



Greater Minnesota Housing Fund

Homebuyer Gap Financing Program Guide

Underwriting and Program Information

2011

Greater Minnesota Housing Fund Gap Financing Underwriting Guidelines

The GMHF gap loan program provides deferred second mortgages to buyers purchasing newly-constructed homes in approved developments or foreclosed homes as part of targeted acquisition/rehabilitation projects approved by GMHF.

GMHF gap loans for this project are offered on the following terms:

- Zero percent interest, deferred second mortgage* with a term of 30-40 years (coterminous with the first mortgage). There are a number of factors that can trigger an earlier due date, the most typical being: when the home is sold, the buyer fails to occupy it as a primary residence, or the first mortgage is satisfied. Please refer to the full listing in the Repayment Notice (included in this packet with the other sample documents).

**if the borrower has a HAF equity contribution loan, the GMHF gap loan will be a third mortgage*

- Need based gap financing. The gap loan amount for each household is determined using a needs-based formula. A spreadsheet that calculates the gap loan amount, along with instructions for using it, is available at www.gmhf.com. The maximum gap loan amount per household, regardless of need, is \$15,000. The minimum gap loan amount for qualified buyers is \$2,000. An additional \$10,000 of need-based financing (up to a total of \$25,000) may be available for households with documented handicapped-accessibility requirements.
 - To provide additional gap financing, GMHF requires documentation of the disability from the family and the cost of required modifications from the builder/developer. An itemized list of modifications must be approved by GMHF before construction can begin on the house. Additional gap financing cannot be provided to retro-fit/modify a new house that has already been completed. Technical/design assistance for accessibility modifications is available from GMHF upon request.
- **Important Note:** Some buyers may be receiving gap loans to purchase foreclosed properties through a special award GMHF received from the Federal Home Loan Bank of Des Moines. Loans made through that program are five-year, forgivable loans with pro-rata forgiveness during the loan term. However, those terms only apply to the FHLB funds, not to any additional gap financing that the buyer may be receiving from GMHF. Please contact GMHF if you have any questions about the FHLB program.

The following requirements must be met for buyers to receive GMHF gap loans:

- Households must include a dependent child as defined by the IRS. Any exceptions must be pre-approved by GMHF.
- All buyers must have gross household income less than GMHF guidelines of 80 percent or less of statewide median income. Income guidelines are attached.
- All buyers must obtain first mortgages that meet GMHF guidelines for affordable mortgage products. Guidelines are attached. Any exceptions to these guidelines must be approved by GMHF at least 15 business days prior to closing.
- All buyers must complete Home Stretch homebuyer education before closing.
- The gap loan amount will be determined using a housing expense ratio of at least 25 percent.
- The home purchase price must not exceed current GMHF Acquisition Cost Limits (ACL). See enclosed GMHF ACL limits for more information.
- Buyers may retain up to \$5,000 of liquid assets. Liquid assets above \$5,000, including equity from the sale of a previous home, must be used toward the downpayment and/or closing costs. Retirement savings, such as IRAs, are not considered liquid assets.
- Buyers are required to provide \$500, from **personal funds** toward their down payment, closing costs and/or prepaids.

- Qualified buyers are strongly encouraged to apply for additional financing assistance from MHFA. Administrators should contact Minnesota Housing with questions about their financing programs at (651) 296-7608 or www.mnhousing.gov.
- GMHF funds may be layered with awarded funds from MHFA or DEED (e.g., CRV or Small Cities programs) only for families with children. Please contact GMHF with questions about layering on specific projects. MHFA HAF funds, which are available on a pipeline basis through participating lenders, may be layered with GMHF funds for all borrowers. Please see the enclosed letter from MHFA and GMHF regarding HAF and gap financing layering for more information.
- Outreach to first-time buyers is strongly encouraged, but the program is also open to current homeowners. Homeowners must sell their current home before closing on a GMHF gap loan for a new home.

Please provide a copy of these underwriting guidelines and the enclosed affordable mortgage guidelines to lenders who are originating first mortgages for buyers receiving gap loans.

Greater Minnesota Housing Fund Affordable Mortgage Product Guidelines

Gap loan assistance from GMHF must be combined with an affordable first mortgage product that meets the following guidelines. These guidelines are designed to ensure that low- and moderate-income homebuyers receive first mortgages that meet their needs and promote long-term affordability. **GMHF gap loans are typically not available to buyers who cannot obtain a first mortgage consistent with these guidelines.** Exceptions to these guidelines are at the sole discretion of GMHF.

Affordable first mortgages must meet all of the following requirements:

- Fixed-rate loan, minimum amortization of 30 years, maximum amortization of 40 years and a minimum term of 15 years. Note: The GMHF gap loan is coterminous with the first mortgage.
- Downpayment required by product cannot exceed 5 percent of sale price. (Note: This guideline does not preclude a buyer from making a larger downpayment if additional personal funds are available.)
- GMHF preference is for below-market or market-rate loan products. The buyer's first mortgage interest rate cannot exceed current market rate plus 1 percent. Current market rates are available from the Freddie Mac Weekly Mortgage Market Survey at <http://www.freddie.com>.
- Housing expense and debt to income ratios of at least 25/36 allowed by the loan product (e.g., 29/41 is acceptable). Lenders are encouraged to use community homebuyer products with flexible underwriting guidelines.
- Closing costs (excluding prepaids) cannot exceed 3.5% percent of the loan amount. Note: This does not preclude buyers with liquid assets above \$5,000 from using their excess funds to buy down the interest rate.
- "Roll over" loans are not acceptable. "Roll over" loans have a fixed interest rate, short maturity, and a term to be negotiated.

Secondary Financing Approvals

GMHF is approved by FHA as a provider of secondary financing for buyers who receive FHA first mortgage loans. Please see the attached approval letter for more information. For buyers receiving Federal Home Loan Bank downpayment assistance to purchase foreclosed properties, FHA allows buyers to obtain up to 100% financing. (Buyers are still subject to the \$500 minimum personal funds contribution required by GMHF.) Please see the attached letter from FHA for more information.

U. S. Department of Housing and Urban Development



Denver Homeownership Center
Program Support Division, 8AHHI

1670 Broadway, 23rd Floor
Denver, Colorado 80202-4801

Phone: 1-800-CALLFHA
Fax: 303-672-5084
Web: www.hud.gov

Secondary Financing

Approval Date: June 3, 2009

Approved for the Following Areas:

**All Minnesota counties except Ramsey,
Hennepin, Dakota, Scott, Anoka, Washington
and Carver, state of Minnesota**

Mr. Warren Hanson, President & CEO
Greater Minnesota Housing Fund
332 Minnesota St., Suite 1201-E
St Paul, MN 55101

Dear Mr. Hanson:

The Denver Homeownership Center is pleased to advise you that Greater Minnesota Housing Fund has been approved as a non-profit organization to perform the following activity:

Provider of Down Payment, Closing Cost, or Rehabilitation Assistance with a Secondary Lien.

We have reviewed your application for participation in HUD programs as an agency providing secondary financing assistance. Greater Minnesota Housing Fund's program meets HUD guidelines. Your agency may provide secondary financing assistance in conjunction with an FHA mortgage provided the following guidelines are met:

1. Borrower must make an investment of at least 3.5% of the appraised value of the property from a source acceptable to HUD (this source does not include a non-profit which establishes a lien for this funded amount). Closing costs may not be used to help meet the minimum 3.5% down payment requirement.
2. FHA-insured first mortgage when combined with a second mortgage, as well as any other mortgages, grants, etc., may not result in cash back to the borrower. The sum of all financing may not exceed 100 percent of the cost to acquire the property plus any normal prepaid expenses (except for 203k mortgages where the sum of all financing may not exceed 110 percent of the after-improved value). The FHA mortgage will be limited to 100% of the appraised value and require the inclusion of the UFMIP within that limit.
3. Required monthly payment under both the insured mortgage and the second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the borrower's reasonable ability to pay.
4. Source, amount, and repayment terms must be disclosed in the mortgage application, and borrower must acknowledge that he or she understands and agrees to the terms.

5. Any fees charged to the borrower for their involvement in this down payment or closing cost assistance program must be reasonable and customary for the area.
6. Borrower's household annual income may not exceed 115% of area median income when adjusted for family size.
7. If the funds are to be used in conjunction with the rehabilitation of the property, the subsequent lien must meet all of the criteria above.

Please provide a copy of this letter to any lender providing FHA financing for properties included in the approved homeownership program. This approval is limited to the geographic areas listed above. Should you wish to expand into other areas, please contact the individual listed below for expansion requirements. Your non-profit approval will expire two years from the date of this letter. Please submit a request for re-certification at least 30 days prior to the end of the approval period.

It is Greater Minnesota Housing Fund's responsibility to be aware of guidelines and procedures relative to non-profit participation in FHA programs and to maintain knowledge of any updates relating to these guidelines and procedures. The enclosed list of guidance letters and handbooks will provide a baseline of information. However, future guidance and information will be made available on the HUD Internet web site located at: <http://www.hud.gov>. Those organizations that do not adhere to Departmental guidelines and procedures are subject to possible suspension and/or removal from the approved non-profit listing.

We appreciate your interest in the Department's programs and your assistance to low- and moderate-income homebuyers. Greater Minnesota Housing Fund's program will provide an excellent opportunity for affordable housing in your community. If we can be of further assistance, please call Ms. Harriette Lynn, Housing Program Specialist; at 1-800-CALLFHA (1-800-225-5342), Code DP, extension 1645.

Sincerely,



Victor E. A. Karels
Acting Director

Attachment

**HUD Comprehensive Nonprofit Activities
Nonprofit Approval/Recertification Guidance
(All of this information can be found on www.hud.gov)**

- HUD Housing Notice 94-74 Revisions to SFPD Sales Procedures
- HUD Housing Notice 98-32 Single Family Property Disposition Program Insured Sales - Offers Exceeding Listing Prices
- HUD Housing Notice 99-04 Revisions to SFPD Sales Procedures
- HUD Housing Notice 99-30 Single Family Property Disposition Officer Next Door Program/Teacher Next Door Initiative
- Mortgagee Letter (ML)# 93-33 Clarifications and Modifications to the 203k Program
- ML 94-02 Secondary Financing Provided by Nonprofit Agencies and Transferability Restrictions Permitted for Property with a HUD Insured Mortgage
- ML 94-11 Revisions to the 203(k) Rehabilitation Mortgage Program
- ML 95-40 Revisions to the 203(k) Mortgage Rehabilitation Program
- ML 96-18 Single Family Production - Refinance Transactions, Property Inspections and Other Credit Policy Issues
- ML 96-21 Using 203(k) Rehabilitation Mortgage Insurance with Participation by State and Local Housing Agencies and Non-Profit Organizations
- ML 96-52 Non Profit Agencies as Mortgagors
- ML 96-59 Moratorium on Investor Loans in Conjunction with the 203(k) Rehabilitation Mortgage Insurance Program
- ML 97-05 Revised Escrow Commitment Procedure - 203(k) Rehabilitation Mortgage Insurance Program
- ML 98-02 Applying the HUD Rehabilitation Energy Guidelines to the Section 203(k) Rehabilitation Mortgage Insurance Program
- ML 98-11 Concerns about 203k Underwriting, Loan Processing and Administration
- ML 99-31 Single Family Real Estate Owned (Property Disposition) National Management and Marketing Contracts
- ML 00-8 Nonprofit Agency Participation in Single Family FHA Activities
- ML 01-30 Clarification of Net Development Cost Calculation
- ML 02-01 Nonprofit Participation in Single Family FHA Activities – New Requirements and Restrictions
- ML 02-22 Downpayment Assistance Programs Operated by Governmental Agencies and Nonprofits Using Subordinate Financing
- HUD Handbook 4155 1, REV 4, Change 1 - Mortgage Credit Analysis
- HUD Handbook 4310.5, REV 2, Property Disposition Handbook - One to Four Family Properties, dated April 1994
- HUD Handbook 4240.2, REV 2 - 203(k) Rehabilitation Mortgage
- ML 03-07 Prohibition of Property Flipping
- ML 08-23 Revised Downpayment and Maximum Mortgage Requirements

U. S. Department of Housing and Urban Development



Denver Homeownership Center
Program Support Division, 8AHHI

1670 Broadway, 21st Floor
Denver, Colorado 80202-4801

Phone: 1-800-CALLFHA
Fax: 303-672-5084
Web: www.hud.gov

Administration of Secondary Financing for FHLB of Des Moines

Approval Date: June 3, 2009

Approved for the Following Areas:

All Minnesota counties except Ramsey,
Hennepin, Dakota, Scott, Anoka,
Washington and Carver counties, State of
Minnesota

Mr. Warren Hanson, President & CEO
Greater Minnesota Housing Fund
332 Minnesota St., Suite 1201-E
St. Paul, MN 55101

Dear Ms. Olson:

The Denver Homeownership Center is pleased to advise you that Greater Minnesota Housing Fund (GMHF) has been approved as a non-profit organization to perform the following activity:

Administer Down Payment, Closing Cost and Rehabilitation Assistance with a Secondary Lien.

This approval applies only to Greater Minnesota Housing Fund's administration of the Affordable Housing Program on behalf of The Federal Home Loan Bank of Des Moines.

We have reviewed your agency's application for participation in HUD programs as an agency providing secondary financing assistance. Greater Minnesota Housing Fund's program meets HUD guidelines. Your agency may provide secondary financing assistance in conjunction with an FHA mortgage provided the following guidelines are met:

1. Provided the second mortgage is in the name of The Federal Home Loan Bank of Des Moines.
2. The FHA-insured first mortgage, when combined with any second mortgage or other junior liens from government agencies may not result in cash back to the borrower. The sum of all liens cannot exceed 100 percent of the cost to acquire the property. The costs to acquire are the sales price plus allowable borrower-paid closing costs, discount points, prepaid expenses, and in some cases, the costs for property rehabilitation. The costs to acquire may exceed the appraised value of the property if the governmental unit or nonprofit instrumentality of government is supporting or engaging in a neighborhood revitalization effort. The FHA-insured first mortgage cannot exceed the FHA statutory limit for the area where the property is located.
3. Borrower's household annual income may not exceed 115% of area median income when adjusted for family size.

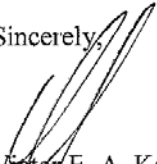
4. Required monthly payment under both the insured mortgage and the second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the borrower's reasonable ability to pay.
5. Source, amount, and repayment terms must be disclosed in the mortgage application, and borrower must acknowledge that he or she understands and agrees to the terms.
6. Any fees charged to the borrower for their involvement in this down payment or closing cost assistance program must be reasonable and customary for the area.
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Victor E. A. Karels
Acting Director

Enclosure

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- ML 08-23 Revised Downpayment and Maximum Mortgage Requirements



Clarification on Guideline #1 in 6/3/2009 HUD letter to GMHF.
 Per HUD, it is acceptable for Greater MN Housing to be listed as the Lender on the Deed Restriction as its designee.

**Homeownership Project
 Member Information Packet
 2008B Round**

D. Homeownership Project Retention Documents

A Deed Restriction is required for each household served. A sample copy of a Deed Restriction is available on our website, or may be requested from bank staff. The Forgivable Mortgage (or Deed of Trust) and Note can still be used, but you must request these forms from Bank staff to ensure that you have the most recent version. You should consult your legal counsel to ensure full compliance with the regulatory retention requirements and recording requirements. By providing you with these or any other examples, the Bank is in no way providing legal advice or making any representation as to the effectiveness of the document. We do understand that you may need to make formatting changes to the Deed Restriction so it complies with various requirements of your local Recorder's office. The signature block and acknowledgement will need to reflect the requirements of your state. **Any changes to this document other than formatting changes will need to receive approval from the Community Investment Department.**

There are two forms of retention documents available on our website, including:

1. The Sample Deed Restriction is to be used as the form of retention for fee simple land.
2. The Sample Homeownership Project Document for Native American Tribal Trust Land is to be used as the form of retention on tribal lands, where the Deed Restriction is not appropriate.

These documents may not be suitable for all projects types (for example, a Community Land Trust). If alternative documentation is required, you will be advised by the Bank.

In the Sample Deed Restriction, the member or the sponsor as its designee can take on the role of "Lender". The Lender must ensure that the agreement is filed in the appropriate jurisdiction and that terms of the retention are adhered to. In the document used for Native American Tribal Land Trust, both the member, as the "Bank", and sponsor are party to the agreement, and responsibility may be delegated as the parties agree.

The member or its designee is to be given notice of any sale or refinancing by the household occurring prior to the end of the retention period. In the case of a sale or refinancing of the property prior to the end of the retention period, an amount equal to a pro rata share of the AHP subsidy that financed the purchase, construction, or rehabilitation of the unit, reduced for every month the household owned the unit, shall be repaid to the member or its designee from any net gain realized upon the sale or refinancing, unless:



2011 Income Limits (80% of Statewide Median) Adjusted for Family Size

Family Size	Greater Minnesota Counties ¹	Olmsted and Dodge Counties ²	Chisago, Isanti, Sherburne, Wright Counties ³
1	\$ 40,850	\$ 44,950	\$46,400
2	\$ 46,700	\$ 51,350	\$53,000
3	\$ 52,500	\$ 57,750	\$59,600
4	\$ 58,350	\$ 64,200	\$66,200
5	\$ 63,050	\$ 69,350	\$71,500
6	\$ 67,700	\$ 74,500	\$76,800
7	\$ 72,400	\$ 79,650	\$82,100
8	\$ 77,050	\$ 84,750	\$87,400
9	\$ 81,700	\$ 89,900	\$92,700
10	\$ 86,400	\$ 95,050	\$98,000

These income limits are guidelines you must follow when the Greater Minnesota Housing Fund provides financing to your housing project. If you do not follow these guidelines you put funding for your development at risk, as well as potential for future funding. Projects with other additional funding sources must also comply with the income limits set by those programs.

*Note: For buyers using FHA first mortgage financing to purchase their homes, lower limits apply for the following counties: Aitkin, Clearwater and Mahnommen. These limits are used only if the buyer is obtaining FHA financing; in all other cases the standard GMHF limits apply. Please refer to [page 2](#) of this packet for the FHA limits for these counties.

GMHF 2011 Single-Family Acquisition Cost Limits⁴

To control building costs and to encourage local participation in projects, the Greater Minnesota Housing Fund (GMHF) has developed an acquisition cost limit (ACL) for single-family homes receiving GMHF interim and/or homebuyer gap financing. To allow larger families with children adequate living space, GMHF allows a higher ACL to finish more space for those families. In addition to the standard ACL, a “high cost” limit has been created to provide greater flexibility in areas with rapidly rising development costs.

Number of Children in Household	Acquisition Cost Limit	Acquisition Cost Limit in High Cost Areas*	Minimum Space to Finish ⁵
0 –1 Child ⁶	\$167,000	\$175,000	2 bedrooms, 1 bath <u>OR</u> 3 bedrooms, 1 bath
2 Children	\$173,000	\$181,000	3 bedrooms, 1 bath <u>OR</u> 2 bedrooms, 2 bath
3 Children	\$179,000	\$187,000	4 bedrooms, 1 bath <u>OR</u> 3 Bedrooms, 2 bath
4+ Children ⁷	\$185,000	\$193,000	<u>At least</u> 4 bedrooms, and <u>at least</u> 2 bath

*High cost areas are Chisago, Isanti, Sherburne, and Wright counties.⁸

¹ Greater Minnesota limits are based on statewide median income of \$72,900.

² Olmsted and Dodge County income limits are based on Rochester MSA median income of \$80,200.

³ Chisago, Isanti, Sherburne and Wright County income limits are based on Minneapolis-St. Paul MSA median income of \$82,700.

⁴ ACLs have been held constant since 2008 given market conditions.

⁵ In order to assist households with two or more children to qualify for the higher ACLs, the minimum finished space requirements must be followed. However, larger families are **not required** to purchase a home that meets the higher ACL guidelines (additional space finished).

⁶ All households receiving GMHF Homebuyer Gap financing must have a dependent child as defined by the IRS. Any exceptions must be pre-approved by GMHF.

⁷ For households with more than 4 children, a \$6,000 acquisition cost adjustment is allowed per additional child.

⁸ Geographical definition of GMHF High Cost Areas is set by areas with higher FHA mortgages limits.

Gap Loan Program Closing Instructions

GMHF needs your help to ensure that loans are processed in a timely and efficient manner. To make the process run smoothly for everyone, we have adopted the following guidelines:

- The Gap Financing Form must be received by GMHF at least **5 business days** prior to the scheduled closing. The wire transfer information must be provided at least **3 business days** prior to closing. The closing may be delayed if adequate notice is not provided.
- Exceptions to the affordable mortgage product guidelines should be requested as soon as possible, and **at least 15 business days** before closing.

The following table provides information about the required documents needed to close a GMHF gap loan. Documents needed prior to closing are listed first. Questions about the closing process should be directed to Kathy Clouser at GMHF at (651) 221-1997.

Document and purpose	Your Responsibilities	You must send to GMHF:
Gap Financing Form: Provides demographic data about the buyer and information about the buyer's mortgage financing and gap loan amount.	Complete the form and return to GMHF by fax or mail.	<i>GMHF must receive the completed form at least 5 business days prior to closing, so the loan can be processed and funds wired to the loan closing.</i>
Proof of Insurance: Provides GMHF with proof that it is listed as an insured on the homeowner's insurance policy.	Mail/fax a copy of the insurance binder to GMHF	<i>GMHF must receive this at least 3 business days prior to closing.</i>
Request for Notice of Foreclosure: Requires that GMHF be notified of any event of foreclosure on the property	Fill in the necessary information, obtain GMHF signatures, and then record the document at the county courthouse at the same time as the mortgage is recorded .	<i>Send original document to GMHF for a signature at least 5 business days before the closing.</i> GMHF is to receive the original Request for Notice form as soon as possible after it is recorded by the county.
Homeowner Gap Financing Loan Note: This is the GMHF promissory note. It specifies the amount of the loan, the maturity date, and the property address.	Fill in appropriate information and secure necessary signatures.	Return signed original to GMHF within one week of closing.
Homeowner Gap Financing Loan Mortgage: Specifies the terms of the gap loan and provides legal documentation	Fill in appropriate information and secure necessary signatures. This document must be recorded at the county courthouse.	Within one week of closing, send copy of the original signed mortgage; GMHF is to receive the original mortgage as soon as possible after it is recorded by the county.
Repayment Notice: Plain-English description of the conditions under which the borrower must repay the GMHF loan, including refinancing info.	Repayment: Make sure the buyer reads, understands, and signs the agreement. Provide a copy of the signed document to the buyer	Within one week of closing, send the original, signed document to GMHF.
Privacy Notice GMHF privacy policy notice as required by federal law.	Provide a copy of the notice to the buyer at closing	(not applicable)



Greater Minnesota Housing Fund Gap Financing Program

Key Documents

Documents 1 thru 7 are borrower documents.

Document 8 is for use by administrators and lenders, and does not need to be provided to borrowers.

1. Gap Financing Form
2. Request for Notice of Foreclosure
3. Homeowner Gap Financing Loan Note
4. Homeowner Gap Financing Loan Mortgage
5. Homebuyer Repayment Agreement
6. Refinancing and Home Equity Loan Guidelines for Borrowers
7. Privacy Policy
8. Refinancing and Subordination Policies -- Information for Administrators and Lenders



Homebuyer Survey Information Form

** For households benefiting from GMHF financing*

All applicant information will be kept confidential. Summary data may be used for statistical/evaluation purposes.

Please complete the following form for each household that receives grant assistance from the GMHF. All information will be kept confidential. Summary data may be used for statistical and program evaluation purposes. Surveys should be emailed to jpederson@gmhf.com, Staff Accountant.

Name of Homebuyer (Applicant): _____ Date of Application: _____
Employer(s) and city of employment: _____ Years Employed: _____

Name of Co-Homebuyer (Co-Applicant): _____
Employer(s) and city of employment: _____ Years Employed: _____

Gross Household Income: \$ _____ Number of Adult Wage Earners: _____
Household Size: _____ Person with Disability in Household (YES/NO): _____

Age(s) of Children: _____ Age of Head of Household: _____

Type of Housing (New/Existing): _____

Property Address: _____ City: _____ Zip: _____
Date of Purchase: _____
Home Stretch/Homebuyer Training Completed? _____ Date: _____
Homebuyer Will Reside in Home as Primary Residence (Yes/No): _____

Household Family Type:

- _____ Couple with Children
- _____ Couple with No Children
- _____ Single Female with Children
- _____ Single Female with No Children
- _____ Single Male with Children
- _____ Single Male with No Children
- _____ Other: _____

- _____ American Indian/ Alaska Native
- _____ Asian/Pacific Islander
- _____ Black/African American
- _____ Hispanic
- _____ White
- _____ Other _____

Date of Sale to Homebuyer: _____
Purchase Price: _____
Appraised Value: _____
Number of Bedrooms: _____
Total Square Feet: _____
Finished Square Feet: _____

Previous Residence:

- _____ Owned
 - _____ Rented
 - _____ Other _____
- Previous residence zip code _____
Previous Monthly Rent/Mortgage Payment: \$ _____
Household Race (Head of Household):

Financing Information

First Mortgage Amount: \$ _____

First Mortgage Product/Lender (e.g. CASA, Fannie Mae 3/2, FHA): _____

First Mortgage Terms: Interest Rate: _____% Amortization Period (years): _____ Term (years): _____

Monthly P&I to Service this Debt: \$ _____

Bank's/Lender Loan Processor's Name: _____

Bank's/Lender Loan Processor's Phone Number: _____

Amount of Subordinate Mortgage, if any: \$ _____

Subordinate Mortgage Product/Lender (e.g. ECHO, HAF): _____

Terms: Interest Rate: _____% Amortization Period (years): _____ Term (years): _____

Monthly P&I to Service this Debt: \$ _____

Other Financial Assistance:

GMHF Down Payment Assistance \$ _____

Other Down Payment Assistance (e.g. Employer Assistance) \$ _____

Total Monthly Principal, Interest, Taxes, and Insurance (PITI): \$ _____

Please provide the following information about the applicant's financing:

Home Purchase Price: \$ _____

Plus Closing Costs (do not include pre-pays): \$ _____

*** Equals Total Due at Closing:** \$ _____

First Mortgage Amount: \$ _____

Buyer Downpayment: \$ _____

ECHO/HAF: \$ _____

Other Gap Loan: \$ _____

Equity/Savings: \$ _____

Other Assistance: \$ _____

*** Equals Total Sources:** \$ _____

** Total Due at Closing should equal Total Sources amount*

I attest to the accuracy of all information disclosed on this form and understand that falsified or incorrect information can lead to legal recourse.

Signed (Closing Agent): _____

Company: _____

Date: _____

Phone: _____

Email: _____

Greater Minnesota Housing Fund Internal Use Only

Loan Officer: _____

Signature: _____

Date: _____

Income Approved Household? _____

Released by: _____

Date: _____

Greater Minnesota Housing Fund
Homeowner Gap Financing Loan Program

REQUEST FOR NOTICE OF FORECLOSURE

Pursuant to Minnesota Statutes § 580.032 and § 582.32

Greater Minnesota Housing Fund, a Minnesota nonprofit corporation (“GMHF”), hereby requests notice of any foreclosure by advertisement of any voluntary foreclosure with respect to real property located in _____ County, Minnesota, and legally described as follows:

(the “Property”) which has a real property address of

The redeemable interest held by the Fund in the Property is a mortgage lien pursuant to a Mortgage dated _____, 20__ and recorded on _____, 20__ as Document No. _____ in the office of the County Recorder for _____ County, Minnesota.

All notices of foreclosure should be provided to:

Greater Minnesota Housing Fund
Suite 1201 East
332 Minnesota Street
St. Paul, Minnesota 55101

HOMEOWNER GAP FINANCING LOAN NOTE

Date: _____

FOR VALUE RECEIVED, the undersigned _____
_____ (the "Borrower," whether one or more) jointly and severally
agrees(s) to pay to the order of the Greater Minnesota Housing Fund whose address is Suite 1201
East, 332 Minnesota Street, St. Paul, Minnesota 55101 (the "Lender"),
_____ Dollars (\$_____), without
interest, on the Maturity Date.

1. Definitions. As used in this Note, the following terms have the following respective meanings:

Event of Default. As defined in Section 3.1 hereof.

First Mortgage. Any mortgage of the Mortgaged Real Estate the lien of which has priority over the Homeowner Gap Financing Loan Mortgage.

First Note. The promissory note secured by the First Mortgage.

Homeowner Gap Financing Loan Mortgage. The mortgage of even date herewith between the Lender and the Borrower securing payment of this Note, as from time to time amended.

Loan Proceeds. The proceeds of the Loan made by Lender to the Borrower repayment of which is governed by this Note.

Maturity Date. The earliest to occur of:

- (a) The adjudication in bankruptcy of any owner of the Property;
- (b) A declaration by the Lender pursuant to the terms of the Note that the entire unpaid balance of the Note is due and payable;
- (c) Any use of the Property other than as a single family residence, duplex, triplex or fourplex, constituting the primary residence of the Borrower;
- (d) A written declaration by the Borrower pursuant to the terms hereof that it desires to prepay this Note;
- (e) A Transfer;
- (f) Foreclosure sale pursuant to the First Mortgage;

- (g) Transfer of the Property to the holder of the First Mortgage or its designee;
- (h) Satisfaction of the First Mortgage; and
- (i) The maturity date of the First Mortgage, which is _____.

Note. The Homeowner Gap Financing Loan Note, as from time to time amended.

Property. The real estate that is encumbered by the Homeowner Gap Financing Loan Mortgage at any time. Address or legal description:

Transfer. A sale or transfer of all or any part of the property, or any interest therein, whether by lease, deed or contract for deed or otherwise, whether for consideration or by gift or in the event of death or otherwise, and whether voluntarily, involuntarily or by operation of law; provided, however,

- a) if the Borrower owns the Property as co-tenants, a transfer of the Property or any interest therein, from one co-tenant to another co-tenant whether by reason of death or otherwise, shall not be considered a Transfer,
- b) a taking by eminent domain shall not be considered a transfer unless it is a total taking in the sense that payment is made for the full value of the Property,
- c) the creation of a lien or encumbrance subordinate to the Gap Financing Mortgage shall not be considered a Transfer,
- d) the creation of a purchase money security interest for household appliances shall not be considered a Transfer, and
- e) a lease to a tenant if the Property is a duplex, triplex or fourplex, provided the Borrower occupies the Property, shall not be considered a Transfer.

2. Prepayment; Payment.

2.1 This Note may be prepaid in full or in part at any time without penalty.

2.2 The remaining unpaid principal balance of this Note shall be paid on the Maturity Date.

3. Default.

3.1 Any event or thing which, upon the giving of notice as required by the Homeowner Gap Financing Loan Mortgage, permits acceleration of the indebtedness secured by the Homeowner Gap Financing Loan Mortgage, shall constitute an Event of Default hereunder.

3.2 If an Event of Default shall occur, the Lender may declare the entire unpaid principal balance of the Note immediately due and payable without notice. Failure by the Lender to make that declaration by reason of an Event of Default shall not waive its right to make such a declaration upon the subsequent occurrence of the same or any other Event of Default.

4. Covenants. The Borrower covenants that the Loan Proceeds shall be used solely for the purposes of purchasing the Property and shall be applied to payment of the purchase price of the Property. The borrower agrees that if any portion of such funds is not needed for the purpose permitted hereby, the Borrower will apply such unneeded amount toward repayment of the Loan.

5. Subordination. This Note is subordinate to the First Note and the First Mortgage.

6. Nonrecourse; Payment Limitation in event of Sale. Upon the occurrence of an Event of Default, the Lender's sole recourse for payment of this Note shall be to the Property and other security provided for in this Note, and the Lender shall not be entitled to any deficiency after foreclosure of the Gap Financing Mortgage. If this Note is paid because of a sale of the Property, this Note may be paid in full for the lesser of (i) the Loan payable in accordance with the provisions hereof or (ii) the gross sale price less (A) the unpaid balance of the First Note as of the closing date, and (B) any reasonable real estate commission and other reasonable closing costs paid by the maker hereof in connection with the sale.

7. Miscellaneous.

7.1 This Note is secured by the Homeowner Gap Financing Loan Mortgage. All of the terms, covenants, conditions, provisions and agreements of the Homeowner Gap Financing Loan Mortgage are hereby made a part of this instrument to the same extent and with the same force and effect as if fully set forth herein.

7.2 The Borrower and all others who may become liable for all or any part of this obligation agree hereby to be jointly and severally bound and jointly and severally waive demand, protest, notice of nonpayment and any and all lack of diligence or delays in collection or enforcement hereof, and specifically consent to any extension of time, or release of any party liable for this obligation, including any maker, or acceptance of other security therefor. Any such extension or release may be made without notice to said party and without in any way affecting the liability of such party.

7.3 If any payment due under this Note is not paid when due, and this Note is placed in the hands of any attorney or attorneys for collection or foreclosure of the Homeowner Gap Financing Loan Mortgage or enforcement of any other security instrument securing payment hereof, the Borrower promises to pay, in addition to the amount due hereon, the reasonable costs and expenses of foreclosure and collection (including attorneys' fees), and all such costs and expenses shall be secured by the Homeowner Gap Financing Loan Mortgage.

7.4 No failure or delay by the Lender to exercise any right or remedy under this Note shall waive such right or remedy.

7.5 This Note is made and delivered in Minnesota, and accordingly, the clauses and provisions of this Note and the rights, payments, charges, indebtedness and other items hereby secured shall be construed and enforced according to the laws of the State of Minnesota.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed as of the day and year first above written.

M1:319308.02

Homeowner Gap Financing Loan Program
Exempt from Mortgage Registration Tax
Pursuant to Minn. Stat. Section 287.04 (f)
Maximum Indebtedness Secured: _____

HOMEOWNER GAP FINANCING LOAN MORTGAGE

THIS MORTGAGE is given on _____. The Mortgagor is _____ (herein "Borrower"). This Mortgage is given to the Greater Minnesota Housing Fund, which is a nonprofit corporation organized and existing under the laws of Minnesota, and whose address is Suite 1201 East, 332 Minnesota Street, St. Paul, Minnesota 55101 (herein "Lender"). Borrower owes Lender the principal sum of _____ Dollars (U.S. \$_____). This debt is evidenced by Borrower's note dated the same date as this Mortgage ("Note"), with the full debt, if not paid earlier, due and payable on the Maturity Date as defined in the Note, but in no event later than _____. This Mortgage secures to Lender (a) the repayment of the debt evidenced by the Note, and all renewals, extensions and modifications; (b) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Mortgage; and (c) the performance of the covenants and agreements of Borrower under this Mortgage and the Note. For this purpose, Borrower does hereby grant and convey to Lender, with power of sale, the following legal description of property located in the County of _____, State of Minnesota:

which has the address of

(herein "Property Address");

Together with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water, water rights, and stock, and all fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Mortgage. All of the foregoing is referred to in this Mortgage as the "Property."

Borrower covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and that the Property is unencumbered, except for encumbrances of record, including that certain mortgage by and between Borrower and _____ dated _____, 20__ (the "First Mortgage") (if these blanks are not completed, there is no senior mortgage). Borrower warrants and will defend

generally the title to the Property against all claims and demands, subject to any encumbrances of record.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. Payment of Principal; Prepayment. Borrower shall promptly pay when due the principal of the debt evidenced by the Note, and any prepayment due under the Note.

2. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under paragraph 1 hereof shall be applied first to prepayment charges due under the Note; and second, to principal due.

3. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain a priority over this Mortgage, and leasehold payments or ground rents, if any. Borrower shall pay these obligations by making payment, when due, directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and receipts evidencing such payments.

Borrower shall promptly discharge any lien which has priority over this Mortgage unless Borrower: (a) agrees in writing to the payment of the obligation secured by such lien in a manner acceptable to Lender; (b) contests in good faith such lien by, or defends against enforcement of such lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien or forfeiture of any part of the Property; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Mortgage. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Mortgage, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

4. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and such other hazards for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods the Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and the Lender's security is not lessened. If such restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Mortgage, whether due or not, with any excess paid to Borrower. If Borrower abandons the Property or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the

proceeds to repair or restore the Property or to pay sums secured by this Mortgage, whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the payment referred to in paragraph 1 or change the amount of the payments. If under paragraph 17 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Mortgage immediately prior to the acquisition.

If under paragraph 18 hereof the Property is acquired by Lender, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof resulting from damage to the Property prior to the sale or acquisition shall pass to Lender to the extent of the sums secured by this Mortgage immediately prior to such sale or acquisition.

The right of Lender to insurance proceeds is subject to the rights therein of the Mortgagee under the First Mortgage.

5. Preservation and Maintenance of Property; Leaseholds. Borrower shall not destroy, damage or substantially change the Property, allow the Property to deteriorate or commit waste. If this Mortgage is on a leasehold, Borrower shall comply with the provisions of the lease, and if Borrower acquires fee title to the Property, the leasehold and fee title shall not merge unless Lender agrees to the merger in writing.

6. Protection of Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Mortgage, or there is a legal proceeding that may significantly affect Lender's interest in the Property (such as a proceeding in bankruptcy, probate, for condemnation or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Mortgage, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 6, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 6 shall become additional debt of Borrower secured by this Mortgage. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the highest rate permissible under applicable law, and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

7. Inspection. Lender may make or cause to be made reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to any inspection specifying reasonable cause for the inspection.

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Mortgage, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, the sums secured by this Mortgage shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured by this Mortgage immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Mortgage, whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the payments referred to in paragraph 1 hereof or change the amount of such payments.

The right of the Lender to condemnation proceeds is subject to the rights of the Mortgagee under the First Mortgage.

9. Borrower Not Released; Forbearance by Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Mortgage granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Mortgage by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or shall not be a waiver of or preclude the exercise of any such right or remedy.

10. Successors and Assigns Bound; Joint and Several Liability; Co-Signers. The covenants and agreements herein contained shall bind and benefit the successors and assigns of Lender and Borrower. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Mortgage but does not execute the Note: (a) is co-signing this Mortgage only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Mortgage; (b) is not personally obligated to pay the sums secured by this Mortgage; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Mortgage or the Note without that Borrower's consent.

11. Loan Charges. If the loan secured by this Mortgage is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

12. Legislation Affecting Lender's Rights. If enactment or expiration of applicable laws has the effect of rendering any provision of the Note or this Mortgage unenforceable according to its terms, Lender, at its option, may require immediate payment in full of all sums secured by this Mortgage and may invoke any remedies permitted by paragraph 18. If Lender exercises this option, Lender shall take the steps specified in the second paragraph of paragraph 16.

13. Notice. Any notice to Borrower provided for in this Mortgage shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice provided for in this Mortgage shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

14. Governing Law; Severability. This Mortgage shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Mortgage or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the Note which can be given effect without that conflicting provision. To this end the provisions of this Mortgage and the Note are declared to be severable.

15. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Mortgage.

16. Transfer of the Property. If all or any part of the Property or an interest therein whether by lease, deed or contract for deed or otherwise, whether for consideration or by gift or in the event of death or otherwise, and whether voluntarily, involuntarily or by operation of law, is sold or transferred, all sums secured by this Mortgage shall be immediately due and payable. Notwithstanding the foregoing, (a) if the Borrower owns the Property as co-tenants, a transfer of the Property or any interest therein from one co-tenant to another co-tenant shall not be considered a transfer; (b) a taking by eminent domain shall not be considered a transfer unless it is a total taking in the sense that payment is made for the full value of the Property; (c) the creation of a lien or encumbrance subordinate to this Mortgage shall not be considered a transfer; (d) the creation of a purchase money security interest for household appliances shall not be considered a transfer and (e) a lease to a tenant if the Property is a duplex, triplex or fourplex, provided the Borrower occupies the Property, shall not be considered a transfer.

Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower may pay all sums secured by this Mortgage. If Borrower fails to pay such sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Mortgage without further notice or demand on Borrower.

17. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Mortgage discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before the sale of the Property pursuant to any power of sale contained in this Mortgage; or (b) entry of judgment enforcing this Mortgage. Those conditions are that Borrower: (i) pays Lender all sums which then

would be due under this Mortgage and the Note had no acceleration occurred; (ii) cures any default of any other covenants or agreements; (iii) pays all expenses incurred in enforcing this Mortgage, including, but not limited to, reasonable attorneys' fees; and (iv) takes such action as Lender may reasonably require to assure that the lien of this Mortgage, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Mortgage shall continue unchanged. Upon reinstatement by Borrower, this Mortgage and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 12 or 16.

NONUNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

18. Acceleration; Remedies. Unless the "Maturity Date", as defined in the Note, has occurred, Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Mortgage (but not prior to acceleration under paragraphs 12 and 16 unless applicable law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Mortgage and the sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of a default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the notice, or if the "Maturity Date" as defined in the Note has occurred, Lender at its option may require immediate payment in full of all sums secured by this Mortgage without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 18, including, but not limited to, reasonable attorneys' fees.

If Lender invokes the power of sale, Lender shall cause a copy of a notice of sale to be served upon any person in possession of the Property. Lender shall publish a notice of sale and the Property shall be sold at public auction in the manner prescribed by applicable law. Lender or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorneys' fees; (b) to all sums secured by this Mortgage; and (c) any excess to the person or persons legally entitled thereto.

19. Lender in Possession. Upon acceleration under paragraph 18 or abandonment of the Property, and at any time prior to the expiration of any period of redemption following sale of the Property, Lender (in person, by agent or by judicially appointed receiver) shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. Any rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums of receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Mortgage.

20. Release. Upon payment of all sums secured by this Mortgage, Lender shall discharge this Mortgage without charge to Borrower. Borrower shall pay any costs of recordation.

STATE OF MINNESOTA)
) ss.
COUNTY OF)

On this ____ day of _____, before me appeared _____, to me personally known to be the person(s) described in and who executed the foregoing instrument and acknowledged that ____ he ____ executed the same as _____ free act and deed.

Notary Public

My Commission expires: _____

This instrument was prepared by _____ of _____, Minnesota.

Space Below This Line Reserved for Lender and Recorder.

M1:895946.02

GREATER MINNESOTA HOUSING FUND
REPAYMENT AGREEMENT

To Be Signed by Homebuyer

The following conditions for required early repayment should be read by the mortgagor and understood clearly. They are also contained in the Homeowner Gap Financing Note.

At the time of any of the following, GMHF's Gap loan must be paid in full:

- 1. If a sale of the property occurs or a transfer of any part of the property**
- 2. If any owner of the property experiences bankruptcy**
- 3. If the First Mortgage is satisfied (paid off)**
- 4. If foreclosure procedures occur on the First Mortgage**
- 5. If the property is no longer the primary residence of the borrower**
- 6. If the borrower is in default with the loan terms, for any reason (for example, non-payment of real estate taxes, or failure to maintain property insurance on the home)**
- 7. If the borrower chooses to refinance the First Mortgage loan or obtain a home equity loan, except under certain limited conditions. For further explanation, see the GMHF Refinancing and Home Equity Guidelines.**

Borrower Name

Co-Borrower Name

Signature of Borrower

Signature of Co-Borrower

___ / ___ / _____ **Date**

___ / ___ / _____ **Date**

Please make one copy for the borrower and return the original signed copy to:

**Greater Minnesota Housing Fund
Suite 1201E
332 Minnesota Street
St. Paul, MN 55101**

GREATER MINNESOTA HOUSING FUND
REFINANCING AND HOME EQUITY LOAN GUIDELINES FOR
BORROWERS
PLEASE SAVE FOR FUTURE REFERENCE

Congratulations on your home purchase! You have received a loan from the Greater Minnesota Housing Fund (GMHF) to help buy your home. We are a non-profit organization that helps to create affordable homeownership opportunities. In order to help as many families as possible become homeowners, GMHF will only allow refinances or home equity loans under specific conditions.

If you refinance or obtain a home equity loan that does not meet these guidelines, you must immediately repay the entire amount of your GMHF loan.

We also suggest that, before spending any money that you plan to repay by refinancing or getting a home equity loan, you contact the local administrator that assisted you with the loans you obtained when purchasing your home. They will have a complete version of the GMHF guidelines in effect at that time, and can provide information about your financing options.

Please review these guidelines and save this document for future reference

- 1) Borrowers who refinance to a lower interest rate but receive no cash from the refinancing may keep their GMHF loans. Your new lender must contact GMHF for the paperwork (a subordination agreement) to process the loan.**
- 2) If you obtain a home equity loan or get cash from a refinancing, the cash may only be used for qualified home repairs or improvements, and...**
- 3) VERY IMPORTANT: All cash proceeds from the refinancing or home equity loan must be paid directly at closing to a valid title company or bank and managed by an escrow agent. The funds will be held in the escrow account until payments are approved by the local administrator. Qualified repairs or home improvements must be approved in advance by the local administrator or they will not be paid. No improvements may be started before the escrow account is established. Under no circumstances will GMHF allow cash to be paid directly to a homeowner at closing. NOTE: Your local administrator must agree to authorize escrow payments and may charge a fee for this service. GMHF does not require administrators to provide this service.**
- 4) No “wrapping in” of other debt to the new first mortgage is allowed. For example, you cannot increase your first mortgage amount to pay off credit cards or another loan.**

- 5) **GMHF will only subordinate once to each homeowner during the life of the loan. This means that if you refinance and/or obtain a home equity loan for a second time, the GMHF loan will be due in full at that time.**
- 6) **You always have the option to fully repay your GMHF loan at any time without penalty. If the GMHF loan amount is paid off at the time of refinancing, the remaining cash proceeds may be used for any purpose.**
- 7) **Full details, such as loan-to-value guidelines, and appraisal requirements, are available by talking to your local administrator.**

Please talk to your local administrator or mortgage lender if you have any additional questions about these policies. They can contact GMHF for further clarification and, if needed, explain your particular circumstances.

NOTICE TO HOMEBUYERS WITH GREATER MINNESOTA HOUSING FUND LOANS

You have received a deferred loan from the Greater Minnesota Housing Fund (GMHF) to help make your home more affordable. The loan was processed by a local administrator on behalf of GMHF. The local administrator collected financial and demographic information from you at the time of application to determine if you met our program guidelines. GMHF used this information to approve your loan.

GMHF compiles summary homebuyer information to determine the effectiveness of our loan programs. Any information we share with others about GMHF programs is aggregated and does not identify individual borrowers.

GMHF is required by federal law to provide you with information on our privacy policy. It describes the information we collect from you and how we safeguard it to protect your privacy.

GMHF PRIVACY POLICY

What Information We Collect

We collect nonpublic personal financial information about you from the following sources:

- 1) Information we receive from you on applications and other forms
- 2) Information about your transactions with us or others and
- 3) Information we receive from organizations such as consumer reporting agencies

“Nonpublic personal financial information” means any nonpublic information about you that we obtain in connection with providing a loan to you.

What Information We Disclose

We do not disclose any nonpublic personal information about individual borrowers or former borrowers, except as to effect, administer or enforce a transaction you requested or with your prior written consent.

Security

We restrict access to nonpublic personal financial information about you to those employees who need to know the information to provide products or services to you. We strive to maintain safeguards that comply with federal regulations to guard your nonpublic personal financial information.

INFORMATION FOR LOCAL ADMINISTRATORS AND LENDERS

Greater Minnesota Housing Fund Refinance and Subordination Policies

Background Information

GMHF loan documents require repayment of our loan at the time of refinance. However, GMHF has typically been willing to subordinate its gap loan (i.e., allow the buyer to retain the existing gap loan in a position subordinate to the new first mortgage) if the buyer is refinancing to a lower rate but getting no cash from the transaction. GMHF will also allow a borrower to use their home equity to obtain a “cash out” refinance or home equity loan and retain the subordinate GMHF gap loan, if the documented purpose is for home repairs or improvements. Buyers are not allowed to “wrap in” loans for other purposes (e.g., vehicles, credit cards) to the new first mortgage.

General Policies

- 1) “Cash out” requests are defined as any requests in which a homeowner will receive cash proceeds from a loan transaction.
- 2) “Cash out” subordination requests will only be considered if the purpose is for home repairs or improvements.
- 3) Any “cash out” proceeds must be disbursed directly through the HUD-1 with all checks payable into a valid title company or bank repair escrow account managed by an escrow agent of the title company or bank. Under no circumstances will GMHF allow “cash out” disbursements directly to the borrower. Note: Net to/from borrower as listed on the HUD-1 cannot exceed 1% of the new first mortgage amount. This 1% amount is allowable only for HUD-1 balancing purposes.
- 4) Written estimates/bids for proposed home improvements must be submitted to the local loan administrator and be available for review by GMHF upon request. The local loan administrator and/or GMHF have discretion to deny requests for certain “luxury” home improvements.
- 5) Combined loan-to-value of all mortgages may not exceed 100% for refinances or home equity loans. Value must be documented in the files and may be determined using one of the following methods:
 - a. Professional appraisal
 - b. Professional appraisal less than one year old plus 50 percent of the value of the proposed improvements
 - c. Estimated Market Value (EMV) as established by the county
 - d. EMV (or purchase price if purchased within the past year) plus 50 percent of the value of proposed improvements
 - e. Bank in-house appraisal committee (if applicable)
- 6) Local administrators may charge a fee to buyers for processing refinance and subordination loan requests. Buyers are also responsible for paying any fees

associated with a repair escrow account, which may be funded from the equity proceeds.

- 7) If the borrower has completed home improvements without using all of the refinance proceeds, the borrower must obtain approval from the administrator or GMHF for further repairs or improvements, or return the balance of the proceeds to be applied to any amounts due under the Gap Note.
- 8) **GMHF will only subordinate once** on each gap loan.
- 9) Local administrators should allow five working days from the submission of all required documentation to GMHF for processing of subordination requests. All refinancing and subordination requests are subject to final approval by GMHF.

Refinance Policies

- 1) GMHF will not subordinate unless the request is to refinance the first mortgage at prevailing rates/fees. (Proposed rates and fees must be the lowest available for the borrower's risk category).
- 2) No "cash out" to the borrower is allowed unless the purpose is for home repairs or improvements. Requirements for "cash out" requests are described in the general policies.
- 3) No "wrapping in" of other debt to the new first mortgage is allowed.
- 4) In addition to the documentation described in the general policies, a copy of the payoff of the mortgage on the refinance date must be provided.
- 5) Proposed combined loan-to-value ratio may not exceed 100%.

Home Equity Loan Policies

- 1) GMHF will not subordinate unless the purpose of the home equity loan is for home repairs or improvements.
- 2) Proposed combined loan-to-value ratio may not exceed 100%.