

## **Greater Minnesota Housing Fund Affordable Mortgage Product Guidelines**

Downpayment 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. 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.freddiemac.com>.
- Housing expense and debt to income ratios of at least 28/36 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.

### **Affordable Mortgage Products**

A variety of affordable mortgage products are available to meet the needs of low- and moderate-income homebuyers. Several organizations that offer affordable mortgage products are listed. Please contact the appropriate organization for information about specific products.

Fannie Mae (Community Lending Products)  
Freddie Mac (Community Lending Products)  
Federal Housing Administration (FHA)  
USDA-Rural Development  
Minnesota Housing Finance Agency (MHFA)

Lenders may also offer portfolio products that meet GMHF guidelines.