

***FIRST TIME HOMEBUYER PROGRAM***

***GUIDELINES***



**CITY OF PLYMOUTH  
HOUSING AND REDEVELOPMENT AUTHORITY  
3400 Plymouth Boulevard, Plymouth, MN 55447**

**Revised July 2014**



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## **PART I: GENERAL PROGRAM DESCRIPTION**

### **Program Overview**

The Plymouth Housing and Redevelopment Authority (HRA) operate an assistance program for homeownership funded by the City of Plymouth's Community Development Block Grant (CDBG) Program. The HRA operates this program on behalf of and as the agent of the City of Plymouth. The First Time Homebuyer Program provides financial assistance for low- and moderate-income Households to become homeowners.

Administration of the First Time Homebuyer Program and the functions and responsibilities of the HRA staff shall be in compliance with the U.S. Department of Housing and Urban Development (HUD) CDBG regulations as well as all Federal, State and local nondiscrimination laws and with the rules and regulations governing Fair Housing and Equal Opportunity in housing and employment.

The HRA shall not deny any Family or individual the equal opportunity to apply for or receive assistance under the First Time Homebuyer 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.

The Plymouth HRA's office is accessible to persons with disabilities. Accessibility for the hearing impaired is provided by the Minnesota Relay Service and the City of Plymouth TDD.

### **Program Goals**

The First Time Homebuyer Program has the following two goals:

- a. Assist low- and moderate-income families to purchase homes within the City of Plymouth by providing assistance with down payment, closing costs and mortgage principal reduction.
- b. Promote responsible home ownership.

### **Program Administration**

The Program will be administered through the Plymouth HRA. Interested applicants should contact the Plymouth HRA staff by calling (763) 509-5410, emailing [housing@plymouthmn.gov](mailto:housing@plymouthmn.gov), or appearing in person at 3400 Plymouth Boulevard, Plymouth, MN 55447.

## **Purpose of the Program Guidelines**

The purpose of these Guidelines is to establish policies for carrying out the First Time Homebuyer Program in a manner consistent with HUD requirements and local goals and objectives contained in the Consolidated and Annual Action Plans. The HRA is responsible for complying with all changes in HUD regulations pertaining to the CDBG program. If such changes conflict with these Guidelines, HUD regulations will have precedence. Applicable regulations include:

- 24 CFR Part 5: General Program Requirements
- 24 CFR Part 8: Nondiscrimination
- 24 CFR Part 570: Community Development Block Grant
- 24 CFR Part 35: Lead Based Paint Regulations

## **PART II: PROGRAM POLICIES & PROCEDURES**

### **Financial Assistance**

The HRA provides financial assistance to homebuyers to more readily secure a first mortgage. The Program assistance may be used to:

- ◆ Pay up to 50 percent of the amount the homebuyer(s) is required to provide toward the down payment under the particular mortgage program they are utilizing, not to exceed \$5,000.
- ◆ Pay up to 100 percent of the homebuyers eligible closing costs not to exceed \$5,000.00. Borrowers are not permitted to use Program funds for interest rate buy downs unless documentation is provided from the lender that shows the buy down is necessary to secure their primary mortgage. Eligible closing costs do not include optional insurances (i.e. optional owner's insurance policy etc.).
- ◆ Reduce the mortgage principal up to 10% of the purchase price, not to exceed \$20,000.
- ◆ The applicant (s) Housing (DTI) Debt to Income Ratio must be at least 25%, but can not exceed 37% of their gross monthly qualifying income.

The financial assistance will be provided at a minimum amount of \$3,000.00 and a maximum amount of \$25,000.00. In certain situations, the HRA Executive Director may allow assistance in excess of the maximum at their discretion. The HRA will make a determination on the amount of assistance an applicant qualifies for. The HRA will make this determination after reviewing the applicant's verified income and assets, estimated Closing Costs, purchase agreement, and lender's recommendations for financial assistance in compliance with uses described above. Lenders must provide a pre-approval letter indicating the maximum amount of financing the borrower would qualify for from the first mortgage lender.

The HRA will verify an applicant's income and assets through third party written verifications as provided by either the lender or as sought by the HRA. The HRA may re-verify income and asset information provided by the lender. The HRA will calculate the applicant's Gross Annual Income using pay stubs and recent tax returns or third party verification as defined in Appendix A to ensure

the Applicant(s) qualifies as a low- or moderate-income Household as required by CDBG regulations and to determine the maximum amount of assistance.

Financial assistance will be provided at the time of Closing on the property with the following conditions:

- ◆ Selected applicants must meet the requirements of this Program and be eligible for the financial assistance through out the entire application process.
- ◆ The housing unit to be purchased and the purchase price must be accepted by the HRA as meeting the intent and requirements of the program.
- ◆ The financial assistance provided by the HRA is in the form of a no interest deferred payment loan that is due and payable 30 years from the initial purchase date or when the house is sold, transferred or no longer the primary place of residence, whichever occurs first.
- ◆ The homebuyers must enter into a second mortgage and execute a Promissory Note with the HRA providing for repayment of the indebtedness 30 years from the initial purchase date or when the house is sold, transferred or no longer the primary place of residence, whichever occurs first.

### **Responsibilities of the First Time Homebuyer**

The responsibilities of the prospective homebuyers are to:

- ◆ Complete, sign and return the Application, Authorization for the Release of Information form, and other certification and verification forms within the time frame specified.
- ◆ Register and attend the Home Stretch - Home Buyers Workshops offered by Community Action Partnership of Suburban Hennepin (CAPSH). Classes must have been completed within 12 months prior to closing. Classes offered through other agencies or realtors may be substituted with prior approval of the HRA. Applicants must also attend an individual counseling session with a Housing Counselor at CAPSH. If CAPSH recommends that the applicant is not ready to purchase a home, the HRA may not provide assistance until the applicant has satisfied staff concerns. The applicant will be provided with a certificate of attendance. A copy of this certificate should be forwarded to the lender and the HRA.
- ◆ Select a lender approved by the HRA for participation in the Program.
- ◆ Complete the pre-approval process.
- ◆ Select a real estate agent, if one is desired.
- ◆ Select a dwelling in Plymouth for purchase that is owner-occupied or vacant and is an eligible dwelling under the Program.
- ◆ Provide information throughout the process as required by the lender or HRA.
- ◆ Execute a purchase agreement.
- ◆ Execute the lender's mortgage and related documents.
- ◆ Execute the HRA's Mortgage and Promissory Note.
- ◆ Have the seller execute the HRA's disclosure to seller form.
- ◆ Close on the property within the time frame specified.
- ◆ Execute other required forms within the time frame specified or required.
- ◆ Take occupancy of the dwelling within 30 days after Closing, homestead the property, and continue to occupy the dwelling as your Principal Place of Residence.

- ◆ Make principal, interest, property tax and insurance payments as required.
- ◆ Reimburse the HRA in accordance with the HRA's Mortgage and Promissory Note should the First Time Homebuyer trigger repayment through sale, moving, transfer of ownership, or foreclosure within 30 years or default on any other terms of these documents.

### **Responsibilities of the Lender**

The lender must:

- ◆ Verify the prospective homebuyer's income and assets to determine that the Family meets the requirements of the Program and submit a copy of the verification to the HRA. These copies must be submitted to the City at least five working days prior to the applicant signing a purchase agreement.
- ◆ Compute the Mortgage, Down Payment, Mortgage payments and Closing Costs of Acceptable Loans approved by the Program to determine the most cost-effective and appropriate form of financing for the First Time Homebuyer to use.
- ◆ Provide a title search and review the documents.
- ◆ Provide the HRA with a pre-approval letter stating the maximum mortgage amount the applicant is approved for.
- ◆ Provide the HRA other verification materials as requested by the HRA.
- ◆ Process a mortgage consistent with the Program.
- ◆ Meet all deadlines in a timely fashion, especially those that relate to the Closing. All documents must be completed at least 10 days prior to the Closing and be delivered to the HRA at least seven days before the Closing.
- ◆ Appraise property to determine the loan-to-value ratio.

### **Responsibilities of the HRA**

The responsibilities of the HRA for the Program are to:

- ◆ Establish Program requirements and administer the Program.
- ◆ Send applicants the application form, the authorization for release of information form and other certification and verification forms.
- ◆ Review the Application and other material for eligibility.
- ◆ Establish the pool of eligible participants and make selections for participation in accordance with the selection provisions.
- ◆ Notify applicants when ineligible.
- ◆ Direct prospective buyers to register for the CAPSH homebuyer workshops and provide information and forms related to the Program.
- ◆ Provide liaison services involving the prospective buyer, lender and any real estate agent that might be involved in the transaction.
- ◆ Review appraisal, purchase agreement, eligibility and mortgage for consistency with the Program requirements.
- ◆ Prepare and execute the HRA mortgage and promissory note.

- ◆ Provide financial assistance according to Program guidelines to the applicant at the time of Closing.
- ◆ Service the HRA mortgage.
- ◆ Modify or terminate the Program as may be appropriate or required.

### **Application to the HRA**

It is the responsibility of each applicant to assure that the HRA receives his or her application. Only applications with original signatures will be accepted. At the time of application, applicants must provide the HRA with the following information and meet the eligibility requirements:

- ◆ Names of all Family and household members
- ◆ Address and telephone number
- ◆ Social Security numbers of all adults
- ◆ Date of birth of all Family members
- ◆ Number of adults in Family
- ◆ Number of children in Family
- ◆ Total Gross Annual income from all sources (i.e. employment, social security income, child support, etc.) with pay stubs and three years of tax returns as documentation
- ◆ Bank statements, financial statements and all other document(s) that verify Gross Assets.
- ◆ Employer's name (Company Name)
- ◆ Address and phone number of each employer
- ◆ Length of time (in years and months) at present address
- ◆ Last three previous addresses
- ◆ Indication if applicant ever owned a home

### **Summary of the Application Process**

The following is a summary of the application process.

- ◆ The applicant registers for and attends the homebuyer workshop series through Community Action Partnership of Suburban Hennepin (CAPSH).
- ◆ The applicant arranges for and attends a private housing counseling session with Community Action Partnership of Suburban Hennepin (CAPSH).
- ◆ The applicant selects a participating lender and applies for mortgage pre-approval.
- ◆ The applicant completes and submits a First Time Homebuyer application and authorization for release of information form to the HRA with a mortgage pre-approval letter from the lender.
- ◆ The applicant searches for a home in Plymouth.
- ◆ The applicant enters into a Purchase Agreement and contacts the lender.
- ◆ The lender authorizes appraisal of home.
- ◆ The lender confirms applicant's mortgage eligibility and approves purchase.
- ◆ The lender contacts the HRA with supporting documentation.
- ◆ The HRA arranges for a lead-based paint hazard inspection of the property, if the dwelling was built prior to 1978.

- ◆ The HRA reviews appraisal, Purchase Agreement, Good Faith Estimate, and eligibility verification for consistency with program goals and requirements.
- ◆ The HRA issues an approval letter.
- ◆ The HRA prepares the closing documents required by the City's Program Guidelines.
- ◆ The HRA attends the Closing. At the Closing, the HRA has the borrower sign the required closing documents and financial assistance is provided in the form of a second mortgage.

## **Eligibility Requirements**

To be eligible to participate in the Program, the applicant must meet the following requirements at the time of application and throughout the process up until Closing.

- ◆ Must qualify as a Family, as defined in Appendix A.
- ◆ Must be a U.S. citizen or have legal immigration status.
- ◆ Must be a First Time Homebuyer, as defined in Appendix A.
- ◆ Must not have a Gross Annual Income that exceeds the maximum income limits which are revised annually to reflect the current year's CDBG maximum income limits.
- ◆ Must not have Gross Assets exceeding \$25,000.00, which excludes one automobile.
- ◆ Borrowers are required to invest at least \$1,000.00 of their own monies towards the purchase price of the home. Funds from public program(s) cannot be used as part of the Homebuyers minimum portion of the down payment.
- ◆ Must meet the requirements of a Lender and qualify for a first mortgage.
- ◆ Must fulfill the 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 Closing.
- ◆ Must not have a previous loan through the Plymouth HRA that ended in foreclosure or any other loan that ended in foreclosure within the previous five years.
- ◆ Must meet the requirements as specified elsewhere in these Guidelines.

## **Denial of Eligibility**

The HRA 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 Program participation.

Appeals regarding interpretation of eligibility requirements may be made in writing to the Housing Program Manager, HRA's Executive Director and then to the HRA Board of Commissioners. Appeals that clearly do not meet eligibility requirements will not be considered.

## **Eligible Dwellings**

To be eligible the property must meet the following requirements:

- ◆ Be located within the City of Plymouth.
- ◆ Be a single-family dwelling, a townhouse unit, or a condominium unit.

- ◆ Be a conforming use as defined by the Plymouth Zoning Ordinance.
- ◆ Be free of lead-based paint hazards at the time of Closing.

The HRA may require an inspection of the dwelling for compliance with the Plymouth Housing Code (Uniform Housing Code). The HRA will require an inspection of all dwellings built prior to 1978 for compliance with HUD's lead-based paint hazard regulations. If lead-based paint hazards are found, lead clearance will be required prior to Closing.

### **Applicant Outreach**

The HRA will publicize and disseminate information to make known the availability of homeownership assistance on a regular basis through a variety of media and by other suitable means. The availability of assistance will be communicated to other service providers and Realtors in the community and advise them of the guidelines so that they can make proper referrals for the Program. Realtors will be encouraged to provide additional services to eligible clients to ensure their successful utilization of the program.

### **Applicant Pool**

The applicant pool for the Program shall consist of all those who have completed and returned to the HRA a complete application, written verification from their lender of pre-approval, and who are determined by the HRA to be eligible.

### **Selection from the Applicant Pool**

As funds are available, applicants will be selected from the applicant pool on a first come, first serve basis. Eligible applicants will be selected for funding when they or their lender notify the HRA of the applicant's approved purchase agreement and mortgage. If funding is limited and more than one applicant is at the purchasing stage, the HRA will provide funding to the applicant who qualifies for the most preference points.

Preference points have been established to meet the goals of the HRA. Each preference category is worth one (1) point. The maximum points any one Family could receive are five (5) points. Families with the highest point totals will be selected first. In the event of a tie, a drawing or lottery will be held to rank the applicants within each of the preference categories.

- ◆ Applicant with dependents under age 18
- ◆ Live in Plymouth at least 90 days prior to Closing
- ◆ Head or co-head has primary, long-term employment in Plymouth
- ◆ Currently holding a Plymouth Section 8 Voucher
- ◆ Never owned a home (versus having owned a home over three years ago)

Selection from the applicant pool is tentative and conditional. Families selected for participation must fulfill the 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 Closing.

## **Lender Outreach**

The HRA will solicit lender participation as needed. The HRA will review requests from lenders to be approved as a participating lender of the First Time Homebuyer Program. The lenders must be FHA and MHFA approved and exhibit a willingness to provide mortgage products to low- and moderate-income Households.

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## **PART III: PROGRAM RULES**

### **Lenders**

All lenders must be a Minnesota Mortgage Program Lender as approved by the Minnesota Housing Finance Agency (MHFA). Applicants should check the MHFA website at [www.minnesotahousing.com](http://www.minnesotahousing.com) to determine whether a lender is approved to participate in the Plymouth FTHB program. Lenders and their representatives must also be willing to participate in the Plymouth First Time Homebuyer Program. Applicants should ask the lender if they have received the City of Plymouth's Program Guidelines and if they are familiar with the process.

It is the applicant's responsibility to make arrangements for obtaining pre-qualification(s) or pre-indication of approval and for making an application for a mortgage. A letter from the lender indicating the amount of the mortgage for which the applicant pre-qualifies must be provided with each application. The same lender must be used when the applicant goes for pre-approval of a mortgage prior to the purchase of a home, so it is recommended that the applicant selects the lender carefully.

### **Declarations of Restrictive Covenants**

From time to time, declarations of restrictive covenants may be placed on properties as a condition of First Time Homebuyer assistance. Declarations of restrictive covenants are placed on select properties to ensure that these properties are owned by low- and moderate-income households in the future, even after subsequent sales. Declarations of restrictive covenants may also restrict the resale price of select housing units in an attempt to keep the units affordable.

### **Lead Based Paint Hazard Requirements**

- ◆ All applicants purchasing a dwelling built prior to 1978 will be provided with a lead based paint brochure and must sign a certification of receipt of the brochure.
- ◆ As a condition of funding, the applicant will be required to purchase a home free of Lead Based Paint (LBP) hazards. If the dwelling was built prior to 1978 a visual assessment for deteriorated paint will be done by City staff. Applicants will be informed that the inspection is only to determine the presence of deteriorated paint and they may also want to obtain a complete Home Inspection from a certified Home Inspector.
- ◆ If deteriorated paint is found the HRA will contract with a certified Risk Assessor to perform the necessary tests to determine if there is a lead hazard risk. A copy of a clean Lead Risk Assessment report must be submitted to the HRA before the home is approved for assistance. If the applicant refuses, the property will not be eligible for assistance. The applicant will need to find another house that is or will be made LBP risk free in order to qualify for assistance.
- ◆ If LBP risks are found, stabilization of the defective paint, cleanup and clearance will be required before funds are approved for assistance. The presence of LBP risks should be treated like any other defect found during an inspection and may be negotiated between buyer and seller. Clearance will be required before the home can be safely occupied and will assure that there are no remaining lead hazards.

### **Repayment of Assistance**

Repayment of the deferred payment loan shall occur upon the earliest of:

- ◆ Sale, transfer or thirty years from the initial purchase date, when the HRA Mortgage becomes due and payable.
- ◆ The property ceases for any reason to be the homebuyer's principal place of residence.
- ◆ Default on the mortgage with the HRA or any superior mortgage on the property.

At the time of repayment, the HRA will prepare and execute a Satisfaction of Mortgage. The Satisfaction of Mortgage will be sent to the Title Company, who will be responsible for recording the Satisfaction with the County. The HRA will send the homeowner a copy of the Satisfaction as well as the original Promissory Note indicating it has been satisfied.

### **Loan Modification**

Generally, the HRA will require that all First Time Homebuyer loans be repaid. However, the HRA may modify loan agreements and/or waive repayment if the homeowner can document a hardship. Hardship may include the homeowner not having the resources to pay the HRA's loan back (requires a denial letter from one or more financial institutions) or the property value declining since the HRA's loan was taken out. In addition, the HRA may consider forgiving a portion or the entire loan amount if the homeowner is facing foreclosure and if forgiving the loan, or a portion thereof, will assist the homeowner in restructuring their mortgage so they can remain in the home.

The HRA will not consider forgiveness of the loan for the reasons stated above if the homeowner's reason for selling is to purchase a larger home unless there is severe overcrowding in the home. Severe overcrowding means that there are more than two persons per sleeping room in the home. A living room is considered a sleeping room for this purpose.

Hardship requests shall be made in writing to the Housing Program Manager and will be reviewed on a case-by-case basis. If the Housing Program Manager denies a hardship request, appeals regarding interpretation of the hardship provisions may be made in writing to the HRA's Executive Director and then to the HRA Board of Commissioners, which has the final say in the request. Appeals that clearly do not meet the hardship requirements will not be considered.

### **Subordination of Mortgages**

The HRA may subordinate the First Time Homebuyer Program loan. The HRA will review and respond to all requests for subordinations within two weeks of the application date. The following information must be submitted before a request for subordination will be considered.

- ◆ Effective date of current first mortgage, current first mortgage balance, interest rate and term
- ◆ Proposed loan amount, interest rate and term.
- ◆ Reasons for new financing and use of proceeds by amount. If financing will be used for home improvements, specific information on the proposed home improvements must be provided.
- ◆ Good Faith Estimate.

- ◆ Copy of appraisal.
- ◆ Most recent assessor's market value of property.
- ◆ Types and amounts of any other indebtedness on property, including balance, rate and term.
- ◆ Date the First Time Homebuyer loan was filed with County and the document number.
- ◆ Household's verified income and size.
- ◆ Full name, address, telephone number, contact person and e-mail address of the new lender.
- ◆ Date subordination agreement is needed (must be at least two weeks from the date of the request).

Information provided will be analyzed to determine the appropriateness of subordination of the HRA's mortgage. The following criteria must be met before subordination of the loan will be considered.

- ◆ All current and proposed property liens, including the First Time Homebuyer loan, equal less than 95 percent of the appraised value of the property.
- ◆ The subordination is necessary to refinance the principle balance of existing prior liens on the property and will facilitate a rate reduction, term reduction and/or principal reduction plus any costs to finance additional eligible home improvements. No cash may be taken out as a result of refinancing. However, the fees incurred to refinance will be an allowable expense.
- ◆ All home improvements must be eligible under the Home Rehabilitation guidelines and the homeowner is required to submit documentation of cost for all improvements as a condition of the subordination.
- ◆ The uses for the new financing must be justifiable as an appropriate use of public funds to warrant subordination of the public funding.
- ◆ The household income of the homeowner must not be greater than 125 percent of current CDBG maximum income guidelines.
- ◆ The borrower(s) must correct any errors and omissions relating to their loan as a condition of the HRA granting a subordination request. This requirement would include but not be limited to documents that are not signed (but the intent was to have them signed), documents with clerical errors and/or documents that are missing or destroyed.

If the above criteria are not met, the HRA will not subordinate its mortgage. The client will then need to either obtain financing that is subordinate to the HRA's mortgage, pay off the HRA's loan as a condition of the new financing, obtain non-mortgage financing, or forgo the additional financing.

Appeals regarding interpretation of this Subordination Policy may be made in writing to the HRA's Executive Director and then to the HRA Board of Commissioners. Appeals that clearly do not meet the subordination requirements will not be considered.

### **Targeted Funding**

At various times, the HRA may target Program funding for purchases in specific developments. Applicants purchasing in those developments would receive Program funding prior to all other applicants.

### **Total Amount of Assistance**

The total amount of assistance received through the Plymouth HRA for all HRA programs including the Housing Rehabilitation, First Time Homebuyer, and Emergency Repair Grant Programs cannot exceed \$40,000. This limit may be waived on a case-by-case basis at the discretion of the HRA Executive Director.

### **Modification and Termination of Program**

The HRA may modify or terminate the Program as it deems appropriate or as required by HUD. Once the HRA has provided financial assistance and the mortgage executed, financial assistance shall not be rescinded except as provided for in the executed HRA mortgage and promissory note.

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## **APPENDIX A**

### **DEFINITIONS**

**Acceptable Loans** – Conventional, Fannie Mae, FHA, VA and ARM's that at a minimum are at a fixed rate for the first seven years.

**Applicant** – An individual or household submitting an application for a loan.

**Application** – The form used to request assistance for the City of Plymouth's First Time Homebuyer funds.

**ARM** – An Adjustable Rate Mortgage is a mortgage that offers an initial rate that is fixed for a certain number of years of repayment; the rate then adjusts every year thereafter for the remaining life of the loan.

**CAPSH** – Community Action Partnership of Suburban Hennepin. An agency working in all of Suburban Hennepin County to assist low-income people with services to individuals through outreach, energy assistance programs, homeownership services and financial counseling.

**CDBG** – A Community Development Block Grant Program; which is an annual entitlement program provided to the City of Plymouth through the U.S. Department of Housing and Urban Development (HUD).

**City** – The City of Plymouth.

**Clearance** – A Lead Based Paint Certification that all lead issues have been remediated.

**Closing** - The consummation of the real estate transaction. The Closing includes the delivery of a deed, financial adjustments, the signing of notes, mortgages, and the disbursement of funds necessary to complete the sale and loan transaction.

**Closing Costs** - Those costs required by the lender to be paid by the buyer for various fees, credit report cost, insurance, etc. at time of Closing on property.

**Consolidated and Annual Action Plans** – HUD requires the City of Plymouth to submit a 5 year Consolidated Plan and an Annual Action Plan to guide housing, homelessness and Community Development activities.

**Conventional Mortgage** – A type of residential mortgage loan, usually from a bank or savings and loan association, with a fixed rate and term. It is repayable in fixed monthly payments over a period usually 30 – 40 years or less, secured by real property, and not insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

**Down Payment** – A type of payment made by a home buyer, indicating intention to purchase real estate offered for sale and obtain financing from a bank or mortgage company.

**DTI - Debt to Income Ratio** – Indicates the percentage of income that goes toward housing costs, including mortgage principal and interest, mortgage insurance premium, hazard insurance premium, property taxes, and homeowners association dues (when applicable).

**Family** – A group of individuals who live or will live under one roof.

**Fannie Mae** – A privately owned and operated corporation that buys mortgages from such lenders as banks and savings and loans, packages the, and resells them on the open market.

**FHA** – Federal Housing Administration. A Federal agency that administers many loan programs, loan Guarantee programs, and Loan Insurance programs designed to make more housing available.

**First Time Homebuyer** - A Family who has not owned a dwelling of any kind within the preceding three years from the date of application or who has been displaced due to a divorce situation. (A Family purchasing a dwelling with a Contract for Deed is not eligible to participate in this Program.)

**Good Faith Estimate** – Document disclosing the approximate closing costs a mortgage applicant will pay at or before the mortgage settlement date.

**Gross Annual Income** - The Gross Annual Income of a Household for the purposes of this program is as defined for purposes of reporting under Internal Revenue Service Form 1040 for individual Federal annual income tax purposes as per 24 CFR 570.3 and 26 CFR.

**Gross Assets** - The current market value of the following minus existing indebtedness: (*Typically, it does not include 401K funds, pensions, or other deferred compensation funds.*)

1. Cash on hand
2. Cash in checking accounts
3. Cash in savings accounts, including accounts held in trust.
4. The cash value of life insurance policies.
5. Investment securities (government bonds, municipal bonds)
6. Stocks
7. Certificate of deposits and annuities
8. The current market value of all interest in real estate. Included in this determination is any land in which any resident of the Household holds title or is selling on contract for deed. The value of the contract for deed property shall be defined as 100 percent of the outstanding balance on the contract at a time twelve months following the date of the income and other asset verifications. The dollar amount of the difference between the outstanding balance at the time of verifications and the outstanding balance twelve months later shall be included as household income.
9. All other property, exclusive of household furnishings, clothing, and one vehicle. This section includes, but is not limited to business equipment, boats, snowmobiles, motorcycles, farm stock and additional vehicles.
10. If the applicant owns a business, in full or in part, and that business is incorporated, then the business equipment is not an asset. If the business is not incorporated, the business equipment is then considered a personal asset. The value of the ownership of the business by the applicant is a personal asset. If the applicant owns less than 100 percent of the business, written notarized proof of the percent of ownership must be provided by the applicant to the HRA.

**Guidelines** - The set of standards, criteria, and specifications to be used in administering the Program.

**Household** – All persons residing in one housing unit; which may include one or more families, a single person, a married couple, or two or more unrelated persons.

**Housing Counselor** – A person who provides direct customer service primarily to groups, individuals, households seeking information and assistance with housing issues.

**HRA** - The Housing and Redevelopment Authority in and for the City of Plymouth, Minnesota; which administers Plymouth's First Time Homebuyer Program.

**HUD** – U.S. Department of Housing and Urban Development. The principal federal agency responsible for implementing certain federal housing and community development programs.

**Income** – The amount of money or its equivalent received during a period of time in exchange for labor or services, from the sale of goods or property, or as profit from financial investments.

**Lead Risk Assessment** – A report that describes the health-risk assessment, management process, estimates of the costs of recovery, and summaries of possible defensive measures required per HUD regulation CFR Part 35: Lead Based Paint Regulations.

**Lender** - Individual or firm that extends money to a borrower with the expectation of being repaid, usually with interest.

**Low Income Family** – A Family whose annual income does not exceed the low-income limit as established by HUD with adjustments for smaller and larger families.

**MFHA** – The Minnesota Housing Finance Agency; a Minnesota State agency that administers a variety of first time home buyer loan programs.

**Moderate Income Family** - A Family whose annual income does not exceed 80 percent of the median income for the area, as determine by HUD with adjustments for smaller and larger families.

**Mortgage** - The conveyance of an interest in real property given as security for the payment of a loan.

**Principal Place of Residence** – To occupy the home as the primary residence on a permanent basis.

**Program** - The HRA's First Time Homebuyer Program.

**Promissory Note** - A written instrument containing a promise by the signer to pay an agreed amount.

**Purchase Agreement** - An agreement between buyer and seller of real property, setting forth the price and terms of the sale. Also known as a sales contract.

**Reducing the Mortgage Principal Amount** - A method of benefiting the buyer through the use of a portion or all of the HRA provided financial assistance to lower the mortgage principal amount. In effect, this assistance acts as a larger down payment and, helps to reduce the monthly mortgage payments. The available amount of assistance is up to 10% of the purchase price to a maximum of \$20,000. Borrowers are expected to contribute at least 25% of their gross qualifying income toward their monthly payment before Plymouth financial assistance can be used for reduction of the mortgage principal.

**Satisfaction of Mortgage** – A document releasing a Mortgage lien, indicating the borrower has paid the debt in full.

**Second Mortgage** - A loan on a property that already has an existing mortgage (the first mortgage). The second mortgage is subordinate to the first.

**VA Loan** – Department of Veterans Affairs, providing below-market financing with no down payment to veterans of the U.S. Armed Services.