Compliance and Monitoring General Information Tutorial for Minnesota Housing’s Deferred Loans

July 2021
Our Mission: The Core Purpose

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.
This tutorial will cover basic information for Minnesota Housing’s deferred loans:

- **General Information** (slides 4-9; app. 8 minutes)
- **Income and Rent Limits; Utility Allowances; Other Occupancy Requirements** (slides 10-15; app. 12 minutes)
- **AFHMP, Supportive Housing; TSPs** (slides 16; app. 4 minutes)
- **Affordability Period** (aka the Compliance Period) (slide 17; app. 1 minute)
- **Certifying Tenant Eligibility** (slides 18-27; app. 12 minutes)
- **Compliance and Monitoring Requirements** (slides 28-35; app. 12 minutes)
• This tutorial does not cover:
  • Housing tax credits or bond compliance
  • Section 8 or other rental assistance
  • HOME or National Housing Trust Fund (NHTF)
  • Workforce Housing Development Program
  • Deferred loan program regulations, individual loan requirements, or supportive housing
  • Financial oversight or asset management for Minnesota Housing amortizing loans
  • Loan repayment
Deferred Loan Programs

- Economic Development Housing Challenge Program (EDHC or Challenge)
- Publicly Owned Housing Program (POHP)
- Rental Rehabilitation Deferred Loan Program (RRDL)
- Preservation Affordable Rental Investment Program (PARIF)
- Housing Infrastructure Bond Program (HIB)
- Asset Management Fund
- Flexible Financing for Capital Costs (FFCC)
Deferred Programs: 
Funding No Longer Available

- Affordable Rental Investment Fund (ARIF)
- Housing Trust Fund (HTF)
- Special Needs Program (SN)
- Ending Long-Term Homelessness Initiative Fund (ELHIF)
- Urban Indian Housing Program (UIHP)
- Tribal Indian Housing Program (TIHP)
- Innovative and Inclusionary Program (IIH)
- Publicly Owned Neighborhood Land Trust (PONLT)
- Publicly Owned Permanent Rental (POPR)
- Publicly Owned Permanent Supportive Housing Program (POPSHP)
Asset Management is part of Minnesota Housing’s Multifamily division and includes the following teams:

- Compliance – Compliance Officer
- Asset Management – Housing Management Officer (HMO)
- Performance Based Contract Administration (PBCA)
  - PBCA HMO
  - Housing Assistance Payments (HAP) Officers
  - Tenant Rental Assistance Certification System (TRACS) Data Analyst
What is a Minnesota Housing Deferred Loan?

• Non-amortizing
• May be zero percent interest rate or low interest rate
• Loan maturity in twenty, thirty years or more
• Payment may be forgiven at maturity if no event of default, or
• Entire loan or balloon repaid upon maturity
  • Cash flow provisions
  • Fixed, periodic payments
Compliance Webpage

- [http://www.mnhousing.gov/sites/multifamily/compliance](http://www.mnhousing.gov/sites/multifamily/compliance)
- Links to program and compliance guides
- Occupancy forms
- Uniform Physical Conditions Standards (UPCS)
- Other resources
- Sign up for the compliance eNews
Income and Rent Limits

• [http://www.mnhousing.gov/sites/multifamily/limits](http://www.mnhousing.gov/sites/multifamily/limits) or access via Quick Links

• Updated annually

• Declaration of Land Use Restrictive Covenants – restrictions based on the owner’s application and selection criteria

• Some income and rent limits are held harmless from decreases
Income Limits

• A percentage of:
  • AMI (Area Median Income)
  • SMI (Statewide Median Income)
  • Metro median (Minneapolis/St. Paul MSA)
  • MTSP (Multifamily Tax Subsidy Projects)

• Adjusted for family size, not adjusted for family size, adjusted for families of five (5) or more
• Most are based on income limits published by HUD

• Allowance for tenant-paid utilities

• Rent limit formula assumes 1.5 people per bedroom paying no more than 30% of the applicable income limit toward their housing cost
Utility Allowance

- Tenant-paid utilities

- PHA/HRA utility allowance (UA) for the local Section 8 Housing Choice Voucher program

- Must be updated annually

- 90 days to implement new UA

- Will be reviewed as part of Minnesota Housing’s periodic inspection
Utility Allowance

Utility Allowances

Effective: 10/1/2019

<table>
<thead>
<tr>
<th>Apartment &amp; Multi-Unit Properties</th>
<th>0 BR</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooking - Electric</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>13</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>Cooking - Gas</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Heating - Electric</td>
<td>27</td>
<td>32</td>
<td>43</td>
<td>55</td>
<td>67</td>
<td>79</td>
</tr>
<tr>
<td>Heating - Gas</td>
<td>30</td>
<td>34</td>
<td>38</td>
<td>43</td>
<td>47</td>
<td>51</td>
</tr>
<tr>
<td>Heating - Oil</td>
<td>64</td>
<td>75</td>
<td>88</td>
<td>101</td>
<td>114</td>
<td>128</td>
</tr>
<tr>
<td>Other Electric - Lights</td>
<td>34</td>
<td>37</td>
<td>47</td>
<td>57</td>
<td>67</td>
<td>77</td>
</tr>
<tr>
<td>Range (if you supplied your own)</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Refrigerator (if you supplied your own)</td>
<td>4</td>
<td>4</td>
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<td>4</td>
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<tr>
<td>Sewer</td>
<td>14</td>
<td>19</td>
<td>25</td>
<td>30</td>
<td>38</td>
<td>44</td>
</tr>
<tr>
<td>Trash Collection</td>
<td>24</td>
<td>24</td>
<td>27</td>
<td>28</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Water</td>
<td>10</td>
<td>14</td>
<td>19</td>
<td>23</td>
<td>29</td>
<td>33</td>
</tr>
<tr>
<td>Water Heating - Electricity</td>
<td>19</td>
<td>22</td>
<td>28</td>
<td>35</td>
<td>41</td>
<td>47</td>
</tr>
<tr>
<td>Water Heating - Gas</td>
<td>7</td>
<td>8</td>
<td>11</td>
<td>14</td>
<td>17</td>
<td>21</td>
</tr>
</tbody>
</table>
Other Occupancy Requirements

- Behavioral health needs
- Families with children
- Seniors 55+
- Long-Term Homeless (LTH) or High Priority Homeless (HPH)
- People with Disabilities (PWD)
- Smoke free policy and lease
- Renewal of rental assistance contract
Affirmative Marketing, Supportive Housing, and Tenant Selection Plans

- [https://www.mnhousing.gov/sites/np/fairhousing](https://www.mnhousing.gov/sites/np/fairhousing)
  - Affirmative Fair Housing Marketing Plan (AFHMP)

- [https://www.mnhousing.gov/sites/multifamily/serviceproviders](https://www.mnhousing.gov/sites/multifamily/serviceproviders)
  - Supportive Housing Information and Resources
  - Occupancy Guidance
  - Tenant Selection Plan Guidelines
  - Homelessness Management and Information System (HMIS)
Affordability Period (aka Compliance Period)

- Begins at loan closing
- Minimum affordability period
- Most end at maturity date
- Check legal documents carefully
Certifying Tenant Eligibility

- Begin the tenant certification process prior to closing – after issuance of the selection letter or after a pipeline application is submitted to Minnesota Housing

- Self-certification of gross annual household income of all members and household size

- Resident refusal and over income households

- Vacant or newly built units – certify household income prior to approval for occupancy
Exceptions

- Certain households may remain qualified where there is an existing Minnesota Housing loan or housing tax credits.
- New income restrictions must be the same or less restrictive than existing restrictions.

**NOTE:** Exceptions do not apply to units subject to a Bond Compliance Agreement.
Deemed To Comply

• Federal or state
  • Tenant-based rental assistance
  • Project-based rental assistance
  • Housing Support from DHS

If any of the units are occupied by households benefiting from project-based or tenant-based rental assistance such as Section 8 or a similar state or local government rental assistance program or a Housing Support Agreement, such units are deemed to satisfy the income restrictions and rent restrictions.

**NOTE:** This does not apply to loan programs funded via General Obligation (GO) bonds such as POHP.
Certification and Occupancy Forms

- Minnesota Government Data Practices Act Disclosure Statement
- Initial Occupancy Statement by Tenant
- Head of Household Demographic Information
- Long-Term Homeless, High Priority Homeless, People with Disabilities
- Retain in tenant files and supply to Minnesota Housing upon request
Minnesota Housing Finance Agency ("Minnesota Housing") is asking you to supply information that relates to your application to occupy, or continue to occupy, a unit in the following property ("Property"):

| PRINT NAME(S) OF HOUSEHOLD MEMBERS SIGNING THIS FORM |

Some of the information you are being asked to provide to Minnesota Housing may be considered private or confidential under the Federal Privacy Act of 1974, and the Minnesota Government Data Practices Act, Minnesota Statutes chapter 13, Section 13.0412 of that law requires that you be notified of the matters included in this Disclosure Statement before you are asked to provide that information to Minnesota Housing. The owner of the Property ("Owner") may also ask you to supply information that relates to your application. The Owner's request for information is not governed by the Minnesota Government Data Practices Act.

1. Minnesota Housing is asking for information that is necessary for the administration and management of a State or Federal program to provide housing for low and moderate-income families. Some information may be used to establish your eligibility to initially occupy, or to continue to occupy, a unit in the Property and/or to receive either State or Federal rental assistance. Some information may be used to assist Minnesota Housing and its contractors for research purposes and the evaluation and management of some of the programs it operates.

2. As part of your application, you are asked to supply the information contained in each of the following Attachments that are checked with an "X" (all checked boxes apply):

- Attachment 1: For Section 8, 236, 202 & 811
- Attachment 2: For Housing Tax Credit, Section 1602, bond-funded NHTC or bond funded LMR First Mortgage, MARF, HOPWA, HOME and National Housing Trust Fund
- Attachment 3: For Deferred Loans (hot MARF, HOPWA, HOME, or NHT), Apartment Renovation Mortgages & non-bond funded NHTC or non-bond funded LMR First Mortgages

Each Attachment has two parts: Part A and Part B.

3. The information asked for under Part A of the checked Attachment(s) may be used by Minnesota Housing to establish your eligibility to occupy a unit in the Property or to receive State or Federal rental assistance. If you refuse to supply any portion of the information asked for under Part A of the checked Attachment(s), you may not qualify for initial or continued occupancy of a unit in the Property or for receipt of State or Federal rental assistance.
INITIAL OCCUPANCY STATEMENT BY TENANT

Property Name: ___________________________  MHFA D#: ___________________________

Part I - Applicant/Tenant Income Certification (to be completed, signed, and dated by the Head of Household)

You have applied for or currently reside in a rental housing unit located in a property that received or will receive financing from Minnesota Housing Finance Agency (Minnesota Housing). This financing requires us to rent our units to households with annual incomes that do not exceed certain income limits at initial occupancy. If you receive state or federal rental assistance you may be deemed to meet the income restriction. Please complete the following information to determine your income eligibility. This information will be held in strict confidence by us and by Minnesota Housing. Increases in your income later will not affect your occupancy; income eligibility needs to be met only once.

First and last name of head of household: ___________________________
Number of persons who will live in the unit: ___________________________
Total Gross Annual Household Income of all household members: $ ___________________________

I certify the above information is true and correct, to the best of my knowledge.

________________________________________  ___________________________  ______________
Signature of Head of Household          Printed Name                      Date
**Initial Occupancy Statement by Tenant**

<table>
<thead>
<tr>
<th>Part II – Unit and Rent Information (to be completed by owner/property representative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit #</td>
</tr>
<tr>
<td>□ Household does/will not receive project-based or tenant-based federal or state rental assistance or Housing Support (formerly Group Residential Housing); or</td>
</tr>
<tr>
<td>□ Household receives/will receive project-based or tenant-based federal or state rental assistance or Housing Support. Enter the name of the rental assistance program:</td>
</tr>
<tr>
<td>Date rental assistance begins/began:</td>
</tr>
<tr>
<td>1. Amount of monthly rent tenant is responsible to pay</td>
</tr>
<tr>
<td>2. Amount of monthly utility allowance for tenant-paid utilities:</td>
</tr>
<tr>
<td>3. Amount of monthly charges (in addition to rent) that are not optional</td>
</tr>
<tr>
<td>4. Amount of monthly rental assistance</td>
</tr>
</tbody>
</table>

Total Rent (add 1 through 4, above, and enter total): $
Part III – Owner/Property Representative Certification

I certify that this household is eligible to occupy a program-assisted unit in accordance with the Minnesota Housing loan documents that financed this property.

______________________________  ______________________________  __________
Signature of Owner/Property Representative  Printed Name  Date

Retain completed form in tenant file. Completed forms must be made available to Minnesota Housing upon request.
Head of Household Demographic Information

**Instructions:** This form is to be completed by the head of household only after occupancy has been approved. Your approval for occupancy will not be affected if you choose not to respond. The owner will submit this information to Minnesota Housing for assessment of households being served by its financing programs. Your cooperation is much appreciated.

<table>
<thead>
<tr>
<th>Housing Information (this section to be completed by owner/agent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Name</td>
</tr>
<tr>
<td>Minnesota Housing Of</td>
</tr>
<tr>
<td>Building Address</td>
</tr>
<tr>
<td>Unit #</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Head of Household Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Date of Birth (month/day/year)</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
</tr>
<tr>
<td>Not Hispanic or Latino</td>
</tr>
<tr>
<td>I choose not to respond</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>I choose not to respond</td>
</tr>
<tr>
<td>Race (check all that apply)</td>
</tr>
<tr>
<td>American Indian/Alaska Native</td>
</tr>
<tr>
<td>Asian</td>
</tr>
<tr>
<td>Black/African American</td>
</tr>
<tr>
<td>Native Hawaiian/ Other Pacific Islander</td>
</tr>
<tr>
<td>White</td>
</tr>
<tr>
<td>I choose not to respond</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of household members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults (including head of household)</td>
</tr>
<tr>
<td>Children under age 18 residing in unit</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is any household member mobility impaired requiring features of an accessible unit?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>I choose not to respond</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is any household member a person with a disability other than mobility impairment?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>I choose not to respond</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main source of household income (check only one)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary/wages</td>
</tr>
<tr>
<td>Self-employment</td>
</tr>
<tr>
<td>Social Security</td>
</tr>
<tr>
<td>Retirement/pension/annuity</td>
</tr>
<tr>
<td>Alimony/child support</td>
</tr>
<tr>
<td>Interest/dividends/rental income</td>
</tr>
<tr>
<td>Unemployment/disability</td>
</tr>
<tr>
<td>Public assistance</td>
</tr>
<tr>
<td>No income</td>
</tr>
</tbody>
</table>

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Other Occupancy Requirements

• Units set aside and rented to Long-term Homeless or High Priority Homeless
  • Find verification forms, reporting requirements and other info at: https://www.mnhousing.gov/sites/multifamily/serviceproviders

• Units set aside and rented to people with disabilities
  • Find the form, **Self-Certification of Eligibility for Persons with Disabilities (PWD) Unit** on the compliance webpage; click the twisty (plus sign) next to the Tenant Certification, Sample Verifications, and Other Occupancy-Related Forms
Compliance and Monitoring Requirements

- **Borrower/Owner Certification of Tenant Eligibility**

- Submit 120 days prior to anticipated closing date

- Submit with a relocation plan, budget, and a timeline for any units not in compliance

- Do not submit individual tenant certification documents
  - Retain with tenant files
  - Must be made available to Minnesota Housing upon request
Continued Household Eligibility

• Eligibility established at initial occupancy/certification

• Once determined eligible and occupying a program-assisted unit, a household will not be disqualified even if:
  • Gross annual household income increases
  • Loss of rental assistance or Housing Support

• MARIF has recertification requirements – refer to MARIF FAQs

• Non-qualified households may become eligible if circumstances change
After Closing – Compliance Reporting

- [https://www.mnhousing.gov/sites/multifamily/compliance](https://www.mnhousing.gov/sites/multifamily/compliance)
- Property Online Reporting Tool (PORT)
- February 15 or next business day
- Annual owner certification (AOC)
- Occupancy reporting for all units
- Annual operating data for some properties due by March 30
- Annual supportive housing survey
Inspections

- First inspection will be one year after loan closing
- Frequency depends on funding sources and loan amounts
  - Aggregate loans $500,000 and over – every three years
  - Aggregate loans under $500,000 – every five years
  - According to federal program requirements
- Inspections coordinated to avoid duplication
  - HMO for amortizing loans
  - REAC
  - USDA
  - Other government inspections
Inspection Overview

• Review administrative records, including:
  • Compliance Review Information and Request for Administrative Records
  • Utility allowance and source documentation
  • Affirmative fair housing marketing plan
  • Tenant selection plan and marketing materials
  • Boiler, fire, and elevator certificates

• Review LTH/HPH performance

• Physical inspection
  • Uniform Physical Condition Standards (UPCS), Level 3
1. First notice:
   • Notice of Noncompliance

2. Second notice:
   • 10-day Grace Period

3. Third notice:
   • Failure to Comply
Changes to Contacts, Property, Financing, or Ownership

• **Owner/manager contact change**

• **Request for Action:**
  • Refinancing or new debt
  • Granting an easement, conveying or selling any portion of the mortgaged property
  • Property sale or transfer of ownership interest
  • Change in use, number of assisted units, or targeted population
  • Alterations to the property
  • Management company or service provider change
Thank you!

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651.296.9491