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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 3720

02/24/2022 Authored by Hassan, Noor, Her, Agbaje, Vang and others
The bill was read for the first time and referred to the Committee on Housing Finance and Policy

1.1 A bill for an act
1.2 relating to housing; providing down payment assistance to first-generation
1.3 homebuyers; authorizing rulemaking; appropriating money; proposing coding for
1.4 new law in Minnesota Statutes, chapter 462A.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. 462A.41 **FIRST-GENERATION HOMEBUYER ASSISTANCE**
1.7 **PROGRAM.**

1.8 Subdivision 1. Establishment. The agency may establish the Minnesota first-generation
1.9 home buyer assistance program for the purposes of providing financial assistance to
1.10 first-generation homebuyers to assist them with acquiring owner-occupied primary residences.

1.11 Subd. 2. Definitions. For purposes of this section, the following definitions shall apply:

1.12 (1) "commissioner" means the commissioner of the agency;

1.13 (2) "community land trust" has the meaning given in section 462A.30, subdivision 8;

1.14 (3) "economically challenged area" means a census tract or tracts:

1.15 (i) wherein at least 40 percent of people reported income less than 200 percent of the
1.16 federal poverty level;

1.17 (ii) wherein at least 45 percent of the people identify as people of color in the most recent
1.18 data from the United States Census Bureau; or

1.19 (iii) that are in Indian country, as defined in United States Code, title 18, section 1151;

2.1 (4) "eligible home" means a residential dwelling, including a unit in a condominium or  
 2.2 cooperative project or a manufactured housing unit, that meets the requirements of  
 2.3 subdivision 7;

2.4 (5) "eligible mortgage loan" means a residential mortgage loan that meets the  
 2.5 requirements of subdivision 8;

2.6 (6) "qualified homebuyer" means a homebuyer who meets the requirements of subdivision  
 2.7 5 and includes homebuyers consisting of multiple individuals, copurchasers, and  
 2.8 multimember households; and

2.9 (7) "shared equity homeownership program" means affordable homeownership  
 2.10 preservation through a resale restriction program administered by a community land trust,  
 2.11 other nonprofit organization, or state or local government or instrumentalities.

2.12 Subd. 3. **Shared equity homeownership program.** For the purposes of this section, a  
 2.13 shared equity homeownership program must:

2.14 (1) provide affordable homeownership opportunities to households; and

2.15 (2) utilize a ground lease, deed restriction, subordinate loan, or similar legal mechanism  
 2.16 that includes provisions ensuring that the program shall:

2.17 (i) maintain the homeownership unit as affordable for subsequent persons and families  
 2.18 of low and moderate income for an affordability term of at least 30 years after recordation;

2.19 (ii) apply a resale formula that limits the homeowner's proceeds upon resale; and

2.20 (iii) provide the program administrator or such administrator's assignee a preemptive  
 2.21 option to purchase the homeownership unit from the homeowner at resale.

2.22 Subd. 4. **Assistance criteria and limitations.** (a) Amounts from a grant under this  
 2.23 section shall be used only to provide assistance:

2.24 (1) on behalf of a qualified homebuyer; and

2.25 (2) for:

2.26 (i) costs in connection with the acquisition involving an eligible mortgage loan of an  
 2.27 eligible home, including down payment costs, closing costs, and costs to reduce the rates  
 2.28 of interest on eligible mortgage loans;

2.29 (ii) subsidies to make shared equity homes affordable to eligible homebuyers by  
 2.30 discounting the price for which the home will be sold and to preserve the home's affordability  
 2.31 for subsequent eligible homebuyers; and

3.1 (iii) preoccupancy home modifications required to accommodate qualified homebuyers  
3.2 or members of their household with disabilities.

3.3 (b) A grant of assistance under this section:

3.4 (1) may be provided on behalf of any qualified homebuyer only once; and

3.5 (2) may not exceed \$20,000.

3.6 (c) A grant under this section may be provided on behalf of a qualified homebuyer who  
3.7 is receiving assistance from other sources, including other state, federal, local, private,  
3.8 public, and nonprofit sources, for acquisition of an eligible home.

3.9 Subd. 5. **Qualified homebuyers.** A grant under this section may be provided only on  
3.10 behalf of a homebuyer who meets all of the following requirements:

3.11 (1) the homebuyer resides in an economically challenged area;

3.12 (2) the household of the homebuyer has an income that does not exceed 120 percent of  
3.13 median income for the area within which:

3.14 (i) the eligible home to be acquired using such assistance is located; or

3.15 (ii) the residence of the homebuyer is located; and

3.16 (3) the homebuyer, as attested by the homebuyer:

3.17 (i) is a first-time homebuyer; and

3.18 (ii) is an individual who has at any time been placed in foster care or is an individual:

3.19 (A) whose parents or legal guardians do not have any present residential ownership  
3.20 interest in any state; and

3.21 (B) whose spouse, or domestic partner, and each member of the household has not,  
3.22 during the three-year period ending upon acquisition of the eligible home to be acquired  
3.23 using such assistance, had any present ownership interest in a principal residence in any  
3.24 state.

3.25 Subd. 6. **Creditor immunity for reliance on borrower self-attestations.** No creditor  
3.26 shall be subject to liability, including monetary penalties or requirements to indemnify a  
3.27 federal or state agency or repurchase a loan that has been sold or securitized, for the provision  
3.28 of down payment assistance under this section to a borrower who does not meet the eligibility  
3.29 requirements if the creditor does so in good faith reliance on the borrower attestations of  
3.30 eligibility required by this section or regulation.

4.1 Subd. 7. Eligible homes. (a) A grant under this section may be provided only in  
4.2 connection with the acquisition by a qualified homebuyer of a residential property that:

4.3 (1) is located within an economically challenged area;

4.4 (2) consists of one to four dwelling units; and

4.5 (3) will be occupied by the qualified homebuyer, in accordance with such assurances  
4.6 and commitments as the commissioner shall require, as the primary residence of the  
4.7 homebuyer.

4.8 (b) The commissioner shall require that if a homebuyer, on behalf of whom assistance  
4.9 is provided from grant amounts under this section, fails or ceases to occupy the property  
4.10 acquired using such assistance as the primary residence of the homebuyer, except in the  
4.11 case of assistance provided in connection with the purchase of a primary residence through  
4.12 a shared equity homeownership program, the homebuyer shall repay the assistance to the  
4.13 commissioner as follows:

4.14 (1) 100 percent of the amount of such assistance if the failure to occupy commences  
4.15 before the expiration of the 24-month period beginning on the date of acquisition;

4.16 (2) 80 percent of the amount of such assistance if the failure to occupy commences after  
4.17 the expiration of the 24-month period beginning on the date of acquisition but before the  
4.18 expiration of the 48-month period beginning on the date of acquisition;

4.19 (3) 60 percent of the amount of such assistance if the failure to occupy commences after  
4.20 the expiration of the 48-month period beginning on the date of acquisition but before the  
4.21 expiration of the 72-month period beginning on the date of acquisition;

4.22 (4) 40 percent of the amount of such assistance if the failure to occupy commences after  
4.23 the expiration of the 72-month period beginning on the date of acquisition but before the  
4.24 expiration of the 96-month period beginning on the date of acquisition; and

4.25 (5) 20 percent of the amount of such assistance if the failure to occupy commences after  
4.26 the expiration of the 96-month period beginning on the date of acquisition but before the  
4.27 expiration of the 120-month period beginning on the date of acquisition.

4.28 (c) Notwithstanding paragraph (b), if a homebuyer, on behalf of whom assistance is  
4.29 provided from grant amounts under this section, experiences an unforeseen hardship, such  
4.30 as death or military deployment, or sells the property acquired with assistance before the  
4.31 expiration of the 60-month period beginning on such date of acquisition and the capital  
4.32 gains from the sale are less than the amount the homebuyer is required to repay the

5.1 commissioner under paragraph (b), the homebuyer shall not be liable to the commissioner  
5.2 for repayment of the amount of the shortage.

5.3 (d) If a grant under this section is provided in connection with an eligible home made  
5.4 available through a community land trust or shared equity homeownership program, such  
5.5 assistance shall remain in the community land trust or shared equity property upon transfer  
5.6 of the property to keep the home affordable to the next eligible community land trust or  
5.7 shared equity homebuyer.

5.8 Subd. 8. **Eligible mortgage loans.** A grant under this section may be provided only in  
5.9 connection with the acquisition of an eligible home involving a residential mortgage loan  
5.10 that:

5.11 (1) meets the underwriting requirements and dollar amount limitations for acquisition  
5.12 by the Federal National Mortgage Association or the Federal Home Loan Mortgage  
5.13 Corporation;

5.14 (2) is made, insured, or guaranteed under title 2 of the National Housing Act or title 5  
5.15 of the Housing Act of 1949;

5.16 (3) is a qualified mortgage, as defined in section 129C(b)(2) of the Truth in Lending  
5.17 Act;

5.18 (4) is made, insured, or guaranteed under United States Code, title 38, chapter 37; or

5.19 (5) is guaranteed under section 184 of the Housing and Community Development Act  
5.20 of 1992.

5.21 Subd. 9. **Housing counseling requirement.** (a) Assistance with grant amounts under  
5.22 this section may not be provided on behalf of a qualified homebuyer unless the homebuyer  
5.23 has completed a program of counseling with respect to the responsibilities and financial  
5.24 management involved in homeownership before entering into a sales purchase agreement  
5.25 or loan application, except as provided under paragraph (c), as the commissioner shall  
5.26 require, provided through a nonprofit or political subdivision funded by the homeownership  
5.27 education, counseling, and training program established by section 462A.209. That program  
5.28 may be delivered virtually, by telephone, or by any other method the commissioner  
5.29 determines acceptable and shall include providing information on fair housing rights and  
5.30 on the availability of postpurchase housing counseling opportunities and instruction on how  
5.31 to file a fair housing complaint.

5.32 (b) If a qualified homebuyer is unable to complete the requirement under paragraph (a)  
5.33 within 30 days due to capacity issues at nonprofits or political subdivisions funded by the

6.1 homeownership education, counseling, and training program established by section 462A.209,  
 6.2 the commissioner may allow the qualified homebuyer to complete alternative homebuyer  
 6.3 education to fulfill the requirement under paragraph (a), including homebuyer education  
 6.4 that is provided through an online platform, and the qualified homebuyer shall be made  
 6.5 aware of the availability of postpurchase housing counseling opportunities.

6.6 (c) The commissioner shall require that any qualified homebuyer who has completed a  
 6.7 counseling program referred to in paragraph (a) or alternative requirement pursuant to  
 6.8 paragraph (b) who receives a commitment for assistance with grant amounts under this  
 6.9 section and who applies for an eligible mortgage loan for acquisition of an eligible home  
 6.10 and is denied a mortgage loan, shall be referred to a counseling agency described in paragraph  
 6.11 (a) for counseling related to the denial and requalification. An eligible homebuyer may be  
 6.12 requalified at least one additional time in a calendar year or more as determined by the  
 6.13 commissioner.

6.14 (d) Of any amounts appropriated to carry out this section, the commissioner shall use  
 6.15 not less than five percent for costs of providing counseling referred to in paragraph (a).

6.16 Subd. 10. **Reporting requirements.** The agency shall submit a biennial report to the  
 6.17 legislature and the governor on the use of funds issued pursuant to this section, including  
 6.18 the number of loans and grants made, the number and types of residential units assisted  
 6.19 through the program, and the number of households for whom down payment assistance  
 6.20 payments were provided.

6.21 Subd. 11. **Rules.** The commissioner may promulgate rules as necessary to implement  
 6.22 and make specific the provisions of this section.

6.23 Subd. 12. **Applications.** The commissioner may prescribe the content, form, and manner  
 6.24 of applications for grants under this section.

6.25 **EFFECTIVE DATE.** This section is effective July 1, 2022.

6.26 Sec. 2. **APPROPRIATION.**

6.27 \$...... in fiscal year 20.. is appropriated from the general fund to the commissioner of  
 6.28 the Minnesota Housing Finance Agency to administer the first-generation homebuyer  
 6.29 assistance program under section 1.

6.30 **EFFECTIVE DATE.** This section is effective July 1, 2022.