



Disaster Recovery Loan Program Manual

May 2020



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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 housing that is affordable.

Procedural Manual

This Manual (this “Manual”), including later changes and additions, sets forth for the Administrator the terms and conditions under which the Minnesota Housing Finance Agency (“Minnesota Housing”) will purchase loans originated under its Disaster Recovery Loan Program and is a supplement to the Minnesota Housing Finance Agency Participation Agreement for the Disaster Recovery Loan Program (the “Participation Agreement”) executed by the Administrator and Minnesota Housing. The Participation Agreement, as applicable, is incorporated into this Manual.

Disaster Recovery Loan Program

The Disaster Recovery Loan Program offers state financial assistance to individuals whose Principal Residence or Single Family Rental Property sustained damage as a result of a disaster designated under a Presidential Natural Disaster Declaration that is not fully covered by the Federal Emergency Management Agency (FEMA), the Small Business Administration (SBA), or hazard/flood insurance.

State assistance is offered in the form of an interest free, non-amortizing, forgivable loan (after ten years from the date of the Note) under the conditions defined in Section 5.08.

Chapter 1 - Partner Responsibilities/Warranties

1.01 Manual

Minnesota Housing reserves the right to:

- Alter or waive any of the requirements in this Manual
- Impose other requirements
- Rescind or amend any or all materials effective as of the date of issue, unless otherwise stated

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

1.02 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 Disaster Recovery Loan Program to the Minnesota Attorney General's office for legal action
- If, after a loan is made, the Administrator discovers any material misstatements or misuse of the funds of the loan by the borrower or others, the Administrator will promptly report the discovery to Minnesota Housing
- Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Administrator or the borrower. This includes loan funds, together with all applicable administrative costs and other fees or commissions received by the Administrator in connection with the loan, and all attorney fees, legal expenses, court costs, or other expenses incurred by Minnesota Housing in connection with the loan or its recovery

1.03 Disclosure and Use of Social Security Numbers

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Chapter 270A) and Minnesota Statutes Section 270C.65 allows the disclosure of the borrower's Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the borrower to Minnesota Housing.

1.04 Unauthorized Compensation

The Administrator receives fees approved in this Manual. The Administrator cannot receive or demand from the builder, remodeler, contractor, supplier, or borrower:

- Kickbacks, rebates, or discounts
- Commissions
- Other compensation

1.05 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Administrator must keep on file a complete copy of the documents for each loan originated for purchase by Minnesota Housing. A loan file may be requested to be made available to Minnesota Housing at the Administrator's office during regular business hours or sent to Minnesota Housing for review. Loan audits will include, but are not limited to, a minimum of 10 percent of all loans purchased.

Audited loans are reviewed for:

- Minnesota Housing program and policy compliance; and
- Fraud or misrepresentation on the part of any party involved in the transaction.

1.06 Termination of Administrator Participation

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

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

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

Minnesota Housing may, at its choice, impose remedies other than termination of the Participation Agreement for the Administrator's nonperformance.

The Administrator can ask for reinstatement into the Disaster Recovery Loan Program. The decision whether to reinstate the Administrator is at Minnesota Housing's sole discretion.

1.07 Representations and Warranties

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

- 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
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988)
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A)
- Data Practices - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065
- Minnesota Rules 4900.3646 and 4900.3652¹
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101 et. seq.
- Real Estate Settlement Procedures Act of 1974
- The Housing and Economic Recovery Act of 2008 (HERA)
- The Mortgage Disclosure Improvement Act (MDIA)
- The S.A.F.E. Mortgage Licensing Act of 2008 (12 USC 5101, et. seq.)

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

- Will follow all terms and conditions in the Participation Agreement and this Manual for each loan processed and closed unless prior written approval is obtained from Minnesota Housing;
- Is a nonprofit, governmental entity, or other organization designated by Minnesota Housing that has, as a primary purpose, the provision or development of affordable housing to low-income persons or households in Minnesota, with which Minnesota Housing, in its sole discretion, enters into a Participation Agreement for local administration of the program;
- Meets all requirements of state and federal law to originate and sell loans under the Participation Agreement and this Manual;
- Will keep adequate capital and trained personnel for the administration of the Disaster Recovery Loan Program;

¹ Rents must be affordable to the local work force. Affordable Rent and Wage guidelines are available on Minnesota Housing's website.

- Has an Affirmative Action Plan approved by the Minnesota Department of Human Rights with a current Certificate of Compliance, if it has more than 40 employees and a contract in excess of \$100,000; and
- And that on the date each loan was closed:
 - No payment or fee was requested or received by the Administrator from the borrower or contractor; and
 - The Administrator has closed the loan following the instructions given in this Manual.

1.08 Administrator Duties

In addition to other duties stated in this Manual, the Administrator agrees to complete the following tasks:

- Staff the Disaster Recovery Centers (DRCs) if determined by Minnesota Housing to be necessary;
- Communicate and follow-up with impacted homeowners or borrowers who have contacted the Administrator about the Disaster Recovery Loan Program;
- Originate, process, underwrite, and close Disaster Recovery Loan Program loans;
- Perform property inspections, if required by the Disaster Recovery Loan Program; and
- Track all activities above and provide reports to Minnesota Housing.

1.09 Administrator Compensation

The Administrator is compensated as follows:

- Staffing of DRCs:
 - \$300 per day per DRC staffed; and
 - Mileage reimbursement for travel to and from the DRCs at the allowable state reimbursement rate.
- Loans purchased by Minnesota Housing:
 - \$1000 per purchased loan with \$705 disbursed at loan commitment and \$295 disbursed at loan purchase approval.
- Minnesota Housing required inspections:
 - \$350 for a property inspection completed by the Administrator, if required by this Manual.

1.10 Selection of Contractors

The Administrator must allow the borrower to select the contractor(s). The borrower must find a state of Minnesota licensed contractor to perform the required Rehabilitation. If an Institutional Community Work Crew or a Sentence to Serve Work Crew completes Rehabilitation, the Administrator must fully disclose the work crew's procedural requirements and receive the borrower's written permission.

1.11 Contractor Licensing and Status

A state of Minnesota licensed contractor² must complete the Rehabilitation on the property, except when homeowner labor is involved (see section 5.04). The Administrator will verify the contractor is licensed and in good standing in the state of Minnesota³. The Minnesota Department of Labor and Industry (www.dli.mn.gov) provides a license lookup tool. The tool allows the Administrator to lookup the contractor's license status and any enforcement actions there may be against the contractor.

² Consideration of a non-licensed state of Minnesota contractor will be evaluated and approved by Minnesota Housing on a case-by-case basis.

³ Consideration of out-of-state contractors will be evaluated and approved by Minnesota Housing on an as-needed basis. Out-of-state contractors may be approved if they border the area covered by a Presidential Natural Disaster Declaration and if other in-state contractors are unavailable or unable to perform the required work.

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

2.01 Fraud

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

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

2.02 Misuse of Funds

A loan and Participation Agreement are legal contracts. The borrower and Administrator must use the funds to engage in eligible uses or procure certain goods, or services when Minnesota Housing provides funds to the borrower or Administrator to pay for those eligible uses, goods, or services. Regardless of the Minnesota Housing program or funding source, the borrower or Administrator must use Minnesota Housing funds as agreed and the borrower or Administrator must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

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

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

2.03 Conflict of Interest

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

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

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

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

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

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

2.04 Suspension

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

2.05 Disclosure and Reporting

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., Administrators, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- Minnesota Housing's Chief Risk Officer
- Any member of Minnesota Housing's Servant Leadership Team
- EthicsPoint, the Minnesota Housing hotline reporting service vendor

Chapter 3 - Borrower Eligibility Requirements

3.01 Borrower

A borrower is one individual or multiple individuals, including owners of Single Family Rental Property,⁴ who meet the requirements of this Manual.

3.02 Borrower Age

The borrower must be eighteen (18) years of age or older or be declared emancipated by a court having jurisdiction.

3.03 Co-Signers

Co-signers are not allowed on Disaster Recovery Loan Program loans.

3.04 Unauthorized Compensation

The borrower cannot receive kickbacks, rebates, discounts, or other compensation from any party to the transaction. In order to reduce the Rehabilitation costs, a borrower may receive discounts from the builder, remodeler, contractor, or supplier. In these cases, the borrower file must include documentation 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.

3.05 Ownership Interest

The borrower and Accommodation Party, individually or in the aggregate, must have 100 percent ownership interest in the property to be rehabilitated or replaced.

Eligible forms of ownership interest include the following:

- A fee simple estate
- A leasehold estate⁵ or
- A leasehold estate subject to a Community Land Trust

The title can be held in the following ways:

- Individual, joint tenancy, a tenancy-in-common, or tenancy by the entirety
- Vendee interest in a recorded contract-for-deed or
- A recorded life estate, excluding Remainderman⁶

Note: Property held in trust is not eligible for a Disaster Recovery Loan Program loan.

⁴ With respect to Single Family Rental Property, the borrower may be a business entity if prior written approval is received from Minnesota Housing. The approval is at the sole discretion of Minnesota Housing.

⁵ The Leasehold must have a remaining term of at least ten years from the date of closing of the Disaster Recovery Loan Program loan.

⁶ Remainderman will be required to sign the Mortgage as an Accommodation Party.

3.06 Occupancy Requirements

Owner-Occupied Properties

A borrower completing Rehabilitation or replacement of an existing home must have occupied the property as the Principal Residence immediately before the disaster and must occupy the property as the Principal Residence immediately upon completion of the Rehabilitation_or replacement.

Non-Owner Occupied Properties

A borrower completing Rehabilitation or replacement of a Single Family Rental Property must have owned the property as a Single Family Rental Property immediately before the disaster and must continue to own and rent the property immediately upon completion of the Rehabilitation or replacement.

3.07 Minnesota Housing Program Eligibility Income

Gross annual household income is the gross income of all residents age 18 and over of the borrower's household, from whatever source derived (except for incidental income from after school employment of persons under 18 years of age) and before taxes or withholding. **There is no income limit for this program.**

3.08 Other Requirements

If FEMA or SBA offer financing or grants for disaster recovery, the borrower(s) must:

- Have applied for and either received or had a firm commitment for the receipt of the maximum assistance for which they are eligible from FEMA;
- Have had an SBA loan application declined or received an SBA limited loan;
- Have sought reconsideration from SBA if damages exceed approved SBA real property assistance, excluding recipients of an SBA limited loan;
- Have notified the Administrator if they are seeking, have sought, or will later seek reconsideration from SBA;
- Have documented property Rehabilitation or replacement costs not fully covered by hazard/flood insurance, FEMA, and SBA (e.g., bids, receipts, insurance adjustor's estimate, etc.);
- Have a documented request for a modified loan amount from SBA, if there is an increase in repair costs that exceed the original SBA amount;
- Have a document stating SBA's action on the request for the modified loan amount; and
- Have applied for a Disaster Recovery Loan Program loan no later than 60 days after FEMA and SBA application deadlines.

Upon notice by the borrower of reconsideration, the Administrator will hold any pending application under the Disaster Recovery Loan Program until finalization of the SBA process. The

Administrator will promptly notify Minnesota Housing if the borrower was denied SBA assistance and is seeking reconsideration.

Any governmental funds or private insurance funds received after receipt of a Disaster Recovery Loan Program loan relating to the same disaster may result in a corresponding reduction or repayment of the Disaster Recovery Loan Program loan.

Generally the borrower(s) cannot:

- Have more than one Disaster Recovery Loan Program loan per property, per declared disaster;
- Have a Disaster Recovery Loan Program loan if they have received a buyout or mitigation funded in whole or in part by any federal or state agency; or
- Have a Disaster Recovery Loan Program loan to rehabilitate or replace a property on an alternate site if SBA has not approved the change in SBA assistance.

3.09 Separated Spouses

When the Administrator shows that a spouse permanently lives outside of the household, that separated spouse can be excluded from signing the Disaster Recovery Loan Program loan application and Note, but must sign the Mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation;
- Proof of initiated divorce proceedings; or
- Verification of separate principal residence and the absence of joint accounts.

3.10 Loans to Employees and Affiliated Parties

The Administrator can make Minnesota Housing loans to their directors, officers, employees, or their families as well as to builders, realtors, or their families, and any other principal with whom the Administrator does business. Minnesota Housing employees and their families are eligible subject to approval by the Minnesota Housing Board of Directors. The borrower must satisfy all eligibility criteria for the Disaster Recovery Loan Program.

Chapter 4 - Property Eligibility

4.01 Eligible Properties

To qualify as an eligible property for a Disaster Recovery Loan Program loan, the property must be:

- Located in the state of Minnesota in the area covered by a Presidential Natural Disaster Declaration; and
- An owner-occupied property or Single Family Rental Property⁷ not intended for transient occupancy. This can include:
 - A Single Family detached home
 - A duplex⁸
 - A triplex⁹
 - A fourplex¹⁰
 - A twin home
 - An eligible unit in a Planned Unit Development (PUD)¹¹
 - A unit of a condominium¹²
 - A townhome¹³
 - A manufactured home on permanent foundation and taxed as real estate (single or double wide)
 - An owner-occupied manufactured home in a manufactured home park.

Note: Single Family Rental Properties repaired using a Disaster Recovery Loan Program loan must undergo a final inspection by the Administrator.

⁷ Rent charged must be affordable to the local workforce for at least ten years from the date of closing the Disaster Recovery Loan Program loan.

⁸ The borrower must occupy one unit of the duplex.

⁹ The borrower must occupy one unit of the triplex.

¹⁰ The borrower must occupy one unit of the fourplex.

¹¹ If the property is a condominium or townhome, only the portion of the real estate owned by the Borrower is eligible for Rehabilitation or replacement. Common areas owned by the association are not eligible for Rehabilitation or replacement.

¹² If the property is a condominium, only the portion of the real estate owned by the Borrower is eligible for Rehabilitation or replacement. Common areas owned by the association are not eligible for repair or replacement.

¹³ If the property is a townhome, only the part of the real estate owned by the borrower is eligible for Rehabilitation or replacement. Common areas owned by the association are not eligible for Rehabilitation or replacement.

4.02 Ineligible Properties

Properties ineligible for financing include:

- A Recreational or seasonal home
- A Property held in trust
- A property, other than a Single Family Rental Property, primarily used for business (more than 50 percent of the floor space is used for business)¹⁴
- Any property that already has a Disaster Recovery Loan Program loan relating to the same disaster

4.03 Local Ordinances and Plans

All property improvements must conform to applicable zoning ordinances and appropriate use permits must be obtained.

¹⁴ A property primarily used for business does not constitute a Single Family Rental Property under the Disaster Recovery Loan Program.

Chapter 5 - Loan Eligibility

5.01 Eligible Loans

Minnesota Housing purchases closed loans from the Administrator under contract in Minnesota Housing loan programs. The Administrator must warrant the following criteria are met for each loan submitted for purchase:

- The loan was originated, processed, underwritten, and closed following the requirements of this Manual;
- All local, state and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending, and wrongful discrimination in residential housing are met;
- All Disaster Recovery Loan Program property requirements are met;
- The Administrator made an Individual Commitment of funds in the Loan Commitment System;
- The loan was originated and closed in the name of the Administrator; and
- The loan amount does not exceed the maximum loan amount and is the amount necessary to return a property to its pre-disaster condition less the total funds the borrower received from hazard/flood insurance, FEMA, or SBA.

5.02 Loan Amount

Under the Disaster Recovery Loan Program, the minimum loan amount is \$1,000 and the maximum loan amount is based on the funding available from the state of Minnesota at the time of the disaster. (See the [Appendix](#) for the specific disaster located in the Resource Section of Minnesota Housing's website.) The Appendix is incorporated into this Manual.

5.03 Disbursement of Funds

Prior to the disbursement of funds and start of the Rehabilitation, a written contract must be executed (signed and dated) between the borrower and contractor.

Loan Amount Less than \$10,000

When the Disaster Recovery Loan Program loan amount is \$10,000 or less, the loan funds will be provided in one check made payable to the borrower. No inspection is required. The Administrator may, however, require an inspection at its discretion upon receiving the written approval of Minnesota Housing.

Loan Amount greater than \$10,000

When the Disaster Recovery Loan is greater than \$10,000, the loan funds will be provided in two checks made payable to the borrower.

The checks will be disbursed after the loan has been closed in the following manner:

- First check, not to exceed 50 percent of the total Rehabilitation costs; then
- Second check, for the remaining balance of the Rehabilitation cost work after the Administrator performs and completes an inspection of the property to ensure all work has been completed.

5.04 Homeowner Labor

Homeowner labor is allowed if the Administrator is satisfied that the homeowner has the ability, skills, and willingness to perform the Rehabilitation. The homeowner must comply with all applicable building codes, regulations, and ordinances. The homeowner cannot be compensated or reimbursed for the cost of any labor performed by themselves or other household residents. The loan file must include documentation of the actual cost of all materials and supplies necessary to complete the Rehabilitation by the homeowner.

If the cost of the materials is greater than \$5,000, the following additional criteria must be met:

- Before the loan closes, the homeowner must provide proof of all permits required and obtained;
- The homeowner must obtain a contractor bid with a breakdown of materials and labor to support the cost of the materials; and
- The Rehabilitation must be complete within 90 days of receiving the Disaster Recovery Loan Program loan funds.

5.05 Eligible Use of Funds

Disaster Recovery Loan Program loan funds are limited to the following uses:

- To complete Rehabilitation or replacement with existing or newly constructed homes, an owner-occupied property or a Single Family Rental Property that:
 - Is located within the counties named in the Presidential Disaster Declaration; and
 - Was damaged or destroyed by the disaster referenced in the Presidential Disaster Declaration.
- To complete Rehabilitation and return owner-occupied contract-for-deed properties to their pre-disaster condition.
- To complete Rehabilitation of contract-for-deed properties returned to the vendor as a result of the disaster.¹⁵

Rehabilitation financed with Disaster Recovery Loan Program loans:

- Must be permanent and meet the minimum provisions contained in the State Building Code
- Must help return an owner's existing home to a habitable condition
- Can replace an owner's home on the site of the building destroyed as a result of the disaster
- Must be in compliance with all health, fire prevention, building codes, and standards
- Can replace appliances that are built-in or otherwise attached as a fixture
- Can be used to pay off credit card bills and other debt incurred for capital improvements made incident to the disaster

5.06 Ineligible Use of Funds

Ineligible uses of funds include, but are not limited to, the following:

- Funding luxury upgrades – Improvements cannot include materials or fixtures exceeding those customarily used in similar properties or for improving the property beyond its pre-disaster condition;
- Payment of public improvement – Loan funds cannot be used in whole or in part to pay public improvements or assessments for public improvements;
- Landscaping improvement or repair;
- Funding replacement or repair of personal property (except any appliance that is built-in or otherwise attached as a fixture damaged in the disaster);
- Payment of existing debt – Loan funds cannot be used to pay off existing debt except for credit card and other debt incurred for capital improvements or repairs incident to the disaster;

¹⁵ The contract-for-deed must be in place before the disaster and legally cancelled before the closing of the Disaster Recovery Loan Program loan.

- Rehabilitation or replacement of a property located outside the counties named in the Presidential Natural Disaster Declaration;
- Replacement of a manufactured home not on a permanent foundation that is located outside a manufactured home park;
- Funding more than one Disaster Recovery Loan Program loan for the same borrower, per declared disaster;
- Funding a Disaster Recovery Loan Program loan on a property in default or foreclosure through which completion of the default or foreclosure would prevent the borrower from occupying the property for a term long enough to achieve forgiveness of the Disaster Recovery Loan Program loan;
- Funding a Disaster Recovery Loan Program loan for a borrower who is eligible and has applied for, or has received, a home buyout or mitigation funded in whole or in part by any federal or state agency;
- Funding a Disaster Recovery Loan Program loan on an alternate site within the counties named in the Presidential Natural Disaster Declaration, when SBA declined to approve the change in location or use;
- Providing funds to rehabilitate or replace a property when the underlying first lien financing is a contract-for-deed that is not fully amortizing or has a term of less than ten years; and
- Providing funds to buy tools or cleaning supplies.

5.07 Security Requirements

The Administrator will secure all loans with either a Mortgage or lien on title (for a manufactured home in a manufactured home park) unless prior written approval from Minnesota Housing is obtained.

5.08 Loan Term

All Disaster Recovery Loan Program loans are interest-free and non-amortizing with a ten year forgivable term under the following conditions:

- The borrower has owned and occupied the property as their Principal Residence immediately before the disaster and must continue to own and occupy the property as a Principal Residence for ten years following the date of closing of the Disaster Recovery Loan Program loan; or
- The borrower has owned and rented the property immediately before the disaster and must continuously own and rent the property for ten years following the date of closing of the Disaster Recovery Loan Program loan. If a Single Family Rental Property is sold before the end of the ten year period, the buyer can assume the loan if there is an agreement to comply with the remaining period of rent affordability. The buyer is required to sign the Disaster Recovery Loan Program Certification of Rents, indicating rents charged are equal to or below the amount determined as affordable to the local work force.

5.09 Non-Complying Loans

Minnesota Housing has the right to take one or more of the following actions in the event the Administrator submits a loan that does not, as determined by Minnesota Housing, fulfill the requirements of this Manual:

- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Administrator to repurchase the loan for the purchase price;
- End, suspend, or otherwise limit the Administrator's Participation Agreement with Minnesota Housing; and/or
- Prevent the Administrator from future participation in Minnesota Housing programs.

5.10 Repurchase of Loans

Minnesota Housing may, at its choosing, require the Administrator to repurchase the loan if:

- Any representation or warranty of the Administrator or the borrower with respect to the loan is found by Minnesota Housing to be materially incorrect; and/or
- The loan is not in compliance with any term or condition in the Participation Agreement and this Manual.

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

Chapter 6 - Commitment and Disbursement

6.01 Disaster Needs Assessment Survey

The Administrator will conduct an initial interview with the borrower to determine the extent of damage to the borrower's property. Upon completion of the interview, the Administrator will fill out the Disaster Needs Assessment Survey module in the Loan Commitment System based on information from the interview. The Administrator will also explain the process for receiving Disaster Recovery Loan Program funds and will give the borrower a Disaster Recovery Loan Program Borrower Application.

The Administrator will:

- Complete a Disaster Needs Assessment Survey for each borrower interviewed; and
- Enter borrower disaster information in the Disaster Needs Assessment Survey module on the Loan Commitment System no later than 3:00 PM on each business day.

6.02 Issuing a Conditional Commitment

Once the Administrator has determined a borrower meets the Disaster Recovery Loan Program requirements, a Conditional Commitment of funds is requested through the Loan Commitment System.

The borrower will obtain at least one estimate from a licensed contractor and figure out if the funds from FEMA, SBA, and the insurance company are enough to cover the cost of the Rehabilitation. If the funds from all other sources are not enough, the borrower will apply for Disaster Recovery Loan Program funds and supply the necessary documentation to the Administrator. Refer to Section 7.02 and the Loan Transmittal form for specific documentation and delivery requirements.

Commitments are valid for 180 days from the date of the commitment unless an extension is requested by the Administrator and granted by Minnesota Housing before 3:00 pm on the 180th day. Loans must meet eligibility requirements and gain a status of Purchase Approval via the Loan Commitment System no later than 3:00 p.m. on the 180th day. All commitments are automatically cancelled at day 181.

The Administrator will issue a Conditional Commitment up to the maximum amount available. The amount is defined by the damage category and the corresponding maximum Conditional Commitment amounts, as determined by the damage assessment.

To find the maximum Conditional Commitment amount, a damage assessment or, as applicable, a purchase/construction agreement for acquisition of a replacement home will serve as a basis to offer a Conditional Commitment for the borrower. Conditional Commitments are based on estimated funding recovery gaps to either rehabilitate or replace a home under the Disaster Recovery Loan Program.

If a property is to be rehabilitated, the gap amount is determined by any one of the following:

- The property assessment conducted by SBA;
- An assessment conducted by another inspector; or
- If neither of the first two are available, the borrower’s damage estimate.

If the property is to be replaced, the Conditional Commitment amount is the difference between the damage assessment, by any one of the means noted above, and the amount specified in the purchase/construction agreement, up to the maximum loan amount unless otherwise approved by Minnesota Housing in writing. (See the table on the [Appendix](#) for the specific disaster located in the Resource Section of Minnesota Housing’s website.) Unless otherwise approved by Minnesota Housing in writing.

The amount in the table is meant to give an estimate of the final damage amounts. The final loan amount is determined by the actual gap in resources realized by the borrower and can be either below or above the amount recited in the Conditional Commitment, based on available funds and Disaster Recovery Loan Program loan limits.

Note: If the final gap amount is documented at the time of application, this amount should be recited in the Conditional Commitment, not the amount in the table.

The Administrator commits funds via the Minnesota Housing Loan Commitment System on a first-come, first-served basis to the extent that budgeted Disaster Recovery Loan Program funds are available.

Individual Commitments are to be considered “forward commitments” by the Administrator. The loan is submitted to gain a Purchase Approval status via the Loan Commitment System.

6.03 Modifying a Commitment

Any change(s) to a commitment must meet eligibility requirements and:

- Be submitted via the Loan Commitment System to qualify;
- Not alter the commitment period of the original commitment;
- A change of borrower or property on the commitment will not be allowed;
- A change of the loan amount is allowed, if funds are available.

6.04 Canceling a Commitment

The Administrator must cancel any commitment that will not be used for the specified loan.

6.05 Transfer of Individual Commitments

The Administrator cannot transfer commitments to another Administrator. Minnesota Housing may transfer a commitment under the following conditions:

- If the Administrator asks, in writing, for a transfer of the commitment to a different Administrator and documents the reason for the transfer; or
- If the original Administrator transfers or assigns case documents to the new Administrator

6.06 Minnesota Housing Loan Purchase/Disbursement of Funds

Minnesota Housing will purchase loans with a status of Purchase Approval by the daily cutoff time, Monday through Friday, except for state observed holidays. The disbursement of funds is processed on the next business day.

6.07 Loan Purchase Corrections

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

Chapter 7 - Documentation Requirements

7.01 Loan Processing and Closing

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

- Loans must be closed, and disbursed, before requesting Minnesota Housing loan approval via the Loan Commitment System;
- All loan documents must be on Minnesota Housing forms, if applicable, and cannot be altered in any way;
- All loan documents must be complete, correct, and reviewed by the Administrator at the various stages of the loan;
- All mortgage assignments must run directly from the Administrator to Minnesota Housing and use the Minnesota Uniform Conveyancing Blank; and
- All property owners must sign the Mortgage or, if applicable, the Mobile Home Note and Security Agreement.

7.02 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal form detailing specific documentation and delivery requirements. The Administrator must fully execute and deliver documents within designated timeframes. Also, the Administrator must specifically warrant that all applicable documentation was obtained and reviewed to determine compliance with all of Minnesota Housing's requirements.

Documentation not delivered to Minnesota Housing or the servicer within the specified time frame may result, at Minnesota Housing's discretion, in the Administrator having to repurchase the loan, or any other remedy as identified in this Manual. Minnesota Housing may, at its discretion, extend the timeframes.

7.03 Records Retention

The Administrator must keep all documents (including compliance with Disaster Recovery Loan Program guidelines) for a period of at least seven (7) years from Rehabilitation or construction completion, including, but not limited to:

- Loan Application
- Conditional Commitment
- Written verification of property ownership
- Signed and dated bids and estimates and receipts for all improvements
- Documentation verifying the dollar amount of funds from insurance companies, SBA, and FEMA loans
- Purchase/construction agreements, as applicable
- Verification of contractor license

Chapter 8 - Servicing

8.01 Servicing

Each Administrator is assigned a servicer by Minnesota Housing. Minnesota Housing may, at its discretion, choose other servicers.

8.02 Delivery of Loans to Servicer

The Administrator must send the loan, along with all documentation in the prescribed order and format, to the assigned servicer by mail within five (5) calendar days of Minnesota Housing purchasing the loan.

8.03 Due on Sale

Within the first ten years from the date of the Note, the loan is due:

- Upon sale or transfer of the title to the property; or
- If a Single Family Rental Property is sold without an agreement to comply with rent affordability for the remaining period.

8.04 Subordinations

Minnesota Housing allows subordinations only under limited circumstances and only with prior written approval. During the term of the loan, the borrower's ability to use any equity in the property may be severely restricted.

Chapter 9 – Fair Housing

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation. Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance.

Appendix A: Definitions

TERM	DEFINITION
Accommodation Party	An owner of the property who is not a borrower on the Note, such as a non-purchasing spouse.
Administrator	A nonprofit, governmental entity, or other organization designated by Minnesota Housing that has as a primary purpose the provision or development of affordable housing to low income persons or households in Minnesota, with which Minnesota Housing, in its sole discretion, enters into a Participation Agreement for local administration of the Program.
Conditional Commitment	A promise by the Administrator to lend a specified amount of money to the borrower once the borrower satisfies certain express conditions and contingent upon Minnesota Housing issuing an Individual Commitment for the loan to the Administrator.
Disaster Recovery Center	A Disaster Recovery Center (DRC) is a fixed or mobile provisional facility set up by FEMA that provides a central location near disaster impacted areas where Federal, State, Tribal, and non-government organizations have recovery information, assistance, and services to disaster survivors
FEMA	Federal Emergency Management Agency
Individual Commitment	A legal commitment of funds with specific terms and conditions which apply to a borrower obtaining a loan.
Manual	This Procedural Manual that contains program guidelines and procedures for the Disaster Recovery Loan Disaster Recovery Loan Program.
Minnesota Housing	Refers to Minnesota Housing Finance Agency
Participation Agreement	The contract executed between the Sellers and Minnesota Housing that defines the terms in which the Seller agrees to participate in the Program, also referred to as “Agreement”.
Principal Residence	A property used as the primary domicile of the owner-occupant borrower and their household.
Disaster Recovery Loan	Refers to the Disaster Recovery Loan Program financing instrument.

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Rehabilitation	Necessary repairs to be completed on the borrower's property.
Remainderman	The person who inherits property when someone passes away, and has executed a life estate deed.
SBA	Small Business Administration
Single Family Rental Property	A 1-4 family residence owned by an investor and used solely for rental purposes.

Appendix B: Forms List

Affidavit and Waiver of Right of Rescission

Borrower Application

Borrower Application Review Worksheet

Conditional Commitment

Disaster Needs Assessment

Loan Transmittal

Mobile Home Note and Security Agreement

Mortgage

Note

Notification of Assignment, Release or Grant of Secured Interest

Disaster Recovery Loan Program Certification of Rents

Appendix C: Process Guide

Process Guide

This guide is a supplement to the Disaster Recovery Loan Program Manual. All policies and processes contained in the Minnesota Housing Disaster Recovery Loan Program Manual must be followed.

The contents of this guide cover Minnesota Housing’s eligibility guidelines, but do not contain all of the information necessary to originate a loan for purchase by Minnesota Housing.

Origination

For Disaster Recovery Loan Program loans originated for the **Rehabilitation or replacement** of a damaged property:

- Obtain a completed Disaster Recovery Loan Borrower Application;
- Complete a Borrower Application Review Worksheet indicating the preliminary estimate of improvements and costs
- Explain the following to the borrower:
 - Events of default
 - Any form of title transfer within the first ten years from the date of the Note, if the property is owner-occupied
 - Any form of title transfer within the first ten years from the date of the Note of a Single Family Rental Property where no agreement exists to comply with rent affordability for the remaining term of the loan
 - Ceasing to use an owner-occupied property as a Principal Residence
 - Limited use of equity
 - Borrower Certifications
 - Forgiveness aspect of the loan

For Disaster Recovery Loan Program loans originated to **replace a home**:

- Meet all above noted criteria
- If the home being replaced has contract-for-deed financing, verify a minimum term of ten years and no balloon payments

Minnesota Housing Program Eligibility

- Confirm the borrower’s eligibility
- Reference FEMA or SBA application or insurance claim requirements (if applicable) (Section 3.08)
- Document the borrower obtained a modified loan amount from SBA when Rehabilitation costs exceed the original SBA loan amount. Document the borrower was declined or received a limited loan from SBA
- Reference the Occupancy Requirements (Section 3.06)
- Issue a Conditional Commitment to the borrower

System:

- Select the program, enter the information, making adjustments as necessary (from error messages), and submit to gain Commitment
- All information except the closing date can be entered and qualified before “Purchase Approval” by the Loan Commitment System

- Reference property eligibility (Section 4.01)
- Obtain the correct legal description of the property as well as the correct name(s) of the owner(s)
- Determine the value of the property from the property tax statement
- Determine necessary improvements and their cost by using any one, or a combination, of the following methods:
 - SBA assessment
 - Labor bids, signed and dated
 - Materials estimates
 - Receipts for work or materials already purchased
 - If none of the above is available, an inspection by approved inspector
- Calculate the gap to be filled by Disaster Recovery Loan Program funds and the corresponding loan amount using the Borrower Application Review Worksheet.

Closing

- Execute the required documents:
 - Note
 - Mobile Home Note and Security Agreement, if applicable
 - Mortgage
 - Assignment of Mortgage, on Minnesota Uniform Conveyancing Blanks
 - Affidavit and Waiver of Right of Rescission, if applicable
 - Notification of Assignment, Release or Grant of Secured Interest, if applicable
 - Disaster Recovery Loan Program Certification of Rents, if applicable
 - Obtain all necessary signatures

System:

- After the loan is closed, retrieve the Commitment and enter the loan closing date, submit to gain “Purchase Approval”
- The Purchase view will show payment details and funds will be received in two business days

Post-Closing/Delivery

- See Documents Required (Section 7.02) (Also, see Loan Transmittal form).
- See Document Delivery (Section 7.02) (Also, see Loan Transmittal form).
- The Note is endorsed to Minnesota Housing, as follows:

Without Recourse, Pay to the Order of:

Minnesota Housing
(Name of Disaster Recovery Loan Program Administrator)

By: _____
(Name and Title)

- The Assignment of Mortgage is complete.
- Recording of applicable documents.
- Real property:
 - Mortgage and Assignment of Mortgage delivered to one of the following:
 - For abstract properties – County Recorder’s Office
 - For Torrens properties – Registrar of Titles
- Personal Property Manufactured Homes:
 - Submit Public Safety Form 2017 (PS2017), listing Minnesota Housing as the lien holder, to the Department of Public Safety

System:

- Track the submission deadlines for all final documents
- Retrieve the loan record, note the deadlines, and any necessary corrections