

CHAPTER 4900
MINNESOTA HOUSING FINANCE AGENCY
HOUSING LOANS AND GRANTS

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4900.0010 DEFINITIONS.

[For text of subps 1 to 22, see M.R.]

Subp. 23. Persons and families of low and moderate income. “Persons and families of low and moderate income” means:

A. With respect to limited-unit mortgage loans pursuant to parts 4900.0310 to 4900.0360, except for loans issued under parts 4900.0370 and 4900.0380, development cost loans pursuant to parts 4900.0210 to 4900.0240, planning grants pursuant to parts 4900.0410 and 4900.0420, and American Indian housing loans pursuant to parts 4900.0900 to 4900.1080, which loans and

grants are intended for a limited-unit development, or a dwelling unit in a planned unit development or a condominium, those persons and families whose adjusted income does not exceed the amounts set forth in the following tables or such lower amount as shall be required to assure that the interest on obligations of the agency will be exempt from federal income taxation.

(1) Maximum adjusted income for loans for new construction:

(a) in the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Washington, and Wright:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$37,500
10.01 - 10.50%	\$38,500
10.51 - 11.00%	\$39,500
11.01 - 11.50%	\$40,500
11.51% and over	\$41,500

(b) in the counties of Clay, Nicollet, and Olmsted:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$32,000
10.01 - 10.50%	\$33,000
10.51 - 11.00%	\$34,000
11.01 - 11.50%	\$35,000
11.51% and over	\$36,000

(c) in the counties of Benton, Blue Earth, St. Louis, Sherburne, and Stearns:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$28,000
10.01 - 10.50%	\$29,000
10.51 - 11.00%	\$30,000
11.01 - 11.50%	\$31,000
11.51% and over	\$32,000

(d) in all other counties:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$28,000
10.01 - 10.50%	\$29,000
10.51 - 11.00%	\$30,000
11.01 - 11.50%	\$31,000
11.51% and over	\$32,000

(2) Maximum adjusted income for loans for existing construction:

(a) in the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Washington, and Wright:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$33,000
10.01 - 10.50%	\$34,000
10.51 - 11.00%	\$35,000
11.01 - 11.50%	\$36,000
11.51% and over	\$37,000

(b) in the counties of Clay, Nicollet, and Olmsted:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$26,000
10.01 - 10.50%	\$27,000
10.51 - 11.00%	\$28,000
11.01 - 11.50%	\$29,000
11.51% and over	\$30,000

(c) in the counties of Benton, Blue Earth, St. Louis, Sherburne,
and Stearns:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$24,000
10.01 - 10.50%	\$25,000
10.51 - 11.00%	\$26,000
11.01 - 11.50%	\$27,000
11.51% and over	\$28,000

(d) in all other counties:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$22,000
10.01 - 10.50%	\$23,000
10.51 - 11.00%	\$24,000
11.01 - 11.50%	\$25,000
11.51% and over	\$26,000

[For text of items B and C, see M.R.]

D. With respect to home improvement grants and rehabilitation loans pursuant to parts 4900.0610 to 4900.0700 to be made by the agency, those persons and families whose assets do not exceed \$25,000, and

(1) with respect to home improvement grants and rehabilitation loans defined in part 4900.0610 as deferred loans, those persons and families whose adjusted income does not exceed \$8,500; or

(2) with respect to rehabilitation loans defined in part 4900.0610 as revolving loans, those persons and families:

(a) in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington whose adjusted income does not exceed \$15,000; and

(b) in all other counties whose adjusted income does not exceed \$12,000.

[For text of item E, see M.R.]

F. With respect to the Housing Preservation Program under parts 4900.2200 to 4900.2270, persons and families whose gross annual income does not exceed 100 percent of the median family income for the county in which the target area is located, as determined from time to time by the United States Department of Housing and Urban Development.

G. With respect to neighborhood preservation home improvement loans pursuant to parts 4900.2300 to 4900.2340, those persons and families whose gross annual income does not exceed the income limits established by any agency of the federal government with respect to federally subsidized mortgages for low- and moderate-income families.

H. With respect to parts 4900.2900 to 4900.2907, those persons whose income is at or below 50 percent of the median income adjusted for family size of the standard metropolitan statistical area.

Statutory Authority: *MS s 462A.06*

History: *14 SR 331; 14 SR 2354; 14 SR 2432; 15 SR 376*

4900.0920 QUALIFICATIONS FOR HOUSING.

Except as otherwise provided herein and by part 4900.0340, each recipient of a loan pursuant to the act, plan, and parts 4900.0900 to 4900.1080 and each person or family initially occupying a dwelling unit financed pursuant thereto shall be an American Indian as defined by Minnesota Statutes, section 254A.02, subdivision 11, or an American Indian family as hereinafter defined, and of low and moderate income as defined by part 4900.0010, subpart 23, item A, subitem (1). However, developers of multifamily housing developments need not be American Indians or of low and moderate income, and further provided that the tribe, band, and communities may qualify as eligible borrowers, if the funds advanced are used to construct eligible housing for resale or rental to eligible recipients and the funds advanced are returned to the revolving loan fund under the jurisdiction of the tribe, band, or communities when permanent financing is obtained. An American Indian family for purposes of parts 4900.0900 to 4900.1080 is a family which at the time the loan is granted has at least one resident mortgagor who is an American Indian as defined by Minnesota Statutes, section 254A.02, subdivision 11.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2354*

HOME OWNERSHIP ASSISTANCE FUND

4900.1300 SCOPE.

Parts 4900.1300 to 4900.1390 govern the home ownership assistance fund.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.1310 [Repealed, 14 SR 2632]

4900.1315 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.1300 to 4900.1390 have the meanings given them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency.

Subp. 3. **Entry costs.** "Entry costs" means the financial requirements other than first mortgage loan proceeds needed to purchase residential real property,

including required down payment, closing costs, mortgage insurance premium, origination fee, and other costs and expenses.

Subp. 4. First mortgage loan. "First mortgage loan" means a real estate loan that has priority over all other voluntary liens against certain real property.

Subp. 5. Mortgage revenue bonds. "Mortgage revenue bonds" means tax-exempt bonds issued by public entities payable from revenues derived from repayment of principal and interest on mortgage loans that were financed from the proceeds of the bonds.

Subp. 6. Participation interest. "Participation interest" means a percentage or specified monetary interest in a first mortgage loan that is shared by more than one lender.

Subp. 7. Principal residence. "Principal residence" means the primary, year-round domicile of the recipient. A residence that is primarily used in a trade or business, as an investment property, or a recreational home is not a principal residence.

Subp. 8. Purchase price. "Purchase price" means the contract price paid or payable by the buyer to the seller for the purchase of a property covered by a first mortgage loan.

Subp. 9. Recipient. "Recipient" means a person or household receiving home ownership assistance fund loans as described in part 4900.1375, subparts 2 to 8.

Subp. 10. Single head of household. "Single head of household" means an adult who is 18 years of age or older and is the parent, guardian, or legal custodian of one or more minor children under 18 years of age living in the home of the parent, guardian, or legal custodian.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.1320 [Repealed, 14 SR 2632]

4900.1330 [Repealed, 14 SR 2632]

4900.1331 HOME OWNERSHIP ASSISTANCE FUND.

Subpart 1. Purpose of program. The home ownership assistance fund is established to assist persons and families of low and moderate income as specified in part 4900.1345, subpart 2, in the purchase of affordable housing according to parts 4900.1300 to 4900.1390. Toward this end, the agency may provide assistance directly to home buyers, may use funds to provide additional security for eligible loans, and may provide additional security for bonds issued by the agency.

Subp. 2. Use of fund; general. Home ownership assistance fund money may only be used in conjunction with first mortgage loans made or purchased by the agency. However, within this limitation, money may be combined with funds from outside sources, including funds from other federal, state, and local government agencies or instrumentalities, private foundations, mortgage insuring entities, the Federal Housing Finance Board, or other public or private sources.

Subp. 3. Fund recapture. Home ownership assistance must provide for a reasonable likelihood of recapturing the money for later use. Home ownership assistance fund money under part 4900.1375, subparts 2 to 9, must be secured by a lien on the property being purchased with an appropriate repayment schedule. A repayment provision under part 4900.1375, subparts 2 to 8, must take into consideration potential income growth of recipients and the percentage of income that recipients may reasonably dedicate toward mortgage payments under mortgage industry accepted underwriting standards.

Subp. 4. Default. A home ownership assistance fund loan under part 4900.1375, subparts 2 to 8, is in default if the recipient defaults in the timely

observance and performance of a condition or covenant of the first mortgage loan or of the home ownership assistance fund loan, or sells, assigns, rents, or transfers the property, whether by deed, contract for deed, or otherwise. A transfer of the property to a surviving joint tenant, if any, by reason of the death of the recipient does not constitute a default.

In the event of default, the home ownership assistance fund loan is immediately due and payable in its entirety, at the option of the agency, and is subject to interest from the date of default until the date of payment at the same rate of interest as the first mortgage loan on the property.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.1340 [Repealed, 14 SR 2632]

4900.1345 RECIPIENTS HOME OWNERSHIP ASSISTANCE FUND.

Subpart 1. Three-year requirement. In cases in which home ownership assistance fund money is to be used in conjunction with mortgage revenue bond funds, each recipient of home ownership assistance fund money under part 4900.1375, subparts 2 to 7, must not have had an ownership interest in a principal residence for three years before the date of receipt of home ownership assistance fund money. In cases in which home ownership assistance fund money is to be used under part 4900.1375, subparts 2 to 7, in conjunction with funds other than mortgage revenue bond funds, the three-year requirement also applies, except that recipients who are single heads of households who have sold a principal residence as a result of a marriage dissolution decree or who have been displaced through government action or natural disaster are exempt from the requirement.

Subp. 2. Income limits. In cases in which home ownership assistance fund money is to be used under part 4900.1375, subparts 2 to 8, in conjunction with mortgage revenue bond funds, the maximum adjusted income for a recipient of home ownership assistance fund money must not exceed 60 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development. In cases in which home ownership assistance fund money is to be used under part 4900.1375, subparts 2 to 8, in conjunction with funds other than mortgage revenue bond funds, the maximum adjusted income for a recipient must not exceed 75 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development. For purposes of this subpart, adjusted income is as defined in part 4900.0010, subpart 3.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.1350 [Repealed, 14 SR 2632]

4900.1359 ELIGIBLE PROPERTY.

To qualify as an eligible property, the property being purchased with the assistance of a home ownership assistance fund loan must be a newly constructed or existing single-family residential dwelling located within the state. At the time the property is purchased, the property must be totally completed, in good repair, and meet mortgage industry accepted underwriting standards, or provisions must be made to assure that these standards will be met.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.1360 [Repealed, 14 SR 2632]

4900.1361 [Repealed, 14 SR 2632]

4900.1362 [Repealed, 14 SR 2632]

4900.1375 USE OF HOME OWNERSHIP ASSISTANCE FUND.

Subpart 1. **Scope.** The home ownership assistance fund may be used for the purposes specified in this part and within the limitations specified.

Subp. 2. **Monthly assistance.** The agency may provide recipients with interest-free monthly assistance loans in the form of monthly payments of a portion of the principal and interest installment due on mortgage loans for eligible properties. The payment must not exceed \$160 per month, and must be reduced annually.

Subp. 3. **Entry cost assistance.** The agency may provide interest-free loans to recipients who are determined, on the basis of normal credit procedures, to lack the financial resources necessary to pay entry costs on the property to be purchased. The amount of the entry cost assistance loan must equal (1) the maximum allowable under the applicable mortgage insurance program; or (2) the lesser of 50 percent of the entry costs or \$3,500 if the maximum allowable under clause (1) exceeds this amount. Entry cost assistance may be used to pay a portion of the entry costs on the property to be purchased that are customary within the mortgage industry.

Subp. 4. **Noninterest participation loans.** The agency may take an interest-free participation interest in a first mortgage loan on an eligible property to reduce the interest rate on the mortgage note executed by recipients to affordable levels. The maximum interest rate reduction that the agency may effect on a first mortgage through a participation interest is two percent.

Subp. 5. **Equity participation loan.** The agency may provide equity participation loans to recipients in which a share of the equity proportionate to the agency's share of the equity participation loan shall be repaid to the agency upon sale of the property. The maximum equity participation loan that the agency may provide must not exceed 20 percent of the purchase price of the property or \$15,000, whichever is less.

Subp. 6. **Buy-down loans.** The agency may provide an interest-free loan to buy down the interest rate on a first mortgage on an eligible property to enable increased recipient affordability. The maximum amount that a mortgage interest rate may be permanently bought down is 1.5 percent. The maximum amount that a mortgage interest rate may be temporarily bought down is three percent, and the amount of the interest rate buy-down may not be reduced to a level that exceeds one percent per year.

Subp. 7. **Equity contribution loans.** The agency may provide interest-free equity contribution loans on an eligible property to enable a recipient to afford to purchase a home. The maximum equity contribution loan that the agency may provide must not exceed 20 percent of the purchase price of the property or \$15,000, whichever is less.

Subp. 8. **Emergency mortgage assistance.** The agency may provide interest-free emergency mortgage assistance loans or mortgage reinstatement loans for recipients who own and occupy an eligible property and who have been unable to make mortgage payments due to unemployment, medical reasons, death of a mortgagor, or other valid, substantiated reasons; are at least 60 days behind in monthly payments on a first or second residential mortgage; and have reasonable prospects for maintaining a first or second mortgage after receiving such a loan. Recipients must have established an acceptable credit rating before requesting assistance under this subpart and be ineligible for mortgage assistance from any federal government program. Loans may provide for installment of principal, interest, real estate taxes, hazard or flood insurance, mortgage insurance premiums, and homeowners association dues. A maximum of 24 months of assistance may be provided.

Subp. 9. Construction or rehabilitation loans. The agency may make or participate in construction or rehabilitation loans to nonprofit entities as defined in part 4900.0010, subpart 21, for the construction or rehabilitation of housing designed for program recipients. The maximum loan may not exceed the "average area purchase price safe harbor limitations for single family residences" as provided and adjusted from time to time by the United States Department of Housing and Urban Development under section 103(a) of the Internal Revenue Code of 1986. The minimum interest rate for loans under this part must not be less than three percent per year and the maximum term of the loan must not exceed three years. The loans shall be provided primarily in circumstances in which the agency is implementing efforts or programs to aid in disposition of government real estate assets or in specific neighborhood revitalization efforts. The loans may be made in conjunction with other subsidies from public or private sources. The agency shall impose requirements customarily used within the mortgage industry to effect repayment of loans provided under this part.

Subp. 10. Coinsurance and mortgage insurance risk sharing agreements. The agency may provide for coinsurance or risk sharing pools to facilitate the availability of agency mortgage financing programs in cooperation with either government mortgage insuring or guaranteeing entities, or with private mortgage insurance entities licensed to do business in the state and maintaining an A2 rating from Moody's Investor's Service and AA from Standard and Poors Corporation. The fund must be limited to provide for mortgage insurance services for first mortgage loans with loan-to-value ratios in excess of 90 percent in areas of the state in which mortgage insurance services are unavailable on reasonable terms and conditions. The agency may not contribute more than five percent of the original principal amount for each loan to be coinsured under the pool, and may not pay more than 50 percent of the losses incurred on a claim for a defaulted mortgage loan subject to the pool.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.1390 LIMITS ON HOME OWNERSHIP ASSISTANCE.

The agency may further limit the amount of home ownership assistance fund money provided under part 4900.1375, subparts 2 to 8, to provide that recipients do not receive assistance beyond the amount necessary to make home ownership affordable under mortgage industry accepted underwriting standards. Among the factors that the agency must consider in limiting the amount of assistance shall be the interest rate on the first mortgage loans, the percentage of recipient income that may reasonably be spent on housing payments, the availability of funds from other sources to combine with the home ownership assistance fund, the resources available under the home ownership assistance fund, and general housing and construction costs in the state.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.1520 THE URBAN INDIAN HOUSING LOAN PROGRAM.

The urban Indian housing loan program provides loans for housing for American Indian persons and families residing in urban areas of the state. The program is implemented in whole or in part directly by the agency or through administrators selected by the agency. The eligible areas within the state of Minnesota are the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2, and any city with a population greater than 50,000 persons. To the extent practicable, the agency shall allocate urban Indian loan program funds equitably among eligible areas, based upon American Indian population estimates. However, the agency may also set aside a portion of program funds for alternative program components as described in part 4900.1580

without regard to a prescribed allocation formula. The agency maintains the authority to reallocate funds at its discretion based on varying loan demand.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2354*

4900.1574 LOW AND MODERATE INCOME UNDER URBAN INDIAN HOUSING LOAN PROGRAM.

For the purpose of the urban Indian housing loan program, "persons and families of low and moderate income" means recipients or beneficiaries of a mortgage loan whose income does not exceed 80 percent of the greater of the state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2354*

4900.1580 ALTERNATIVE PROGRAM COMPONENTS.

The agency may consider alternative program components to provide unique housing opportunities under the program given the availability of additional resources with which to leverage urban Indian housing loan program funds. The agency may directly administer the components, or may select an alternate administrator. An alternate administrator must be a nonprofit entity or local community as defined by part 4900.0010 or an Indian tribal organization eligible under parts 4900.0900 to 4900.1080. It is anticipated that the alternative program component will deal primarily with rental and rehabilitation of housing. An alternative program component may deal with a limited geographical area.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2354*

HOUSING TRUST FUND

4900.1920 SCOPE.

Parts 4900.1920 to 4900.1924 govern the implementation of the housing trust fund housing program for low-income persons and families.

Statutory Authority: *MS s 462A.06 subd 4,11*

History: *13 SR 2685*

4900.1921 DEFINITIONS.

Subpart 1. Agency. "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, sections 462A.01 to 462A.24.

Subp. 2. Applicant. "Applicant" means one or more entities that submit an application to the agency for a grant or loan from the housing trust fund account to assist in the development, construction, acquisition, preservation, and rehabilitation of rental and limited equity cooperative housing units for low-income persons and families.

Subp. 3. Application. "Application" means a submittal requesting a grant or loan from the housing trust fund account to assist in the development, construction, acquisition, preservation, and rehabilitation of rental and limited equity cooperative housing units for low-income persons and families.

Subp. 4. Low-income persons and families. "Low-income persons and families" means persons and families whose annual gross income at the time the person or family originally occupied the unit was at or below 30 percent of the median family income for the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2.

Subp. 5. Housing trust fund account. "Housing trust fund account" means a separate account in the housing development fund consisting of:

- A. money appropriated and transferred from other state funds;
- B. interest accrued from real estate trust accounts;
- C. gifts, grants, and donations received from the United States, private foundations, and other sources; and
- D. money made available to the agency for the purpose of the account from other sources.

Subp. 6. **Program.** "Program" means the housing trust fund housing program for low-income persons and families.

Subp. 7. **Project.** "Project" means housing receiving a loan or grant under the housing trust fund housing program for low-income persons and families.

Statutory Authority: *MS s 462A.06 subd 4,11*

History: *13 SR 2685*

4900.1922 ELIGIBLE APPLICATIONS.

To be eligible for selection as a recipient of a grant or loan under the program, an applicant must satisfy the requirements in items A and B.

A. The proposed project must substantially consist of residential housing and other housing related services such as community spaces or parking facilities, with at least 75 percent of the units rented to or cooperatively owned by low-income persons and families.

B. The application must include a comprehensive plan for the development and management of housing for low-income persons and document the ability of the applicant to develop and maintain that housing for a period of time specified by the agency. At a minimum, this plan must include:

(1) documentation of a need for the type of housing in the proposed geographic area;

(2) a description of the applicants' goals and objectives in meeting the area's need for the type of housing;

(3) a detailed description of how the housing will be developed and managed, including:

(a) a description of the proposed site for the housing;

(b) preliminary architectural plans for the development;

(c) qualifications of the development and management staff;

and

(d) a proposed tenant selection plan;

(4) a detailed budget for the development of the proposed housing showing all development costs and the sources of funds to pay them;

(5) a detailed budget for the operation of the housing showing all anticipated operating costs and the proposed rents and other income; and

(6) documentation of the experience and fiscal responsibility and capability of the applicant or fiscal agent of the applicant in developing similar housing.

Statutory Authority: *MS s 462A.06 subd 4,11*

History: *13 SR 2685*

4900.1923 ELIGIBLE APPLICANTS.

To be eligible for selection as a recipient of a grant or loan under the program, an applicant must be an individual, a nonprofit entity, a for profit entity, a cooperative housing corporation, a Minnesota city, a joint powers board established by two or more cities, or a Minnesota housing and redevelopment authority created under Minnesota Statutes, sections 462.415 to 462.705, with the authority to enter into any loan or grant documents that may be required by the agency.

Statutory Authority: *MS s 462A.06 subd 4,11*

History: *13 SR 2685*

4900.1924 SELECTION CRITERIA.

The agency shall take the following criteria into consideration when determining whether an application and applicant will be selected for a grant or loan under the program:

A. the prior experience of the applicant in development and managing similar residential housing;

B. the extent to which grant funds are combined with other funds from private or public sources to make the development economically feasible;

C. the ability of the applicant to proceed expeditiously with the development;

D. the documented need for this type of residential housing in the proposed geographic area;

E. the cost and quality of the proposed housing;

F. the extent to which the amount of rent to be charged is less than 30 percent of the income of the low-income person leasing the housing unit;

G. the geographic area to be serviced, to the end that a reasonable distribution of low-income housing can be achieved; and

H. the extent of community support for this type of development.

Statutory Authority: *MS s 462A.06 subd 4,11*

History: *13 SR 2685*

CAPACITY BUILDING REVOLVING LOAN PROGRAM

4900.1925 SCOPE.

Parts 4900.1925 to 4900.1930 govern the implementation of the capacity building revolving loan program.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1926 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.1925 to 4900.1930 have the meaning given them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, sections 462A.01 to 462A.24.

Subp. 3. **Application.** "Application" means a submittal requesting a loan from the capacity building revolving loan program.

Subp. 4. **Applicant.** "Applicant" means one or more entities that submit an application to the agency for a loan under the capacity building revolving loan program.

Subp. 5. **Capacity building loan or loan.** "Capacity building loan" or "loan" means a disbursement of funds to an eligible applicant under the capacity building revolving loan program.

Subp. 6. **Program.** "Program" means the capacity building revolving loan program as authorized by Minnesota Statutes, section 462A.21, subdivision 3a.

Subp. 7. **Project.** "Project" means the housing to be developed by the applicant as described in the program application.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1927 ELIGIBLE APPLICANTS.

To be eligible for selection as a recipient of a loan under this program, an applicant must be either:

A. a Minnesota nonprofit entity as defined in part 4900.0010, subpart 21, including, but not limited to, a housing and redevelopment authority established under Minnesota Statutes, sections 469.001 to 469.047, or a regional development commission established under Minnesota Statutes, section 462.387; or

B. a town or home rule charter or statutory city in the state of Minnesota.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1928 ELIGIBLE APPLICATIONS.

The applicant must provide an application in the form prescribed by the agency. At a minimum, the application shall include the following:

A. a complete description of the project including:

(1) a statement of the applicant's goals and objectives for the project;

(2) a description of the site;

(3) a description of the construction or rehabilitation to be completed; and

(4) a description of the population for which the housing is being developed;

B. a proposed budget for the project including:

(1) a budget for the development of the project showing all development costs;

(2) a budget for the operation of the project showing all anticipated operating costs, the proposed rents, and other sources of income; and

(3) sources of funding sought or secured for the project;

C. a proposed budget for the use of loan funds received from the capacity building revolving loan program; and

D. a proposed timetable for the project, including a schedule for repayment of loan funds.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1929 ELIGIBLE USES OF LOAN FUNDS.

All expenses must be reimbursable under the sources of financing proposed for the project. The following are eligible uses of loan funds:

A. architectural, engineering, or related professional services required in the preparation of construction or rehabilitation plans, drawings, or write-ups;

B. costs of processing and closing the financing for a project such as lender origination fees, credit reports, fees for title insurance, fees for recording and filing legal documents, attorney's fees, and appraisal fees;

C. costs of contracting with a consultant and in-house staff costs related to the planning, processing, or preparation of a project proposal. Costs must be documentable, directly related to a specific project, and tied to a recoverable source of funds at closing;

D. studies and analyses of housing needs related to a particular housing project, including market feasibility studies;

E. earnest money or option deposits on land and buildings; and

F. other activities necessary to finance, design, or plan a specific housing project for low- and moderate-income residents prior to the construction or rehabilitation of the project.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1930 SELECTION CRITERIA.

The agency shall take the following criteria into consideration when determining whether an application and an applicant will be selected for a loan under the program:

A. the likelihood of repayment of the loan funds, as determined by standard underwriting procedures of the agency;

B. the ability of the applicant to proceed expeditiously with the project;

C. the cost and quality of the proposed housing;

D. the extent to which the proposed project meets the housing needs of the community;

E. the extent to which the project will build the organization's capacity to provide housing and housing related services; and

F. the geographic distribution of loan funds, to the extent that loan funds can be used to assist projects throughout the state.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

CAPACITY BUILDING GRANT PROGRAM

4900.1931 SCOPE.

Parts 4900.1931 to 4900.1937 govern the implementation of the capacity building grant program.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1932 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.1931 to 4900.1937 have the meaning given to them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, sections 462A.01 to 462A.24.

Subp. 3. **Application.** "Application" means a submittal requesting a grant from the capacity building grant program.

Subp. 4. **Applicant.** "Applicant" means one or more entities that submit an application to the agency for a grant under the capacity building grant program.

Subp. 5. **Capacity building grant or grant.** "Capacity building grant" or "grant" means a disbursement of funds to an eligible applicant under the capacity building grant program.

Subp. 6. **Program.** "Program" means the capacity building grant program authorized by Minnesota Statutes, section 462A.21, subdivision 3b.

Subp. 7. **Project.** "Project" means the proposed use of grant funds as described by the applicant in the program application.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1933 ELIGIBLE APPLICANTS.

To be eligible for selection as a recipient of a grant under this program, an applicant must be either:

A. a Minnesota nonprofit entity as defined in part 4900.0010, subpart 21, including, but not limited to, a housing and redevelopment authority established under Minnesota Statutes, sections 469.001 to 469.047, or a regional development commission established under Minnesota Statutes, section 462.387;

B. a town or home rule charter or statutory city in Minnesota; or

C. an Indian tribe, band, or community or Indian tribal organization as defined in part 4900.0900.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1934 ELIGIBLE APPLICATIONS.

The applicant must provide an application in the form prescribed by the agency. At minimum, this application shall include the following:

A. documentation of the need for the project;

B. a description of the applicant's goals and objectives for the project;

C. a description of how the project will expand the applicant's capacity to provide housing and housing-related services;

D. a complete description of the project including:

(1) a proposed budget for the project including how grant funds will be used and the other sources of funding sought or secured for the project; and

(2) a timetable for completion of the project; and

E. a description of the applicant's organization including the organization's past experience in providing housing-related services, the types of services provided, and the composition of the organization's membership.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1935 ELIGIBLE USES OF GRANT FUNDS.

Grants may be awarded to fund the following activities:

A. staff training;

B. studies and analyses of housing needs within the applicant's service area and the development of plans to meet those needs;

C. legal and other professional services associated with the establishment or incorporation of an organization as a provider of housing and housing-related services; and

D. other activities that expand the capacity of the organization to meet housing needs in the applicant's service area.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1936 SELECTION CRITERIA.

The agency shall take the following criteria into consideration when determining whether an application and applicant will be selected for a grant under the program:

A. the need for the project as documented by the applicant;

B. the geographic area to be served, to the extent that a distribution of grant funds throughout the state can be achieved;

C. the extent to which the project will expand the applicant's ability to provide affordable housing and housing-related services;

D. the extent to which grant funds are combined with other sources of funding, particularly funds from local resources;

E. the amount of the grant request as a proportion of the total amount of grant funds available, to the extent that funds can be used to support several different projects;

F. the ability of the applicant to proceed expeditiously with the project;

G. the prior experience of the applicant in providing housing and housing-related services to low-income people; and

H. the extent to which the organization has low-income persons in its membership.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.1937 FUNDING PRIORITY.

Funding priority shall be given to those applicants:

A. that include low-income persons in their membership;

B. have provided housing-related services to low-income persons; and

C. demonstrate a local commitment of local resources, which may include in-kind contributions.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2000 DEFINITIONS

Subpart 1. Scope. For the purpose of part 4900.2005, the following terms have the meanings given them.

Subp. 2. Purchase and rehabilitation mortgage loan. "Purchase and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously purchase an existing home and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

Subp. 3. Refinance and rehabilitation mortgage loan. "Refinance and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously refinance the mortgage debt that is secured by an existing home that the borrower currently owns and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

Statutory Authority: *MS s 462A.06*

History: *14 SR 1214*

4900.2005 PURCHASE AND REHABILITATION OR REFINANCE AND REHABILITATION MORTGAGE LOANS.

Subpart 1. Eligible property. The property to be purchased or refinanced with a purchase and rehabilitation or refinance and rehabilitation mortgage loan must be an existing one-to-four family residential dwelling located in Minnesota. Mobile homes and trailers are not eligible for purchase and rehabilitation or refinance and rehabilitation mortgage loans.

Subp. 2. Minimum rehabilitation. Each property financed with a purchase and rehabilitation mortgage loan must require and receive rehabilitation in a dollar amount greater than or equal to 15 percent of the purchase price of the property. Each property financed with a refinance and rehabilitation mortgage loan must require and receive rehabilitation in a dollar amount greater than or equal to 15 percent of the value of the property prior to rehabilitation.

Subp. 3. Eligible rehabilitation. All rehabilitation work that is paid for out of the proceeds of a purchase and rehabilitation or refinance and rehabilitation mortgage loan must satisfy the following requirements:

A. Rehabilitation improvements must be made in order to comply with applicable state, county, and municipal health, housing, building, fire prevention,

and housing maintenance codes, or other public standards applicable to housing; make the property more desirable to live in; increase the market value of the property; make the property more habitable; make the property more accessible to a handicapped person; make the property more energy efficient; or convert the property to or from a one-family residence from or to a two-to-four family residence.

B. Each rehabilitation improvement must be a permanent general improvement. Permanent general improvements include additions, alterations, renovations, or repairs upon or in connection with existing structures that materially preserve or improve the basic livability, safety, or utility of the property. Permanent general improvements do not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

C. Each rehabilitation improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a purchase and rehabilitation or refinance and rehabilitation mortgage loan for a property may be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

Subp. 4. Scope of rehabilitation. For purchase and rehabilitation or refinance and rehabilitation mortgage loans in which the cost of the rehabilitation work is over \$5,000, the borrower shall enter into an agreement with a reputable contractor to complete the rehabilitation work in accordance with written bids. Borrowers shall submit a minimum of two written bids from eligible contractors when the cost of the rehabilitation work exceeds \$5,000. No contractor is required if the cost of the rehabilitation work is under \$5,000. However, in such cases, borrowers shall submit cost estimates and proposals in a form specified by the agency for the rehabilitation work.

Subp. 5. Borrower eligibility. Each borrower shall meet the following requirements:

A. Each borrower shall be a person or family, including nonrelated individual adults, whose adjusted income does not exceed 100 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided, however, that the maximum adjusted income for targeted neighborhoods may not exceed 115 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development. Targeted neighborhoods are specific geographic areas specified by local governments or housing and redevelopment authorities as neighborhoods to receive special emphasis in terms of rehabilitation or preservation of the housing stock.

B. Each borrower shall occupy the residence upon completion of the rehabilitation work as the borrower's primary, year-round residence.

C. Each borrower shall be a reasonable credit risk with the ability to pay the loan obligation in accordance with underwriting standards of the mortgage industry for the type of mortgage loan being provided.

Subp. 6. Maximum mortgage amount. The maximum mortgage amount for any purchase and rehabilitation or refinance and rehabilitation mortgage loan must not exceed the maximum mortgage amount for applicable areas of the state for mortgage loans to be insured by the Federal Housing Administration as determined and adjusted from time to time by the United States Department of Housing and Urban Development.

Statutory Authority: *MS s 462A.06*

History: *14 SR 1214*

4900.2020 SCOPE.

Parts 4900.2020 to 4900.2070 govern the implementation of the home equity conversion counseling program.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2192*

4900.2030 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 4900.2020 to 4900.2070, the following terms have the meanings given them.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency.

Subp. 3. **Applicant.** "Applicant" means one or more entities that submit an application to the agency for a grant under the home equity conversion counseling program.

Subp. 4. **Application.** "Application" means a submittal requesting a grant to pay the cost of providing counseling services regarding home equity conversion for senior homeowners.

Subp. 5. **Client.** "Client" means senior homeowners who receive home equity conversion counseling services.

Subp. 6. **Home equity conversion.** "Home equity conversion" means plans where homeowners convert equity in their homes into spendable funds while still retaining title to the homes. The funds do not have an obligation of immediate repayment.

Subp. 7. **Program.** "Program" means the home equity conversion counseling program.

Subp. 8. **Senior homeowners.** "Senior homeowners" means homeowners of whom at least one is 62 years of age, or homeowners as may be defined in home equity conversion programs sponsored or supported by local, state, or federal government and primarily designed for use by senior or elderly homeowners.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2192*

4900.2040 HOME EQUITY CONVERSION COUNSELING.

Home equity conversion loan counseling shall be provided under the program for senior homeowners as described in items A and B.

A. The applicant selected to administer the program must, at a minimum, perform the following services:

(1) Conduct a review of home equity conversion programs with the client, and explain the advantage, disadvantage, and alternatives of the programs.

(2) Explain the effects of home equity conversion on the client's estate and public benefits available to the client.

(3) Explain the home equity conversion lending process with the client.

(4) Discuss the client's supplemental income needs and financial alternatives for meeting such needs.

(5) Maintain adequate records pertaining to each client counseled under the program.

(6) Provide the client with adequate documentation of counseling so that the client may meet counseling requirements imposed under various home equity conversion loan programs.

(7) Provide such services and outreach on a statewide basis.

B. The applicant selected to administer the program may charge a reasonable fee to provide counseling services for clients, but the applicant may not deny a client counseling services due to inability to pay the fee.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2192*

4900.2050 APPLICANT ELIGIBILITY.

To be eligible for selection as a recipient of a grant under the program, an applicant must satisfy the following requirements:

A. The applicant must be a nonprofit entity as defined in part 4900.0010, subpart 21, and must have as its primary purpose assisting elderly persons in obtaining and maintaining affordable housing.

B. The applicant may not be a part of or affiliated with a lender or a vendor of home equity conversion loans or products.

C. The applicant must provide an application in a form prescribed by the agency that will document the applicant's ability to establish or maintain a home equity conversion counseling program for the period of time specified by the agency. At a minimum, this application shall include:

(1) documentation that the applicant meets the eligibility requirements prescribed in items A and B;

(2) a description of the applicant's organization that demonstrates that the applicant:

(a) is knowledgeable about home equity conversion, including reverse mortgage programs;

(b) has experience in counseling older persons on housing, including knowledge of alternative living arrangements for older persons; and

(c) has knowledge of existing public benefit programs and other appropriate financial and legal resources for older persons;

(3) a detailed description of how the proposed program would be administered, including qualifications of staff and proposed means of record keeping;

(4) a detailed budget for the specified period showing all sources and uses of funds, including grant funds; and

(5) a description of the means that the applicant plans to use to provide outreach and counseling on a statewide basis.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2192*

4900.2060 SELECTION CRITERIA.

The agency shall take the following criteria into consideration when determining whether an applicant will receive a grant under the program:

A. The prior experience of the applicant in establishing, administering, and maintaining a home equity conversion counseling program.

B. The documented familiarity of the applicant regarding home equity conversion and alternative financial resources and other services that may be available to assist senior homeowners.

C. The reasonableness of the proposed budget in meeting the objective of the program.

D. The documented ability of the applicant to provide home equity conversion counseling on a statewide basis as well as the location of the applicant in an area of anticipated demand for counseling services.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2192*

4900.2070 RECORD KEEPING AND REPORTING.

The applicant selected for the program shall be required to keep adequate

records as to each client counseled under the program in a format and fashion mutually agreed to between the applicant and the agency, and the agency may review the records upon adequate prior written notice to the applicant by the agency. The selected applicant must also provide a written report in a prescribed format regarding activity under the program to the agency at intervals prescribed by the agency, but in no instance more often than quarterly.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2192*

HOUSING PRESERVATION PROGRAM

4900.2200 SCOPE.

Parts 4900.2200 to 4900.2270 govern implementation of the Housing Preservation Program established by Minnesota Statutes, section 462A.203.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2210 DEFINITIONS.

Subpart 1. **Scope.** As used in parts 4900.2200 to 4900.2270, the following terms have the meanings given them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency.

Subp. 3. **City.** "City" has the meaning given in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 4. **Eligible borrower.** "Eligible borrower" means:

A. eligible mortgagors as defined in Minnesota Statutes, section 462A.03, subdivision 13; or

B. noneligible mortgagors who are natural persons or families whose gross annual household income is greater than 100 percent, but no greater than 110 percent, of the median family income for the county in which the target area is located, as determined from time to time by the United States Department of Housing and Urban Development.

Subp. 5. **Housing Preservation Program.** "Housing Preservation Program" means the program administered under parts 4900.2200 to 4900.2270.

Subp. 6. **Revolving loan.** "Revolving loan" means an extension of credit to an eligible borrower requiring repayment of all principal at some future date, with or without interest, for the acquisition, improvement, or rehabilitation of residential buildings for the purpose of preserving eligible housing.

Subp. 7. **Target area.** "Target area" is the area described in Minnesota Statutes, section 462A.203, subdivision 2.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2220 PROGRAM PURPOSE.

The agency shall make grants to cities to establish revolving loan programs that will operate in target areas. Loan recipients shall use the revolving loans for housing acquisition, improvement, or rehabilitation.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2230 LOAN TERMS.

Cities shall make loans with terms appropriate for the type of building and useful life of improvements, unless conditions documented by a city require more liberal terms as incentive for owner participation.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2240 TARGET AREAS.

Target areas shall be designated by city council resolution. Changes in a target area's boundaries must also be designated by city council resolution and approved by the agency.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2250 MATCHING FUNDS.

A grant made under the Housing Preservation Program must be equally matched by city commitment of one or more of the following resources:

- A. money from the general fund or a special fund;
- B. funds paid or repaid to the community from other grant awards;
- C. funds to install, repair, or improve target area infrastructure;
- D. fees from community development activities;

E. financial contributions to support general obligation or revenue bonds issued for the Housing Preservation Program, or a project connected with the program; or

F. the greater of market value or cost to the city of land, buildings, equipment, or other real or personal property granted or loaned to a for-profit or non-profit corporation or other entity or individual for use in implementing the program.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2260 ADVISORY COMMITTEE.

Before making any loans, a city must establish an advisory committee to assist in implementing the program. The city shall determine this committee's composition and responsibilities.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2270 GRANT PROPOSAL SELECTION.

From time to time the agency may request proposals for grants from cities and shall receive proposals for at least 60 days. Only one target area may be included in each proposal submitted, but a city may submit proposals for more than one target area.

The agency shall select grant proposals for funding based on the following factors:

A. the extent of substandard or hazardous housing conditions in the target area, the impact the program will have in reducing or eliminating them;

B. the extent to which displacement of low- and moderate-income tenants will be minimized;

C. adequacy of documentation, including that required to establish target area eligibility;

D. revolving loan fund characteristics, and the extent to which proposed lending activities do not duplicate available agency programs that are adequately funded;

E. administrative capabilities of the city or the entity that will administer the program on behalf of the city; and

F. the geographic area to be serviced, the size of grant request or other factors, to the end that a reasonable distribution of resources can be achieved across the state.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

NEIGHBORHOOD PRESERVATION HOME IMPROVEMENT LOANS

4900.2300 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.2300 to 4900.2340 have the meanings given them in this part.

Subp. 2. **City.** "City" has the meaning given in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 3. **Designated neighborhood.** "Designated neighborhood" means that geographic area identified by a city that has been approved by the agency as a designated neighborhood and has the following characteristics:

- A. is within an incorporated city;
- B. has definite geographical boundaries; and
- C. consists primarily of residential-use structures.

Subp. 4. **Eligible applicants.** "Eligible applicants" means general applicants and other applicants.

Subp. 5. **General applicants.** "General applicants" means applicants who are:

A. natural persons or families of low or moderate income who occupy the property to be improved as a single-family structure;

B. natural persons or families of low or moderate income who own existing residential housing occupied by renters, provided the applicant complies with the agency's required occupancy requirement;

C. nonprofit entities, limited profit entities, or cooperative housing corporations that provide:

(1) residential care facilities for mentally ill, mentally retarded, physically handicapped, or drug dependent persons; or

(2) dwelling accommodations for persons or families of low and moderate income; or

(3) dwelling accommodations for other persons or families when the agency determines it necessary to further its policy of economic integration.

Subp. 6. **Neighborhood preservation home improvement loan.** "Neighborhood preservation home improvement loan" means a loan administered under parts 4900.2300 to 4900.2340.

Subp. 7. **Other applicants.** "Other applicants" means:

A. natural persons and families who are not of low and moderate income;

B. natural persons and families of low and moderate income who own existing residential housing occupied by renters, where the applicant does not comply with the agency's required occupancy requirement;

C. corporations and partnerships that provide:

(1) dwelling accommodations for persons or families of low or moderate income; or

(2) dwelling accommodations for other persons or families when the agency determines it necessary to further its policy of economic integration.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2310 PROPOSALS FOR LOANS.

Subpart 1. **Requests for proposals.** From time to time, the agency may request proposals from cities for neighborhood preservation home improvement loans for a period of not less than 60 days on a form specified by the agency.

Subp. 2. Selection of proposals. The agency shall select proposals for funding based on the following criteria:

A. the relative neighborhood preservation needs described in the proposal, including, but not limited to, housing needs, the needs of commercial and public properties, and infrastructure;

B. the extent to which other resources are or will be allocated to address the stated needs;

C. the expected impact of the neighborhood preservation activities;

D. the extent to which other conditions or resources exist for long-term preservation of the designated neighborhood;

E. the extent to which low- and moderate-income residents will benefit from the neighborhood preservation activities;

F. the extent to which displacement of residents will be minimized;

G. the geographic area to be serviced, the size of the request for funds, or other factors that will achieve a reasonable distribution of resources across the state;

H. the priority rating a city may assign to a proposal if the city submits more than one proposal; and

I. the extent to which the proposal is more innovative than other proposals.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2320 ELIGIBLE LOAN APPLICATIONS.

Subpart 1. Eligible borrowers. An eligible borrower must be an eligible applicant that also meets the ownership interest and credit risk requirements specified in this part.

Subp. 2. Ownership interest. Each eligible borrower for a neighborhood preservation home improvement loan must individually or in the aggregate possess at least a one-third interest in fee, in a contract for deed, or in a life estate in the property to be improved. However, occupancy of the property by the eligible borrower is not required.

For manufactured or factory-made housing taxed as personal property or not permanently affixed to real property, an eligible borrower must individually or in the aggregate have a 100 percent interest in the title to the housing to be improved.

Subp. 3. Credit risk. Each eligible borrower must be a reasonable credit risk with the ability to pay the loan obligation as determined by the agency or by the lending institution, if any, servicing the loan on behalf of the agency pursuant to part 4900.0080.

Subp. 4. Compliance with zoning ordinances. The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

Subp. 5. Use of property restricted. The property must be used primarily for residential purposes.

Subp. 6. Time of completion. All improvements must be reasonably capable of being completed within nine months of the date of the disbursement of funds, except for delays due to causes beyond the applicant's reasonable control, such as fire, strike, and shortage of materials.

Subp. 7. Unavailability of financing. At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 8. Required occupancy. Except as parts 4900.2300 to 4900.2340 apply

to other applicants, owners of residential housing occupied by renters shall give preference in renting the improved housing units to those persons of low or moderate income who occupied the residential housing at the time of application for the loan. Upon completion of the improvements, structures containing six rental units or fewer must be occupied by persons and families of low and moderate income in at least one of the units in the case of a one-unit or two-unit rental structure, two of the units in the case of a three-unit rental structure, three of the units in the case of a four-unit rental structure, four of the units in the case of a five-unit or six-unit rental structure, and at least 75 percent of the rental units in the case of rental structures containing more than six units.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2330 RESTRICTION ON FUNDS.

At least 75 percent of funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood must be dedicated to make loans to general applicants.

No more than 25 percent of the funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood may be used to make loans to other applicants.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

4900.2340 ELIGIBLE USES OF LOAN PROCEEDS.

Subpart 1. Eligible improvements. An improvement financed with the proceeds of a neighborhood preservation home improvement loan must meet all of the requirements of part 4900.0520.

Subp. 2. Refinancing. Up to 50 percent of the proceeds of a neighborhood preservation home improvement loan may be used to pay the balance on contracts for deed or mortgages involving the property to be improved, provided such action is necessary to permit the owner to meet the owner's housing cost without expending an unreasonable portion of the owner's income.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2432*

RURAL AND URBAN HOMESTEADING PROGRAM

4900.2400 SCOPE.

Parts 4900.2400 to 4900.2600 govern the implementation of the rural and urban homesteading program under Minnesota Statutes, section 462A.057.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2420 DEFINITIONS.

Subpart 1. Scope. The terms used in parts 4900.2400 to 4900.2600 have the meanings given them in this part.

Subp. 2. Agency. "Agency" means the Minnesota Housing Finance Agency.

Subp. 3. Applicant. "Applicant" means one or more entities that submit an application to the agency for a grant under the rural and urban homesteading program.

Subp. 4. Application. "Application" means a submittal requesting a grant of funds under the rural and urban homesteading program.

Subp. 5. At-risk homebuyer. "At-risk homebuyer" means an individual or family who is homeless, receiving public assistance, or would otherwise be unable

to afford homeownership through sources other than the program pursuant to criteria or standards as established by the eligible organization and accepted by the agency.

Subp. 6. Designated area. "Designated area" means a specific area where the acquisition, rehabilitation, and sale of eligible properties may take place under the program. In the metropolitan area, as defined in Minnesota Statutes, section 473.121, subdivision 2, a designated area must be a specific four square block area.

Subp. 7. Eligible organization. "Eligible organization" means an applicant that has been selected to receive a grant under the rural and urban homesteading program.

Subp. 8. Eligible property. "Eligible property" means a single family residential property, located within a designated area, that is vacant, condemned, abandoned, or identified as desirable for purchase and rehabilitation by the eligible organization for appropriate reasons cited by the eligible organization which, if rehabilitated, may prevent or arrest the spread of blight.

Subp. 9. Good neighbor policy. "Good neighbor policy" means a set of standards developed by the applicant pertaining to community behavior or housing maintenance that homebuyers under the program must agree to meet or observe.

Subp. 10. Initial acquisition cost. "Initial acquisition cost" means the actual costs incurred in acquiring and rehabilitating an eligible property under the program and includes back taxes and closing costs.

Subp. 11. Local neighborhood advisory board or advisory board. "Local neighborhood advisory board" or "advisory board" means a volunteer board established by the eligible organization in accordance with parts 4900.2400 to 4900.2600.

Subp. 12. Program. "Program" means the rural and urban homesteading program administered under parts 4900.2400 to 4900.2600.

Subp. 13. Sales cost. "Sales cost" means the actual cost and the imputed value of costs incurred in the acquisition and sale of an eligible property, except that the imputed value costs may be limited so that sale costs do not exceed the maximum allowed under the program.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2440 THE RURAL AND URBAN HOMESTEADING PROGRAM.

Subpart 1. Purpose of program. The rural and urban homesteading program provides grants to eligible organizations to acquire and rehabilitate existing single family residences and sell them through contracts for deed to eligible homebuyers who are considered to be at risk and are willing to strengthen the neighborhood by adhering to a good neighbor policy reference.

Subp. 2. Uses of grant money. The agency may award grants to eligible organizations of up to \$300,000. The grants must be used by eligible organizations to buy eligible properties and pay for the cost of rehabilitating those properties. The agency may establish an allocation plan for the program to provide for the greater likelihood of awarding such grants among rural and urban properties. The agency may also establish requirements pertaining to maximum allowable administrative costs under the program, but in no instance may the administrative costs exceed \$30,000 per eligible organization from funds appropriated for the program during the period of acquisition, rehabilitation, and sale.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2460 APPLICATION BY ELIGIBLE ORGANIZATION.

Subpart 1. **Preliminary eligibility.** The applicant must be a political subdivision, or a nonprofit entity as defined in part 4900.0010, subpart 21, that has as a primary purpose the provision or development of affordable housing to low- and moderate-income homebuyers.

Subp. 2. **Application.** The applicant must provide an application on a form prescribed by the agency that will document the entity's ability to develop and maintain the program as provided under parts 4900.2400 to 4900.2600. At a minimum, this application shall include:

A. documentation that the applicant meets the eligibility requirements in subpart 1;

B. a description of the applicant's organization that demonstrates that the applicant:

(1) has experience in acquisition and rehabilitation of housing for low- and moderate-income homebuyers; and

(2) has the ability to organize and complete the program;

C. a detailed description of how the applicant proposes to develop and administer the program, including, but not limited to:

(1) the designated area in which the program is to be delivered and the availability of eligible properties on reasonable terms and conditions within the designated area;

(2) a definition and description of the at-risk homebuyers to whom the applicant proposes to sell eligible property under the program;

(3) a definition and description of the good neighbor policy to which the at-risk homebuyers must adhere;

(4) the structure and specific duties of the local neighborhood advisory board as described in parts 4900.2400 to 4900.2600;

(5) the standard to which properties under the program will be acquired and rehabilitated;

(6) the means by which outreach for at-risk homebuyers will be undertaken, and by which such homebuyers will be selected;

(7) the qualifications of staff; and

(8) proposed means of record keeping; and

D. a detailed budget for the program showing all sources and uses of funds, including administrative funds that may be provided from sources other than the grant.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2480 SELECTION OF ELIGIBLE ORGANIZATION.

Subpart 1. **Criteria.** The agency shall take the following criteria into consideration when determining whether an applicant will receive a grant under the program.

A. The prior experience of the applicant in establishing, administering, and maintaining affordable housing programs for low- and moderate-income households.

B. The prior experience of the applicant in purchasing and rehabilitating residential property for resale or rental.

C. The documented availability on reasonable terms and conditions of both eligible properties and resources through which the properties may be rehabilitated within the designated area identified by the applicant in the application.

D. The reasonableness of the program as developed by the applicant.

E. The availability of outside sources of funds for either administrative costs or to provide for purchase, rehabilitation, and sale of properties under the program, or both.

F. The reasonableness of the proposed budget in meeting the objectives of the program.

G. The capacity of the applicant to:

(1) organize and continue an ongoing relationship with the local neighborhood advisory board;

(2) provide the necessary staff to administer the program on the local level for an extended period;

(3) assist homebuyers by linking them with service providers to enhance their possibility of successful homeownership; and

(4) the ability to service the contract for deed and manage the revolving fund created under the program.

Subp. 2. Agency may provide assistance. Nothing in subpart 1 shall be construed to preclude the agency from conducting outreach, encouraging potentially eligible organizations to develop applications, or contacting or interviewing applicants regarding their applications before application selection.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2500 LOCAL NEIGHBORHOOD ADVISORY BOARD.

Subpart 1. Establishment of advisory board. A local neighborhood advisory board for each designated area in which the program is delivered shall be established by the eligible organization. Except for the requirements in this part, the eligible organization shall be granted flexibility in determining the structure and specific duties of the advisory board. The advisory board shall be comprised of volunteer residents from the designated area.

Subp. 2. Racial composition. Wherever possible, residents selected to serve on the advisory board must reflect the racial composition of the designated area. Within the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2, at least 20 percent of the advisory board must be minority residents. The eligible organization must undertake adequate outreach within each designated area to achieve such racial composition. If, despite such outreach, the eligible organization is unable to obtain such racial composition, the eligible organization must demonstrate to the satisfaction of the agency that a reasonable effort was made to do so.

Subp. 3. Required duties. The duties of the advisory board include, but are not limited to, the following:

A. recommending properties that may be acquired within the designated area to the eligible organization;

B. recommending the selection of eligible homebuyers to the organization; and

C. assisting the eligible organization in providing ongoing assistance to eligible homebuyers.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2520 ELIGIBLE PROPERTIES.

Subpart 1. General. Eligible properties are to be acquired by the eligible organization for rehabilitation and sale to at-risk homebuyers with the consent of the local neighborhood advisory board for the designated area. The eligible organization may initially acquire up to five properties in a designated area with funds appropriated for the program or may acquire more than five properties if funds

other than appropriated funds are used. Mobile homes, townhomes in planned unit developments, and condominium units are not eligible under the program. Upon sale of the property, clear and marketable title subject to the contract for deed described in part 4900.2560 must be provided to the homebuyer.

Subp. 2. Rehabilitation standards. Eligible properties are to be rehabilitated, at a minimum, to the Housing Quality Standards as established in Code of Federal Regulations, title 24, section 882.404, and changed from time to time by the United States Department of Housing and Urban Development. Applicants may provide for rehabilitation of properties beyond Housing Quality Standards where it is feasible, and are encouraged to do so. All rehabilitation work must also satisfy the following requirements:

A. Rehabilitation improvements may be made in order to comply with applicable state, county, and municipal health, housing, building, fire prevention, and housing maintenance codes, or other public standards applicable to housing; make the property more desirable to live in; increase the market value of the property; make the property more habitable; make the property more accessible to a handicapped person; or make the property more energy efficient.

B. Each rehabilitation improvement must be a permanent general improvement. Permanent general improvements include additions, alterations, renovations, or repairs upon or in connection with existing structures that materially preserve or improve the basic livability, safety, or utility of the property. Permanent general improvements do not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

C. Each rehabilitation improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no requirement may be imposed under the program that will preclude rehabilitation solely because the improvements will not bring the property into full compliance with all codes and standards.

Subp. 3. Appraisal. Eligible properties must be appraised before the beginning of rehabilitation work by an appraiser approved to conduct appraisal for the Federal Housing Administration, Veterans Administration, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation. The appraiser shall be informed as to the proposed improvements so that the value of the eligible property after rehabilitation may be estimated. The purchase price for the eligible property to be paid by the at-risk homebuyer must be less than or equal to 125 percent of the appraised value of the eligible property after rehabilitation.

Subp. 4. Acquisition costs. The total initial acquisition cost of the property may not exceed \$50,000 unless costs over \$50,000 are attributed to rehabilitation or improvement to make the property accessible for the physically disabled. The sales cost of the property may also not exceed \$50,000 unless sales cost over \$50,000 are attributed to rehabilitation or improvement to make the property accessible for the physically disabled.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2540 ELIGIBLE HOMEBUYERS.

An individual or family eligible to purchase a home under the program must be an at-risk homebuyer as described in part 4900.2420, subpart 5, and must also:

A. not have owned a residential dwelling for the three years before the date of execution of the contract for deed;

B. have household income before the date of execution of the contract for deed at or below limits established by the eligible organization, but in no instance may such income limits be established at a level higher than 70 percent

of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development;

C. have sufficient gross household income so that on the date of execution of the contract for deed at least 25 percent of that income will be adequate to pay monthly installments of real estate taxes and hazard insurance premiums; and

D. agree to apply 25 percent of their gross monthly household income to the debt incurred under the contract for deed, immediately inform the eligible organization of significant changes in gross household income, and cooperate and participate in annual recertification of gross household income by the eligible organization.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2560 CONTRACT FOR DEED.

The agency shall establish the terms and conditions for the contract for deed to be used to convey the rehabilitated property from the eligible organization to the at-risk homebuyer. The terms and conditions shall reflect state law pertaining to such documents, the requirements of Minnesota Statutes, section 462A.07, and parts 4900.2400 to 4900.2600 pertaining to the program, specific requirements of the program as implemented by the eligible organization, and provisions pertaining to the right of first refusal by the eligible organization or the agency upon property resale as prescribed in Minnesota Statutes, section 462A.07.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2580 REVOLVING FUND.

The eligible organization shall repay to the agency, without interest, all grant funds advanced to it under the agreement executed for the program to the extent and manner provided in the agreement. The agreement shall provide for establishment of a revolving fund into which all loan repayments, sales proceeds, or recaptured funds must be repaid. The revolving fund shall provide that repayment to the agency may be deferred if the eligible organization elects to acquire, rehabilitate, and sell additional eligible properties under the program. The agency may also provide for payment of certain administrative and other costs from the revolving fund, and may establish other requirements pertaining to the revolving fund under the agreements with the eligible organization.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2600 RECORD KEEPING AND REPORTING.

Subpart 1. Record keeping. The eligible organization shall be required to keep adequate records pertaining to the program in a format and fashion mutually agreed to between the eligible organization and agency, and the agency or legislative auditor may review such records upon adequate prior written notice to the eligible organization by the agency or the legislative auditor. The eligible organization must also provide written reports in a prescribed format regarding activity under the program to the agency at intervals prescribed by the agency, which typically will be no more often than quarterly.

Subp. 2. Report to legislature. The agency is responsible for preparing and submitting annual reports to the legislature and the governor as prescribed in Minnesota Statutes, section 462A.057, subdivision 10.

Statutory Authority: *MS s 462A.06*

History: *14 SR 2632*

4900.2700 SCOPE.

Parts 4900.2700 to 4900.2707 govern the implementation of family rental housing loan programs authorized under Minnesota Statutes, section 462A.21, subdivision 8b.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2701 DEFINITIONS.

Subpart 1. Scope. The terms used in parts 4900.2700 to 4900.2707 have the meaning given them in this part.

Subp. 2. Agency. "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, sections 462A.01 to 462A.24.

Subp. 3. Applicant. "Applicant" means one or more entities that submit an application to the agency for a loan under a family rental housing program.

Subp. 4. Application. "Application" means a submittal requesting a loan from the agency for a family rental housing program.

Subp. 5. Development. "Development" means the housing to be constructed or rehabilitated by the applicant as described in the application.

Subp. 6. Family rental housing. "Family rental housing" means rental housing consisting of units with two or more bedrooms.

Subp. 7. Family rental housing program. "Family rental housing program" means a loan program authorized by Minnesota Statutes, section 462A.21, subdivision 8b, for the acquisition, rehabilitation, or new construction of family rental housing.

Subp. 8. Loan. "Loan" means a disbursement of funds to an eligible applicant under a family rental housing program.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2702 ELIGIBLE APPLICANTS.

Subpart 1. Property interest. An applicant for a family rental housing program loan must, at the time of application, possess one of the following interests in the property:

A. a fee title;

B. a fee title subject to a mortgage or other lien securing a debt capable of prepayment or, at the option of the agency, subordination; or

C. a mutually binding contract or option for the purchase of fee title.

Subp. 2. Applicant eligibility. To be eligible for selection as a recipient of a loan from a family rental housing program, an applicant must be:

A. a Minnesota nonprofit entity as defined in part 4900.0010, subpart 21; including, but not limited to, a housing and redevelopment authority established under Minnesota Statutes, sections 469.001 to 469.047;

B. a town or home rule charter or statutory city in Minnesota;

C. a cooperative housing corporation as defined in part 4900.0010, subpart 8;

D. a limited dividend entity as defined in part 4900.0010, subpart 14;

E. a for profit entity to the extent authorized under Minnesota Statutes, section 462A.21, subdivision 8b.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2703 ELIGIBLE APPLICATIONS.

The applicant must provide an application in the form prescribed by the agency. At minimum, the application shall include the following:

A. information describing the site of the proposed development including the location, present use and zoning, surrounding land uses, and physical characteristics of the site that might affect construction;

B. a description of the proposed housing development including the building type, the size and number of dwelling units, and the characteristics of the development that make it appropriate for residency by families;

C. information with respect to the market for the proposed development including reports of market surveys or analyses, documentation of need for the development, and a proposed marketing plan;

D. a description of the construction or rehabilitation to be completed including a schedule of the proposed uses of any requested loan funds and the amounts proposed to be allocated to each use;

E. a detailed budget for the development showing all development costs, operating costs, sources of financing sought or secured, proposed rent schedule, and any other sources of income; and

F. a timetable for completion of the development.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2704 REQUIRED OCCUPANCY.

The dwelling units developed with loans from a family rental housing program must be occupied by families whose adjusted income at the time of initial occupancy does not exceed 60 percent of the area median income, with the area median income defined as follows: the greater of the county median income or the Minnesota nonmetro median average as either is defined by the United States Department of Housing and Urban Development.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2705 ELIGIBLE UNITS.

In new construction developments, at least 80 percent of the dwelling units constructed with loan funds from a family rental housing program must have three or more bedrooms.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2706 SELECTION CRITERIA.

The agency shall take the following criteria into consideration when determining whether an application and applicant will be selected for a loan from a family rental housing program:

A. the documented need for the residential housing in the proposed geographic area;

B. the ability of the applicant to proceed expeditiously with the development;

C. the applicant's prior experience in developing, owning, and operating residential housing;

D. the cost and quality of the proposed housing;

E. the geographic distribution of loan funds, to the extent that loan funds can be used to assist projects throughout the state;

F. the relationship of the proposed development to public facilities,

sources of employment, and services, including public transportation, health, education, and recreation facilities;

G. the appropriateness of the development for occupancy by families; and

H. the extent to which the loan funds are combined with other sources of funding to make the development economically feasible and rents affordable for low-income families.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2707 FUNDING PRIORITY.

The agency shall give funding priority to developments in which units are made affordable for families earning less than 50 percent of the area median, where the funds used to achieve lower rents are from sources other than the agency.

Preference must be given to families with children when selecting tenants for family rental housing.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2800 SCOPE.

Parts 4900.2800 to 4900.2805 govern the implementation of rental housing loan programs for individuals authorized under Minnesota Statutes, section 462A.21, subdivision 8c.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2801 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.2800 to 4900.2805 have the meanings given them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, sections 462A.01 to 462A.24.

Subp. 3. **Applicant.** "Applicant" means one or more entities that submit an application to the agency for a loan under a rental housing program for individuals.

Subp. 4. **Application.** "Application" means a submittal requesting a loan from a rental housing program for individuals.

Subp. 5. **Development.** "Development" means the housing to be constructed or rehabilitated by the applicant as described in the program application.

Subp. 6. **Loan.** "Loan" means a disbursement of funds to an eligible applicant under a rental housing program for individuals.

Subp. 7. **Rental housing for individuals.** "Rental housing for individuals" means rental housing consisting of single rooms, efficiency units, or one bedroom units.

Subp. 8. **Rental housing program for individuals.** "Rental housing program for individuals" means a loan program authorized by Minnesota Statutes, section 462A.21, subdivision 8c, for the acquisition or rehabilitation of rental housing for individuals.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2802 ELIGIBLE APPLICANTS.

Subpart 1. **Property interest.** An applicant for a rental housing program loan

for individuals must, at the time of application, possess one of the following interests in the property:

A. a fee title;

B. a fee title subject to a mortgage or other lien securing a debt capable of prepayment or, at the option of the agency, subordination; or

C. a mutually binding contract or option for the purchase of fee title.

Subp. 2. Applicant eligibility. To be eligible for selection as a recipient of a loan from a rental housing program for individuals, an applicant must be:

A. a Minnesota nonprofit entity as defined in part 4900.0010, subpart 21, including, but not limited to, a housing and redevelopment authority established under Minnesota Statutes, sections 469.001 to 469.047;

B. a town or home rule charter or statutory city in Minnesota;

C. a cooperative housing corporation as defined in part 4900.0010, subpart 8;

D. a limited dividend entity as defined in part 4900.0010, subpart 14;

or
E. a for-profit entity to the extent authorized under Minnesota Statutes, section 462A.21, subdivision 8c.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2803 ELIGIBLE APPLICATIONS.

The applicant must provide an application in the form prescribed by the agency. At a minimum, the application shall include the following:

A. information describing the site of the proposed development including the location, present use and zoning, surrounding land uses, and distance to transportation, commercial, and social services;

B. a description of the proposed housing development including the building type, the size and number of dwelling units, and the characteristics of the development that make it appropriate for residency by individuals;

C. information with respect to the market for the proposed development including reports of market surveys or analyses, documentation of need for the development, and a proposed marketing and tenant selection plan;

D. a description of the construction or rehabilitation to be completed including a schedule of the proposed uses of any requested loan funds and the amounts proposed to be allocated to each use;

E. detailed budget for the development showing all development costs, operating costs, sources of financing sought and secured, proposed rent schedule, and any other sources of income; and

F. a timetable for completion of the development.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2804 REQUIRED OCCUPANCY.

The dwelling units developed with loan funds from a rental housing program for individuals must be occupied by individuals whose adjusted income at the time of the initial occupancy does not exceed 30 percent of the area median income, with the area median income defined as: the greater of the county median income or the Minnesota nonmetro median average as either is defined by the United States Department of Housing and Urban Development.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2805 SELECTION CRITERIA.

The agency shall take the following criteria into consideration when determining whether an application and applicant will be selected for a loan under the program:

A. the documented need for the residential housing in the proposed geographic area;

B. the ability of the applicant to proceed expeditiously with the development;

C. the applicant's prior experience in developing, owning, and operating residential housing;

D. the cost and quality of the proposed housing;

E. geographic distribution of loan funds, to the extent that loan funds can be used to assist projects throughout the state;

F. the relationship of the proposed development to public facilities, sources of employment, and services, including public transportation, health, education, and recreation facilities;

G. the appropriateness of the development for occupancy by individuals; and

H. the extent to which the loan funds are combined with other sources of funding to make the development economically feasible and rents affordable for low-income individuals.

Statutory Authority: *MS s 462A.06*

History: *15 SR 12*

4900.2900 SCOPE.

Parts 4900.2900 to 4900.2907 govern the implementation of the receivership revolving loan fund authorized under Minnesota Statutes, section 566.291.

Statutory Authority: *MS s 462A.06*

History: *15 SR 376*

4900.2901 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 4900.2900 to 4900.2907, the following terms have the meanings given.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency.

Subp. 3. **Receiver.** "Receiver" means a person appointed by the court under Minnesota Statutes, section 566.29, to receive and preserve the property referred to in part 4900.2902, subpart 3, according to the powers contained in Minnesota Statutes, section 566.29.

Statutory Authority: *MS s 462A.06*

History: *15 SR 376*

4900.2902 ELIGIBILITY REQUIREMENTS.

Subpart 1. **Receiver.** A receiver is eligible for a loan under the receivership revolving loan fund if the receiver meets the prequalification requirements for the specific project under this part and presents a certified copy of a court order in an action under Minnesota Statutes, section 566.25 or 566.34. The order must state that the prequalified receiver has been appointed to act in the case and must contain a finding that the appointment of a receiver with the power to collect funds is consistent with the statutory factors relating to the long-term economic viability of the dwelling as provided in Minnesota Statutes, section 566.29.

Subp. 2. **Low and moderate income.** In the property subject to the order, at least 50 percent of the occupied rental units must be occupied by persons and families of low and moderate income as defined in part 4900.0010, subpart 23, item H.

Subp. 3. Prequalification requirements. A person or entity seeking prequalification status under this part must submit an application on a form prescribed by the agency. The agency shall review the application applying the standards in parts 4900.2901 to 4900.2907 and shall promptly notify the applicant of a decision on the application. Prequalification approval shall be for a maximum of two years. A rejection of the application must set forth the reasons for the denial. The applicant may qualify for any one or more of the following categories:

- A. single family or duplex dwelling;
- B. fewer than ten housing units;
- C. ten to 24 housing units; or
- D. 24 or more housing units.

Subp. 4. Qualification requirements. For an applicant to qualify as a receiver, the applicant must:

- A. have at least two years experience or demonstrated proficiency in residential property management;
- B. be able to obtain a fidelity and forgery bond or insurance coverage in an amount at least equal to two months' gross potential income of the property;
- C. comply with Minnesota real estate licensing statutes and rules;
- D. have adequate financial controls;
- E. have a history of managing properties according to applicable federal, state, and local laws, statutes, ordinances, rules, and regulations;
- F. complete the forms and enter into agreements as the agency may reasonably require;
- G. demonstrate the ability to obtain liability insurance; and
- H. have experience or demonstrated proficiency in managing properties which have undergone significant repairs and improvements.

Subp. 5. Properties. Receivers shall be awarded receivership revolving loans subject to the property considerations in items A to D:

- A. probability of loan repayment;
- B. availability of funding for necessary repairs, alterations, improvements, and operation;
- C. probable success of retention as low-income housing; and
- D. if items A to C have been considered, then an additional consideration may be other neighborhood revitalization factors.

Statutory Authority: *MS s 462A.06*

History: *15 SR 376*

4900.2903 APPLICATION PROCESS.

Subpart 1. With prequalification. Applicants who intend to apply as prequalified receivers must follow the procedures in items A to E:

- A. become prequalified as an eligible receiver according to the selection criteria in part 4900.2902, subparts 3 and 4, for a specified line of credit amount subject to fund availability and court appointment;
- B. submit to the agency a project approval application that includes information on scope of work, estimate of funds needed, and evidence that funding needed for repairs has been secured;
- C. the project must be approved by the agency according to the selection criteria under part 4900.2902, subpart 3;
- D. submit a court order; and
- E. complete and submit a loan commitment agreement to the agency.

Subp. 2. Without prequalification. Applicants who do not intend to apply as prequalified receivers must follow the procedures in items A to E:

- A. submit a loan application;
- B. submit to the agency a project approval application that includes information on scope of work, estimate of funds needed, and evidence that funding needed for repairs has been secured;
- C. the project and receiver must be approved by the agency according to the selection criteria under part 4900.2902;
- D. submit a court order; and
- E. complete and submit a loan commitment agreement to the agency.

Statutory Authority: *MS s 462A.06*

History: *15 SR 376*

4900.2904 FEES.

Subpart 1. Property management fees. Property management fees may be disbursed at the greater of \$150 per building or a rate of:

- A. \$40 per unit per month for buildings containing ten or fewer units;
- B. \$30 per unit per month for buildings containing 11 to 20 units; or
- C. \$25 per unit per month for buildings containing 21 or more units.

Subp. 2. Supplemental management fees. Supplemental management fees for coordination of repairs and bids may be disbursed in an amount equal to the greater of \$1,000 or:

- A. ten percent of repairs totaling \$50,000 or less; plus
- B. eight percent of repairs over \$50,000 and up to \$100,000; plus
- C. six percent of repairs over \$100,000 and up to \$250,000; plus
- D. four percent of repairs over \$250,000.

The schedule in items A to D reflects maximum loan amounts. Administrators are not precluded from expending additional fees from rent, other loans, or revenues from the property.

In the event there is no progress in the court-ordered repairs, improvements, or alterations for any six-month period, the agency may, in its sole option and discretion, terminate any future disbursements of any and all remaining undisbursed loan proceeds.

Statutory Authority: *MS s 462A.06*

History: *15 SR 376*

4900.2905 ADMINISTRATIVE EXPENSES.

Administrative expenses that are eligible for payment under parts 4900.2901 to 4900.2907 include both property management and repair coordination expenses. Property management expenses are the cost of operating the premises including, but not limited to, personnel, rent collection, ongoing tenant management, court costs, and transportation.

Repair coordination expenses funded by a supplemental management fee include, but are not limited to, personnel and costs of posting bonds, legal fees, financial record keeping, operating statement, audits, construction consultants' fees, transportation, and permits.

In addition, eligible administrative expenses include such other expenses as are approved by the court supervising the tenant remedy action.

Statutory Authority: *MS s 462A.06*

History: *15 SR 376*

4900.2906 DISBURSEMENT OF FUNDS.

The agency shall disburse loan proceeds monthly within 14 days of submission of invoices consistent with the approved application.

Statutory Authority: *MS s 462A.06*

History: *15 SR 376*

4900.2907 REPAYMENT.

The loan shall be a personal obligation of the property owners and a loan repayment agreement with terms acceptable to the agency for a maximum term of ten years must be executed before the termination of the receivership; or, an assignment of rents shall be executed in an amount sufficient to repay the debt within a maximum term of ten years; or, a lien shall be placed against the property. Any one or a combination of the above may be used at the request of the agency to secure repayment of the loan.

Statutory Authority: *MS s 462A.06*

History: *15 SR 376*