

1 Minnesota Housing Finance Agency

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3 Adopted Permanent Rules Relating to Purchase and Rehabilitation  
4 or Refinance and Rehabilitation Mortgage Loans

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6 Rules as Adopted

7 4900.2000 DEFINITIONS

8 Subpart 1. Scope. For the purpose of part 4900.2005, the  
9 following terms have the meanings given them.

10 Subp. 2. Purchase and rehabilitation mortgage loan.

11 "Purchase and rehabilitation mortgage loan" means a financing  
12 mechanism through which an eligible borrower may simultaneously  
13 purchase an existing home and provide for its eligible  
14 rehabilitation through execution of a single set of mortgage  
15 documents.

16 Subp. 3. Refinance and rehabilitation mortgage loan.

17 "Refinance and rehabilitation mortgage loan" means a financing  
18 mechanism through which an eligible borrower may simultaneously  
19 refinance the mortgage debt that is secured by an existing home  
20 that the borrower currently owns and provide for its eligible  
21 rehabilitation through execution of a single set of mortgage  
22 documents.

23 4900.2005 PURCHASE AND REHABILITATION OR REFINANCE AND  
24 REHABILITATION MORTGAGE LOANS.

25 Subpart 1. Eligible property. The property to be  
26 purchased or refinanced with a purchase and rehabilitation or  
27 refinance and rehabilitation mortgage loan must be an existing  
28 one-to-four family residential dwelling located in Minnesota.  
29 Mobile homes and trailers are not eligible for purchase and  
30 rehabilitation or refinance and rehabilitation mortgage loans.

31 Subp. 2. Minimum rehabilitation. Each property financed  
32 with a purchase and rehabilitation mortgage loan must require  
33 and receive rehabilitation in a dollar amount greater than or  
34 equal to 15 percent of the purchase price of the property. Each  
35 property financed with a refinance and rehabilitation mortgage

1 loan must require and receive rehabilitation in a dollar amount  
2 greater than or equal to 15 percent of the value of the property  
3 prior to rehabilitation.

4 Subp. 3. Eligible rehabilitation. All rehabilitation work  
5 that is paid for out of the proceeds of a purchase and  
6 rehabilitation or refinance and rehabilitation mortgage loan  
7 must satisfy the following requirements:

8 A. Rehabilitation improvements must be made in order  
9 to comply with applicable state, county, and municipal health,  
10 housing, building, fire prevention, and housing maintenance  
11 codes, or other public standards applicable to housing; make the  
12 property more desirable to live in; increase the market value of  
13 the property; make the property more habitable; make the  
14 property more accessible to a handicapped person; make the  
15 property more energy efficient; or convert the property to or  
16 from a one-family residence from or to a two-to-four family  
17 residence.

18 B. Each rehabilitation improvement must be a  
19 permanent general improvement. Permanent general improvements  
20 include additions, alterations, renovations, or repairs upon or  
21 in connection with existing structures that materially preserve  
22 or improve the basic livability, safety, or utility of the  
23 property. Permanent general improvements do not include  
24 materials, fixtures, or landscaping of a type or quality  
25 exceeding that customarily used in the locality for properties  
26 of the same general type as the property to be improved.

27 C. Each rehabilitation improvement must be made in  
28 compliance with all applicable health, fire prevention,  
29 building, and housing codes and standards; provided, however,  
30 that no application for a purchase and rehabilitation or  
31 refinance and rehabilitation mortgage loan for a property may be  
32 denied solely because the improvements will not bring such  
33 property into full compliance with all such codes and standards.

34 Subp. 4. Scope of rehabilitation. For purchase and  
35 rehabilitation or refinance and rehabilitation mortgage loans in  
36 which the cost of the rehabilitation work is over \$5,000, the

1 borrower shall enter into an agreement with a reputable  
2 contractor to complete the rehabilitation work in accordance  
3 with written bids. Borrowers shall submit a minimum of two  
4 written bids from eligible contractors when the cost of the  
5 rehabilitation work exceeds \$5,000. No contractor is required  
6 if the cost of the rehabilitation work is under \$5,000.  
7 However, in such cases, borrowers shall submit cost estimates  
8 and proposals in a form specified by the agency for the  
9 rehabilitation work.

10 Subp. 5. Borrower eligibility. Each borrower shall meet  
11 the following requirements:

12 A. Each borrower shall be a person or family,  
13 including nonrelated individual adults, whose adjusted income  
14 does not exceed 100 percent of the greater of state or area  
15 median income as determined and adjusted from time to time by  
16 the United States Department of Housing and Urban Development;  
17 provided, however, that the maximum adjusted income for targeted  
18 neighborhoods may not exceed 115 percent of the greater of state  
19 or area median income as determined and adjusted from time to  
20 time by the United States Department of Housing and Urban  
21 Development. Targeted neighborhoods are specific geographic  
22 areas specified by local governments or housing and  
23 redevelopment authorities as neighborhoods to receive special  
24 emphasis in terms of rehabilitation or preservation of the  
25 housing stock.

26 B. Each borrower shall occupy the residence upon  
27 completion of the rehabilitation work as the borrower's primary,  
28 year-round residence.

29 C. Each borrower shall be a reasonable credit risk  
30 with the ability to pay the loan obligation in accordance with  
31 underwriting standards of the mortgage industry for the type of  
32 mortgage loan being provided.

33 Subp. 6. Maximum mortgage amount. The maximum mortgage  
34 amount for any purchase and rehabilitation or refinance and  
35 rehabilitation mortgage loan must not exceed the maximum  
36 mortgage amount for applicable areas of the state for mortgage

08/15/89

[REVISOR ] CMR/CF AR1505

- 1 loans to be insured by the Federal Housing Administration as
- 2 determined and adjusted from time to time by the United States
- 3 Department of Housing and Urban Development.