

# PERHAM HRA DOWN PAYMENT ASSISTANCE PROGRAM (DPAP) GUIDELINES

- 1 Household Income Limit and Calculation:** All buyers must have gross household income **equal to or less than** those shown on Page 2 of these guidelines. **The incomes of all adult wage earners in the household (excluding full-time college students) must be included in the income calculation. Applicants must supply the Perham HRA a copy of the most recent Federal Tax Return.**
- 2 Applicant must obtain a letter of support from their employer.** Perham HRA staff can provide a template letter upon request.
- 3 Existing and New Construction:** This program applies to existing homes as well as new construction within the boundaries of the City of Perham.
- 4 Affordable Mortgage Products:** All buyers must obtain first mortgages that meet conventional guidelines for affordable mortgage products (FHA, VA, RD, 3% or 5% Conventional). Any exceptions to these guidelines must be approved by Perham HRA at least 15 business days prior to closing.
- 5 Homebuyer Education:** All **first time home buyers** must complete homebuyer education before closing. (Online course available through Minnesota Homeownership Center – <https://hocmn.frameworkhomeownership.org>.) Must provide proof of certification once course is completed.
- 6 Liquid Asset Limit:** Buyers may retain up to \$15,000 of liquid assets. Liquid assets above \$15,000, including equity from the sale of a previous home, must be used toward the down payment and/or closing costs. Retirement savings, such as IRAs, are not considered liquid assets.
- 7 Home Price Limits:** The combined total of (1) mortgage payment (principle and interest), (2) property taxes, (3) homeowner insurance, and (4) mortgage insurance (if applicable) for a period of 12 months will not exceed 25% of the buyer's annual net income. Any exceptions to these guidelines must be approved by Perham HRA at least 15 business days prior to closing.
- 8 Open to Existing Homeowners:** Outreach to first-time buyers is strongly encouraged, but the program is also open to current homeowners who are relocating to Perham. Homeowners must sell their current home before closing on their new Perham HRA Down Payment Assistance loan.
- 9 Basic Appliances:** A refrigerator and a range, at a minimum, are required for all homes. These items must be included in the applicable Home Sales Price limit.
- 10 Pre-Paid:** Gap financing cannot be used to cover pre-Paid, which must be paid by the buyer or another source (e.g. gift).
- 11 Other Funds:** Gap financing cannot be used in conjunction with other down payment assistance products.

**12** Perham HRA requires that all buyers using our gap financing obtain first mortgages that meet these minimum guidelines. Any exceptions to these guidelines must receive written approval from Perham HRA at least 15 days before loan closing.

**13** Affordable first mortgages must meet all the following requirements:

- a. **Loan Terms:** Fixed rate loan, maximum amortization of 30 years.
- b. **Down payment:** Down payment required by first mortgage product cannot exceed five percent of sale price (i.e., 5% conventional qualifies, 7% conventional does not qualify). This guideline does not preclude a buyer from making a larger down payment if additional personal funds are available.
- c. **Interest Rate:** Perham HRA preference is for below-market or market-rate loan products. The buyer’s first mortgage interest rate cannot exceed the current market rate plus one percent.
- d. **Debt Ratios:** Housing expense and debt to income ratios is recommended not to exceed 25/36; however, the maximum allowed is 29/41. Lenders are encouraged to use community homebuyer products with flexible underwriting guidelines.
- e. **Closing Costs:** Closing costs (excluding prepaids) cannot exceed the ordinary and customary percentage required by product. This guideline would not preclude buyers with liquid assets above \$15,000.00 from using their excess funds to buy down the interest rate.
- f. **Rollover Loans Prohibited:** “Rollover” loans are not acceptable. “Rollover” loans have a fixed interest rate, short maturity, and a term to be negotiated.

<b>Income Limits Family Size</b>	<b>Income Not To Exceed</b>
1-2	= \$104,000*
3+	= \$119,600*

\*Subject to change without prior notice.