



# **Emergency and Accessibility Loan Program Procedural Manual**

April 21, 2023



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# Table of Contents

<b>Chapter 1 – Partner Responsibilities/Warranties.....</b>	<b>6</b>
1.01 Procedural Manual.....	6
1.02 Compliance with Privacy Act Statutes .....	6
1.03 Unauthorized Compensation.....	6
1.04 Minnesota Housing Due Diligence Audit Guidelines and Requirements .....	7
1.05 Termination of the Lender’s Participation.....	7
1.06 Representations and Warranties .....	8
1.07 Lender Compensation .....	9
1.08 Selection of Contractors .....	9
<b>Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting.....</b>	<b>10</b>
2.01 Fraud.....	10
2.02 Misuse of Funds.....	10
2.03 Conflict of Interest.....	10
2.04 Suspension.....	11
2.05 Disclosure and Reporting.....	12
2.06 Assistance to Employees and Affiliated Parties.....	12
<b>Chapter 3 - Borrower Eligibility Requirements .....</b>	<b>13</b>
3.01 Borrower.....	13
3.02 Borrower Age.....	13
3.03 Co-Signers.....	13
3.04 Ownership Interest .....	13
3.05 Occupancy Requirements.....	14
3.06 Emergency and Accessibility Loan Program Application .....	14
3.07 Prior Minnesota Housing Assistance .....	14
3.08 Emergency and Accessibility Loan Program Eligibility Income .....	14
3.09 Minnesota Housing Maximum Asset Limit .....	15
3.10 Credit Requirements.....	15
3.11 Separated Spouses .....	16
<b>Chapter 4 - Property Eligibility Requirements.....</b>	<b>17</b>
4.01 Eligible Properties .....	17
4.02 Ineligible Properties.....	17
4.03 Property Inspections.....	17
4.04 Local Ordinances and Plans .....	18

<b>Chapter 5 – Loan/Rehabilitation Eligibility .....</b>	<b>19</b>
5.01 Loan Eligibility .....	19
5.02 Interest Rate/Amortization Requirements .....	19
5.03 Program Loan Amount .....	19
5.04 Mortgage Term.....	19
5.05 Security for the Loan .....	19
5.06 Title Requirements .....	20
5.07 Rehabilitation Requirements.....	20
5.08 Change Orders .....	21
5.09 Sworn Construction Statement and Lien Waivers.....	21
5.10 Homeowner Labor.....	21
5.11 Eligible Emergency Improvements .....	21
5.12 Ineligible Rehabilitation Improvements .....	22
5.13 Other Eligible Costs.....	22
5.14 Non-Complying Loans.....	22
5.15 Repurchase of Loans.....	23
<b>Chapter 6 – Commitment/Disbursement .....</b>	<b>24</b>
6.01 Loan Commitments .....	24
6.02 Modifying a Commitment.....	24
6.03 Canceling a Commitment .....	24
6.04 Minnesota Housing Disbursement of Funds .....	24
6.05 Loan Purchase Corrections .....	25
<b>Chapter 7 – Documentation Requirements .....</b>	<b>26</b>
7.01 Loan Processing and Closing.....	26
7.02 Loan Modifications and Loan Corrections .....	26
7.03 Minnesota Housing Documentation/Delivery Requirements .....	26
7.04 Documentation and Data Requirements.....	27
7.05 Records Retention .....	27
<b>Chapter 8 – Servicing .....</b>	<b>28</b>
8.01 Servicing .....	28
8.02 Delivery of Loans to Servicer .....	28
<b>Appendix A: Definitions.....</b>	<b>29</b>

## **Introduction**

### **Mission Statement**

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

### **Background**

The Minnesota Housing Finance Agency (“Minnesota Housing”) was created in 1971 by the Minnesota Legislature.

The Emergency and Accessibility Loan Program (the “Program”) is a part of the rehabilitation Loan Program (RLP). Minnesota Housing created RLP and the Program to complement loan programs available in the private sector to fill the financial gap that exists between low-income homeowners able to secure home improvement financing in the private sector and those homeowners unable to do so.

### **Procedural Manual**

This Procedural Manual sets forth for Lenders the terms and conditions under which Minnesota Housing will purchase mortgage loans originated under the Program.

### **Emergency and Accessibility Loan Program**

Deferred, zero percent interest rate Program loans are available to low-income Minnesota homeowners through participating Lenders. Loans must be for improvements that directly affect an Emergency Condition or Accessibility Improvement.

## **Chapter 1 – Partner Responsibilities/Warranties**

### **1.01 Procedural Manual**

This Procedural Manual, including subsequent changes and additions, is a supplement to the Emergency and Accessibility Loan Program Participation Agreement (the “Participation Agreement”) executed between the Lender and Minnesota Housing. Minnesota Housing reserves the right to:

- Change the Program interest rate at any time under its sole discretion;
- Alter or waive any of the requirements;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing may grant waivers, alterations or revisions at its sole discretion.

### **1.02 Compliance with Privacy Act Statutes**

The Minnesota Government Data Practices Act:

- Requires the Lender to supply Borrowers with the Tennessen Warning and the Privacy Act Notice when requesting private data<sup>1</sup>; and
- Governs when the disclosure of the Borrower’s Social Security Number is required.

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Sections 270A.01 to 270A.12) allows the disclosure of the Borrower’s Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of funds held by the State, including but not limited to tax refunds, to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

### **1.03 Unauthorized Compensation**

The Lender may receive fees approved in this Procedural Manual. However, the Lender shall not receive or demand from a builder, remodeler, contractor, supplier or Borrower:

- Kickbacks;
- Commissions;
- Rebates; or

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<sup>1</sup> Only the Borrower’s name, address and amount of assistance received are public data and may be released to the public. All other data are private and may be released only to those authorized access by law.

- Other compensation.

In order to reduce the total rehabilitation cost associated with an eligible property, the Lender may receive discounts from third parties involved in the project improvements. In these cases, the Lender must document in the Borrower file that the discounts received are considered typical for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered. Any discounts that exceed what is typical must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor or supplier providing the discount.

#### **1.04 Minnesota Housing Due Diligence Audit Guidelines and Requirements**

The Lender is required to keep on file a complete copy of documents for each loan purchased by Minnesota Housing. Minnesota Housing will perform a quality control audit of loan files purchased from the Lender and will notify the Lender if a loan is selected for audit. Upon request, the Lender must submit the complete loan package with all documentation that was used to originate and close the loan. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased.

Audited loans are reviewed for:

- Minnesota Housing Program/policy compliance;
- Compliance with federal and state consumer lending regulations;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that may have an impact on the financial viability of the Program in part or in whole.

#### **1.05 Termination of the Lender's Participation**

Minnesota Housing may terminate the participation of any Lender under this Procedural Manual at any time and may preclude the Lender's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Participation Agreement;
- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;
- Any federal or state Laws or Acts that protect the Borrower's rights with regard to obtaining financing for home improvements; or
- Other applicable state and federal laws, rules and regulations.

Upon termination of a Lender's Participation Agreement, Minnesota Housing will continue to purchase eligible loans for which a Commitment has already been issued, until the Commitment expiration date.

Minnesota Housing may, at its option, impose remedies other than termination of the Participation Agreement for Lender noncompliance.

The Lender may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate a Lender shall be at Minnesota Housing's sole discretion.

## **1.06 Representations and Warranties**

The Lender agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following (and any applicable rules, regulations and orders thereunder):

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Data Privacy - Minnesota Statutes Chapter 13;
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- Truth in Lending Act;
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H; and
- Real Estate Settlement Procedures Act of 1974.

In addition to the above warranties and representations, the Lender also warrants and represents that:

- The Lender is the sole owner and holder of the Program loan with the right to assign it to Minnesota Housing;
- The Lender has assigned the loan free and clear of all encumbrances;



MINNESOTA HOUSING – EMERGENCY AND ACCESSIBILITY LOAN PROGRAM  
PROCEDURAL MANUAL  
APRIL 21, 2023

- The Lender has complied with and will continue to comply with all terms and conditions in the Participation Agreement and this Procedural Manual for each loan processed pursuant to the Program unless prior written approval is obtained from Minnesota Housing;
- The Lender is a legally constituted public or governmental agency, political subdivision, nonprofit entity, a housing and redevelopment authority, or other organization, which has as a primary purpose the provision or development of affordable housing to low-income persons or households in Minnesota;
- The Lender maintains capital and trained personnel adequate to render the services required as a part of the Lender’s participation in the Program;
- The Lender follows all state and federal consumer lending laws, rules and regulations;
- The Lender has neither received nor solicited any fee or remuneration not approved by this Procedural Manual; and
- After reasonable inspection, the Lender has no knowledge that any improvement funded by the loan are in violation of applicable zoning ordinances, building ordinances, laws or regulations; and

The Lender also agrees that the person who confirms on the Minnesota Housing Loan Commitment System on behalf of the Lender is fully conversant with Minnesota Housing Program requirements, and has the authority to legally bind the Lender; and the Lender has complied with all terms, conditions and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions and requirements have been specifically waived in writing by Minnesota Housing.

### **1.07 Lender Compensation**

The Lender is compensated for each loan purchased by Minnesota Housing at a rate of 10% of the loan amount or \$1,200 per loan, whichever is less.

### **1.08 Selection of Contractors**

The Lender may not choose the contractor. Borrowers are responsible for the selection of any contractor who will be involved in completing rehabilitation on the property.

## **Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting**

### **2.01 Fraud**

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in Section 2.05.

### **2.02 Misuse of Funds**

A loan or grant agreement is a legal contract. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the communication channels described in section 2.05.

### **2.03 Conflict of Interest**

A conflict of interest, actual or potential, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are averse to one or both parties. A conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties;
- A contracting party's objectivity in carrying out their responsibilities might be otherwise impaired due to competing duties or loyalties
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors.

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict;
- Allowing the contracting party to create firewalls that mitigate the conflict;
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived, or potential conflicts of interest through one of the ways described in Section 2.05.

A contracting party should review its contract agreement and Request for Proposals (RFP) material, if applicable, for further requirements.

## **2.04 Suspension**

By entering into any agreement with Minnesota Housing, contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) represents that it has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of [suspended individuals and organizations](#).

## **2.05 Disclosure and Reporting**

Minnesota Housing promotes a “speak-up, see something, say something” culture whereby internal staff must immediately report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (e.g., grantees, borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation using these same communication channels.

- Minnesota Housing’s Chief Risk Officer
- Any member of Minnesota Housing’s [Senior Leadership Team](#)
- [Report Wrongdoing or Concerns \(mnhousing.gov\)](#)

## **2.06 Assistance to Employees and Affiliated Parties**

A contracting party that receives funding from Minnesota Housing to make specified loans, grants, or other awards to recipients may make these specified loans, grants, or other awards to their directors, officers, agents, consultants, employees and/or their families, elected or appointed officials of the State of Minnesota as well as to Minnesota Housing employees and/or their families (“Affiliated Assistance”) provided:

- The recipient meets all eligibility criteria for the program.
- The assistance does not result in a violation of the contracting party’s internal conflict of interest policy, if applicable.
- The assistance does not result in a conflict of interest as outlined in section 2.03.
- The assistance is awarded utilizing the same costs, terms and conditions as similarly situated unaffiliated recipients, and the recipient receives no special consideration or access compared to similarly situated unaffiliated recipients.
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and their immediate family members. Family members include a spouse, domestic partner, parent, sibling, child, in-law or other relative living in the recipient’s home.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to awarding the Affiliated Assistance, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available upon request to Minnesota Housing. Affiliated Assistance that does not meet each of these provisions will be considered a violation of Minnesota Housing conflict of interest standards which must be reported through one of the communication channels outlined in section 2.05.

## **Chapter 3 - Borrower Eligibility Requirements**

### **3.01 Borrower**

One individual or multiple individuals are eligible to be a Borrower(s) only if such individual or individuals meet the requirements of this Procedural Manual.

### **3.02 Borrower Age**

Borrower must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

### **3.03 Co-Signers**

Co-signers are not permitted on Program loans.

### **3.04 Ownership Interest**

For residences taxed as real property, the Borrower(s) must individually, or in the aggregate, possess at least a one-third ownership interest in the residence to be improved. For a Manufactured Home taxed as personal property, the Borrower(s) ownership interest requirement is 100%.

The Borrower(s) and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be improved.

Borrowers under this Program must have clear title to the subject property as evidenced by a title search or title opinion and a copy of the deed.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A community land trust;
- Vendee interest in a recorded contract-for-deed;
- An approved tribal residential lease on tribal lands;
- A Manufactured Home taxed as real property;
- A Manufactured Home taxed as personal property and located in a Manufactured Home park; or
- A Manufactured Home with an approved tribal residential lease located on tribal lands.

Title may be held in the following ways:

- Individually;
- Joint Tenants;
- Tenants in Common; or

- A recorded life estate, excluding remaindermen<sup>2</sup>.

Ineligible forms of ownership include but are not limited to the following:

- Shares in a Cooperative Corporation;
- An ownership interest by any form of trust; or
- An ownership interest subject to a reverse mortgage.

### **3.05 Occupancy Requirements**

Borrower must have owned the property and resided in the property as his/her/their Principal Residence for at least 6 months prior to applying for the Program loan. Further, the Borrower must maintain ownership and title to the property and regularly reside in the property as their Principal Residence during the term of the loan.

### **3.06 Emergency and Accessibility Loan Program Application**

All Borrowers must apply for the Program through an approved Lender.

### **3.07 Prior Minnesota Housing Assistance**

A Borrower who has previously received financing through the Program and/or the rehabilitation Loan Program, may be eligible for additional Program funds assuming all loan requirements have been met and an Emergency Condition or Accessibility Improvement has been identified.

### **3.08 Emergency and Accessibility Loan Program Eligibility Income**

Gross annual household income includes but is not limited to the gross annual projected household income of all residents age 18 and over that reside in the household before taxes or withholdings less deductible expenses allowed. The Lender must use the [Income Eligibility Calculation Worksheet](#) to calculate the gross annual household income. The Income Eligibility Calculation Worksheet must be retained in the loan file. The gross household income may not exceed the amounts listed on Minnesota Housing's Website as of the date of loan application.

If a Borrower's gross annual household income is zero or a negative amount, the Borrower is ineligible for financing.

Documentation of the gross annual household income must be verified at the time of the loan application. The Lender does not need to reverify documentation of the gross annual household income if the Lender closes the loan within 12 months of Borrower application. The Borrower(s) must execute the Borrower Attestation within 10 days of the loan closing date attesting that there has not been a substantial change to the gross annual household income. If the Lender closes the loan 12 months or later after Borrower application, the Lender must

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<sup>2</sup>Remainderman will be required to sign the Mortgage as an Accommodation Party.

reverify the gross annual household income and the Borrower(s) must submit updated documentation of the gross annual household income.

### **3.09 Minnesota Housing Maximum Asset Limit**

The total assets of all residents in the household may not exceed \$25,000.00 after deducting any outstanding indebtedness pertaining to the assets. Assets include, but are not limited to, the following:

- Cash on hand or in checking or savings accounts;
- Securities or United States Savings Bonds;
- 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 continuous acres on which such structure is located;
- Cash value of life insurance policies;
- Recreational vehicles such as golf carts, snowmobiles, boats, or motorcycles;
- All land in which any resident of the household holds title and is selling on a contract-for deed. Value in this case is defined as the outstanding principal balance expected to exist on the contract one year from the date of application;
- Life estate value on a property other than the subject property; and
- All other property, excluding household furnishings, clothing, and one automobile, and real estate, equipment, supplies, and inventory used in a business.

Documentation of the Borrower's assets must be verified at the time of the loan application. The Lender does not need to reverify documentation of the Borrower's assets if the Lender closes the loan within 12 months of Borrower application. The Borrower(s) must execute the Borrower Attestation within 10 days of the loan closing date attesting that there has not been a substantial change to the Borrower's assets. If the Lender closes the loan 12 months or later after Borrower application, the Lender must reverify the Borrower's assets and the Borrower(s) must submit updated documentation of the Borrower's assets.

### **3.10 Credit Requirements**

- Credit reports are not required by Minnesota Housing.
- Borrower must be current on all property tax payments at the time of application.
- Borrowers must be current on all mortgage loan payments at the time of application. Examples of documentation for verifying payments include, but are not limited to:
  - A verification of current mortgage payment status from the loan servicer; or
  - A mortgage statement citing the loan servicer's name and address, the most recent payment made, the date and amount of the next payment due and any past due amounts, and/or any unpaid fees.

- There are no additional credit requirements. A Borrower's credit history outside of their mortgage may not be used to determine the Borrower's eligibility. The Borrower must be current on all liens against the subject property.

### **3.11 Separated Spouses**

When the Lender establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the Program loan application and note, but must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation;
- Proof of initiated divorce proceedings; and
- Verification of separate Principal Residence and absence of joint accounts.



## **Chapter 4 - Property Eligibility Requirements**

### **4.01 Eligible Properties**

Properties eligible for a loan must be located in the State of Minnesota and may include any of the following property types:

- A single family detached home;
- A duplex<sup>3</sup>;
- An eligible unit in a planned unit development (PUD);
- A unit of a condominium<sup>4</sup>;
- A townhome<sup>5</sup>; or
- Certain Manufactured Homes that meet the requirements outlined in Section 3.04.

### **4.02 Ineligible Properties**

Properties ineligible for a Program loan include but are not limited to:

- Properties containing three or more units;
- Properties intended to be used as an investment property (except the rental of a second unit in a duplex); and
- Properties intended for recreational use;
- Properties primarily used for business (more than 50% of the floor space is used for the business).

### **4.03 Property Inspections**

The Lender must conduct inspections of the property as follows:

- The first inspection determines the property's Emergency Conditions or essential Accessibility Improvements without regard to lead hazards and is used to prepare the initial -Scope of Work.
- Additional inspections must demonstrate that construction has been completed according to the Scope of Work and that the quality of the work is satisfactory. The Lender may conduct additional inspections as work is completed.

Minnesota Housing reserves the right to inspect properties during any stage of rehabilitation with reasonable notice.

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<sup>3</sup> The Borrower must occupy one unit of a duplex property.

<sup>4</sup> If the property is a condominium, only the portion of the real estate owned by the Borrower is eligible. Common areas owned by the association are not eligible.

<sup>5</sup> If the property is a townhome, only the portion of the real estate owned by the Borrower is eligible. Common areas owned by the association are not eligible.

#### **4.04 Local Ordinances and Plans**

Property improvements must conform to all applicable zoning ordinances and all necessary permits must be obtained.

## **Chapter 5 – Loan/Rehabilitation Eligibility**

### **5.01 Loan Eligibility**

Minnesota Housing purchases closed loans from the Lender if the loan satisfies all the requirements of the Procedural Manual.

### **5.02 Interest Rate/Amortization Requirements**

Generally, loans under the Procedural Manual are interest-free, deferred loans which are forgiven at the end of the loan term. However, if the Borrower sells, transfers title or ceases to occupy the property as his/her/their Principal Residence during the loan term, the loan will become due and payable.

### **5.03 Program Loan Amount**

- Minimum loan amount is \$1,000.
- Maximum loan amount is \$15,000.

### **5.04 Mortgage Term**

Prior to the expiration of the applicable periods indicated below, all loans are due on sale, transfer of title, or if the property ceases to be the Borrower's Principal Residence.

- The loan term for properties taxed as real property is 15 years.
- The loan term for Manufactured Homes:
  - Taxed as real property is 15 years;
  - Taxed as personal property and located within a Manufactured Home park is 10 years; or
  - Taxed as personal property with an approved tribal residential lease located on tribal lands is 10 years.

### **5.05 Security for the Loan**

- All loans for properties taxed as real estate must be secured with a mortgage which must be recorded within 30 days after the date of closing. The Lender may not wait to record the mortgage until after the rehabilitation is completed to accommodate changes in the loan amount.
- All interests in the Note and Mortgage must be assigned to Minnesota Housing when the loan is purchased and funded by Minnesota Housing.
- Loans for a Manufactured Home, taxed as personal property must be secured with a lien against the title to the Manufactured Home.
- In the event there are changes in the loan amount, the Lender must follow the Change Order requirements in Section 5.08.

## **5.06 Title Requirements**

The Lender is required to verify the following:

- The legal description of the subject property;
- The Borrower's ownership interest by conducting a title investigation:
  - Through documented contact with the County Recorder's Office/Registrar of Titles; or
  - Through documentation of ownership provided by tribal government approved by Minnesota Housing; or
  - Via an Owners and Encumbrances report; and
- Any existing liens, if any, on the property.

## **5.07 Rehabilitation Requirements**

Rehabilitation in connection with a Program loan must satisfy the following requirements:

- Prior to the start of rehabilitation, the property must be inspected and determined to be eligible under the Program.
- All proposed rehabilitation must be outlined in a written Scope of Work and must address the Emergency Condition and/or Accessibility Improvement noted in the inspection report.
- At least two bids must be solicited from Minnesota-licensed contractors or tribal government approved contractors based on the written Scope of Work. Generally, the lowest, reasonable bid must be selected. If the lowest, reasonable bid is not selected, the Lender and the Borrower must provide written justification for selecting the higher bid and such bid must be approved at the sole discretion of Minnesota Housing.
- All improvements must be completed by contractors licensed by the state of Minnesota or tribal government approved contractors.
- A written construction contract must be executed between the Borrower and the contractor.
- Each rehabilitation improvement must be a permanent general improvement finished in compliance with all applicable state, county and municipal or tribal government health, housing, building, fire prevention and housing maintenance codes or other public standards.
- Rehabilitation improvements to Manufactured Homes must comply with Minnesota State Building Code, Section 1350.3800, which addresses the distinction between a Construction Alteration and a Repair and the different licensing requirements attendant to each type of improvement.
- Lien waivers must be collected from all contractors upon completion of rehabilitation.

## **5.08 Change Orders**

After the loan has closed:

- Changes in the Scope of Work are not permitted unless unanticipated deficiencies identified during the rehabilitation process will cause further damage to the home if not addressed.
- Any change in the Scope of Work, including the reason for the change must be documented in the file.
- In the event that a change order occurs, post-closing modification requirements must be met as referenced in Section 7.02 of this Procedural Manual.

## **5.09 Sworn Construction Statement and Lien Waivers**

General Contractors are required to execute a Sworn Construction Statement.

The Lender must obtain lien waivers for all work performed and all materials supplied by:

- The general contractor(s);
- Subcontractors; and
- Materials supplier(s).

Upon completion of rehabilitation, the Lender and the Borrower must execute the Completion Certificate provided by Minnesota Housing. Rehabilitation must be completed within 12 months of loan Commitment unless Minnesota Housing issues a written extension.

## **5.10 Homeowner Labor**

Homeowner labor is not permitted under the Program.

## **5.11 Eligible Emergency Improvements**

Eligible emergency improvements are repairs to a property damaged as a result of events beyond the Borrower's control or as necessitated by a systems or structural failure such as:

- Failure of the heating, electrical, ventilation, or plumbing/septic system;
- Roof leaks that have led to significant secondary damage to the home's interior, including but not limited to electrical damage that would cause a potential fire hazard;
- A structural failure of the foundation, walls, or roof of the home that could cause collapse;
- An Environmental Intervention Blood Lead Level (EIBLL) of a household resident; or
- An accessibility need that prevents a Household Resident with a Disability from inhabiting the home.

Other Emergency Conditions that could cause the home to be or become uninhabitable, including demolition of structurally unsound outbuildings and home additions intended to accommodate a Household Resident with a Disability will be considered by Minnesota Housing on a case-by-case basis.

The Lead Based Paint Guide for Applicable Single Family Programs does not apply to Program loans unless the repairs were necessitated by a lead paint health hazard.

### **5.12 Ineligible Rehabilitation Improvements**

Ineligible rehabilitation improvements include, but are not limited to, the following:

- Installation of new decorative trim (except when replacement of existing decorative trim is necessary for lead hazard reduction);
- Hard-wired microwave ovens;
- “Luxury” improvements, which are improvements of a type exceeding that customarily used in the locality for properties of the same type as the property to be rehabilitated (swimming pool, outdoor hot tub, etc.);
- Public improvement assessments;
- Improvements that do not become a part of the real property, including but not limited to, appliances such as freestanding refrigerators and stoves; and
- Any improvements already in place. Loan proceeds may not be used to pay off existing debt.

### **5.13 Other Eligible Costs**

Other eligible improvements could include, but are not limited to:

- Recording fees, mortgage registration tax and title search costs may be collected from the Borrower or may be included in the loan amount as long as the Program loan amount maximum is not exceeded. No other fee’s may be charged to the Borrower.

### **5.14 Non-Complying Loans**

Minnesota Housing shall have the right to take one or more of the following actions in the event a Lender submits a loan that does not, as determined by Minnesota Housing, comply with the requirements of this Procedural Manual:

- Adjust the purchase price of the noncompliant loan;
- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Lender to repurchase the loan for the outstanding balance and any fees paid to the Lender;
- Terminate, suspend, or otherwise limit the Lender’s Participation Agreement with Minnesota Housing; or

- Preclude the Lender from future participation in Minnesota Housing programs.

### **5.15 Repurchase of Loans**

Minnesota Housing may, at its option, tender any loans to the Lender for repurchase if:

- Any representation or warranty of the Lender or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term or condition set forth in the Participation Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, the Lender has ten (10) business days to submit payment to Minnesota Housing for the unpaid principal balance, submit payment for fees paid to the Lender in the sale of the loan, and submit payment for reasonable expenses incurred by Minnesota Housing, including attorney fees. Failure to comply with this requirement may result in the termination, suspension, further legal action, and/or otherwise limit the Lender's Participation Agreement with Minnesota Housing.

## **Chapter 6 – Commitment/Disbursement**

Minnesota Housing funds a variety of programs and initiatives and reserves the right to establish limits for any program and/or initiative during any business day such as:

- A maximum dollar amount a Lender may commit; or
- A maximum number of Commitments a Lender may commit.

The Lender commits funds on a first-come, first-served basis. Fund balances are available on the Minnesota Housing website.

Commitments are to be considered as “forward commitments” by the Lender. It is expected that the loan will be closed within the Commitment period and delivered to Minnesota Housing for purchase.

### **6.01 Loan Commitments**

In order to obtain a Commitment to reserve funds under the Program the Lender must:

- Reserve the loan using the Loan Commitment System.
- Commitments are valid for 120 days. All Commitments will be automatically cancelled at day 121. Extensions are approved at Minnesota Housing’s sole discretion.
- Loans must meet eligibility requirements and gain a status of Purchase Approval via the Loan Commitment System no later than the last day a Commitment is valid.

### **6.02 Modifying a Commitment**

- Changes to a loan must be updated in the Loan Commitment System and will be evaluated for compliance with Program eligibility requirements.
- Any qualifying Commitment change will not alter the Commitment period originally established.
- Changes to Commitments involving the Borrower(s) and/or the property address are not permitted.
- An increase to the loan amount will be permitted only if funds are available to accommodate the change.

### **6.03 Canceling a Commitment**

Minnesota Housing requires the Lender to cancel any Commitment that will not be used for the specified Program loan.

### **6.04 Minnesota Housing Disbursement of Funds**

Minnesota Housing will purchase loans that, by the daily cutoff time, have been Purchased Approved in the Loan Commitment System. One hundred percent of the loan amount plus the



Lender fee will be disbursed two business days after the loan has been purchased by Minnesota Housing.

The Lender Certificate with details of each purchase transaction will be available to the Lender via the Loan Commitment System after the loan has been purchased by Minnesota Housing.

#### **6.05 Loan Purchase Corrections**

If it is determined that an adjustment to the purchase price of any purchased loan is necessary, Minnesota Housing will either invoice the Lender for any funds to be returned or disburse additional funds to the Lender.

## **Chapter 7 – Documentation Requirements**

### **7.01 Loan Processing and Closing**

All loans submitted to Minnesota Housing must meet the following requirements:

- Minnesota Housing forms must be used as outlined in the [Forms Guide and Glossary](#).
- All loan documents must be complete, accurate and reviewed by the Lender at the various and appropriate stages of the loan.
- All mortgage assignments must run directly from the Lender to Minnesota Housing and use the Minnesota Uniform Conveyancing Blank.
- All mortgages and assignments must be recorded by the appropriate offices:
  - Abstract Property – County Recorder’s Office
  - Torrens Property – Registrar of Titles
  - Tribal government and Bureau of Indian Affairs
  - Manufactured Homes taxed as personal property and located within a Manufactured Home park require that Public Safety Form 2017 (PS2017), listing Minnesota Housing as the lien holder, be recorded with the Department of Public Safety. The form should indicate Minnesota Housing Finance Agency as the secured party and list Minnesota Housing’s address: 400 Wabasha Street North, Suite 400, St. Paul, MN 55102.

### **7.02 Loan Modifications and Loan Corrections**

The Lender must contact Minnesota Housing for documentation and process instructions, including utilizing the Modification of Note and Mortgage Agreement, and/or Modification of Note and Manufactured Home Security Agreement, in the event of loan amount corrections and/or modifications that occur after loan closing and/or after the loan has been recorded.

### **7.03 Minnesota Housing Documentation/Delivery Requirements**

Minnesota Housing provides the Loan Transmittal form detailing specific documentation/delivery requirements.

The Lender must fully execute and deliver documents within designated timeframes as outlined on the Loan Transmittal form. In addition, the Lender must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all Minnesota Housing requirements.

Documentation not delivered to Minnesota Housing/servicer within the specified time frames, may result, at Minnesota Housing’s discretion, in the Lender being required to repurchase the loan, or any other such remedy as identified in this Procedural Manual or the Participation Agreement. Minnesota Housing may also, at its discretion, choose to extend the timeframes.

## **7.04 Documentation and Data Requirements**

The Lenders participating in the Program are required to track all applicants and maintain sufficient documentation to show compliance with federal Fair Housing laws. The following data must be gathered for each transaction:

- Application date;
- Applicant's full name;
- Single head of household information; and
- Reason the loan commitment is canceled, if applicable.

To better understand and address the disparity gap, the agency is required to collect, on a voluntary basis, demographic information regarding race, color, national origin, and sex of applicants for agency programs intended to benefit homeowners and homebuyers.

All forms listed in the [Loan File Requirements Checklist](#) should be fully executed, as applicable, and maintained in the loan file by the Lender. Forms may be found on the [Forms Guide and Glossary](#).

## **7.05 Records Retention**

The Lender must retain all loan documents in compliance with federal regulatory guidelines.

The Lender is required to make loan records available for inspection by Minnesota Housing for a period of six (6) years after the loan is sold to Minnesota Housing. Those records that may be requested by Minnesota Housing include, but are not limited to:

- Credit related documents (e.g. paystubs, tax returns, income statements, documentation of assets, etc.);
- Compliance related documents (e.g. Borrower application, Loan Estimate (or its alternative form), Closing Disclosure (or its alternative form), Affiliated Business Arrangement documents, evidence of compliance with the Bank Secrecy/Anti-Money Laundering Act, etc.);
- Property related documents (e.g. scope of work, bids, lien waivers, change orders, fees, building permits and completion certificates, evidence of compliance with rehabilitation and lead-based paint standards, etc.); and
- Collateral documents (e.g. title work or O&E reports, evidence of property ownership, a copy of the fully executed Note, a copy of the fully executed and recorded Mortgage, a copy of the fully executed recorded Assignment of Mortgage to Minnesota Housing, etc.).

## **Chapter 8 – Servicing**

### **8.01 Servicing**

Upon purchase of the loan by Minnesota Housing, the Lender must deliver documents outlined in the Loan Transmittal form to the Minnesota Housing servicer. Until the loan is purchased, the Lender assumes all loan servicing responsibilities.

### **8.02 Delivery of Loans to Servicer**

The Lender must forward the loan package according to the requirements outlined in the Loan Transmittal form to the servicer by mail within five calendar days of Minnesota Housing's purchase of the loan. Upon receipt of the recorded mortgage, the Lender must ensure the original document is delivered to the servicer within ten business days.

## Appendix A: Definitions

All terms used in the Procedural Manual use industry standard definitions except for the following:

TERM	DEFINITION
Accommodation Party	An owner of the property who is not a Borrower on the note, such as a non-purchasing spouse.
Accessibility Improvement	An interior or exterior improvement or modification to a property, which is necessary to enable a Household Resident with a Disability or a Borrower with a permanent physical or mental condition that substantially limits one or more major life activities to function in that property.
Borrower	The recipient of Program loan funds.
Commitment	A Commitment of funds from Minnesota Housing with specific terms and conditions applied to a specific Borrower and a specific property.
Construction Alteration (Manufactured Housing)	Pursuant to the Minnesota State Building Code (Minnesota Rules Part 1350.0100) "... replacement, addition, modification or removal of any equipment or installation which may affect the construction, plumbing, heating, cooling, fuel-burning system, electrical system or the functioning of any of these in manufactured homes subject to the code".
Household Resident with a Disability	A Borrower, or household member, who has a permanent physical or mental condition, which substantially reduces the person's ability to function in a residential setting. If the disability does not require the use of a mobility device, the Borrower must provide a completed Authorization to Disclose Health Information form, or a Supplemental Security Income (SSI) award letter or Social Security Disability Insurance (SSDI) award letter.
Emergency Condition	Property damage beyond the homeowner's control or that is necessitated by a system or structural failure that has caused or could cause the home to be uninhabitable.
Lender	A lender under contract to participate in the Program.
Manufactured Home	Manufactured Home as defined in Minn. Stat. 327.31, subd. 6.

MINNESOTA HOUSING – EMERGENCY AND ACCESSIBILITY LOAN PROGRAM  
 PROCEDURAL MANUAL  
 APRIL 21, 2023

Minnesota Housing	The Minnesota Housing Finance Agency.
Participation Agreement	The contract executed between a Lender and Minnesota Housing that defines the terms in which the Lender agrees to participate in the Program.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her/their household.
Program	The Emergency and Accessibility Loan Program.
Repair (Manufactured Housing)	Any improvement other than those outlined in the definition of Construction Alteration including, (according to Minnesota State Building Code (Minnesota Rules Part 1350.3800))” repairs with approved components or parts; conversion of listed fuel-burning appliances in accordance with the terms of their listing, adjustment and maintenance of equipment or replacement of equipment in kind.”