

Item: Approval, Community Homeownership Impact Fund Program Procedural Manual

Staff Contact(s):

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Request Type:

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| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests board approval of the Community Homeownership Impact Fund (Impact Fund) Program Procedural Manual.

Fiscal Impact:

There is no direct fiscal impact as a result of the Impact Fund Procedural Manual changes. The Impact Fund Program is funded with State appropriated Economic Development and Housing Challenge funds, Pool 2, and housing infrastructure bond proceeds awarded to Administrators via an annual request for proposals process. The Impact Fund Procedural Manual will guide the use and management of funds awarded to Impact Fund Administrators.

Meeting Agency Priorities:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background
- Community Homeownership Impact Fund Program Procedural Manual

Background:

Since 1999, Minnesota Housing has operated the Community Homeownership Impact Fund (Impact Fund) Program (formerly known as the Community Revitalization Fund [CRF or CRV]), offering funding statewide via the Single Family Request for Proposals (RFP). The Impact Fund awards funds to Administrators to address locally-identified needs for affordable, single family, owner-occupied housing.

Many of the Impact Fund Procedural Manual changes are made to align with efforts to standardize grants management practices throughout the Agency. The Agency has adopted a new template Grant Contract that exclude many provisions previously included in the Impact Fund Fund Availability, Disbursement, and Loan/Grant Agreement (Agreement). The Impact Fund has adopted this template Grant Contract, beginning with Impact Fund Awards made under the 2017 Single Family RFP, and a companion Loan Contract, and has revised the Impact Fund Procedural Manual to incorporate provisions that had been included in the Agreement but are now excluded from the Grant Contract template. The revisions also clarify existing procedures and language in the Impact Fund Procedural Manual. Finally, some revisions change or add policies and procedures. Below is a summary of the revisions to the Impact Fund Procedural Manual.

Alignment with Grant Contract Templates

These revisions ensure greater consistency with provisions in the Grant Contract. The revised Impact Fund Procedural Manual:

- Clarifies the Agency’s ability to conduct financial reconciliation as well as monitoring, and further differentiates between monitoring and quality control.
- Bars Administrators from contracting with vendors who are suspended or debarred.
- Incorporates Minnesota Housing’s Conflict of Interest Procedures for Grants Management.
- Includes sections concerning fraud disclosure and suspension, similar to sections in the Grant Contract and Loan Contract.
- Aligns reasonable cost estimate requirements with contracting and bidding requirements contained in Agency Grant Contracts.

Previously in Funding Agreements

These revisions incorporate procedures that had been conditions under the Funding Agreement. Due to the adoption of the Agency’s Grant Contract template for this program, these items are no longer in the legal contract between the Administrator and the Agency. These are provisions still required by the program. As a result, they are incorporated into the revised Impact Fund Procedural Manual:

- Moves property inspection requirements from the Agreement to the Impact Fund Procedural Manual.
- In accordance with similar language included in individual Agreements for the past several years, requires that Administrators offering owner-occupied rehabilitation programs consider households’ eligibility for, and refer households to, other types of assistance prior to offering Impact Fund assistance. These other types of assistance include:
 - Minnesota Housing’s Fix Up Loan Program
 - Minnesota Housing’s Community Fix Up Loan Program
 - Minnesota Housing’s Rehabilitation Loan Program/Emergency and Accessibility Loan Program

- U.S. Department of Agriculture Rural Development Section 504 rehabilitation loans and grants
- Weatherization assistance
- Other home rehabilitation and repair programs available, including those funded through the Minnesota Department of Employment and Economic Development's Small Cities Development Program.
- Moves requirements concerning escrow accounts from the Agreement to the Impact Fund Procedural Manual.

Clarifications to Existing Policies or Procedures

These revisions clarify, but do not substantively change, policies and procedures contained in prior versions of the Impact Fund Procedural Manual. The revised Impact Fund Procedural Manual:

- Provides that only the Administrator or a Processing Entity approved by Minnesota Housing may originate loans to homeowners. Prior versions of the Impact Fund Procedural Manual did not restrict which entities may originate loans to homeowners.
- Provides that the Administrator may establish more stringent household selection requirements, including maximum purchase prices, household asset limits, loan-to-value limits and combined loan-to-value limits. Prior versions of the Impact Fund Procedural Manual did not address this issue.
- Requires that the Impact Fund Mortgage Note (Note) be executed by all parties whose income must be included in calculating household income. Previously, the Procedural Manual required that the Note be executed by the "household."
- Updates records retention requirements for consistency with the Agreement, Grant Contract, and Loan Contract.
- Requires that the Household Demographic Project Information form be submitted upon Project completion and defines Project completion. The Household Demographic Project Information form is a key document that provides the Agency with information on Project costs and Households served. Previously, the Impact Fund Procedural Manual did not define Project completion. It required a Household Demographic Project Information form but did not stipulate when to submit the form.
- Provides that, in the case of conflicting provisions between the Procedural Manual, Application for Funds, and the Agreement, Grant Contract or Loan Contract, the most stringent requirements apply.
- Provides guidance as to when Administrators should request waivers to the minimum 25% housing-to-income ratio requirement for Affordability Gap eligibility, including instances where the household is maximizing the amount of financing for which it has qualified from the first-mortgage lender.
- Specifies that land trust ground lease fees and manufactured home park lot rent be considered as housing costs in calculating household housing-to-income ratios for purposes of determining eligibility for Affordability Gap assistance. Previously, those costs had not been specifically identified as housing costs to be considered in calculating a household's housing ratio.
- Provides that Administrators' (inclusive of processing entities' and affiliates') compensation is limited to the Developer Fee or Administration Fee, unless Minnesota Housing has approved additional compensation.

- Lists “ineligible costs,” correlating with the list of “eligible costs” contained in prior versions of the Impact Fund Procedural Manual. Ineligible costs include: costs reimbursed from another source; payment for labor performed by a member of the Household; and, costs not included in the list of eligible costs.

Changes to Existing Policies or Procedures

These revisions change existing policies or procedures. The revised Impact Fund Procedural Manual:

- Provides that Administrators must request and receive an approved waiver by the Agency prior to exceeding the maximum per-unit investment. Previously, Administrators could exceed the maximum per unit investment as stated in the Agreement, Grant Contract, or Loan Contract by up to 50 percent without prior written approval from Minnesota Housing.
- Eliminates procedures for revolving loan funds. Previously, the Impact Fund would consider requests received in the Single Family Request for Proposals (RFP) to “revolve” interim loan funds awarded under a prior RFP for use in an activity to be funded under the new RFP. As it did in the 2017 Single Family RFP, the Impact Fund will, in the future, provide interim loan funds as new loans rather than “revolving” loans.
- Eliminates the mid-year reporting requirement. Previously, Administrators had to provide a report six months into their most recent award on the same template used for annual reporting. Administrators will continue to provide annual reports and staff will communicate with Administrators throughout the award period to determine and address Administrator progress.

Effective Date and Applicability

Following board approval, the proposed new Impact Fund Procedural Manual would go into effect March 1, 2018.

Agreements, Grant Contracts and Loan Contracts currently in effect refer to the Procedural Manual as may be amended; therefore, this updated version would apply to all activity occurring on and after March 1, 2018.



Community Homeownership Impact Fund Program Procedural Manual

June 7, 2016

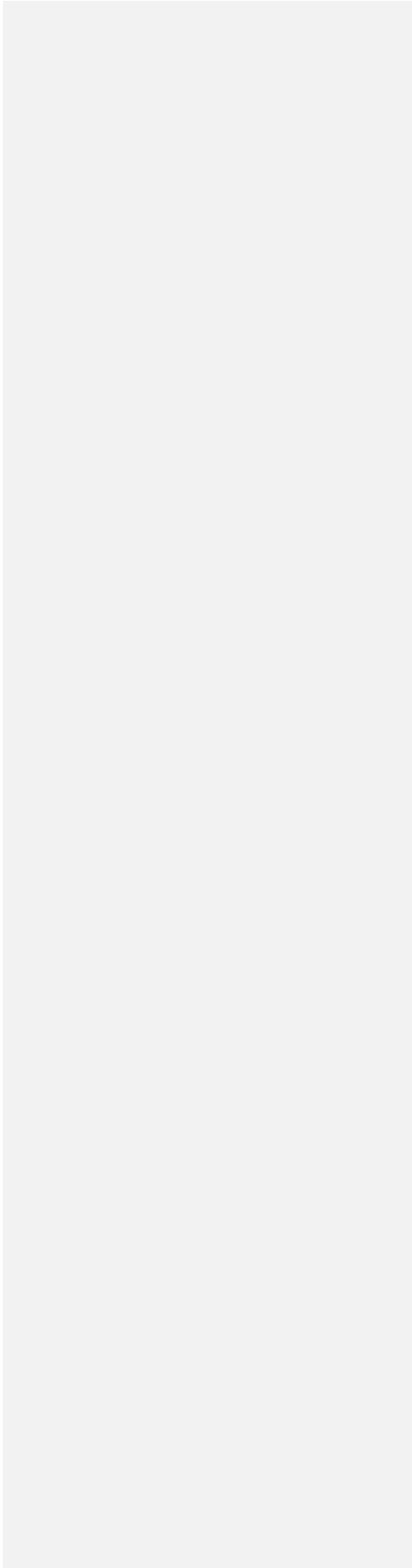
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March 1, 2018

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The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request.

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Introduction

Mission Statement

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

Background

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

Minnesota Housing offers funding through an annual Single Family Request for Proposal (RFP) to assist communities/~~neighborhoods~~ in addressing local housing concerns by leveraging resources to maintain and/~~or~~ develop ~~ownership~~owner-occupied housing ~~that is~~ Affordable to the Local ~~workforce~~Work Force.

Community Homeownership Impact Fund Program

The Community Homeownership Impact Fund Program (Impact Fund), formerly known as the Community Revitalization Program (CRV), is the umbrella name for a variety of limited funding resources offered in the Single Family RFP, including the Economic Development and Housing Challenge Fund (~~Challenge~~) and other Minnesota Housing resources which vary ~~each year~~from time to time.

The Impact Fund allows for a variety of housing activities including: Acquisition, Rehabilitation and Resale, New Construction (which may include demolition/~~rebuilding-rebuild~~), Owner-Occupied Rehabilitation, and ~~new construction, stand-alone~~ Affordability Gap ~~and Value Gap. In some cases, funds~~assistance. Funding for Owner-Occupied Rehabilitation and ~~downpayment~~Affordability Gap assistance ~~may be provided if~~ are generally limited to situations where the articulated community need for ~~thesuch~~ funds cannot be served by other Agency programs or other available programs and resources, including Minnesota Housing programs.

Procedural Manual

This Procedural Manual sets forth for Administrators the terms and conditions under which Minnesota Housing will award Impact Fund Dollars to Administrators.

Chapter 1 – Partner Responsibilities/Warranties

(See Appendix C, ~~Section A~~ for ~~Chapter~~ minimum documentation requirements.)

~~1~~ Documentation Requirements.

.01 **Procedural Manual**

This Procedural Manual, including subsequent changes and additions, is a supplement to the Fund Availability, Disbursement and Loan/Grant Agreement (~~hereinafter, Loan Contract, and/or Grant Contract (each of which is~~ referred to as the “Agreement”) executed between the Administrator, ~~Processing Entity (if applicable)~~ and Minnesota Housing. ~~# This Procedural Manual is incorporated into the Agreement by reference and is a part thereof as fully as if set forth therein at length.~~ # This Procedural Manual

Minnesota Housing reserves the right to:

- Alter or waive any of the requirements herein;
- 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 grants waivers, alterations or revisions at its sole discretion. Administrators may request, in writing to Minnesota Housing, waivers, alterations or revisions to this Procedural Manual.

In the case of a conflict between this Procedural Manual and the Application for Funds, this Procedural Manual controls. In the case of a conflict between the Agreement and this Procedural Manual, the Agreement controls. This Procedural Manual, may, however, contain more stringent requirements than those found in the Application for Funds or the Agreement. In which case, Administrators must comply with the most stringent requirements.

1.02 **The Agreement**

If an Administrator submits ~~their Impact Fund~~ its Application for Funds to Minnesota Housing and is selected to receive Impact Fund Dollars through an Impact Fund Award, Minnesota Housing and the Administrator will execute ~~the~~ an Agreement or Agreements outlining the legal relationship and responsibilities ~~of~~ between the Administrator ~~to~~ and Minnesota Housing.

~~The~~ Each Agreement is labeled with an Impact Fund Agreement Award ID Number, which is the unique identifier for the Agreement Impact Fund Award. The Administrator must use ~~this~~ the Impact Fund Agreement Award ID Number on all forms and correspondence to Minnesota Housing.

1.03 Evidence of Misconduct Referred to Attorney General

Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Impact Fund ~~Program~~ to the Minnesota Attorney General's office for appropriate legal action.

Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Administrator and/or the Household. This includes Impact Fund Dollars, together with all applicable administrative costs and other fees or commissions received by the Administrator in connection with the Impact Fund Dollars and for all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the Impact Fund Dollars or recovery ~~thereof~~ of such funds.

1.04 Compliance with Privacy Statutes

The Minnesota Government Data Practices Act:

- Requires the Administrator to supply ~~Borrowers and Households receiving Grant funds~~ individuals with the Tennessee Warning and the Privacy Act Notice when requesting private data ~~7.1.~~ ^{4.1.}
- Governs when the disclosure of ~~the Borrower's~~ an individual's social security number is required;
- Provides that when a Household receives a ~~deferred or amortized~~ loan, only the Borrower's name, address and amount of assistance received are public data ~~and may be released~~;
- ~~Further~~ Provides that all data regarding a Household that receives or benefits from ~~a~~ Grant Funds, except the amount of assistance, are private data on individuals and may not be released without the Household's permission; and
- Provides that ~~with both Grant and loan assistance~~, all other data created by or collected from the Household, including financial information such as credit reports, financial statements and net worth calculations, are classified as private data on individuals under Minnesota Statutes §462A.065 and §13.462 subdivision 3.

1.05 Unauthorized Compensation

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

- Kickbacks;
- Commissions;
- Rebates; or

¹ Administrators that are governmental entities are to use the form approved by their "Responsible Authority", as defined in Minnesota Government Data Practices Act § 13.02, Subd. 16. Other Administrators must provide a Tennessee Warning and Privacy Act Notice and use the applicable Tennessee Warning and Privacy Act Notice located on Minnesota Housing's Impact Fund webpage.

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- Other compensation.

In order to reduce the Total Development Cost associated with an eligible Property, an Administrator may receive discounts from the seller, builder, remodeler, contractor, or supplier. In these cases, the Administrator file must be documented to prove that the discounts received are considered normal for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered. Any discounts that exceed the norm must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor or supplier providing the discount.

~~[†] Administrators who are Governmental Entities shall use the form approved by their "Responsible Authority", as defined in Minnesota Government Data Practices Act § 13.02, Subd. 16. Other Administrators shall provide a Tennessee Warning and Privacy Act Notice and may use the applicable, fillable Tennessee Warning and Privacy Act Notice located on the Impact Fund Forms page of Minnesota Housing's website.~~

~~1. —~~ **Audit and Monitoring Guidelines and Requirements**

~~The Administrator is required to keep on file a complete copy of all documents for each activity completed.~~

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1.06 Monitoring, Financial Reconciliation and Quality Control Audits

With reasonable notice to the Administrator and ~~/or, where applicable, to~~ the Household, Minnesota Housing reserves the right to make site visits ~~or conduct an audit related to all, review Administrator's records and Project files utilizing any Impact Fund Dollars, and conduct quality control audits.~~

Administrator's records and Project files, including but not limited to Administrator, Household/Borrower and Construction/Property files ~~may be requested to as specified in Appendix C, must~~ be made available upon request in order to conduct: monitoring and quality control audits.

Monitoring and Financial Reconciliation

Administrator's records and Project files ~~may be requested to~~ must be made available to Minnesota Housing at the Administrator's office during regular business hours, ~~or via remote submission, if so requested by Minnesota Housing.~~ Monitoring visits will include and financial reconciliation generally includes:

- Physical inspection of ~~eligible properties; and~~ Projects;
- Verification of ~~accounting and~~ Project files including eligibility requirements and documentation requirements (see Appendix C-); ~~and~~
- Review of expense documentation (e.g., any and all books, records, invoices, and receipts), other program-related documents, and accounting procedures and practices relevant to the Agreement and this Procedural Manual.

Quality Control Audits

Quality control audits typically focus on an Administrator's use of Deferred Loan Funds to make Deferred Loans to Borrowers, including Deferred Loans originated by a Processing Entity. Administrator's records and Project files ~~may be requested to be forwarded to~~ must be made available to Minnesota Housing via remote submission, or at the Administrator's office during regular business hours, if and as requested by Minnesota Housing ~~for review.~~ Audited files are reviewed for:

- Minnesota Housing program/policy compliance;
- 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.~~ Impact Fund.

1.07 Term of Funds Availability

Minnesota Housing reserves the right to cancel the Impact Fund Award specified in the Agreement if ~~it~~the Agreement is not executed and returned to Minnesota Housing within 60 days of the Administrator's receipt of the Agreement.

Impact Fund Dollars will be available to the Administrator for a period of 20 months unless otherwise stated ~~by Minnesota Housing in the Agreement.~~
in the Agreement.

~~Any Impact Fund Dollars not used by the Administrator during that 20-month period shall be repaid to Minnesota Housing in accordance with the terms and conditions outlined in the Agreement.~~ Minnesota Housing, at its sole discretion, may extend the period Impact Fund Dollars are available to the Administrator.

Any Impact Fund Dollars the Administrator receives but does not expend on eligible activities must be repaid to Minnesota Housing, in accordance with the terms and conditions outlined in the Agreement.

1.08 Termination of Administrator Participation

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

- This Procedural Manual;
- The Agreement;
- The procedural ~~manual~~manuals and agreements of other Minnesota Housing programs;
- The Federal Fair Housing Law ~~and/or;~~
- The Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect ~~the Homebuyer's~~individuals' rights with regard to obtaining homeownership;
- The Application for Funds; and
- Other applicable state and federal laws, rules and regulations.

Minnesota Housing may, at its option, impose remedies other than termination of the Agreement for Administrator nonperformance.

Administrator may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate an Administrator ~~shall be~~is at Minnesota Housing's sole discretion.

1.09 Representations and Warranties

The Administrator agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following:

- Title 24, Code of Federal Regulations, Part 35, Subpart A;
- 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 and any applicable regulations and orders thereunder;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Law (Title VIII);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Minnesota Statutes Section 462A.05 Subdivision 2;
- Minnesota Statutes Section 462A.33;
- ~~Minnesota Rules 4900.3600-3652;~~
- Minnesota Government Data Privacy Practices Act - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Minnesota Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act) of 2010;
- Minnesota Statutes §58A.03;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth in Lending Act; (TILA);
- 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; (RESPA), as amended;
- Dodd-Frank Wall Street Reform and Consumer Protection Act; and
- TILA-RESPA Integrated Disclosure Rule.

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

- It is ~~either a city;~~ a housing and redevelopment authority, a joint powers board established by two or more cities; ~~;~~ a federally recognized American Indian tribe or subdivision located in Minnesota, a tribal housing corporation, a ~~Private Developer, a~~ nonprofit organization, a Private Developer, or a Public Housing Agency ~~or a natural person who is the owner of the eligible housing;~~;
- It will fully comply with all terms and conditions in the Agreement, the Single Family RFP, the Application for Funds and this Procedural Manual for each eligible activity undertaken unless prior written approval is obtained from Minnesota Housing;

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- It will not modify Minnesota Housing forms unless it first receives written authorization from Minnesota Housing;
- It will not contract with vendors who are suspended or debarred in Minnesota, including those identified in the Minnesota Department of Administration’s Suspended/Debarred Vendor Report: <http://www.mmd.admin.state.mn.us/debarredreport.asp>;
- 1-• It will comply with the Minnesota Housing Lead Based Paint Guidebook if the activity includes the identification and correction of health and safety hazards;
- If it or a Processing Entity originates loans, it will comply with standard underwriting requirements of the secondary market and prudent lenders that originate ~~Deferred~~ loans for similar Projects;
- It will use Impact Fund Dollars only for an eligibility activity or eligible activities;
- It will use Impact Fund Dollars in accordance with the eligible activity or eligible activities outlined in the Administrator’s Impact Fund Application for Funds;

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~~1. It will close the Deferred Loan in accordance with the Agreement and this Procedural Manual;~~

- It will control the disbursement of ~~Deferred Loan, Interim Loan and Grant proceeds~~ Impact Fund Dollars in accordance with the terms of the Agreement and this Procedural Manual;
- It will monitor the construction or rehabilitation of the Qualified Dwelling Unit in accordance with the terms of the Agreement and this Procedural Manual;
- It will obtain and review all applicable documentation to determine and record compliance with all Minnesota Housing requirements;
- It will maintain adequate capital and trained personnel for the administration of the Impact Fund Dollars;
- It will not assign any agreements executed with Minnesota Housing without prior written approval from Minnesota Housing;
- It will represent in the Application for Funds, the specific organization with which it intends to sign the Agreement with Minnesota Housing and to which Impact Fund Dollars will be disbursed;
- The Project Property owner has good and marketable fee simple title to or a long-term "mortgageable" lease for the Property;
- If the Property is subject to a mortgage, lien or other encumbrance, it is a mortgage, lien or other encumbrance acceptable to prudent lenders that make loans ~~and/or~~ grants for similar Properties; and
- It is an entity duly formed or incorporated under the laws of the State of Minnesota.

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1.10 Processing EntityEntities

~~2. WhenThe Administrator may contract with a Processing Entity to originate Deferred Loans on the Administrator's capacity or federal/state laws or acts preventbehalf. Only the Administrator from directly originating Impact Fund Program loans, or a Processing Entity may originate Deferred Loans to Borrowers. The Processing Entity's participation must be approved in writing by Minnesota Housing at the time of Administrator's Impact Fund Application for Funds.~~

~~Thebefore that~~ Processing Entity ~~must enter into a~~originates Deferred Loans. The Administrator ~~must have a written~~ contractual relationship with the Processing Entity. The Administrator-~~Minnesota Housing~~, however, ~~will hold the Administrator solely responsible~~retains sole responsibility for any default under the ~~Fund Availability, Disbursement and Loan/Grant~~ Agreement.

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1.11 Affirmative Marketing

The Administrator must take necessary steps to affirmatively market to Underserved Populations.

1.12 Conflicts of Interest

The Administrator must avoid and immediately disclose to Minnesota Housing any and all actual, perceived, or potential conflicts of interest. The Administrator must also maintain a conflict of interest policy.

A conflict of interest, actual, potential, or perceived, occurs when a person has actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived 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:

- An Administrator is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties.
- An Administrator’s objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties.
- An Administrator has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors.

Once notified or otherwise made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing Impact Fund Awards.

Determinations could include:

- Revising the Administrator’s responsibilities to mitigate the conflict.
- Allowing the Administrator to create firewalls that mitigate the conflict.
- Asking the Administrator to submit an organizational conflict of interest mitigation plan.
- Terminating the Administrator’s participation.

1.13 Fraud Disclosure

The Administrator must report all known or suspected instances of fraud in connection with the making or receipt of Impact Fund Dollars to Minnesota Housing’s Chief Risk Officer as soon as evidence of fraud is discovered by the Administrator. “Fraud” means an intentional deception made for personal gain or to damage another.

1.14 Suspension

By entering into any agreement with Minnesota Housing, accepting any award of funds from Minnesota Housing, or otherwise conducting any business with Minnesota Housing, the Administrator represents that the Administrator, or any principal of the Administrator, has not been suspended from doing business with Minnesota Housing pursuant to the Minnesota Housing Finance Agency Board of Directors Participant Suspension Policy. A principal is defined

as: (a) an officer, director, owner, partner, principal investigator, or other person within an organization or entity doing business with Minnesota Housing with management or supervisory responsibilities; or (b) a consultant or other person, who: (1) is in a position to handle Minnesota Housing funds; (2) is in a position to influence or control the use of those funds; or (3) occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to be performed under contract with Minnesota Housing. The Administrator must contact Minnesota Housing for a list of all suspended individuals and organizations.

Chapter 2 – Household Eligibility Requirements

(See Appendix C, ~~Section B~~ for ~~Chapter~~ minimum documentation requirements.)

~~2-Documentation Requirements.)~~

.01 **Households**

~~One individual or multiple individuals are~~ A Household is eligible to ~~be a Homebuyer or Homeowner benefit from assistance~~ only if ~~such individual or individuals meet~~ that Household ~~meets~~ the requirements of this Procedural Manual. Households ~~receiving benefitting from~~ Impact Fund Dollars must be Owner-Occupants.

A Homebuyer Household is a type of Household that is eligible to ~~benefit~~ purchase a Property or Qualified Dwelling Unit and benefits from the use of ~~an~~ Impact Fund Dollars Award in the ~~new~~ construction of or acquisition ~~and/or,~~ rehabilitation and resale of a Qualified Dwelling Unit ~~and/or~~ ~~for~~ Affordability Gap Financing to purchase a Qualified Dwelling Unit.

A Homeowner Household is a type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Qualified Dwelling Unit in which ~~there is~~ the Household has an ownership interest ~~by the Household.~~ The Homeowner Household must occupy the subject Property as its Principal Residence.

~~In addition to above-noted requirements,~~ Households ~~served by an~~ benefitting from Indian Housing Set-Aside Funds must be ~~considered an~~ American Indian Household. Households. Verification of tribal affiliation or membership is required.

2.02 **Household Selection**

The Administrator must establish and maintain a Household selection process, which ensures that Households meet Impact Fund requirements.

The Administrator may establish more stringent Household selection requirements including maximum purchase prices, Household asset limits, loan-to-value and combined loan-to-value limits.

2.03 **Household Affordability Gap Eligibility**

The Administrator's Household selection process must include an assessment of the Households' needs for Affordability Gap assistance indicated by the Housing ~~to income ratio.~~ Generally, a Household Ratio. To be eligible for Affordability Gap assistance, a Household must spend no less than 25% ~~percent~~ of its gross monthly income for housing payments ~~associated with the Property.~~ Housing payments ~~include are:~~ monthly first mortgage principal and interest ~~on the first mortgage and any,~~ subordinate mortgage, ~~any Home Owners Association (HOA) principal and interest, mortgage insurance, homeowners' association~~ fees, Property taxes, hazard insurance, land trust ground lease fees, and ~~mortgage insurance-manufactured home park lot rent.~~

~~To serve certain Low Income Households at a lower housing ratio than 25%, an Administrator must establish an Affordability Gap eligibility policy that specifies a lower minimum housing ratio given programmatic goals to promote sustainable homeownership. The lowest minimum housing ratio permitted by Minnesota Housing for Affordability Gap eligibility is 20%.~~

Minnesota Housing may, at its sole discretion, waive the housing-to-income ratio requirement for Affordability Gap Financing on a case by case basis, when the Administrator provides a written waiver request. Waiver requests are viewed more favorably in cases where one or more of the following is true:

- A party whose income must be included when calculating Annualized Gross Income cannot, according to the underlying first-mortgage lender, be named on an underlying first mortgage due to credit or title constraints;
- A Household's purchasing power is insufficient due to the underlying first-mortgage lender's debt-to-income limits;
- The Household is maximizing the amount of financing for which it has qualified from the first-mortgage lender.

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2.04 Homebuyer Age

~~Homebuyer(s)~~ Anyone obtaining title to Property, or a vendee interest in a contract-for-deed or contract-for-title, and all Borrowers must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

2.05 Unauthorized Compensation

Households ~~shall~~ must not receive kickbacks, rebates, discounts, ~~and/or~~ other compensation from any party in the transaction.

2.06 Principal Residence/Occupancy Requirements

Each Household that receives or benefits from Impact Fund Dollars must occupy the eligible housingProperty as ~~theirs~~ their Principal Residence.

2.07 Impact Fund Eligibility Income

The Administrator and Minnesota Housing ~~may, through the Agreement,~~ establish Household income limits for each eligible activity undertaken with Impact Fund Dollars ~~through the Agreement.~~ These limits ~~may~~ must not exceed 115% percent of state or area median income (AMI).

~~The Administrators must not serve Households with~~ Annualized Gross Income in excess of these limits.

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~~Annualized Gross Income~~ is the earned ~~or~~ and unearned income of the parties in the Household as described below from sources outlined in the list below (~~and~~ not including the exceptions that follow).

Parties Whose Income Must be Included When Calculating Annualized Gross Income

The income of the following persons must be verified and included when calculating Annualized Gross Income for ~~Homebuyers~~Homebuyer Households of Qualified Dwelling Units constructed or rehabilitated using Impact Fund Dollars or ~~Homebuyers~~Households receiving Impact Fund Affordability Gap assistance:

- Anyone who will have title to the subject Property and signs the mortgage ~~Deed~~.
- 1. ~~Anyone~~ expected to reside in the subject Property and who will be obligated to repay ~~the~~an underlying mortgage ~~loans (signs the Note)~~loan but who is not in title to the subject Property;
- ~~(i.e. the~~ Co-Signer ~~(not named in title to the subject Property and does not sign the Mortgage Deed on the mortgage note)~~.
- The legal spouse of the mortgagor who will also reside in the subject Property.

The income of the following persons must be verified and included when calculating Annualized Gross Income for ~~Homeowners~~Homeowner Households of Qualified Dwelling Units receiving Impact Fund Owner-Occupied Rehabilitation assistance:

- Anyone in title to the subject Property who also resides in the subject Property.
- The legal spouse of the mortgagor who also resides in the subject Property.

If the mortgagor is legally married and the spouse does not or is not expected to reside in the subject Property, the Household file must contain either the Non-Occupant Spouse Statement or another statement indicating the spouse does not or will not occupy the subject Property. The spouse may still be required to sign any Impact Fund Mortgage (see “Accommodation Parties,” below, and Chapter 6 of this Procedural Manual).

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~~or another statement indicating the spouse is not obligated to repay the loan and is not named in title to the subject Property.~~

Any person whose income must be included in the Annualized Gross Income calculation who receives no income must sign either the Zero Income Statement or another statement indicating he or she receives no income.

The Administrator must establish and adhere to standard procedures for determining Annualized Gross Income in accordance with this Procedural Manual.

Accommodation Parties

An accommodation party is anyone with an ownership interest in an eligible Property that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property, or a seller of a contract-for-deed to an Owner-Occupant. An accommodation party must sign the Impact Fund Mortgage.

Co-Signers

Co-signers are permitted on first mortgage loans originated for ~~Homebuyers of Qualified Dwelling Units receiving Impact Fund Dollars.~~ Homebuyer Households. Co-signers are not vested in title and may reside in the subject Property.

Annualized Gross Income Calculation

Total Annualized Gross Income includes, but is not limited to:

- Base pay, which includes full-time, part-time or seasonal work with regular hours, expressed hourly, weekly or monthly, etc.;
- Variable income, which includes irregular hourly income, income from commissions, overtime and bonuses, income from irregular employment, shift differential, tips, profit sharing, sick pay, holiday pay and vacation pay;
- Self-Employment or Business Income;
- Income from financial assets, trusts or annuities, including but not limited to, dividends, royalties and interest earned from non-retirement accounts;
- Government Transfer Payments, including retirement benefits, disability benefits, medical benefits, social security benefits, pensions, veterans' benefits, workers' compensation, public assistance, unemployment benefits, federal education and training assistance and income maintenance benefits;
- Insurance or benefit payments, such as long-term care insurance, disability insurance, pensions or death benefits;
- Net rental income from investment property;
- Contract-for-deed interest income;
- Child ~~and/or spousal~~ support ~~payments~~;
- Spousal maintenance;
- Regular cash contributions;
- Employer-paid allowances such as housing, automobile, cell phone, etc.;

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- Flexible benefit cash;
- Custodial account income;
- Estate income; and
- Other sources of income not specifically excluded below.

The following types of income are excluded from the Annualized Gross Income calculation:

- Income no longer available;
- One-time (non-recurring) income; for example, income received once that does not have a history and is unlikely to reoccur in the future;
- Income generated by IRA, VIP, 403(b), and 401(k) accounts;
- Food stamps, Supplemental Nutrition Assistance Program (SNAP) benefits;
- Meals on Wheels, or other contributions of food;
- Government-paid child care which is paid directly to the provider;
- Foster care income;
- Educational scholarships, grants, loans or tuition reimbursement;
- Earned Income Tax Credit refund payments;
- Potential roommate income or rental income of future duplex or accessory dwelling unit;
- Court-ordered child or spousal support not received;
- 529 plans;
- Custodian accounts where someone other than the parents are named as custodian;
- Unearned income of adult dependents; and
- Non-recurring payments from:
 - Inheritances
 - Insurance settlements
 - Lottery winnings
 - Gambling winnings
 - Capital gains
 - Liquidation of assets
 - Settlements for personal loss.

Chapter 3 – Property Eligibility

(See Appendix C, ~~Section C~~ for ~~Chapter 3~~ minimum documentation requirements.)

3.01 Qualified Dwelling Unit

A Qualified Dwelling Unit must:

- Be attached or detached, owner-occupied housing including manufactured homes;
- Be residential in nature and have a remaining economic life equal to the loan term plus 10 years;
- Be occupied by an eligible Household;
- Be Affordable to the Local Workforce;
- Be ~~able~~ affordable to ~~be completed by~~ Households with incomes not exceeding the end of the 20-month period during which ~~Impact Fund Dollars are available~~ Eligibility Income established according to Section 2.07 of this Procedural Manual;
- Be completed during the effective term of the Administrator Agreement; and
- Contain no more than four units with at least one unit being occupied by the Household that owns the entire ~~unit~~ structure.

3.02 Title Examination Requirements

~~The Administrator must ensure that title to Property is clear and marketable prior to development, at the time of transfer to an Administrator or, and at the time of transfer to a Homebuyer acquires title to a Qualified Dwelling Unit, the title for that Qualified Dwelling Unit must be established~~ Household, as demonstrated by way of an attorney's legal title opinion or a title insurance policy ~~showing.~~

~~In addition, if making a secured loan, such as a Deferred Loan, the Administrator or Homebuyer is acquiring clear and marketable title.~~ must ensure that title to the Property to be mortgaged is good and marketable prior to making the loan, and the security instrument is fully executed, valid and enforceable.

In the case of Tribal Lands, the Administrator must ensure that the proper official of the Tribal Land office establishes a clear and marketable title as defined by the tribe governing the Land on which the Qualified Dwelling Unit is located.

3.03 Community Land Trusts

A Community Land Trust (CLT) must meet the following conditions:

- The CLT must provide evidence, satisfactory to Minnesota Housing, that ~~Homebuyers~~ members of Homebuyer Households purchasing Qualified Dwelling Units in the CLT receive full disclosure of their rights and obligations under the trust, including future limitations on sale;
- The CLT must submit evidence, satisfactory to Minnesota Housing, that land trust ~~Homebuyers~~ Homebuyer Households have access to the secondary mortgage market; and

- The terms and conditions of the CLT must be compatible with those developed by the National CLT Network and otherwise satisfactory to Minnesota Housing.

3.04 Reasonable Cost Estimates ~~for Improvements~~

The Administrator must determine and document that all Project costs ~~as represented in the Scope of Work~~ are reasonable, necessary, and cost effective. ~~To that end, the Administrator, and must include any of the following documents in the file:~~

- ~~1. Bids and/or estimates for improvements from a licensed contractor(s);~~
- ~~2. A cost study, performed by a disinterested third party showing the cost of improvements conforms to other projects in the area; or~~

~~Other maintain~~ documentation ~~that has been approved by Minnesota Housing of the purchasing and/or bidding process utilized. The Agreement may contain additional contracting and bidding requirements.~~

3.05 Building Code Compliance

All eligible activities must be in compliance with all applicable state, county and municipal health, housing, building, fire prevention, and housing maintenance codes and local ordinance or other public standards.

In areas of the State where there is a local building code or the State building code has been adopted, a licensed building official/inspector must provide a building permit, certificate of occupancy, certificate of completion or a final inspection report in order to document that the improvements meet building code.

In areas of the State where there is no local building code or where the State building code has not been adopted, the Administrator must include in its contracts a requirement that improvements are completed in accordance with the State Building Code.

(a) ~~Tribal Housing Awards~~

When working within tribal reservations ~~and/or~~ on Tribal Lands, compliance with the governing tribal laws and regulations relating to building and zoning ~~shall be used to meet the requirements of~~ sufficient for compliance with this Section 3.05.

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Chapter 4 – Eligible Activities

(See Appendix C, ~~Section C~~ for Chapter minimum documentation requirements.)

~~4 Documentation Requirements.~~

.01 Eligible Activities

Impact Fund Dollars **may** be used ~~for,~~ only to the extent allowed in the Agreement and this Procedural Manual, for:

- ~~1. Acquisition of Land or existing structures;~~
 - Construction of new housing; (New Construction);
 - Rehabilitation of existing housing; including Acquisition, Rehabilitation, Resale, and Owner-Occupied Rehabilitation;
 - Conversion to housing from another use;
 - ~~Site preparation;~~
 - ~~2. Demolition or removal of existing structures;~~
 - ~~3. Construction financing;~~
 - ~~4. Construction of development infrastructure directly related to the Qualified Dwelling Unit such as connection to city water and sewer;~~
 - Reduction of interest rates only when used in conjunction with the Minnesota Housing's Community Fix Up Loan Program home improvement or lead hazard reduction;
 - Financing to fill an Affordability Gap or Value Gap; and
 - ~~5. Innovative approaches to housing construction or rehabilitation; or~~
 - ~~6. Soft costs as defined in section 5.04.~~
- Other activities approved by Minnesota Housing.

Eligible activities **must** ~~end~~ culminate in the ~~maintenance or rehabilitation,~~ construction or purchase of a Qualified Dwelling Unit occupied by an Owner-Occupant.

4.02 Ineligible Activities

Impact Fund Dollars ~~may~~ **must** not be used for:

- Non-owner occupied housing;
- Community development projects including, but not limited to, such as parks or community centers;
- The construction of public development infrastructure, including but not limited to, city water, sewer, curbs and gutters that are not directly related to the development or rehabilitation of Qualified Dwelling Units;

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- ~~• The construction of private infrastructure that does not lie within the Land upon which the Qualified Dwelling Unit to be owned solely by the Owner-Occupant is located;~~
- ~~• Administration costs not connected to the development or rehabilitation of Qualified Dwelling Units;~~
- ~~• Individuals who want to refinance their existing loan; and~~
- ~~• Improvements for commercial use-; and~~
- ~~• Other activities not approved by Minnesota Housing.~~

4.03 New Construction ~~-~~Requirements

~~All required program documentation that must be included in the Construction/Property file is listed in Appendix C, Sections C1 and C2. See also Section C4 (if applicable).~~

~~(See Appendix C for minimum documentation requirements.)~~

Visitability

Visitability requirements apply for all newly constructed properties financed in whole or in part by Minnesota Housing's state-appropriated Interim Loan dollars. Minnesota Housing may offer ~~—2%~~ Interim Loan dollars under the Single Family RFP from other fund sources which do not require visitable unit construction. An Administrator unsure of whether its Interim Loan dollars are state-appropriated should contact Minnesota Housing.

Visitability Elements are:

- One no-step entrance;
- 32-inch opening doorways throughout the Qualified Dwelling Unit not to include closet doors; and
- At least a half bath on the main level that meets minimum clearance criteria.

Green Communities Criteria

~~If Impact Fund Dollars are used to assist~~Each new construction ~~Qualified Dwelling Units, the units~~Project must comply with the Enterprise Green Communities mandatory criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, in-effect at or another version approved by Minnesota Housing for use in the time of applicationProject.

For additional requirements and guidance regarding Green Communities Criteria, please refer to Minnesota Housing's Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, found on Minnesota Housing's webpage available on Minnesota Housing's Impact Fund webpage.

Inspections

The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of construction to determine that work has been done properly.

4.04 Acquisition-~~,~~ Rehabilitation-~~,~~ Resale

~~All required program documentation that must be included in the Construction/Property file is~~

~~listed in Appendix C, Sections C1 and C2. See also Section C4 (if applicable).
(See Appendix C for minimum documentation requirements.)~~

All Acquisition, Rehabilitation, Resale Projects

~~All acquisition-rehabilitation-resale Qualified Dwelling Units assisted with Impact Fund Dollars~~
must meet the following criteria:

~~HUD's~~

- U.S. Department of Housing and Urban Development (HUD) Housing Quality Standards (HQS);
- The most current version of the Enterprise Green Communities criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria ~~at the time of application, or another version approved by Minnesota~~ Housing for use in the Project.
- Minnesota Housing Lead Based Paint Guidebook requirements must be satisfied if an Acquisition ~~rehabilitation,~~ Rehabilitation, Resale Project includes the identification and correction of lead-paint related health and safety hazards. ~~The requirements in the Minnesota Housing Lead Based Paint Guidebook must be satisfied.~~

Inspections

The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of rehabilitation to determine that work has been done properly.

4.05 Owner-Occupied Rehabilitation

~~All required program documentation that must be included in the Project file is listed in Appendix C, Sections B and C4. See also Section C5 (if applicable).~~

(See Appendix C for minimum documentation requirements.)

If Minnesota Housing awards an Administrator Impact Fund Dollars in the form of interest free Deferred Loan Funds to ~~operate an~~conduct Owner-Occupied Rehabilitation ~~program~~activity for eligible ~~Homeowners~~Homeowner Households, all requirements of Chapter 6, Part 1, ~~Deferred Loans — Challenge Proceeds~~Loan Funds, apply.

~~The requirement to comply with the Enterprise Green Communities mandatory criteria as modified by the Minnesota Overlay and Guide to~~ The Enterprise Green Communities Criteria ~~is~~are not applicable to Owner-Occupied Rehabilitation ~~programs~~activity.

If an Owner-Occupied rehabilitation Project includes the identification and correction of health and safety hazards, the Minnesota Housing Lead Based Paint Guidebook must be followed.

Completion Certificate

At the completion of construction or rehabilitation work for all Owner-Occupied Rehabilitation Projects, the Administrator must document via a completion certificate that the work has been completed to the satisfaction of the Administrator and Owner-Occupant. Minnesota Housing's

Impact Fund Owner-Occupied Rehabilitation Project Completion Certificate may be used for this purpose.

The preceding paragraph does not apply to Community Fix Up Loan Program interest rate write-down Projects. Instead, Community Fix Up Loan Program interest rate write-down Projects must adhere to completion certification requirements of the Community Fix Up Loan Program.

Coordination with Other Programs

Administrators must be knowledgeable of basic eligibility and referral sources for Minnesota Housing's Fix Up Loan Program, Minnesota Housing's Community Fix Up Loan Program, Minnesota Housing's Rehabilitation Loan Program/Emergency and Accessibility Loan Program, U.S. Department of Agriculture Rural Development Section 504 rehabilitation loans and grants, weatherization assistance, and other home rehabilitation and repair programs available, including those funded through the Minnesota Department of Employment and Economic Development's Small Cities Development Program. For more information, refer to Minnesota Housing's website (including the Impact Fund Training section of the Impact Fund webpage), the Minnesota Homeownership Center's Home Rehab and Repair Matrix, and the U.S. Department of Agriculture's Minnesota Rural Development Single Family Housing Contacts.

The Administrator, or a Processing Entity, must:

- Review each Homeowner Household's basic eligibility for those other programs listed in the preceding paragraph which offer financing at more generous terms than is available with Impact Fund Dollars;
- Refer the Homeowner Household to programs offering financing at more-generous terms for which it appears to be eligible;
- Provide Homeowner Households with the opportunity to access those programs before providing a loan for Owner-Occupied Rehabilitation; and
- Document each review and referral in the Household/Borrower file.

The Administrator, or a Processing Entity, must also, prior to providing a loan for Owner-Occupied Rehabilitation, review each Homeowner Household's basic eligibility for and ability to repay a loan under the Minnesota Housing Fix Up Loan Program or Community Fix Up Loan Program according to a fair, reasonable and consistent standard and either:

- Offer the Homeowner Household a loan under the Fix Up Loan Program or Community Fix Up Loan Program if the Administrator or Processing Entity is a participating Fix Up Loan Program lender, or refer the Homeowner Household to a participating Fix Up Loan Program lender for a loan under the Fix Up Loan Program or Community Fix Up Loan Program; or,
- Document the Homeowner Household's ineligibility for or inability to repay a loan under the Fix Up Loan Program or Community Fix Up Loan Program.

4.06 Affordability Gap

All required program documentation that must be included in the Project file is listed in Appendix C, Sections B and C3. See also Section C5 (if applicable).

(See Appendix C for minimum documentation requirements.)

Funds awarded for Affordability Gap must be approved by Minnesota Housing the Administrator for one or more of the following specific uses, as approved by Minnesota Housing:

- The minimum downpayment amount required by a Homebuyer's Homebuyer Household's first mortgage;
- Homebuyer's A Homebuyer Household's settlement charges;
- ~~If~~ Additional downpayment ~~is~~ required for a Homebuyer Household to qualify for the first mortgage;
- ~~7. If additional downpayment is required for a Homebuyer's housing ratio to meet the program ratio requirements for Affordability Gap Financing. (see Section 2.03 of this Procedural Manual);~~
- Long-term (30+ years) subsidy tied to real Property; ~~and/or~~
- Other Affordability Gap assistance to a Homebuyer Household as approved by Minnesota Housing.

~~If Minnesota Housing awards to an Administrator Impact Fund Dollars in the form of interest-free Deferred Loan funds to finance Affordability Gap for eligible Homebuyers, all requirements of Chapter 6, Part 1, Deferred Loans — Challenge Proceeds, apply.~~

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If Minnesota Housing awards an Administrator Impact Fund Dollars in the form of Grant funds to operate an Affordability Gap Financing program for eligible Homebuyers, all requirements of Chapter 7, Grants, apply.

~~If required by HUD must approve nonprofit, Administrators of the Impact Fund that provide secondary financing and/or, including but not limited to Affordability Gap to an eligible homebuyer who has or will have Financing, to a Homebuyer Household also receiving an FHA-insured first mortgage. In addition to being must be approved by HUD, the nonprofit must be and listed on HUD's Nonprofit Organization Roster.~~

Chapter 5 - General Administration of Impact Fund Award

All required program documentation that must be included in the Administrator file is listed in Appendix C, Section A. See also Section 5 (if applicable).

(See Appendix C for minimum documentation requirements.)

5.01 Fund Types

Minnesota Housing will award Impact Fund Dollars to Administrators in the form of:

- An Interim Loan;
- A Deferred Loan; ~~An Interim Loan;~~
 1. ~~A Deferred Loan;~~ or
- A Deferred Loan Funds;
- A Bond Proceeds Loan; or
- Grant Funds.

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5.02 Escrow Account

The Administrator must promptly deposit Impact Fund Dollars received to an escrow account it has established. Any interest earned on such funds while held in this escrow account may be used by the Administrator for activities eligible under the Impact Fund. The Administrator must maintain a detailed accounting of all of its escrow account(s) and, upon request by Minnesota Housing, provide a copy of such accounting to Minnesota Housing. The Administrator may commingle funds it is holding in escrow, provided that it maintains a separate ledger entry for Impact Fund Dollars received under each individual disbursement from Minnesota Housing.

5.03 Prohibition Against Layering Impact Fund Dollars

Administrators ~~may~~must not layer (combine) Impact Fund Dollars ~~in the form of a Deferred Loan or Grant from under~~ two separate Impact Fund Awards in the same Project unless specifically approved in writing by Minnesota Housing. It is the Administrator's responsibility to review all funding sources in a Project to ensure layering does not occur. ~~If an Administrator's request to layer funds has been approved in writing by Minnesota Housing, the Administrator must indicate both Funding Agreement ID Numbers on the Household Demographic Project Information Form~~Combining Grant Funds, Deferred Loan Funds, and Bond Proceeds from the same Impact Fund Award is not considering layering.

~~Combining Impact Fund Grant dollars with Deferred Loan dollars from the same Impact Fund award is not considering layering.~~

Interim Loan funds ~~that will be repaid to Minnesota Housing~~ are exempt from this ~~requirement~~prohibition against layering.

To request a waiver to this prohibition against layering, the Administrator must submit a written request to layer funds to Minnesota Housing for review and approval as soon in the process as possible. ~~A written request to layer funds from multiple Impact Fund awards in the same Project must and allow sufficient a reasonable amount of time for Minnesota Housing to review it prior to closing and must. The written waiver request should~~ include:

- ~~1. A breakdown of Total Development Costs. For example, new construction or rehabilitation costs, gap financing needs, and the proposed gap financing sources and amounts; and~~
- ~~2. A written narrative that explicitly references each Impact Fund Award proposed to be layered and why justifies the layering is justified. The request must include a statement outlining the degree of consistency with the award (i.e. the proposed layering is clearly consistent with the award; or inconsistent but still justifiable based on other considerations) funds.~~

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5.04 Impact Fund Per-Unit Investment

If an Administrator seeks to ~~increase an individual exceed the typical or average per-unit investment of Deferred Loans or Grants provided for in the Agreement by more than 50% of percent, or seeks to exceed~~ the maximum per-unit investment ~~as stated in the Agreement or the average per unit investment of Deferred Loans or Grants indicated under an provided for in the Agreement with no stated maximum by any amount~~, the Administrator must obtain prior written approval ~~by from~~ Minnesota Housing.

~~Interim Loan funds that will be repaid to Minnesota Housing are exempt from this requirement.~~

~~If no typical or average per-unit investment is explicit in the Agreement, the average is to be imputed by dividing the total dollar amount of funds awarded by the number of Projects or units to be completed as stated in the Agreement.~~

5.05 Eligible Costs

Eligible costs ~~include are~~ hard costs and soft costs that are necessary, reasonable, relate directly ~~related~~ to eligible activities, ~~which and eligible Property, are part of a Project, and that~~ culminate in the purchase, construction or rehabilitation of a Qualified Dwelling Unit ~~occupied by an Owner-Occupant.~~

Hard costs are:

~~Hard costs are:~~

- Land and Property acquisition;

- Demolition;
- Removal of existing structures;
- Site preparation;
 - ~~1. Site Preparation;~~
 - ~~2. General construction costs;~~
- Construction or rehabilitation;
- Construction or rehabilitation of private infrastructure directly related to the Qualified Dwelling Unit such as connection to city water and sewer;
- Lead mitigation or abatement; and
- Other costs approved by Minnesota Housing.

Soft costs incurred by the Administrator must be reasonable, and necessary, and must directly relate to the financing of acquisition, construction or rehabilitation of Qualified Dwelling Units. Soft costs are:

- A Developer Fee or an Administration Fee;
- Architectural, engineering or related professional services required to prepare plans, ~~drawing~~drawings, specifications, or work write-ups;
- Costs to ~~process and~~ settle the financing for a Qualified Dwelling Unit, such as:
 - Private lender origination fees;
 - Credit reports;
 - Fees for the title evidence;
 - Fees for recordation and filing of legal documents;
- ~~1. Building permits;~~
- Attorney fees;
- Real estate agent commissions; and
- Appraisal and independent cost estimate fees; ~~or~~
- ~~2. Builder or developer fees.~~

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- ~~3.~~ Costs of any audit that Minnesota Housing may require with respect to Impact Fund Dollars;
- ~~Costs to provide information services such as affirmative marketing and fair housing information to prospective Households; and~~
- ~~4.~~ ~~Staff and overhead costs directly related to carrying out an eligible activity, such as:~~
 - ~~1.~~ ~~Preparation of work specifications;~~
 - ~~☉~~ ~~Deferred Loan or Grant processing;~~
 - ~~☉~~ ~~Inspections; and~~
- Other costs approved by Minnesota Housing.

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5.06 Ineligible Costs

Ineligible Costs are:

- Costs reimbursed from another source;
- Reimbursement for the value of donated items such as labor, materials or property;
- Payment for labor performed by a member of the Household (e.g., homeowner labor);
- Costs not included in Section 5.05, Eligible Costs;
- Profit, overhead, wages, benefits, and other compensation to the Administrator, Processing Entity, or other entity affiliated with the Administrator or Processing Entity outside of a Minnesota Housing approved Administration Fee or Developer Fee, unless such costs have been approved in writing by Minnesota Housing; and
- Costs not approved by Minnesota Housing.

5.07 Administration Fees

Administrators not ~~directly involved in the construction or rehabilitation of a Qualified Dwelling Unit and not~~ compensated by a ~~builder or~~ Developer Fee may take an Administration Fee.

- ~~5.~~ ~~Minnesota Housing requires the disclosure of all Deferred Loan or Grant administration fees in the Administrator's Impact Fund Application for Funds.~~
- ~~6.~~ ~~Minnesota Housing requires Administrators to include administration fees in the Total Development Cost of the Project whenever possible. If Administrators charge a fee to the Household as a closing cost, the following requirements apply:~~

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The Administration Fee is the total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in an Owner-Occupied Rehabilitation or stand-alone Affordability Gap Project. The Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity, must earn no additional fee, profit or compensation, nor include costs for wages, benefits or overhead in the Total Development Cost of a Project, without Minnesota Housing's written consent.

- Administrators must disclose the Administration Fee in its Application for Funds.
- The maximum Administration Fee for a Qualified Dwelling Unit is \$500 per Project, or a higher amount if approved by Minnesota Housing.

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- Administration Fees higher than the maximum allowed fee of \$500 per ~~unit~~Project may be allowed if approved at the sole discretion of Minnesota Housing ~~if transaction costs to the Administrator are excessive and the need for the increased administration fee is adequately justified by the Administrator. The Administrator's Impact Fund Application for Funds must itemize the higher costs.~~
 1. ~~When layering with applicable Minnesota Housing partners in a transaction, the policy allows for only one administration fee may be charged to the Household. A list of applicable Minnesota Housing partners can be found on Minnesota Housing's website each year under single family RFP materials, partners/co-funders.~~
- Any fee charged to the Household must be disclosed to the Household in advance with a description of the costs the fee covers ~~in order to satisfy industry regulations, laws and practices.~~
- The Administration Fee must reflect the not exceed actual administration costs ~~of Deferred Loans or Grants~~, including:
 - Securing and maintaining the funding source;
 - BorrowerHousehold education specific to the Deferred LoansLoan or Grantsgrant;
 - Lender identification, communication, and coordination;
 - Requesting the fundsImpact Fund Dollars from Minnesota Housing ~~for specific transactions~~;
 - Document preparation;
 - Tracking and reporting and other costs specific to the Deferred Loans or GrantsImpact Fund Award; and
 - Other costs as approved in writing by Minnesota Housing.
- 2. ~~The administration fee may not contain costs not approved by Minnesota Housing, such as:~~
 1. ~~Homebuyer education and counseling not specific to the Deferred Loans or Grants;~~
 2. ~~General consumer credit counseling;~~
 3. ~~CLT borrower education; or~~
 4. ~~Other costs not specific to the Deferred Loans or Grants.~~
- 3. ~~The description of the administration fee must reference the Impact Fund Program and may not reference any other Minnesota Housing mortgage or downpayment assistance program. Charging an administration fee for any other Minnesota Housing mortgage or downpayment assistance program would violate the terms of those programs.~~
- 4. ~~Fees to cover other costs such as credit counseling, CLT education and CLT document preparation may be charged in addition to the Deferred Loan or Grant administration fee in accordance with industry regulations, laws and practices.~~

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5.08 Developer Fees

Administrators directly involved in ~~the development and~~ bearing primary responsibility for the New Construction or Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit may charge a ~~builder or developer fee.~~ Developer Fee. This Developer Fee is paid at the time of closing from ~~home sale proceeds.~~ The maximum developer fee an Administrator may charge is 10% and must not exceed the lesser of 10 percent of the Project's Total Development Cost, ~~though Administrators are encouraged to charge a lesser amount.~~ (less the Developer Fee), or the Developer Fee stated in the Application for Funds.

The Developer Fee is the total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in a New Construction or Acquisition, Rehabilitation, Resale Project. The Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity, must earn no additional profit or compensation, nor include costs for wages, benefits or overhead in the Total Development Cost of a Project, without Minnesota Housing's written consent.

Administrators ~~may~~must not charge a Developer Fee when providing only Affordability Gap Financing or Owner-Occupied Rehabilitation financing to an eligible Household.

Administrators ~~may~~must not charge both an Administration Fee and a Developer Fee for the same Project.

Chapter 6 – Deferred Loans

~~All required program documentation that must be included in the Household/Borrower file and the Construction/Property file is listed in Appendix C, Sections B and C.~~

~~(See Appendix C for minimum documentation requirements.)~~

Part 1 –Deferred ~~Loans—Challenge Proceeds~~Loan Funds

6.01 General

~~Impact Fund Dollars~~Deferred Loan Funds may be ~~provided to an~~ used by the Administrator ~~or Household in the form of an interest-free Deferred Loan to:~~

- Provide Affordability Gap Financing for Homebuyer Households ~~(Homebuyers);~~
 1. ~~Bridge funding gaps not covered by a first mortgage or other sources of funding for Qualified Dwelling Units on behalf of the Administrator;~~
- Provide financing for Owner-Occupied Rehabilitation, or
- ~~To~~ Support other eligible activities as specified in the Agreement.

6.02 Disbursements

~~Administrators will not receive disbursements from current awards until past award outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.~~

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~~Administrators must submit a fully executed Request for Funds Form to To request disbursement of funds. By executing the Request for Funds, the Administrator certifies that the activity delineated in the Agreement has commenced and that the funds being requested will be used to support that activity.~~

~~must submit a Request for Funds form. The Request for Funds form is located Request for Funds form is available on Minnesota Housing's website.~~

~~Disbursement of Funds to the Administrator may occur after the Agreement is fully executed as follows:~~

~~2. If the award \leq \$50,000—1 disbursement;~~

~~3. If the award $>$ \$50,000—up to $\frac{1}{3}$ of the total is available in the first disbursement at the discretion of Minnesota Housing;~~

~~1. When the Administrator has demonstrated (via submission of the Impact Fund webpage. Administrators must request Deferred Loan Funds only on a loan-by-loan basis and no sooner than upon the Administrator's or Processing Entity's commitment to lend to a Household Demographic and Project Information Form) that a significant portion of the award has been provided to Households, Minnesota Housing, at its sole discretion will make further disbursements to the Administrator upon receipt of the fully executed Request for Funds form; and~~

~~Disbursements depend upon Project progress as reported on a specified closing date agreed to by the Administrator or Processing Entity and at the sole discretion of Minnesota HousingHousehold.~~

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4. Minnesota Housing may forward disbursements via wire; electronic funds transfer (EFT) or check, upon execution of the Agreement and receipt of the fully executed Request for Funds form within 10 business days from the receipt of the request.

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~~Notwithstanding the above listed requirements, Minnesota Housing reserves the right to disburse funds more conservatively, e.g.: unit by unit or Project by Project. All disbursements must be used in accordance with the Agreement and this Procedural Manual. Minnesota Housing may withhold disbursements from current Impact Fund Awards until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.~~

6.03 Mortgage Documents

~~For each Deferred Loan the Administrator or a Processing Entity originates, the Administrator must require the Borrowers to execute the ensure it has a fully executed, valid, and enforceable Impact Fund Mortgage and Impact Fund Mortgage Note using the forms provided by Minnesota Housing and available on Minnesota Housing's website.~~ Impact Fund webpage.

The Impact Fund Mortgage is the legal document used to secure a loan ~~on~~ against a Qualified Dwelling Unit. ~~The Household. Anyone with an ownership interest in the mortgaged Property, including at least one member of the Household, is required to be a party to the mortgage in order to protect the~~ Impact Fund ~~subsidy.~~ Mortgage. The Impact Fund Mortgage must be assigned to Minnesota Housing.

The Impact Fund Mortgage Note is legal evidence of the debt to be repaid. The Impact Fund Mortgage Note must be endorsed to Minnesota Housing. All parties whose income must be included when calculating Annualized Gross Income according to Section 2.07 of this Procedural Manual must execute the Impact Fund Mortgage Note.

An Administrator seeking to serve a Household in a Qualified Dwelling Unit that is not real property and is not located on real property owned or to be owned by the Household, such as a manufactured home in a manufactured home park, must contact Minnesota Housing for assistance. Such Projects are approved at the sole discretion of Minnesota Housing.

6.04 Nationwide Mortgage Licensing System (NMLS) Registration

In compliance with the S.A.F.E. Act, all Administrators and Processing Entities, including local units of government and non-traditional lenders, must determine which staff members are considered individual mortgage loan originators and must comply with the S.A.F.E. Act and which staff members are exempt from compliance with it.

The Minnesota Department of Commerce requires (pursuant to MS §58A.03 subd.2) all mortgage lenders and entities deemed exempt to register with the Nationwide Mortgage Licensing System & Registry and obtain a unique identifier number.

6.05 Repayment

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Unless otherwise outlined in the Agreement, Borrower(s) must repay Deferred Loans ~~upon according to the first occurrence of any terms~~ of the following events:

- ~~5.—When the Qualified Dwelling Unit is sold, transferred, or otherwise conveyed by the Borrower²;~~
- 6.—The date of repayment of the first mortgage, if co-terminus with the Deferred Loan, or On the date that is 30 years from the date of the loan closing or at the end of the loan term as delineated in the Impact Fund Mortgage and Impact Fund Mortgage Note.

²Not applicable if Affordability Gap is used with an FHA first mortgage loan.

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There may be certain situations which will require repayment of the Deferred Loan when the Borrower(s) cease to occupy the Property as their primary residence³. Deferred Loans made by Minnesota Housing to the Administrator are required to must be repaid as per according to the terms of the Agreement.

2. Revolving Funds

Minnesota Housing may, at its sole discretion and on a case by case basis, provide Impact Fund Dollars to an Administrator in the form of a Deferred Loan that may be revolved for the same eligible activity outlined in the Agreement.

The Administrator's ability to revolve the Impact Fund Dollars received beyond the initial two years may be renewed upon application to and approval by Minnesota Housing. Minnesota Housing may at its sole discretion, require the Administrator to apply to renew the ability to revolve the funds through the Single Family RFP.

3. Homeowner/Volunteer Labor Policy

Impact Fund Deferred Loan proceeds may not be used to pay for materials for repair or rehabilitation completed by the Homeowner(s) or volunteer(s) unless Minnesota Housing approves the purchase of these materials as an eligible cost identified in the Administrator's Impact Fund Application for Funds. If approved, Minnesota Housing reserves the right to require the Administrator to document the materials used and their respective costs.

All work completed with homeowner labor must comply with Section 3.05 of this Procedural Manual. Under no circumstances will Minnesota Housing pay or reimburse the cost of labor performed by the Homeowner or any other Household resident.

6.06 Delivery of Loans to Minnesota Housing

For each Deferred Loan originated, the Administrator must forward to Minnesota Housing the Deferred Loan documentation listed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form. The documents must be delivered in the same form, order, and timeline prescribed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form. The Deferred Loan Closing Instructions and Deferred Loan Transmittal Form is available on Minnesota Housing's Impact Fund webpage.

6.07 Servicing

Deferred Loans to Borrowers will be assigned a designated servicer by Minnesota Housing. Deferred Loans to Borrowers are typically serviced by AmeriNat, although Minnesota Housing may, at its discretion, designate other servicers. Servicing inquiries, including satisfaction and subordination requests, should be directed to AmeriNat, unless another servicer is designated by Minnesota Housing.

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6.08 Assumption

Deferred Loans are not assumable.

6.09 Hardship Policy

Minnesota Housing has in place a hardship policy for its Deferred Loans to Borrowers that allows forgiveness either in part or whole if the Household is experiencing severe financial hardships that prevent full repayment of indebtedness. Please contact Minnesota Housing for more information regarding this policy.

Part 2 – ~~Deferred Loans~~—Housing Infrastructure Bond ~~Sale Proceeds~~ Loans

~~In addition to the requirements listed below, CLT Administrator Projects awarded Impact Fund Dollars resulting from the sale of Housing Infrastructure Bonds must meet the requirements in section 6.02 of this Procedural Manual.~~

6.10 General

Minnesota Housing may issue its State Appropriation Bonds (Housing Infrastructure Bonds) and use Bond Proceeds to generate proceeds for specific purposes, including providing CLTmake Bond Proceeds Loans to Administrators Impact Fund Dollars to finance the following uses~~costs~~ related to Land owned by or to be owned by a Community Land Trust:

- Acquisition of Land;
- Demolition; and/or
- Utility Connections.

³ Not applicable if Affordability Gap is used with an FHA first mortgage loan.

~~Deferred Loans offered as a result of the sale of Housing Infrastructure Bonds are forgivable after 30 years.~~

~~Any demolition or Utility Connections financed by a Bond Proceeds Loan to an Administrator must be completed prior to conveyance of the Qualified Dwelling Unit to an Owner-Occupant.~~

6.11 Properties Eligible to be Financed with Bond Proceeds Loans

Unless otherwise noted in this Section 6.0911, when ~~Deferred Loan~~ — Bond Proceeds are lent to an Administrator to pay costs of ~~used on a Property where eligible activity occurs as specified in Sections 4.01 and 6.08 of this Procedural Manual, that a~~ Project, the associated Property must have been acquired no earlier than the date specified on the *Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds* provided by Minnesota Housing.

When ~~Deferred Loan~~ — Bond Proceeds awarded on October 23, 2014 to make a deferred loan to an Administrator are ~~used on~~ expended to pay costs of a ~~Property where an eligible activity occurs as specified in Sections 4.01 and 6.08 of this Procedural Manual, that~~ Project, the associated Property must have been acquired no earlier than September 14, 2014.

~~When Deferred Loan — Bond Proceeds awarded on October 25, 2012 are used on a Property where an eligibility activity occurs as specified in Sections 4.01 and 6.08 of this Procedural Manual, the Property must have been acquired no earlier than September 1, 2012 and be either “Abandoned” or “Foreclosed”, defined as follows:~~

~~1. “Abandoned” Property is Property that:~~

- ~~1. Has been substantially unoccupied or unused for any commercial or residential purpose for at least one year by a person with a legal or equitable right to occupy the Property;~~
- ~~2. Has not been maintained; and~~
- ~~3. For which taxes have not been paid for at least two previous years.~~

~~2. “Foreclosed Property” is defined as residential Property where foreclosure proceedings have been initiated or have been completed and title transferred or where title is transferred in lieu of foreclosure.~~

~~Other properties considered “Foreclosed” are:~~

- ~~3. A Property still occupied by a homeowner which has gone through tax forfeiture. To adequately document tax forfeiture status, the CLT must provide in the file, a copy of the published county tax forfeiture listing, notice of expiration of redemption period or other proceedings in the tax forfeiture process.~~
- ~~4. A Property still occupied by a homeowner where foreclosure proceedings have been initiated, which requires recordation of the notice of pendency or notice of lis pendens.~~

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~~The CLT Administrator may acquire and sell the Qualified Dwelling Unit under the community land trust model, to an eligible Owner-Occupant or to the same homeowner if~~

~~the CLT obtains a copy of the recorded notice of pendency or the recorded notice of lis pendens for the file.~~

- ~~5. A foreclosed Property that is first purchased and/or rehabilitated by a non-CLT organization before being sold to an eligible CLT Administrator may be sold to an eligible Owner-Occupant providing no one has occupied the Property as his or her residence during the period between Property acquisition by the non-CLT organization and purchase by the CLT Administrator.~~

6.12 Additional Documentation Required

Files for Projects ~~using Deferred Loan—receiving a~~ Bond Proceeds Loan must, at minimum, contain the documents in Appendix C to this Procedural Manual.

In addition, within 14 days of the sale of a Property funded in whole or in part by ~~Deferred Loan~~ a Bond Proceeds Loan, the Administrator must provide Minnesota Housing the following:

- A certificate identifying the amount of the ~~Deferred Loan—~~Bond Proceeds Loan applied to a Project and the costs of any eligible site clearing, demolition and Utility Connections for the Project. Minnesota Housing has provided the *Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds* as the required form to be used for this purpose. ~~The This~~ *Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds* must be executed by an officer of the Administrator responsible for its financial management or reporting;
- The market value of the real Property relating to the Project (evidenced by a current appraisal accompanying the *Certificate*); ~~and of Administrator as to Expenditure of Deferred Loan – Bond Proceeds~~; and
- The Household Demographic Project Information Form.

~~Additional documentation requirements for units using Deferred Loan—Bond Proceeds awarded October 25, 2012 are detailed below.~~

(b) For Abandoned Property

~~Each file must contain documented evidence provided by a sheriff, deputy sheriff, building inspector, zoning administrator, housing official or other county official that: 6.13 The Property was substantially unoccupied or unused by any person with a legal or equitable right to occupy the Property for any commercial or residential purpose for at least one year; and~~

- ~~1. The Property has not been maintained.~~

~~In addition to the above noted 2 requirements, each file for an abandoned Property must contain one of the two following documents:~~

- ~~2. A statement from the county auditor that Property taxes have not been paid for the previous two years; or~~

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~~A published delinquency list provided by the county auditor indicating Property taxes are delinquent for at least the two previous years.~~

~~An appraisal or Multiple Listing Service (MLS) real estate listing is insufficient documentation to meet the requirements for this section.~~

~~(c) For Foreclosed Property~~

~~To show that foreclosure proceedings have been initiated or have been completed, the CLT Administrator must obtain one of the following types of documents for each Project file:~~

- ~~3.—Initiated—the recorded notice of pendency or the recorded notice of lis pendens; or~~
- ~~4.—Completed—the title showing transfer happened or documents evidencing title was transferred in lieu of foreclosure.~~

~~Acceptable alternative documents include:~~

- ~~5.—A Property tax delinquency list published by the county auditor; or~~
- ~~6.—Subsequent documents in the tax forfeiture process such as Notice of Expiration of Redemption Period.~~

~~An appraisal or Multiple Listing Service (MLS) real estate listing is insufficient documentation to meet the requirements for this section.~~

Disbursement of ~~Deferred Loan—Bond Proceeds~~ Loans

~~To request disbursements of Bond Proceeds Loans, the Administrator must submit a Request for Funds form. The Request for Funds form is available on Minnesota Housing’s Impact Fund webpage.~~

~~Minnesota Housing may Prior to the disbursement of any Deferred—Loan Bond Proceeds, Minnesota Housing must approve the form of the Lease, containing applicable income restrictions to be used by the CLT Administrator for the Project.~~

~~No disbursements will be made to a CLT Administrator until all outstanding Level 3 Monitoring Exceptions from past awards have been cleared with Minnesota Housing.~~

~~Disbursements must be requested by a CLT Administrator using the Request for Funds form located on the Impact Fund web page. With a Request for Funds, the CLT Administrator must certify that the activity as stated in the Agreement has commenced and that the funds being requested will be used to support this activity.~~

~~Disbursement of Deferred Loan—Bond Proceeds awarded to an Administrator may occur pursuant to Section 6.02 of this Procedural Manual.~~

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~~Notwithstanding the above, Minnesota Housing may, at its sole discretion, disburse Bond Proceeds to the Administrator to fund a Bond Proceeds Loan as follows:~~

- ~~• Up to one-third of the total award of Bond Proceeds Loan is available in the first disbursement upon Administrator's request and at the discretion of Minnesota Housing.~~
- ~~• When the Administrator has demonstrated significant progress, Minnesota Housing, at its discretion, will make further disbursements to the Administrator upon receipt of additional Request for Funds forms.~~

~~Minnesota Housing reserves the right to disburse funds more conservatively; for example, unit-by-unit or Project-by-Project.~~

If the amount of Deferred Loan—Bond Proceeds expended for the funded Project exceeds the sum of the market value of the Land and the amount of eligible demolition and Utility Connections costs, the Administrator must, within 30 days of the delivery of the certificate described in section 6.10 of this Procedural Manual, repay Minnesota Housing for the amount of such excess unless otherwise approved in writing, and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

6.14 Repayment of Bond Proceeds Loans

In general, The CLT Administrator must repay ~~Deferred Loan—~~Bond Proceeds ~~as specified~~Loans upon the occurrence of events, and at the times, set forth in the Agreement.

Additional Repayment Requirements

~~The~~ CLT Administrator's ground lease assures that properties acquired by the CLT Administrator using Bond Proceeds will remain affordable during the term of the bonds. However, the following apply in the event of the following situations:

1. ~~If, during the term of the bonds, the Property is sold to a non-CLT Homebuyer or leased to a ground lessee that does not meet the income limits established in the CLT Administrator's ground lease, the CLT Administrator must repay Minnesota Housing all or a portion of the bond proceeds lent to the CLT Administrator and allocable to the Property.~~
2. ~~If, during the term of the bonds, the Community Land Trust is dissolved or sells bond-financed Property to another entity, unless the successor or the purchaser is a community land trust, all or a portion of the bond proceeds, or the portion of the bond proceeds allocable to the bond-financed Property sold must be repaid to Minnesota Housing.~~
3. ~~If the community land trust Property is foreclosed upon during the term of the bonds, bond proceeds do not have to be repaid to Minnesota Housing.~~

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Chapter 7 – Grants Grant Funds

All required program documentation that must be included in the Household/Borrower file and the Construction/Property file is listed in Appendix C, Sections B and C.

(See Appendix C for minimum documentation requirements.)

7.01 General

~~Impact Fund Dollars~~ Grant Funds may be awarded to an used by the Administrator in the form of a Grant if the funds will be used to: to:

- Provide Value Gap financing; or
- Finance other eligible activities, as approved by Minnesota Housing, that preserve long term affordability or for which repayment is economically infeasible.

7.02 Disbursements

~~Administrators will not receive disbursements from current awards until past award outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.~~

~~Administrators must submit a fully executed Request for Funds Form.~~ To request disbursement of Grant funds, ~~By executing the Request for Funds funds,~~ the Administrator certifies that the activity delineated in the Agreement has commenced and that the funds being requested will be used to support that activity.

~~must submit a Request for Funds form.~~ The Request for Funds form is located Request for Funds form is available on Minnesota Housing's website. ~~Impact Fund webpage.~~

~~Disbursement of Minnesota Housing may disburse Grant~~ Funds to the Administrator ~~may occur after the Agreement is fully executed as~~ as follows:

- ~~1. If the award \leq \$50,000 – 1 disbursement;~~
- ~~If the award $>$ \$50,000 – Up to ¹/₃ one-third of the total award of Grant Funds is available in the first disbursement~~ upon Administrator's request and at the discretion of Minnesota Housing;
- When the Administrator has demonstrated ~~(via submission of the Household Demographic and Project Information Form) that a significant portion of the award has been provided to Owner Occupants~~ progress, Minnesota Housing, at its sole discretion, will make further disbursements to the Administrator upon receipt of ~~the fully executed additional~~ Request for Funds ~~form;~~ forms.
- ~~2. Disbursements depend upon Project progress as reported by the Administrator and at the sole discretion of Minnesota Housing; and~~
- ~~3. Minnesota Housing may forward disbursements via wire; electronic funds transfer (EFT)~~

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~~or check, upon execution of the Agreement and receipt of the fully executed Request for
Funds form within 10 business days from the receipt of the request.~~

~~Notwithstanding the above listed requirements, Minnesota Housing reserves the right to disburse funds more conservatively, i.e.: unit by unit or Project by Project. All disbursements must be used in accordance with Section 5 and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.~~

~~7.03 and 5.04 of this Procedural Manual.~~

Repayment

~~Grants to the Administrator~~ Repayment conditions are ~~required to be repaid as per~~ specified in the Agreement.

Chapter 8 – Interim Loans

All required program documentation that must be included in the Administrator file is listed in Appendix C, Sections B and C.

(See Appendix C for minimum documentation requirements.)

8.01 General

Minnesota Housing may provide an Interim Loan to an Administrator to acquire, rehabilitate, demolish, and/or construct Qualified Dwelling Units. Whether and at what rate an Interim Loan to Administrators will bear bears interest is outlined in the Administrator's Agreement. Interim Loans under the Impact Fund must comply with the provisions of Chapters 1 through 5 and Chapter 9 of this Procedural Manual, as well as with the requirements outlined below. Agreement.

If an Interim Loan bears interest, interest will accrue at 2% per annum (or another rate as determined by Minnesota Housing) from the date of loan disbursement to the date the Qualified Dwelling Unit is sold to an Owner Occupant of repayment.

If Minnesota Housing determines that a Project requires an Interim Loan and that an interest-bearing loan would adversely affect the affordability of the housing for the eligible homebuyers Homebuyer Households the Administrator will serve, Minnesota Housing may award an interest-free Interim Loan.

1. Zero Percent (0%) Interim Loans

If a Project that includes the rehabilitation or construction of Qualified Dwelling Units involves the use of equipment or building materials, or a method of design, construction, marketing or financing which are not generally in use in the housing industry or of which the public is not generally aware, Minnesota Housing may, at the time of application, deem the Project to be innovative, and provide the Administrator with an interest-free Innovative Interim Loan.

Projects selected by Minnesota Housing as innovative must demonstrate qualities such as efficiency, acceptability, effectiveness, durability, and potential for widespread applicability.

2. Loan Term

8.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form and documentation of the acquisition, demolition, or start of construction of the Projects for which it is requesting funds. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage. Minnesota Housing may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

8.03 Repayment

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The term of an Interim Loan is 20 months unless otherwise specified in the Agreement. -

~~Principal and interest, if any, shall be due and payable at the end of the term or when the home is sold to an Owner Occupant, whichever occurs first.~~

~~1. Interim Loans shall not be transferred to Homebuyers.~~

~~2. Minnesota Housing may adjust the Interim Loan term at its sole discretion.~~

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Revolving Interim Loan Funds

~~Minnesota Housing may, at its sole discretion and on a case by case basis, allow the proceeds of an Interim Loan to revolve under the following conditions:~~

- ~~3. The eligible activity remains feasible;~~
- ~~4. The Administrator uses the proceeds for the same eligible activity originally outlined in the Agreement; and~~
- ~~5. The Interim Loan term has not expired.~~

~~3. Disbursement~~

- ~~1. No disbursements will be made from an award to an Administrator until all past award outstanding Level 3 Monitoring Exceptions have been cleared with Minnesota Housing.~~
- ~~2. Disbursements must be requested by an Administrator using the Request for Funds form, located on the Minnesota Housing Impact Fund website. With a Request for Funds, the Administrator must certify that the activity as stated in the Agreement has commenced, and that the funds being requested will be used to support this activity.~~
- ~~3. Upon receipt of the Request for Funds form, Minnesota Housing will forward via wire, electronic fund transfer (EFT) or check of up to 50% of the Interim Loan amount within 10 working days. In the event the Administrator can document a need for more than 50% of the award, Minnesota Housing may disburse more funds. The Impact Fund Dollars must be deposited into an interest bearing account and the Administrator or Processing Entity if applicable, may retain the interest earned from this account.~~

~~4. Repayments~~

~~Generally, Impact Fund Dollars awarded for an Interim Loan, plus interest due, must be repaid when the eligible activity is complete and the Qualified Dwelling Unit is sold to a Homebuyer, and interest accrued must be repaid on or before the repayment date or termination of availability date noted in the Agreement. Specific repayment requirements will be detailed in the Agreement. Contact Minnesota Housing with any questions about repayment procedure and amounts due.~~

~~5. Interest Rate Calculation~~

~~If the Interim Loan bears interest, interest will begin to accrue upon disbursement of Interim Loan funds from Minnesota Housing to the Administrator. Interest will continue to accrue on the amount disbursed until the date the Interim Loan is repaid to Minnesota Housing. The interest calculation will be completed by Minnesota Housing. If the date of the Homebuyer closing changes, the pay-off figure will also change and the pay-off amount must be recalculated by Minnesota Housing.~~

8.04 Assumption

Interim Loans are not assumable.

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Chapter 9 – Records Retention and Reporting, ~~Record Retention and Documentation Requirements~~

All required program documentation that must be included in the Project file is listed in Appendix C, Section A.

9.01 Records Retention

~~Administrators~~ Administrators must ~~retain any and maintain copies of all compliance books, records, Project files, documents (including compliance with~~, and accounting procedures related to the Agreement during the term of the Agreement and for a minimum of six years after the termination or expiration of the Agreement. These documents are subject to examination by Minnesota Housing, ~~the State of Minnesota, the State Auditor, and the Legislative Auditor.~~

9.02 Reporting Individual Household Demographic and Project Information

Administrators must submit a Household Demographic Project Information form to Minnesota Housing for each Project either upon Project completion as described in this Section 9.02, or when:

- ~~All program guidelines) as may be eligible activities to be performed on a Project have been performed in accordance with the Agreement;~~
- ~~The Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant; and~~
- ~~If the Project is supported by Deferred Loan Funds, all necessary Deferred Loan documents have been executed and, where required by the Administrator's regulatory authority,~~ submitted for recording.

The Household Demographic Project Information Form template is available on Minnesota Housing's Impact Fund webpage.

Project Completion by Activity Type

A Project is considered complete for each activity type when ~~the requirements of the underlying loan product~~ below are met.

- ~~New Construction: A New Construction Project is complete when construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if any and the requirements of the insurer/guarantor applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.06 of this Procedural Manual.~~
- 1. • ~~Acquisition, Rehabilitation, Resale: An Acquisition, Rehabilitation, Resale Project is complete when rehabilitation and any construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if any as appropriate applicable, have been executed, recorded,~~

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and submitted to Minnesota Housing as required per Section 6.06 of this Procedural Manual.

~~Minimum and/or alternative documentation requirements of loan or Grant products benefiting the Homebuyer/Household in addition to the Impact Fund Loan or Grant does not relieve the Administrator from the responsibility of acquiring and maintaining complete files, including any and all documents and materials as would customarily be required for servicing and/or loan audit.~~

- Owner-Occupied Rehabilitation: An Owner-Occupied Rehabilitation Project, except for a Community Fix Up Loan Program interest rate write-down Project, is complete once any loan closing and all rehabilitation has been completed, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.06 of this Procedural Manual.
- Community Fix Up Loan Program Interest Rate Write-Down: A Community Fix Up Loan Program interest rate write-down Project is complete when the loan closing is complete and all necessary documents have been recorded and delivered to Minnesota Housing and the servicer, as designated under the Fix Up Loan Program.
- Affordability Gap: An Affordability Gap Project is complete when the Affordability Gap Financing has been expended, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.06 of this Procedural Manual.

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9.03 Annual Reporting

~~Annual reporting will be required so that Minnesota Housing can track the progress of each Administrator's eligible activities. All Administrators with an open Agreement will be required to provide an Annual Report known as the "Impact Fund Annual Report/Final Close out Report". Minnesota Housing will provide the format for this report.~~

An updated "Impact Fund Annual Report/Final Administrators must provide an annual report known as the Impact Fund Annual Report/Final Close Out Report for each open Impact Fund Award. The format for this report is available on Minnesota Housing's Impact Fund webpage.

9.04 Close Out Report" must also be submitted Reporting

Administrators must submit an updated Impact Fund Annual Report/Final Close out Report when an Impact Fund Award is completed. A completed An Impact Fund Award is defined as follows: complete when:

- All Impact Fund resources from a specific award Dollars have been expended, in accordance with the Agreement, or returned to Minnesota Housing or approved to revolve by Minnesota Housing;
- All Projects have been completed as described in Section 9.02 of this Procedural Manual; and

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- ~~1.—All completed Projects have been reported to Minnesota Housing via Household Demographic /Project Information forms have been submitted to Minnesota Housing; and~~
- ~~2.—All Deferred Loan documents have been recorded and submitted to Minnesota Housing as required.~~

~~If the completed Impact Fund award has unspent funds, the funds must be returned to Minnesota Housing with the Impact Fund Annual Report/Final Close out Report.~~

~~**2.—Mid-Year Reporting**~~

~~Newly funded administrators (awarded under the previous year’s Single Family RFP) are required to submit a mid-year progress report to demonstrate activity that has happeneddescribed in the first six monthsSection 9.02 of the award contract. The reportthis Procedural Manual, or via another format to be used is the “Impact Fund—Annual Report/Final Award Close out Report,” which must be submitted by July 15 of the year~~

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after funds were awarded. Administrators who have made minimal or no progress will be required to answer additional questions to provide information to explain the delay.

~~Article II. Chapter 10 — Servicing of Deferred Loans~~

~~1. Servicing~~

- ~~Each Administrator will be assigned a designated servicer by Minnesota Housing. Currently, all Impact Fund Deferred Loans are serviced by AmeriNational Community Services, Inc. (AmeriNational) or other servicer designated approved by Minnesota Housing. Servicing, satisfaction or subordination inquiries should be directed to AmeriNational's Servicing Department.~~

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Minnesota Housing may, at its discretion, designate other servicers.

2. — Delivery of Loans to Servicer

Administrator must forward to Minnesota Housing the Deferred Loan documentation listed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form, and in the same form, order, and timeline prescribed therein. The Deferred Loan Closing Instructions and Deferred Loan Transmittal Form is available on the Impact Fund website.

3. — Assumption

Loans are not assumable.

4. — Hardship Policy

Minnesota Housing has in place a hardship policy for its Deferred Loans that allows forgiveness either in part or whole if the Household is experiencing severe financial hardships that prevent full repayment of indebtedness.

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Appendix A: Definitions

TERM	DEFINITION
Accommodation Party	Anyone with an ownership interest in an eligible Property that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property, or a seller of a contract-for-deed to an Owner-Occupant <u>Household</u> .
<u>Acquisition, Rehabilitation, Resale</u>	<u>Eligible Acquisition, Rehabilitation, Resale activity as described in Chapter 4 of this Procedural Manual.</u>
Administrator	The entity with which Minnesota Housing has a contractual relationship to administer Impact Fund Dollars, <u>including the entity identified as a “Grantee” in a Grant Contract</u> , and any successors or assigns approved in writing by Minnesota Housing. Eligible Administrators include <u>a city, a cities, housing and redevelopment authorities, joint powers boards</u> established by two or more cities, <u>a federally recognized American Indian Tribes</u> or <u>subdivisions</u> located in Minnesota, <u>a tribal housing corporation, a private developer, a corporations, non-profit organization, a public housing agency or a natural person who is the owner of a Qualified Dwelling Unit</u> <u>organizations, Private Developers, and Public Housing Agencies.</u>
<u>Administration Fee</u>	<u>The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in an Owner-Occupied Rehabilitation or stand-alone Affordability Gap Project, as described in Section 5.07 of this Procedural Manual.</u>
Affordability Gap	The difference between the total cost of acquiring the Property, generally determined by the Fair Market Sales Price of the Property, and the amount of the first mortgage loan for which the Owner-Occupant qualifies based on industry standard, prudent underwriting practice.
Affordability Gap Financing	A Deferred Loan or Grant <u>under Funds used, in amounts not exceeding the Impact Fund used Affordability Gap</u> , to assist <u>the Owner-Occupant a Household</u> in the acquisition of a Property.
Affordable to the Local Work Force	The amount of housing payments made by the occupants of housing funded under the <u>Economic Development and Housing Challenge program Fund</u> is affordable based on the wages of jobs being created or retained in the local area, the fastest growing jobs in the local area, the jobs with the most openings in the local area, or the wages of the workforce employed by organizations making contributions under the <u>Economic Development and Housing Challenge program Fund</u> . Housing payments are affordable if they do not exceed <u>30% percent</u> of the wages being paid in the local area as the wages are described in the application for <u>Economic</u>

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	<u>Development and Housing Challenge program</u> program <u>Fund</u> funding.
<u>Agreement</u> <u>American Indian Household</u>	A Household that includes at least one household member who is enrolled in a federally recognized tribe. <u>A Fund Availability, Disbursement and Loan/Grant Agreement, a Grant Contract, or a Loan Contract.</u>

TERM	DEFINITION
<u>American Indian Household</u>	<u>A Household containing at least one person enrolled in a federally recognized tribe.</u>
Annualized Gross Income	Gross monthly income multiplied by 12. (See Chapter 2 of this Procedural Manual.)
Application for Funds	The application for funds prepared by an Administrator and submitted in response to the Single Family RFP as accepted in writing or electronically by Minnesota Housing including any conditions, restrictions or limitations contained in the Fund Availability, Disbursement and Loan/Grant <u>Agreement.</u>
<u>Borrower Bond Proceeds</u>	A Household that receives funds in the form of a loan with the obligation of repaying the loan and in addition, any person purchasing the real Property securing the loan, executing the promissory note or executing a guarantee of the debt evidenced by the promissory note. <u>Proceeds of Minnesota Housing's State Appropriation Bonds (Housing Infrastructure) that are disbursed by Minnesota Housing to the Administrator as a deferred, 0 percent interest loan for the acquisition of, demolition on, or Utility Connections on Land owned or to be owned by a Community Land Trust.</u>
<u>Bond Proceeds Loan</u>	<u>A deferred, 0 percent interest loan made by Minnesota Housing to the Administrator from Bond Proceeds for the purposes set forth in the Agreement.</u>
<u>Borrower</u>	<u>A person who is obligated to repay a Deferred Loan, typically under an Impact Fund Mortgage Note, and is a member of a Household.</u>
Co-Signer	Any one <u>A person who is</u> obligated to repay the underlying mortgage loan (signer of the mortgage note) but who is not in title to the subject Property and has not signed the mortgage deed.
Community Land Trust (CLT)	A private, non-profit organization that is designated a Section 501 (c) (3) tax-exempt organization and that is authorized to acquire Land to be leased for owner-occupied single family housing for low-and-moderate-income persons or families and that meets the criteria set forth in Chapter 3 of this Procedural Manual.
<u>CRV</u>	<u>Minnesota Housing's Community Revitalization Program, now known as the Community Homeownership Impact Fund Program.</u>
Deferred Loan	A non-amortizing, zero percent or low-interest loan from Minnesota Housing made to the <u>a Household or to an Administrator which in turn is lent by the Administrator to an Owner-Occupant to provide</u>

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	Affordability Gap Financing or rehabilitation or other improvements to Qualified Dwelling Units which <u>that</u> must be repaid to the extent provided in the Agreement and Chapter 6 of this Procedural Manual, be processed and closed by the Administrator and be assigned and transferred to Minnesota Housing.
<u>Deferred Loan Funds</u>	<u>Funds reserved by Minnesota Housing for use by the Administrator to provide Deferred Loans to Households for Affordability Gap Financing or Owner-Occupied Rehabilitation.</u>
<u>Developer Fee</u>	<u>The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in a New Construction or Acquisition, Rehabilitation, Resale Project, as described in Section 5.08 of this Procedural Manual.</u>

TERM	DEFINITION
Fair Market Sales Price	The market value of a Property as determined in an appraisal as completed by a licensed, qualified, third party appraiser at the time of sale to the Homebuyer <u>Household</u> , in accordance with the Uniform Standards of Professional Appraisal Practice.
Fund Availability, Disbursement and Loan/Grant Agreement	The <u>A</u> legal contract executed between Minnesota Housing and an Administrator that includes a cover letter and that may be amended or supplemented in writing according to its terms. This “Agreement” articulates funds awarded to an Administrator pursuant to Impact Fund and/or _____ Indian Housing Set-aside funds to complete Eligible Activities.
Grant <u>Funds</u>	Funds awarded by Minnesota Housing to an Administrator under the Agreement generally not requiring repayment and for use by the Administrator in accordance with this Procedural Manual <u>the Agreement</u> .
<u>Grant Contract</u>	<u>A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of a grant.</u>
Homebuyer <u>Household</u>	A type of Household that <u>is eligible to purchase a Property or Qualified Dwelling Unit and</u> benefits from the use of an Impact Fund Award in the New Construction or the Acquisition, Rehabilitation and resale, Resale of a Qualified Dwelling Unit and/or for Affordability Gap Financing to acquire a <u>Property or</u> Qualified Dwelling Unit.
Homeowner <u>Household</u>	A type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Qualified Dwelling Unit in which the Household has an ownership interest and that occupies the subject Property as its Principal Residence.
Household	A Homebuyer <u>Household</u> or Homeowner who meets Impact Fund Program guidelines and is eligible to receive Impact Fund Dollars from an Administrator <u>Household</u> .
Housing Ratio	The portion <u>proportion</u> of <u>a</u> Household’s monthly gross income (Annualized Gross Income divided by 12) necessary to pay the Borrowers’

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TERM	DEFINITION
	monthly housing expense Property expenses, which includes:are: monthly first-mortgage principal and interest charges on the first and any subordinate mortgage(s), principal and interest charges , Property taxes, hazard insurance, mortgage insurance, homeowners' association fees , land trust ground lease fees, and any Homeowners Association (HOA) fees . manufactured home park lot rent.
<u>HQS</u>	U.S. Department of Housing and Urban Development Housing Quality Standards.
<u>HUD</u>	The U.S. Department of Housing and Urban Development.
<u>Impact Fund</u>	Minnesota Housing's Community Homeownership Impact Fund Program.
<u>Impact Fund Award</u>	Impact Fund Dollars awarded to an Administrator by Minnesota Housing for a specific purpose and governed by a Fund Availability, Disbursement and Loan/Grant Agreement, Grant Contract, or Loan Contract, or some combination of those.
<u>Impact Fund Agreement Award Identification (ID) Number</u>	The unique identifier assigned to an Administrator's <u>Impact Fund Award</u> and listed on the Agreement <u>and</u> which must <u>should</u> be used on all forms and correspondence with Minnesota Housing.
<u>Impact Fund Dollars</u>	The aggregate funds that Minnesota Housing reserves and makes available to the Administrator for eligible activities under one or more <u>Agreements</u> .
<u>Indian Housing Set-Aside Funds</u>	A set-aside funding source awarded under the Impact Fund to an Administrator to exclusively serve American Indian Households by <u>conducting eligible activities under the Agreement</u> .
<u>Interim Loan</u>	A short-term loan made to an Administrator to assist with <u>acquiring, demolishing, rehabilitating or constructing homes for Owner-Occupants</u> .
<u>Land</u>	The real property upon which <u>Qualified Dwelling Units</u> are located or are to be constructed.

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TERM	DEFINITION
<u>Impact Fund Application for Funds</u>	<u>An Administrator’s request for Impact Fund Dollars prepared in response to Minnesota Housing’s Single Family RFP.</u>
<u>Impact Fund Dollars</u>	<u>The aggregate funds identified in Section 2.01 of the Agreement that Minnesota Housing will reserve and make available to the Administrator for eligible activities under the Agreement.</u>
<u>Indian Housing Set-Aside Funds</u>	<u>A set-aside funding source that is awarded by the Impact Fund to a specific Administrator to exclusively serve American Indian Households by conducting eligible activities under the Agreement and pursuant to this Procedural Manual.</u>
<u>Interim Loan</u>	<u>A short term, non or low interest bearing loan made to an Administrator to assist with acquiring, demolishing, rehabilitating or constructing Owner-Occupied housing</u>
<u>Land</u>	<u>The real property upon which Qualified Dwelling Units are located or to be constructed.</u>

<u>Level 3 Monitoring Exception</u>	<u>A monitoring finding that is a critical exception and requires a response by the Administrator. Level 3 findings are usually violations of published program guidelines and may significantly increase the overall risk to the program/project. A Level 3 finding is the only type of monitoring exception that requires a response.</u>
<u>Lien Waiver</u>	<u>A legal document that is executed by a contractor, subcontractors and material suppliers under which they relinquish any right they may have to place a lien on the Property for work performed or materials supplied.</u>
<u>Low Income Households Loan Contract</u>	<u>Households whose Annualized Gross Income is less than or equal to 80% of state or area median income (AMI). Income limits are listed on Minnesota Housing’s website. A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of a deferred loan funded by Bond Proceeds or an Interim Loan.</u>
<u>New Construction</u>	<u>Eligible New Construction activity as described in Chapter 4 of this Procedural Manual.</u>
<u>Low and Moderate Income Households Owner-Occupant</u>	<u>Households A Household whose Annualized Gross Income is less than or equal to income does not exceed 115% percent of state or area median income (AMI). Income limits are as adjusted from time to time by the U.S. Department of Housing and Urban Development and as listed on Minnesota Housing’s website. An Owner-Occupant must own the Qualified Dwelling Unit and use it as its Principal Residence. A Household that has purchased a Property subject to a contract-for-deed is considered an Owner-Occupant.</u>
<u>Owner-Occupied</u>	<u>Eligible Owner-Occupied Rehabilitation activity described in Chapter 4 of</u>

Comment [LN1]: Intentionally lower cased here to distinguish from Deferred Loan (caps) to homeowners/homebuyers.

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<u>Rehabilitation</u>	<u>this Procedural Manual.</u>
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TERM	DEFINITION
Owner Occupant	A Homeowner or Household whose income does not exceed 115% of state or area median income (AMI) as adjusted from time to time by the US Department of Housing and Urban Development and as listed on Minnesota Housing’s website. An Owner Occupant must own the Qualified Dwelling Unit and use it as their Principal Residence. A Household that has purchased a Property subject to a contract for deed is considered an Owner Occupant.
Plans and Specifications	Documents including drawings, diagrams or sketches that describe the work to be done, as well as all measurements and construction details and a detailed list of the products and materials.
Private Developer Principal Residence	An individual or a for-profit, non-governmental entity, including, but not limited to, a cooperative housing corporation. The Property which the Homebuyer Household or Homeowner Household regularly occupies as its main dwelling place for at least nine months of the year.
Principal Residence Private Developer	The Property which the Homebuyer regularly occupies as their main dwelling place for at least nine months of the year. An individual or a for-profit nongovernmental entity, including a cooperative housing corporation as defined in Minnesota Rule 4900.0010, subpart 8, and a limited dividend entity as defined in part Minnesota Rule 4900.0010, subpart 14.
Processing Entity	A Minnesota Housing approved lender who enters into An entity that has a contract contractual relationship with an Administrator and has been approved by Minnesota Housing to process conduct eligible activities under the Impact Fund awards .
Procedural Manual	This Community Homeownership Impact Fund Program Procedural Manual.
Project	The housing development activity associated with a Property. The housing development activity is the approved activity carried out in accordance with the Agreement.
Property	The Land and the Qualified Dwelling Unit(s) situated thereon.
Public Housing Agency	Any state, county, municipality or other governmental entity or public body (or agency or instrumentality thereof) that is authorized to engage or assist in the development or operation of low-income housing.
Qualified Dwelling Unit	A structure consisting of one-to-four units, a condominium, or a townhouse which that is or will be occupied by the owner Homeowner Household or Homebuyer Household as his or her its Principal Residence and which that is located on or will be constructed on Land and are is part of a Project.
Single Family Request for Proposal (RFP)	The process by which the Single Family Division of Minnesota Housing solicits Administrator Applications for Funding under the Impact Fund.

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TERM	DEFINITION
Single Family Request for Proposal (RFP)	The process by which the Single Family Division of Minnesota Housing solicits Administrator Applications for Funding under the Impact Fund Program.

Scope of Work	A detailed outline of the necessary rehabilitation work to be completed on the Project.
Sworn Construction Statement	A sworn statement of fact made by a general contractor that lists all of the work to be performed on a Qualified Dwelling Unit, the subcontractors who will perform the listed work, material suppliers who will supply materials for the listed work, and the cost of each individual item of work and item of material that will be supplied.

Title Company	An organization that provides Property title examination and title insurance coverage, closing services and disbursements of construction funds.
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Total Development Cost	Total eligible costs of a Project as described in Section 5.0405 of this Procedural Manual.
Tribal Land	Any Land owned or governed by a federally recognized tribe.
Underserved Populations	Households of color or Hispanic ethnicity; single heads of Households with minor children; and Households with a disabled member(s).
Utility Connections	Connections on the Land from utilities in the street or alley to a Qualified Dwelling Unit, including limited to the following: <ol style="list-style-type: none"> 1. <u>ProvisionConnection</u> of gas supply to a Qualified Dwelling Unit's gas service regulator. 2. <u>ProvisionConnection</u> of utility electricity service <u>electrical supply</u> to the electricity meter at a Qualified Dwelling Unit. 3. <u>ProvisionConnection</u> of municipal water supply to a water meter located inside a Qualified Dwelling Unit. 4. <u>ProvisionConnection</u> of sanitary sewer service to the Qualified Dwelling Unit, (i.e., construction or replacement of the house sewer between the 5. <u>sewer and the building drain</u>). The waste stacks within the walls of a Qualified Dwelling Unit are not included in this definition. 6. If required by a local municipality: <u>ProvisionConnection</u> of storm sewer service to the Qualified Dwelling Unit and/or any storm water retention system located on the Property.
Value Gap	The difference between the Fair Market Sales Price and the Total Development Cost of a Project, <u>and the Fair Market Sales Price of the Property</u> .

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Appendix B: Forms List

~~Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds~~
~~Extension Request~~
~~Household Demographic Project Information Form~~
~~Impact Fund Annual Report/Final Close Out Report~~
~~Impact Fund Deferred Loan Closing Instructions and Deferred Loan Transmittal Form~~
~~Impact Fund Mortgage~~
~~Impact Fund Mortgage Note~~
~~Lead-Based Paint Summary~~
~~Non-Occupant Spouse Statement~~
~~Request for Funds~~
~~Zero Income Statement~~

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The forms listed below are available on Minnesota Housing’s Impact Fund webpage.

Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds

Extension Request

Household Demographic Project Information Form

Impact Fund Annual Report/Final Close Out Report

Impact Fund Deferred Loan Closing Instructions and Deferred Loan Transmittal Form

Impact Fund Mortgage

Impact Fund Mortgage Note

Lead-Based Paint Summary

Non-Occupant Spouse Statement

Request for Funds

Zero Income Statement

Appendix C: Required Program Documentation

A. ADMINISTRATOR FILE

A. ADMINISTRATOR FILE

Annual/Progress Reports (if applicable)
The Agreement
Evidence of Minnesota Housing staff approval of Program-, Household and/or Property-specific Waiver(s), as applicable. Application for Funds
Request for Funds Evidence of Minnesota Housing staff approval of Program-, Household-and/or-Property-specific Waiver(s), as applicable.
Administrator insurance certificate(s) – Commercial General Liability and Worker’s Compensation, at statutory coverages. Request(s) for Funds
Other Correspondence (if applicable) General ledger and any sub ledger(s) evidencing all Project revenues, including Impact Fund Dollars received, and Project expenditures

B. HOUSEHOLD/BORROWER FILE

Household Last Name	First Name	Middle Initial
Property Address	City	Impact Fund Award Number

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Household’s/Borrower’s application(s) for assistance (for Owner-Occupied Rehabilitation Projects and Homebuyers receiving Affordability Gap assistance)
Evidence of Tennessee and data privacy disclosure
Verification of American Indian tribal affiliation/membership (if applicable)
Appraisal completed, at the time of sale to the Homebuyer by a licensed, qualified, third party appraiser in accordance with the Uniform Standards of Professional Practice (not required for Owner-Occupied Rehabilitation)
Assignment of Mortgage to MHFA (if applicable)
Impact Fund Mortgage and Mortgage Note (for Affordability Gap financed houses and Borrowers receiving Owner-Occupied rehabilitation Impact Fund Deferred Loans)
Good Faith Estimate & Truth-in-Lending disclosure, a Loan Estimate, or memorandum explaining exemption from disclosure requirements (for deferred loans for Affordability Gap or Owner-Occupied rehabilitation Borrowers receiving Impact Fund Deferred Loans)
Documented method to determine Affordability Gap (for Households receiving Affordability Gap assistance)

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Mortgage Note <u>Evidence of eligibility review and referral for underlying first mortgage of Homeowner other programs/(in cases of an occupying Co-Signer (not required) ability to repay a Fix Up loan (for Households receiving Owner-Occupied Rehabilitation loans)</u>
Documented method to determine Affordability Gap <u>Borrower's first-mortgage Uniform Residential Loan Application (Fannie Mae Form 1003) (for Households receiving Affordability Gap assistance)</u>
Lender/Owner's Title Insurance Policy (if purchased) or Attorney's Title Opinion
Evidence of Tennessee and data privacy disclosure
Household Demographic/Project Information Form
Income Verification, including but not limited to the prior year's federal income tax returns <u>and one month of recent paystubs or nonwage income statements</u>
and one month of recent paystubs
Non-Occupant Spouse Statement (if applicable)
Zero Income Statement (if applicable)
Annualized Gross Income Worksheet (optional)
Proof of ownership – copy of Deed <u>with recent verification from a recorder's office</u> , Certificate of Title, <u>a title report</u> , or <u>approved equivalent, such as</u> an Owners & Encumbrance Report
Purchase Agreement (if applicable)
Settlement statement or closing document (HUD-1, HUD-1A, or Closing Disclosure), or memorandum explaining exemption from disclosure requirements
Notice of Homeowner's Right of rescission (for <u>Households receiving Owner-Occupied Rehabilitation loans</u>)
Household Demographic Project Information Form
Land Lease Agreement (if applicable)

C. CONSTRUCTION/PROPERTY FILE

<u>1C. CONSTRUCTION/PROPERTY FILE</u>	<u>New Construction and Acquisition/Rehabilitation/Resale</u>
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<u>1</u>	<u>New Construction and Acquisition, Rehabilitation, Resale</u>
	<u>Documentation of Project budget and actual expenses including but not limited to all books, records, bills, invoices, receipts, and statements of account</u>
	Purchase Agreements
	Settlement Statements
	<u>Building Permits</u> <u>Appraisal(s) establishing Fair Market Sales Price</u>
	Certificate of Occupancy or certificate of completion
	Evidence of clear predevelopment title (e.g., Title Insurance) (if applicable)
	Evidence of using state licensed contractor, <u>if required to be licensed</u>
	Final Project Budget/Cost Summary/Sources and Uses document (including documented <u>method to determine determination of Value Gap</u>)

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Scope(s) of Work (only for rehabilitation)	
<u>Before and after pictures of rehabilitation work</u>	
Bids, Documentation of the bidding and/or purchasing process, including bids/cost estimates for improvements or a Cost Study	
Contracts and Change Orders	
<u>Evidence that no contractor used is debarred or suspended</u>	
Site and Building Plans and Specifications (only for New Construction)	
Survey (only for New Construction)	
<u>Sworn Construction Statement(s)</u>	
Lien Waivers corresponding to the Sworn Construction Statement(s) and corresponding lien waivers (or approved equivalent)	
Evidence of Foreclosed or Abandoned Property, as required by the Agreement (If using Bond Proceeds awarded in October 2012, see Section 6.10 for specific requirements)	
Housing Infrastructure Bond Proceeds Certificate, (evidence of expenditure of deferred loan) , if applicable (See Section 6.10 for details)	

2	Green Communities Compliance
	Minnesota Housing-approved Green Communities Criteria Waivers (if applicable)
	Pre-construction:
	Intended Methods Worksheet
	Acquisition, Rehabilitation, Resale: Energy Audit and Energy Efficiency Improvement Plan or HERS rater energy model
	<u>Acquisition, Rehabilitation, Resale: Post-renovation energy auditor inspection report or HERS rater report</u>
	Acquisition, Rehabilitation, Resale of Homes Built Prior to 1978: Lead Based Paint Risk Assessment or Inspection Report
	<u>Acquisition, Rehabilitation, Resale of Homes Built Prior to 1978: Lead Based Paint Summary and, if required, a Lead Hazard Clearance Report</u>
	<u>Acquisition, Rehabilitation, Resale: Radon Testing Report(s)</u>
	New Construction: HERS rater energy model to ENERGY STAR® Certified New Home standards
	Post New Construction: <u>ENERGY STAR® Certified New Home certificate</u>
	Post-construction:
	Intended Methods Worksheet including End of Construction Compliance Certification, or Enterprise Green Communities Certification

Stand-alone Affordability Gap activity (which does not include construction or rehabilitation) and Owner-Occupied Rehabilitation activity are exempt from Green Communities Compliance.

3	Acquisition/Owner-Occupied Rehabilitation: Post-renovation energy auditor inspection report or HERS rater report
	New Construction: ENERGY STAR® Certified New Home certificate
	Rehabilitated Homes Built Prior to 1978: Lead Based Paint Summary and, if required, a

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	<u>Lead Hazard Clearance Report</u> Documentation of Project budget and actual expenses including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Acquisition/Rehabilitation: Radon Testing Report(s)

Stand-Alone Affordability Gap programs (which do not include construction or rehabilitation) and Owner-Occupied rehabilitation programs are currently exempt from Green Communities Compliance.

3	Owner-Occupied Rehab
	Rehabilitation Scope of Work
	Bids, Cost Estimates for Improvements or a Cost Study
	Evidence of using State licensed contractor
	Building Permits
	Certificate of Completion
	Final Project Budget/Cost Summary/Sources and Uses document
	Rehabilitation Scope(s) of Work
	Documentation of the bidding and/or purchasing process including bid(s)/cost estimate(s) for the Scope(s) of Work
	Evidence of using state licensed contractor, if required to be licensed
	Contracts for rehabilitation, including any Change Orders (not applicable to Community Fix Up Loan Program write-down Projects)
	Certificate(s) of completion (not applicable to Community Fix Up Loan Program write-down Projects)

Manufactured Housing

4	Manufactured Housing
	Documentation of Project budget and actual expenses including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Final Project Budget/Cost Summary/Sources and Uses document
	Building Permits (e.g., utility hook-ups, etc.)
	Certificate of Occupancy
	Documented method to determine Value Gap (if applicable)
	Rehabilitation Scope of Work (if applicable)
	Evidence of using state licensed contractor/installer
	Bids, Documentation of the bidding and/or purchasing process including bids/cost estimates for improvements or a Cost Study
	Final Project Budget/Cost Summary
	Scope of Work – Rehab

Administrators using Indian Set-aside Funds should contact For Projects on Tribal Land, Minnesota Housing to determine the acceptability of may accept additional documents equivalent to those provided in the lists or alternative documentation to that listed above.