



# **Community Homeownership Impact Fund Program Procedural Manual**

*January 1, 2022*

MINNESOTA HOUSING – Community Homeownership Impact Fund Program  
Procedural Manual – January 1, 2022



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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 in addressing local housing concerns by leveraging resources to maintain and develop owner-occupied housing that is Affordable to the Local 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 and other Minnesota Housing resources which vary 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-rebuild), Owner-Occupied Rehabilitation, and stand-alone Affordability Gap assistance. Funding for Owner-Occupied Rehabilitation and Affordability Gap assistance are generally limited to situations where the articulated community need for such funds cannot be served by 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 for minimum documentation requirements.)

### **1.01 Procedural Manual**

This Procedural Manual, including subsequent changes and additions, is a supplement to the Fund Availability, Disbursement and Loan/Grant Agreement, Loan Contract, and/or Grant Contract (each of which is referred to as the “Agreement”) executed between the Administrator and Minnesota Housing. This Procedural Manual is incorporated into the Agreement by reference.

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 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 an Agreement or Agreements outlining the legal relationship and responsibilities between the Administrator and Minnesota Housing.

Each Agreement is labeled with an Impact Fund Award ID Number, which is the unique identifier for the Impact Fund Award. The Administrator must use the Impact Fund 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 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 of such funds.

#### **1.04 Compliance with Privacy Statutes**

The Minnesota Government Data Practices Act:

- Requires the Administrator to supply individuals with the Tennessee Warning and the Privacy Act Notice when requesting private data<sup>1</sup>;
- Governs when the disclosure of an individual’s social security number is required;
- Provides that when a Household receives a loan, only the Borrower’s name, address and amount of assistance received are public data;
- Provides that all data regarding a Household that receives or benefits from 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 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
- 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.

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<sup>1</sup> 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](#).

## **1.06 Monitoring, Financial Reconciliation and Quality Control Audits**

With reasonable notice to the Administrator and, where applicable, to the Household, Minnesota Housing reserves the right to make site visits, review Administrator's records and Project files, and conduct quality control audits.

Administrator's records and Project files, including but not limited to Administrator, Household/Borrower and Construction/Property files 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 must be made available to Minnesota Housing at the Administrator's office during regular business hours, or via remote submission, or both, if and as requested by Minnesota Housing. Monitoring and financial reconciliation generally includes:

- Physical inspection of Projects;
- Verification of 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 must be made available to Minnesota Housing via remote submission, or at the Administrator's office during regular business hours, or both, if and as requested by Minnesota Housing. 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 other indicators that may have an impact on the financial viability of the Impact Fund.

## **1.07 Term of Funds Availability**

Minnesota Housing reserves the right to cancel the Impact Fund Award specified in the Agreement if 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 in the Agreement. Minnesota Housing, at its sole discretion, may extend the period Impact Fund Dollars are available to the Administrator.

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 manuals and agreements of other Minnesota Housing programs;
- The Federal Fair Housing Law;
- The Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect 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 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 Statutes Chapter 326B;
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);

- Minnesota Statutes Section 462A.33;
- Minnesota Statutes Section 462A.34;
- Minnesota Statutes Section 462A.37;
- Minnesota Rules 4900.3600-3652;
- Minnesota Government Data 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;
- 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 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 nonprofit organization, a Private Developer, or a Public Housing Agency;
- 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 outlined in the Administrator’s Impact Fund Application for Funds unless prior written approval is obtained from Minnesota Housing;
- 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;
- It will ensure entities performing work on its Projects maintain all licenses (including licenses in residential trades) where licensure is required by laws, ordinances and rules;
- It will maintain all licenses (including licenses in residential trades), permits, and performance bonds if and as required by laws, ordinances and rules;

- It will comply with the Minnesota Housing Lead-Based Paint Guide 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 loans for similar Projects;
- It will use Impact Fund Dollars only for an eligible activity or eligible activities;
- It will control the disbursement of 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 Property owner has good and marketable fee simple title to or a long-term “mortgageable” lease for the Property, unless Minnesota Housing waives this requirement in writing;
- 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 or grants for similar Properties; and
- It is an entity duly formed or incorporated under the laws of the State of Minnesota.

### **1.10 Processing Entities**

The Administrator may contract with a Processing Entity to originate Deferred Loans on the Administrator’s behalf. Only the Administrator or a Processing Entity may originate Deferred Loans to Borrowers. The Processing Entity’s participation must be approved in writing by Minnesota Housing before that Processing Entity originates Deferred Loans. The Administrator must have a written contractual relationship with the Processing Entity. The Administrator, however, retains sole responsibility for any default under the Agreement.

### **1.11 Affirmative Marketing**

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

## **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 communication channels described in Section 2.05.

### **2.02 Misuse of Funds**

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

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

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

### **2.03 Conflict of Interest**

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

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

Organizational conflicts of interest occur when:

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

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

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

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual or potential conflicts of interest through one of the communication channels 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 must immediately report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (e.g., grantees, borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation using these same communication channels.

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

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

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

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

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

## **Chapter 3 – Household Eligibility Requirements**

(See Appendix C for minimum documentation requirements.)

### **3.01 Households**

A Household is eligible to benefit from assistance only if that Household meets the requirements of this Procedural Manual. Households benefitting from Impact Fund Dollars must be Owner-Occupants.

A Homebuyer Household is a type of Household that is eligible to purchase a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the construction of or acquisition, rehabilitation and resale of a Qualified Dwelling Unit and/or 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 Property or Qualified Dwelling Unit in which the Household has an ownership interest. The Homeowner Household must occupy the subject Property or Qualified Dwelling Unit as its Principal Residence.

Households benefitting from Indian Housing Set-Aside Funds must be American Indian Households. Verification of tribal affiliation or membership is required.

### **3.02 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.

### **3.03 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 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 or Qualified Dwelling Unit. Housing payments are: monthly first mortgage principal and interest, subordinate mortgage principal and interest, mortgage insurance, homeowners' association fees, Property taxes, hazard insurance, land trust ground lease fees, and manufactured home park lot rent.

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.

### **3.04 Homebuyer Age**

Anyone obtaining title to Property or Qualified Dwelling Unit, 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.

### **3.05 Unauthorized Compensation**

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

### **3.06 Principal Residence/Occupancy Requirements**

Each Household that receives or benefits from Impact Fund Dollars must occupy the eligible Property or Qualified Dwelling Unit as its Principal Residence.

### **3.07 Impact Fund Eligibility Income**

The Administrator and Minnesota Housing establish Household income limits for each eligible activity undertaken with Impact Fund Dollars through the Agreement. All Households benefitting from Impact Fund Dollars must not exceed 115 percent of the greater of state or area median income (AMI), as established by Minnesota Housing and posted to Minnesota Housing's [Impact Fund webpage](#).

Administrators must not serve Households with Annualized Gross Income in excess of this limit.

Annualized Gross Income is the earned and unearned income of the parties in the Household as described below from sources outlined in the list below and excluding 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 Homebuyer Households of Qualified Dwelling Units constructed or rehabilitated using Impact Fund Dollars or Households receiving Impact Fund Affordability Gap assistance:

- Anyone who will have title to the subject Property or Qualified Dwelling Unit and signs the mortgage.

- Anyone expected to reside in the subject Property or Qualified Dwelling Unit and who will be obligated to repay an underlying mortgage loan but who is not in title to the subject Property or Qualified Dwelling Unit (i.e. a Co-Signer on the mortgage note).
- The legal spouse of the mortgagor who will also reside in the subject Property or Qualified Dwelling Unit.

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

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

If the mortgagor is legally married and the spouse does not or is not expected to reside in the subject Property or Qualified Dwelling Unit, 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 or Qualified Dwelling Unit. The spouse may still be required to sign any Impact Fund (Balloon) Loan Mortgage (see “Accommodation Parties,” below, and Chapter 6 of this Procedural Manual).

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 they receive 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 or Qualified Dwelling Unit 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 Qualified Dwelling Unit, or a seller of a contract-for-deed to an Owner-Occupant. An accommodation party must sign the Impact Fund (Balloon) Loan Mortgage.

### **Co-Signers**

Co-signers are permitted on first mortgage loans originated for Homebuyer Households. Co-signers are not vested in title and may reside in the subject Property or Qualified Dwelling Unit.

### **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, recurring capital gains 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 support;
- Spousal maintenance;
- Regular financial contributions from an individual or individuals whose income does not need to be included in the Annualized Gross Income calculation;
- Employer-paid allowances such as housing, automobile, cell phone, etc.;
- Flexible benefit cash;
- Custodial account income received on behalf of a minor dependent;
- 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;
- 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;
- Transfers between individuals whose income must be included in the Annualized Gross Income calculation;
- Court-ordered child or spousal support not received;

- 529 plans;
- Custodial accounts where someone other than the parents are named as custodian;
- Custodial account income received on behalf of adult dependents whose income does not need to be included in the Annualized Gross Income calculation; and
- Non-recurring payments from:
  - Inheritances
  - Insurance settlements
  - Lottery winnings
  - Gambling winnings
  - Capital gains
  - Liquidation of assets
  - Settlements for personal loss.

## **Chapter 4 – Property Eligibility**

(See Appendix C for minimum documentation requirements.)

### **4.01 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 affordable to Households with incomes not exceeding the Impact Fund Eligibility Income established according to Section 3.07 of this Procedural Manual;
- Be completed during the effective term of the Agreement; and
- Contain no more than four units with at least one unit being occupied by the Household that owns the entire structure.

### **4.02 Title Examination Requirements**

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

In addition, if making a secured loan, such as a Deferred Loan, the Administrator must ensure that title to the Property or Qualified Dwelling Unit 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.

### **4.03 Community Land Trusts**

A Community Land Trust must meet the following conditions:

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

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

#### **4.04 Reasonable Cost Estimates**

The Administrator must determine and document that all Project costs are reasonable, necessary, and cost effective, and must maintain documentation of the purchasing and/or bidding process utilized. The Agreement may contain additional contracting and bidding requirements.

#### **4.05 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.

When working within tribal reservations or on Tribal Lands, compliance with the governing tribal laws and regulations relating to building and zoning is sufficient for compliance with this Section 4.05.

## Chapter 5 – Eligible Activities

(See Appendix C for minimum documentation requirements.)

### 5.01 Eligible Activities

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

- Construction of new housing (New Construction);
- Acquisition, Rehabilitation, Resale of existing housing;
- Rehabilitation of existing owner-occupied housing (Owner-Occupied Rehabilitation), including reduction of interest rates in conjunction with Minnesota Housing’s Community Fix Up Loan Program;
- Conversion to housing from another use;
- Financing to fill an Affordability Gap or Value Gap; or
- Other activities approved by Minnesota Housing.

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

### 5.02 Ineligible Activities

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

- Non-owner occupied housing;
- Public infrastructure, including parks, community centers, municipal water, sewer, curbs and gutters, that is not directly related to the development or rehabilitation of Qualified Dwelling Units;
- The construction of private infrastructure that does not lie within the Land upon which the Qualified Dwelling Unit is located;
- Administration costs not connected to the development or rehabilitation of Qualified Dwelling Units;
- Individuals who want to refinance their existing loan;
- Improvements for commercial use; and
- Other activities not approved by Minnesota Housing.

### 5.03 New Construction

(See Appendix C for minimum documentation requirements.)

#### Prevailing Wage

Under certain circumstances, awards of agency funds may trigger state prevailing wage requirements under Minn. Stat. § 116J.871. In broad terms, the statute applies to awards that meet the following conditions: (1) new housing construction (not rehabilitation); and (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000

of loan proceeds. The statute excludes new housing construction in which total financial assistance at a single project site is less than \$100,000.

Please note the following statutory provisions:

- A state agency may provide financial assistance to a person only if the person receiving or benefiting from the financial assistance certifies to the commissioner of labor and industry that laborers and mechanics at the project site during construction, installation, remodeling, and repairs for which the financial assistance was provided will be paid the prevailing wage rate as defined in section 177.42, subdivision 6. Minn. Stat. § 116J.871, subd. 2.
- It is a misdemeanor for a person who has certified that prevailing wages will be paid to laborers and mechanics under subdivision 2 [see above] to subsequently fail to pay the prevailing wage. Each day a violation of this subdivision continues is a separate offense. Minn. Stat. § 116J.871, subd. 3.

In addition, a separate prevailing wage statute, Minn. Stat. § 177.41-.43, may apply if funds are used for a building that is publicly owned or leased.

All questions regarding state prevailing wages and compliance requirements should be directed to the Department of Labor and Industry as follows:

Division of Labor Standards and Apprenticeship  
Karen Bugar, State Program Administrator  
443 Lafayette Road N, St. Paul, MN 55155  
651-284-5091 or [dli.prevwage@state.mn.us](mailto:dli.prevwage@state.mn.us)

### **Visitability**

Visitability unit design and construction allow people with mobility impairments to enter and comfortably stay for a duration. Visitability must be met for the following types of Projects:

- New construction Projects receiving state-appropriated Impact Fund Dollars for Interim Loan financing; and
- New construction Projects completed under Agreements effective on or after June 1, 2018 that receive state-appropriated Impact Fund Dollars.

Visitability does not apply to projects using Impact Fund Dollars for only Affordability Gap.

To meet visitability, Properties must contain each of the following elements:

- 32-inch clear opening doorways throughout the Qualified Dwelling Unit;
- At least one no-step entrance; and

- A half bath, or larger bathroom, on the main level.

Minnesota Housing may waive the no-step entrance requirement if site conditions make the requirement impractical or if it reduces affordability. Minnesota Housing may waive the bathroom requirement if it reduces affordability. Minnesota Housing cannot waive the 32-inch clear opening doorways requirement. To request a waiver, contact Minnesota Housing.

An Administrator unsure of whether visitability applies to its Project should contact Minnesota Housing.

### **Green Communities Criteria**

Each new construction 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, or another version approved by Minnesota Housing for use in the Project.

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, available on Minnesota Housing’s [Impact Fund webpage](#).

Projects using Impact Fund Dollars for only Affordability Gap (and not for Value Gap or Interim Loan financing) are exempt from Green Communities Criteria.

### **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.

## **5.04 Acquisition, Rehabilitation, Resale**

(See Appendix C for minimum documentation requirements.)

All Acquisition, Rehabilitation, Resale Projects must meet the following criteria:

- 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, or another version approved by Minnesota Housing for use in the Project. However, if Impact Fund Dollars are used for only Affordability Gap (and not for Value Gap or Interim Loan financing), Green Communities Criteria do not apply.
- Notwithstanding the foregoing, Minnesota Housing Lead-Based Paint Guide requirements must be satisfied if an Acquisition, Rehabilitation, Resale Project includes the identification and correction of lead-based paint related health and safety hazards.

## **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.

### **5.05 Owner-Occupied Rehabilitation**

(See Appendix C for minimum documentation requirements.)

If Minnesota Housing awards an Administrator Impact Fund Dollars in the form of Deferred Loan Funds to conduct Owner-Occupied Rehabilitation activity for eligible Homeowner Households, all requirements of Chapter 7 of this Procedural Manual , apply.

Green Communities Criteria are not applicable to Owner-Occupied Rehabilitation activity.

If an Owner-Occupied rehabilitation Project includes the identification and correction of health and safety hazards, the Minnesota Housing Lead-Based Paint Guide 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 (DEED) 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, DEED's website, 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.

## **5.06 Affordability Gap**

(See Appendix C for minimum documentation requirements.)

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

- The minimum downpayment amount required by a Homebuyer Household's first mortgage;
- A Homebuyer Household's settlement charges;
- Additional downpayment required for a Homebuyer Household to qualify for the first mortgage;
- Long-term (30+ years) subsidy tied to real Property;
- Other Affordability Gap assistance to a Homebuyer Household as approved by Minnesota Housing.

If required by HUD, Administrators that provide secondary financing, including but not limited to Affordability Gap Financing, to a Homebuyer Household also receiving an FHA-insured first mortgage must be approved by HUD and listed on HUD's Nonprofit Organization Roster.

## **Chapter 6 - General Administration of Impact Fund Award**

(See Appendix C for minimum documentation requirements.)

### **6.01 Fund Types**

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

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

### **6.02 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.

### **6.03 Prohibition Against Layering Impact Fund Dollars**

Administrators must not layer (combine) Impact Fund Dollars 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. Combining Grant Funds, Deferred Loan Funds, and Bond Proceeds from the same Impact Fund Award is not considering layering.

Interim Loan funds are exempt from this 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 and allow a reasonable amount of time for Minnesota Housing to review it prior to closing. The written waiver request should include:

- A breakdown of Total Development Costs. For example, construction or rehabilitation costs, gap financing needs, and the proposed gap financing sources and amounts; and
- A written narrative that explicitly references each Impact Fund Award proposed to be layered and justifies the layering of funds.

### **6.04 Impact Fund Per-Unit Investment**

If an Administrator seeks to exceed the typical or average per-unit investment provided for in the Agreement by more than 50 percent, or seeks to exceed the maximum per-unit investment

provided for in the Agreement by any amount, the Administrator must obtain prior written approval from Minnesota Housing.

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.

## **6.05 Eligible Costs**

Eligible costs are hard costs and soft costs that are necessary, reasonable, relate directly to eligible activities and eligible Property or Qualified Dwelling Unit, 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:

- Land and Property acquisition;
- Demolition;
- Removal of existing structures;
- Site preparation;
- 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, drawings, specifications, or work write-ups;
- Costs to 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;
  - Attorney fees;
  - Real estate agent commissions; and
  - Appraisal and independent cost estimate fees;
- Costs of any audit that Minnesota Housing may require with respect to Impact Fund Dollars; and
- Other costs approved by Minnesota Housing.

## **6.06 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 6.05, 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.

## **6.07 Administration Fees**

Administrators not compensated by a Developer Fee may take an Administration Fee.

The Administration Fee is the total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for the making of a grant or a loan to a Household, supported by Impact Fund Dollars.

- The Administration Fee must not exceed actual costs to make a grant or a loan to a Household, supported by Impact Fund Dollars. Such costs are:
  - Securing and maintaining the funding source;
  - Household education specific to the Deferred Loan or grant;
  - Lender identification, communication, and coordination;
  - Requesting Impact Fund Dollars from Minnesota Housing;
  - Document preparation;
  - Tracking and reporting and other costs specific to the Impact Fund Award; and
  - Other costs as determined by Minnesota Housing.
- Administrators must disclose the Administration Fee in its Application for Funds.
- The maximum Administration Fee is \$500 per Project, or a higher amount if approved by Minnesota Housing.
- Administration Fees higher than the maximum allowed fee of \$500 per Project may be allowed if approved at the sole discretion of Minnesota Housing.
- Any fee charged to the Household must be disclosed to the Household in advance with a description of the costs the fee covers.

## **6.08 Developer Fees**

Administrators directly involved in and bearing primary responsibility for the New Construction or Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit may charge a Developer Fee. This Developer Fee is paid at the time of closing from sale proceeds and must not exceed the lesser of 10 percent of the Project's Total Development Cost (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 development 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 must not charge a Developer Fee when providing only Affordability Gap Financing or Owner-Occupied Rehabilitation financing to an eligible Household.

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

## **Chapter 7 – Deferred Loans**

(See Appendix C for minimum documentation requirements.)

### **7.01 General**

Deferred Loan Funds may be used by the Administrator to:

- Provide Affordability Gap Financing for Homebuyer Households;
- Provide financing for Owner-Occupied Rehabilitation, or
- Support other eligible activities as specified in the Agreement.

Deferred Loans to Borrowers are a non-amortizing, zero interest, balloon loan which must be fully repaid by the Borrower in a lump sum at the end of the loan term.

### **Marketing Terms of Use**

Administrator must follow Minnesota Housing’s Terms of Use for marketing materials and the Agreement requirements for marketing and use of Minnesota Housing’s name or logo.

### **7.02 Disbursements**

To request funds, the Administrator must submit a Request for Funds form. The [Request for Funds](#) form is available on Minnesota Housing’s [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 on a specified closing date agreed to by the Administrator or Processing Entity and the Household.

Minnesota Housing reserves the right to disburse funds more conservatively. Minnesota Housing may withhold disbursements from current Impact Fund Awards until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

### **7.03 Loan Documents and Disclosures**

The Administrator must originate Deferred Loans for Borrowers in accordance with all applicable laws, rules, and regulations regarding the origination and disclosure of mortgage loans. The Administrator must disclose to the Borrower(s) that the Deferred Payment Loan Program is structured as a balloon with payment deferred for the length of the loan term or until repayment in accordance with the terms of the Impact Fund (Balloon) Loan Note. Consult with your compliance department or legal counsel for guidance on completing required disclosures.

For each Deferred Loan the Administrator or a Processing Entity originates, the Administrator must ensure it has a fully executed, valid, and enforceable Impact Fund (Balloon) Loan Mortgage and Impact Fund (Balloon) Loan Note using the forms provided by Minnesota Housing and available on Minnesota Housing’s [Impact Fund webpage](#).

The Impact Fund (Balloon) Loan Mortgage is the legal document used to secure a loan against a Qualified Dwelling Unit. Anyone with an ownership interest in the mortgaged Property or Qualified Dwelling Unit, including at least one member of the Household, is required to be a party to the Impact Fund (Balloon) Loan Mortgage. The Impact Fund (Balloon) Loan Mortgage must be assigned to Minnesota Housing.

The Impact Fund (Balloon) Loan Note is legal evidence of the debt to be repaid. The Impact Fund (Balloon) Loan Note must be endorsed to Minnesota Housing. All parties whose income must be included when calculating Annualized Gross Income according to Section 3.07 of this Procedural Manual must execute the Impact Fund (Balloon) Loan Note.

#### **7.04 E-Signature**

Minnesota Housing accepts electronic signatures (eSignatures) on loan documents executed under the Impact Fund Program to the extent Lender complies with all applicable state and federal electronic signature laws, as well as any counterparty requirements (e.g. Fannie Mae, Federal Housing Administration, US Bank HFA Division). However, eSignatures are not acceptable on any document that needs to be recorded with the county. Under no circumstances may a borrower be required to use electronic signatures.

#### **7.05 Manufactured Housing**

Manufactured homes taxed as personal property may be eligible Qualified Dwelling Units. Unless explicitly identified in the Agreement, an Administrator that seeks to serve a Household purchasing or rehabilitating a manufactured home taxed as personal property using Deferred Loan Funds must contact Minnesota Housing prior to assisting the Household. Such Projects are approved at the sole discretion of Minnesota Housing. Manufactured homes taxed as real property should be treated like all other Qualified Dwelling Units taxed as real property.

#### **7.06 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.

#### **7.07 Repayment**

Unless otherwise outlined in the Agreement, Borrower(s) must repay Deferred Loans according to the terms of the Impact Fund (Balloon) Loan Mortgage and Impact Fund (Balloon) Loan Note.

Deferred Loans made by Minnesota Housing to the Administrator must be repaid according to the terms of the Agreement.

### **7.08 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 are available on Minnesota Housing's [Impact Fund webpage](#).

### **7.09 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.

### **7.10 Assumption**

Deferred Loans are not assumable.

### **7.11 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.

## **Chapter 8 – Housing Infrastructure Bond Proceeds Loans**

(See Appendix C for minimum documentation requirements.)

### **8.01 General**

Minnesota Housing may issue its State Appropriation Bonds (Housing Infrastructure) and use Bond Proceeds to make Bond Proceeds Loans to Administrators to finance the costs related to acquisition, construction or rehabilitation of the Qualified Dwelling Units including,

- Construction or rehabilitation costs up to the amount of the Value Gap for the Qualified Dwelling Unit;
- For Community Land Trusts, the actual costs of the acquisition of Land, demolition and site clearing, and Utility Connections related to land owned by or to be owned by a Community Land Trust;
- For non-Community Land Trusts, the acquisition of Land, demolition and site clearing, and Utility Connections up to the amount of the Value Gap for the Qualified Dwelling Unit; and
- Owner-Occupied Rehabilitation.

Any demolition, site clearing 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.

### **8.02 Properties Eligible to be Financed with Bond Proceeds Loans**

If any costs are to be reimbursed with Bond Proceeds Loan funds related to a Project, those costs related to the associated Property or Qualified Dwelling Unit must have been incurred no earlier than the date specified on the *Certificate of Administrator as to Expenditure of Bond Proceeds* provided by Minnesota Housing.

### **8.03 Additional Documentation Required**

Files for Projects 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 or Qualified Dwelling Unit funded in whole or in part by a Bond Proceeds Loan, the Administrator must provide Minnesota Housing the documentation stated below for the applicable uses:

#### **Land Acquisition, Demolition and Utility Connections for Community Land Trusts**

- A certificate identifying the amount of the Bond Proceeds Loan applied to a Project and the costs of any eligible acquisition of Land, site clearing, demolition and Utility Connections for the Project. The *Certificate of Administrator as to Expenditure of Bond Proceeds* is the required form to be used for this purpose. This *Certificate of Administrator as to Expenditure of 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 of Administrator as to Expenditure of Bond Proceeds*); and
- The Household Demographic Project Information Form.

### **Value Gap**

- A certificate identifying the amount of the Bond Proceeds Loan applied to a Project and the eligible development costs for the Project. The *Certificate of Administrator as to Expenditure of Bond Proceeds* is the required form to be used for this purpose. This *Certificate of Administrator as to Expenditure of Bond Proceeds* must be executed by an officer of the Administrator responsible for its financial management or reporting;
- Documentation of development cost(s) that include the following:
  - Evidence that the cost(s) is directly related to the identified Property (e.g., purchase agreement for the home or lot, receipt or invoice with the address of the property); and
  - Evidence that the amount of the cost(s) is more than or equal to the requested bond proceeds disbursement.
- The Household Demographic Project Information Form.

### **Owner-Occupied Rehabilitation**

- A certificate identifying the amount of the Bond Proceeds Loan applied to a Project and the costs of any eligible owner-occupied rehabilitation for the Project. The *Certificate of Administrator as to Expenditure of Bond Proceeds* is the required form to be used for this purpose. This *Certificate of Administrator as to Expenditure of Bond Proceeds* must be executed by an officer of the Administrator responsible for its financial management or reporting;
- Documentation of rehabilitation cost(s) that include the following:
  - Evidence that the cost(s) is directly related to the identified Qualified Dwelling Unit (e.g., receipt or invoice with the address of the property); and
  - Evidence that the amount of the cost(s) is more than or equal to the requested bond proceeds disbursement.
- The Household Demographic Project Information Form.

## **8.04 Disbursement of Bond Proceeds Loans**

To request disbursements of Bond Proceeds Loans, the Administrator must submit a Request for Funds form and the documentation required under Section 8.03 of this Procedural Manual. The [Request for Funds](#) form is available on Minnesota Housing's [Impact Fund webpage](#).

Minnesota Housing may 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 and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

### **8.05 Repayment of Bond Proceeds Loans**

The Administrator must repay Bond Proceeds Loans upon the occurrence of events, and at the times, set forth in the Agreement.

## **Chapter 9 – Grant Funds**

(See Appendix C for minimum documentation requirements.)

### **9.01 General**

Grant Funds may be used by the Administrator 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.

### **9.02 Disbursements**

To request funds, 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 disburse Grant Funds to the Administrator as follows:

- Up to 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 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 and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

### **9.03 Repayment**

Repayment conditions are specified in the Agreement.

## **Chapter 10 – Interim Loans**

(See Appendix C for minimum documentation requirements.)

### **10.01 General**

Minnesota Housing may provide an Interim Loan to an Administrator to acquire, rehabilitate, demolish, and construct Qualified Dwelling Units. Whether and at what rate an Interim Loan bears interest is outlined in the Agreement.

If an Interim Loan bears interest, interest will accrue from the date of disbursement to the date of repayment.

### **10.02 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.

### **10.03 Repayment**

The term of an Interim Loan is 20 months unless otherwise specified in the Agreement. Interim Loan funds and interest accrued must be repaid on or before the repayment date or termination of availability date noted in the Agreement. Specific repayment requirements are detailed in the Agreement. Contact Minnesota Housing with any questions about repayment procedure and amounts due.

### **10.04 Assumption**

Interim Loans are not assumable.

## Chapter 11 – Records Retention and Reporting

### 11.01 Records Retention

Administrators must maintain copies of all books, records, Project files, documents, 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.

### 11.02 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 11.02, or when:

- All 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, 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 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 applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 7.07 of this Procedural Manual.
- 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 applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 7.07 of this Procedural Manual.
- 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 7.07 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 707 of this Procedural Manual.

### **11.03 Annual Reporting**

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](#).

### **11.04 Close Out Reporting**

Administrators must submit an updated [Impact Fund Annual Report/Final Close out Report](#) when an Impact Fund Award is completed. An Impact Fund Award is complete when:

- All Impact Fund Dollars have been expended in accordance with the Agreement, or returned to Minnesota Housing;
- All Projects have been completed as described in Section 11.02 of this Procedural Manual; and
- All completed Projects have been reported to Minnesota Housing via Household Demographic Project Information forms as described in Section 11.02 of this Procedural Manual, or via another format approved by Minnesota Housing.

## Appendix A: Definitions

TERM	DEFINITION
Accommodation Party	Anyone with an ownership interest in an eligible Property or Qualified Dwelling Unit 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 Qualified Dwelling Unit, or a seller of a contract-for-deed to an Owner-Occupant Household.
Acquisition, Rehabilitation, Resale	Eligible Acquisition, Rehabilitation, Resale activity as described in Chapter 4 of this Procedural Manual.
Administrator	The entity with which Minnesota Housing has a contractual relationship to administer Impact Fund Dollars, including the entity identified as a “Grantee” in a Grant Contract, and any successors or assigns approved in writing by Minnesota Housing. Eligible Administrators include cities, housing and redevelopment authorities, joint powers boards established by two or more cities, federally recognized American Indian tribes or subdivisions located in Minnesota, tribal housing corporations, non-profit organizations, Private Developers, and Public Housing Agencies.
Administration Fee	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 6.07 of this Procedural Manual.
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 Funds used, in amounts not exceeding the Affordability Gap, to assist a Household 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 Economic Development and Housing Challenge Fund 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 Economic Development and Housing Challenge Fund. Housing payments are affordable if they do not exceed 30 percent of the wages being paid in the local area as the wages are described in the application for Economic Development and Housing Challenge Fund funding.

Agreement	A Fund Availability, Disbursement and Loan/Grant Agreement, a Grant Contract, or a Loan Contract.
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<b>TERM</b>	<b>DEFINITION</b>
American Indian Household	A Household containing at least one person enrolled in a federally recognized tribe.
Annualized Gross Income	Gross monthly income multiplied by 12. (See Chapter 3 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 Agreement.
Bond Proceeds	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, construction and rehabilitation of Qualified Dwelling Units; and for the acquisition of Land and demolition and Utility Connections related to Land owned by or to be owned by a Community Land Trust.
Bond Proceeds Loan	A deferred, 0 percent interest loan made by Minnesota Housing to the Administrator from Bond Proceeds for the purposes set forth in the Agreement.
Borrower	A person who is obligated to repay a Deferred Loan, typically under an Impact Fund (Balloon) Loan Note, and is a member of a Household.
Co-Signer	A person who is obligated to repay the underlying mortgage loan (signer of the mortgage note) but who is not in title to the subject Property or Qualified Dwelling Unit and has not signed the mortgage deed.
Community Land Trust	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.
CRV	Minnesota Housing’s Community Revitalization Program, now known as the Community Homeownership Impact Fund Program.
Deferred Loan	A 30-year non-amortizing, zero interest deferred loan funded by Impact Fund Dollars that is made to a Household or to an Administrator that must be repaid to the extent provided in the Agreement and Chapter 6 of this Procedural Manual.
Deferred Loan Funds	Funds reserved by Minnesota Housing for use by the Administrator to provide Deferred Loans to Households for Affordability Gap Financing or Owner-Occupied Rehabilitation.

Developer Fee	The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for development services performed in a New Construction or Acquisition, Rehabilitation, Resale Project.
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<b>TERM</b>	<b>DEFINITION</b>
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 Household, in accordance with the Uniform Standards of Professional Appraisal Practice.
Fund Availability, Disbursement and Loan/Grant Agreement	A legal contract executed between Minnesota Housing and an Administrator and that may be amended or supplemented in writing according to its terms.
Grant Funds	Funds awarded by Minnesota Housing to an Administrator in accordance with the Agreement.
Grant Contract	A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of a grant.
Green Communities Criteria	The Enterprise Green Communities criteria as modified by Minnesota Housing’s Minnesota Overlay and Guide to the Enterprise Green Communities Criteria.
Homebuyer Household	A type of Household that is eligible to purchase a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the New Construction or the Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit and/or Affordability Gap Financing to acquire a Property or Qualified Dwelling Unit.
Homeowner Household	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 or Qualified Dwelling Unit as its Principal Residence.
Household	A Homebuyer Household or Homeowner Household.
Housing Ratio	The proportion of a Household’s monthly gross income (Annualized Gross Income divided by 12) necessary to pay monthly Property expenses, which are: monthly first-mortgage principal and interest charges, subordinate mortgage principal and interest charges, Property taxes, hazard insurance, mortgage insurance, homeowners’ association fees, land trust ground lease fees, and manufactured home park lot rent.
HQS	U.S. Department of Housing and Urban Development Housing Quality Standards.
HUD	The U.S. Department of Housing and Urban Development.
Impact Fund	Minnesota Housing’s Community Homeownership Impact Fund Program.

<b>TERM</b>	<b>DEFINITION</b>
Impact Fund Award	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.
Impact Fund Award Identification (ID) Number	The identifier assigned to an Administrator’s Impact Fund Award and listed on an Agreement and which should be used on forms and correspondence with Minnesota Housing.
Impact Fund Dollars	The aggregate funds that Minnesota Housing reserves and makes available to the Administrator for eligible activities under one or more Agreements.
Indian Housing Set-Aside Funds	The Economic Development Housing Challenge set-aside funding awarded under the Impact Fund to an Administrator to exclusively serve American Indian Households by conducting eligible activities under the Agreement.
Interim Loan	A short-term loan made to an Administrator to assist with acquiring, demolishing, rehabilitating or constructing homes for Owner-Occupants.
Land	The real property upon which Qualified Dwelling Units are located or are to be constructed.
Level 3 Monitoring Exception	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.
Lien Waiver	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.
Loan Contract	A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of Deferred Loan Funds, a deferred loan funded by Bond Proceeds, or an Interim Loan.
New Construction	Eligible New Construction activity as described in Chapter 4 of this Procedural Manual.
Owner-Occupant	A Household whose income does not exceed the Impact Fund Eligibility Income as described in Section 3.07 of this Procedural Manual and who owns the Qualified Dwelling Unit and uses it as its Principal Residence. A Household that has purchased a Qualified Dwelling Unit subject to a contract-for-deed is considered an Owner-Occupant.
Owner-Occupied Rehabilitation	Eligible Owner-Occupied Rehabilitation activity described in Chapter 5 of this Procedural Manual.
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.

<b>TERM</b>	<b>DEFINITION</b>
Principal Residence	The Property or Qualified Dwelling Unit which the Household regularly occupies as its main dwelling place for at least nine months of the year.
Private Developer	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	An entity that has a contractual relationship with an Administrator and has been approved by Minnesota Housing to conduct eligible activities under the Impact Fund.
Procedural Manual	This Community Homeownership Impact Fund Program Procedural Manual.
Project	The housing development activity associated with a Property or Qualified Dwelling Unit. 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 that is or will be occupied by the Homeowner Household or Homebuyer Household as its Principal Residence and that is located on or will be constructed on Land and 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.
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.
Total Development Cost	Total eligible costs of a Project as described in Section 6.05 of this Procedural Manual.
Tribal Indian Housing Program	Minnesota Housing’s Tribal Indian Housing Program.
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, limited to the following:

<b>TERM</b>	<b>DEFINITION</b>
	<ul style="list-style-type: none"> <li>• Connection of gas supply to a Qualified Dwelling Unit’s gas service regulator.</li> <li>• Connection of utility electrical supply to the electricity meter at a Qualified Dwelling Unit.</li> <li>• Connection of municipal water supply to a water meter located inside a Qualified Dwelling Unit.</li> <li>• Connection of sanitary sewer to the Qualified Dwelling Unit (i.e., construction or replacement of the house sewer between the sewer and the building drain). The waste stacks within the walls of a Qualified Dwelling Unit are not included in this definition.</li> <li>• If required by a local municipality: Connection of storm sewer service to the Qualified Dwelling Unit and/or any storm water retention system located on the Property.</li> </ul>
Value Gap	The difference between the Total Development Cost of a Project and the Fair Market Sales Price of the Property.

## **Appendix B: Forms List**

The forms listed below are available on Minnesota Housing's [Impact Fund webpage](#).

[Certificate of Administrator as to Expenditure of 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 \(Balloon\) Loan Mortgage](#)

[Impact Fund \(Balloon\) Loan Note](#)

[Lead-Based Paint Guide](#)

[Non-Occupant Spouse Statement](#)

[Owner-Occupied Rehabilitation Project Completion Certificate](#)

[Request for Funds](#)

[Zero Income Statement](#)

## Appendix C: Required Program Documentation

### A. ADMINISTRATOR FILE

	Annual/Progress Reports (if applicable)
	The Agreement
	Application for Funds
	Evidence of Minnesota Housing staff approval of Program-, Household-and/or-Property-specific Waiver(s), as applicable.
	Request(s) for Funds
	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

	Household's/Borrower's application(s) for assistance (for Owner-Occupied Rehabilitation Projects and Homebuyers receiving Affordability Gap assistance)
	Evidence of Tennessen 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 (Balloon) Loan Mortgage and Impact Fund (Balloon) Loan Note (for Borrowers receiving Impact Fund Deferred Loans)
	Good Faith Estimate & Truth-in-Lending disclosure, a Loan Estimate, or memorandum explaining exemption from disclosure requirements (for Borrowers receiving Impact Fund Deferred Loans)
	Documented method to determine Affordability Gap (for Households receiving Affordability Gap assistance)

	Evidence of eligibility review and referral for other programs/(in)ability to repay a Fix Up loan (for Households receiving Owner-Occupied Rehabilitation loans)
	Borrower’s first-mortgage Uniform Residential Loan Application (Fannie Mae Form 1003) (for Households receiving Affordability Gap assistance)
	Lender/Owner’s title insurance policy (if purchased) or attorney’s title opinion
	Income verification, including but not limited to the prior year’s federal income tax returns and one month of recent paystubs or nonwage income statements
	Non-Occupant Spouse Statement (if applicable)
	Zero Income Statement (if applicable)
	Annualized Gross Income Worksheet (optional)
	Proof of ownership – copy of deed with recent verification from a recorder’s office, Certificate of Title, a title report, or 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 Households receiving Owner-Occupied Rehabilitation loans)
	Household Demographic Project Information Form
	Land Lease Agreement (if applicable)

### **C. CONSTRUCTION/PROPERTY FILE**

<b>1</b>	<b>New Construction and Acquisition, Rehabilitation, Resale</b>
	Documentation of Project budget (e.g., sources and uses, pro forma) and determination of Value Gap
	Documentation of expenses, payables, receivables and revenues including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Purchase agreements
	Settlement statements
	Appraisal(s) establishing Fair Market Sales Price
	Certificate of Occupancy, certificate of completion, or installation compliance certification
	Evidence of clear predevelopment title (e.g., Title Insurance)
	Final Project Budget/Cost Summary/Sources and Uses document (including documented determination of Value Gap)
	Scope(s) of Work (only for rehabilitation)
	Before and after pictures of rehabilitation work

	Documentation of the bidding and/or purchasing process, including bids/cost estimates for improvements
	Contracts and change orders
	Evidence that no contractor used is debarred or suspended
	Site and Building Plans and Specifications (only for New Construction)
	Survey (only for New Construction)
	Sworn Construction Statement(s)
	Lien waivers corresponding to the Sworn Construction Statement(s)
	Evidence of Foreclosed or Abandoned Property, as required by the Agreement (If using Bond Proceeds awarded in October 2012; see Chapter 7 for specific requirements)
	Housing Infrastructure Bond Proceeds Certificate, if applicable (See Chapter 7 for details)

<b>2</b>	<b>Green Communities Compliance</b>
	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
	Acquisition, Rehabilitation, Resale: Post-renovation energy auditor inspection report or HERS rater report
	Acquisition, Rehabilitation, Resale: Lead-Based Paint Risk Assessment, Inspection Report, and Lead Hazard Clearance Report, if applicable
	Acquisition, Rehabilitation, Resale: Radon Testing Report(s)
	New Construction: HERS rater energy model to ENERGY STAR® Certified New Home standards
	New Construction: ENERGY STAR® Certified New Home certificate
	Post-construction:
	Intended Methods Worksheet including End of Construction Compliance Certification, or Enterprise Green Communities Certification

*Stand-alone Affordability Gap activity and Owner-Occupied Rehabilitation activity are exempt from Green Communities Compliance.*

<b>3</b>	<b>Owner-Occupied Rehabilitation</b>
	Documentation of Project budget (e.g., sources and uses)
	Documentation of expenses, payables, receivables and revenues including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Rehabilitation Scope(s) of Work

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	Documentation of the bidding and/or purchasing process including bid(s)/cost estimate(s) for the Scope(s) of Work
	Contracts for rehabilitation, including any change orders (not applicable to Community Fix Up Loan Program write-down Projects)
	Completion certificate(s) (not applicable to Community Fix Up Loan Program write-down Projects)

*For Projects on Tribal Land, Minnesota Housing may accept additional or alternative documentation to that listed above.*