

9-14-81

12 MCAR 3

1 Minnesota Housing Agency

2 Adopted Rules Governing the Home Improvement Grant Program and  
3 Rehabilitation Loan Program

4 Rules as Adopted

5 12 MCAR S 3.002

6 0.3. With respect to home improvement grants and  
7 rehabilitation loans pursuant to Chapter Seven of these Rules to  
8 be made by the agency, those persons and families whose adjusted  
9 income does not exceed \$6,000 and whose assets, excluding the  
10 property to be improved, does not exceed \$25,000; and

11 12 MCAR S 3.002

12 T. "Administering entity" means a non-profit or governmental  
13 entity (including but not limited to an incorporated county or  
14 municipality, a housing redevelopment authority, and a community  
15 action organization), which enters into a contract with the  
16 agency for the local administration of the Home Improvement  
17 Grant or Rehabilitation Loan Program pursuant to Chapter Seven  
18 of these rules.

19 Chapter Seven:

20 Home Improvement Grants and Rehabilitation Loans

21 12 MCAR S 3.061 Scope. Rules in this chapter (~~12 MCAR SS 3-061~~  
22 ~~to 3-072~~) govern the Home Improvement Grant Program authorized

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1 by Minnesota Statutes S 462A.05, subd. 15 and the Rehabilitation  
 2 Loan Program authorized by Laws of 1981, ch. 306, S 5 Minn.  
 3 Stat. S 462A.05, subd. 14a. The agency is authorized to make  
 4 -----  
 4 rehabilitation loans with or without interest or periodic  
 5 payments. In this chapter loans made with interest and periodic  
 6 payments shall be referred to as "flexible loans" and loans made  
 7 without interest or periodic payments shall be referred to as  
 8 "deferred loans."

9 In addition to the requirements of this chapter, a flexible  
 10 loan must meet the requirements of Chapter Six of these rules,  
 11 except that the applicant for a flexible loan need not be a  
 12 reasonable credit risk as required in 12 MCAR SS 3.051 C., and  
 13 the structure to be improved need not be at least 15 years old  
 14 as required by 12 MCAR S 3.051 D.

15 12 MCAR S 3.062 Reservation of funds.

16 A. For a period of at least 30 days after the agency gives  
 17 notice that the funds for making rehabilitation grants or loans  
 18 are available, the agency shall receive requests for reservation  
 19 of funds from prospective administering entities.

20 B. Requests for reservation of funds for rehabilitation  
 21 grants or loans may be made by prospective administering  
 22 entities to the agency, and shall contain:

23 1. A plan setting forth the proposed method of delivery  
 24 of the rehabilitation grants or loans;

25 2. Evidence satisfactory to the agency that the  
 26 administering entity has the capacity effectively and  
 27 efficiently to carry out the plan;

28 3. Evidence satisfactory to the agency of the approval of  
 29 the plan by the governing body of the political subdivision  
 30 within which the plan is to be administered;

31 4. The specific funding amount requested for a period of  
 32 not more than 24 months and the administrative allowance, if  
 33 any, required by the administering entity to defray the expenses  
 34 of administering the program;

35 5. Other funding sources available to the administering

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1 entity for administration and home improvement; and

2 6. A description of the targeting plan, if any, whereby  
3 the administering entity will establish priorities for awarding  
4 grant and loan funds based on an assessment of need within its  
5 jurisdiction, in the event that the number of applications  
6 exceeds the number of grants and loans which can be awarded.  
7 The targeting plan, if any, shall be subject to approval by the  
8 agency and may not have the effect of excluding any otherwise  
9 eligible applicant from making an application and being  
10 considered eligible for a grant or loan.

11 C. The agency shall allocate the funds available at any time  
12 among the several regions, based upon data assembled by the  
13 agency and accurately reflecting housing needs and related  
14 factors. The agency shall submit its proposed allocation of  
15 funds to the applicable Regional Development Commission  
16 (including the Metropolitan Council) and shall consider the  
17 comments and recommendations of the commissions with respect to  
18 the extent to which the proposed allocation assists in  
19 satisfying the housing needs for the region.

20 12 MCAR S 3.063 Eligible recipients of rehabilitation grants and  
21 loans. In addition to all conditions imposed by the act, an  
22 application for a rehabilitation grant or loan shall satisfy the  
23 following requirements:

24 A. The recipient(s) must occupy the structure to be improved  
25 as the recipient's(s') principal place of residence and  
26 individually or in the aggregate have at least

- 27 1. A life estate or
  - 28 2. A one-third interest in the fee title or in the
- 29 contract for deed with respect to such structure. The agency  
30 may waive or modify the ownership and security requirement when  
31 necessary to permit rehabilitation grants for structures located  
32 on Indian Reservations. For mobile homes taxed as personal  
33 property or not permanently affixed to real property  
34 recipient(s) must:

35 a. Be current in any loan payments on the structure,

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1 and

2 b. Individually or in the aggregate have a 100%  
3 interest in the title to the mobile home.

4 B. For the purpose of complying with the ownership  
5 requirements, the recipient may aggregate his interest in such  
6 property with the ownership interests of other individuals also  
7 occupying the structure to be improved as their principal place  
8 of residence. All individuals occupying the structure to be  
9 improved as their principal place of residence and having an  
10 ownership interest in such structure must join in the  
11 application.

12 C. Each recipient must be a person or family of low and  
13 moderate income as defined in 12 MCAR S 3.002 0.3.

14 D. "Assets" for purposes of this chapter shall be the sum of  
15 the following, after deducting any outstanding indebtedness:

- 16 1. Cash on hand or in checking or savings accounts;
- 17 2. Securities or U.S. Savings Bonds;
- 18 3. Market value of all interests in real estate  
19 (exclusive of the structure to be improved and a parcel of real  
20 property of not more than two acres on which such structure is  
21 located);
- 22 4. Cash value of life insurance policies; and
- 23 5. All other property, exclusive of household  
24 furnishings, clothing, and one automobile.

25 12 MCAR S 3.064 Amount of grant or loan. The amount of the  
26 rehabilitation grant or loan shall not exceed the lesser of:

- 27 A. \$6,000 or
- 28 B. The actual cost of the work performed, or
- 29 C. That portion of the cost of rehabilitation which the  
30 agency determines cannot otherwise be paid by such person or  
31 family without spending an unreasonable portion of the income of  
32 such person or family thereon.

33 The agency shall review the creditworthiness of each  
34 recipient of a rehabilitation loan pursuant to 12 MCAR S 3.013.  
35 If the recipient is not financially capable of making a monthly

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1 loan payment of at least \$10 the recipient shall be eligible for  
2 a deferred loan. A recipient who is financially capable of  
3 making a monthly loan payment of \$10 or more shall be eligible  
4 for a Flexible Loan.

5 12 MCAR S 3.065 Responsibilities of administering entity. The  
6 administering entity shall have the following responsibilities:

7 A. The administering entity shall have full responsibility  
8 for program implementation including public information,  
9 reviewing and screening applicants, choosing recipients, and  
10 certifying that the rehabilitation work is satisfactorily  
11 completed.

12 B. The administering entity shall make on-site inspections  
13 of the properties to be improved:

- 14 1. Before such application is approved and
- 15 2. After work has been completed.

16 C. The administering entity shall not charge an applicant or  
17 recipient any application, processing, or other fee.

18 D. The administering entity may, with the prior written  
19 consent of the agency, allocate part of its total funding, to  
20 defray a portion of the administrative costs of the program, to  
21 the extent that other sources are not available. It shall be  
22 the responsibility of the administering entity to bear all  
23 administrative costs, including salaries and office rental,  
24 automobile and telephone expenses, and costs of counseling or  
25 technical assistance. The administrative allowance, if any,  
26 shall be distributed by the agency according to a budget  
27 submitted by the administering entity and approved by the  
28 agency. Disbursements of the administrative allowance shall be  
29 contingent upon the agency's review and approval of the  
30 satisfactory progress of the program.

31 12 MCAR S 3.066 Eligible properties. Grant and loan funds shall  
32 be used only to improve properties which meet the following  
33 criteria:

34 A. The property shall be located within the State of  
35 Minnesota, be used primarily for residential purposes, and

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1 contain no more than two dwelling units, one of them  
2 owner-occupied.

3 B. The property to be improved shall conform to applicable  
4 zoning ordinances and possess all appropriate use permits.

5 C. The improvements shall be made upon or in connection with  
6 existing structures, including mobile homes. Trailers shall not  
7 be eligible.

8 D. No property shall be eligible for a Home Improvement  
9 Grant or loan if it has been improved by such a grant or loan  
10 within the five year period immediately preceding the date on  
11 which application for such grant or loan is made, except in  
12 extraordinary circumstances relating to damage to the property  
13 as a result of events beyond the control of the applicant or to  
14 failure of plumbing, heating, or electrical systems, or defects  
15 in the roof or foundation systems, as determined by the agency  
16 in its sole discretion.

17 E. The property to be improved with grant or loan funds  
18 shall be reasonably efficient with respect to energy  
19 consumption. Where the property is not reasonably efficient  
20 with respect to energy consumption, rehabilitation funds shall  
21 be used to the extent necessary to increase such efficiency.  
22 Energy saving features shall include, but not be limited to,  
23 installation or upgrading of ceiling, wall, floor, and duct  
24 installation, storm windows and doors, and caulking and weather  
25 stripping. Energy saving features shall be consistent with the  
26 energy standards promulgated as part of the State Building Code  
27 but such improvements need not bring the housing into full  
28 compliance with such energy standards.

29 12 MCAR S 3.067 Eligible improvements. Improvements made with  
30 Home Improvement Grant or Loan funds shall satisfy the following  
31 requirements:

32 A. Each improvement shall be a permanent general improvement.  
33 Permanent general improvements shall include additions,  
34 alterations, renovations, or repairs upon or in connection with  
35 existing structures, which correct defects or deficiencies in

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1 the property affecting directly the safety, habitability, or  
2 energy usage of the property. Permanent general improvements  
3 shall be economically viable in terms of a determination that:

4 1. The structure will have a reasonable life expectancy  
5 after the improvement is made, and

6 2. The structure will be reasonably livable, safe, and  
7 habitable after the improvement is made.

8 Permanent general improvements shall not include materials,  
9 fixtures, or landscaping of a type or quality exceeding that  
10 customarily used in the locality for decent, safe, and sanitary  
11 properties of the same general type as the property to be  
12 improved.

13 B. Each improvement shall be made in compliance with all  
14 applicable health, fire prevention, building, and housing codes  
15 and standards; provided, however, that no application for a Home  
16 Improvement Grant or Loan shall be denied solely because the  
17 improvements will not bring such property into full compliance  
18 with all such codes and standards.

19 C. Funds provided under this chapter shall not be used for  
20 the payment, wholly or in part, of assessments for public  
21 improvements; provided, however, that such funds may be used for  
22 that portion of improvements located on the property which will  
23 bring an individual water supply system or a sewage disposal  
24 system (including septic systems) into compliance with local,  
25 state, or federal environmental and sanitary standards.

26 D. All contracts covering all or any portion of an  
27 improvement shall contain an agency approved warranty of  
28 workmanship and materials.

29 E. No grant or loan funds shall be used for the purpose of  
30 refinancing or paying off existing indebtedness. All such funds  
31 shall be used to finance improvements begun after application  
32 for such funds has been approved.

33 F. For mobile homes taxed as personal property or not  
34 permanently affixed to real property eligible improvements shall  
35 be limited to the following:

36 1. Improvements which bring the property into compliance

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1 with current standards for energy efficiency, fire safety and  
2 anchoring systems.

3 2. Improvements to remedy imminent safety hazards, or  
4 accessibility modifications.

5 3. Other permanent general improvements, if after  
6 completion of all improvements the mobile home will comply with  
7 the standards referred to in Paragraph 1.

8 G. Improvements which affect the accessiblity of a dwelling  
9 for a Handicapped Person are eligible improvements provided that  
10 they are performed in compliance with the following conditions:

11 1. The improvement must be an accessibility improvement  
12 as defined in 12 MCAR S 3.071 B.

13 2. The beneficiary of the improvements must occupy or  
14 ~~intent~~ intend to occupy the dwelling unit to be improved as his  
15 or her ~~prineiple~~ principal residence.

16 3. Architectural or engineering costs incurred in the  
17 design of accessibility improvements may be funded as eligible  
18 improvements.

19 12 MCAR S 3.068 Repayment.

20 A. The recipient of a grant and all individuals who signed  
21 the application for such grant shall enter into an agreement  
22 with the agency for repayment, which shall provide that in the  
23 event the property (upon which the improvement is located) is  
24 sold, transferred, or otherwise conveyed, or ceases to be the  
25 recipient's principal place of residence within six years from  
26 the date upon which the grant application was approved, then the  
27 recipient shall repay, and the agency shall have a lien as  
28 security for repayment of, all or a portion of such grant funds  
29 in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency Occurs	Percent Repayment
Prior to end of 36th full month	100%
After end of 36th full month until end of 48th full month	75%

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1 After end of 48th full month until end  
 2 of 60th full month 50%  
 3 After end of 60th full month until end  
 4 of 72nd full month 25%  
 5 After end of 72nd full month No Repayment

6 If any grant funds are used for purposes other than an  
 7 eligible improvement upon eligible property or if the  
 8 recipient's application is found to contain a material  
 9 misstatement of fact the recipient shall be liable for repayment  
 10 of the grant.

11 B. The recipient of a deferred payment loan and all  
 12 individuals who signed the application for such loan shall enter  
 13 into an agreement with the agency for repayment, which shall  
 14 provide that in the event the property (upon which the  
 15 improvement is located) is sold, transferred, or otherwise  
 16 conveyed, or ceases to be the recipient's principal place of  
 17 residence within ten years from the date upon which the grant  
 18 application was approved, then the recipient shall repay and the  
 19 agency shall have a lien as security for repayment of all of  
 20 such loan. If any loan funds are used for purposes other than  
 21 an eligible improvement upon eligible property or if the  
 22 recipient's application is found to contain a material  
 23 misstatement of fact the recipient shall be liable for repayment  
 24 of the loan.

25 12 MCAR S 3.069 Home owner labor agreement. An eligible  
 26 recipient may agree with an Administering Entity to do some or  
 27 all of the improvement work without compensation from the  
 28 proceeds of the grant or loan, if the administering entity is  
 29 satisfied as to the recipient's skill and ability to perform the  
 30 work by the scheduled completion date(s). In such circumstances  
 31 sufficient grant or loan funds to cover the costs of the labor,  
 32 in the event that paid contractors must be used to complete such  
 33 improvements, may be withheld. Upon successful completion of  
 34 the improvement work so funded, the administering entity may  
 35 make available to the recipient all or part of the withheld

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1 funds for further eligible improvements if it is satisfied on  
 2 the basis of its prior experience with the recipient that there  
 3 is no need to withhold funds to ensure completion of the new  
 4 improvement work.

5 12 MCAR S 3.070 Emergency home improvement fund. The agency may  
 6 establish a separate fund known as the Emergency Home  
 7 Improvement Fund. The agency may make Emergency Home  
 8 Improvement Grants and Loans in extraordinary circumstances  
 9 relating to damage to the property as a result of events beyond  
 10 the control of the applicant, failure of plumbing, heating, or  
 11 electrical systems, or defects in the roof or foundation systems.

12 Before an application to the Emergency Home Improvement Fund  
 13 is accepted, the Administering Entity in the region in which the  
 14 dwelling is located must establish that it has no funds  
 15 available from its regular grant and loan funds to cover the  
 16 cost of repairs. Grants and loans from the Emergency Home  
 17 Improvement Fund shall be made to eligible applicants pursuant  
 18 to the procedures set forth in Chapter Seven of these rules,  
 19 provided however, that the Emergency Home Improvement Fund shall  
 20 not be subject to the allocation requirements of 12 MCAR S 3.062  
 21 C.

22 ~~12 MCAR S 3.0701 Accessibility improvement fund. The agency may~~  
 23 ~~establish an Accessibility Improvement Fund from which Home~~  
 24 ~~Improvement Grants and Loans may be made to eligible applicants~~  
 25 ~~for the purpose of making Accessible improvements to dwelling~~  
 26 ~~units occupied by handicapped persons of low or moderate income,~~  
 27 ~~as defined in 12 MCAR S 3.002 0-3. Grants and loans from the~~  
 28 ~~accessibility improvement fund shall be made pursuant to the~~  
 29 ~~procedures set forth in Chapter 7 of these rules, provided,~~  
 30 ~~however, that the accessibility improvement fund shall not be~~  
 31 ~~subject to the reservation and allocation requirements of 12~~  
 32 ~~MCAR S 3.062.~~

33 12 MCAR S 3.071

34 A. With respect to rehabilitation grants and loans pursuant

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1 to Chapter Seven of these rules and accessibility improvement  
2 assistance pursuant to Chapter Seven-A of these rules,  
3 "handicapped person" means a person who has a permanent physical  
4 condition which is not correctable and which substantially  
5 reduces such person's ability to function in a residential  
6 setting. A person with a physical condition which does not  
7 require the use of a device to increase mobility ~~may~~ shall be  
8 deemed a handicapped person upon the written certification of a  
9 licensed physician that the physical condition substantially  
10 limits such person's ability to function in a residential  
11 setting.

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