

**CHAPTER 4900
MINNESOTA HOUSING FINANCE AGENCY
HOUSING LOANS AND GRANTS**

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4900.0010 DEFINITIONS.

[For text of subs 1 to 22, see M.R. 1983]

Subp. 23. Persons and families of low and moderate income. "Persons and families of low and moderate income" means:

A. With respect to limited-unit mortgage loans pursuant to parts 4900.0310 to 4900.0360, except for loans issued under parts 4900.0370, and 4900.0380, development cost loans pursuant to parts 4900.0210 to 4900.0240, planning grants pursuant to parts 4900.0410 and 4900.0420, and American Indian housing loans pursuant to parts 4900.0900 to 4900.1080, which loans and grants are intended for a limited-unit development, or a dwelling unit in a planned unit development or a condominium, those persons and families whose adjusted income does not exceed the amounts set forth in the following exhibits or such lower amount as shall be required to assure that the interest on obligations of the agency will be exempt from federal income taxation. "Metropolitan area" has the meaning given it in Minnesota Statutes, section 473.121, subdivision 2.

Maximum Adjusted Income for Loans for New Construction

Mortgage Interest Rate	Nonmetropolitan Area Maximum Adjusted Income	Metropolitan Area Maximum Adjusted Income
0-10.00%	\$26,000	\$34,000
10.01-10.50%	\$27,000	\$35,000
10.51-11.00%	\$28,000	\$36,000
11.01-11.50%	\$29,000	\$37,000
11.51% and over	\$30,000	\$38,000

Maximum adjusted Income for Loans for Existing Construction

Mortgage Interest Rate	Nonmetropolitan Area Maximum Adjusted Income	Metropolitan Area Maximum Adjusted Income
0-10.00%	\$21,000	\$31,000
10.01-10.50%	\$22,000	\$32,000
10.51-11.00%	\$23,000	\$33,000
11.01-11.50%	\$24,000	\$34,000
11.51% and over	\$25,000	\$35,000

[For text of subp 23, items B to E, see M.R. 1983]

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *8 SR 2661*

4900.0370 MEDIUM DENSITY HOUSING PROGRAM LOANS.

For the purpose of medium density housing program loans, "persons and families of low and moderate income" means those persons and families whose adjusted income does not exceed the amounts set forth in this part or a lower amount as required to assure that the interest on obligations of the Minnesota Housing Finance Agency will be exempt from federal income taxation

Maximum Adjusted Income for
Medium Density Housing Program Loans

Mortgage Interest Rate	Maximum Adjusted Income
0-10.59%	\$30,000
10.60-11.09%	\$31,000
11.10-11.59%	\$32,000
11.60-12.09%	\$33,000
12.10-12.59%	\$34,000
12.60% and over	\$35,000

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *8 SR 1402*

4900.0380 INCOME LIMITS FOR ROLLOVER HOUSING PROGRAM.

For the purpose of rollover housing program loans, "persons and families of low and moderate income" means those persons and families whose adjusted income does not exceed the amounts set forth in this part, or such lower amount as required to ensure that the interest on obligations of the agency will be exempt from federal income taxation. "Metropolitan area" has the meaning given it in Minnesota Statutes, section 473.121, subdivision 2.

Mortgage Interest Rate	Nonmetropolitan Area Maximum Adjusted	Metropolitan Maximum Adjusted
0-10.59%	\$24,000	\$29,000
10.60-11.09%	25,000	30,000
11.10-11.59%	26,000	31,000
11.60-12.09%	27,000	32,000
12.10-12.59%	28,000	33,000
12.60% and over	29,000	34,000

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *8 SR 1537*

4900.0510 ELIGIBILITY REQUIREMENTS FOR APPLICATIONS FOR HOME IMPROVEMENT LOANS.

[For text of subps 1 to 3, see M.R. 1983]

Subp. 4. **Structure.** The structure to be improved must be at least 90 days old. The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

[For text of subps 5 to 9, see M.R. 1983]

Statutory Authority: MS s 462A.05 subd 14; 462A.06 subds 4,11

History: 8 SR 475

LOCAL PARTICIPATION HOME IMPROVEMENT LOANS**4900.0550 FUNDS.**

Subpart 1. **Request for funds.** A local government that wishes to receive an allocation of funds to make local participation home improvement loans shall submit a request for funds that includes the following items, which may be further described by the agency:

- A. a description of the proposed program;
- B. a description of program requirements to be imposed by the local government that are not set forth in parts 4900.0510 to 4900.0570;
- C. an analysis of the need for the proposed program in the community;
- D. a demonstration of financial feasibility of the proposed program;
- E. evidence that an adequate delivery mechanism is available for the proposed program; and
- F. the specific funding amount requested and the time period, that is within the maximum time period set by the agency, during which the funds will be expended.

Subp. 2. **Deadline for requests for funds.** The agency shall give notice that it will accept requests for funds to make local participation home improvement loans from local governments for the period specified by the agency. This period may not be less than 30 days.

Statutory Authority: MS s 462A.06 subds 4,11

History: 9 SR 112

4900.0560 ELIGIBLE APPLICATIONS.

An application for a local participation home improvement loan must meet all of the requirements of part 4900.0510.

Statutory Authority: MS s 462A.06 subds 4,11

History: 9 SR 112

4900.0570 ELIGIBLE IMPROVEMENTS.

An improvement financed with the proceeds of a local participation home improvement loan must meet all of the requirements of part 4900.0520.

Statutory Authority: MS s 462A.06 subds 4,11

History: 9 SR 112

4900.0580 DEFINITION: PERSONS AND FAMILIES OF LOW AND MODERATE INCOME.

For local participation home improvement loans, "persons and families of low and moderate income" means those persons and families whose adjusted income does not exceed 125 percent of the median income for the county in which these projects are located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development, or the income limit for home improvement loans under parts 4900.0510 and 4900.0520,

whichever is greater; provided, however, that the maximum adjusted income may not exceed 100 percent of the median income for the county in Minnesota that has the highest median income, as determined and adjusted from time to time by the United States Department of Housing and Urban Development.

Statutory Authority: *MS s 462A.06 subs 4,11*

History: *9 SR 112*

ACCESSORY APARTMENT LOANS

4900.0581 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 4900.0581 to 4900.0584, the following terms have the meanings given them.

Subp. 2. **Accessory apartment loan.** "Accessory apartment loan" means a loan the proceeds of which are used to construct an additional dwelling unit within a structure, or to improve not more than two rental dwelling units located in a structure that, at the time of the loan application, contains a total of not more than three dwelling units.

Subp. 3. **Borrower.** "Borrower" means one or more persons who apply for and receive an accessory apartment loan and who are the makers of a note in evidence of the loan.

Subp. 4. **Dwelling unit.** "Dwelling unit" means a housing unit that includes self-contained cooking, sleeping, and bathroom facilities, and is located in the structure. A dwelling unit may be occupied by either a tenant or the owner of the structure.

Subp. 5. **Rental dwelling unit.** "Rental dwelling unit" means a dwelling unit that is occupied by a person or household other than the owner of the structure and for which rent in cash or in kind is received by the owner.

Subp. 6. **Structure.** "Structure" means a building that was originally built as a single-family residence and that satisfies the eligibility requirements of part 4900.0582, subpart 5.

Statutory Authority: *MS s 462A.06 subs 4,11*

History: *9 SR 295*

4900.0582 ELIGIBILITY REQUIREMENTS.

Subpart 1. **Property interest.** A borrower shall individually or in the aggregate possess at least a one-third interest in a fee ownership of, a contract for deed for, or a life estate in the property on which the structure to be improved is located.

Subp. 2. **Occupancy.** If the proceeds of an accessory apartment loan are used to construct an additional dwelling unit, at least one of the borrowers shall occupy the structure as his or her principal residence at the time of loan application or shall occupy one dwelling unit within the structure within 60 days of the date of the note in evidence of the loan.

If the proceeds from an accessory apartment loan are used to improve one or more dwelling units, at least one of the borrowers shall occupy one of the dwelling units as his or her principal residence at the time of loan application.

Subp. 3. **Credit worthiness.** A borrower shall be a reasonable credit risk and shall be able to pay the loan obligation as determined under part 4900.0080.

Subp. 4. **Borrower eligibility.** A borrower shall meet either of the following standards to be eligible for an accessory apartment loan:

A. a borrower shall be a person or household of low or moderate income as defined in part 4900.0010, subpart 23; or

B. a borrower shall agree to rent all of the dwelling units that he or she does not occupy at a rate not to exceed the current United States Department of Housing and Urban Development (HUD) Fair Market Rents for Existing Dwellings in the section 8 program under the United States Housing Act

of 1937, United States Code, title 42, sections 1437 et seq. as amended through December 31, 1983, as determined and adjusted from time to time by HUD, for a period of at least one year from the date the dwelling unit is first occupied by a renter.

Subp. 5. Eligibility of structure. The structure to be improved or modified with the proceeds of an accessory apartment loan must comply with applicable zoning ordinances or other applicable land use guides upon completion of the construction or improvements.

If a borrower qualifies for a loan by satisfying the requirement in subpart 4, item A, the structure to be modified or improved must have been completed and occupied as a residence for at least 90 days at the time of the loan application.

If a borrower qualifies for a loan solely by satisfying the requirements in subpart 4, item B, the structure to be modified or improved must be at least 15 years old at the time of loan application.

Statutory Authority: *MS s 462A.06 subs 4,11*

History: *9 SR 295*

4900.0583 ELIGIBLE IMPROVEMENTS.

Subpart 1. Permanent general improvements. Proceeds from an accessory apartment loan must be used to finance only permanent general improvements. Permanent general improvements include additions, alterations, renovations, or repairs upon or in connection with existing structures. Permanent general improvements do not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the structure to be modified or improved.

Subp. 2. Loan proceed restrictions. The proceeds from an accessory apartment loan must be used to finance only improvements or modifications to, or in connection with, an existing structure. The proceeds from an accessory apartment loan may be used as follows:

A. to add not more than one dwelling unit to a structure that is a single-family residence at the time of the loan application; or

B. to improve a structure that, at the time of the loan application, contains one or two rental dwelling units in addition to a dwelling unit occupied by the owner of the structure. Use of the proceeds from an accessory apartment loan for the type of structure described in this item is restricted to improvements that will bring all rental dwelling units into compliance with local zoning ordinances and other applicable health, fire prevention, building, and housing codes and standards.

The proceeds from an accessory apartment loan must not be used to pay for assessments for public improvements except if the improvements will bring an individual sewage disposal system (including septic system) located on the property on which the structure is located into compliance with local, state, or federal environmental and sanitary standards.

Subp. 3. Energy conservation. If an existing or newly constructed rental dwelling unit does not comply with the state energy conservation standards for rental housing, the proceeds from an accessory apartment loan must be used to bring the rental dwelling unit into compliance with these standards.

Subp. 4. Time of completion. Improvements or construction financed in whole or in part by an accessory apartment loan must be completed within nine months of the date of the first disbursement of the loan except for delays due to causes beyond the borrower's reasonable control, such as fire, strike, and shortage of materials.

Statutory Authority: *MS s 462A.06 subs 4,11*

History: *9 SR 295*

4900.0584 OTHER REQUIREMENTS.

Subpart 1. **Unavailability of financing.** At the time of application for an accessory apartment loan, conventional financing for this purpose must not be available from private lenders upon equivalent terms and conditions.

Subp. 2. **Other codes and standards.** Following the completion of construction or improvement, all rental dwelling units must comply with all applicable health, fire prevention, building, and housing codes and standards. However, an accessory apartment loan shall not be denied solely because the construction or improvements to be financed by it will not bring the entire structure into full compliance with these codes and standards.

Subp. 3. **Warranty of workmanship and materials.** Contracts for construction or improvement of a dwelling unit that are financed in whole or in part by the proceeds from an accessory apartment loan must contain a warranty of workmanship and materials that is approved by the agency.

Statutory Authority: *MS s 462A.06 subs 4,11*

History: *9 SR 295*

4900.1200 APPLICATIONS FOR INNOVATIVE HOUSING LOANS.

To be eligible to be selected for an innovative housing loan, to be made from the fund established pursuant to Minnesota Statutes, sections 462A.05, subdivision 18 and 462A.21, subdivision 9, each applicant must satisfy the following requirements:

A. The applicant must be a nonprofit entity or a limited dividend entity.

B. The project must be located in Minnesota.

C. Satisfactory evidence must be presented of the applicant's ability to organize and to complete the project for which the innovative housing loan is requested.

D. The project may be a limited-unit development or a multi-unit development, but must be designed for, and intended for occupancy primarily by, persons and families of low or moderate income.

E. Satisfactory evidence must be presented that a loan is not otherwise available from private lenders upon reasonable terms and conditions.

F. Satisfactory evidence must be presented that the applicant has or will have the ability to repay the innovative housing loan and to obtain other financing, if needed, at the expiration of the term of the loan.

G. The project must be innovative; that is, it must involve the use of equipment or materials or of a method of design, construction, marketing, or financing which is not generally in use in the housing industry or of which the public is not generally aware.

Statutory Authority: *MS s 462A.05 subd 18; 462A.06 subs 4,11*

History: *8 SR 1402*

COOPERATIVE OR RENTAL MULTIFAMILY HOUSING INNOVATIVE LOANS**4900.1220 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4900.1220 to 4900.1260, the following terms have the meanings given them.

Subp. 2. **Applicant.** "Applicant" means one or more persons or entities that apply for a cooperative or rental multifamily housing innovative loan.

Subp. 3. **Borrower.** "Borrower" means an applicant that is granted a cooperative or rental multifamily housing innovative loan, and that is the maker of a note in evidence of such loan.

Subp. 4. **Cooperative or rental multifamily housing innovative loan.** "Cooperative or rental multifamily housing innovative loan" means a loan to be made to a borrower under Minnesota Statutes, section 462A.05, subdivision 18a, and the proceeds of which must come from the money in the fund established by Minnesota Statutes, section 462A.21, subdivision 9a.

Subp. 5. **Democratic resident association.** "Democratic resident association" means an association, incorporated or unincorporated, whose membership is limited to and open to residents of a project, and where each member of the association has an equal vote in the affairs of the association.

Subp. 6. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means those persons and families whose adjusted income does not exceed the greater of \$16,000 or 550 percent of the gross rental or annual carrying charge for the dwelling unit which they are to occupy; provided, however, that the gross rentals or annual carrying charge for at least 75 percent of the dwelling units in the project do not exceed 120 percent of the fair market rents for the geographical area in which the project is located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided further, that higher gross rentals or annual carrying charges may be allowed for a dwelling unit in a project if the members determine that higher gross rents and annual carrying charges are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs.

Subp. 7. **Project.** "Project" means a multifamily housing development for which a cooperative or rental multifamily housing innovative loan is requested.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*

4900.1230 ELIGIBILITY REQUIREMENTS.

Subpart 1. **For applicants.** To be eligible for selection for a cooperative or rental multifamily housing innovative loan, an applicant shall satisfy the following requirements:

A. The applicant shall be either a cooperative housing corporation or a limited dividend entity.

B. The applicant shall demonstrate the ability to organize and complete the project.

C. The applicant shall demonstrate that it has, or will have, the ability to repay the cooperative or rental multifamily housing innovative loan; and to obtain other financing, if needed, at the expiration of the loan.

D. The applicant shall have developed a training and education program for the residents of the project, and shall include a copy of the program with its application for a loan. The training and education program must include, at a minimum:

(1) details of how the resident association will be organized and operated;

(2) what the legal rights of the residents and the association are, and how the residents will be advised of these rights;

(3) what the financial interests and obligations of the individual residents and the association are, and how the residents will be advised of such obligations; and

(4) how the project will be managed and maintained.

Subp. 2. **For projects.** To be eligible for selection for a cooperative or rental multifamily housing innovative loan, a project must satisfy the following requirements:

A. The project must be located in Minnesota.

B. The project must be in the form of a cooperative or rental multifamily housing development, which is either owned and operated on a nonprofit cooperative basis by the residents or owned by a limited dividend entity and operated by a residents' association

C. The operation and management of the project must be substantially under the control of a democratic residents' association, which shall include the filling of housing unit vacancies.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*

4900.1240 OTHER REQUIREMENTS.

Subpart 1. **Unavailability of financing.** At the time of application for a cooperative or rental multifamily housing innovative loan, conventional financing for the purpose for which the loan is requested must not be available from private lenders upon equivalent terms and conditions.

Subp. 2. **Occupancy.** Initial occupancy in a project that receives a cooperative or rental multifamily housing innovative loan is limited to persons and families of low and moderate income as follows; provided, however, that to the extent necessary to avoid economic loss resulting from an inability to achieve full occupancy, and in order to encourage economic integration, with the prior written approval of the executive director, up to 25 percent of the units in a project may be occupied by persons and families who are not persons and families of low and moderate income.

Preference for occupancy in a project that receives a cooperative or multifamily housing innovative loan may not be given to persons and families by virtue of their prior residence in the community in which the project is located; except that, with the prior written approval of the executive director, preference may be given to persons and families displaced by public action or natural disaster or for previous residents of the project.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*

4900.1250 SELECTION CRITERIA FOR COOPERATIVE OR RENTAL MULTIFAMILY HOUSING INNOVATIVE LOANS.

In determining whether or not to approve applications for cooperative or rental multifamily housing innovative loans, the agency shall examine the following facts:

A. the extent to which the project will provide housing to persons and families whose income is 50 percent or less of the statewide median family income, as estimated by the United States Department of Housing and Urban Development;

B. the extent to which the project will provide long-term affordability to persons and families of low and moderate income;

C. the extent to which the resident association has control over the operation and management of the housing and over the filling of housing vacancies;

D. the geographic location of the proposed project within Minnesota, taking into account other projects theretofore approved for cooperative or rental multifamily housing innovative loans;

E. the period of time required to complete the project;

F. the amount and term of the requested cooperative or rental multifamily housing innovative loan, as compared to the total resources of the agency available for these loans; and

G. whether the applicable regional development commission has determined that the project is consistent with regional plans and policies.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*

4900.1260 PROJECT FEASIBILITY LOANS.

The agency may consider applications for a cooperative or rental multifamily housing innovative loan, the funds from which are to be used to determine the feasibility of a project. These applications need not comply with the requirements in part 4900.1230, subpart 1, item C.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*

4900.1330 HOME OWNERSHIP ASSISTANCE FUND.

Subpart 1. **Monthly assistance.** The agency may provide eligible recipients with interest-free monthly assistance loans in the form of monthly payments of a portion of the principal and interest installment due on the limited-unit development mortgage on qualifying property. Such payments shall not exceed \$100 per month and shall decrease by \$10 per month or \$120 per year each year. The maximum amount of monthly assistance to which a recipient is originally entitled shall be determined by the agency from time to time on the basis of the percentage of income which may reasonably be spent on mortgage payments, the interest rate charged for limited-unit development mortgage loans, and general housing and construction costs in the state of Minnesota, provided however, that the initial maximum monthly assistance which the agency shall determine to be available shall not exceed the following amounts for persons and families within the following annual adjusted income ranges as set forth in subparts 2 and 3 for various potential interest rates to be charged by the agency on its limited-unit development mortgage loans.

Subp. 2. **Metropolitan area.** The following exhibit applies to eligible recipients whose qualifying property is in the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2.

Mortgage Interest Rate		Initial Maximum Monthly Assistance				
		\$100	\$80	\$60	\$40	\$20
0-10.00%	Adj. Hshld. Income	0-19,000	19,001-20,000	20,001-21,000	21,001-22,000	22,001-23,000
10.01-10.50%	Adj. Hshld. Income	0-20,000	20,001-21,000	21,001-22,000	22,001-23,000	23,001-24,000
10.51-11.00%	Adj. Hshld. Income	0-21,000	21,001-22,000	22,001-23,000	23,001-24,000	24,001-25,000

Subp. 3. **Nonmetropolitan area.** The following exhibit applies to eligible recipients whose qualifying property is not in the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2.

Mortgage Interest Rate		Initial Maximum Monthly Assistance				
		\$100	\$80	\$60	\$40	\$20
0-10.00%	Adj. Hshld. Income	0-13,000	13,001-14,000	14,001-15,000	15,001-16,000	16,001-17,000

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10 01-	Adj. Hshld.	0-	14,001-	15,001-	16,001-	17,001-
10 50%	Income	14,000	15,000	16,000	17,000	18,000
10.51-	Adj. Hshld.	0-	15,001-	16,001-	17,001-	18,001-
11.00%	Income	15,000	16,000	17,000	18,000	19,000

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *8 SR 2661*

4900.1340 HOME OWNERSHIP ASSISTANCE FUND; DOWN PAYMENT ASSISTANCE.

The agency may provide interest-free down payment assistance loans to recipients eligible for monthly home ownership assistance who are determined, on the basis of normal credit procedures, to lack the cash or land equity necessary to pay the required down payment, plus closing costs, expenses, and origination fees on the dwelling to be purchased. The amount of the down payment assistance loan shall equal the amount by which the sum of the down payment, closing costs, expenses, and origination fees exceeds five percent of the purchase price of the dwelling, but it shall not exceed the lesser of 50 percent of the down payment or \$1,500.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *8 SR 2661*

SOLAR ENERGY AND ENERGY CONSERVATION BANK PROGRAMS**4900.1600 SCOPE.**

Parts 4900.1600 to 4900.1650 govern the residential energy conservation programs authorized by assistance awards from the federal Solar Energy and Energy Conservation Bank under subtitle A of title V of the Energy Security Act, United States Code, title 12, sections 3601 to 3620, and the disposition of the funds received under assistance awards and of funds received from other sources in conjunction with assistance awards.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*

4900.1610 INCORPORATION OF FEDERAL REGULATIONS.

Except as further defined and limited by parts 4900.1600 to 4900.1650, the residential energy conservation programs are governed by the Solar Energy and Energy Conservation Bank Final Rule, Code of Federal Regulations, title 24, part 1800 as published in the Federal Register, volume 49, number 53, March 16, 1984, as amended, and any waivers to the final rule obtained by the agency and published in the State Register.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*

4900.1620 DEFINITIONS.

Subpart 1 **Scope.** The following definitions apply to parts 4900.1600 to 4900.1650.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency or its designee.

Subp. 3. **Bank.** "Bank" means the Solar Energy and Energy Conservation Bank as established under subtitle A of title V of the Energy Security Act, United States Code, title 12, sections 3601-3620.

Subp. 4. **Bank assistance.** "Bank assistance" means financial assistance from the bank provided to eligible recipients according to Code of Federal Regulations, title 24, part 1800.

Subp. 5. **Deferred loan.** "Deferred loan" means a loan without periodic payments made to an eligible deferred loan recipient from a source other than the bank. The loan's purpose must be to finance the cost of eligible energy conservation measures in a one-to-four family residential building.

Subp. 6. **Deferred loan recipient.** "Deferred loan recipient" means one or more individuals who apply for and receive both a deferred loan and bank assistance.

Subp. 7. **Grant.** "Grant" means the extension of financial assistance without interest or periodic payments made to an eligible grant recipient. The grant's purpose must be to finance the cost of eligible energy conservation measures in a one-to-four family residential building.

Subp. 8. **Grant recipient.** "Grant recipient" means one or more individuals who apply for and receive both a grant and bank assistance.

Subp. 9. **Participating entity.** "Participating entity" means an entity, including, but not limited to, a private corporation, a public utility, a foundation, a nonprofit organization, and a local government, that contributes funds to be used in conjunction with funds received from the bank.

Subp. 10. **Passive solar subsidy.** "Passive solar subsidy" means bank assistance provided to an eligible passive solar subsidy recipient to finance a portion of the purchase of a newly constructed single-family residential building that contains a passive solar space heating system.

Subp. 11. **Passive solar subsidy recipient.** "Passive solar subsidy recipient" means one or more individuals who apply for and receive a passive solar subsidy.

Subp. 12. **Rental subsidy.** "Rental subsidy" means bank assistance provided to an eligible rental subsidy recipient to finance a portion of the cost of eligible energy conservation measures in a rental property.

Subp. 13. **Rental subsidy recipient.** "Rental subsidy recipient" means one or more persons, as defined in Code of Federal Regulations, title 24, section 1800.3, who apply for and receive a rental subsidy.

Subp. 14. **Rental property.** "Rental property" means an existing building that is used primarily for residential purposes, is owned by the rental subsidy recipient, and in which all dwelling units are rented or available for rental to others; provided, however, that the owner may occupy not more than one of the dwelling units in the building as his or her residence.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*

4900.1630 ENERGY CONSERVATION DEFERRED LOAN AND GRANT PROGRAM.

Subpart 1. **Additional recipient eligibility criteria.** In addition to meeting the applicable eligibility criteria in Code of Federal Regulations, title 24, section 1800.63, a deferred loan or grant recipient:

A. shall own and occupy the one-to-four family residential building, as defined in Code of Federal Regulations, title 24, section 1800.3, to be improved with the proceeds of a deferred loan and bank assistance or a grant and bank assistance; and

B. shall not be seeking, have a current commitment for, or be able to obtain within a reasonable period of time, assistance for the same eligible energy conservation improvements under subpart 5 from any of the following programs: federal Weatherization Program under United States Code, title 42, section 6863; agency home improvement loan program under parts 4900.0510 and 4900.0520; agency home improvement grant and rehabilitation loan programs under parts 4900.0610 to 4900.0700; and energy conservation assistance programs available from local entities.

Subp. 2. **Restrictions on eligibility.** The following are restrictions on eligibility:

A. Grants may be made available only to families, as defined in Code of Federal Regulations, title 24, section 1800.3, whose annual incomes are not in excess of 80 percent of the median area income, as defined in Code of Federal Regulations, title 24, section 1800.3.

B. Deferred loans may be made available to families, as defined in Code of Federal Regulations, title 24, section 1800.3, whose annual incomes are not in excess of 150 percent of the median area income, as defined in Code of Federal Regulations, title 24, section 1800.3.

C. If the agency determines that sufficient funds are not available to adequately make available bank assistance to persons who meet the qualifications in subpart 1, and subpart 2, items A and B, the agency may limit the availability of bank assistance to families who meet the qualifications of subpart 1, and subpart 2, item A, and may limit the maximum assistance as provided in subpart 3 and items eligible for financing as provided in subpart 5. Notice of these limitations must be published in the State Register.

Subp. 3. **Maximum assistance.** The combined maximum amount of financial assistance provided to a deferred loan recipient from a deferred loan and bank assistance, or to a grant recipient from a grant and bank assistance, may not exceed \$5,000.

Subp. 4. **Type of financial assistance.** Bank assistance provided to a deferred loan recipient must be in the form of a reduction of principal as defined in Code of Federal Regulations, title 24, section 1800.15. Bank assistance provided to a grant recipient must be in the form of a grant as defined in Code of Federal Regulations, title 24, section 1800.19.

Subp 5. **Items eligible for financing.** In addition to the eligible energy conservation measures in Code of Federal Regulations, title 24, section 1800.65, the proceeds of a deferred loan or a grant may be used to finance the cost of a loan or grant processing fee established or approved by the agency.

Subp. 6. **Repayment.** A deferred loan or grant recipient shall enter into an agreement with the agency, or may be required to enter into an agreement with a participating entity, for repayment of the deferred loan and bank assistance or grant and bank assistance. If the agreement is with the agency, the agreement must provide that in the event the property improved with the proceeds of the deferred loan or grant and bank assistance is sold, transferred, or otherwise conveyed, or ceases to be the deferred loan or grant recipient's principal place of residence within five years from the date upon which the deferred loan or grant application was approved by the agency, the deferred loan or grant recipient shall repay all or a portion of the loans or grants. The agency or participating entity may place a lien or other security device on the improved property as security for repayment of the loans.

Subp. 7. **Notice of fund availability.** From time to time, the agency shall publish a notice of fund availability in the State Register prior to the date upon which it first accepts applications for deferred loans or grants and bank assistance. The notice must include the names and addresses of agents authorized by the agency to process and submit applications, the date upon which applications will first be accepted, and the specific items that constitute a valid application.

Subp. 8. **Submission of applications.** The agency shall accept applications for deferred loans or grants and for bank assistance only if submitted through one of its authorized agents identified in its notice of fund availability.

The agency shall review applications for both deferred loans or grants and bank assistance to determine their compliance with Code of Federal Regulations, title 24, part 1800. The agency may accept or reject applications for bank assistance and for deferred loans or grants funded by the agency based on the

requirements in this part. Applications for deferred loans or grants funded by a participating entity other than the agency must be accepted or rejected based on criteria established by the participating entity.

Subp. 9. Selection of applications. The agency shall fund qualifying applications for bank assistance on a first-come, first-served basis, based upon the date on which a valid application is received by the agency, and until the available funds are exhausted.

If, on the day that the funds are exhausted, sufficient funds are not available to fund all applications received on that day, the applications to be funded must be selected by lot from among the applications received on that day.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*

4900.1640 RENTAL PROPERTIES ENERGY CONSERVATION PROGRAM.

Subpart 1. Eligible rental subsidy recipient. A rental subsidy recipient shall meet the applicable eligibility criteria in Code of Federal Regulations, title 24, section 1800.63.

Subp. 2. Type of financial assistance. Bank assistance provided to rental subsidy recipients may be either in the form of a reduction of principal, as defined in Code of Federal Regulations, title 24, section 1800.15 or a grant as defined in Code of Federal Regulations, title 24, section 1800.19, based on the eligibility standards in Code of Federal Regulations, part 1800.

Subp. 3. Energy conservation standards. To the extent necessary, the proceeds of a rental subsidy must be used to finance, in whole or in part, improvements that will bring the rental property into compliance with the state energy conservation standards for rental housing.

Subp. 4. Notice of fund availability. From time to time, the agency shall publish a notice of fund availability in the State Register prior to the date upon which it will first accept applications for rental subsidies. The notice must include the names and addresses of lending institutions authorized by the agency to process and submit requests for rental subsidy funding, the address of the agency, the date upon which the authorized lending institutions and the agency, if applicable, will first accept applications, and the specific items that constitute a valid application.

Subp. 5. Submission of applications. Applications for rental subsidies may be submitted directly to the agency only if so specified in the notice as described in subpart 4. If not so specified, applications must be submitted to one of the authorized lending institutions identified in its notice of fund availability.

Subp. 6. Selection of applications. Qualifying applications for rental subsidies will be funded on a first-come, first-served basis, based on the date on which the agency receives a request for rental subsidy funding directly or from a lending institution, and until the available funds are exhausted.

If, on the day that the funds are exhausted, sufficient funds are not available to fund all applications received on that day, the applications to be funded must be selected by lot from among the applications received on that day.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*

4900.1650 PASSIVE SOLAR NEW CONSTRUCTION PROGRAM.

Subpart 1. Eligibility. In addition to meeting the applicable eligibility criteria in Code of Federal Regulations, title 24, section 1800.43, a passive solar subsidy recipient shall intend to own and occupy the residential building, the construction of which is partially financed by a passive solar subsidy.

Subp. 2. **Eligible properties.** The passive solar subsidy may be used only in conjunction with permanent financing for a newly constructed single-family residential property that includes a passive solar space heating system.

Subp. 3. **Type of financial assistance.** Bank assistance provided to passive solar subsidy recipients must be in the form of a reduction of principal, as defined in Code of Federal Regulations, title 24, section 1800.15.

Subp. 4. **Access to property.** A passive solar subsidy recipient shall enter into an agreement with the agency to allow the agency to install monitoring equipment in a residential building whose construction is partially financed by a passive solar subsidy. The recipient shall also agree to allow the agency access to the building to monitor its energy performance for five years from the date on which permanent financing on the property is closed.

Subp. 5. **Notice of fund availability.** From time to time, the agency shall publish a notice of fund availability in the State Register prior to the date upon which it will first accept applications for passive solar subsidies. The notice must include the last date upon which the agency will accept applications, the specific materials that constitute a valid application, the specific design standards upon which applications will be evaluated, the amount of the review fee to be charged by the agency, and if applicable, the maximum annual income of applicants to be given selection priority as set forth in subpart 6.

Subp. 6. **Selection of applications.** Applications that are received prior to the deadline announced by the agency, that fulfill the basic standards in the notice of fund availability, and that meet the other eligibility requirements in this part are eligible applications.

If the agency receives more eligible applications than can be financed with the available funds, the agency shall use the following method to select those applicants who will receive a passive solar subsidy:

A. The agency shall first award funds to all eligible applicants with certified annual adjusted incomes of \$38,000 or less.

B. If there are more applications from eligible applicants with annual adjusted incomes of \$38,000 or less than can be financed with the funds available, the applications to be funded will be selected by lot.

C. After funds are awarded to all eligible applicants with adjusted incomes of \$38,000 or less, if funds remain available, the agency may award funds to applicants with adjusted incomes of greater than \$38,000, with the applications to be funded to be selected by lot, if necessary.

Statutory Authority: *MS s 462A.06 subds 4,11*

History: *9 SR 296*