

1 Housing Finance Agency

2

3 Adopted Permanent Rules Relating to Neighborhood Preservation

4 Home Improvement Loans

5

6 Rules as Adopted

7 4900.0010 DEFINITIONS.

8 [For text of subps 1 to 22, see M.R. 1989]

9 Subp. 23. **Persons and families of low and moderate**

10 **income.** "Persons and families of low and moderate income" means:

11 [For text of items A to E, see M.R. 1989]

12 F. With respect to neighborhood preservation home
13 improvement loans pursuant to parts 4900.2300 to 4900.2340,
14 those persons and families whose gross annual income does not
15 exceed the income limits established by any agency of the
16 federal government with respect to federally subsidized
17 mortgages for low and moderate income families.

18 NEIGHBORHOOD PRESERVATION HOME IMPROVEMENT LOANS

19 4900.2300 DEFINITIONS.

20 Subpart 1. **Scope.** The terms used in parts 4900.2300 to
21 4900.2340 have the meanings given them in this part.

22 Subp. 2. **City.** "City" has the meaning given in Minnesota
23 Statutes, section 462C.02, subdivision 6.

24 Subp. 3. **Designated neighborhood.** "Designated
25 neighborhood" means that geographic area identified by a city
26 that has been approved by the agency as a designated
27 neighborhood and has the following characteristics:

- 28 A. is within an incorporated city;
- 29 B. has definite geographical boundaries; and
- 30 C. consists primarily of residential-use structures.

31 Subp. 4. **Eligible applicants.** "Eligible applicants" means
32 general applicants and other applicants.

33 Subp. 5. **General applicants.** "General applicants" means
34 applicants who are:

- 35 A. natural persons or families of low or moderate

1 income who occupy the property to be improved as a single-family
2 structure;

3 B. natural persons or families of low or moderate
4 income who own existing residential housing occupied by renters,
5 provided the applicant complies with the agency's required
6 occupancy requirement;

7 C. nonprofit entities, limited profit entities, or
8 cooperative housing corporations that provide:

9 (1) residential care facilities for mentally ill,
10 mentally retarded, physically handicapped, or drug dependent
11 persons; or

12 (2) dwelling accommodations for persons or
13 families of low and moderate income; or

14 (3) dwelling accommodations for other persons or
15 families when the agency determines it necessary to further its
16 policy of economic integration.

17 Subp. 6. **Neighborhood preservation home improvement loan.**
18 "Neighborhood preservation home improvement loan" means a loan
19 administered under parts 4900.2300 to 4900.2340.

20 Subp. 7. **Other applicants.** "Other applicants" means:

21 A. natural persons and families who are not of low
22 and moderate income;

23 B. natural persons and families of low and moderate
24 income who own existing residential housing occupied by renters,
25 where the applicant does not comply with the agency's required
26 occupancy requirement;

27 C. corporations and partnerships that provide:

28 (1) dwelling accommodations for persons or
29 families of low or moderate income; or

30 (2) dwelling accommodations for other persons or
31 families when the agency determines it necessary to further its
32 policy of economic integration.

33 4900.2310 PROPOSALS FOR LOANS.

34 Subpart 1. **Requests for proposals.** From time to time, the
35 agency may request proposals from cities for neighborhood

1 preservation home improvement loans for a period of not less
2 than 60 days on a form specified by the agency.

3 Subp. 2. Selection of proposals. The agency shall select
4 proposals for funding based on the following criteria:

5 A. the relative neighborhood preservation needs
6 described in the proposal, including, but not limited to,
7 housing needs, the needs of commercial and public properties,
8 and infrastructure;

9 B. the extent to which other resources are or will be
10 allocated to address the stated needs;

11 C. the expected impact of the neighborhood
12 preservation activities;

13 D. the extent to which other conditions or resources
14 exist for long-term preservation of the designated neighborhood;

15 E. the extent to which low and moderate income
16 residents will benefit from the neighborhood preservation
17 activities;

18 F. the extent to which displacement of residents will
19 be minimized;

20 G. the geographic area to be serviced, the size of
21 the request for funds, or other factors that will achieve a
22 reasonable distribution of resources across the state;

23 H. the priority rating a city may assign to a
24 proposal if the city submits more than one proposal; and

25 I. the extent to which the proposal is more
26 innovative than other proposals.

27 4900.2320 ELIGIBLE LOAN APPLICATIONS.

28 Subpart 1. Eligible borrowers. An eligible borrower must
29 be an eligible applicant that also meets the ownership interest
30 and credit risk requirements specified in this part.

31 Subp. 2. Ownership interest. Each eligible borrower for a
32 neighborhood preservation home improvement loan must
33 individually or in the aggregate possess at least a one-third
34 interest in fee, in a contract for deed, or in a life estate in
35 the property to be improved. However, occupancy of the property

1 by the eligible borrower is not required.

2 For manufactured or factory-made housing taxed as personal
3 property or not permanently affixed to real property, an
4 eligible borrower must individually or in the aggregate have a
5 100 percent interest in the title to the housing to be improved.

6 Subp. 3. **Credit risk.** Each eligible borrower must be a
7 reasonable credit risk with the ability to pay the loan
8 obligation as determined by the agency or by the lending
9 institution, if any, servicing the loan on behalf of the agency
10 pursuant to part 4900.0080.

11 Subp. 4. **Compliance with zoning ordinances.** The structure
12 to be improved must not be in violation of applicable zoning
13 ordinances or other applicable land use guides.

14 Subp. 5. **Use of property restricted.** The property must be
15 used primarily for residential purposes.

16 Subp. 6. **Time of completion.** All improvements must be
17 reasonably capable of being completed within nine months of the
18 date of the disbursement of funds, except for delays due to
19 causes beyond the applicant's reasonable control, such as fire,
20 strike, and shortage of materials.

21 Subp. 7. **Unavailability of financing.** At the time of
22 application, conventional financing must not be available from
23 private lenders upon equivalent terms and conditions.

24 Subp. 8. **Required occupancy.** Except as parts 4900.2300 to
25 4900.2340 apply to other applicants, owners of residential
26 housing occupied by renters shall give preference in renting the
27 improved housing units to those persons of low or moderate
28 income who occupied the residential housing at the time of
29 application for the loan. Upon completion of the improvements,
30 structures containing six rental units or fewer must be occupied
31 by persons and families of low and moderate income in at least
32 one of the units in the case of a one-unit or two-unit rental
33 structure, two of the units in the case of a three-unit rental
34 structure, three of the units in the case of a four-unit rental
35 structure, four of the units in the case of a five-unit or
36 six-unit rental structure, and at least 75 percent of the rental

1 units in the case of rental structures containing more than six
2 units.

3 4900.2330 RESTRICTION ON FUNDS.

4 At least 75 percent of funds that are available to make
5 neighborhood preservation home improvement loans in a designated
6 neighborhood must be dedicated to make loans to general
7 applicants.

8 No more than 25 percent of the funds that are available to
9 make neighborhood preservation home improvement loans in a
10 designated neighborhood may be used to make loans to other
11 applicants.

12 4900.2340 ELIGIBLE USES OF LOAN PROCEEDS.

13 Subpart 1. **Eligible improvements.** An improvement financed
14 with the proceeds of a neighborhood preservation home
15 improvement loan must meet all of the requirements of part
16 4900.0520.

17 Subp. 2. **Refinancing.** Up to 50 percent of the proceeds of
18 a neighborhood preservation home improvement loan may be used to
19 pay the balance on contracts for deed or mortgages involving the
20 property to be improved, provided such action is necessary to
21 permit the owner to meet the owner's housing cost without
22 expending an unreasonable portion of the owner's income.