.

3.7 Application denials, postponements, and appeals

The Administrator will review and verify all applications for eligibility. Those applicants not meeting the eligibility requirements will be sent a written notice explaining the reason(s) for denial of participation. In addition:

- No further applications will be accepted by the agency where an applicant has been previously found to have falsified their application or misused loan funds.
- No reapplications will be accepted for one year following applicant's cancellation of loan or other actions that delay the processing beyond a reasonable period of time.

Lender requests for exceptions to the PITI requirements in this guide shall be reviewed by the Administrator. The Administrator will collect all relevant information from the lender and request a waiver from the Program Manager of the Homeownership Assistance Program

Appeals regarding denial of a loan application or interpretation of eligibility requirements first may be made in writing to the Administrator. If necessary, Administrator can forward the appeal to the Program Manager of the Homeownership Assistance Program. A written response will be provided within fifteen (15) days.

3.8 Reporting and data practices

Monthly (and as requested) Administrator will submit reports and data to Hennepin County. This shall include:

- Reports regarding the status of
 - loan originations by program,
 - loan closeouts, and
 - loans where complaints have occurred.
- Demographic data voluntarily provided by Borrowers in a format approved by Hennepin County.
- Monthly invoices in a format mutually agreeable to Hennepin County and the Administrator.

The Administrator will be required to be fully compliant with all state and federal data practices laws and regulations, including the Minnesota Government Data Practices Act. Loan origination document files must be retained in accordance with Hennepin County's records retention policies.

4 Summary of a typical loan process

Item #	Description of Activity
1	The applicant requests an application packet from the Administrator.
2	Administrator provides, or connects the applicant to homeownership counseling providers to complete, counseling activities, verifies the applicant completes all homeownership counseling.
3	The Administrator supports the applicant in selecting a lender to apply for mortgage pre-approval.
4	The applicant completes and submits the application packet, Hennepin County Release of Information form, eligibility information, and a mortgage pre-approval letter from the lender and a copy of the homeownership training certificate of completion.
5	The applicant enters into a purchase agreement (PA) and contacts the lender.
6	The applicant provides the PA with all addendums (LBP, etc.) to the Administrator. If funded by CDBG, Administrator provides address to Hennepin County for completion of an Environmental Review
7	The lender confirms applicant's mortgage eligibility and approves purchase.
8	The lender provides required supporting loan documentation to the Administrator (1008-uniform underwriting form, 1003-residential loan application form, income and asset verifications, good faith estimate, etc.).
9	Administrator collects reasonable documentation, like an appraisal, that the property does not contain any health and safety issues
10	The Administrator reviews supporting documentation and eligibility verification for consistency with program goals and requirements.
11	If Borrower and the property are eligible, the Administrator sends Borrower an approval letter, sample loan documents and a Buyer Awareness form for signature.
12	The lender sends the Administrator the final 1008 and a copy of the bank appraisal.
13	The Administrator issues an approval letter to lender and reserves the funds for the Borrower's closing on the property.
14	The Administrator collects a copy of Borrower's title commitment. The Borrower is strongly encouraged to purchase an Owner's Title Insurance Policy.
15	The Administrator prepares the required closing documents and funds for the loan closing.
16	The Administrator delivers the loan closing documents and loan funds to title for closing. At the loan closing, the Borrower signs the required loan documents.
17	The Administrator submits document package to Hennepin County for reimbursement and approved administration fee.