



Minnesota Housing eNews Alert

September 2, 2009

Neighborhood Stabilization Program (NSP) Updates

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Eligible Homebuyer Counseling Agencies

Minnesota Housing has completed the HUD Waiver process which will provide NSP buyers more options when selecting providers to fulfill their required eight hours of homebuyer counseling.

Effective immediately, homebuyers can select a HUD approved agency to receive homebuyer counseling. You can view this document by accessing the following link: [NSP - Homebuyer Counseling HUD Eligible Agencies](#).

Subrecipients will be required to collect a copy of the eight hour counseling certificate for their files, whether it was obtained by attending an eight-hour class or one-on-one counseling sessions.

***Please note: for buyers that register with the Powderhorn Residents Group (PRG), there will be an additional document titled "PRG - HUD Counseling Agency Availability" that will be required. Before they register with PRG they will need to document that they were not able to obtain services in a timely manner from Neighborhood Housing Services (NHS) of Minneapolis or Northside Residents Redevelopment Council (NRC). You can access this document by going to the following link: [PRG - HUD Counseling Agency Availability](#). PRG will be required to complete this document and give it to the homebuyer along with their eight-hour counseling certificate.*

Continued Affordability Compliance Review of Sample Documents

Please prepare the sample documents and send them in for review as soon as possible. For most subrecipients it usually takes two or three revisions before the documents are approved.

Please make sure the City/County Attorney has reviewed the document before it is sent in. See the eNews from [June 11, 2009](#) for suggestions on developing compliant documents.

Contract Amendments

Minnesota Housing will consider NSP contract amendment requests from subrecipients that meet the conditions and requirements listed below. The deadline for any amendment request is September 20, 2009. Please send your request by email to nsp.mhfa@state.mn.us. Please note that Minnesota Housing is not soliciting contract changes, but will consider contract amendments that are relevant or imperative for the success of the program. **Minnesota Housing is not accepting requests for increases in awarded amounts.** The following are defining criteria definitions for subrecipients, guidance terms, and submittal requirements:

Subrecipients Eligible to Submit Contract Amendment Requests

1. Subrecipients who have completed their environmental review process and/or have received release of funds approval from Minnesota Housing.
2. Subrecipients who have completed the Continued Affordability sample documents and have submitted documents for review and approval.
3. Subrecipients who are currently processing disbursements or are in a position to request reimbursement of funds in the immediate future for properties already purchased.

Guidance Terms

Please reference the allocations on Schedule C of your contract amendment when addressing your changes. The reasons for your request will be examined in light of what you initially negotiated with Minnesota Housing. The following are general parameters under which you may consider submitting a contract amendment request.

1. The activities in your grant agreement are not consistent with the needs in the community. Examples:
 - a. Subrecipient has down payment assistance funds that are not being used.
 - b. A shift in funds from the rehab allocation to the redevelopment allocation would better serve the neighborhood stabilization activities.
2. An adjustment in the property count is required.
3. The reuse purpose requires a change between the number of rental and homeownership units.
4. A program change request from a buyer-driven program to a city/subrecipient-driven program is needed at this time.
5. A target area change, from a previous area to a new area is recommended. Requests to enlarge same area will not be considered. Area must have been identified in our Action Plan as an area of greatest need. Furthermore, subrecipients are advised that certain previously denied areas most likely will not be considered.

Submittal Requirements for Contract Amendment Requests

1. Documentation supporting the substantial efforts made in trying to make the program work.
2. Market conditions must be supported by data, i.e., number of sales, housing prices, multiple offers, speculator advantages, condition of homes, cash offers, employment numbers, vacancies, etc.

3. Efficiency decline must be documented with supporting arguments and facts when presented as reasons for change.
4. Foreclosure data, must be provided to reflect similar or greater need should a target area change be requested. For these requests a map must be included.
5. Advantages should be clearly delineated in the request for a different NSP activity or a different re-use, such as homeownership vs. rental.
6. Documentation that support less costs is encouraged.
7. Documentation supporting faster obligations is also encouraged.
8. Subrecipients must keep in mind the goals of the state's NSP program and the ultimate purpose of the fund which is to stabilize communities.

Subrecipients are asked to surrender awarded funds which they believe won't be obligated within the 18-month period, or that may be better used in another high need area that has already been awarded NSP funds by Minnesota Housing.

Disbursement Forms

As of September 2, subrecipients will be using revised disbursement request forms. Modifications have been made to the following forms:

- Initial Property Set Up Form
- Disbursement/Expenditure Request
- Property Close-Out Form
- Disbursement/Expenditure Request - Administration Costs Only

Documents can be accessed at the [NSP Program Forms](#) page on the Minnesota Housing website. The following are specific field changes located within the above forms:

Obligations Field

To accurately define the funds obligated for each transaction, you can illustrate the amount that has been obligated under each activity, and a cumulative obligations field is provided as well.

- ***How does HUD determine when NSP1 funds have been obligated?***
As stated in the NSP1 Federal Register Notice page 58332, "Funds are obligated for an activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment by the state, unit of general local government, or subrecipient during the same or a future period. Note that funds are not obligated for an activity when sub awards (e.g., grants to subrecipients or to units of local government) are made." **HUD expects grantees to obligate funds to specific activities. The following are examples of obligations for a "specific activity":**
 - Execution of an agreement with a REO holder to acquire one or more foreclosed upon properties;
 - Execution of a contract to rehabilitate an abandoned or foreclosed upon property;
 - Execution of a loan agreement;
 - Issuance of a purchase order for equipment/supplies used to maintain acquired property;
 - Execution of a demolition contract;

- Administrative action necessary to assign a staff person to work on NSP1 activities.
- The execution of a subrecipient agreement would not qualify as an activity that counts toward meeting the 18-month obligation requirement.

Tenants' Rights Questions

This information will be found in the "Initial Property Set Up Form" and the "Property Close-Out Form". The three new questions read as follows:

1. Was there a bona fide tenant in the property at time of foreclosure?
2. If yes, do you or the successor in interest have documentation that complies with NSP's 90-day tenant notice?
3. If no, are you assuming the responsibilities for any penalties that may be required?

Purchase Price Field

This information is located on page two of the "Initial Property Set Up Form" and it is the discounted price negotiated by the buyer directly. This field is also for the discounted price negotiated by the subrecipient should this be a subrecipient-driven transaction.

Sale Price to Homebuyer Field

This information is located on page three of the "Property Close-Out Form". This is the resale price to the homebuyer after a subrecipient has completed the rehabilitation of the property it acquired.

Minnesota REO Properties

Effective the second week in September and every month thereafter, Minnesota Housing will provide its NSP subrecipients with the list of properties that are in foreclosure prior to its publication in the market. This will provide an added opportunity for subrecipients to address properties of interest before they are released in the market. More detailed information will follow in an upcoming eNews.

Banker Non-traditional Mortgage Guidance

The subrecipient must ensure that the homebuyer obtains a mortgage loan from a lender who agrees to comply with the bank regulators' guidance for non-traditional mortgages available at <http://www.fdic.gov/regulations/laws/rules/5000-5160.html>.

Subrecipients must design NSP programs to comply with this requirement and must document compliance in the records, for each homebuyer. Subrecipients are cautioned against providing or permitting homebuyers to obtain subprime mortgages.

To facilitate the documentation of compliance with this requirement, Minnesota Housing will work with its network of lenders to obtain their certification of compliance. Once these have been obtained, the list of certified lenders will be posted to the NSP website for viewing. If the homebuyer is securing financing with a lender that is not on this list, the subrecipient will be required to obtain the certification of compliance to properly document the file.

Questions?

Contact Ruth Simmons at 651.297.5146 or ruth.simmons@state.mn.us.