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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 3966

03/03/2022 Authored by Hassan, Noor, Mariani, Lee, Gomez 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; establishing a homeownership investment grants program;
1.3 establishing a first-time home buyers down payment assistance fund; establishing
1.4 a manufactured home revolving fund; requiring reports; appropriating money.

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

1.6 Section 1. HOMEOWNERSHIP INVESTMENT GRANTS PROGRAM.

1.7 Subdivision 1. Definitions. For the purposes of this section, the following terms have
1.8 the meanings given:

1.9 (1) "commissioner" means the commissioner of the housing finance agency; and

1.10 (2) "eligible organization" means a nonprofit organization the commissioner determines
1.11 to be eligible under subdivision 2.

1.12 Subd. 2. Eligible organization. To be eligible for a grant under this subdivision, a
1.13 nonprofit organization must:

1.14 (1) be an organization defined under section 501(c)(3) of the Internal Revenue Code or
1.15 an equivalent organization;

1.16 (2) have primary operations located in the state of Minnesota;

1.17 (3) be certified as a community development financial institution by the United States
1.18 Department of the Treasury and must provide affordable housing lending or financing
1.19 programs; and

1.20 (4) serve populations, households, or geographic areas disproportionately affected by
1.21 the COVID-19 public health emergency.

2.1 Subd. 3. Eligible services. (a) Eligible organizations may apply for housing investment
2.2 grants for affordable owner-occupied housing projects for the following:

2.3 (1) housing development to increase the supply of affordable owner-occupied homes;

2.4 (2) financing programs for affordable owner-occupied new home construction;

2.5 (3) acquisition, rehabilitation, and resale of affordable owner-occupied homes or homes
2.6 to be converted to owner-occupied homes;

2.7 (4) financing programs for affordable owner-occupied manufactured housing;

2.8 (5) services to increase access to stable, affordable, owner-occupied housing in
2.9 low-income communities, Indigenous American Indian communities, and communities of
2.10 color; and

2.11 (6) residential counseling or housing navigation assistance for home ownership.

2.12 (b) Grants must be for services for eligible impacted and disproportionately impacted
2.13 households and communities as defined under the American Rescue Plan Act, or a Tribal
2.14 government.

2.15 (c) No more than five percent of the total amount awarded in this section may be for
2.16 grants under paragraph (a), clause (3), and no more than five percent of the total amount
2.17 awarded under this section may be for grants under paragraph (a), clause (6).

2.18 (d) Grant awards may be used for revolving loan programs as allowed under the American
2.19 Rescue Plan Act. The commissioner shall request approval of the use of revolving loans
2.20 under this section from the United States Department of Treasury within 30 days of enactment
2.21 of this section.

2.22 Subd. 4. Commissioner duties. (a) The commissioner shall consult with eligible
2.23 organizations and develop forms, applications, and reporting requirements for use by eligible
2.24 organizations. All organizations applying for a grant must include as part of their application
2.25 a plan to create new affordable home ownership and home preservation opportunities for
2.26 targeted areas and a plan for how the organization will comply with the allowable uses of
2.27 grant money under the American Rescue Plan Act. The commissioner shall develop a grant
2.28 award scoring system that ensures a distribution of awards throughout the state based on
2.29 population and eligible households and communities.

2.30 (b) The commissioner shall complete the requirements under paragraph (a) within 90
2.31 days of enactment of this section.

3.1 (c) By January 15, 2023, the commissioner must submit a report to the chairs and ranking
 3.2 minority members of the legislative committees with jurisdiction over housing finance and
 3.3 policy detailing the use of funds under this section.

3.4 Subd. 5. **Appropriation.** (a) \$120,000,000 in fiscal year 2022 is appropriated from the
 3.5 state fiscal recovery federal fund to the commissioner of the Minnesota Housing Finance
 3.6 Agency for grants to nonprofit organizations that provide housing development and home
 3.7 buyer assistance to populations, households, or geographic areas disproportionately affected
 3.8 by the COVID-19 public health emergency.

3.9 (b) For the purposes of this section, "state fiscal recovery federal fund" means funds
 3.10 received by the state from the state fiscal recovery fund in the American Rescue Plan Act,
 3.11 Public Law 117-2. This is a onetime appropriation and is available until December 31, 2026.
 3.12 Any funds not obligated by eligible organizations by November 15, 2024, must be returned
 3.13 to the commissioner of management and budget.

3.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.15 Sec. 2. **WORKFORCE HOMEOWNERSHIP PROGRAM; APPROPRIATION.**

3.16 (a) \$45,000,000 in fiscal year 2022 is appropriated from the state fiscal recovery federal
 3.17 fund to the commissioner of the Minnesota Housing Finance Agency for the workforce
 3.18 homeownership program under Minnesota Statutes, section 462A.38, for eligible projects
 3.19 under the American Rescue Plan Act.

3.20 (b) For the purposes of this section, "state fiscal recovery federal fund" means funds
 3.21 received by the state from the state fiscal recovery fund in the American Rescue Plan Act,
 3.22 Public Law 117-2. This is a onetime appropriation and is available until December 31, 2026.
 3.23 Any funds not obligated by eligible organizations by November 15, 2024, must be returned
 3.24 to the commissioner of management and budget.

3.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.26 Sec. 3. **FIRST-TIME HOME BUYERS DOWN PAYMENT ASSISTANCE FUND.**

3.27 Subdivision 1. **Establishment.** A first-time home buyers down payment assistance fund
 3.28 is established as a pilot project under the administration of the Midwest Minnesota
 3.29 Community Development Corporation (MMCDC), a community development financial
 3.30 institution (CDFI) as defined under the Riegle Community Development and Regulatory
 3.31 Improvement Act of 1994, to provide targeted assistance to eligible first-time home buyers,

4.1 and must serve eligible impacted and disproportionately impacted households and
4.2 communities as defined under the American Rescue Plan Act.

4.3 Subd. 2. **Eligible home buyer.** For the purposes of this section an eligible first-time
4.4 home buyer is a Minnesota resident whose income is at or below 80 percent of the area
4.5 median income at the time of purchase; who is a first-time home buyer as defined under
4.6 Code of Federal Regulations, title 24, section 92.2; and who is preapproved for a first
4.7 mortgage loan. An eligible home buyer must also meet the eligibility requirements under
4.8 the American Rescue Plan Act. An eligible home buyer must, following the purchase of
4.9 the home, occupy it as their primary residence. The eligible home buyer must contribute a
4.10 minimum of \$1,000 to down payment or closing costs.

4.11 Subd. 3. **Use of funds.** Assistance under this section is limited to ten percent of the
4.12 purchase price of a home, not to exceed \$15,000 per eligible first-time home buyer. The
4.13 assistance must be provided in the form of a loan that is forgivable at a rate of 20 percent
4.14 per year on the day after the anniversary date of the note. The prorated balance due is
4.15 repayable if the property converts to nonowner occupancy, is sold, is subjected to an ineligible
4.16 refinance, is subjected to an unauthorized transfer of title, or is subjected to a completed
4.17 foreclosure action within the five-year loan term. Funds may be reserved and used for closing
4.18 costs, down payment, or principal reduction. The funds must be used in conjunction with
4.19 a conforming first mortgage loan that is fully amortizing and meets the standards of a
4.20 qualified mortgage. Funds may be used in conjunction with other programs the eligible
4.21 home buyer may qualify for and the loan placed in any priority position.

4.22 Subd. 4. **Administration.** The first-time home buyers down payment assistance fund
4.23 shall be administered by MMCDC and be available for eligible home buyers statewide.
4.24 MMCDC shall authorize and reimburse other eligible CDFIs to reserve, originate, fund,
4.25 and service funds for eligible first-time home buyers. An eligible CDFI must be licensed
4.26 by the state of Minnesota and the Nationwide Multistate Licensing System and Registry
4.27 for loan origination and must provide affordable housing lending or financing programs.
4.28 Administrative costs must not exceed \$1,000 per loan. Any funds made available due to
4.29 early resale of a home must be returned to MMCDC for redistribution to eligible first-time
4.30 home buyers.

4.31 Subd. 5. **Legislative auditor.** The first-time home buyers down payment assistance fund
4.32 is subject to audit by the legislative auditor. MMCDC and participating CDFIs must cooperate
4.33 with any audit by the legislative auditor.

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

5.7 Subd. 7. **Report to legislature.** By January 15 each year, MMCDC must report to the
5.8 chairs and ranking minority members of the legislative committees having jurisdiction over
5.9 housing the following information:

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

5.11 (2) the mean and median loan amount;

5.12 (3) the number and amount of grants issued by race or ethnic categories;

5.13 (4) the mean and median home purchase price;

5.14 (5) the type of mortgage;

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

5.16 (7) the number and amount of grants issued by county.

5.17 Subd. 8. **Appropriation.** (a) \$25,000,000 is appropriated in fiscal year 2022 from the
5.18 state fiscal recovery federal fund to the commissioner of the Minnesota Housing Finance
5.19 Agency as fiscal agent for a grant to MMCDC for purposes of this section. The Housing
5.20 Finance Agency may release funds to MMCDC in tranche over the course of the pilot
5.21 project.

5.22 (b) For the purposes of this section, "state fiscal recovery federal fund" means funds
5.23 received by the state from the state fiscal recovery fund in the American Rescue Plan Act,
5.24 Public Law 117-2. This is a onetime appropriation and is available until December 31, 2026.
5.25 Any funds not obligated by November 15, 2024, must be returned to the commissioner of
5.26 management and budget.

5.27 Subd. 9. **Sunset.** This section sunsets January 16, 2027, or after the submission of the
5.28 final report under subdivision 7.

5.29 **EFFECTIVE DATE.** This section is effective the day following final enactment.

6.1 Sec. 4. **HOUSING AFFORDABILITY FUND; FISCAL YEAR 2023 ALLOCATION.**

6.2 (a) \$10,000,000 of the allocations from the Housing Finance Agency's housing
6.3 affordability fund, or Pool 3, in fiscal year 2023 shall be for a revolving loan fund under
6.4 Minnesota Statutes, section 462A.05, subdivision 35, to provide loans with a two percent
6.5 interest rate for residents of manufactured home parks to purchase the manufactured home
6.6 park in which they reside for the purpose of conversion of the manufactured home park to
6.7 cooperative ownership. Repayments of principal and interest from loans issued under this
6.8 section must be used for the purposes of this section. The commissioner must make a
6.9 determination regarding the issuance of a loan under this section and disburse the funds
6.10 within 90 days of receiving a completed application. No money from the allocation under
6.11 this paragraph may be used to administer this program. The commissioner must not supplant
6.12 other homeownership programs out of Pool 3 to capitalize this revolving loan fund.

6.13 (b) Each year on January 15, the commissioner of the Housing Finance Agency shall
6.14 report to the legislature the allocation of housing affordability funds under paragraph (a),
6.15 including the amount issued in loans, the amount of loans repaid, the remaining balance of
6.16 the revolving loan fund, the number of projects funded or financed, the number of residents
6.17 included in each project, and the location of each project.

6.18 (c) Nothing in this section shall impair the obligation of the agency to use funds in Pool
6.19 3 to satisfy the agency's obligations to holders of bonds secured by the general obligation
6.20 pledge of the agency to suggested use of agency resources.

6.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.