

Richfield Housing and Redevelopment Authority
6700 Portland Avenue South
Richfield, MN 55423
612-861-9760

FORECLOSURE PURCHASE INCENTIVE PROGRAM
PROCEDURAL GUIDELINES

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Foreclosure Purchase Incentive Program Procedural Guidelines

Statement of Purpose

The purpose of the Foreclosure Purchase Incentive Program (FPIP) is to return foreclosed, vacant properties to owner-occupied properties as quickly as possible.

Program Objectives

- To eliminate the blighting influence of foreclosed, vacant housing, thus stabilizing and improving residential neighborhoods.
- To off-set costs associated with deferred maintenance and property damage associated with foreclosure and vacancy.

This will be achieved through the provision of a down-payment assistance or rehabilitation incentive to encourage prospective homebuyers to purchase foreclosed, vacant homes in the city.

Program Outcomes

- Return ten to fifteen foreclosed, vacant housing units in the city to owner-occupied status.
- Stabilize neighborhoods impacted by foreclosed, vacant housing units.
- Maintain and increase property values in neighborhoods impacted by foreclosed, vacant housing units.

Definitions

Buyer - The buyer of the subject Property.

HRA – The Housing and Redevelopment Authority in and for the City of Richfield.

Property – The subject housing unit and lot, where applicable.

Foreclosed Property - A housing unit and lot, where applicable, that has been through a mortgage foreclosure process with the most recent owner of record, and the current owner of record is a lending agency/bank.

Eligibility

1. Funding is limited to the purchase of foreclosed properties, with priority given to foreclosed AND vacant properties. Funding is on a first come, first served basis with priority given to complete applications. HRA Staff will review applications for compliance with FPIP guidelines and the current HRA Subordination and Satisfaction Policy.
2. If the Buyer obtains mortgage financing for the purchase of the Property, a minimum of 20% equity in the Property will be required. (Equity can be in the form of Buyer down-payment and/or the difference between appraised market value and amount of all liens against the property.)
3. Applicants' household incomes are not restricted.
4. The loan recipient must be the Buyer. The Buyer must reside in and homestead the Property during the life of the loan.
5. The Property must be located within the City of Richfield municipal boundaries.
6. Applicants must submit a complete HRA FPIP Application.
7. Applicants who may be eligible to receive down-payment assistance through available State or Federal Programs must apply for those funds prior to applying for HRA FPIP funds. Applicants

who receive down-payment assistance through State or Federal programs will not be eligible for FPIP funds.

8. Eligible Properties must meet minimum health and safety requirements. Loans will not be issued for uninhabitable properties. Determination of habitability will be at the discretion of the HRA based on City of Richfield Point of Sale Inspection report and physical inspection facilitated by the HRA.

Terms and Conditions

1. Maximum loan amount is \$10,000 per eligible household for down-payment assistance OR \$15,000 per eligible household for rehabilitation assistance.
2. Rehabilitation assistance loans will only be issued in conjunction with the purchase of a Foreclosed Property.
3. Only one loan per eligible household.
4. Funds can be used within the City of Richfield boundaries.
5. Funds can be used for down-payment assistance OR for rehabilitation projects associated with the Property.
6. Buyers will be required to sign an Agreement with the HRA consenting to all loan requirements prior to loan disbursement.
7. Funds for down-payment assistance will be disbursed at closing.
8. Funds for rehabilitation projects will be disbursed in three installments as detailed in the Agreement.
9. A lien will be placed against the Property by the HRA for the full loan amount.
10. Funds will be awarded in the form of a five-year, zero-interest, forgivable loan.
11. Buyer must reside in and homestead the property during the life of the loan. If at any time during the life of the loan the property is vacant for a period of six consecutive months or longer, or the property is no longer homesteaded, the loan will be required to be repaid in full.
12. If the house is sold or the title transferred during the loan period, the loan will be required to be repaid in full.
13. Any mortgage or financing ahead of the HRA for the Property must be in the form of a fixed interest rate.
14. If Buyer obtains mortgage financing for the purchase of the Property, a maximum Loan to Value Ratio of 80% (a minimum of 20% equity) in the Property will be required. Equity can be in the form of Buyer down-payment and/or the difference between appraised market value and amount of all liens against the Property. Fifty percent of the HRA loan will be calculated as debt against the Property. See chart below for examples.

Rehabilitation Loan				Down Payment Assistance Loan			
<i>Home appraisal value</i>	\$	100,000		<i>Home appraisal value</i>	\$	100,000	
<i>HRA FPIP Rehabilitation Loan</i>	\$	15,000		<i>HRA FPIP Down Payment Assistance Loan</i>	\$	10,000	
First Mortgage /other debt	+\$	72,500	* Sale price	First Mortgage / other debt	+\$	75,000	* Sale price
50% of HRA Rehabilitation Loan	+\$	7,500		50% of HRA Down Payment Loan	+\$	5,000	
Total Indebtedness	=\$	80,000		Total Indebtedness	=\$	80,000	
Loan to value ratio	\$	80,000	→ 80%	Loan to value ratio	\$	80,000	→ 80%
	\$	100,000			\$	100,000	

15. The HRA reserves the right to refuse loan issuance to properties deemed to be uninhabitable.
16. The HRA may conduct an inspection of the property to verify that rehabilitation work has been completed in compliance with documentation submitted for the loan.
17. Loan funds are available on a limited basis.

Data Privacy

All information secured through the program is subject to the Minnesota Data Privacy Act.

General Program Marketing

Program marketing is entirely at the discretion of the HRA. It may include the following:

1. Buyer Solicitation. The HRA may market the program to Buyers through promotional articles, direct mail, the Internet, or other methods as deemed appropriate. End Buyers may be any financially eligible family. The HRA is a Fair Housing agency.