



Minnesota Housing eNews Alert

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Announcement of Program Changes:

Multifamily HOME Rental Rehabilitation Program and Single-Family Rehabilitation Loan Program

For years, Minnesota Housing has partnered with local administrators to deliver a successful HOME Rental Rehabilitation Program using federal HOME funds and an essential single-family owner-occupied Rehabilitation Loan Program. These programs have both been highly effective as means for preserving and improving affordable housing in greater Minnesota and metro communities. Together, more than 9,500 units across the state have been served by the two programs. This success has been due in great part to the work that program administrators and lenders have been doing in the communities they serve.

In 2008, a Minnesota Housing staff review, HUD audit, and independent audit revealed issues in the Agency's delivery and monitoring of the HOME Rental Rehabilitation Program funds. As a result of these findings, the Agency can no longer afford the financial risks of the status quo as it relates to the HOME Rental Rehabilitation Program.

As an overall risk mitigation measure, and after thorough deliberation, the Agency will be making significant changes to its HOME Rental Rehabilitation Program and Rehabilitation Loan Program.

Changes to the HOME Rental Rehabilitation Program (RENTAL)

- Subject to legislative approval and effective with the 2010 funding round (beginning October 1, 2009), the Rental Rehabilitation Program will be funded with state appropriations. These state appropriations are currently used by the Agency for single-family owner-occupied rehabilitation. The Agency will be swapping funding sources, as it believes that for long term compliance under the federal HOME program, single-family homeownership is a better fit. Minnesota Housing was one of very few state agencies that used HOME dollars to fund rental rehab. This made the already stringent HOME requirements even more complicated for the Agency, our administrators, and owners, as well as the residents that the funding supports. By exchanging HOME funds from rental rehab to owner-occupied rehab, Minnesota Housing will be more in line with HUD expectations as they pertain to HOME, as well as the practices of other state housing finance agencies.
- To further reduce risk and increase efficiencies, by the end of the year, all compliance and monitoring responsibilities currently performed by local administrators will be

moved in-house and will be performed by Agency staff. All projects in their Effective Period will be assigned to Minnesota Housing compliance staff.

Implementing these two changes will allow the Agency to continue to offer a dedicated source for rental rehabilitation in Greater Minnesota that is administered on the local level.

What does this mean for administrators of the HOME Rental Rehabilitation Program?

- Local Administrators will keep their current role producing the HOME Rental Rehabilitation Program loans for the 2009 funding round.
- Effective October 1, 2009, the new Rental Rehabilitation Loan program will begin the 2010 funding round with its first allocation of state-appropriated funds to administrators.
- While the Agency cannot set an exact date, a target date of September 30, 2009 to begin to transition all compliance in-house has been established. At this time, any owners in compliance with the program rules, and that are currently in their Effective Period will begin working directly with Agency staff. This also means that as the new 2009 HOME loans close, they will be monitored by Agency staff. For all loans closing after the transition date, Local Administrator responsibilities will extend only through project completion or closing.
- Minnesota Housing will be publishing a Request for Administrators later this year when the new program parameters for the replacement Rental Rehabilitation Program funded through state appropriations are further defined.
- Agency staff will be developing training curricula for administrators and owners. Manuals and trainings for the new program will be available in the summer of 2009.
- The Agency will be able to provide more details and specific dates in the weeks and months to come. In the meantime, please conduct business as usual.

May 12, 2009 has been tentatively set aside as the HOME Rental Rehabilitation Local Administrator training for the 2009 funding round. This will be a full day training held in a centralized location. Look for an agenda in the coming weeks.

Comments or questions can be directed to Julie LaSota, HOME Rental Rehabilitation Program Administrator, 651.296.9827 or julie.lasota@state.mn.us.

Changes to the Rehabilitation Loan Program (SINGLE-FAMILY OWNER-OCCUPIED)

- Subject to legislative approval and effective with the 2010 funding round (beginning October 1, 2009), the Rehabilitation Loan Program will be funded with federal HOME funds. While this will entail some additional compliance and administrative responsibilities, it will also lead to more clear and consistent rehabilitation standards and a more comprehensive home rehabilitation for participating homeowners.
- Unlike HOME funds used for rental rehabilitation, there will be no long-term affordability periods applicable to rehabilitation of owner-occupied single-family homes.
- As emergency loan programs are not an eligible use of HOME funds, the Agency intends to continue to offer a rehabilitation program for emergency situations and essential accessibility improvements for households with a disability. This is made possible through pre- and repayments of existing Rehabilitation Loan Program loans.

Implementing these changes will allow the Agency to minimize risks pertaining to the use of HOME funds, and will provide an opportunity for significant retooling of the Rehabilitation Loan

Program. Please note that product and program details will be available later this summer, well before the October 1 transition date.

What does this mean for administrators of the Rehabilitation Loan Program?

- Program lenders will keep their current role providing the Rehabilitation Loan Program through the end of the program year (September 30, 2009).
- The Agency will be conducting several input and strategy sessions with existing lenders to determine ways to maximize impact and efficiency given the funding change, and to evaluate various product and program options.
- The estimated effective date for the new HOME-funded Rehabilitation Loan Program is October 1, 2009.
- Minnesota Housing will publish a Request for Qualifications (RFQ) later this year to retain or add lenders to its network and ensure adequate statewide coverage.
- Agency staff will develop training curricula for lenders. Manuals and trainings for the new program will be available in the summer of 2009.
- Minnesota Housing will be able to provide more details and specific dates in the weeks and months to come. In the meantime, please conduct business as usual.

Comments or questions can be directed to Jonathan Stanley, Rehabilitation Loan Program Policy Coordinator, 651.297.3656 (toll free: 1.800.710.8871 ext. 73656) or at jonathan.a.stanley@state.mn.us.