

**SENATE  
STATE OF MINNESOTA  
NINETY-SECOND SESSION**

**S.F. No. 3897**

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DATE  
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Introduction and first reading  
Referred to Housing Finance and Policy

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to housing; establishing a first-generation homebuyers down payment  
1.3 assistance fund under the administration of a central community development  
1.4 financial institution; requiring a report; appropriating money.

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

1.6 Section 1. **FIRST-GENERATION HOMEBUYERS DOWN PAYMENT**  
1.7 **ASSISTANCE FUND.**

1.8 Subdivision 1. **Appropriation.** \$170,000,000 in fiscal year 2023 is appropriated from  
1.9 the general fund to the Housing Finance Agency as fiscal agent for a grant to Midwest  
1.10 Minnesota Community Development Corporation (MMCDC) for purposes of this section.  
1.11 The Housing Finance Agency must release grant funds to MMCDC as needed, and may do  
1.12 so in tranches for administrative efficiency.

1.13 Subd. 2. **Establishment.** A first-generation homebuyers down payment assistance fund  
1.14 is established as a pilot project under the administration of the MMCDC, a community  
1.15 development financial institution (CDFI) as defined under the Riegle Community  
1.16 Development and Regulatory Improvement Act of 1994, to provide targeted assistance to  
1.17 eligible first-generation homebuyers.

1.18 Subd. 3. **Eligible homebuyer.** For purposes of this section, "eligible first-generation  
1.19 homebuyer" means an individual:

1.20 (1) whose income is at or below 100 percent of the area median income at the time of  
1.21 purchase;

2.1 (2) who is a first-time homebuyer as defined under Code of Federal Regulations, title  
2.2 24, section 92.2;

2.3 (3) who is preapproved for a first mortgage loan; and

2.4 (4) whose parent or prior legal guardian does not, or did not at the time of their death,  
2.5 own a home.

2.6 An eligible homebuyer must complete an approved homebuyer education course prior to  
2.7 signing a purchase agreement and, following the purchase of the home, must occupy it as  
2.8 their primary residence. The home must be purchased within the maximum loan amount  
2.9 established by the federal Housing Finance Agency, and the eligible homebuyer must  
2.10 contribute a minimum of \$1,000 to down payment or closing costs.

2.11 Subd. 4. **Use of funds.** Assistance under this section is limited to ten percent of the  
2.12 purchase price of a home, not to exceed \$30,000 per eligible first-generation homebuyer.  
2.13 The assistance must be provided in the form of a loan that is forgivable at a rate of 20 percent  
2.14 per year on the day after the anniversary date of the note. The prorated balance due is  
2.15 repayable if the property converts to nonowner occupancy, is sold, is subjected to an ineligible  
2.16 refinance, is subjected to an unauthorized transfer of title, or is subjected to a completed  
2.17 foreclosure action within the five-year loan term. Recapture can be waived in the event of  
2.18 financial or personal hardship. Funds may be reserved and used for closing costs, down  
2.19 payment, or principal reduction. The funds must be used in conjunction with a conforming  
2.20 first mortgage loan that is fully amortizing and meets the standards of a qualified mortgage  
2.21 or meets the minimum standards for exemption under Code of Federal Regulations, title  
2.22 12, section 1026.43. Funds may be used in conjunction with other programs the eligible  
2.23 homebuyer may qualify for and the loan placed in any priority position.

2.24 Subd. 5. **Administration.** The first-generation homebuyers down payment assistance  
2.25 fund is available statewide and shall be administered by MMCDC, the designated central  
2.26 CDFI. MMCDC may originate and service funds and authorize other CDFIs, Tribal entities,  
2.27 and nonprofit organizations administering down payment assistance to reserve, originate,  
2.28 fund, and service funds for eligible first-generation homebuyers. Administrative costs must  
2.29 not exceed \$3,000 per loan. Any funds made available due to early resale of a home must  
2.30 be returned to MMCDC for redistribution to eligible first-generation homebuyers.

2.31 Subd. 6. **Legislative auditor.** The first-generation homebuyers down payment assistance  
2.32 fund is subject to audit by the legislative auditor. MMCDC and participating CDFIs must  
2.33 cooperate with the audit.

3.1 Subd. 7. **Creditor immunity for reliance on borrower self-attestations.** No creditor  
3.2 shall be subject to liability, including monetary penalties or requirements to indemnify a  
3.3 federal or state agency or repurchase a loan that has been sold or securitized, for the provision  
3.4 of down payment assistance under this section to a borrower who does not meet the eligibility  
3.5 requirements if the creditor does so in good faith reliance on borrower attestations of  
3.6 eligibility required by this section or regulation.

3.7 Subd. 8. **Report to legislature.** By January 15 each year, the fund administrator,  
3.8 MMCDC, must report to the chairs and ranking minority members of the legislative  
3.9 committees having jurisdiction over housing the following information:

3.10 (1) the number and amount of loans closed;

3.11 (2) the median loan amount;

3.12 (3) the number and amount of loans issued by race or ethnic categories;

3.13 (4) the median home purchase price;

3.14 (5) the type of mortgage;

3.15 (6) the total amount returned to the fund; and

3.16 (7) the number and amount of loans issued by county.

3.17 Subd. 9. **Sunset.** This section sunsets July 1, 2025.

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