

## CHAPTER 4900

### MINNESOTA HOUSING FINANCE AGENCY

#### HOUSING LOANS AND GRANTS

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### 4900.0010 DEFINITIONS.

Subpart 1. **Scope.** The terms defined in the act, known as the Minnesota housing finance agency law of 1971, have the same meaning when used in these rules as are ascribed to them in the act.

Subp. 2. **Act.** "Act" means the Minnesota housing finance agency law of 1971 in Minnesota Statutes 1971, chapter 462A, as now in effect and as from time to time amended.

Subp. 3. **Adjusted income.** "Adjusted income" means the gross annual income, from all sources and before taxes or withholding, of all residents age 18 and over, of a housing unit, after deducting the following:

- A. an amount equal to \$1,000 for each resident of the housing unit; and
- B. extraordinary medical or other expenses as the commissioner approves for exclusion.

Subp. 4. **Administering entity.** "Administering entity" means a nonprofit or governmental entity, including but not limited to an incorporated county or municipality, a housing redevelopment authority, and a community action organization, which enters into a contract with the agency for the local administration of the home improvement grant or rehabilitation loan program pursuant to parts 4900.0610 to 4900.0700.

Subp. 5. **Approved mortgagee.** "Approved mortgagee" means an individual, partnership, corporation, or other business entity that has been approved by the United States Department of Housing and Urban Development.

Subp. 6. **Builder.** "Builder" means a person or entity engaged in the business of housing construction who meets all licensing and other requirements of applicable laws, ordinances, and regulations; who possesses satisfactory experience and credit worthiness; and who will enter into an agreement satisfactory to the agency to sell or rent the residential housing constructed in whole or in part from the proceeds of an agency loan to persons and families of low and moderate income.

#### Subp. 7. **Capital contribution of the investors.**

A. "Capital contribution of the investors" means the excess of the value of the project at the times and in the manner determined by the agency, whether or not paid in cash, over the then current principal amount of the agency's loan:

- (1) for those developments that:
  - (a) have adequate reserves as determined by the agency;
  - (b) all needed maintenance, as determined by the agency, has either been performed or is scheduled to be performed;
  - (c) during the next 12-month period will require no major repairs or replacements, as determined by the agency, the payment of which would reduce the reserve accounts below an amount determined by the agency;
  - (d) the operating expenses are paid in full;
  - (e) have operating account balances equal to or greater than one month's total operating expenses;
  - (f) have sustained an average occupancy by rent paying tenants of 95 percent or more for the prior 24 months;
  - (g) have a current waiting list equal to at least 1-1/2 times the annual turnover for the prior 24 months, but the requirements of this unit are not applicable to developments that have reserves equal to or exceeding the sum that is the greater of \$5,000 per dwelling unit or 30 percent of the outstanding principal balance of the mortgage;

(h) the mortgage has not been delinquent during the prior 24 months;

(i) the owner agrees to limit future rent increases to the amount needed to pay for increases in annual operating expenses which includes return on equity and the maintenance of adequate reserves as determined by the agency;

(j) the owner agrees to maintain the development as Section 8 or Section 236 assisted housing for a minimum of 20 years from the effective date of the Housing Assistance Payments Contract or Agreement for Interest Reduction Payments, if one exists, and the minimum 20-year term has not yet expired and in excess of five years remain prior to its expiry date; and

(k) the owner agrees to execute any documents that the agency deems necessary and appropriate to effectuate the intent of this definition; or

(2) for those developments that:

(a) meet the requirements of subitem (1), units (a) to (e), (h), and (i);

(b) have a current waiting list equal to at least 1-1/2 times the annual turnover for the prior 24 months, but the requirements of this unit are not applicable to developments that:

i. have sustained an average occupancy of rent paying tenants of 95 percent or more for the prior 24 months, and have reserves equal to or exceeding the sum that is the greater of \$5,000 per dwelling unit or 30 percent of the outstanding principal balance of the mortgage; or

ii. have reserves equal to or exceeding the sum that is the greater of 40 percent of the outstanding principal balance of the mortgage or \$5,000 per unit;

(c) have sustained an average occupancy of rent-paying tenants of 95 percent or more for the prior 24 months, but the requirements of this unit are not applicable to developments that have reserves equal to or exceeding the sum that is the greater of 40 percent of the outstanding principal balance of the mortgage or \$5,000 per unit;

(d) the owner agrees to maintain the development as Section 8 or Section 236 assisted housing according to the following:

i. as to Section 8 assisted housing, to the date which is the later of: (i) ten years from the date of execution of legal documents which meet the requirements of this subitem, or (ii) the date of the end of the five-year optional renewal term of any Section 8 Housing Assistance Payments Contract benefiting the development existent at the date of expiration of the ten-year term identified in clause (i); and

ii. as to Section 236 assisted housing, the owner agrees to maintain the development as Section 236 assisted housing until the date which is ten years after the date of execution of legal documents for developments which meet the requirements of this subitem.

(e) as to both Section 8 and Section 236 assisted housing, the owner agrees not to prepay its mortgage with the agency for ten years from the date of execution of legal documents for developments which meet the requirements of this subitem; and

(f) the owner agrees to execute any documents that the agency deems necessary and appropriate to effectuate the intent of this subitem, which shall include an agreement by the agency that the owner shall be entitled to cumulative dividends.

B. "Capital contribution of the investors" means the excess of the total development cost of the project as determined by the agency, whether or not paid in cash, over the original principal amount of the agency's loan for developments not meeting the requirements of item A, subitem (1) or (2).

Subp. 7a. **Commissioner.** “Commissioner” means the commissioner employed by the agency, who is the chief administrative officer of the agency.

Subp. 8. **Cooperative housing corporation.** “Cooperative housing corporation” means and refers to those corporations which qualify as cooperative housing corporations pursuant to section 216 of the Internal Revenue Code of 1954, as amended.

Subp. 9. **Development cost loan.** “Development cost loan” means a loan, or participation in a loan, with or without interest in the discretion of the members, authorized by resolution of the members and made or to be made to a housing sponsor from the housing development fund created by the act, for the purpose of defraying development costs, commonly referred to as a “seed money loan.”

Subp. 10. **Developmentally disabled.** “Developmentally disabled” means an individual who has a severe, chronic disability which:

- A. is attributable to a mental or physical impairment or a combination of mental and physical impairments;
- B. is manifested before the person attains the age of 22;
- C. is likely to continue indefinitely;
- D. results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic sufficiency;
- E. reflects the person’s need for a combination and sequence of special interdisciplinary or generic care, treatment, or other services which are of lifelong or extended duration.

Subp. 11. [Repealed by amendment, L 1987 c 187 s 15]

Subp. 11a. **Federally subsidized mortgages.** “Federally subsidized mortgages” means loans funded or acquired with the proceeds of bonds or notes the income from which is exempt from taxation under federal law except, where applicable, for federal alternative minimum tax laws, including federally insured mortgages, and loans that are benefited by payments under interest reduction, rental assistance, housing assistance, or other similar programs from agencies or instrumentalities of the federal government to assist persons and families of low and moderate income in obtaining decent, safe, and sanitary housing.

Subp. 12. **Gross annual income from self-employment.** “Gross annual income from self-employment” shall be deemed to be the net profit from said self-employment as declared by the applicant in Schedule C, F, or E, Part III, as appropriate, of the United States Internal Revenue Service Form 1040, or such other schedule as may be hereafter promulgated, but including as income all depreciation.

Subp. 13. **Housing sponsor.** “Housing sponsor” means an individual, a nonprofit entity, a limited dividend entity, or a cooperative housing corporation engaged in sponsoring a housing project for occupancy by persons and families of low and moderate income.

Subp. 14. **Limited dividend or limited dividend entity.** “Limited dividend” or “limited dividend entity” means and refers to those individuals, partnerships, joint ventures, and corporations: which, by their organizational documents or by agreement or otherwise, comply with limitations established by the agency or by other governmental agencies, on the rate of return which such individuals, partnerships, joint ventures, or corporations may realize on investments in proposed housing projects; and which, in the case of corporations, are in compliance with all the provisions of Minnesota Statutes, chapter 301 or 303, whichever is applicable.

Subp. 15. **Limited-unit development.** “Limited-unit development” means a loan or grant to a person or family of low or moderate income for new or existing residential housing intended for occupancy by such person or family and by not more than five other families.

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Subp. 16. **Local community.** "Local community" means and refers to a city, village, or borough, however organized, in the state of Minnesota, and any housing and redevelopment authority created pursuant to the provisions of Minnesota Statutes, sections 469.001 to 469.047.

Subp. 17. **Low-income purchasers.** "Low-income purchasers" means, with respect to parts 4900.1110 to 4900.1180, those persons and families whose adjusted income does not exceed \$14,000.

Subp. 18. **Members.** "Members" means those persons appointed to the agency pursuant to section 4 of the act.

Subp. 19. **Mortgage loan.** "Mortgage loan" means a loan authorized by resolution of the members and made or to be made to a housing sponsor, or to a person or family of low or moderate income, or to a low income purchaser, from the proceeds of sale of the agency's bonds or notes, or from appropriations, for the purpose of providing construction financing, long-term financing, or both, for residential housing, and the payment of which is secured or to be secured.

Subp. 20. **Multiunit development.** "Multiunit development" means a loan or grant for new or existing residential housing which is intended for occupancy by more than one family, and the mortgagor of which is a nonprofit or limited dividend entity.

Subp. 21. **Nonprofit or nonprofit entity.** "Nonprofit" or "nonprofit entity" means and refers to: housing and redevelopment authorities established under and pursuant to the provisions of Minnesota Statutes, sections 469.001 to 469.047; and those partnerships, joint ventures, corporations, and associations which are established for a purpose not involving pecuniary gain to the members, partners, or shareholders thereof, pay no dividends or other pecuniary remuneration, directly or indirectly, to the members, partners, or shareholders thereof, and in the case of private, nonprofit corporations, are established under and pursuant to Minnesota Statutes, chapter 317A and are in compliance with all the provisions thereof; provided, however, that in no event shall a limited dividend entity be deemed a nonprofit entity.

Subp. 22. **Planning grant.** "Planning grant" means a grant authorized by resolution of the members and made or to be made to a local community from the housing development fund, for the purpose of providing funds to assist the local community in planning for land and building acquisition, improvements, renewal, relocation, or conservation on specific sites upon which housing is or will be situated, for occupancy by persons and families of low and moderate income.

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

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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

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

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



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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

B. [Repealed, 10 SR 1557]

C. With respect to multiunit mortgage loans pursuant to parts 4900.0310 to 4900.0360, 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 or grants are intended for a multiunit development, those persons and families whose adjusted income does not exceed the greater of \$16,000 or 550 percent of the gross rental for the dwelling unit to be occupied; provided, however, that the gross rentals for at least 75 percent of the dwelling units in such development shall not exceed 120 percent of the fair market rents for the geographical area in which such projects are located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided further, that the members may allow higher gross rentals for

units in any structure if the members determine that such higher gross rentals are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs.

D. With respect to home improvement grants and rehabilitation loans pursuant to parts 4900.0610 to 4900.0700 and accessibility loans pursuant to parts 4900.0750 to 4900.0780 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 \$10,000; or

(2) with respect to rehabilitation loans defined in part 4900.0610 as revolving loans and accessibility loans defined in part 4900.0770 as deferred loans, those persons and families whose adjusted income does not exceed \$18,000.

E. With respect to home improvement loans and accessibility improvement assistance, pursuant to parts 4900.0510 and 4900.0710, respectively, those persons and families whose gross income does not exceed the limits established by the agency pursuant to part 4900.0070 in conformity with the requirements of the United States Department of the Treasury or other agency of the federal government for federally subsidized mortgages for low- and moderate-income families.

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.03; 462A.06*

**History:** *8 SR 2661; 10 SR 1557; 11 SR 104; 11 SR 740; 12 SR 411; L 1987 c 186 s 15; 12 SR 1564; 13 SR 2153; 14 SR 331; 14 SR 2354; 14 SR 2432; 15 SR 376; L 1989 c 304 s 137; 16 SR 542; 18 SR 720; 18 SR 2277; 20 SR 41; 22 SR 23; 22 SR 1547*

#### **4900.0011 EFFECTIVE DATE.**

The amendment to part 4900.0010, subpart 3, is effective on June 1, 1983, or five days after its final adoption, whichever occurs first, for multiunit mortgage loans under parts 4900.0310 to 4900.0360; on July 1, 1983, or five days after its final adoption, whichever occurs first, for home improvement loans under parts 4900.0510 and 4900.0520, and for home improvement grants and rehabilitation loans under parts 4900.0610 to 4900.0700; and on January 1, 1984, for all other programs of the agency.

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

#### **4900.0020 SCOPE OF RULES.**

The parts in this chapter are made and published pursuant to subdivisions 4 and 11 of section 6 and subdivision 10 of section 7 of the Minnesota Housing Finance Agency Law of 1971, and relate to the providing of development cost loans, mortgage loans, rehabilitation loans and grants, development grants, and technical assistance to qualified housing sponsors for construction and rehabilitation of housing for occupancy by persons and families of low and moderate income.

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

## AGENCY PROCEDURE

**4900.0030 AGENCY MEETINGS.**

Regular meetings of the agency shall be held on the fourth Thursday of each month at 1:00 p.m. at the offices of the agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. In the event such date shall fall on a legal holiday, the regular meeting shall be held the next succeeding business day. Special meetings of the agency may be called by the chairperson or by a majority of the existing members of the agency, for the purpose of transacting any business designated in the notice, and shall be held at the business offices of the agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. At any such special meeting, no business shall be considered other than as designated in the notice; provided, however, that if all of the members of the agency are present at such special meeting, this limitation shall not apply.

A majority of the existing members of the agency shall constitute a quorum for the purpose of conducting the agency's business and exercising its powers and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. When a quorum is in attendance, action may be taken by the agency on the vote of the majority of the members present.

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

**4900.0040 PROCEDURES FOR PUBLIC APPEARANCE AT MEETINGS OF MEMBERS.**

The following procedures shall govern public appearances at meetings of the members:

A. With respect to regular meetings, the commissioner shall complete the agenda for meetings of the members, not less than five nor more than seven days prior to the date of any such meeting.

B. With respect to regular meetings, any person who desires to appear and address the members shall make a written request to the commissioner, with a copy to the chairperson, at least ten days prior to the date of the meeting, setting forth the nature of the matter about which such person wishes to appear.

C. With respect to regular or special meetings, any person who desires to appear and address the members with respect to any matter enumerated on the agenda shall make a written request to the commissioner, with a copy to the chairperson, at least 24 hours before the meeting.

D. Any member may at any time request that a person be permitted to appear and address the members at any regular or special meeting.

E. All such requests shall be placed on the agenda for review by the members at the meeting. A majority vote of the members present shall be required in order to grant any such request to address the members.

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

**History:** *L 1987 c 186 s 15*

## LOAN AND MORTGAGE APPLICATIONS

**4900.0050 STAFF SERVICES TO ASSIST HOUSING SPONSOR IN PREAPPLICATION PROCEDURE.**

The commissioner may provide staff services to assist a housing sponsor in complying with the requirements of the act and this chapter and may establish a preapplication procedure.

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

**History:** *L 1987 c 186 s 15*

**4900.0060 ELIGIBLE HOUSING SPONSORS.**

No development cost loan, pursuant to parts 4900.0210 to 4900.0240, or multiunit development mortgage loan, pursuant to parts 4900.0310 to 4900.0360, shall be made

or disbursed until such time as the housing sponsor is an eligible sponsor. An eligible housing sponsor is a sponsor which is authorized by the act to receive a development cost loan or a multiunit development mortgage loan and which has obtained the commissioner's approval of its organizational documents, including proposed or existing articles of incorporation, proposed or existing partnership agreement, joint venture agreement, trust agreement, or other document of basic organization, and proposed amendments thereto, together with such other documents as the commissioner may determine, in specific cases, are necessary in order to determine eligibility.

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

**History:** *L 1987 c 186 s 15*

#### **4900.0070 FORMS AND PROCEDURES.**

With respect to each mortgage loan program, rehabilitation loan program, rehabilitation grant program, and development cost loan program from time to time instituted by the agency, the commissioner shall prepare guides setting forth uniform procedures by which applications for loans or grants shall be submitted, the contents thereof, and the conditions upon which loans or grants shall be made. Each said guide, and any amendments thereto, shall be submitted to the members of the agency for their review at any regular or special meeting called for such purpose and shall become effective only upon the approving vote of the members.

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

**History:** *L 1987 c 186 s 15*

#### **4900.0080 CREDIT REVIEW.**

The agency may review, or cause to be reviewed, loan and mortgage applications for suitable credit worthiness. In evaluating credit worthiness the agency may consider:

- A. the percentage of applicant's income which can reasonably be expected to be spent on housing costs;
- B. the amount of applicant's outstanding debts;
- C. the applicant's employment history and likelihood of continued employment;
- D. the applicant's credit history;
- E. whether applicant has ever sought bankruptcy relief; and
- F. on a case-by-case basis, the general educational background and residential stability of the applicant.

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

#### **4900.0090 WAIVERS.**

The provisions of this chapter may be waived by the members upon their determination that the application of such rules, in specific cases, may result in undue hardship.

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

#### **4900.0100 SEPARABILITY.**

If any word, phrase, sentence, paragraph, section, or part of this chapter is finally adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this chapter.

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

#### **4900.0110 PROJECTS IN COMPLIANCE WITH CIVIL RIGHTS.**

All agency projects must be administered in compliance with all applicable federal, state, and local civil rights laws, ordinances, and regulations including but not limited to those applying to the selection of recipients for agency loans and grants, and the site selection, construction, purchase, and rental of residential housing financed in whole or

in part with agency participation. Any determination that a project or recipient has failed to comply with the civil rights laws, if made by a court or an administrative agency charged with the enforcement of said laws, shall be sufficient grounds for termination of agency participation and immediate recall of outstanding agency loans. This part shall not be construed to prohibit housing programs administered by or for American Indians.

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

#### 4900.0120 PREFERENCE IN OCCUPANCY.

Each recipient of an agency loan who is the owner of residential housing occupied in whole or in part by renters shall give preference in occupancy to those persons and families of low and moderate income who occupied the residence at the time of the loan application, subject to the right of the owner to reside there.

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

**History:** *17 SR 1279*

### DEVELOPMENT COST LOANS

#### 4900.0210 APPLICATION FOR DEVELOPMENT COST LOAN.

An application by a housing sponsor, or by an approved mortgagee on behalf of a housing sponsor, for a development cost loan or for agency participation in a development cost loan shall contain:

A. information with respect to the eligibility of the housing sponsor, or with respect to the steps which have been taken by such sponsor to become eligible;

B. information with respect to the site of the proposed housing project, including location, dimensions, ownership, present zoning, present use and occupancy, relocation requirements as to present occupants, present on-site utilities and streets, present property taxes and assessments, utility charges and liens or other charges on the land, and all physical characteristics of the site which might affect construction;

C. information with respect to the characteristics of the proposed housing project, including number and size of dwelling units, type of occupancy (ownership, rental, or cooperative), rehabilitation or new construction, range of proposed rents, occupancy charges, or sale prices, building type, federally aided mortgage or otherwise, and proposed incidental or appurtenant educational, social, recreational, commercial, community, and other supporting facilities;

D. a schedule of the proposed uses of any requested development cost loan and the amounts proposed to be allocated to each such use;

E. a copy of the option in favor of such sponsor to purchase property, or other evidence of agreement for, or authorization to purchase of property on the proposed housing site, or a copy of the certificate of title or abstract of title, as the case may be, evidencing the sponsor's ownership of such property; and

F. such other information as to the proposed housing project, the housing sponsor, or other parties involved in the housing project, as the commissioner may require.

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

**History:** *L 1987 c 186 s 15*

#### 4900.0220 AUTHORIZATION OF DEVELOPMENT LOANS.

No development cost loan shall be made until the members of the agency have received and reviewed the recommendation of the commissioner relating to such loan, and until the members of the agency have adopted a resolution approving such loan, which resolution shall include determinations that:

A. the housing sponsor is a nonprofit entity;

B. the proceeds of the development cost loan are to be used to defray development costs;

C. the proposed housing project is eligible or potentially eligible for a federally insured construction loan or a federally insured mortgage;

D. the development cost loan is repayable in full concurrently with initial endorsement of the housing project by the FHA; and

E. the development of the proposed housing project will assist in fulfilling the purposes of the act.

In addition, any such resolution may contain such other provisions and conditions which the members of the agency, in their sole discretion, deem advisable.

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

**History:** *L 1987 c 186 s 15*

#### **4900.0230 DISBURSEMENT OF LOAN WITH EVIDENCE OF INDEBTEDNESS.**

The commissioner of the agency shall not permit any disbursement of an approved development cost loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, and by such other instruments as the commissioner may in specific cases deem necessary or appropriate.

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

**History:** *L 1987 c 186 s 15*

#### **4900.0240 CANCELLATION OR RECALL OF DEVELOPMENT COST LOAN.**

The members of the agency may, from time to time, review the remaining unexpended balance of any development cost loan and cancel and/or recall the remaining balance thereof from the housing sponsor upon a determination, in the sole discretion of the members, that reasonable progress has not been and/or will not be made in the development of a housing project.

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

### **RENTAL REHABILITATION PROGRAM**

#### **4900.0290 SCOPE.**

Parts 4900.0290 to 4900.0296 govern the implementation of the rental rehabilitation program and the disbursement of rental rehabilitation grants authorized by section 301 of the Housing and Urban - Rural Recovery Act of 1983, Public Law No. 98-181 (November 30, 1983), codified at United States Code, title 42, section 1437o.

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

**History:** *9 SR 1249*

#### **4900.0291 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4900.0290 to 4900.0296, the following terms have the meanings given them.

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

Subp. 3. **Application.** "Application" means a submittal requesting a rental rehabilitation grant.

Subp. 4. **Lower income family.** "Lower income family" has the meaning used by the Department of Housing and Urban Development as specified in the Code of Federal Regulations, title 24, section 511.2.

Subp. 5. **Rental rehabilitation program, or program.** "Rental rehabilitation program" or "program" means the organization of agency procedures designed to distribute funds for the purposes of rehabilitating rental dwelling units and to provide for the distribution of subsidies for tenant rental payments as specified in parts 4900.0290 to 4900.0296 and Code of Federal Regulations, title 24, part 511.

Subp. 6. **Rental rehabilitation program grant, or grant.** "Rental rehabilitation program grant" or "grant" means an appropriation of money to an eligible applicant under the program.

Subp. 7. **Rental dwelling unit.** "Rental dwelling unit" means a housing unit containing cooking, sleeping, and bathroom facilities that is occupied by a household other than the owner of the structure in which the unit is located, and for which rent is paid either in cash or in kind.

Subp. 8. **Very low income family.** "Very low income family" has the meaning used by the Department of Housing and Urban Development as specified in the Code of Federal Regulations, title 24, section 511.2.

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

**History:** *9 SR 1249*

**4900.0292 INCORPORATION OF FEDERAL REGULATIONS.**

Except as further limited by parts 4900.0290 to 4900.0296, the operation of the rental rehabilitation program and the disbursement of grants under it are governed by the Rental Rehabilitation Program Interim Rule, Code of Federal Regulations, title 24, part 511, as published in the Federal Register, volume 49, number 78, April 20, 1984, as amended and modified by the final rule, and any waivers of the interim and final rules obtained by the agency, which will be published in the State Register.

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

**History:** *9 SR 1249*

**4900.0293 ADDITIONAL AGENCY REQUIREMENTS FOR PARTICIPATION IN RENTAL REHABILITATION PROGRAM.**

Projects selected for grants under the rental rehabilitation program, in addition to meeting the eligibility and ineligibility criteria in Code of Federal Regulations, title 24, section 511.10, must comply with all of the following requirements:

A. The project must consist of one or more buildings that contain one or more rental dwelling units.

B. The project must consist of one or more buildings situated within municipalities that are eligible to take part in the program and that have entered into a participation agreement with the agency.

C. The project must consist of one or more buildings situated within the jurisdiction of a public housing authority, housing development authority, or other entity that is authorized to administer the Department of Housing and Urban Development Section 8 Existing Housing Program or Department of Housing and Urban Development Voucher Program and that entered into a participation agreement with the agency.

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

**History:** *9 SR 1249; 9 SR 2174*

**4900.0294 AGENCY LOANS.**

At its discretion the agency may make grants under the rental rehabilitation program in conjunction with loans funded by the agency under Minnesota Statutes, chapter 462A.

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

**History:** *9 SR 1249*

**4900.0295 NOTICE OF FUND AVAILABILITY.**

From time to time the agency shall publish a notice of fund availability in the State Register prior to the date upon which it first accepts applications for grants. The notice must include the date upon which applications will first be accepted and the specific

requirements for obtaining forms and other materials for the submission of applications.

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

**History:** *9 SR 1249*

#### **4900.0296 SELECTION OF APPLICATIONS.**

The agency shall review applications for grants to determine their compliance with Code of Federal Regulations, title 24, part 511. The agency may accept or reject applications for grants based on the requirements of parts 4900.0290 to 4900.0296.

In the selection of an application for a grant, the agency shall apply the following criteria:

A. the extent to which the building or buildings proposed for rehabilitation are currently occupied by lower income families;

B. the extent to which rental dwelling units with two bedrooms or more will be rehabilitated;

C. the extent to which very low income families who reside in the building or buildings that are proposed for rehabilitation are housed in substandard conditions;

D. the extent to which the building or buildings proposed for rehabilitation are free from serious adverse environmental and site conditions;

E. the extent to which the proposed rehabilitation is financially feasible, given the maximum grant per rental dwelling unit, prevailing interest rates, proposed rents, and market for rehabilitated units;

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

G. the extent to which the rehabilitated rental dwelling units will be affordable to low and very low income families;

H. the extent to which the proposed rehabilitation will have a positive impact on the physical environment of the surrounding neighborhood;

I. the extent to which the proposed rehabilitation eliminates substandard housing and prevents the recurrence of such conditions;

J. the extent to which a municipality rates proposals, if such rating has been performed, within their community;

K. the extent to which proposals selected by the agency achieve a distribution of funds among participating communities; and

L. the extent to which the grant funds will be utilized for physical rehabilitation as opposed to relocation expenses and other eligible nonconstruction costs.

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

**History:** *9 SR 1249*

### **MULTIUNIT DEVELOPMENT MORTGAGE LOANS**

#### **4900.0310 APPLICATION FOR MULTIUNIT DEVELOPMENT MORTGAGE LOANS.**

An application by a housing sponsor, or by an approved mortgagee on behalf of a housing sponsor, for a multiunit development mortgage loan or for agency participation in a multiunit development mortgage loan shall contain:

A. information with respect to the eligibility of the housing sponsor, or with respect to the steps which have been taken by such sponsor to become eligible;

B. information with respect to the site of the proposed housing project, including location, dimensions, ownership, present zoning, present use and occupancy, relocation requirements as to present occupants, present on-site utilities and streets, present property taxes and assessment, utility charges and liens or other charges on the land, and all physical characteristics of the site which might affect construction;



C. information with respect to the characteristics of the proposed housing project, including number and size of dwelling units, type of occupancy (ownership, rental, or cooperative), rehabilitation or new construction, range of proposed rents, occupancy charges, or sale prices, building type, federally aided mortgage or otherwise, and proposed incidental or appurtenant educational, social, recreational, commercial, community, and other supporting facilities;

D. identity and qualifications of the design architect, supervisory architect, sponsor's attorney, housing consultant, general contractor, marketing or sales agent, and management agent;

E. architectural drawings and specifications, site plan, schedule of construction costs, reports of soil tests or engineering studies performed, executed construction contract, and evidence of approval of the architectural drawings, specifications, and site plan by governmental bodies having jurisdiction;

F. proposed marketing plan, reports of market surveys or analyses, schedule of proposed rents, occupancy charges, or sales prices, proposed operating budget, proposed management plan, proposed relocation plan and cost analysis, schedule of the proposed uses of the requested mortgage loan, and the amounts to be allocated to each such use including the sponsor's equity investment where applicable, and a proposed construction schedule;

G. a schedule of the proposed initial rents or occupancy charges;

H. a plan setting forth: arrangements contemplated for tenant referral from local housing authorities or other governmental agencies or community organizations, having contact with potential eligible occupants, and procedures contemplated to make generally known to minority groups the availability of units on a nondiscriminatory basis; and

I. such other information as to the proposed housing project, the housing sponsor, or other parties involved in the housing project, as the commissioner may require.

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

**History:** *L 1987 c 186 s 15*

#### 4900.0320 AUTHORIZATION OF MULTIUNIT DEVELOPMENT MORTGAGE LOANS.

No multiunit development mortgage loan shall be made until the members of the agency have received and reviewed the recommendation of the commissioner relating to such loan, and until the members of the agency have adopted a resolution approving such loan; which resolution shall include determinations that:

A. a multiunit development mortgage loan would not otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions;

B. the development of the proposed housing project will assist in fulfilling the purposes of the act;

C. in the case of a housing sponsor which is a limited dividend entity, the rate of return on the investment in the proposed housing project is reasonable in light of then existing conditions in the housing industry and financial markets and rate of return then prescribed by other governmental agencies; and

D. the obligation of the agency to make such loans is contingent on the ability of the agency to sell its bonds or bond anticipation notes, on terms which the members of the agency, in their sole discretion, deem acceptable.

In addition, any such resolution may contain such other provisions and conditions which the members of the agency, in their sole discretion, deem advisable.

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

**History:** *L 1987 c 186 s 15*

**4900.0330 PROJECT SELECTION CRITERIA FOR MULTIUNIT DEVELOPMENT MORTGAGE LOANS.**

In determining whether to accept applications of housing sponsors for development cost loans or multiunit development mortgage loans, the members shall examine the following facts and make their determinations thereon:

- A. whether a need exists in the geographical area for the proposed development;
- B. whether adequate provision has been made for housing opportunities for minority families, including elderly persons and families;
- C. whether the proposed development is consistent with orderly growth and development in the geographical area;
- D. the impact of the proposed development on the physical environment of the surrounding neighborhood;
- E. whether the housing sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development;
- F. the extent to which the proposed development will create minority employment and business opportunities;
- G. the effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions;
- H. the extent to which the proposed development will reduce the cost of mortgage financing or rentals for housing for low and moderate income persons and families;
- I. the extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes;
- J. the relationship of the proposed development to public facilities, sources of employment, and services, including public transportation, health, education, and recreation facilities, and public utilities, essential to orderly growth;
- K. the relationship of the housing development to any comprehensive plans, policies, procedures, and programs adopted and approved according to law by an agency of state or local government acting pursuant to legislative authority, including but not limited to the plans, policies, procedures, and programs of regional development commissions and the Metropolitan Council;
- L. whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions;
- M. in the case of a housing sponsor which is a limited dividend entity, whether the rate of return on its investment in the proposed development is reasonable in light of then existing conditions in the housing industry and financial markets and in the rates of return then prescribed by other governmental agencies; and
- N. whether the proposed development will assist in fulfilling the purposes of the act.

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

**4900.0340 OCCUPANCY IN MULTIUNIT DEVELOPMENTS.**

Initial occupancy in multiunit developments financed by the agency shall be limited to persons and families of low and moderate income; provided, however, that to the extent necessary to avoid economic loss resulting from inability to achieve full occupancy, and in order to encourage economic integration, a housing sponsor may, with the prior written approval of the commissioner, permit initial occupancy of up to 25 percent of the units in the housing project by persons and families who are not persons and families of low and moderate income.

Preference for occupancy in multiunit developments financed by the agency may not be given to persons and families by virtue of their prior residence in the community in which the development is located; except that the housing sponsor may, with the prior written approval of the commissioner allow preference for persons and families

displaced by public action or natural disaster or for previous residents of a rehabilitated multiunit development financed by the agency.

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

**History:** *L 1987 c 186 s 15*

#### 4900.0350 DISBURSEMENT OF LOAN WITH EVIDENCE OF INDEBTEDNESS.

The commissioner of the agency shall not permit any disbursement of an approved mortgage loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, a mortgage, appropriate evidence of insurance, if applicable, and by such other instruments as the commissioner may in specific cases deem necessary or appropriate.

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

**History:** *L 1987 c 186 s 15*

### MARKET RATE ELDERLY SHALLOW SUBSIDY RENTAL PROGRAM

#### 4900.0351 SCOPE.

Parts 4900.0351 to 4900.0355 govern the implementation of the market rate elderly shallow subsidy rental program and the disbursement of the subsidy.

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

**History:** *9 SR 1249*

#### 4900.0352 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 4900.0351 to 4900.0355, the following terms have the meanings given them.

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

Subp. 3. **Market rate elderly shallow subsidy rental program, or program.** "Market rate elderly shallow subsidy rental program" or "program" means the agency's plan and procedures designed to distribute funds to assist eligible recipients in the making of tenant rental payments in eligible developments.

Subp. 4. **Eligible recipients.** "Eligible recipients" means the persons and families entitled to receive rental subsidy payments as provided in parts 4900.0351 to 4900.0355.

Subp. 5. **Eligible developments.** "Eligible developments" means those rental developments qualified to receive the benefits of the rental subsidies as provided in parts 4900.0351 to 4900.0355.

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

**History:** *9 SR 1249*

#### 4900.0353 ELIGIBLE RECIPIENTS.

An eligible recipient of the market rate elderly shallow subsidy rental program shall:

A. be a tenant household of which at least one member is 62 years of age or older;

B. have an annual income that does not exceed 50 percent of the median income for the county in which they are to receive the subsidy, as determined by the United States Department of Housing and Urban Development;

C. occupy a one-bedroom rental unit;

D. furnish to the agency all information reasonably required to demonstrate the recipient's eligibility; and

E. reside in an eligible development.

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

**History:** *9 SR 1249*

**4900.0354 ELIGIBLE DEVELOPMENTS.**

A development that is eligible to receive market rate elderly shallow rental subsidies for its tenants must:

- A. receive permanent financing from the agency after August 1, 1984;
- B. be designed to serve low and moderate income elderly households;
- C. be either newly constructed or substantially rehabilitated; and
- D. be owned by either a limited dividend or nonprofit entity as defined in part

4900.0010.

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

**History:** *9 SR 1249*

**4900.0355 SUBSIDY PROGRAM.**

Subpart 1. **Monthly subsidy.** The agency shall determine the amount of tenant subsidy. It must be a fixed constant amount per month per tenant household, must be the same for all tenant households selected to receive the subsidy during a fiscal year, and must be based upon the amount of funds available to the agency for the program.

Subp. 2. **Term of subsidy.** A recipient of a tenant subsidy under the market rate elderly shallow subsidy rental program may receive the subsidy for as long as the recipient occupies the eligible development in which he or she initially received the subsidy.

Subp. 3. **Selection of eligible recipients.** The agency shall select recipients of the market rate elderly shallow subsidy rental program and shall give priority to the following:

- A. a household displaced by government action or private action for which it is not responsible;
- B. a household that presently occupies substandard or overcrowded housing or housing with serious health or housing code violations;
- C. a household that is not receiving housing assistance under another state, county, city, or federal program;
- D. a household that is in need of the assistance of family members in order to live independently, where such family members live in the immediate vicinity of the eligible development.

If more than one applicant meets these criteria for selection equally, the agency shall prefer the applicant that applied first in time.

Subp. 4. **Distribution of subsidy.** The owner or owner's agent of the eligible development in which the recipient resides shall collect from the recipient and place in the development's management accounts an amount equal to the monthly market rent for the unit in which the recipient resides, less the specified subsidy amount. The agency shall apply the subsidy amount as provided in a regulatory agreement with the owner of the eligible development.

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

**History:** *9 SR 1249*

**4900.0356 ELIGIBLE APPLICATIONS.**

Subpart 1. **Property interest.** An applicant for an apartment renovation mortgage loan must, at the time of application, possess one of the following interests in the property to be improved:

- 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. **Eligible borrowers.** Natural persons, public or private for profit or nonprofit corporations or entities, partnerships, joint ventures, or cooperatives are eligible to receive an apartment renovation mortgage loan.

Subp. 3. **Credit risk.** An applicant for an apartment renovation mortgage loan must be a reasonable credit risk with the capacity to pay the loan obligation, as determined by the agency.

Subp. 4. **Eligible structures.** To be eligible for improvements funded with an apartment renovation mortgage loan, the structure:

A. must be in need of improvements or repairs in order to bring it into compliance with Minnesota Statutes, section 216C.27, subdivision 3, state energy conservation standards; and

B. must contain a minimum of four dwelling units.

Subp. 5. **Compliance with zoning ordinances.** The structure to be improved must not be in violation of applicable zoning ordinances.

Subp. 6. **Use of property restricted.** The property must be used primarily for residential purposes.

Subp. 7. **Restriction of loan use.** Apartment renovation mortgage loan proceeds may be used to refinance existing indebtedness secured by the property in conjunction with the funding of the improvements contemplated by part 4900.0357.

Subp. 8. **Unavailability of financing.** At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 9. **Required occupancy.** At the time of loan closing or initial occupancy, at least 75 percent of the dwelling units in the structure to be improved must be occupied by low and moderate income persons and families, defined as follows: persons or families whose adjusted income does not exceed the greater of \$16,000 or 66 times the gross rental for the unit; provided that the gross rental for the unit is correlated by the agency with fair market rents for the geographical area in which the property to be improved is located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development. The agency may provide by contract with the borrower for rent levels during a predetermined period after loan closing which will be affordable to persons and families of low and moderate income, as defined in this subpart.

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

**History:** *11 SR 2077; L 1987 c 312 art 1 s 10 subd 1*

#### 4900.0357 ELIGIBILITY REQUIREMENTS FOR APARTMENT RENOVATION MORTGAGE LOANS.

Subpart 1. **Restrictions on loans.** Improvements made with apartment renovation mortgage loans shall be in compliance with subparts 2 to 7.

Subp. 2. **State energy conservation standards.** In accordance with Minnesota Statutes, section 462A.05, subdivision 21, the structure must be brought into compliance with the standards established in Minnesota Statutes, section 216C.27, subdivision 3, state energy conservation standards.

Subp. 3. **Structures less than 15 years old.** For structures less than 15 years old, only improvements necessary to achieve compliance with the state energy conservation standards under Minnesota Statutes, section 462A.05, subdivision 21, are eligible.

Subp. 4. **Structures 15 years old or more.** For structures 15 years old or more, permanent general improvements as described in subpart 5 are eligible in addition to the improvements relating to state energy conservation standards referred to in subpart 2.

Subp. 5. **Permanent general improvements.** An improvement must be a permanent general improvement. Permanent general improvements shall include additions, altera-

tions, renovations, or repairs upon or in connection with existing structures which materially preserve or improve the basic livability, safety, or utility of the property; which may include the installation or replacement of appliances as well as fixtures. Permanent general improvements shall not include materials, fixtures, appliances, 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.

Subp. 6. **Other code and standards.** An improvement must be made in compliance with applicable health, fire prevention, building, and housing codes and standards.

Subp. 7. **Public improvements.** Apartment renovation mortgage program loan proceeds shall not be used for the payment, wholly or in part, of assessments for public improvements.

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

**History:** *11 SR 2077; L 1987 c 312 art 1 s 10 subd 1*

#### **4900.0358 SELECTION CRITERIA FOR APARTMENT RENOVATION MORTGAGE PROGRAM LOANS.**

In determining whether or not to accept applications for apartment renovation mortgage loans, the agency shall take the following criteria into consideration:

A. whether the location of the structure to be improved is such that it will enable the housing to be successfully marketed at the proposed rents;

B. accessibility to schools, shopping, health care, recreation and social facilities, and centers of employment;

C. availability of a convenient access to public transportation;

D. availability and proximity of adequate sewer and water facilities, public utilities, and paved roads;

E. freedom from serious adverse environmental and site conditions;

F. the extent to which displacement of residents is minimized;

G. rental management qualifications and financial strength of the owner; and

H. reasonableness of property and property related costs.

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

**History:** *11 SR 2077*

#### **LIMITED-UNIT DEVELOPMENTS AND HOUSING PROGRAM LOANS**

##### **4900.0360 MORTGAGE LOANS FOR LIMITED-UNIT DEVELOPMENTS.**

Mortgage loans for limited-unit developments shall be made only to applicants who: are persons or families of low or moderate income; are fee owners of the dwelling and who intend to occupy such dwelling as their principal place of residence; satisfy minimum standards of credit worthiness; and execute such documents as the agency deems necessary to secure the mortgage loan.

No mortgage loan shall be approved unless the agency determines that a mortgage loan would not otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

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

##### **4900.0370 MEDIUM DENSITY HOUSING PROGRAM LOANS.**

For the purpose of medium density housing program loans, "persons and families of low and moderate income" means those persons and families whose adjusted income does not exceed the amounts set forth in this part or a lower amount as required to assure that the interest on obligations of the Minnesota Housing Finance Agency will be exempt from federal income taxation.

Maximum Adjusted Income for Medium Density Housing Program Loans

Mortgage Interest Rate	Maximum Adjusted Income
0-10.59%	\$30,000
10.60-11.09%	\$31,000
11.10-11.59%	\$32,000
11.60-12.09%	\$33,000
12.10-12.59%	\$34,000
12.60% and over	\$35,000

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

**History:** *8 SR 1402*

**4900.0380 INCOME LIMITS FOR ROLLOVER HOUSING PROGRAM.**

For the purpose of rollover housing program loans, “persons and families of low and moderate income” means those persons and families whose adjusted income does not exceed the amounts set forth in this part, or such lower amount as required to ensure that the interest on obligations of the agency will be exempt from federal income taxation. “Metropolitan area” has the meaning given it in Minnesota Statutes, section 473.121, subdivision 2.

Mortgage Interest Rate	Nonmetropolitan Area Maximum Adjusted	Metropolitan Maximum Adjusted
0-10.59%	\$24,000	\$29,000
10.60-11.09%	25,000	30,000
11.10-11.59%	26,000	31,000
11.60-12.09%	27,000	32,000
12.10-12.59%	28,000	33,000
12.60% and over	29,000	34,000

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

**History:** *8 SR 1537*

**INCOME LIMITS FOR TAX REFORM TRANSITION DEMONSTRATION PROGRAM**

**4900.0381 INCOME LIMITS FOR TAX REFORM TRANSITION DEMONSTRATION PROGRAM.**

For the purpose of tax reform transition demonstration program loans, “persons and families of low and moderate income” means those persons and families whose annual projected gross income does not exceed the amounts set forth in items A and B or a lower amount as required to assure that the interest on obligations of the Minnesota Housing Finance Agency will be exempt from federal income taxation. “Gross annual income” means the income from all sources, and before taxes or withholding, of all the residents, age 18 and over, of a housing unit.

A. The following limits constitute maximum gross income for loans for new construction:

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

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Mortgage Interest Rate	Maximum Gross Income
0 - 9.00	\$34,000
9.01 - 9.50	\$35,000
9.51 - 10.00	\$36,000
10.01 - 10.50	\$37,000
10.51 - 11.00	\$37,900
11.01 and Over	\$37,900

(2) in the counties of Benton, Blue Earth, Clay, Nicollet, Olmsted, Saint Louis, Sherburne, and Stearns:

Mortgage Interest Rate	Maximum Gross Income
0 - 9.00	\$27,000
9.01 - 9.50	\$28,000
9.51 - 10.00	\$29,000
10.01 - 10.50	\$30,000
10.51 - 11.00	\$31,000
11.01 and Over	\$32,000

(3) in all other counties:

Mortgage Interest Rate	Maximum Gross Income
0 - 9.00	\$25,000
9.01 - 9.50	\$26,000
9.51 - 10.00	\$27,000
10.01 - 10.50	\$28,000
10.51 - 11.00	\$29,000
11.01 and Over	\$30,000

B. The following limits constitute maximum gross income for loans for existing construction:

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

Mortgage Interest Rate	Maximum Gross Income
0 - 9.00	\$30,000
9.01 - 9.50	\$31,000
9.51 - 10.00	\$32,000
10.01 - 10.50	\$33,000
10.51 - 11.00	\$34,000
11.01 and Over	\$35,000

(2) in the counties of Benton, Blue Earth, Clay, Nicollet, Olmsted, Saint Louis, Sherburne, and Stearns:



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Mortgage Interest Rate	Maximum Gross Income
0 - 9.00	\$22,000
9.01 - 9.50	\$23,000
9.51 - 10.00	\$24,000
10.01 - 10.50	\$25,000
10.51 - 11.00	\$26,000
11.01 and Over	\$27,000

(3) in all other counties:

Mortgage Interest Rate	Maximum Gross Income
0 - 9.00	\$20,000
9.01 - 9.50	\$21,000
9.51 - 10.00	\$22,000
10.01 - 10.50	\$23,000
10.51 - 11.00	\$24,000
11.01 and Over	\$25,000

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

**History:** *11 SR 2201*

## PLANNING GRANT

### 4900.0410 APPLICATIONS.

An application by a local community for a planning grant shall contain:

A. information with respect to the status of the applicant as a local community;

B. information with respect to the plan of land or building acquisition, improvement, renewal, relocation, or conservation;

C. the total cost of the plan, the net costs to the local community of the plan, and a schedule of the proposed uses of the requested planning grant and the amounts to be allocated to each such use;

D. information with respect to the site upon which the housing is or will be situated, including location, dimensions, ownership, present zoning, present use and occupancy, relocation requirements as to present occupants, present on-site utilities, and streets; and

E. such other information with respect to the site, the local community, or other parties involved, as the commissioner may require.

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

**History:** *L 1987 c 186 s 15*

### 4900.0420 AUTHORIZATION OF PLANNING GRANTS.

No planning grant shall be made until the members of the agency have received and reviewed the recommendation of the commissioner, relating to such planning grant, and until the members of the agency have adopted a resolution approving such grant, which resolution shall include determinations that:

A. the applicant is a local community;

B. the local community is reasonably expected to be able to implement successfully the plan;

C. the plan will meet a social need in the area in which it is to be operative;

D. the development of the plan will assist in fulfilling the purposes of the act;

E. the amount of the grant is not in excess of the net costs, exclusive of any federal aid or assistance, as have been or may reasonably be anticipated to be incurred by the local community in connection with the plan; and

F. the plan relates to a specific site upon which housing is or will be situated, or relates to a site which is or will be used for purposes which are reasonably related to such housing.

In addition, any such resolution may contain such other provisions and conditions which the members of the agency, in their sole discretion, deem advisable.

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

**History:** *L 1987 c 186 s 15*

### HOME IMPROVEMENT LOANS

#### 4900.0510 ELIGIBILITY REQUIREMENTS FOR APPLICATIONS FOR HOME IMPROVEMENT LOANS.

Subpart 1. **Interest in property.** Each applicant must individually or in the aggregate possess at least a one-third interest in a fee, or a contract for deed, or a life estate in the property to be improved. All persons who, individually or collectively, possess the type of ownership upon which the application is based, or whose income is to be included for the purpose of determining the adjusted income, and spouses of all such persons, must join in the application and must execute the loan documents. However, occupancy of the property by the applicant shall not be required.

Subp. 2. **Person or family of low or moderate income.** Each applicant must be a person or family, including nonrelated individual adults, of low or moderate income.

Subp. 3. **Credit risk.** Each applicant 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.

Subp. 4. **Structure.** The structure to be improved must be at least 90 days old. The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

Subp. 5. **Property.** The property must be used primarily for residential purposes and must not contain more than six dwelling units. Mobile homes and trailers shall not be eligible for home improvement loans.

Subp. 6. **Use of proceeds.** Home improvement loan proceeds must be used to finance only improvements upon or in connection with existing structures.

Subp. 7. **Time limit.** All improvements must be reasonably capable of being completed, except for causes beyond the applicant's reasonable control, such as fire, strike, and shortage of materials, within nine months of the date of the first disbursement of funds pursuant to the home improvement loan.

Subp. 8. **Conventional financing not available.** At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 9. **Agreement with renters.** Each applicant who is an owner of residential housing occupied in whole or in part by renters, shall enter into such agreement as the agency shall require to ensure that for the term of the loan persons and families of low and moderate income will occupy at least one of the units in the case of a two unit residence, two of the units in the case of a three unit residence, three of the units in the case of a four unit residence, and four of the units in the case of a five or six unit residence.

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

**History:** *8 SR 475*

**4900.0520 ELIGIBILITY REQUIREMENTS FOR HOME IMPROVEMENT LOANS.**

Improvements made with home improvement loan proceeds shall satisfy the following requirements:

A. 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; or to make the property more desirable to live in; or to increase the market value of the property; or to make the property more habitable; or to make the property more accessible to a handicapped person as provided in parts 4900.0710 to 4900.0740.

B. Each improvement must be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which materially preserve or improve the basic livability, safety, or utility of the property. Permanent general improvements shall 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 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 home improvement loan for property occupied by the owner shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

D. Home improvement loan proceeds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such proceeds may be used for improvements which will bring an individual sewage disposal system (including septic systems) located on the property into compliance with local, state, or federal environmental and sanitary standards.

E. All contracts covering all or any portion of an improvement must contain an MHFA approved warranty of construction and materials.

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

**History:** *17 SR 1279*

**RENTAL REHABILITATION LOANS****4900.0530 ELIGIBLE APPLICATIONS.**

Subpart 1. **Property interest.** Each applicant for a rental rehabilitation loan must individually or in the aggregate possess at least a one-third interest in a fee, or a contract for deed, or a life estate in the property to be improved. However, occupancy of the property by the applicant shall not be required.

Subp. 2. **Credit risk.** Each applicant 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. 3. **Eligible improvements.** To be eligible, the structure must be in need of repairs in order to bring it into compliance with Minnesota Statutes, section 216C.27, subdivision 3, state energy conservation standards. For structures less than 15 years old, only improvements necessary to bring the structure into compliance with the state energy conservation standards are eligible. Further explanation of this requirement is in part 4900.0540.

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 and must consist primarily of comprehensive living units including kitchen and bathroom facilities. Mobile homes and trailers shall not be eligible for rental rehabilitation loans.

Subp. 6. **Restriction on loan use.** Rental rehabilitation loan proceeds must be used to finance only improvements upon or in connection with existing structures.

Subp. 7. **Time of completion.** All improvements must be reasonably capable of being completed within nine months of the date of the first disbursement of funds pursuant to the rental rehabilitation loan except for delays due to causes beyond the applicant's reasonable control, such as fire, strike, and shortage of materials.

Subp. 8. **Unavailability of financing.** At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 9. **Required occupancy.** The structure to be improved must be occupied at the time of loan closing primarily by persons and families of low and moderate income. 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 subds 4,11*

**History:** *L 1987 c 312 art 1 s 10 subd 1*

#### 4900.0540 ELIGIBILITY REQUIREMENTS FOR IMPROVEMENT LOANS.

Subpart 1. **Restrictions on loans.** Improvements made with rental rehabilitation loan proceeds shall be in compliance with subparts 2 to 4.

Subp. 2. **State energy conservation standards.** The structure must be brought into compliance with the standards established in Minnesota Statutes, section 216C.27, subdivision 3, state energy conservation standards.

Subp. 3. **Structures less than 15 years old.** For structures less than 15 years old, only improvements necessary to bring the structure into compliance with the state energy conservation standards are eligible.

Subp. 4. **Structures more than 15 years old.** For structures more than 15 years old, permanent general improvements as described in subpart 5 are eligible if the structure has been or will be brought into compliance with the state energy conservation standards.

Subp. 5. **Permanent general improvements.** Each improvement must be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures which materially preserve or improve the basic livability, safety, or utility of the property. However, conversions of structures, or portions thereof, from nonresidential use to residential use are not eligible. Permanent general improvements shall 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.

Subp. 6. **Other codes and standards.** Each improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards, but no application for a rental rehabilitation loan for property occupied by the owner shall be denied solely because the improvements will not bring the property into full compliance with all codes and standards, except that the property must be brought into compliance with state energy conservation standards as specified in subpart 2.

Subp. 7. **Public improvements.** Rental rehabilitation loan proceeds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that the proceeds may be used for improvements which will bring an individual sewage disposal system located on the property, including septic systems, into compliance with local, state, or federal environmental and sanitary standards.

Subp. 8. **Warranty.** All contracts covering all or any portion of an improvement must contain an agency-approved warranty of construction and materials.

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

**History:** *L 1987 c 312 art 1 s 10 subd 1; 17 SR 1279*

#### LOCAL PARTICIPATION HOME IMPROVEMENT LOANS

##### 4900.0550 FUNDS.

Subpart 1. **Request for funds.** A local government that wishes to receive an allocation of funds to make local participation home improvement loans shall submit a request for funds that includes the following items, which may be further described by the agency:

- A. a description of the proposed program;
- B. a description of program requirements to be imposed by the local government that are not set forth in parts 4900.0510 and 4900.0520;
- C. an analysis of the need for the proposed program in the community;
- D. a demonstration of financial feasibility of the proposed program;
- E. evidence that an adequate delivery mechanism is available for the proposed program; and
- F. the specific funding amount requested and the time period, that is within the maximum time period set by the agency, during which the funds will be expended.

Subp. 2. **Deadline for requests for funds.** The agency shall give notice that it will accept requests for funds to make local participation home improvement loans from local governments for the period specified by the agency. This period may not be less than 30 days.

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

**History:** *9 SR 112; 10 SR 1557*

##### 4900.0560 ELIGIBLE APPLICATIONS.

An application for a local participation home improvement loan must meet all of the requirements of part 4900.0510.

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

**History:** *9 SR 112*

##### 4900.0570 ELIGIBLE IMPROVEMENTS.

An improvement financed with the proceeds of a local participation home improvement loan must meet all of the requirements of part 4900.0520.

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

**History:** *9 SR 112*

##### 4900.0580 DEFINITION: PERSONS AND FAMILIES OF LOW AND MODERATE INCOME.

For local participation home improvement loans, "persons and families of low and moderate income" means those persons and families whose adjusted income does not exceed 125 percent of the median income for the county in which these projects are located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development, or the income limit for home improvement loans under parts 4900.0510 and 4900.0520, whichever is greater; provided, however, that the maximum adjusted income may not exceed 100 percent of the median income for the county in Minnesota that has the highest 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 subds 4,11*

**History:** *9 SR 112*

### ACCESSORY APARTMENT LOANS

#### 4900.0581 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 4900.0581 to 4900.0584, the following terms have the meanings given them.

Subp. 2. **Accessory apartment loan.** "Accessory apartment loan" means a loan the proceeds of which are used to construct an additional dwelling unit within a structure, or to improve not more than two rental dwelling units located in a structure that, at the time of the loan application, contains a total of not more than three dwelling units.

Subp. 3. **Borrower.** "Borrower" means one or more persons who apply for and receive an accessory apartment loan and who are the makers of a note in evidence of the loan.

Subp. 4. **Dwelling unit.** "Dwelling unit" means a housing unit that includes self-contained cooking, sleeping, and bathroom facilities, and is located in the structure. A dwelling unit may be occupied by either a tenant or the owner of the structure.

Subp. 5. **Rental dwelling unit.** "Rental dwelling unit" means a dwelling unit that is occupied by a person or household other than the owner of the structure and for which rent in cash or in kind is received by the owner.

Subp. 6. **Structure.** "Structure" means a building that was originally built as a single-family residence and that satisfies the eligibility requirements of part 4900.0582, subpart 5.

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

**History:** *9 SR 295*

#### 4900.0582 ELIGIBILITY REQUIREMENTS.

Subpart 1. **Property interest.** A borrower shall individually or in the aggregate possess at least a one-third interest in a fee ownership of, a contract for deed for, or a life estate in the property on which the structure to be improved is located.

Subp. 2. **Occupancy.** If the proceeds of an accessory apartment loan are used to construct an additional dwelling unit, at least one of the borrowers shall occupy the structure as his or her principal residence at the time of loan application or shall occupy one dwelling unit within the structure within 60 days of the date of the note in evidence of the loan.

If the proceeds from an accessory apartment loan are used to improve one or more dwelling units, at least one of the borrowers shall occupy one of the dwelling units as his or her principal residence at the time of loan application.

Subp. 3. **Credit worthiness.** A borrower shall be a reasonable credit risk and shall be able to pay the loan obligation as determined under part 4900.0080.

Subp. 4. **Borrower eligibility.** A borrower shall meet either of the following standards to be eligible for an accessory apartment loan:

A. a borrower shall be a person or household of low or moderate income as defined in part 4900.0010, subpart 23; or

B. a borrower shall agree to rent all of the dwelling units that he or she does not occupy at a rate not to exceed the current United States Department of Housing and Urban Development (HUD) Fair Market Rents for Existing Dwellings in the section 8 program under the United States Housing Act of 1937, United States Code, title 42, sections 1437 et seq. as amended through December 31, 1983, as determined

and adjusted from time to time by HUD, for a period of at least one year from the date the dwelling unit is first occupied by a renter.

Subp. 5. **Eligibility of structure.** The structure to be improved or modified with the proceeds of an accessory apartment loan must comply with applicable zoning ordinances or other applicable land use guides upon completion of the construction or improvements.

If a borrower qualifies for a loan by satisfying the requirement in subpart 4, item A, the structure to be modified or improved must have been completed and occupied as a residence for at least 90 days at the time of the loan application.

If a borrower qualifies for a loan solely by satisfying the requirements in subpart 4, item B, the structure to be modified or improved must be at least 15 years old at the time of loan application.

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

**History:** 9 SR 295

#### 4900.0583 ELIGIBLE IMPROVEMENTS.

Subpart 1. **Permanent general improvements.** Proceeds from an accessory apartment loan must be used to finance only permanent general improvements. Permanent general improvements include additions, alterations, renovations, or repairs upon or in connection with existing structures. 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 structure to be modified or improved.

Subp. 2. **Loan proceed restrictions.** The proceeds from an accessory apartment loan must be used to finance only improvements or modifications to, or in connection with, an existing structure. The proceeds from an accessory apartment loan may be used as follows:

A. to add not more than one dwelling unit to a structure that is a single-family residence at the time of the loan application; or

B. to improve a structure that, at the time of the loan application, contains one or two rental dwelling units in addition to a dwelling unit occupied by the owner of the structure. Use of the proceeds from an accessory apartment loan for the type of structure described in this item is restricted to improvements that will bring all rental dwelling units into compliance with local zoning ordinances and other applicable health, fire prevention, building, and housing codes and standards.

The proceeds from an accessory apartment loan must not be used to pay for assessments for public improvements except if the improvements will bring an individual sewage disposal system (including septic system) located on the property on which the structure is located into compliance with local, state, or federal environmental and sanitary standards.

Subp. 3. **Energy conservation.** If an existing or newly constructed rental dwelling unit does not comply with the state energy conservation standards for rental housing, the proceeds from an accessory apartment loan must be used to bring the rental dwelling unit into compliance with these standards.

Subp. 4. **Time of completion.** Improvements or construction financed in whole or in part by an accessory apartment loan must be completed within nine months of the date of the first disbursement of the loan except for delays due to causes beyond the borrower's reasonable control, such as fire, strike, and shortage of materials.

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

**History:** 9 SR 295

**4900.0584 OTHER REQUIREMENTS.**

Subpart 1. **Unavailability of financing.** At the time of application for an accessory apartment loan, conventional financing for this purpose must not be available from private lenders upon equivalent terms and conditions.

Subp. 2. **Other codes and standards.** Following the completion of construction or improvement, all rental dwelling units must comply with all applicable health, fire prevention, building, and housing codes and standards. However, an accessory apartment loan shall not be denied solely because the construction or improvements to be financed by it will not bring the entire structure into full compliance with these codes and standards.

Subp. 3. **Warranty of construction and materials.** Contracts for construction or improvement of a dwelling unit that are financed in whole or in part by the proceeds from an accessory apartment loan must contain a warranty of construction and materials that is approved by the agency.

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

**History:** *9 SR 295; 17 SR 1279*

**HOME ENERGY LOANS****4900.0590 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4900.0590 to 4900.0594, the following terms have the meanings given them.

Subp. 2. **Borrower.** "Borrower" means one or more persons who apply for and receive a loan under parts 4900.0590 to 4900.0594. A borrower must be a person or family, but need not be of low and moderate income.

Subp. 3. **Home energy loan.** "Home energy loan" means a loan made to a borrower, the proceeds of which are used for energy conservation improvements in an eligible property.

Subp. 4. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" is as defined in part 4900.0010, subpart 23, item E.

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

**History:** *9 SR 506; 12 SR 2342*

**4900.0591 ELIGIBLE BORROWERS.**

Subpart 1. **Interest in property.** A borrower shall individually or in the aggregate possess at least a one-third interest in a fee title, a contract for deed, or a life estate in the property to be improved.

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

Subp. 2. **Credit review.** A borrower shall be a reasonable credit risk, and shall be able to pay the loan obligation, as determined by the agency under part 4900.0080, or by a lending institution that originates a loan for sale to the agency.

Subp. 3. **Principal place of residence.** A borrower shall occupy the property to be improved as his or her principal place of residence.

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

**History:** *9 SR 506; 12 SR 2342*

**4900.0592 ELIGIBLE PROPERTIES.**

The property to be improved by a home energy loan is restricted as follows:

A. The property to be improved may not contain more than one dwelling unit.



B. The property to be improved may not be in violation of applicable zoning ordinances or other land use guides.

C. Not more than 15 percent of the total area of the property to be improved may be used primarily in a trade or business.

D. The property to be improved may not be used as investment property or as a recreational home.

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

**History:** *9 SR 506; 12 SR 2342*

**4900.0593 OTHER REQUIREMENTS.**

Subpart 1. **In general.** Improvements made with home energy loan funds must satisfy the following requirements:

A. Improvements made with the proceeds of a home energy loan must be a permanent improvement made upon or in connection with an existing structure, and must improve the energy efficiency of the structure or be directly related to energy efficiency.

B. An improvement must be made in compliance with all applicable health, fire prevention, building, or housing codes and standards; provided, however, that no application for a home energy loan may be denied solely because the improvements will not bring the property into full compliance with these codes and standards.

C. The proceeds of a home energy loan must be used only to finance new improvements and may not be used to refinance an existing loan or mortgage.

D. A borrower shall agree to complete all improvements within nine months of the date of the loan.

Subp. 2. **Conventional financing not available.** At the time of application conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 3. **Qualifications of income.** In order for a borrower to obtain the preference for persons or families of low and moderate income, all persons who, individually or collectively, possess the type of ownership upon which the application is based, or whose income is to be included for purposes of determining the adjusted income, and spouses of these shall join in the application and shall execute the loan note.

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

**History:** *9 SR 506*

**4900.0594 PREFERENCE FOR PERSONS AND FAMILIES OF LOW AND MODERATE INCOME.**

The agency may, in its sole discretion, give preference to persons and families of low and moderate income by:

A. providing home energy loans to these persons and families at lower rates of interest;

B. providing allocations of funds specifically for use by these persons and families; and

C. other methods as the agency deems appropriate.

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

**History:** *9 SR 506*

**ENERGY IMPROVEMENT LOAN INSURANCE PROGRAM**

**4900.0601 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4900.0601 to 4900.0605, the following terms have the meanings given them.

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

Subp. 3. **Borrower.** "Borrower" means one or more persons or legal entities.

Subp. 4. **Energy improvement loan insurance program.** "Energy improvement loan insurance program" means a program established by Minnesota Statutes, section 462A.05, subdivision 23 to insure loans that are made by lenders to eligible borrowers to pay the costs of eligible improvements made to eligible structures.

Subp. 5. **Insure.** "Insure" means that the agency will pay to the lender a portion of defaulted loans that are insured by the energy improvement loan insurance program, up to a maximum total amount for each lender.

Subp. 6. **Lender.** "Lender" means a banking institution, savings association, or other lender approved by the agency, organized under the laws of this or any other state or of the United States having an office in Minnesota.

Subp. 7. **Rental dwelling unit.** "Rental dwelling unit" means a housing unit containing cooking, sleeping, and bathroom facilities that is occupied by a household other than the owner of the dwelling for which rent is received either in cash or in kind.

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

**History:** *9 SR 694; L 1995 c 202 art 1 s 25*

#### **4900.0602 ELIGIBLE LOAN.**

For a loan to be insured under the energy improvement loan insurance program, the loan must comply with parts 4900.0603 to 4900.0605.

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

**History:** *9 SR 694*

#### **4900.0603 ELIGIBLE BORROWERS.**

Subpart 1. **Interest in property.** An eligible borrower shall, individually or in the aggregate, possess at least a one-third interest in either a fee title, a contract for deed, or a life estate in the property and the structure located thereon.

Subp. 2. **Credit review.** An eligible borrower shall be a reasonable credit risk, and shall be able to pay the loan obligation, as determined by the lender that originates a loan to be insured under the energy improvement loan insurance program and as determined by the agency.

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

**History:** *9 SR 694*

#### **4900.0604 ELIGIBLE STRUCTURES.**

An eligible structure must contain one or more rental dwelling units and must not be in compliance with applicable energy efficiency standards.

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

**History:** *9 SR 694*

#### **4900.0605 ELIGIBLE IMPROVEMENTS.**

Eligible improvements are any improvements that are primarily designed to reduce energy consumption, and any structural or other directly related repairs that are essential to accomplish the eligible improvement.

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

**History:** *9 SR 694*

### **HOME IMPROVEMENT GRANTS AND REHABILITATIVE LOANS**

#### **4900.0610 SCOPE.**

Rules in parts 4900.0610 to 4900.0700 govern the home improvement grant program authorized by Minnesota Statutes, section 462A.05, subdivision 15 and the

rehabilitation loan program authorized by Minnesota Statutes, section 462A.05, subdivision 14a. The agency is authorized to make rehabilitation loans with or without interest or periodic payments. In parts 4900.0610 to 4900.0700 loans made with interest and periodic payments shall be referred to as "revolving loans" and loans made without interest or periodic payments shall be referred to as "deferred loans."

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

**History:** *13 SR 2153*

#### 4900.0620 RESERVATION OF FUNDS.

Subpart 1. **Request.** For a period of at least 30 days after the agency gives notice that the funds for making rehabilitation grants or loans are available, the agency shall receive requests for reservation of funds from prospective administering entities. Requests for reservation of funds for rehabilitation grants or loans may be made by prospective administering entities to the agency, and shall contain:

A. a plan setting forth the proposed method of delivery of the rehabilitation grants or loans;

B. evidence satisfactory to the agency that the administering entity has the capacity effectively and efficiently to carry out the plan;

C. evidence satisfactory to the agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered;

D. the specific funding amount requested for a period of not more than 24 months and the administrative allowance, if any, required by the administering entity to defray the expenses of administering the program;

E. other funding sources available to the administering entity for administration and home improvement; and

F. a description of the targeting plan, if any, whereby the administering entity will establish priorities for awarding grant and loan funds based on an assessment of need within its jurisdiction, in the event that the number of applications exceeds the number of grants and loans which can be awarded. The targeting plan, if any, shall be subject to approval by the agency and may not have the effect of excluding any otherwise eligible applicant from making an application and being considered eligible for a grant or loan.

Subp. 2. **Allocation of the funds.** The agency shall allocate the funds available at any time among the several regions, based upon data assembled by the agency and accurately reflecting housing needs and related factors. The agency shall submit its proposed allocation of funds to the applicable regional development commission, including the Metropolitan Council, and shall consider the comments and recommendations of the commissions with respect to the extent to which the proposed allocation assists in satisfying the housing needs for the region.

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

#### 4900.0630 ELIGIBLE RECIPIENTS OF REHABILITATION GRANTS AND LOANS.

Subpart 1. **Requirement on the application.** In addition to all conditions imposed by the act, an application for a rehabilitation grant or loan shall satisfy the following requirements.

Subp. 2. **Principal place of residence.** The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least a life estate or a one-third interest in the fee title or in the contract for deed with respect to such structure. The agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian reservations. For mobile homes taxed as personal property or not permanently affixed to real property, recipient(s) must be current in any loan payments on the structure, and individually or in the aggregate have a 100 percent interest in the title to the mobile home.

For the purpose of complying with the ownership requirements, the recipient may aggregate the recipient's interest in such property with the ownership interests of other individuals also occupying the structure to be improved as their principal place of residence. All individuals occupying the structure to be improved as their principal place of residence and having an ownership interest in such structure must join in the application.

Subp. 3. **Person of low and moderate income.** Each recipient must be a person or family of low and moderate income as defined in part 4900.0010, subpart 23, item D, subitem (2).

Subp. 4. **Deferred loan assets.** "Assets" for purposes of deferred loans described in parts 4900.0610 to 4900.0700 is the sum of the following, after deducting any outstanding indebtedness:

- A. cash on hand or in checking or savings accounts;
- B. securities or United States Savings Bonds;
- C. market value of all interests in real estate, exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located;
- D. cash value of life insurance policies; and
- E. all other property, exclusive of household furnishings, clothing, and one automobile.

Subp. 5. **Revolving loan assets.** Assets for the purposes of revolving loans is the sum of the following, after deducting any outstanding indebtedness:

- A. cash on hand or in checking or savings accounts;
- B. securities or United States Savings Bonds;
- C. market value of all interests in real estate, exclusive of the structure to be improved and a parcel of real property of not more than two contiguous platted lots or 160 contiguous acres on which such structure is located;
- D. cash value of life insurance policies; and
- E. all other property, exclusive of household furnishings, clothing, one automobile, and real estate, equipment, supplies, and inventory used in a business.

Subp. 6. **Previous revolving loans.** No applicant may receive a revolving loan to improve a property if the combined original principal amounts of revolving loans received by the applicant to improve the property will exceed \$15,000, or if the outstanding balance of revolving loans will exceed the maximum loan amount in part 4900.0640, subpart 2.

Subp. 7. **Other assistance.** Applicants for receipt of revolving loans cannot be eligible for assistance provided under parts 4900.0510 to 4900.0520 and 4900.0590 to 4900.0605; or for local or federal government housing rehabilitation financing programs which may be available in the area in which the property is located.

**Statutory Authority:** *MS s 462A.06*

**History:** *13 SR 2153; 17 SR 1279; 22 SR 1547*

#### **4900.0640 AMOUNT OF GRANT OR LOAN.**

Subpart 1. **Amount of grant.** The amount of the rehabilitation grant shall not exceed the lesser of \$6,000, the actual cost of the work performed, or that portion of the cost of rehabilitation which the agency determines cannot otherwise be paid by the person or family without spending an unreasonable portion of the income of the person or family thereon.

Subp. 2. **Amount of loan.** The amount of the rehabilitation loan shall not exceed the lesser of \$12,000, the actual cost of the work performed, or that portion of the cost of rehabilitation that the agency determines cannot otherwise be paid by the person or family without spending an unreasonable portion of the income of the person or family thereon.

Subp. 3. [Repealed, 13 SR 2153]

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 2174; 13 SR 2153; 22 SR 1547*

#### **4900.0650 RESPONSIBILITIES OF ADMINISTERING ENTITY.**

The administering entity shall have the following responsibilities.

The administering entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients, and certifying that the rehabilitation work is satisfactorily completed.

The administering entity shall make on-site inspections of the properties to be improved before such application is approved and after work has been completed.

The administering entity shall not charge an applicant or recipient any application, processing, or other fee.

The administering entity may, with the prior written consent of the agency, allocate part of its total funding, to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the administering entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses, and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the agency according to a budget submitted by the administering entity and approved by the agency. Disbursements of the administrative allowance shall be contingent upon the agency's review and approval of the satisfactory progress of the program.

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

#### **4900.0660 ELIGIBLE PROPERTIES.**

Grant and loan funds shall be used only to improve properties which meet the following criteria:

A. The property shall be located within the state of Minnesota, be used primarily for residential purposes, and contain no more than two dwelling units, one of them owner-occupied.

B. The property to be improved shall conform to applicable zoning ordinances and possess all appropriate use permits.

C. The improvements shall be made upon or in connection with existing structures, including mobile homes. Trailers shall not be eligible.

D. No property shall be eligible for a home improvement grant or deferred loan if it has been improved by such a grant or loan within the five-year period immediately preceding the date on which application for such grant or loan is made. No property is eligible for a revolving loan if it has been improved by a revolving loan within the two-year period immediately preceding the date on which application for the loan is made. These limitations do not apply in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant or to failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems, as determined by the agency in its sole discretion.

E. The property to be improved with grant or loan funds shall be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, rehabilitation funds shall be used to the extent necessary to increase such efficiency. Energy-saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor, and duct insulation, storm windows and doors, and caulking and weather stripping. Energy-saving features shall be consistent with the energy standards promulgated as part of the state building code but such improvements need not bring the housing into full compliance with such energy standards.

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

**History:** *13 SR 2153*

**4900.0670 ELIGIBLE IMPROVEMENTS.**

Subpart 1. **Requirements.** Improvements made with home improvement grant or loan funds shall satisfy the following requirements.

Subp. 2. **Permanent general improvement.** Each improvement shall be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property affecting directly the safety, habitability, or energy usage of the property. Permanent general improvements shall be economically viable in terms of a determination that the structure will have a reasonable life expectancy after the improvement is made, and the structure will be reasonably livable, safe, and habitable after the improvement is made.

Permanent general improvements shall not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for decent, safe, and sanitary properties of the same general type as the property to be improved.

Subp. 3. **Compliance with housing codes and standards.** Each improvement shall be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a home improvement grant or loan shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

Subp. 4. **Funds not to be used to pay assessments.** Funds provided under parts 4900.0610 to 4900.0700 shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or a sewage disposal system (including septic systems) into compliance with local, state, or federal environmental and sanitary standards.

Subp. 5. **Warranty of construction and materials.** All contracts covering all or any portion of an improvement shall contain an agency-approved warranty of construction and materials.

Subp. 6. **Funds not to be used to refinance or pay off existing indebtedness.** No grant or loan funds shall be used for the purpose of refinancing or paying off existing indebtedness. All such funds shall be used to finance improvements begun after application for such funds has been approved.

Subp. 7. **Mobile homes.** For mobile homes taxed as personal property or not permanently affixed to real property eligible improvements shall be limited to the following:

- A. improvements which bring the property into compliance with current standards for energy efficiency, fire safety, and anchoring systems;
- B. improvements to remedy imminent safety hazards, or accessibility modifications; and
- C. other permanent general improvements, if after completion of all improvements the mobile home will comply with the standards referred to in item A.

Subp. 8. **Improvements for accessibility to a dwelling for handicapped persons.** Improvements which affect the accessibility of a dwelling for a handicapped person are eligible improvements provided that they are performed in compliance with the following conditions:

- A. the improvement must be an accessibility improvement as defined in part 4900.0710, subpart 1;
- B. the beneficiary of the improvements must occupy or intend to occupy the dwelling unit to be improved as his or her principal residence; and
- C. architectural or engineering costs incurred in the design of accessibility improvements may be funded as eligible improvements.

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

**History:** *17 SR 1279*

# MINNESOTA RULES 1999

## 4900.0680 HOUSING LOANS AND GRANTS

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### 4900.0680 REPAYMENT.

Subpart 1. **Grant.** The recipient of a grant and all individuals who signed the application for such grant shall enter into an agreement with the agency for repayment, which shall provide that in the event the property upon which the improvement is located is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within six years from the date upon which the grant application was approved, then the recipient shall repay, and the agency shall have a lien as security for repayment of, all or a portion of such grant funds in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency Occurs	Percent Repayment
Prior to end of 36th full month	100%
After end of 36th full month until end of 48th full month	75%
After end of 48th full month until end of 60th full month	50%
After end of 60th full month until end of 72nd full month	25%
After end of 72nd full month	No Repayment

If any grant funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the grant.

Subp. 2. **Deferred payment loan.** The recipient of a deferred payment loan and all individuals who signed the application for such loan shall enter into an agreement with the agency for repayment, which shall provide that in the event the property upon which the improvement is located is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within ten years from the date upon which the grant application was approved, then the recipient shall repay and the agency shall have a lien as security for repayment of all of such loan. If any loan funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the loan.

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

### 4900.0690 HOME OWNER LABOR AGREEMENT.

An eligible recipient may agree with an administering entity to do some or all of the improvement work without compensation from the proceeds of the grant or loan, if the administering entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances sufficient grant or loan funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld. Upon successful completion of the improvement work so funded, the administering entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work.

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

**4900.0700 EMERGENCY HOME IMPROVEMENT FUND.**

The agency may establish a separate fund known as the emergency home improvement fund. The agency may make emergency home improvement grants and loans in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant, failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems.

Before an application to the emergency home improvement fund is accepted, the administering entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant and loan funds to cover the cost of repairs. Grants and loans from the emergency home improvement fund shall be made to eligible applicants pursuant to the procedures set forth in parts 4900.0610 to 4900.0700, provided, however, that the emergency home improvement fund shall not be subject to the allocation requirements of part 4900.0620, subpart 2.

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

**ACCESSIBILITY IMPROVEMENT ASSISTANCE****4900.0710 DEFINITIONS.**

Subpart 1. **Accessibility improvement.** "Accessibility improvement" means an interior or exterior improvement or modification to a residential dwelling in Minnesota which is necessary to enable a handicapped person to function in a residential setting.

Subp. 2. **Handicapped person.** With respect to rehabilitation grants and loans pursuant to parts 4900.0610 to 4900.0700 and accessibility improvement assistance pursuant to parts 4900.0710 to 4900.0740, "handicapped person" means a person who has a permanent physical condition which is not correctable and which substantially reduces such person's ability to function in a residential setting. A person with a physical condition which does not require the use of a device to increase mobility shall be deemed a handicapped person upon the written certification of a licensed physician that the physical condition substantially limits such person's ability to function in a residential setting.

Subp. 3. **Percent indebted.** As used in parts 4900.0710 to 4900.0740 "percent indebted" means the percent of monthly gross income that a person or family is obliged to pay each month towards all fixed nonbusiness debt which the recipient in good faith has incurred the obligation to pay over a period of more than three months for goods and/or services already provided. Personal debt includes mortgage or contract for deed payments related to the purchase of residential property, but does not include debts incurred solely for the recipient's business or farm operations. The agency shall not include in the calculation of percent indebtedness any debt which the recipient cannot demonstrate has been incurred in good faith. The recipient shall have the burden of demonstrating that any debt incurred within six months of the date of application for accessibility improvement assistance has been incurred in good faith. A finding that a recipient has incurred a debt in order to defraud the agency will be grounds for exclusion from all agency-financed assistance.

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

**4900.0720 ELIGIBILITY.**

The agency may make funds available for the purpose of making accessibility improvements and for technical assistance in the design and construction of such accessibility improvements under the following conditions:

A. To be eligible the recipient of accessibility improvement assistance shall be a person or family of low or moderate income as defined in part 4900.0010, subpart 23, item D and shall comply with the ownership and occupancy requirements of part 4900.0620.



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## 4900.0720 HOUSING LOANS AND GRANTS

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B. The structure to be improved shall be an existing dwelling located within the state of Minnesota, shall be used primarily for residential purposes, and shall contain no more than two dwelling units, one of them occupied by the recipient.

C. The beneficiary of accessibility improvement assistance shall be a handicapped person of low or moderate income, as defined in part 4900.0010, subpart 23, item D, who shall occupy or intend to occupy the dwelling unit to be improved as his or her primary residence.

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

## 4900.0730 DISTRIBUTION OF ACCESSIBILITY IMPROVEMENT ASSISTANCE.

Subpart 1. **Availability.** Accessibility improvement assistance shall be made available in the following manner.

Subp. 2. **Form of assistance.** Accessibility improvement assistance shall be in the form of a grant, a home improvement loan pursuant to parts 4900.0510 and 4900.0520, or a combination of such grant and loan, depending upon the adjusted income and proportion of existing indebtedness of the recipient. The proportion of assistance to be given in grants shall be determined according to the following table:

Percentage Available Accessibility Grant Assistance

Income (Income stated in thousands of dollars)	Percent Indebted							
	0	5	10	15	20	25	30	35
\$0-5	100% GRANT							
5-6	20%	40%	60%	80%				
6-7		4%	28%	52%	76%			
7-8				22%	48%	74%		
8-9				10%	40%	70%		
9-10					5%	37%	69%	
10-11							30%	65%
11-12							28%	64%
12-13	NO GRANT							
13-14							22%	61%
14-15							20%	60%
15-16							14%	57%
							13%	57%

Subp. 3. **Combined with other aid.** When an accessibility improvement assistance grant is combined with assistance from other agency loan or grant programs, the requirements of those programs shall be met, provided however that the structure to be improved need not meet the requirements of part 4900.0510, subpart 4.

Subp. 4. **Limit on aid.** In no case shall the grant for accessibility improvements and technical assistance inclusively exceed \$10,000 for a single structure nor shall the total assistance for a single structure, including loans and grants from other agency programs, exceed a total of \$15,000.

Subp. 5. **Five-year limitation.** No property shall be eligible for accessibility improvement assistance if it has been improved through such assistance within the five-year period next preceding the date on which the application for such assistance is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the recipient.

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

## 4900.0740 DATA ON ACCESSIBLE HOUSING.

The agency shall maintain a public list of dwellings improved under the accessibility improvement assistance program in order to improve the marketability of such accessible dwellings and assist handicapped persons to find housing containing accessi-

bility improvements. Recipients of accessibility improvement assistance shall inform the agency as soon as practical of any intent to sell the improved dwelling so that the agency may make such information available to interested handicapped persons.

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

#### ACCESSIBILITY DEFERRED LOAN PROGRAM

##### 4900.0750 DEFINITIONS.

Subpart 1. **Applicability.** For the purposes of parts 4900.0750 to 4900.0780 and, except as otherwise provided, the terms defined in this part have the meanings given them.

Subp. 2. **Accessibility improvement.** "Accessibility improvement" means an interior or exterior improvement or modification to a residential dwelling located in Minnesota that is necessary to enable a handicapped person to function in a residential setting.

Subp. 3. **Deferred loan.** "Deferred loan" means a loan made without interest or periodic payments and repayed in accordance with part 4900.0780.

Subp. 4. **Handicapped person.** With respect to rehabilitation grants and loans pursuant to parts 4900.0610 to 4900.0700 and accessibility deferred loans pursuant to parts 4900.0750 to 4900.0780, "handicapped person" means a person who has a permanent physical condition that is not correctable and which substantially reduces the person's ability to function in a residential setting. A person with a physical condition who does not require the use of a device to increase mobility shall be considered to be a handicapped person if a licensed physician certifies in writing that the physical condition substantially limits the person's ability to function in a residential setting.

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

**History:** *10 SR 1557*

##### 4900.0760 ELIGIBILITY.

Subpart 1. **General conditions.** The agency may make funds available for the purpose of making accessibility improvements, for technical assistance in the design and construction of such accessibility improvements, and for repairs relating to the installation of the accessibility improvements, under the conditions in subparts 2 to 4.

Subp. 2. **Purpose of loan.** The loan recipient shall (1) be a handicapped person, or have or intend to have in residence in the property to be improved at least one household member who is a handicapped person, (2) occupy or intend to occupy the dwelling unit to be improved as his or her primary residence, and (3) qualify as a person or family of low or moderate income as defined in part 4900.0010, subpart 23, item D, subitem (2).

Subp. 3. **Ownership.** The loan recipient shall comply with the ownership requirements of part 4900.0630, subpart 2.

Subp. 4. **Structure.** The structure to be improved shall be an existing dwelling located within the state of Minnesota, shall be used primarily for residential purposes, and shall contain no more than two dwelling units, one of them occupied by the recipient.

**Statutory Authority:** *MS s 462A.06*

**History:** *10 SR 1557; 12 SR 411; 18 SR 720*

##### 4900.0770 DISTRIBUTION OF ACCESSIBILITY DEFERRED LOANS.

Subpart 1. **Availability.** Accessibility funds shall be provided in the form of deferred loans. A household will be eligible for a loan representing the total of approved expenses, or the maximum assistance available, whichever is less.

Subp. 2. **Combined with other aid.** When an accessibility deferred loan is combined with assistance from other agency loan or grant programs, the requirements of those programs shall be met.

Subp. 3. **Limit on aid.** In no case shall the accessibility deferred loan for accessibility improvements, technical assistance, and related repairs inclusively exceed \$10,000 for a single structure.

Subp. 4. **Five-year limitation.** No property shall be eligible for an accessibility deferred loan if it has been improved through such assistance within the five-year period next preceding the date on which the application for such assistance is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the recipient, or a significant change in the handicapped person's physical condition which requires additional accessibility improvements to enable the handicapped person to function in the property.

**Statutory Authority:** *MS s 462A.06*

**History:** *10 SR 1557; 12 SR 411*

#### 4900.0780 REPAYMENT.

The recipient of a deferred loan shall enter into an agreement with the agency for repayment of the loan. The recipient shall repay the entire amount of the deferred loan only in the event the property upon which the improvement is located is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence, within five years after the date upon which the application for an accessibility deferred loan was approved. The agreement for the repayment of the loan shall be secured by a lien for the benefit of the agency on the property improved.

Subp. 2. [Repealed, 12 SR 411]

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

**History:** *10 SR 1557; 12 SR 411*

### AMERICAN INDIAN HOUSING

#### 4900.0900 SCOPE.

Parts 4900.0900 to 4900.1080, together with the loan agreement and amendments thereto, hereinafter called the "agreement":

A. govern the housing programs for American Indians of low and moderate income as authorized by Minnesota Statutes, section 462A.07, subdivision 14, hereinafter referred to as the "act";

B. authorize a housing program for Indian families living both on and off reservations within the state of Minnesota; and

C. direct the Minnesota Housing Finance Agency to create such a program to be administered by:

(1) the Minnesota Chippewa Tribe, which for purposes of parts 4900.0900 to 4900.1080 includes any corporation established by the Minnesota Chippewa Tribe to carry out the housing program provided for herein and by the act, hereinafter collectively the "tribe";

(2) the Red Lake Band of Chippewa Indians, which for purposes of parts 4900.0900 to 4900.1080 shall include any corporation established by the Red Lake Band of Chippewa Indians to carry out the housing program provided for herein and by the act, hereinafter collectively the "band"; and

(3) the Sioux Communities, which for purposes of parts 4900.0900 to 4900.1080 shall include any corporation established by the Sioux communities to carry out the housing program provided for herein and by the act, hereinafter collectively the "communities."

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 2715*

**4900.0910 DEVELOPMENT OF PLAN.**

In developing each such housing program, the tribe, band, and communities shall take into account the housing needs of all American Indians residing both on and off reservations within the state. A plan, hereinafter the "plan," for each such program, which is in accordance with parts 4900.0900 to 4900.1080 and which specifically describes the program content, utilization of funds, administration, and operation and implementation, shall be submitted to the Minnesota Housing Finance Agency, hereinafter "MHFA," for its review and approval prior to the making of eligible loans.

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

**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 United States Code, title 25, section 450b, 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 adult who is an American Indian as defined by United States Code, title 25, section 450b.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2354; 17 SR 2715*

**4900.0930 ADJUSTED INCOME.**

Adjusted income shall be computed in accordance with part 4900.0010, subparts 3 and 12. To calculate adjusted income for purposes of parts 4900.0900 to 4900.1080, for all lending programs other than the off reservation demonstration program referred to in Laws of Minnesota 1987, chapter 404, section 28, subdivision 1, and those permanent program components that may evolve from the demonstration program, the applicant's gross annual income for the two years immediately prior to the date of application for the loan, adjusted in accordance with part 4900.0010, subparts 3 and 12, shall be added to the applicant's projected gross annual income for the year next following the date of application, also adjusted in accordance with part 4900.0010, subparts 3 and 12, and the total thus obtained shall be divided by three.

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

**History:** *12 SR 1564*

**4900.0940 REFINANCING EXISTING LOANS.**

No loan shall be approved or disbursed for the purpose of refinancing an existing loan. The plan may set funding priorities for the types of housing loans to be made based upon housing need considerations.

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

**4900.0950 LIMIT ON SALE PRICE OR APPRAISAL VALUE.**

Each plan submitted to MHFA for approval shall provide for a maximum limitation on the sale price or appraised value, whichever is greater, of a structure or structures designed primarily for residential use by not more than four families, or a dwelling in a planned unit development or a condominium. No loan for rehabilitation of any property shall be made in an amount which, when added to all other existing

indebtedness secured by the property, would exceed its market value as determined by a qualified appraiser.

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

#### **4900.0960 DURATION OF LOAN.**

No loan shall be made for a term in excess of 30 years on a structure or structures designed for occupancy by not more than four families, or a dwelling unit in a planned unit development or a condominium. The maximum term of a rehabilitation loan for an existing structure or structures designed for occupancy by not more than four families or a dwelling unit in a planned unit development or a condominium shall not exceed 15 years. For all other residential structures, the maximum term of any loan including a rehabilitation loan, granted pursuant to the act, plan, and this chapter shall not exceed 40 years.

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

#### **4900.0970 SECURITY FOR LOANS.**

Each plan submitted to MHFA for approval shall specify the means by which loans made pursuant to the plan and parts 4900.0900 to 4900.1080 are to be secured.

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

#### **4900.0980 RATE OF INTEREST.**

The rate of interest charged by the tribe, band, or communities on housing loans made pursuant to the act, the plan, and parts 4900.0900 to 4900.1080, shall be negotiated between the tribe, band, or communities, and the MHFA. The prime consideration in establishing rates of interest for eligible loans shall be to make the plan self-supporting by generating sufficient interest income to offset the expenses incurred in the development and operation of the plan, with the exception of the first year's expenses which shall be funded from the appropriation provided in the act upon MHFA's approval of a detailed budget for that first year.

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

**History:** *12 SR 1564*

#### **4900.0990 REMUNERATING MHFA.**

The agreement shall provide the circumstances under which MHFA shall provide assistance to the tribe, band, or communities and the amount of remuneration to be received by MHFA from the tribe, band, and communities for its assistance and monitoring.

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

#### **4900.1000 REVOLVING HOUSING FUND.**

The tribe, band, and communities shall repay to MHFA, without interest, all funds advanced to it pursuant to the agreement to the extent and in the manner provided in the agreement.

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

#### **4900.1010 CREDIT RATING.**

Each plan submitted to MHFA for approval shall contain adequate means for determining that the eligible borrower is an acceptable credit risk.

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

#### **4900.1020 AUDIT BY LEGISLATIVE AUDITOR.**

All of the official books and records of the tribe, band, and communities relating to the housing program shall be subject to audit by the legislative auditor in the manner prescribed for agencies of state government as required by the act.

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

**4900.1030 FINAL DECISION ON LOANS.**

Each final decision on applications for loans to eligible borrowers made by the tribe, band, or communities from the moneys appropriated by the act, or from the revolving loan fund under the jurisdiction of the tribe, band, or communities, shall be made by a representative body of the tribe, band, or communities.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 2715*

**4900.1040 DUTIES OF ORIGINATOR.**

The tribe, band, and communities shall each provide information on their respective plans to eligible borrowers, receive and process loan applications, provide MHFA with a summary of the applications to be funded on a form provided by MHFA, and establish lending procedures which comply, to the extent applicable, to the Real Estate Settlement Procedures Act, truth-in-lending legislation, and applicable usury and other lending laws. The tribe, band, and communities shall service or cause to be serviced all loans made to them to eligible borrowers. The provisions regarding servicing shall be detailed in the respective plans and shall outline all servicing responsibilities including, but not limited to, composition and retention of loan files, escrow accounts, reporting systems, handling of delinquencies, and default and foreclosure policies and procedures. To the extent that the tribe, band, or communities enter into housing programs with the Department of Housing and Urban Development, hereinafter "HUD," the tribe, band, or communities shall be relieved of the applicable obligations imposed by this part if such obligations are assumed by HUD or otherwise discharged in a manner acceptable to MHFA.

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

**4900.1050 BUILDING CODE.**

All authorized construction funded by an eligible loan and accomplished pursuant to an approved plan shall conform to the uniform building code of the state of Minnesota and all applicable federal regulations, rules, or codes. Each plan submitted to MHFA for approval shall contain a means of inspection to insure that any such authorized construction conforms to the applicable building code.

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

**4900.1060 ON AND OFF RESERVATION.**

Each plan shall provide for a reasonable balance in the distribution of funds between American Indians residing on and off reservations within the state, as shown by evidence contained in the plan concerning on- and off-reservation population, percentage of low and moderate income American Indians, delivery capabilities, and similar circumstances. The plan may provide that at the option of the tribe, band, or communities, the origination and servicing of loans to eligible recipients residing off the reservation may, by separate agreement, be performed by a party or parties selected by the tribe, band, or communities.

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

**4900.1070 FEES AND CHARGES.**

The fees and charges to be paid by an eligible borrower in connection with the making of an eligible loan shall be determined by the tribe, band, or communities and specified in the plan; provided, that if MHFA or its agent originate and service or cause to be serviced eligible loans for qualified borrowers residing off reservations pursuant to part 4900.1060, MHFA shall determine as to those loans, the reasonable fees and charges to be paid to MHFA and/or its agent, in an amount not to exceed the amount authorized by law.

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

**4900.1080 RIGHTS OF MHFA.**

MHFA shall have the right to inspect, copy, or abstract, at reasonable times and upon ten days notice, all books, records, papers, or any other documents relating to the plan, or loans made pursuant thereto, or any funds held in a revolving loan fund under the jurisdiction of the tribe, band, or communities for the purpose of making eligible loans.

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

**AFFORDABLE HOME MORTGAGES****4900.1110 APPLICATION FOR AFFORDABLE HOME MORTGAGES.**

Affordable home mortgages made from the revolving loan fund established pursuant to Laws of Minnesota 1976, chapter 254, section 16, clause (c), shall meet the following requirements.

The proceeds of the affordable home mortgage must be used to construct in Minnesota a new, single-family, owner-occupied home of one, two, or three bedrooms. The affordable home mortgage must be used only to finance construction of homes built in conformance with Federal Housing Administration minimum property standards and with design standards approved by the agency. The affordable home mortgage must create a valid first lien on the real property on which the eligible home is constructed.

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

**4900.1120 TERMS OF AFFORDABLE HOME MORTGAGE LOANS.**

Subpart 1. **Terms and limitations.** Each affordable home loan and mortgage shall contain the following terms and limitations.

Subp. 2. **Amount.** The maximum amount of each affordable home mortgage loan shall be the sum of the actual construction costs plus the development costs. Actual construction costs, which shall be subject to review and approval by the agency, shall not exceed \$26,500 for a three-bedroom unit; \$24,000 for a two-bedroom unit, and \$21,000 for a one-bedroom unit. Development costs shall not exceed \$7,500 and shall consist only of the actual costs of land, water and sewer, sewer accessibility charges, and such similar costs of improving the property for occupancy as are approved by the agency.

Subp. 3. **Mortgage.** The mortgage shall be for 30 years from the date of initial mortgage closing and shall be without interest until the first day of the fifth month following initial closing or until final closing, whichever first occurs.

Subp. 4. **Down payment.** A minimum down payment of three percent of the first \$25,000 and ten percent of the remainder of the development and construction costs shall be required. No down payment shall be required, however, on Veterans Administration mortgages where the mortgagor has not previously used any portion of the mortgagor's guarantee.

Subp. 5. **Closing costs.** Closing costs shall be paid by the mortgagor.

Subp. 6. **Title insurance.** Each mortgage shall be covered by a title insurance policy approved by the agency or, with the prior written consent of the agency, by an attorney's opinion if title insurance is unavailable.

Subp. 7. **Plat drawing supplied.** A plat drawing shall be supplied by the mortgagor unless the agency determines that a plat of survey certified by a licensed surveyor or engineer is necessary. The legal description of the property to be mortgaged shall be by metes and bounds, or lots and blocks on a recorded map or plat, or in such other form as is acceptable to the agency.

Subp. 8. **Hazard insurance policy.** A hazard insurance policy acceptable to the agency shall cover the mortgaged property and contain a standard mortgagee clause naming the agency as first mortgagee. Such policy shall be issued by a company

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authorized to do business in Minnesota and which has a financial rating in Best's Insurance Reports of BBB+ or better.

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

**History:** *17 SR 1279*

## 4900.1130 COMPUTING INTEREST.

The interest rate on the affordable home mortgage shall be calculated as follows.

The mortgage note shall bear interest at eight percent reduced by an interest credit to reflect family income.

To determine the initial interest, the agency shall determine a maximum monthly housing expense for the mortgagor based upon 35 percent of adjusted income, converted to a monthly average amount for that period. There shall be deducted from the maximum monthly housing expense the average amount, as determined by the agency, for expenses in maintaining the premises to be mortgaged, including real estate taxes, mortgage insurance, hazard insurance, heat, utilities, and maintenance, but excluding principal and interest payments on the mortgage. The balance remaining shall constitute the sum available for the monthly payment of principal and interest for the initial period, based upon the following 29 year, eight-month amortization schedule:

A. one percent interest rate = \$3.25 per month per thousand dollars of mortgage amount;

B. two percent interest rate = \$3.73 per month per thousand dollars of mortgage amount;

C. three percent interest rate = \$4.25 per month per thousand dollars of mortgage amount;

D. four percent interest rate = \$4.81 per month per thousand dollars of mortgage amount;

E. five percent interest rate = \$5.40 per month per thousand dollars of mortgage amount;

F. six percent interest rate = \$6.02 per month per thousand dollars of mortgage amount;

G. seven percent interest rate = \$6.68 per month per thousand dollars of mortgage amount;

H. eight percent interest rate = \$7.37 per month per thousand dollars of mortgage amount.

In calculating the initial interest rate for the mortgage, the highest rate is to be utilized which will cause the balance of the maximum monthly housing expense over the projected monthly expenses in maintaining the premises, as defined above, to equal or exceed the monthly payment of principal and interest. Applicants whose adjusted income will not support a monthly debt service of at least one percent, determined in accordance with the above, shall not be eligible for an affordable home loan.

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

**History:** *17 SR 1279*

## 4900.1140 EXAMPLE OF ELIGIBLE MORTGAGE.

Mortgage Amount	Constant Monthly Housing Costs
\$21,000 Construction Cost	\$35.00 Utilities
2,650 Land and Development Cost	23.30 Property Taxes
<hr/>	
\$23,650 Total Cost	8.17 Hazard Insurance
710 Down Payment	14.00 Maintenance
<hr/>	
\$22,940 Mortgage Amount	\$80.47 Total



Mortgagor's Annual Adjusted Income = \$6,000

Mortgagor's Monthly Adjusted Income = \$500 (\$6,000 ÷ 12 months)

35% of Mortgagor's Monthly Adjusted Income = \$175 (35% of \$500)

Calculation for Monthly Mortgage Payment of Principal and Interest

\$175.00 35% of Mortgagor's Monthly Adjusted Income

80.47 Constant Monthly Housing Expenses

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\$ 94.53 Mortgagor's amount available for principal and interest

Calculation of interest rate

Amount available for principal and interest ÷ mortgage amount in thousands =  
monthly amortization factor:

$\$94.53 \div \$22.94 = \$4.12$  per month per thousand dollars of mortgage amount

The above amortization schedule shows that \$4.12 falls between \$3.73 (which is two percent) and \$4.25 (which is three percent); rounding down gives a two percent interest rate for this example.

Amortization factor of \$3.73 (two percent) times mortgage, \$22,940, gives principal and interest payment of \$85.57.

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

#### **4900.1150 INTEREST RATE AND RECERTIFICATION OF INTEREST CREDIT ELIGIBILITY.**

For those notes having an initial rate of less than eight percent, the interest rate, and the monthly payment of principal and interest based thereon, shall be increased over the rate for the initial period by one-half of one percent unless the mortgagor shall submit to the agency, on or before that March 15 which is not less than 12 months nor more than 24 months after final mortgage closing a recertification of interest credit eligibility, which establishes to the agency's satisfaction that the mortgagor's current adjusted income and maximum monthly housing expense will not support an increase in debt service payments. On June 1 of each succeeding year, the interest rate, and payments of principal and interest based thereon, will be increased an additional one-half of one percent, up to a maximum rate of eight percent per annum, unless, on March 15 of each succeeding year, the mortgagor submits a recertification of interest credit eligibility establishing that an increase in interest rate cannot be supported by the mortgagor's current adjusted income.

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

#### **4900.1160 ASSUMPTION OF AN AFFORDABLE HOME MORTGAGE.**

The affordable home mortgage may be assumed with permission of the agency at eight percent, or at a lower rate if the new mortgagor is eligible for the interest credit.

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

#### **4900.1170 ELIGIBLE MORTGAGORS.**

To be eligible for an affordable home mortgage, a mortgagor must be a low-income purchaser, have an adjusted income sufficient to support a monthly debt service as determined in parts 4900.1130 to 4900.1160 of at least one percent, and intend to occupy the mortgaged premises as the mortgagor's principal residence.

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

**History:** *17 SR 1279*

**4900.1180 CONSTRUCTION LOANS.**

Subpart 1. **Terms of loans.** The agency may make loans for the construction of affordable homes subject to the following terms.

Subp. 2. **Eligible applicants.** A loan may be made to a builder or a nonprofit entity upon a determination that such loan is necessary in order to encourage an adequate supply of affordable homes or to demonstrate the feasibility of affordable homes in a particular area.

The construction loan borrower need not be a person or family of low or moderate income nor a low-income purchaser.

Subp. 3. **Terms of loan.** The construction loan shall meet all the requirements of and be subject to the same terms as an affordable home mortgage, except that no down payment shall be required, no closing fee shall be payable, and unless the borrower is in default, no interest shall accrue until the affordable home is sold, or the note reaches maturity.

Subp. 4. **Selling the home constructed with the loan.** The construction loan borrower shall make a reasonable marketing effort to sell the home constructed with the construction loan to a low-income purchaser who is eligible to obtain an affordable home mortgage under parts 4900.1110 to 4900.1180.

Subp. 5. **Affordable home mortgages.** Upon request of eligible low-income purchasers, the agency shall make affordable home mortgages for the homes constructed with the proceeds of such construction loans.

Subp. 6. **Agreement to abide by requirements.** The construction loan borrower shall agree to abide by the requirements of parts 4900.1110 to 4900.1180 relating to the construction, specifications, sale, and mortgage of the home to be constructed with such loan.

Subp. 7. **Withholding the loan.** The agency may withhold such part of the construction loan as is necessary to assure completion of the home.

Subp. 8. **Use of house for demonstration purposes.** The agency may elect to use the home built with such construction loan for demonstration purposes, in which event the agency shall pay all maintenance, taxes, and insurance on the home for as long as it is used for demonstration purposes.

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

**INNOVATIVE HOUSING LOAN PROGRAM****4900.1200 APPLICATIONS FOR INNOVATIVE HOUSING LOANS.**

To be eligible to be selected for an innovative housing loan, to be made from the fund established pursuant to Minnesota Statutes, sections 462A.05, subdivision 18 and 462A.21, subdivision 9, each applicant must satisfy the following requirements:

- A. The applicant must be a nonprofit or for-profit entity.
- B. The project must be located in Minnesota.
- C. Satisfactory evidence must be presented of the applicant's ability to organize and to complete the project for which the innovative housing loan is requested.
- D. The project may be a limited-unit development or a multiunit development, but must be designed for, and intended for occupancy primarily by, persons and families of low or moderate income.
- E. Satisfactory evidence must be presented that a loan is not otherwise available from private lenders upon reasonable terms and conditions.
- F. Satisfactory evidence must be presented that the applicant has or will have the ability to repay the innovative housing loan and to obtain other financing, if needed, at the expiration of the term of the loan.

G. The project must be innovative; that is, it must involve the use of equipment or materials or of a method of design, construction, marketing, or financing which is not generally in use in the housing industry or of which the public is not generally aware.

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

**History:** *8 SR 1402; 10 SR 354*

#### 4900.1210 SELECTION CRITERIA FOR INNOVATIVE HOUSING LOANS.

In determining whether or not to accept applications from nonprofit or for-profit entities for innovative housing loans, the members shall examine the following facts and make their determinations thereon:

A. the extent to which the project will conserve energy, result in a more efficient use of energy, or employ a source of energy not generally utilized by the housing industry;

B. the extent to which the innovation is likely to be capable of widespread, practical, and economic use;

C. the geographic location of the proposed project within the state of Minnesota, taking into account other projects theretofore approved for innovative housing loans;

D. the period of time required to complete the project;

E. the extent to which the project duplicates, or is in conflict with, other innovations in housing design, methods, or materials;

F. the extent to which the innovation will be capable of being monitored to demonstrate its efficiency, economy, acceptability, effectiveness, and durability;

G. the extent to which the innovation will be capable of and available for demonstration;

H. the amount and term of the requested innovative housing loan, as compared to the total resources of the agency available for such loans; and

I. whether the applicable regional development commission has determined that the project is consistent with regional plans and policies.

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

**History:** *10 SR 354*

#### COOPERATIVE OR RENTAL MULTIFAMILY HOUSING INNOVATIVE LOANS

#### 4900.1220 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 4900.1220 to 4900.1260, the following terms have the meanings given them.

Subp. 2. **Applicant.** "Applicant" means one or more persons or entities that apply for a cooperative or rental multifamily housing innovative loan.

Subp. 3. **Borrower.** "Borrower" means an applicant that is granted a cooperative or rental multifamily housing innovative loan, and that is the maker of a note in evidence of such loan.

Subp. 4. **Cooperative or rental multifamily housing innovative loan.** "Cooperative or rental multifamily housing innovative loan" means a loan to be made to a borrower under Minnesota Statutes, section 462A.05, subdivision 18a, and the proceeds of which must come from the money in the fund established by Minnesota Statutes, section 462A.21, subdivision 9a.

Subp. 5. **Democratic resident association.** "Democratic resident association" means an association, incorporated or unincorporated, whose membership is limited to and open to residents of a project, and where each member of the association has an equal vote in the affairs of the association.

Subp. 6. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means those persons and families whose adjusted income does not exceed the greater of \$16,000 or 550 percent of the gross rental or annual carrying charge for the dwelling unit which they are to occupy; provided, however, that the gross rentals or annual carrying charge for at least 75 percent of the dwelling units in the project do not exceed 120 percent of the fair market rents for the geographical area in which the project is located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided further, that higher gross rentals or annual carrying charges may be allowed for a dwelling unit in a project if the members determine that higher gross rents and annual carrying charges are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs.

Subp. 7. **Project.** "Project" means a multifamily housing development for which a cooperative or rental multifamily housing innovative loan is requested.

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

**History:** 9 SR 296

#### 4900.1230 ELIGIBILITY REQUIREMENTS.

Subpart 1. **For applicants.** To be eligible for selection for a cooperative or rental multifamily housing innovative loan, an applicant shall satisfy the following requirements:

A. The applicant shall be either a cooperative housing corporation or a limited dividend entity.

B. The applicant shall demonstrate the ability to organize and complete the project.

C. The applicant shall demonstrate that it has, or will have, the ability to repay the cooperative or rental multifamily housing innovative loan, and to obtain other financing, if needed, at the expiration of the loan.

D. The applicant shall have developed a training and education program for the residents of the project, and shall include a copy of the program with its application for a loan. The training and education program must include, at a minimum:

(1) details of how the resident association will be organized and operated;

(2) what the legal rights of the residents and the association are, and how the residents will be advised of these rights;

(3) what the financial interests and obligations of the individual residents and the association are, and how the residents will be advised of such obligations; and

(4) how the project will be managed and maintained.

Subp. 2. **For projects.** To be eligible for selection for a cooperative or rental multifamily housing innovative loan, a project must satisfy the following requirements:

A. The project must be located in Minnesota.

B. The project must be in the form of a cooperative or rental multifamily housing development, which is either owned and operated on a nonprofit cooperative basis by the residents or owned by a limited dividend entity and operated by a residents' association.

C. The operation and management of the project must be substantially under the control of a democratic residents' association, which shall include the filling of housing unit vacancies.

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

**History:** 9 SR 296

**4900.1240 OTHER REQUIREMENTS.**

Subpart 1. **Unavailability of financing.** At the time of application for a cooperative or rental multifamily housing innovative loan, conventional financing for the purpose for which the loan is requested must not be available from private lenders upon equivalent terms and conditions.

Subp. 2. **Occupancy.** Initial occupancy in a project that receives a cooperative or rental multifamily housing innovative loan is limited to persons and families of low and moderate income as follows; provided, however, that to the extent necessary to avoid economic loss resulting from an inability to achieve full occupancy, and in order to encourage economic integration, with the prior written approval of the commissioner, up to 25 percent of the units in a project may be occupied by persons and families who are not persons and families of low and moderate income.

Preference for occupancy in a project that receives a cooperative or multifamily housing innovative loan may not be given to persons and families by virtue of their prior residence in the community in which the project is located; except that, with the prior written approval of the commissioner, preference may be given to persons and families displaced by public action or natural disaster or for previous residents of the project.

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

**History:** *9 SR 296; L 1987 c 186 s 15*

**4900.1250 SELECTION CRITERIA FOR COOPERATIVE OR RENTAL MULTIFAMILY HOUSING INNOVATIVE LOANS.**

In determining whether or not to approve applications for cooperative or rental multifamily housing innovative loans, the agency shall examine the following facts:

A. the extent to which the project will provide housing to persons and families whose income is 50 percent or less of the statewide median family income, as estimated by the United States Department of Housing and Urban Development;

B. the extent to which the project will provide long-term affordability to persons and families of low and moderate income;

C. the extent to which the resident association has control over the operation and management of the housing and over the filling of housing vacancies;

D. the geographic location of the proposed project within Minnesota, taking into account other projects theretofore approved for cooperative or rental multifamily housing innovative loans;

E. the period of time required to complete the project;

F. the amount and term of the requested cooperative or rental multifamily housing innovative loan, as compared to the total resources of the agency available for these loans; and

G. whether the applicable regional development commission has determined that the project is consistent with regional plans and policies.

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

**History:** *9 SR 296*

**4900.1260 PROJECT FEASIBILITY LOANS.**

The agency may consider applications for a cooperative or rental multifamily housing innovative loan, the funds from which are to be used to determine the feasibility of a project. These applications need not comply with the requirements in part 4900.1230, subpart 1, item C.

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

**History:** *9 SR 296*

## 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. [Repealed, 20 SR 2252(NO. 42)]

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. [Repealed, 20 SR 2252(NO. 42)]

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2632; 20 SR 2252(NO. 42)*

**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, except for special initiatives designed to encourage the development or redevelopment of neighborhoods or communities in cooperation with money from community sources. 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 provision.

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; 20 SR 2252(NO. 42)*

4900.1340 [Repealed, 14 SR 2632]

#### 4900.1345 RECIPIENTS HOME OWNERSHIP ASSISTANCE FUND.

Subpart 1. [Repealed, 20 SR 2252(NO. 42)]

Subp. 2. **Income limits.** The adjusted household income of recipients of home ownership assistance fund money must not exceed 115 percent 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; 20 SR 2252(NO. 42)*

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) \$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; 20 SR 2252(NO. 42)*

#### **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*

### **WARRANTY CLAIM PROGRAM**

#### **4900.1400 DEFECTS COVERED BY WARRANTY CLAIM PROGRAM.**

The agency may make payments to correct defects in construction or rehabilitation of residential housing financed by agency mortgage loans for limited-unit developments or home improvement loans, if the defects:

A. result in actual damage to load-bearing portions of the dwelling including damage due to subsidence, expansion, or lateral movement of the soil, to the extent that their load-bearing function is affected and the use of the dwelling for residential purposes is vitally affected or is imminently likely to be vitally affected; or

B. create an emergency condition under which the safety or the residential use and livability of the dwelling is so substantially impaired or is imminently likely to be so substantially impaired that an average reasonable person would not, economic considerations aside, remain in the dwelling; or

C. create an imminent hazard for a handicapped person.

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

#### **4900.1410 ELIGIBLE RECIPIENTS FOR WARRANTY CLAIM PAYMENTS.**

Subpart 1. **Requirements.** To qualify for a payment the applicant must satisfy the following requirements.

Subp. 2. **Person or family of low or moderate income.** The applicant must be a person or family of low or moderate income as defined in part 4900.0010, subpart 23, item A at the time of the application for the payment.

Subp. 3. **Loan.** The applicant must either: have received an agency mortgage loan for a limited-unit development or an agency home improvement loan for the construction or rehabilitation of the dwelling containing the defect; or have purchased, from a

recipient of an agency mortgage loan for a limited-unit development or an agency home improvement loan, a residential dwelling constructed or rehabilitated through the proceeds of such a loan.

Subp. 4. **Interest in the property.** The applicant must be an individual fee owner or, in the case of an agency home improvement loan, possess, individually or in the aggregate, at least a one-third interest in a fee, a contract for deed, or a life estate in the dwelling containing the defect, and must occupy the dwelling as the applicant's principal place of residence.

Subp. 5. **Maintaining of warranties.** The applicant must have taken all steps necessary to maintain the agency-approved warranties and all other applicable warranties in full force and effect.

Subp. 6. **Right of subrogation.** The applicant must agree to cooperate with the agency in any action to recover from the person responsible for the defect, execute all documents necessary to secure the agency's right of subrogation to the applicant's claim, and assist the agency in the prosecution of any legal action for breach of warranty that the agency may deem appropriate.

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

#### **4900.1420 ELIGIBLE APPLICATIONS; REHABILITATION.**

An application for agency payment under parts 4900.1400 to 4900.1440 which is based upon rehabilitation financed by an agency home improvement loan must demonstrate that the defects:

A. if caused by faulty construction or defective materials due to noncompliance with building standards, arose within one year after completion of the rehabilitation work; or

B. if caused by faulty installation of plumbing, electrical, heating, or cooling systems, or if affecting the load-bearing portions of the dwelling, arose within two years after completion of the rehabilitation work.

In no event may an application be made to the agency more than two years after the issuance of the home improvement loan, or after any applicable statute of limitations has expired.

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

**History:** *17 SR 1279*

#### **4900.1430 ELIGIBLE APPLICATIONS; LIMITED-UNIT MORTGAGE LOANS.**

An application for agency payment under parts 4900.1400 to 4900.1440 which is based upon new construction financed by an agency mortgage loan for a limited-unit development must show that the defects:

A. if caused by faulty construction or defective materials due to noncompliance with building standards, arose within one year after the date of initial occupancy of the dwelling by the loan recipient;

B. if caused by faulty installation of plumbing, electrical, heating, or cooling systems, arose within two years after the date of initial occupancy of the dwelling by the loan recipient; or

C. if affecting the load-bearing portions of the dwelling, arose within four years after the date of initial occupancy of the dwelling.

In no event may an application be made to the agency more than four years after the issuance of the mortgage loan, or after any applicable statute of limitations has expired.

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

**History:** *17 SR 1279*

**4900.1440 EXCLUSIONS.**

Agency payments under parts 4900.1400 to 4900.1440 will not extend to the following:

A. loss caused by defects in design, installation, or materials which the loan recipient or subsequent purchaser supplied, installed, or had installed under his/her direction;

B. secondary loss including personal injury or property damage, other than damage to the dwelling itself, caused by the defect or omission; incidental loss such as the cost of alternate shelter during repair of the dwelling; and consequential loss such as the diminution in the value of the dwelling caused by the defect or omission;

C. loss from normal wear and tear;

D. loss from normal shrinkage caused by drying of the dwelling within tolerances of building standards;

E. loss from dampness and condensation due to insufficient ventilation after occupancy;

F. loss from negligence, improper maintenance, or alteration of the dwelling by parties other than the contractor;

G. loss from changes in grading of the ground around the dwelling by parties other than the contractor;

H. landscaping or insect loss;

I. loss from failure to maintain the dwelling in good repair;

J. loss which the loan recipient or purchaser has not taken timely action, whenever feasible, to minimize;

K. accidental loss usually described as acts of God, including, but not limited to: fire, explosion, smoke, water escape, windstorm, hail or lightning, falling trees, aircraft, vehicles, flood, and earthquake, except when the loss is caused by defects in construction or rehabilitation financed by agency loans;

L. loss from soil movement which is compensated by legislation or covered by insurance; or

M. loss due to soil conditions where construction is done upon land which is owned by the loan recipient or subsequent purchaser and which was obtained by him/her from a source independent of the contractor.

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

**URBAN INDIAN HOUSING LOAN PROGRAM****4900.1500 SCOPE OF RULES.**

The rules provided in parts 4900.1500 to 4900.1586 shall govern the implementation of the urban Indian housing loan program established in Minnesota Statutes, section 462A.07, subdivision 15.

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

**History:** *12 SR 2215*

**4900.1510 DEFINITION OF ADMINISTRATOR.**

“Administrator” means a nonprofit entity or local community as defined by part 4900.0010 or Indian tribal organization eligible pursuant to parts 4900.0900 to 4900.1080 which carries out a loan program of housing for low and moderate income American Indians using urban Indian housing loan program funds.

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

**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:** *12 SR 2215; 14 SR 2354*

**4900.1530** [Repealed, 13 SR 932]

**4900.1531** [Repealed, 13 SR 932]

**4900.1532** [Repealed, 13 SR 932]

**4900.1533** [Repealed, 13 SR 932]

**4900.1540 RECIPIENTS OF LOANS.**

Each program must provide for loans for the construction, purchase, or rehabilitation of residential housing. Except as otherwise provided herein and by part 4900.0340, each person or family initially occupying a dwelling unit financed pursuant to the act, program, and parts 4900.1500 to 4900.1586 shall be an American Indian as defined by United States Code, title 25, section 450b, or an American Indian family as defined by part 4900.0920, and of low and moderate income, as defined by part 4900.1574. Developers of multifamily housing developments need not be American Indians of low and moderate income. In obtaining assistance under this program, Indian persons and families shall not be discriminated against on the basis of tribal affiliation or tribal enrollment.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215; 17 SR 2105*

**4900.1550** [Repealed, 13 SR 932]

**4900.1560** [Repealed, 13 SR 932]

**4900.1570** [Repealed, 13 SR 932]

**4900.1572 HOMEOWNERSHIP MORTGAGE PARTICIPATION COMPONENT.**

The agency may arrange to leverage urban Indian housing loan program funds, interest free, with other funds from the agency or another private or public source in order to reduce the interest rate on individual mortgage loans to affordable levels. A maximum of 30 percent of the total financing provided for each individual mortgage may be provided from urban Indian housing loan program funds. The mortgage note or coupon rate is established for each individual mortgage loan in the following manner:

Ys = Interest rate for the independent funding source

S = Funding source's percentage of total mortgage loan

I = Urban Indian program's percentage of total mortgage loan

S/F = Servicing fee

$(Ys \times S) + (I \times S/F) =$  note or coupon rate

Examples of sources of funds that may be leveraged with urban Indian program funds include, but are not limited to, proceeds from agency mortgage revenue bond sales, proceeds from municipal or county mortgage revenue bond sales, mortgage commitments from private mortgage lenders or secondary mortgage market organiza-

tions, or mortgage commitments from nonprofit, public, or governmental sources. In cases in which mortgage revenue bond proceeds are used, all requirements or restrictions imposed on the use by the bond issuer, except as may be specifically modified by the issuer to facilitate the purpose of the urban Indian housing program, must be in full force and effect and complied with. In cases in which sources of funds are provided from other than mortgage revenue bond proceeds, the following requirements or restrictions are also imposed unless specifically waived by the commissioner or agency.

A. Recipients may not have had an ownership interest in a principal residence for three years directly before the date of mortgage loan closing as provided in Internal Revenue Code, section 103A.

B. Recipients must intend to occupy the property as a principal residence within 60 days of loan closing.

C. Both recipients and properties to be mortgaged must meet mortgage industry underwriting standards pertaining to the type of mortgage being provided, for example, FHA, VA, or conventional mortgage.

The agency shall establish a maximum purchase price limitation for homes to be financed under this part that in no instance may exceed the amount provided under the agency's mortgage revenue bond programs.

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

**History:** *12 SR 2215*

#### **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:** *12 SR 2215; 14 SR 2354*

#### **4900.1576 HOMEOWNERSHIP ASSISTANCE FUND; URBAN INDIAN HOUSING LOAN PROGRAM.**

Under the homeownership mortgage participation component of the urban Indian housing loan program, recipients are eligible for homeownership assistance fund loans as described in parts 4900.1315 to 4900.1359, except as modified by parts 4900.1500 to 4900.1586. All loan recipients are eligible for downpayment assistance under part 4900.1300. Recipients are eligible for monthly assistance under part 4900.1331 only in the event that the first mortgage note or coupon rate exceeds an interest rate of eight percent per annum.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215; 18 SR 2277*

#### **4900.1578 ADMINISTRATION OF HOMEOWNERSHIP MORTGAGE PARTICIPATION COMPONENT.**

The agency shall affirmatively attempt to market and distribute urban Indian program funds through the homeownership mortgage participation component. The agency may enter into contracts and agreements with mortgage lenders and other entities to facilitate distribution and marketing of the homeownership mortgage participation component of the urban Indian housing program, and may pay for the services with urban Indian housing loan program funds. The agency may also reimburse itself for expenses incurred in administration of the program.

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

**History:** *12 SR 2215*

**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:** *12 SR 2215; 14 SR 2354*

**4900.1582 SUBMISSION OF ALTERNATIVE PROGRAM COMPONENTS.**

Subpart 1. **Submission by agency.** In the event that an alternative program component is developed by the agency, it shall prepare materials in accordance with subpart 2, item B, and submit the materials to the advisory council on urban Indians for review and written comment, and shall consider the conclusions of the advisory council before implementing the alternative program component.

Subp. 2. **Submission by alternate administrator.** In the event that an alternative program component is developed by an alternate administrator as described in part 4900.1580, a proposal must be submitted by the alternate administrator to the agency pertaining to the program. The agency may prescribe a specific form upon which the proposal must be submitted. At a minimum, each proposal for an alternative program component shall contain:

A. Evidence that the organization submitting the proposal is a nonprofit entity, local community, or Indian tribal organization and evidence that the organization has the capacity to successfully carry out the program.

B. A proposed program that describes, in adequate detail as determined by the agency:

- (1) the communities or portions of the communities to be served;
- (2) the housing needs of American Indians residing in the areas to be served and the manner in which the proposed program assists in meeting those needs;
- (3) a financial description of the program, including the dollar amount of program funds requested, types of loans to be made, the terms of the loans and the costs of program administration, and the manner in which these costs will be paid;
- (4) a description of the manner in which the program will be implemented and operated, including the duration of the program method of outreach and selection of loan recipients, and procedures for servicing loans over the life of the program; and
- (5) the source of any funds other than the urban Indian housing loan program to be included in the program of the applicant, and evidence that these funds will be available.

C. Any additional information that the agency in its reasonable discretion considers necessary after initial review of the proposal to evaluate the merits of the program. The agency may meet with representatives of the organizations submitting proposals to review proposals and request additional information.

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

**History:** *12 SR 2215*

**4900.1584 SELECTION OF PROPOSAL; ALTERNATE ADMINISTRATOR.**

The agency may approve an alternative program component of an alternate administrator in whole or in part, and may approve a program for a limited geographic area. In determining whether or not to approve applications to administer programs

under the urban Indian program, the members shall examine the following facts and make their determinations:

A. Any written comments received by the agency from the advisory council regarding the applications for the proposed programs. The agency shall consider the conclusions of the advisory council on urban Indians and the reasons given in support of the conclusions, including the council's evaluation of the applications under the criteria in items B and C.

B. The extent to which the program will assist in serving the housing needs of the urban Indian community. Factors to be considered include:

(1) the extent to which the program duplicates or is in conflict with other programs that provide housing for urban Indians and the extent to which the program will demonstrate the feasibility of alternative methods for providing housing for urban Indians;

(2) the geographic location of the proposed program and the percentage of the Minnesota urban Indian community residing in the geographic area or areas to be served, as determined by the agency according to population data;

(3) the method and cost of program administration, the time required to implement the program, and the capacity of the administrator to carry out the program; and

(4) the extent to which American Indians are involved in the administration of the program, and in the ownership, management, and labor force of any contractors and subcontractors intended to be employed in the program.

C. The extent to which the use of appropriated funds reduces housing costs to American Indian persons or families and the extent to which the program combines the proceeds of appropriated funds with proceeds of bonds of the agency, or of other issues of bonds, or otherwise uses available money to leverage the appropriated funds.

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

**History:** *12 SR 2215*

#### 4900.1586 ADVISORY COUNCIL ON URBAN INDIANS.

The agency shall report to the advisory council on urban Indians on a periodic basis, but annually at a minimum, pertaining to the operation of the homeownership mortgage participation component of the urban Indian housing loan program. The agency shall consider the advice and concerns expressed by the advisory council in its operation of the program.

In the event that the agency develops or receives a proposal for an alternative program component, the agency shall provide a copy of the proposal to the advisory council on urban Indians. The advisory council on urban Indians shall review all proposals. Upon request of the advisory council, the organization submitting the proposal shall present the proposal before the advisory council.

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

**History:** *12 SR 2215*

### SOLAR ENERGY AND ENERGY CONSERVATION BANK PROGRAMS

#### 4900.1600 SCOPE.

Parts 4900.1600 to 4900.1650 govern the residential energy conservation programs authorized by assistance awards from the federal Solar Energy and Energy Conservation Bank under subtitle A of title V of the Energy Security Act, United States Code, title 12, sections 3601 to 3620, and the disposition of the funds received under assistance awards and of funds received from other sources in conjunction with assistance awards.

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

**History:** *9 SR 296*

**4900.1610 INCORPORATION OF FEDERAL REGULATIONS.**

Except as further defined and limited by parts 4900.1600 to 4900.1650, the residential energy conservation programs are governed by the Solar Energy and Energy Conservation Bank Final Rule, Code of Federal Regulations, title 24, part 1800 as published in the Federal Register, volume 49, number 53, March 16, 1984, as amended, and any waivers to the final rule obtained by the agency and published in the State Register.

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

**History:** *9 SR 296*

**4900.1620 DEFINITIONS.**

Subpart 1. **Scope.** The following definitions apply to parts 4900.1600 to 4900.1650.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency or its designee.

Subp. 3. **Bank.** "Bank" means the Solar Energy and Energy Conservation Bank as established under subtitle A of title V of the Energy Security Act, United States Code, title 12, sections 3601-3620.

Subp. 4. **Bank assistance.** "Bank assistance" means financial assistance from the bank provided to eligible recipients according to Code of Federal Regulations, title 24, part 1800.

Subp. 5. **Deferred loan.** "Deferred loan" means a loan without periodic payments made to an eligible deferred loan recipient from a source other than the bank. The loan's purpose must be to finance the cost of eligible energy conservation measures in a one-to-four family residential building.

Subp. 6. **Deferred loan recipient.** "Deferred loan recipient" means one or more individuals who apply for and receive both a deferred loan and bank assistance.

Subp. 7. **Grant.** "Grant" means the extension of financial assistance without interest or periodic payments made to an eligible grant recipient. The grant's purpose must be to finance the cost of eligible energy conservation measures in a one-to-four family residential building.

Subp. 8. **Grant recipient.** "Grant recipient" means one or more individuals who apply for and receive both a grant and bank assistance.

Subp. 9. **Participating entity.** "Participating entity" means an entity, including, but not limited to, a private corporation, a public utility, a foundation, a nonprofit organization, and a local government, that contributes funds to be used in conjunction with funds received from the bank.

Subp. 10. **Passive solar subsidy.** "Passive solar subsidy" means bank assistance provided to an eligible passive solar subsidy recipient to finance a portion of the purchase of a newly constructed single-family residential building that contains a passive solar space heating system.

Subp. 11. **Passive solar subsidy recipient.** "Passive solar subsidy recipient" means one or more individuals who apply for and receive a passive solar subsidy.

Subp. 12. **Rental subsidy.** "Rental subsidy" means bank assistance provided to an eligible rental subsidy recipient to finance a portion of the cost of eligible energy conservation measures in a rental property.

Subp. 13. **Rental subsidy recipient.** "Rental subsidy recipient" means one or more persons, as defined in Code of Federal Regulations, title 24, section 1800.3, who apply for and receive a rental subsidy.

Subp. 14. **Rental property.** "Rental property" means an existing building that is used primarily for residential purposes, is owned by the rental subsidy recipient, and in which all dwelling units are rented or available for rental to others; provided, however,



that the owner may occupy not more than one of the dwelling units in the building as his or her residence.

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

**History:** *9 SR 296*

#### 4900.1630 ENERGY CONSERVATION DEFERRED LOAN AND GRANT PROGRAM.

Subpart 1. **Additional recipient eligibility criteria.** In addition to meeting the applicable eligibility criteria in Code of Federal Regulations, title 24, section 1800.63, a deferred loan or grant recipient:

A. shall own and occupy the one-to-four family residential building, as defined in Code of Federal Regulations, title 24, section 1800.3, to be improved with the proceeds of a deferred loan and bank assistance or a grant and bank assistance; and

B. shall not be seeking, have a current commitment for, or be able to obtain within a reasonable period of time, assistance for the same eligible energy conservation improvements under subpart 5 from any of the following programs: federal Weatherization Program under United States Code, title 42, section 6863; and agency home improvement grant and rehabilitation loan programs under parts 4900.0610 to 4900.0700.

Subp. 2. **Restrictions on eligibility.** The following are restrictions on eligibility:

A. Grants may be made available only to families, as defined in Code of Federal Regulations, title 24, section 1800.3, whose annual incomes are not in excess of 80 percent of the median area income, as defined in Code of Federal Regulations, title 24, section 1800.3.

B. Deferred loans may be made available to families, as defined in Code of Federal Regulations, title 24, section 1800.3, whose annual incomes are not in excess of 150 percent of the median area income, as defined in Code of Federal Regulations, title 24, section 1800.3.

C. If the agency determines that sufficient funds are not available to adequately make available bank assistance to persons who meet the qualifications in subpart 1, and subpart 2, items A and B, the agency may limit the availability of bank assistance to families who meet the qualifications of subpart 1, and subpart 2, item A, and may limit the maximum assistance as provided in subpart 3 and items eligible for financing as provided in subpart 5. Notice of these limitations must be published in the State Register.

Subp. 3. **Maximum assistance.** The combined maximum amount of financial assistance provided to a deferred loan recipient from a deferred loan and bank assistance, or to a grant recipient from a grant and bank assistance, may not exceed \$5,000.

Subp. 4. **Type of financial assistance.** Bank assistance provided to a deferred loan recipient must be in the form of a reduction of principal as defined in Code of Federal Regulations, title 24, section 1800.15. Bank assistance provided to a grant recipient must be in the form of a grant as defined in Code of Federal Regulations, title 24, section 1800.19.

Subp. 5. **Items eligible for financing.** In addition to the eligible energy conservation measures in Code of Federal Regulations, title 24, section 1800.65, the proceeds of a deferred loan or a grant may be used to finance the cost of a loan or grant processing fee established or approved by the agency.

Subp. 6. **Repayment.** A deferred loan or grant recipient shall enter into an agreement with the agency, or may be required to enter into an agreement with a participating entity, for repayment of the deferred loan and bank assistance or grant and bank assistance. If the agreement is with the agency, the agreement must provide that in the event the property improved with the proceeds of the deferred loan or grant and bank assistance is sold, transferred, or otherwise conveyed, or ceases to be the deferred loan or grant recipient's principal place of residence within five years from the

date upon which the deferred loan or grant application was approved by the agency, the deferred loan or grant recipient shall repay all or a portion of the loans or grants. The agency or participating entity may place a lien or other security device on the improved property as security for repayment of the loans.

Subp. 7. **Notice of fund availability.** From time to time, the agency shall publish a notice of fund availability in the State Register prior to the date upon which it first accepts applications for deferred loans or grants and bank assistance. The notice must include the names and addresses of agents authorized by the agency to process and submit applications, the date upon which applications will first be accepted, and the specific items that constitute a valid application.

Subp. 8. **Submission of applications.** The agency shall accept applications for deferred loans or grants and for bank assistance only if submitted through one of its authorized agents identified in its notice of fund availability.

The agency shall review applications for both deferred loans or grants and bank assistance to determine their compliance with Code of Federal Regulations, title 24, part 1800. The agency may accept or reject applications for bank assistance and for deferred loans or grants funded by the agency based on the requirements in this part. Applications for deferred loans or grants funded by a participating entity other than the agency must be accepted or rejected based on criteria established by the participating entity.

Subp. 9. **Selection of applications.** The agency shall fund qualifying applications for bank assistance on a first-come, first-served basis, based upon the date on which a valid application is received by the agency, and until the available funds are exhausted.

If, on the day that the funds are exhausted, sufficient funds are not available to fund all applications received on that day, the applications to be funded must be selected by lot from among the applications received on that day.

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

**History:** *9 SR 296; 9 SR 1057*

#### **4900.1640 RENTAL PROPERTIES ENERGY CONSERVATION PROGRAM.**

Subpart 1. **Eligible rental subsidy recipient.** A rental subsidy recipient shall meet the applicable eligibility criteria in Code of Federal Regulations, title 24, section 1800.63.

Subp. 2. **Type of financial assistance.** Bank assistance provided to rental subsidy recipients may be either in the form of a reduction of principal, as defined in Code of Federal Regulations, title 24, section 1800.15 or a grant as defined in Code of Federal Regulations, title 24, section 1800.19, based on the eligibility standards in Code of Federal Regulations, part 1800.

Subp. 3. **Energy conservation standards.** To the extent necessary, the proceeds of a rental subsidy must be used to finance, in whole or in part, improvements that will bring the rental property into compliance with the state energy conservation standards for rental housing.

Subp. 4. **Notice of fund availability.** From time to time, the agency shall publish a notice of fund availability in the State Register prior to the date upon which it will first accept applications for rental subsidies. The notice must include the names and addresses of lending institutions authorized by the agency to process and submit requests for rental subsidy funding, the address of the agency, the date upon which the authorized lending institutions and the agency, if applicable, will first accept applications, and the specific items that constitute a valid application.

Subp. 5. **Submission of applications.** Applications for rental subsidies may be submitted directly to the agency only if so specified in the notice as described in subpart 4. If not so specified, applications must be submitted to one of the authorized lending institutions identified in its notice of fund availability.

Subp. 6. **Selection of applications.** Qualifying applications for rental subsidies will be funded on a first-come, first-served basis, based on the date on which the agency receives a request for rental subsidy funding directly or from a lending institution, and until the available funds are exhausted.

If, on the day that the funds are exhausted, sufficient funds are not available to fund all applications received on that day, the applications to be funded must be selected by lot from among the applications received on that day.

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

**History:** *9 SR 296*

#### 4900.1650 PASSIVE SOLAR NEW CONSTRUCTION PROGRAM.

Subpart 1. **Eligibility.** In addition to meeting the applicable eligibility criteria in Code of Federal Regulations, title 24, section 1800.43, a passive solar subsidy recipient shall intend to own and occupy the residential building, the construction of which is partially financed by a passive solar subsidy.

Subp. 2. **Eligible properties.** The passive solar subsidy may be used only in conjunction with permanent financing for a newly constructed single-family residential property that includes a passive solar space heating system.

Subp. 3. **Type of financial assistance.** Bank assistance provided to passive solar subsidy recipients must be in the form of a reduction of principal, as defined in Code of Federal Regulations, title 24, section 1800.15.

Subp. 4. **Access to property.** A passive solar subsidy recipient shall enter into an agreement with the agency to allow the agency to install monitoring equipment in a residential building whose construction is partially financed by a passive solar subsidy. The recipient shall also agree to allow the agency access to the building to monitor its energy performance for five years from the date on which permanent financing on the property is closed.

Subp. 5. **Notice of fund availability.** From time to time, the agency shall publish a notice of fund availability in the State Register prior to the date upon which it will first accept applications for passive solar subsidies. The notice must include the last date upon which the agency will accept applications, the specific materials that constitute a valid application, the specific design standards upon which applications will be evaluated, the amount of the review fee to be charged by the agency, and if applicable, the maximum annual income of applicants to be given selection priority as set forth in subpart 6.

Subp. 6. **Selection of applications.** Applications that are received prior to the deadline announced by the agency, that fulfill the basic standards in the notice of fund availability, and that meet the other eligibility requirements in this part are eligible applications.

If the agency receives more eligible applications than can be financed with the available funds, the agency shall use the following method to select those applicants who will receive a passive solar subsidy:

A. The agency shall first award funds to all eligible applicants with certified annual adjusted incomes of \$38,000 or less.

B. If there are more applications from eligible applicants with annual adjusted incomes of \$38,000 or less than can be financed with the funds available, the applications to be funded will be selected by lot.

C. After funds are awarded to all eligible applicants with adjusted incomes of \$38,000 or less, if funds remain available, the agency may award funds to applicants with adjusted incomes of greater than \$38,000, with the applications to be funded to be selected by lot, if necessary.

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

**History:** *9 SR 296*

## TEMPORARY HOUSING PROGRAM

**4900.1700 SCOPE.**

Parts 4900.1700 to 4900.1703 govern temporary housing program grants for the construction, acquisition, or rehabilitation of residential housing for occupancy by persons of low and moderate income in immediate need of temporary housing.

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

**History:** *10 SR 353*

**4900.1701 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.1700 to 4900.1703 have the meaning 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 for a temporary housing program grant.

Subp. 4. **Application.** "Application" means a submittal requesting a temporary housing program grant to pay the cost of the acquisition, construction, or rehabilitation of a structure to provide temporary housing for low and moderate income persons.

Subp. 5. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means, with respect to temporary housing program grants, those persons and families whose income does not exceed 50 percent of the statewide median household income as estimated by the United States Department of Housing and Urban Development.

Subp. 6. **Structure.** "Structure" means a building to be constructed, acquired, or rehabilitated for use as temporary housing.

Subp. 7. **Support services.** "Support services" means a service that identifies the needs of individuals for independent living, develops an individualized plan to achieve independent living, and arranges or provides for the appropriate educational, social, legal, advocacy, child care, employment, financial, or information and referral services to meet these needs.

Subp. 8. **Temporary housing.** "Temporary housing" means housing provided for a limited duration not exceeding 24 months and available for occupancy on a continuous 24-hour basis.

Subp. 9. **Temporary housing program grant or grant.** "Temporary housing program grant" or "grant" means an appropriation of money to an eligible applicant under the authority granted in Minnesota Statutes, section 462A.05, subdivision 20.

**Statutory Authority:** *MS s 462A.06*

**History:** *10 SR 353; 15 SR 1226*

**4900.1702 ELIGIBILITY.**

Subpart 1. **For applicants.** To be eligible for selection for a grant, an applicant shall satisfy the following requirements:

A. The applicant must be a nonprofit entity as defined in part 4900.0010, subpart 21.

B. The applicant must provide a comprehensive plan for meeting the existing need for temporary housing and for the placement of persons in independent housing. At a minimum this plan must include:

(1) documentation of a need for temporary housing by the population to be served by the structure;

(2) a description of the applicant's goals and objectives for meeting the special needs of the population to be served;

(3) documentation of an ability to provide support services to assist persons in moving into independent or appropriate supportive living situations; and

(4) a detailed budget for the first year and projected budgets for future years.

C. The applicant shall document fiscal responsibility and the ability to complete the construction, acquisition, or modification of the structure and to maintain the structure in accordance with its funded use for a specific period of time.

Subp. 2. **For structures.** To be eligible for selection for a grant, a proposed temporary housing structure must satisfy the following requirements:

A. The structure must provide temporary housing for persons and families of low and moderate income.

B. The structure must provide a physical environment that is responsive to the needs of the population to be served.

C. The structure must comply with applicable state and local codes, zoning ordinances, land use provisions, and laws.

D. The structure must be located in Minnesota.

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

**History:** *10 SR 353*

#### 4900.1703 SELECTION CRITERIA FOR GRANTS.

The agency shall take the following criteria into consideration when determining which applications will be funded:

A. the extent to which the grant is combined with funds or in kind contributions from other public and private sources;

B. the availability and source of funds to pay the cost of acquisition, construction, or rehabilitation of the structure not funded by the grant;

C. the availability and source of funds to pay the ongoing costs of the support services;

D. the distribution of funds to service a variety of populations, including but not limited to, families with children, couples, single persons, and persons leaving a shelter for family abuse;

E. the geographic distribution of the funded applications within the state;

F. the immediacy of the need documented for temporary housing in the area in which the structure is located;

G. the capacity of the applicant to proceed promptly with the acquisition, construction, or rehabilitation of the structure;

H. the amount of the grant requested as compared to the total resources available for these grants;

I. the extent to which the application receives the support and participation of the local community;

J. the geographic location of the structure in relation to support services, recreational facilities, medical facilities, and transportation;

K. the reasonableness of the acquisition, construction, or rehabilitation cost with preference given to applications that minimize the cost per temporary housing units produced;

L. the extent to which the application uses innovative cost-effective support services that are appropriate to the needs of the population served; and

M. the experience of the applicant in developing or managing housing, providing support services, and servicing the specific target population of homeless persons.

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

**History:** *10 SR 353*

## ELDERLY HOME SHARING PROGRAM

**4900.1800 SCOPE.**

Parts 4900.1800 to 4900.1803 govern the implementation of the elderly home sharing program.

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

**History:** *10 SR 2181*

**4900.1801 DEFINITIONS.**

Subpart 1. **Agency.** "Agency" means the Minnesota Housing Finance Agency.

Subp. 2. **Applicant.** "Applicant" means one or more entities which submit an application to the agency for an elderly home sharing program grant or loan.

Subp. 3. **Application.** "Application" means a submittal requesting a grant or loan of funds to pay the cost of either one or both of the following:

- A. developing; or
- B. administering

an elderly home sharing program.

Subp. 4. **Elderly home sharing program or program.** "Elderly home sharing program" or "program" means the agency's plan and procedures designed to provide grants or loans to eligible applicants for the development and administration of home sharing programs which match existing low and moderate income elderly homeowners with prospective tenants who will contribute either rent or services to the homeowner.

Subp. 5. **Low and moderate income elderly or elderly.** "Low and moderate income elderly" or "elderly" means persons 55 years of age or older with incomes that do not exceed the greater of 80 percent of the statewide or area median household income as estimated by the United States Department of Housing and Urban Development, and who reside and have an ownership interest in a single family house located in Minnesota.

Subp. 6. **Tenant.** "Tenant" means a person of any age who will pay rent or provide services in exchange for being able to share an elderly homeowner's residence.

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

**History:** *10 SR 2181*

**4900.1802 ELIGIBILITY.**

To be eligible for selection as a recipient of a grant or loan 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.

B. The applicant must provide a comprehensive plan for providing an elderly home sharing program and document his or her ability to establish and maintain that program for a period of time specified by the agency. At a minimum this plan must include:

- (1) documentation of a need for this type of service in the proposed geographical area;
- (2) a description of the applicant's goals and objectives in meeting the area's need for elderly home sharing;
- (3) a detailed description of how the proposed program would be administered, including qualifications of staff;
- (4) a detailed budget for the specified period showing all costs and sources of funds to pay them; and

(5) documentation of fiscal responsibility and the ability to establish and maintain a home sharing program.

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

**History:** *10 SR 2181*

#### 4900.1803 SELECTION CRITERIA.

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

A. The prior experience of the applicant in establishing and maintaining a home sharing or similar program.

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

C. The ability of the applicant to proceed expeditiously with the program.

D. The documented need for the home sharing program in the proposed location.

E. The geographic area to be served, to the end that a reasonable distribution of programs throughout the state can be achieved.

F. The extent of community support for the project.

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

**History:** *10 SR 2181*

### SHARED HOUSING PROGRAM

#### 4900.1804 SCOPE.

Parts 4900.1804 to 4900.1808 govern the implementation of the shared housing program.

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

**History:** *10 SR 2161*

#### 4900.1805 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.1804 to 4900.1808 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 persons or entities who submit an application to the agency for a shared housing grant or loan.

Subp. 4. **Application.** "Application" means a submittal requesting a grant or loan to pay the cost of acquisition, construction, or rehabilitation of a structure into a shared housing facility for occupancy by low and moderate income elderly.

Subp. 5. **Low and moderate income elderly or elderly.** "Low and moderate income elderly" or "elderly" means persons 55 years of age and older with incomes which do not exceed the greater of 80 percent of the statewide or area median household income as estimated by the United States Department of Housing and Urban Development.

Subp. 6. **Shared housing program or program.** "Shared housing program" or "program" means the agency's plan and procedures designed to provide grants or loans to housing sponsors for the acquisition, construction, or conversion of existing structures into shared housing facilities that contain from three to 12 private sleeping rooms, with shared cooking facilities and common space, for occupancy by low and moderate income elderly.

Subp. 7. **Structure.** "Structure" means a building to be acquired, constructed, or rehabilitated for use as shared housing.

Subp. 8. **Shared housing.** "Shared housing" means a structure for occupancy by the elderly that contains from three to 12 private sleeping rooms, shared cooking facilities, and common space.

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

**History:** *10 SR 2161*

#### **4900.1806 APPLICANT ELIGIBILITY.**

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

A. The applicant must be a housing sponsor as defined in part 4900.0010, subpart 13.

B. The applicant must provide a comprehensive plan for providing a shared housing structure, and document the ability to successfully maintain the structure in accordance with its intended use for a period of time specified by the agency. At a minimum this plan must include:

(1) documentation of the need and desirability of the proposed shared housing;

(2) a description of the applicant's goals and objectives for meeting the special needs of the population to be served;

(3) a detailed budget for the acquisition, construction, or rehabilitation of the proposed structure;

(4) documentation of an ability to successfully match potential tenants in the shared housing facility;

(5) documentation of an ability to provide any required support and services for the tenants in the shared housing facility; and

(6) documentation of fiscal responsibility and the ability to complete the acquisition, construction, or rehabilitation of the structure and to maintain the structure in accordance with its intended use for a period of time specified by the agency.

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

**History:** *10 SR 2161*

#### **4900.1807 STRUCTURE ELIGIBILITY.**

To be eligible for selection for a grant or loan, a proposed shared housing facility must satisfy the following requirements:

A. The structure must contain from three to 12 private sleeping rooms, shared cooking facilities, and shared common space.

B. The structure must provide shared housing for low and moderate income elderly.

C. The structure must provide a physical environment that is responsive to the needs of the population to be served.

D. The structure must comply with applicable state and local codes, zoning ordinances, land use provisions and laws.

E. The structure must be located in Minnesota.

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

**History:** *10 SR 2161*

#### **4900.1808 SELECTION CRITERIA.**

The agency will take the following criteria into consideration when determining which applications will be funded:

A. The amount of experience of the applicant in establishing and maintaining shared housing facilities.

B. The extent to which the grant or loan funds are combined with other funds from private or public sources.



C. The ability of the applicant to proceed promptly with the acquisition, construction, or rehabilitation of the structure.

D. The suitability of the proposed structure for its intended use, including its location within the community, its homelike qualities, and its image and attractiveness.

E. The documented need for shared housing in the proposed location.

F. The ability of the applicant to maintain the facility for its intended use for a period of time specified by the agency.

G. The reasonableness of the cost of acquisition, construction, or rehabilitation of the structure.

H. The location of the proposed facility, so as to allow for a reasonable distribution of facilities throughout the state.

I. The extent of community support documented for the proposed facility.

J. The extent to which the applicant uses innovative, cost effective techniques in providing the shared housing structure and in maintaining it as a desirable place for the elderly to reside.

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

**History:** *10 SR 2161*

#### LOW INCOME PERSONS LIVING ALONE HOUSING PROGRAM

##### 4900.1900 SCOPE.

Parts 4900.1900 to 4900.1915 govern the implementation of the Low Income Persons Living Alone Housing Program.

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

**History:** *12 SR 1147*

##### 4900.1905 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.1900 to 4900.1915 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 to assist in the development of housing for low income persons living alone.

Subp. 4. **Application.** "Application" means a submittal requesting a grant of funds to pay up to 50 percent of the development costs of residential housing for low income persons living alone.

Subp. 5. **Low Income Persons Living Alone Housing Program or program.** "Low Income Persons Living Alone Housing Program" or "program" means the agency's plan and procedures designed to provide grants to eligible applicants for the development of residential housing for low income persons living alone.

Subp. 6. **Low income persons living alone.** "Low income persons living alone" means those persons:

A. who do not share a residence with a minor child;

B. who are not eligible for admission to lower income housing under United States Code, title 42, section 1437a, as an elderly, disabled, or handicapped person; and

C. whose annual gross income does not exceed 150 percent of the poverty line established by the United States Office of Management and Budget.

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

**History:** *12 SR 1147*

##### 4900.1910 ELIGIBILITY.

Subpart 1. **Applications.** To be eligible for selection as a recipient of a grant under the program, the application must satisfy the following requirements:

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A. The proposed residential housing must be exclusively for the use of low income persons living alone.

B. The occupants of the residential housing must be offered a written lease that:

- (1) complies with Minnesota Statutes, section 325G.31;
- (2) offers the occupant the option to renew;
- (3) prohibits eviction of an occupant without good cause; and
- (4) does not require the occupant to accept board as well as lodging.

C. The amount of the grant requested must not exceed 50 percent of the total development cost of the proposed residential housing.

D. The application must include a comprehensive plan for the development and management of housing for low income persons living alone 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 this type of housing in the proposed geographic area;

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

(3) a detailed description of how this 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;

(6) documentation of the experience and fiscal responsibility of the applicant in developing similar housing; and

(7) evidence of community support for the proposed development.

Subp. 2. **Applicant.** To be eligible for selection as a recipient of a grant under the program, an applicant must be either:

A. a Minnesota city;

B. a joint powers board established by two or more Minnesota cities;

C. a Minnesota Housing and Redevelopment Authority created under Minnesota Statutes, sections 469.001 to 469.047; or

D. a Minnesota nonprofit entity as defined in part 4900.0010, subpart 21.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 1147; 18 SR 2277*

## 4900.1915 SELECTION CRITERIA.

The agency will take the following criteria into consideration when determining whether an application and applicant will be selected for a grant 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 for persons living alone can be achieved; and

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

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

**History:** *12 SR 1147*

### 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 469.001 to 469.047, with the authority to enter into any loan or grant documents that may be required by the agency.

**Statutory Authority:** *MS s 462A.06*

**History:** *13 SR 2685; 18 SR 2277*

#### **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*



## REHABILITATION MORTGAGE LOANS

## 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 or a refinance and rehabilitation loan must require and receive rehabilitation in a dollar amount greater than or equal to the amounts in items A and B.

A. If the property to be financed is located in Anoka, Benton, Carver, Chisago, Clay, Dakota, Hennepin, Isanti, Olmsted, Ramsey, Scott, Sherburne, Stearns, Washington, or Wright county, the minimum required rehabilitation is \$5,000.

B. For properties located in all other counties, the minimum rehabilitation requirement is the lesser of \$5,000 or 15 percent of the value of the property before 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 improve-

ments will not bring such property into full compliance with all such codes and standards.

Subp. 4. [Repealed, 17 SR 2105]

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 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; provided, however, that the maximum adjusted income for targeted neighborhoods may not exceed 150 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 the Minneapolis/St. Paul Metropolitan Statistical Area 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; 17 SR 2105; 19 SR 157*

### HOME EQUITY CONVERSION COUNSELING PROGRAM

#### 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 recordkeeping;

(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 RECORDKEEPING 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:

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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

nonprofit 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*

**URBAN AND RURAL HOMESTEADING PROGRAM****4900.2400 SCOPE.**

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

**Statutory Authority:** *MS s 462A.057; 462A.06*

**History:** *14 SR 2632; 22 SR 1402*

**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 urban and rural homesteading program.

Subp. 4. **Application.** "Application" means a submittal requesting a grant of funds under the urban and rural 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 urban and rural 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 urban and rural 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.057; 462A.06*

**History:** *14 SR 2632; 22 SR 1402*

#### **4900.2440 URBAN AND RURAL HOMESTEADING PROGRAM.**

Subpart 1. **Purpose of program.** The urban and rural 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 urban and rural 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.057; 462A.06*

**History:** *14 SR 2632; 22 SR 1402*

#### **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 recordkeeping; 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 after the completion 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 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 and rehabilitation costs.** The total cost of the acquisition, rehabilitation, and closing costs must be no greater than an amount equal to 90 percent of the home sale price limitation established for the agency's home mortgage programs for limited unit developments. The maximum may be exceeded if the excess costs are attributed to rehabilitation or improvements to make the property handicap accessible.

**Statutory Authority:** *MS s 462A.057; 462A.06*

**History:** *14 SR 2632; 22 SR 1402*

#### 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 80 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;

D. agree to either apply 25 percent of their adjusted gross monthly household income or ten percent of their gross monthly household income, whichever is greater, to the debt incurred under the contract for deed; and

E. 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.057; 462A.06*

**History:** *14 SR 2632; 22 SR 1402*

#### 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 RECORDKEEPING AND REPORTING.**

Subpart 1. **Recordkeeping.** 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*

### **FAMILY RENTAL HOUSING LOAN PROGRAM**

#### **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*

**RENTAL HOUSING FOR INDIVIDUALS**

**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*

### **RECEIVERSHIP REVOLVING LOAN FUND**

#### **4900.2900 SCOPE.**

Parts 4900.2900 to 4900.2907 govern the implementation of the receivership revolving loan fund authorized under Minnesota Statutes, section 504B.451.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 376; L 1999 c 199 art 2 s 35*

#### **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 504B.445, to receive and preserve the property referred to

in part 4900.2902, subpart 3, according to the powers contained in Minnesota Statutes, section 504B.445.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 376; L 1999 c 199 art 2 s 35*

#### 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 504B.425 or 504B.385. 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 504B.445.

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; L 1999 c 199 art 2 s 35*

#### 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 recordkeeping, 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*

## RENTAL HOUSING PROGRAM FOR PERSONS WITH MENTAL ILLNESS

### 4900.3000 SCOPE.

Parts 4900.3000 to 4900.3050 govern the implementation of the rental housing program for persons with mental illness.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225*

### 4900.3010 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.3000 to 4900.3050 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 program.

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

Subp. 5. **Grant.** "Grant" means a disbursement of funds to an eligible applicant under the program.

Subp. 6. **Mental illness.** "Mental illness" has the meaning given in Minnesota Statutes, section 245.462, subdivision 20.

Subp. 7. **Program.** "Program" means the rental housing program for persons with mental illness as authorized by Minnesota Statutes, section 462A.21, subdivision 8c.

Subp. 8. **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 1225; 18 SR 2277*

#### **4900.3020 ELIGIBLE RECIPIENTS.**

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

A. a nonprofit social service provider that provides community-based support services to persons with mental illness and living independently; or

B. a local unit of government that provides supportive services to persons with mental illness living independently.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225*

#### **4900.3030 ELIGIBLE APPLICATIONS.**

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

A. a description of the proposed use of the funds;

B. a description of appropriate supportive services available to the recipient;

C. a description of the intended target group;

D. a proposed administrative structure to efficiently provide the funds to the landlord on behalf of an individual recipient; and

E. a description of the applicant's organization including the organization's past experience in providing housing or support services to persons with mental illness, the structure of the organization, and the types of services provided.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225*

#### **4900.3040 ELIGIBLE USES OF GRANT FUNDS.**

Grants may be awarded to fund direct rental subsidies for housing. Funds shall be advanced by the agency to the provider who will provide the subsidy to the landlord on behalf of the individual recipient.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225*

#### **4900.3050 SELECTION CRITERIA.**

The agency shall take the following criteria into consideration when determining which applications will be selected for a grant under the program:

A. the applicant's prior experience in working with persons with mental illness and prior experience providing supportive services;

B. the applicant's prior experience in providing housing assistance to persons with mental illness;

C. the extent to which grant funds are combined with other sources of funds or services in kind;

D. the amount of community and constituency support for the proposal;

E. the demonstration value or innovation of the proposal to the extent a successful project could be replicated across the state; and

F. how realistic the proposal is in terms of budget, staff time, and administrative structure.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225*

#### PUBLICLY OWNED TRANSITIONAL OR BATTERED WOMEN OR OTHER CRIME VICTIMS HOUSING PROGRAM

#### 4900.3100 SCOPE.

Parts 4900.3100 to 4900.3130 govern the implementation of the publicly owned transitional or battered women or other crime victims housing program.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225; 17 SR 1712*

#### 4900.3110 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.3100 to 4900.3130 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 for housing program financial assistance.

Subp. 4. **Application.** "Application" means a submittal requesting housing program financial assistance to pay the cost of the acquisition, improvement, construction, or rehabilitation of a structure to provide housing for low- and moderate-income persons.

Subp. 4a. **Financial assistance.** "Financial assistance" means a loan for purposes of the publicly owned transitional housing program or a grant for purposes of the publicly owned battered women or other crime victims housing program.

Subp. 4b. **Housing program.** "Housing program" means the publicly owned transitional or battered women or other crime victims housing program.

Subp. 5. **Local government unit.** "Local government unit" means a city as defined in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 6. **Persons and families of low- and moderate-income.** "Persons and families of low- and moderate-income" means those persons and families whose income does not exceed 50 percent of the greater of the statewide or area median household income as estimated by the United States Department of Housing and Urban Development adjusted for families of five or more.

Subp. 7. **Resolution Trust Corporation.** "Resolution Trust Corporation" means the corporation created pursuant to United States Code, title 12, section 1811 et seq., or its subsidiaries or assignees.

Subp. 7a. **Shelter or facility.** "Shelter" or "facility" means transitional housing or a facility that houses services in conjunction with housing for battered women or other crime victims.

Subp. 8. **Structure.** "Structure" means a building to be acquired, improved, constructed, or rehabilitated for use as transitional or battered women or other crime victims housing.

Subp. 9. **Support services.** "Support services" means services that identify the needs of individuals for independent living, develop individualized plans to achieve independent living, and arrange or provide for appropriate educational, social, legal,

advocacy, child care, employment, financial, or information and referral services to meet these needs.

Subp. 10. **Transitional housing.** "Transitional housing" means housing provided for a limited duration not exceeding 24 months and available for occupancy on a continuous 24-hour basis.

Subp. 11. [Repealed, 17 SR 1712]

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225; 17 SR 1712*

#### 4900.3120 ELIGIBILITY.

Subpart 1. **Applicants.** To be eligible for selection for financial assistance, an applicant shall satisfy the requirements in items A to E.

A. The applicant must be a local government unit.

B. The applicant must provide a comprehensive plan for meeting the existing need for the proposed housing and for the placement of persons in independent housing. At a minimum, this plan must include:

(1) documentation of the need for the proposed housing by the population to be served by the structure;

(2) a description of the applicant's goals and objectives for meeting the special needs of the population to be served;

(3) documentation of an ability to provide support services to assist persons in moving into independent or appropriate supportive living situations;

(4) a detailed budget for the operation of the housing program for the first year and projected budgets for future years; and

(5) a detailed budget for the construction or acquisition and rehabilitation of the structure.

C. The applicant shall document fiscal responsibility and the ability to complete the construction, acquisition, or modification of the structure and to maintain the structure in accordance with its funded use for a specific period of time.

D. The applicant shall own and operate the property as housing for 20 years, at which time all restrictions regarding the ownership and operation of the property shall cease, and the transitional housing loan shall be deemed paid in full or the battered women or other crime victims housing grant terms shall be fully satisfied. The property may be sold prior to the expiration of the 20-year period provided the sale repays the lesser of the net proceeds of the sale or the amount of the financial assistance. The applicant may contract with a nonprofit organization to manage the property, including the improvement or rehabilitation of the property, and to operate a housing program on the property on behalf of the applicant.

E. Where the applicant intends to contract with a nonprofit organization to develop or manage the property or to operate the housing program, the nonprofit organization may provide any or all of the information required under items B and C.

Subp. 2. **Structures.** To be eligible for selection for financial assistance, the proposed housing structure must satisfy the requirements in items A to D.

A. The structure must provide housing for persons and families of low- and moderate-income.

B. The structure must provide a physical environment that is responsive to the needs of the population to be served.

C. The structure must comply with applicable state and local codes, zoning ordinances, land use provisions, and laws.

D. The structure must be located in Minnesota.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225; 17 SR 1712*



**4900.3130 SELECTION CRITERIA FOR FINANCIAL ASSISTANCE.**

Preference shall be given to local units of government that propose to acquire properties being sold by the Resolution Trust Corporation or the Department of Housing and Urban Development.

In addition, the agency shall take the following criteria into consideration when determining which applications will be funded:

A. the extent to which the requested funds are combined with funds or in-kind contributions from other public and private sources;

B. the availability and source of funds to pay the cost of acquisition, construction, or rehabilitation of the structure not funded by the financial assistance;

C. the availability and source of funds to pay the ongoing costs of the support services;

D. the distribution of funds to service a variety of populations including, but not limited to, families with children, couples, single persons, and persons leaving a shelter for family abuse;

E. the geographic distribution of the funded applications within the state;

F. the immediacy of the need documented for temporary housing in the area in which the structure is located;

G. if the applicant requests funding for a structure in which a housing program is currently operating:

(1) the need for an additional housing program in the area and the extent to which additional housing will be produced if the application is funded; or

(2) the extent to which funding for ongoing operating costs is declining and government ownership of the structure will ensure continued operation of the program;

H. if the applicant requests funding for shelters or facilities for other crime victims, priority shall be given to applicants who serve victims of crimes against the person;

I. the capacity of the applicant to proceed promptly with the acquisition, improvement, construction, or rehabilitation of the structure;

J. the amount of the financial assistance requested as compared to the total resources available from the program;

K. the extent to which the application receives the support and participation of the local community including the extent to which, if the applicant proposes to contract with or lease the property to a nonprofit organization, the governing board of the nonprofit organization represents the cultural diversity of the community;

L. the geographic location of the structure in relation to support services, retail facilities, recreational facilities, medical facilities, and transportation;

M. the reasonableness of the acquisition, improvement, construction, or rehabilitation cost with preference given to applications that minimize the cost per housing units produced; and

N. the experience of the applicant, or if the applicant proposes to contract with a nonprofit organization, then the experience of the nonprofit organization in developing or managing housing, providing support services, and servicing the specific target population.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225; 17 SR 1712*

**SINGLE-FAMILY MORTGAGE REVENUE BONDS****4900.3200 SCOPE.**

Parts 4900.3200 to 4900.3290 govern the allocation from the housing pool for single-family housing programs submitted by cities to the agency as authorized by Minnesota Statutes, section 474A.061, subdivision 2a.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043*

**4900.3210 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4900.3200 to 4900.3290 the following terms have the meanings given them.

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

Subp. 3. **Applicant.** "Applicant" means a city applying for mortgage revenue bond authority under parts 4900.3200 to 4900.3290.

Subp. 4. **Application.** "Application" means a submittal requesting mortgage revenue bond authority according to parts 4900.3200 to 4900.3290 as described in part 4900.3230.

Subp. 5. **City.** "City" means a city as defined in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 6. **Existing housing.** "Existing housing" means single-family housing that either has been previously occupied before the first day of the origination period or has been available for occupancy for at least 12 months but has not been previously occupied.

Subp. 7. **Housing pool.** "Housing pool" means the amount of the annual volume cap allocated under Minnesota Statutes, section 474A.061, which is available for the issuance of residential rental project bonds or mortgage bonds.

Subp. 8. **Metropolitan area.** "Metropolitan area" means the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2.

Subp. 9. **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. 10. **New construction, newly constructed housing, or new housing.** "New construction," "newly constructed housing," or "new housing" means single-family housing that has not been previously occupied.

Subp. 11. **Origination period.** "Origination period" means the period that loans financed with the proceeds of mortgage revenue bonds are available for the purchase of single-family housing. The origination period begins when financing actually becomes available to the borrowers for loans.

Subp. 12. **Program.** "Program" means program under part 4900.3220, subparts 1 to 7.

Subp. 13. **Recycling.** "Recycling" means the use of money generated from the repayment and prepayment of loans for further eligible loans or for the redemption of bonds and the issuance of current refunding bonds.

Subp. 14. **Redevelopment area.** "Redevelopment area" means a compact and contiguous area within which the city finds by resolution that 70 percent of the parcels in the area are occupied buildings, streets, utilities, or other improvements and more than 25 percent of the buildings, not including out buildings, are structurally substandard to a degree requiring substantial renovation or clearance.

Subp. 15. **Single-family housing.** "Single-family housing" means one to four family dwelling units eligible to be financed from the proceeds of mortgage revenue bonds under federal law.

Subp. 16. **Structurally substandard.** "Structurally substandard" means containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light, ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors. The defects or deficiencies must be of sufficient total significance to justify substantial renovation or clearance.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043; 16 SR 1913*

**4900.3220 ELIGIBLE PROGRAMS.**

Subpart 1. **General program eligibility.** All applications for single-family housing programs under Minnesota Statutes, section 474A.061, subdivision 2a, must be made by a city and must meet the requirements of this part.

Subp. 2. **Borrower income limits.** The adjusted income of borrowers receiving mortgage loans under eligible programs may not exceed the agency's income limits as determined under applicable administrative rule except as provided in this subpart. For purposes of this subpart, adjusted income is as defined in part 4900.0010, subpart 3.

In the metropolitan area, adjusted incomes of borrowers receiving mortgage loans under eligible programs may not exceed the greater of the agency's income limits or 80 percent of the area median income as published by the United States Department of Housing and Urban Development from time to time.

If the agency's income limits are lowered during the origination period, cities may use the income limits in effect at the time the bonds were issued for the duration of the origination period. If the agency's income limits are raised during the origination period, cities may use the higher income limits for the duration of the origination period.

Subp. 3. **House price limits.** House price limits for homes that are security for mortgages under eligible programs may not exceed:

A. the greater of agency house price limits or the median house purchase price in the city for which the bonds are to be sold up to a maximum of 80 percent of the safe harbor limits for existing housing provided under section 143(e) of the Internal Revenue Code of 1986, as amended through December 31, 1990; or

B. for a new construction affordability initiative as described in subpart 4, item D, the greater of 115 percent of the agency house price limits or 90 percent of the median house purchase price in the city for which the bonds are to be sold up to a maximum of 80 percent of the safe harbor limitation for existing housing provided under section 143(e) of the Internal Revenue Code of 1986 as amended through December 31, 1990.

House price limits may exceed the agency house price limits only if a subsidy is used to reduce the effective purchase price of the property to the above levels.

If the agency's house price limits are lowered during the origination period, cities may use the house price limits in effect at the time the bonds were issued for the duration of the origination period. If the agency's house price limits are raised during the origination period, cities may use the higher house price limits for the duration of the origination period.

Cities requesting house price limits higher than the agency's house price limits must include data establishing the median purchase price in the city in the application. The data may be provided in the form of an independent study conducted by the city which reflects at least six months of real estate activity pertaining to closed house sales within the city during the previous 12-month period. Data may be accumulated from multiple listing services, appraisers or real estate agents, filings pertaining to closed real estate sales, records from the county auditor pertaining to real estate sales, or other sources that are demonstrated to provide accurate data pertaining to city real estate activity.

Subp. 4. **Limits on new construction in metropolitan area.** During the first ten months of an origination period, the agency or cities may not make mortgage loans for the purchase of newly constructed housing in the metropolitan area unless one of the following conditions is met:

A. The newly constructed housing is located in a redevelopment area.

B. The new housing is replacing a structurally substandard structure or structures.

C. The new housing is located on a parcel purchased by the city or conveyed to the city under Minnesota Statutes, section 282.01, subdivision 1.

D. The new housing is part of a housing affordability initiative, other than those financed with the proceeds from the sale of mortgage revenue bonds, in which federal, state, or local assistance is used to substantially improve the terms of financing or to substantially write down the purchase price of the new housing. A housing affordability initiative must meet one or more of the following criteria:

(1) The new construction program is accepted or designated under The United States Department of Housing and Urban Development (HUD) Affordable Housing Program or any successor program sponsored by HUD to encourage affordable, newly constructed housing.

(2) The program provides that financial resources other than those necessary to complete the mortgage revenue bond sale are applied to reduce the cost of the housing or improve the terms of the mortgage loans provided through the sale. A contribution greater than or equal to five percent of the purchase price of each newly constructed home to be financed with mortgage revenue bond proceeds must be provided to meet this criterion. The contributions may be provided either in whole or in part from federal, state, or local government resources or programs, private foundations, or the Federal Housing Finance Board.

(3) The program provides that the applicable local government authority in the jurisdiction in which the houses are to be constructed takes affirmative steps to relax regulation to result in greater housing affordability. The steps must demonstrably reduce the cost of the housing by at least five percent.

(4) The program supports the efforts of housing groups that support self-help or owner built housing initiatives in which at least 15 percent of the labor or materials or both needed to complete the construction of each house is acquired or donated through the efforts of such groups.

(5) The program provides that the housing is constructed by a nonprofit entity as defined in part 4900.0010, subpart 21, that has a primary purpose the provision or development of affordable housing to low and moderate income homebuyers.

**Subp. 5. Limits on new construction outside metropolitan area.** During the first ten months of an origination period, the agency or cities may make mortgage loans for the purchase of existing housing or newly constructed housing in areas outside the metropolitan area. A city must include in its application a description, if applicable, of the steps it will initiate in nonmetropolitan areas to encourage loans for existing housing as opposed to new housing. The steps may include, but are not limited to, the conditions in subpart 4.

**Subp. 6. Builder set-aside limits.** The agency or cities may not make available, provide set-asides, or commit to make available proceeds of mortgage revenue bonds for the exclusive use of builders or developers for loans to eligible purchasers of new housing except as provided in subparts 4 and 5.

**Subp. 7. Other property requirements.** The agency or cities may make mortgage loans to finance the purchase of existing housing both in and outside the metropolitan area immediately upon commencement of the origination period. After the first ten months of the origination period, the agency or cities may make mortgage loans to finance the purchase of existing homes and new construction without regard to the restrictions contained in subparts 4 and 5.

**Subp. 8. Reporting.** The agency and any city that provides funds for new housing financed with the proceeds of mortgage revenue bonds shall report to the chairs of the appropriate housing related standing committees or divisions of the state senate and house of representatives by January 1 of each year detailing new housing activity financed with the proceeds of mortgage revenue bonds, including a description of affordable housing initiatives, the number of loans, the average purchase price of homes financed, and steps taken to encourage loan activity as required in subpart 5.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043; 16 SR 1913*

**4900.3230 APPLICATION FOR MORTGAGE REVENUE BOND AUTHORITY.**

Subpart 1. **General.** Cities may apply to the agency for mortgage revenue bond authority from the housing pool as provided in subparts 2 and 3, except that no city in an entitlement county may apply for or be allocated authority to issue bonds from the housing pool. Upon application and selection for mortgage revenue bond authority, cities may elect to either issue mortgage revenue bonds for eligible programs on their own behalf or through joint powers agreements, or have the agency issue bonds on their behalf.

Subp. 2. **Application period.** In the event that bonding authority is available in the housing pool on the dates prescribed, cities may submit applications to the agency for single-family mortgage revenue bond authority for eligible programs after April 1 through April 15, and after July 1 through July 15, of each year.

Subp. 3. **Application requirements.** Cities that wish to apply for single-family mortgage revenue bond authority may do so by providing the information described in this subpart. The agency may develop a form and format by which the information may be provided, but also will accept submittals from cities that do not meet the agency developed form and format and meet the requirements of this subpart.

A. The city may submit a housing plan as described in Minnesota Statutes, section 462C.03, subdivisions 1 and 1a, or may submit an application on a form developed by the agency which describes the program and demonstrates that the program meets a locally identified housing need and is economically viable.

B. The city must provide information which clearly establishes that the program to be funded with mortgage revenue bonds meets the requirements of part 4900.3220, subparts 2 to 7.

C. The city must request a specific allocation from the housing pool which may not exceed the lesser of \$4,000,000 or 20 percent of the total amount available for allocation on the first Tuesday after the first Monday in April. The minimum allocation that may be requested shall be \$250,000.

D. The city must describe, if applicable, the steps it will initiate in nonmetropolitan areas to encourage loans for existing housing before new housing under the conditions in part 4900.3220, subpart 5.

E. The city must submit an application deposit by check payable to the Department of Finance equal to one percent of the requested allocation from the housing pool.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043; 16 SR 1913*

**4900.3250 APPLICANT SELECTION.**

Subpart 1. **Negotiations of allocation.** Within a reasonable period after the application periods specified in part 4900.3230, subpart 2, but in no circumstances later than 30 days after the end of an application period, the agency shall convene a meeting to allocate the available funds from the housing pool. Before the meeting, applicants shall designate their representatives to the meeting in writing to the agency. At the meeting, the agency and a representative for each applicant shall negotiate the terms of an agreement regarding the available bonding authority among the applicants. The agreement must allot available bonding authority among the applicants. At the meeting, the agency and a representative for each applicant may discuss matters pertaining to the terms under which the agency would issue bonds on behalf of cities.

Subp. 2. **Notification to finance commissioner.** Upon the establishment of an agreement with cities, the agency shall forward to the commissioner of finance the amounts allotted to each applicant under the agreement. The agency shall also forward the application fee. The agreement must specify the amount allotted to each applicant. A copy of the agreement forwarded to the commissioner of finance shall be sent to each applicant.

Subp. 3. **Designation of issuance.** Upon the establishment of the agreement in subpart 1, the city must designate within 15 days of the date of the agreement whether it plans to issue mortgage revenue bonds on its own behalf or through a joint powers agreement, or whether it plans to ask the agency to issue mortgage revenue bonds on its behalf. If the city does not choose to have the agency issue bonds on its behalf, it shall proceed according to part 4900.3290. If the city plans to have the agency issue bonds on its behalf, it shall proceed according to part 4900.3270.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043; 16 SR 1913*

#### **4900.3270 AGENCY ISSUANCE ON BEHALF OF CITIES.**

Subpart 1. **Agency bond issuance.** The agency may issue bonds on behalf of participating cities pursuant to part 4900.3250, subpart 3. The agency shall request an allocation from the commissioner of finance for all cities who choose to have the agency issue bonds on their behalf and the commissioner shall allocate the requested amount to the agency. The agency may request an allocation at any time after the first Monday in April and through the last Monday in July, but may request an allocation no later than the last Monday in July.

Subp. 2. **Program administration.** The agency may develop agreements which govern administrative procedures pertaining to programs funded with mortgage revenue bonds sold on behalf of cities. The agreements may govern matters including, but not limited to, local lender participation, mortgage servicing and servicers, mortgage processing and underwriting, and the period of time that funds may remain exclusively available to participating cities. In developing the agreements, the agency shall attempt to facilitate city programs while prudently addressing agency credit risk.

Subp. 3. **Homeownership assistance fund.** The agency may make the homeownership assistance fund as described in parts 4900.1300 to 4900.1390 available to cities participating under this part.

Subp. 4. **Application deposit refund.** Any application deposits returned to the agency pursuant to Minnesota Statutes, section 474A.061, subdivision 4, or 474A.131, subdivision 1, shall be forwarded by the agency to the appropriate city.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043; 16 SR 1913*

#### **4900.3290 CITY ISSUANCE ON ITS OWN BEHALF.**

Subpart 1. **City bond issuance.** A city may choose to issue bonds on its own behalf or through a joint powers agreement and may request an allocation from the commissioner of finance. If the total amount requested by all applicants exceeds the amount available in the housing pool, the city may not receive a greater amount than it would have received under the agreement forwarded by the agency to the commissioner. No city may request or receive an allocation under this subpart until the agreement under part 4900.3250, subpart 1, has been forwarded to the commissioner. On or after the first Monday in April and through the last Monday in July, no city may receive an allocation from the housing pool which has not first applied to the agency. The commissioner of finance shall allocate the requested amount to the city or cities subject to the limits under this subpart.

Subp. 2. **Recycling.** If a city issues mortgage revenue bonds from an allocation under this part, the issuer must provide for the recycling of funds into new loans. If the issuer is not able to provide for recycling, the issuer must notify the commissioner of finance in writing of the reason that recycling was not possible and the reason the issuer elected not to have the agency issue the bonds.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043; 16 SR 1913*

## NEW HOUSING MORTGAGE REVENUE BONDS

**4900.3300 SCOPE.**

Parts 4900.3300 to 4900.3360 govern the financing of new housing under the agency's mortgage revenue bond programs to finance the purchase of single-family housing.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043*

**4900.3310 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4900.3300 to 4900.3360, the following terms have the meanings given them.

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

Subp. 3. **City.** "City" means a city as defined in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 4. **Existing housing.** "Existing housing" means single-family housing that either has been previously occupied before the first day of the origination period or has been available for occupancy for at least 12 months but has not been previously occupied.

Subp. 5. **Metropolitan area.** "Metropolitan area" means the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2.

Subp. 6. **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. 7. **New housing.** "New housing" means single-family housing that has not been previously occupied.

Subp. 8. **Origination period.** "Origination period" means the period that loans financed with the proceeds of mortgage revenue bonds are available for the purchase of single-family housing. The origination period begins when financing actually becomes available to the borrowers for loans.

Subp. 9. **Program.** "Program" means a program under parts 4900.3320 to 4900.3360.

Subp. 10. **Redevelopment area.** "Redevelopment area" means a compact and contiguous area within which the city finds by resolution that 70 percent of the parcels in the area are occupied buildings, streets, utilities, or other improvements and more than 25 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

Subp. 11. **Single-family housing.** "Single-family housing" means one to four family dwelling units eligible to be financed from the proceeds of mortgage revenue bonds under federal law.

Subp. 12. **Structurally substandard.** "Structurally substandard" means containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light, ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors. The defects or deficiencies must be of sufficient total significance to justify substantial renovation or clearance.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043; 16 SR 1913*

**4900.3320 LIMITATIONS ON NEW CONSTRUCTION; METROPOLITAN AREA.**

During the first ten months of an origination period, the agency may not make mortgage loans for the purchase of new housing in the metropolitan area unless one of the conditions in items A to D is met.

A. The new housing is located in a redevelopment area.

B. The new housing is replacing a structurally substandard structure or structures.

C. The new housing is located on a parcel purchased by a city or conveyed to a city under Minnesota Statutes, section 282.01, subdivision 1.

D. The new housing is part of a housing affordability initiative, other than those financed with the proceeds from the sale of mortgage revenue bonds, in which federal, state, or local assistance is used to substantially improve the terms of financing or to substantially write down the purchase price of the new housing. A housing affordability initiative must meet one or more of the criteria in subitems (1) to (5).

(1) The program is accepted or designated under the United States Department of Housing and Urban Development (HUD) Affordable Housing Program or any successor program sponsored by HUD to encourage affordable new housing.

(2) The program provides that financial resources other than those necessary to complete the mortgage revenue bond sale are applied to reduce the cost of the housing or improve the terms of the mortgage loans provided through the sale. A contribution greater than or equal to five percent of the purchase price of each newly constructed home to be financed with mortgage revenue bond proceeds must be provided to meet this criterion. The contribution may be provided either in whole or in part from federal, state, or local government resources or programs, private foundations, or the Federal Housing Finance Board.

(3) The program provides that the applicable local government authority in the jurisdiction in which the new housing is to be constructed takes affirmative steps to relax regulation to result in greater housing affordability. The steps must demonstrably reduce the cost of the housing by at least five percent.

(4) The program supports the efforts of housing groups that support self-help or owner built housing initiatives in which at least 15 percent of the labor or materials or both needed to complete the new housing is acquired or donated through the efforts of such groups.

(5) The program provides that the new housing is constructed by 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.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043; 16 SR 1913*

#### **4900.3330 LIMITATIONS ON NEW CONSTRUCTION; OUTSIDE METROPOLITAN AREA.**

During the first ten months of an origination period, the agency may make mortgage loans for the purchase of existing housing or new housing in areas outside the metropolitan area. If mortgage loans are provided for new housing outside the metropolitan area during the first ten months of an origination period, the agency must determine that a need for new housing exists either in the entire area or in specific counties, cities, or other geographic areas by reviewing pertinent data including, but not limited to, economic development and employment growth trends, housing starts, and mortgage activity and interest rates. If mortgage loans for new housing are to be provided, the house price limits for the housing may not be more than \$10,000 higher than the house price limits for existing housing regardless of the variance that may be allowed in federal law pertaining to mortgage revenue bonds. The agency may also provide mortgage loans for new housing outside the metropolitan area under the conditions in part 4900.3320 without regard to the preceding conditions in this part.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043*



**4900.3340 BUILDER SET-ASIDE LIMITATIONS.**

The agency may not make available, provide set-asides, or commit to make available proceeds of mortgage revenue bonds for the exclusive use of builders or developers for loans to eligible purchasers of new housing except as provided in parts 4900.3320 and 4900.3330.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043*

**4900.3350 OTHER PROPERTY REQUIREMENTS.**

The agency may make mortgage loans to finance the purchase of existing housing either inside or outside the metropolitan area immediately upon commencement of the origination period. After the first ten months of the origination period, the agency may make mortgage loans to finance the purchase of existing homes and new homes without regard to the restrictions contained in parts 4900.3320 and 4900.3330.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043*

**4900.3360 REPORTING.**

The agency shall report to the chairs of the appropriate housing-related standing committees or divisions of the state senate and house of representatives by January 1 of each year detailing new housing activity financed with the proceeds of mortgage revenue bonds, including a description of affordable housing initiatives, the number of loans, the average purchase price of homes financed, and steps taken to encourage loan activity as required in parts 4900.3320 and 4900.3330.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043*

**RENT ASSISTANCE FOR FAMILY STABILIZATION  
DEMONSTRATION PROGRAM**

**4900.3370 SCOPE.**

Parts 4900.3370 to 4900.3380 govern the implementation of the rent assistance for family stabilization demonstration program under Minnesota Statutes, section 462A.205.

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446*

**4900.3371 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.3372 to 4900.3380 have the meanings given them in this part.

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

Subp. 3. **Caretaker parent.** "Caretaker parent" means a parent, caretaker relative, or minor parent as defined by the aid to families with dependent children program in Minnesota Statutes, sections 256.72 to 256.87.

Subp. 4. **Counties with high average housing costs.** "Counties with high average housing costs" means counties whose average federal section 8 fair market rents for existing housing as determined by the United States Department of Housing and Urban Development are in the highest one-third of average rents in the state at the time of application.

Subp. 5. **Designated rental property.** "Designated rental property" means rental property that:

A. is made available by a self-sufficiency program for use by participating families and meets federal section 8 existing quality standards; or

B. has received federal, state, or local rental rehabilitation assistance since January 1, 1987, and meets federal section 8 existing housing quality standards.

Subp. 6. **Family or participating family.** "Family" or "participating family" means:

A. a family with a caretaker parent who is participating in a self-sufficiency program and with at least one minor child; or

B. a family that, at the time it began receiving rent assistance under parts 4900.3370 to 4900.3380, had a caretaker parent participating in a self-sufficiency program, and had at least one minor child.

Subp. 7. **Gross family income.** "Gross family income" means the gross amount of the household's annual cumulative income including, but not limited to, wages, salaries, social security payments, pensions, workers' compensation, unemployment compensation, public assistance payments, alimony, child support, disability payments, veterans benefits, support and maintenance payments, and income from assets received by the family.

Subp. 8. **Housing cost.** "Housing cost" means the total monthly housing costs of a tenant including rent and utilities paid directly by the tenant, excluding, but not limited to cable television. In most instances, the utility allowance standard established by the United States Department of Housing and Urban Development for the section 8 existing program shall be used.

Subp. 9. **Local housing organization.** "Local housing organization" means the agency of local government responsible for administering the United States Department of Housing and Urban Development's section 8 existing voucher and certificate program or a nonprofit or for-profit organization experienced in housing management.

Subp. 10. **Public assistance.** "Public assistance" means aid to families with dependent children as defined in Minnesota Statutes, sections 256.72 to 256.87, or family general assistance as defined in Minnesota Statutes, sections 256D.01 to 256D.21.

Subp. 11. **Self-sufficiency program or program.** "Self-sufficiency program" or "program" means a program operated by a certified employment and training service provider as defined in Minnesota Statutes, section 256.736, subdivision 1a, paragraph (e), an employability program administered by a community action agency as defined in Minnesota Statutes, section 268.53, or courses of study at an accredited institution of higher education pursued with at least half-time student status, or an established privately funded self-sufficiency program.

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446; 18 SR 2277*

#### **4900.3372 VOUCHER OPTION.**

Subpart 1. **General description.** Under the voucher option, the agency shall award a number of rental assistance vouchers to self-sufficiency program administrators for use by participating families. Participating families may use the rental assistance voucher for rental housing that is certified by the local housing organization as meeting section 8 existing housing quality standards.

Subp. 2. **Responsibilities of self-sufficiency program administrator.** Self-sufficiency program administrators must select the caretaker parents whose families will receive the rent assistance. The self-sufficiency program administrator must notify the local housing organization and the agency of the following:

A. if the caretaker parent, before completion of a program, is no longer participating in or leaves a program;

B. if a caretaker parent who has discontinued participation in a program returns to the program; and

C. if a caretaker parent, after six months of discontinued participation in a program, has not returned to the program, is not employed at least half-time, or is not participating in another program.

The self-sufficiency program administrator must provide the caretaker parent who has discontinued participation in a program before completion with the notice specified in part 4900.3379. The self-sufficiency program administrator must send a subsequent notice to the caretaker parent, the local housing organization, and the agency 60 days before termination of the housing assistance.

**Subp. 3. Responsibilities of local housing organization.** The local housing organization must administer the monthly rent assistance. It must:

A. certify that the rental property meets the federal section 8 existing housing quality standards before rent assistance is paid initially and must inspect the property annually, or as needed, to determine compliance with existing housing quality standards;

B. pay the rent assistance directly to the owner of the property;

C. require the property owner to enter into an approved standard lease agreement with the tenant that includes a clause providing for good cause evictions only;

D. recertify family eligibility on at least an annual basis to verify the family's current eligibility for housing assistance; and

E. if it has received a 60-day notice from a self-sufficiency program administrator under subpart 2 that a caretaker parent has discontinued participation in a program, notify the property owner that rental assistance may terminate and notify the caretaker parent of the termination of rental assistance under part 4900.3380.

**Subp. 4. Eligible application.** A local housing organization and a self-sufficiency program administrator must submit an application jointly to the agency for the rent assistance for family stabilization demonstration program. The applicants must provide an application in the form prescribed by the agency. At a minimum, the application shall include the following:

A. a description and history of the self-sufficiency program;

B. a description of how the caretaker parent participants are selected;

C. the amount of rental assistance subsidy requested;

D. descriptions and histories of the applicants, including funding sources; and

E. a three-year budget projection for the self-sufficiency program.

**Subp. 5. Eligible applicants.** Eligible applicants are self-sufficiency program administrators that provide services to caretaker parents who reside in counties with high average housing costs and the local housing organization that administers the federal section 8 housing certificate and voucher program for the area.

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446; 18 SR 2277*

#### **4900.3373 PROJECT-BASED OPTION.**

**Subpart 1. General description.** Under the project-based rental assistance option, the agency shall award a number of vouchers to self-sufficiency program administrators for use by participating families who live in designated rental property. Either the agency or a local housing organization may administer the monthly rent assistance. The responsibilities of self-sufficiency program administrators and either a local housing organization or the agency are as specified under part 4900.3372, subparts 2 and 3.

**Subp. 2. Eligible application.** A self-sufficiency program administrator must submit an application to the agency for the rent assistance for family stabilization demonstration program. The applicant must provide an application in the form prescribed by the agency. At a minimum, the application shall include the following:

A. a description and history of the self-sufficiency program;

B. a description of how the caretaker parent participants are selected;

C. the amount of rental assistance subsidy requested;

D. a description and history of the applicant, including funding sources; and

E. a three-year budget projection for the self-sufficiency program.

Subp. 3. **Eligible applicants.** Eligible applicants are administrators of self-sufficiency programs as defined in part 4900.3371, subpart 11, that provide services to caretaker parents who reside in counties with high average housing costs.

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446; 18 SR 2277*

#### **4900.3374 SELECTION CRITERIA.**

The agency must consider the following criteria when determining whether an applicant will receive rental assistance under the program:

A. the turnover rates of children in kindergarten through grade four in the area served by the self-sufficiency program;

B. the per capita public assistance usage in the area served by the self-sufficiency program;

C. the successful experience of the self-sufficiency program administrator in working with families on self-sufficiency goals;

D. the probability of funding for the duration of the program;

E. the extent to which the application results in broad geographic distribution;

F. the extent to which the program provides an alternative approach to achieving self-sufficiency; and

G. the extent to which the program demonstrates a coordinated, comprehensive approach to achieving self-sufficiency.

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446*

#### **4900.3375 AMOUNT AND PAYMENT OF RENT ASSISTANCE.**

Subpart 1. **Length of time.** Within the limits of available appropriations, eligible families may receive monthly rent assistance for up to a 36-month period starting with the month the family first receives rent assistance under this part.

Subp. 2. **Paid to property owner.** The rent assistance must be paid directly to the property owner.

Subp. 3. **Calculation of payment.** Subject to the limitations in subpart 4, the amount of monthly rent assistance is the difference between the monthly housing cost and the family's portion of the monthly housing cost. The family's portion of the monthly housing cost is equal to at least 30 percent of its monthly gross income.

Subp. 4. **Limitations.** In no case:

A. may the amount of monthly rent assistance be more than \$200;

B. may the owner receive more rent for assisted units than for comparable unassisted units; or

C. may the amount of monthly rent assistance be more than the difference between the family's copayment and the fair market rent for the unit as determined by the United States Department of Housing and Urban Development.

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446*

#### **4900.3376 FAMILY ELIGIBILITY.**

Subpart 1. **Initial eligibility.** To be eligible for rent assistance initially, the caretaker parent must:

A. be receiving public assistance;

B. be participating in and complying with all requirements of a self-sufficiency program;

C. not be receiving other rental assistance;

D. have gross family income such that 30 percent of gross family income is less than the housing cost; and

E. live in a rental unit that meets the federal section 8 existing housing quality standards.

Subp. 2. **Continuing eligibility.** To be eligible for continued rent assistance upon successful completion of a program or during a period of discontinued participation in a program, a caretaker parent must:

A. not be receiving other rental assistance;

B. have gross family income such that 30 percent of gross family income is less than the housing cost; and

C. live in a rental unit that meets the federal section 8 existing housing quality standards.

Subp. 3. **Resumption of assistance.** If a caretaker parent discontinues participation in a program, the caretaker parent must, within six months, return to participation in the program, participate in a different program, or be employed at least half-time to continue receiving rent assistance.

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446*

#### 4900.3377 SELECTION OF ELIGIBLE FAMILIES.

Subpart 1. **Notification.** The self-sufficiency program administrator must notify verbally and in writing all potentially eligible caretaker parents participating in its program of the availability of the rent assistance for family stabilization demonstration program.

Subp. 2. **Application.** The caretaker parent must submit a completed application and needed verifications to the self-sufficiency program administrator. Within 15 days of receiving a completed application and all needed verifications, the self-sufficiency program administrator must determine the family's eligibility for rent assistance.

Subp. 3. **Equal selection opportunity.** The self-sufficiency program administrator must select eligible families on an agency-approved basis that provides equal selection opportunity for qualified caretaker parent applicants.

Subp. 4. **Waiting list.** If available funds are insufficient to serve all eligible families, the self-sufficiency program administrator must establish a waiting list to determine which families are assisted when funds become available.

Subp. 5. **Change in income.** The self-sufficiency program administrator must inform caretaker parents receiving rent assistance of their responsibility to inform the local housing organization of increases or decreases in family income, allowances, and composition when they occur.

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446; 18 SR 2277*

#### 4900.3378 TERMINATION OF ASSISTANCE.

Assistance must be terminated under any of the following conditions:

A. the family is evicted from the property for cause;

B. the caretaker parent has discontinued participation in a program and, after six months, is not participating in a program or employed at least half-time;

C. 30 percent of the family's gross income equals or exceeds the amount of the housing cost for two or more consecutive months;

D. the family has received assistance under part 4900.3370 to 4900.3380 for a 36-month period; or

E. the rental unit no longer meets federal section 8 existing housing quality standards, the owner refuses to make necessary repairs or alterations to bring the rental

unit into compliance within a reasonable time, and the caretaker parent refuses to relocate to a qualifying rental unit.

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446*

**4900.3379 DISCONTINUED PARTICIPATION IN A PROGRAM; PRETERMINATION NOTICE.**

If a self-sufficiency program administrator determines that a caretaker parent has discontinued participation in a self-sufficiency program, the administrator must notify the caretaker parent of that determination. The notice must be in writing and must explain the effect nonparticipation in a self-sufficiency program will have on the rental assistance. The notice must:

- A. state that the rental assistance will end six months after participation in a program was discontinued;
- B. specify the date the rental assistance will end;
- C. explain that after the date specified, the caretaker parent will be responsible for the total housing costs;
- D. describe the actions the caretaker parent may take to avoid termination of the rental assistance; and
- E. *inform the caretaker parent of the caretaker parent's responsibility to notify the self-sufficiency program administrator if the caretaker parent begins participation in another self-sufficiency program or is employed at least half-time.*

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446*

**4900.3380 TERMINATION OF ASSISTANCE; NOTICE AND APPEAL RIGHTS.**

Before terminating rental assistance, the local housing organization or the agency must send a notice to the caretaker parent no later than ten days before the termination specifying the reasons for the termination of rental assistance and the right to appeal the termination within ten days of the receipt of the notice. Appeals under this part shall be heard by the Department of Human Services, under Minnesota Statutes, section 256.045.

**Statutory Authority:** *MS s 462A.06*

**History:** *16 SR 1446; 18 SR 2277*

**SPECIAL NEEDS HOUSING FOR ADULTS WITH CHRONIC CHEMICAL DEPENDENCY PROGRAM**

**4900.3400 SCOPE.**

Parts 4900.3400 to 4900.3404 govern the implementation of the special needs housing for adults with chronic chemical dependency program.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

**4900.3401 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.3400 to 4900.3404 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 for a special needs housing for adults with chronic chemical dependency loan or grant.

Subp. 4. **Application.** "Application" means a submittal requesting a loan or grant for special needs housing for adults with chronic chemical dependency.

Subp. 5. **Low-income and homeless individuals and families.** "Low-income and homeless individuals and families" means, with respect to persons living in housing for adults with chronic chemical dependency, those individuals whose income does not exceed 50 percent of the greater of the statewide or area median income.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### 4900.3402 ELIGIBILITY.

To be eligible for selection as a recipient of a loan or grant under the program, the application must satisfy the requirements in items A to D.

A. The proposed residential housing must be exclusively for the use of low-income persons.

B. Grant funds may not be used for residential care facilities, for facilities that provide housing available for occupancy on less than a 24-hour continuous basis.

C. The housing for chronic chemically dependent adults must satisfy the following conditions:

(1) be certified by the Department of Health or the city as a board and lodging facility or single residence occupancy housing;

(2) meet all applicable health, building, fire safety, and zoning requirements;

(3) be located in an area significantly distant from the present location of county detoxification service sites;

(4) make available the services of trained personnel to appraise each client before or upon admission and to provide information about medical, job training, and chronic chemical dependency services as necessary;

(5) provide on-site security designed to assure the health and safety of clients, staff, and neighborhood residents; and

(6) operate with the guidance of a neighborhood-based board.

D. To the extent possible, an applicant shall combine the loan or grant with other funds obtained from public and private sources.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### 4900.3403 ELIGIBLE MORTGAGOR.

To be eligible for selection as a recipient of a loan or grant under the program, an applicant may be a for-profit, limited-dividend, or nonprofit entity.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### 4900.3404 SELECTION CRITERIA.

The agency shall take the following criteria into consideration when determining whether an application and applicant will be selected for a loan or grant under the program. Priority will be given to proposals that address the needs of the Native American population and veterans of military service:

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

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

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

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

E. the extent to which the structure must provide a physical environment that is responsible to the needs of the population to be served; and

F. the ability of the applicant to proceed expeditiously with the development.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

### **SPECIAL NEEDS HOUSING FOR HOMELESS PERSONS LOANS OR GRANTS**

#### **4900.3410 SCOPE.**

Parts 4900.3410 to 4900.3414 govern special needs housing for homeless persons loans or grants for the construction, acquisition, or rehabilitation of residential housing for occupancy by the following persons: low-income individuals and families having an immediate need for temporary or transitional housing; including low-income individuals living in single room occupancy housing; residential housing for migrant farmworkers; and homeless individuals and families.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### **4900.3411 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.3410 to 4900.3414 have the meanings given them in this part.

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

Subp. 3. **Applicant.** "Applicant" means one or more entities that submit an application for a special needs housing for homeless persons loan or grant.

Subp. 4. **Application.** "Application" means a submittal requesting a special needs housing for homeless persons loan or grant to pay the cost of the construction, acquisition, or rehabilitation of residential housing for occupancy by the following persons: low-income individuals and families having an immediate need for temporary or transitional housing; low-income individuals living in single room occupancy housing; residential housing for migrant farmworkers; and homeless individuals and families.

Subp. 5. **Low-income and homeless individuals and families.** "Low-income and homeless individuals and families" means, with respect to homeless persons and persons living in single room occupancy housing, those individuals and families whose income does not exceed 30 percent of the metropolitan area median income for a family of four adjusted for families of five or more. With respect to those persons living in temporary or transitional housing, low-income individuals and families means those individuals and families whose incomes do not exceed 50 percent of the greater of the statewide or area median income adjusted for families of five or more.

Subp. 6. **Residential housing for migrant farmworkers.** "Residential housing for migrant farmworkers" means housing which contains cooking, sleeping, bathroom facilities, and hot and cold running water in the same structure.

Subp. 7. **Temporary or transitional housing.** "Temporary or transitional housing" means housing provided for a limited duration not exceeding 24 months and available for occupancy on a continuous 24-hour basis.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### **4900.3412 ELIGIBILITY.**

To be eligible for selection as a recipient of a loan or grant under the program, the application must satisfy the requirements in items A to E.

A. The proposed residential housing must be exclusively for the use of low-income families and individuals.



B. All occupants of permanent housing financed under this part must be offered a written lease that:

- (1) complies with Minnesota Statutes, section 325G.31;
- (2) offers the occupants the option to renew; and
- (3) prohibits eviction of an occupant without good cause.

C. The amount of the loan or grant requested must not exceed 50 percent of the total development cost of the proposed residential housing.

D. 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;

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

(7) where the applicant is providing transitional housing, documentation of an ability to provide support services to assist persons in moving into independent or appropriate supportive living situations.

E. Loan or grant funds may not be used for residential care facilities, for facilities that provide housing available for occupancy on less than a 24-hour continuous basis, or for any residential housing that requires occupants to accept board as well as lodging.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### **4900.3413 ELIGIBLE MORTGAGOR.**

To be eligible for selection as a recipient of a loan or grant under the program, an applicant must be an eligible mortgagor as defined in Minnesota Statutes, section 462A.03, subdivision 13.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### **4900.3414 SELECTION CRITERIA.**

In addition to priority being given to viable proposals with the total lowest cost per person served, the agency shall take the following criteria into consideration when determining whether an application and applicant will be selected for a loan or grant under the program:

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

- 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;
- H. the extent of community support for this type of development;
- I. the extent to which proposals use donated, leased, abandoned, or empty dwellings owned by a public entity or property being sold by the Resolution Trust Corporation or the Department of Housing and Urban Development;
- J. the extent to which the applicant has consulted with advocates for the homeless, representatives from neighborhood groups, and representatives from labor organizations in preparing the proposal;
- K. if support services are to be provided in conjunction with housing, the availability of funds to pay the ongoing costs of those support services; and
- L. the extent to which the structure provides a physical environment that is responsive to the needs of the population to be served.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### TRAINING AND HOUSING FOR HOMELESS ADULTS DEMONSTRATION PROGRAM

#### 4900.3420 SCOPE.

Parts 4900.3420 to 4900.3424 allow the commissioner of the Housing Finance Agency to make planning and demonstration grants to eligible organizations to develop programs to provide homeownership opportunities, education and training, or services to homeless adults. The purpose of these programs is to promote individual stability and responsibility of homeless adults. The program must include a work experience and training component, job skills component, and life skills component.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### 4900.3421 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.3420 to 4900.3424 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 for a training and housing program for a demonstration grant.

Subp. 4. **Application.** "Application" means a submittal requesting a demonstration grant to provide programs that develop homeownership opportunities, education and training, or services to homeless adults.

Subp. 5. **Demonstration grant.** "Demonstration grant" means a homeless adults demonstration grant.

Subp. 6. **Homeless individual.** "Homeless individual" has the meaning given in United States Code, title 42, section 11302.

Subp. 7. **Eligible organization.** "Eligible organization" means a nonprofit organization run by or for homeless persons.

Subp. 8. **Rehabilitation.** "Rehabilitation" means the repair, construction, or improvement of existing residential housing with the objective of making the housing decent, safe, sanitary, and more desirable to live in, of greater market value, or to conform with state, county, or city health, housing, building, fire prevention, and housing maintenance codes and other public standards applicable to housing.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### 4900.3422 ELIGIBILITY.

To be eligible for selection as a recipient of a demonstration grant under the program, the application must satisfy the requirements in items A to C.

A. The proposed residential housing must be exclusively for the use of homeless individuals.

B. The program must promote individual stability and responsibility of homeless adults through training for jobs that pay a living wage, job placement, life skills development, and access to community support services including health services, counseling, and drug rehabilitation.

C. The program must include all of the components in subitems (1) to (3).

(1) A work experience and training component which provides vocational skill training in an industry where there are potential opportunities for jobs that pay a living wage. A monetary compensation may be provided to program participants. The compensation must be provided to participants who are recipients of public assistance in a manner or amount which will not reduce public assistance benefits. The work experience component must be designed so that work projects result in the expansion of residential units for homeless persons and very low-income individuals and families. The work experience component must include work projects that provide residential units through construction or rehabilitation for the homeless and families with income that does not exceed 50 percent of the median income for the metropolitan area. The program design must include an examination of how program participants may achieve certification as a part of the work experience and training component by entering licensing, apprenticeship, or other educational programs.

(2) A job skills component which provides program participants with job search skills, placement assistance, and other job readiness skills to ensure that participants will be able to compete in the employment market.

(3) A life skills component which includes mentoring to develop home-ownership skills, and offer or coordinate participation in parenting and citizenship classes and leadership development to encourage community involvement and responsibility.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### 4900.3423 ELIGIBLE APPLICANT.

To be eligible for selection as a recipient of a planning and demonstration grant under the program the applicant must be a nonprofit organization that is run by or for homeless persons.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

#### 4900.3424 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 organization's prior experience in operating or developing programs successfully;

B. the geographic area to be serviced to the end that a reasonable distribution of funds is received;

C. the extent to which grant funds are matched with nonstate money; and

D. the extent to which the program promotes individual stability.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 569*

### NEIGHBORHOOD LAND TRUST PROGRAM

#### 4900.3430 SCOPE.

Parts 4900.3430 to 4900.3434 govern the implementation of the publicly owned neighborhood land trust program authorized by Minnesota Statutes, section 462A.202, subdivision 6. The program provides funding to acquire, construct, and rehabilitate housing, including land and buildings, by the use of a land trust.

Under this program, a city will retain ownership of the land in perpetuity, but provide a long-term lease, generally 99 years, for the use of the land and buildings to either persons and families of low and moderate income or qualified nonprofit corporations.

These activities are financed with proceeds from state general obligation bonds.

**Statutory Authority:** *MS s 462A.06*

**History:** *18 SR 390*

#### 4900.3431 DEFINITIONS.

Subpart 1. **Agency.** "Agency" means the Minnesota Housing Finance Agency.

Subp. 2. **Applicant.** "Applicant" means a city that submits an application for financial assistance.

Subp. 3. **Application.** "Application" means a submittal requesting financial assistance to pay the cost of the acquisition, improvement, construction, or rehabilitation of property to provide housing for persons and families of low and moderate income.

Subp. 4. **Building.** "Building" means a structure that is physically attached in some manner to a parcel of land, and is carried on the property tax rolls of the locality as real property.

Subp. 5. **City.** "City" means a city as defined in Minnesota Statutes, section 462C.02, subdivision 6, that by resolution has determined to act with the powers and duties described in Minnesota Statutes, section 462A.31, subdivisions 1 to 5.

Subp. 6. **Eligible nonprofit organization.** "Eligible nonprofit organization" means a nonprofit corporation organized under Minnesota Statutes, chapter 317A, that complies with Minnesota Statutes, sections 462A.30 and 462A.31, and that qualifies for tax exempt status under United States Code, title 26, section 501(c)(3).

Subp. 7. **Financial assistance.** "Financial assistance" means a loan from the agency.

Subp. 8. **Land trust activities.** "Land trust activities" means activities that are in compliance with parts 4900.3430 to 4900.3434, the publicly owned neighborhood land trust program, and Minnesota Statutes, section 462A.202, subdivisions 6 and 7.

Subp. 9. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means persons or families whose income does not exceed 80 percent of the greater of statewide or area median income as determined from time to time by the United States Department of Housing and Urban Development.

Subp. 10. **Program.** "Program" means the publicly owned neighborhood land trust program.

Subp. 11. **Property.** "Property" means land or buildings subject to the financial assistance requested in the application.

**Statutory Authority:** *MS s 462A.06*

**History:** *18 SR 390*

#### 4900.3432 ELIGIBILITY.

Subpart 1. **Eligible applicants.** Only a city may be an eligible applicant.

Subp. 2. **Eligible uses of financial assistance.** A city may use the proceeds of the financial assistance for capital costs identified in the application.

Subp. 3. **Eligible applications.** The application for financial assistance shall, at a minimum, contain:

A. evidence that the applicant is an eligible applicant;

B. a comprehensive plan for the use of the financial assistance, including:

(1) documentation of the need for the type of proposed activity, including information on the extent to which persons and families of low and moderate income will benefit;

(2) a detailed description of all other financial resources available to the applicant to complete the activity, including those from other public or private sources; and

(3) a timetable for the completion of the proposed activity;

C. documentation of the applicant's ability to complete and maintain the property in accordance with its funded use for the period of time identified in the application;

D. documentation sufficient to establish that the cost and quality of the proposed activity is reasonable;

E. evidence of the intended use of a ground lease which meets the requirements of Minnesota Statutes, section 462A.31; and

F. if the applicant intends to contract with an eligible nonprofit organization to develop or manage the property, a copy of the contract and evidence of the nonprofit organization's abilities and capacities to fulfill program requirements.

**Statutory Authority:** *MS s 462A.06*

**History:** *18 SR 390*

#### 4900.3433 TERMS AND CONDITIONS OF FINANCIAL ASSISTANCE, USE OF PROPERTY, AND REPAYMENT REQUIREMENTS.

Subpart 1. **Interest rate.** The agency shall not charge interest on the financial assistance.

Subp. 2. **Ownership and use requirements.** The financial assistance is subject to the terms and conditions in items A to F pertaining to ownership and use of the property.

A. The applicant must intend to own and use the property for the purposes identified in the application.

B. The applicant may contract with an eligible nonprofit organization for the management of the property.

C. The applicant may use the property for purposes other than those identified in the application only after it has repaid the amount of the original financial assistance to the agency.

D. If the applicant uses the financial assistance to purchase land only, or purchases land and buildings and later demolishes the buildings, the applicant may lease the vacant land to an eligible nonprofit organization for a term of up to 99 years at a nominal annual rental amount.

E. If the applicant uses the financial assistance to purchase property consisting of land and buildings, the applicant may sell any buildings situated on the land to an eligible nonprofit organization, provided that:

- (1) the applicant retains ownership of the land;
- (2) the applicant sells the buildings for fair market value;
- (3) the applicant complies with the repayment requirements provided in subpart 3; and
- (4) the applicant annually determines that the buildings are owned by an eligible nonprofit organization and are being used for land trust activities.

F. The applicant may lease buildings situated on the land which received the financial assistance to an eligible nonprofit organization for a nominal annual rental amount, provided that:

- (1) the lease does not exceed ten years;
- (2) the applicant has the absolute and unconditional option to cancel the lease at the end of any three-year period; and
- (3) the applicant is required to annually determine that the property is being used for land trust activities, and is benefiting persons and families of low and moderate income.

For those applications not containing evidence of the conditions cited in item F, the annual rental amount must at least equal the total amount of financial assistance attributable to the cost of buildings divided by the number of years of the useful life of the buildings.

Subp. 3. **Repayment requirements.** The financial assistance is subject to the repayment requirements in items A and B.

A. If the applicant sells all of the property, the sale must be at fair market value and the applicant must repay the lesser of either the net proceeds of the sale or the amount owing to the agency at the time of the sale. The amount repaid shall be considered to be payment in full of the entire outstanding balance of the financial assistance owed the agency.

If the applicant sells part of the property, the sale must be at fair market value and the applicant must repay the lesser of either the net proceeds of the sale or the amount owing to the agency at the time of the sale. The amount repaid shall be credited against the outstanding balance of the financial assistance owed the agency.

B. If the applicant owns and uses the property for the purposes identified in the application for a period of 20 years from the date the financial assistance is first supplied to the applicant, the outstanding balance of the financial assistance owed to the agency shall be considered to have been paid in full.

**Statutory Authority:** *MS s 462A.06*

**History:** *18 SR 390*

#### **4900.3434 SELECTION CRITERIA FOR LOANS.**

From time to time, the agency may request applications for financial assistance. The agency shall select applications for financial assistance based on the following criteria:

- A. the need for the type of housing which will be created by the eligible activities described in the application;
- B. the extent to which other resources are or will be allocated to address the stated need;
- C. the extent to which the land trust loan funds are combined with other funds from private or public sources;
- D. the geographic distribution of the applications, to the extent that funds can be used for land trust activities throughout the state;

E. the extent to which persons or families of low and moderate income will benefit from the eligible activities;

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

G. the extent to which the eligible activities are more innovative than other proposals;

H. the extent to which the application receives the support and participation of the local community;

I. the reasonableness of the cost and quality of the eligible activities;

J. the experience and capacity of the applicant to perform land trust activities and provide administrative support services for an extended period of time; and

K. if applicable, the experience and capacity of the nonprofit organization to which the applicant proposes to either contract with or lease any part of the property.

**Statutory Authority:** *MS s 462A.06*

**History:** *18 SR 390*

#### AFFORDABLE RENTAL INVESTMENT FUND PROGRAM

##### 4900.3500 SCOPE.

Parts 4900.3500 to 4900.3550 govern the implementation of the Affordable Rental Investment Fund program authorized under Minnesota Statutes, section 462A.21, subdivision 8b.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*

##### 4900.3510 DEFINITIONS.

Subpart 1. **Application.** The definitions in this part apply in parts 4900.3500 to 4900.3550.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, chapter 462A.

Subp. 3. **Affordable rental housing.** "Affordable rental housing" means a development that includes at least four assisted units.

Subp. 4. **Affordable rental investment fund program.** "Affordable Rental Investment Fund program" means a loan program authorized by Minnesota Statutes, section 462A.21, subdivision 8b, to acquire, rehabilitate, or newly construct affordable rental housing.

Subp. 5. **Area median income.** "Area median income" means the greater of the county median income or the Minnesota nonmetropolitan median income as each is provided annually to the agency by a notice from the United States Department of Housing and Urban Development.

Subp. 6. **Assisted unit.** "Assisted unit" means a unit of rental housing affordable to low-income households, as provided in part 4900.3540, in a development for which a loan has been made from the Affordable Rental Investment Fund program.

Subp. 7. **Development.** "Development" means the affordable rental housing to be acquired, rehabilitated, or newly constructed by the applicant as described in the application.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*

##### 4900.3520 ELIGIBLE APPLICANTS.

Subpart 1. **Property interest.** An applicant for the Affordable Rental Investment Fund program loan must, at the time of application, possess one of the following interests in the real property that is the site of the development:

- 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. **Eligible entities.** To be eligible to receive a loan from the Affordable Rental Investment Fund 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 a 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, but only for the purposes set out in Minnesota Statutes, section 462A.21, subdivision 8b.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*

#### **4900.3530 ELIGIBLE APPLICATIONS.**

The applicant must submit an application in the form and at the time prescribed by the agency. At a minimum, the application must include pertinent details on the following:

- A. information describing the site of 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 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 households;
- C. information with respect to the market for the development, including reports of market surveys or analyses and documentation of need for the development;
- D. a description of the acquisition, rehabilitation, or new construction 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 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:** *19 SR 1150*

#### **4900.3540 REQUIRED OCCUPANCY.**

The assisted units in the development funded in whole or part with loans from the Affordable Rental Investment Fund program must be occupied by households whose adjusted income at the time of initial occupancy does not exceed 60 percent of the area median income. The household income ceiling for assisted units may be less than 60 percent of area median income to the extent required by other nonagency funding sources used in conjunction with this program, such as foundations and federal agencies.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*

#### **4900.3550 SELECTION CRITERIA.**

The agency shall use the criteria in this part to determine whether an applicant will get a loan from the Affordable Rental Investment Fund program:



A. the need, documented by the applicant, for the development in the proposed geographic area;

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

C. the applicant's prior experience in developing, owning, and operating similar development;

D. the cost-reasonableness and quality of the development;

E. the geographic distribution of loan funds, to the extent that loan funds can be used to assist developments 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 extent to which other programs are available to assist the development;

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 and individuals;

I. the extent to which existing units of rental housing are available to low-income households; and

J. the extent to which the development encourages or maintains economic integration.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*