



# **Minnesota Urban and Rural Homesteading (HOME Funded) Program Procedural Manual**

*December 2010*



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## **Americans with Disabilities Act Notice to the Public**

It is the policy of the Minnesota Housing Finance Agency to comply with the provisions of the Americans with Disabilities Act, 42 U.S.C. A. Section 1201, et seq. ("ADA"). The ADA prohibits discrimination against qualified individuals with disabilities on the basis of their disability. The ADA provides, in part, that qualified individuals with disabilities shall not be excluded from participating in or be denied the benefits of any program, service, or activity offered by this Agency.

The ADA requires that all programs, services and activities, when viewed in their entirety, are readily accessible to, and usable by, qualified individuals with disabilities. This Agency must communicate effectively with individuals with speech, visual, and hearing impairments and provide auxiliary communication aids to qualified individuals with disabilities participating or benefiting from this Agency's programs, services or activities to afford equal opportunity.

Should you wish to review the ADA or its interpretive regulations, ask questions about your rights and remedies under the ADA, request a reasonable modification to this Agency's policies, practices or procedures, or file a written grievance with this Agency alleging noncompliance with the ADA, please contact the Agency's Designated Coordinator for the ADA listed below:

Name: Tal Anderson  
Address: 400 Wabasha Street North, Suite 400  
St. Paul, MN 55102

Telephone Numbers:

Voice: 651-296-2198  
TTY: 651-297-2361



## **Chapter 1 - General Information**

### **1.01 The Minnesota Urban and Rural Homesteading Program (MURL)**

The MURL Program provides homeownership opportunities to homebuyers who will assist in stabilizing declining neighborhoods. The Program is designed to arrest or prevent the spread of blight and preserve the existing housing stock or replace dilapidated properties by providing a financing mechanism through which properties may be purchased, rehabilitated or for demolition/new construction of a new single family unit and sold to homebuyers who will stabilize the neighborhood by following a “good neighbor” policy.

Under the Program, the Minnesota Housing Finance Agency provides grants, to The Eligible Organizations to acquire single-family residences to rehabilitate and/or demolish the existing structure and construct a new single family unit and sells them *properties* by way of a zero-percent Contract for Deed to homebuyers who are considered to be “at-risk” and are willing to strengthen the neighborhood by adhering to a Good Neighbor Policy.

### **1.02 The MURL Procedural Manual**

This Procedural Manual, including subsequent changes and additions, is a supplement to the Grant Funding Agreement, executed by the Eligible Organization and Minnesota Housing. It is incorporated into the Grant Funding Agreement by reference and is a part thereof as fully as if set forth in the Grant Funding Agreement at length.

This Procedural Manual sets forth the terms and conditions under which the Minnesota Housing will award grant funds to Eligible Organizations to administer the Program. The Minnesota Housing is under no obligation to disburse funds for grants that do not comply fully with this Procedural Manual, including schedules and requirements for supporting documentation regarding such grants.

Eligible Organizations may request, in writing to the Minnesota Housing, waivers, alterations or revisions to this Procedural Manual. Waivers, alterations or revisions may, if allowed by statute or rule, be granted at the sole discretion of Minnesota Housing.

Eligible Organizations are cautioned that many requirements of this Procedural Manual (see below) are a result of HOME Program requirements. The funds awarded under the MURL Program are funded with HOME dollars and are subject to federal regulations. The Minnesota Housing may not be able to waive/alter current Program requirements to meet special requests for Program waivers, alterations, or revisions.

This Procedural Manual fully incorporates the Federal HOME Regulations, 24 CFR Part 92 - HOME Investment Partnerships Program, as amended and/or revised from time to time.

### **1.03 Amendments / Directives**

The Minnesota Housing from time-to-time may make changes to this Procedural Manual. Any changes in guidelines and procedures will be communicated to all Eligible Organizations through the posting of Program Updates/News Alerts on the Minnesota Housing website ([www.MinnesotaHousing.state.mn.us](http://www.MinnesotaHousing.state.mn.us)). Amendments to this Procedural Manual will be effective as of the date of issue unless otherwise stated and shall be binding upon all participants in the MURL Program.

### **1.04 No Right to Assign Agreement**

No agreements executed between an Eligible Organization and the Minnesota Housing are assignable without prior written approval from the Minnesota Housing.

### **1.05 Federal and State Regulations**

Nothing in this Procedural Manual shall be construed in any way to conflict with, alter, or amend any federal or state laws, or regulations applicable to the Minnesota Housing, or an Eligible Organization.

### **1.06 Audits**

The Minnesota Housing, Legislative Auditors for the State of Minnesota, HUD and the Comptroller General of the United States, or any of their representatives, shall have the right, upon reasonable notice and during normal working hours, to have access to examine any pertinent books, documents, papers or other records of the Eligible Organization relating to the Eligible Organization's participation in this Program in order to make audits, examination, excerpts, and/or transcripts. The Minnesota Housing may request all documents be delivered to the Minnesota Housing upon request. The Minnesota Housing reserves the right to make site visits at any stage of the rehabilitation process, with reasonable notice to the Eligible Organization *and/or* the homeowner.

### **1.07 Evidence of Misconduct**

All participants in the MURL Program are reminded that Minnesota Housing will enforce all provisions under such Program and refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Program to the appropriate state or federal authority for appropriate legal action.

## **Chapter 2 - Organization Eligibility and Participation**

### **2.01 Eligible Organizations**

Eligible Organizations applying for participation in the MURL Program must provide an application in a form prescribed by Minnesota Housing. They must also submit the “Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion -- Lower Tier Covered Transactions.”

An Eligible Organization must be either a political subdivision, or a nonprofit entity as defined by Minnesota Housing, a housing and redevelopment authority, or other organization designated by Minnesota Housing, that has as a primary purpose the provision or development of affordable housing to low- and moderate-income persons or Households in Minnesota. Nonprofits holding a Community Housing Development Organization (CHDO) designation from Minnesota Housing receive priority in funding. A nonprofit must contact Minnesota Housing for a list of requirements/application to qualify for designation as a Community Housing Development Organization.

### **2.02 Local Neighborhood Advisory Board**

Under the Program, a Local Neighborhood Advisory Board for each Designated Area must be established by the Eligible Organization that will be made up of volunteer residents from the Designated Area surrounding each property acquired under the Program that reflects the racial composition of that area.

The Advisory Board is responsible for the following:

- Recommending to the Eligible Organization properties that may be acquired within the Designated Area.
- Recommending the selection of eligible homebuyers to the Eligible Organization.
- Assist the Eligible Organization in providing ongoing assistance to eligible homebuyers.

### **2.03 Conflict of Interest**

No person who is an employee, agent, consultant, officer, or elected or appointed official of the State of Minnesota and who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME Funds obtained under the HOME Program or who are in a position to participate in a decision-making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family or business ties, during their employment or for one year thereafter. No officer, employee, agent, elected or appointed official, or consultant of the Eligible Organization may occupy a unit developed by the Eligible Organization and assisted with funds from the Program. Minnesota Housing may

grant an exception to this limitation in accordance with the provisions of Section 92.356 (f) (2) of the HOME Regulations.

## Chapter Three - Property Requirements and Rehabilitation

### 3.01 Designated Area

The Eligible Organization, with the input from the Advisory Board, shall select and acquire Eligible Properties within the Designated Area and then contract with businesses or organizations for the rehabilitation of each Eligible Property and/or for the demolition of the existing structure and new construction of a single family unit. (See Chapter Three; Part XV for restrictions on Acquisition/Demolition/New Construction.) The Designated Area in which Program funds are ultimately used must comply with the area specified in the Eligible organizations response to a Request for Proposal.

### 3.02 Configuration, Types & Uses of Eligible Properties

An Eligible Property is a single family residential property, located within a Designated Area, that is vacant, condemned, abandoned, or identified as desirable for purchase by the Eligible Organization, which, if rehabilitated or replaced will prevent or arrest the spread of blight.

The following are not eligible under the MURL Program:

- Properties containing two or more units,
- Condominiums,
- Townhouses *within* a planned unit development,
- Mobile Homes,
- Property that is intended to be an investment property,
- Property that is intended for recreational homes, in addition
- No part of the residence may be specifically designed for commercial use,
- No more than 15% of the total area of the residence may be used in a trade or business except for in-home day care facilities in which case 49% of the total area may be used.

All Eligible Properties must meet the Environment Review Requirements of HOME Regulations, Section 92.352.

### 3.03 Cost Limitation

The total HOME development cost of acquiring and rehabilitating the Eligible Property, including closing costs, development costs, and all other costs associated with the development of an Eligible Property may not exceed the following limits. The Minnesota Housing will provide updates as necessary:

Area	2 BD	3BD	4 BD
Metro Area	154,781	200,232	219,794
Southeastern Minnesota	143,817	186,049	204,226
Western Minnesota	137,368	177,706	195,068
Northeastern Minnesota	149,621	193,558	212,468
Central Minnesota	143,817	186,049	204,226

**Note:** Total Development Costs may exceed these limits if public, private or local investment funds are used to cover the difference.

**Metro:** Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

**Southeastern:** Blue Earth, Brown, Dodge, Faribault, Fillmore, Freeborn, Goodhue, Houston, Le Sueur, Martin, Mower, Nicollet, Olmsted, Rice, Steele, Wabasha, Waseca, Watonwan, and Winona

**Western:** Aitkin, Becker, Beltrami, Big Stone, Cass, Chippewa, Clay, Clearwater, Cottonwood, Crow Wing, Douglas, Grant, Hubbard, Jackson, Kanabec, Kandiyohi, Kittson, Lac Qui Parle, Lincoln, Lyon, Mahnomen, Marshall, Meeker, Mille Lacs, Morrison, Murray, Nobles, Norman, Otter Tail, Pennington, Pine, Pipestone, Polk, Pope, Red Lake, Redwood, Renville, Rock, Roseau, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Yellow Medicine

**Northeastern:** Carlton, Cook, Itasca, Koochiching, Lake, Lake of the Wood, and St. Louis

**Central:** Benton, Chisago, Isanti, Mc Leod, Sherburne, Sibley, Stearns, and Wright.

### **3.04 Acquisition of Property - General**

The Eligible Organization shall conduct real property acquisitions in accordance with the Uniform Relocation Assistance and Real Property Acquisition Regulations for Federal and Federally Assisted Programs contained in 49 CFR Part 24.

No property assisted under the MURL Program may be acquired through condemnation or eminent domain.

### 3.05 Acquisition Procedure

- Acquisition of real property by an Eligible Organization that possesses the power of eminent domain must meet the following standards:
  - The acquisition must be a voluntary, arm's length transaction.
  - The Eligible Organization must inform the owner in writing that it will not use its power of eminent domain to acquire the property if negotiations fail to result in an amicable agreement. The notice must be in writing and provided before the seller enters into the contract sale on which the purchase is based.
  - If no specific site or property is designated for acquisition, the Eligible Organization must limit its search for sites within the Designated Area. Where an Eligible Organization wishes to purchase more than one site within a Designated Area, all owners are to be treated similarly. The property to be acquired shall not be part of an intended, planned, or designated project area where all or substantially all of the properties within the area are to be acquired within specific time limits.
  - The Eligible Organization must inform the owner of its estimate of the Fair Market Value of the property. The notice must be in writing and provided before the seller enters into the contract for sale on which the purchase is based. Estimated Fair Market Value of the property may be obtained from the Property tax statements, the County Recorder's Office, a Realtor's evaluation or through an independent appraisal of the property. The file must contain evidence of how the market value was determined.
  - The notifications required under 2 and 4 above must be made in a form substantially similar to the Disclosures to Seller with Voluntary, Arm's Length Purchase Offer--Government Buyer.
- Acquisition of real property by an Eligible Organization that does not possess the power of eminent domain must meet the following standards:
  - The Eligible Organization must inform the seller that it does not have the power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement.
  - The Eligible Organization must inform the owner of its estimate of the Fair Market Value of the property. The notice must be in writing and provided before the seller enters into the contract for sale on which the purchase is based. *Estimated Fair Market Value of the property may be obtained from the property tax statements, the County Recorder's Office, a Realtors evaluation or through an independent appraisal of the property.* The file must contain evidence of how the market value was determined.

- The notifications required under 1 and 2 above must be made in a form substantially similar to Disclosures to Seller with Voluntary Arm's Length Purchase Offer Non-Profit Buyer prior to entering into a contract of sale.

### **3.06 Scope of Work and Cost Estimates**

The Eligible Organization shall prepare a Scope of Work based upon an initial inspection of a property that will be the basis for bids from contractors.

The Eligible Organization should have the capacity to estimate the cost of essential work so they can evaluate the feasibility of rehabilitation/replacement and reasonableness of bids from contractors.

### **3.07 Title Examination Requirements**

At the time an Eligible Organization acquires title to an Eligible Property, the title for that Eligible Property must be established by way of an attorney's legal title opinion or a title policy showing the Eligible Organization is acquiring clear and marketable title.

### **3.08 Contractor Licensing**

Contractors must supply a copy of their license or a written explanation of why they are exempt. This information must be kept in the Eligible Organization's file.

### **3.09 Outreach to Minority and Women-Owned Businesses**

The Eligible Organization must take and document its affirmative steps to assure that minority firms and women's business enterprises are used when possible.

This shall be specifically accomplished by the Eligible Organization complying with the following requirements:

- Placing qualified small, minority and women's business enterprises on solicitation lists the Eligible Organization may maintain.
- Assuring that small, minority and women's business enterprises are solicited whenever they are potential sources.
- Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small, minority, or women's business enterprises.
- Establishing delivery schedules, where the requirement permits, which encourage participation by small, minority, or women's business enterprises.
- Using the services and assistance of the Small Business Administration *or* the Minority Business Development Agency of the Department of Commerce, in identifying minority and women business enterprises.
- Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.

### **3.10 Bidding and contracting the Work**

Minnesota Housing recommends that the Eligible Organization create forms for developing a Scope of Work and preparing bids that will make this stage of the rehabilitation process operate smoothly.

- Whenever feasible, at least two competitive bids should be sought for the proposed improvements. If only one bid is received, written documentation relating to the cost reasonableness of the bid must be prepared and made available to the Minnesota Housing. This could include comparing bids from similar activities or using a cost estimating software.
- Only the accepted bid(s) are submitted to Minnesota Housing, but Minnesota Housing may request to see all bids.
- An Eligible Organization may reject all bids if there is good cause.
- Eligible Organizations are required to retain a Bid Summary Sheet in each respective file. This sheet would indicate to whom the entity mailed invitation to bid and which contractor(s) were selected.
- Contracts for the rehabilitation must comply with relevant portions of 24 CFR 85.36(i).
- Selected contractor/subcontractors must sign and agree to the terms of the Section 3 Compliance Plan (See Chapter Six: Reporting/Recordkeeping Requirements).

### **3.11 Sworn Construction Statement and Lien Waivers**

General contractors are required to execute a Sworn Construction Statement. This document must be retained by the Eligible Organization in each respective loan file.

Eligible Organizations are required to obtain Lien Waivers from the general contractor as well as all subcontractors and material suppliers involved in the project for all of the work performed by the general contractor and subcontractor and all the materials supplied by the materials suppliers.

### **3.12 Rehabilitation -- General**

The Eligible Property should not require such extensive rehabilitation that the Eligible Organization would be required to hold the property for an extended period of time before it could be sold to a Homebuyer.

The Sales Price of the Eligible Property may not exceed limits set forth in Chapter 5, Section III.

### **3.13 Minimum Standards and housing quality standard**

Rehabilitation must, at a minimum, meet the appropriate building code for the area in which the Eligible Property is situated. In the absence of a state or local code, rehabilitation must meet one of the codes or standards specified in 24 CFR 92. 251(a) (1).

Eligible Organizations and their contractors and real estate agents are required to comply with the requirements of 24 CFR part 35, and applicable Minnesota Department of Health

regulations dealing with the evaluation and treatment of lead-based paint and the sale of pre-1978 housing.

The Lead Based Paint Regulations contained in 24 CFR part 35 require that all properties constructed prior to 1978 shall, to the greatest extent practicable, be free of lead based paint hazards. 24 CFR part 35 subpart A, requires the sellers of housing to make specific disclosures of lead and lead based paint hazards known to exist within the housing being sold. Other provisions of the regulations include the form the disclosures must take, required language in the purchase agreement permitting the buyer to inspect the house for lead and to cancel the transaction within ten days, and certain record keeping requirements.

24 CFR part 35 prescribes the appropriate approach to lead-based paint and lead-based paint hazards depending, in part, on the type of activity financed with the HOME Funds. HUD has determined that the MURL Program is predominantly a rehabilitation program and, as such, even if HOME Funds are used only for acquisition of property, subpart J of part 35 dealing with rehabilitation applies rather than subpart K dealing with acquisition.

To reduce the likelihood of major home repairs during the early years of ownership and to provide safe, sound, sanitary housing to At Risk Homebuyers under the Program, at the time of sale the property must meet all applicable state and local housing quality standards and code requirements. If there are no such standards and codes, the housing must meet the housing quality standards of 24 CFR §982.401.

### **3.14 Eligible Improvements**

Each rehabilitation improvement must be a permanent general improvement made in compliance with all applicable state, county and municipal health, housing, building, fire prevention, and housing maintenance codes, or other public standards. Permanent general improvements include additions, alterations, renovations or repairs that preserve or improve the basic livability, safety, energy efficiency, utility or value of the property, or to provide for better accessibility for handicapped persons. Permanent general improvements do not include materials, fixtures or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the subject property.

“Luxury” improvements such as the construction of a swimming pool, outdoor hot tub, etc., are not eligible under the Program. Improvements that do not become a permanent part of the real property are excluded (*ie., freestanding stove and refrigerators, etc.*). Additions or alterations to provide for commercial use of the property are not eligible.

### **3.15 Demolition/Removal and New Construction– GENERAL**

If the Eligible Property requires extensive rehabilitation, and documentation is submitted to Minnesota Housing showing it would be less expensive to demolish/remove and construct a new single-family unit rather than rehab the property, this may be allowed on a case-by-case basis.

The number of housing units on the lot may not be decreased or increased as part of the construction process; but the number of rooms per unit may be increased or decreased (ie., if there was previously a 2-bedroom structure, it may be replaced by a structure containing 3-bedrooms).

The housing must be sold and occupied by persons who meet the income limits of this Program. At the time of sale the newly constructed structure must meet the local housing standards or the codes and standards specified in 24 CFR Part 92.251(a) (1).

The housing must be modest and cannot exceed the sales price limits in Chapter Five, Part III. The Maximum HOME Cost Limitations cannot be exceeded and these limits are listed in Chapter Three, Part III.

### **3.16 Demolition/Removal and New Construction Requirement**

A project involving the acquisition, demolition/removal of an existing structure and replacement with a new owner-occupied single-family unit is eligible under the MURL Program, however, replacement with a new unit must be more cost effective than acquisition /rehabilitation, documented as such, and receive Prior Approval from Minnesota Housing.

To request Minnesota Housing approval the Administrator must complete the MURL Project Information/Financial Work Sheet that compares the cost of acquisition/rehabilitation to acquisition/demolition-removal/new construction. Upon review of the Project Information/Financial Worksheet and supporting documentation, Minnesota Housing staff will inform you of the decision within 5 working days of receipt. The following information must be submitted with Worksheet for review by Minnesota Housing staff:

- For both rehabilitation and new construction:
  - Acquisition Costs
  - Developer fee
  - Appraisal fee
  - Statutory Checklist
- For Rehabilitation Projects:
  - Rehabilitation Scope of Work, cost estimates or bids
- For New Construction Projects:
  - Bids to demolition and remove the existing structure;
  - Bids to prepare the site for new construction (ie. removal of existing foundation, leveling of lot, etc.)
  - Construction Costs Estimates or Bids

- Plans for the new owner-occupied structure to be built
- And other relevant costs/documentation for each category above.

If the existing lot is determined to be unbuildable by city officials (ie., the sewer and/or water connections must be updated) any work necessary to make the existing lot buildable must be completed prior to commencement of construction.

An environmental review must be completed for all properties utilizing HOME Funds.

### **3.17 Funds Disbursement**

Eligible Organizations request funds by using the Minnesota Housing Project Set-up Request Form. Funds will be disbursed to an Eligible Organization on a property-by-property basis. There will be a maximum of five (5) separate disbursements for each property. Only acquisition, closing, rehab, developer costs and other costs associated with the development are eligible expenditures.

The disbursement request must only be for actual project costs incurred. If the disbursement is greater than the actual project cost, those funds must be returned immediately to the Minnesota Housing.

A written request by the Eligible Organization must be submitted along with a revised set up form if additional funds are required because of an increase in the initial project cost. At no time can an increase exceed the amount awarded to the Eligible Organization.

### **3.18 Administrative / Development Costs**

Eligible Organizations may request a maximum developer's fee of up to 10% of the MURL Funds awarded to help with payment of development costs.

Development Costs may include, but are not limited to the following items:

- Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups.
- Costs to process the financing for a project, such as private lender origination fees, credit reports, fees for the title evidence, fees for recordation and filing of legal documents, building permits, attorney fees, private appraisal fees and fees for an independent cost estimate and builders or developers fees.
- Costs of any project audit that a participating jurisdiction may require with respect to the development of the project.
- Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners as required by section 92.351 of the HOME Regulations.

- Staff and overhead costs directly related to carrying out a project, such as the preparations of work specifications, loan processing, inspections, and other services related to assisting potential owners and homebuyers.

Eligible Organizations are directed to Section 92.206 of the HOME Regulations pertaining to such costs.

### **3.19 Environmental Reviews**

Minnesota Housing will determine whether a project is “categorically excluded” and/or “exempt” from information submitted by the Eligible Organization.

The Eligible Organization will complete a statutory checklist for each project. The “HUD Guide to Environmental Compliance: NEPA-Related Statutes, Authorities and Requirements” identifies which activities trigger a specific review and remedial action. Basically, simple acquisition/rehabilitation in MURL will require a review of the following items:

- Contamination and toxic substances;
- Explosive and flammable operations (when making a building that has been vacant for more than one year habitable);
- Floodplain management (if rehab costs will exceed 50% of pre-rehab value);
- Historic preservation.

If the project will increase the building’s footprint in a floodplain or wetland, one or more of the following additional items may need to be reviewed:

- Air quality.
- Airport hazards.
- Coastal zone management.
- Endangered species.
- Environmental justice.
- Explosive and flammable operations.
- Farmland protection.
- Noise control.
- Water quality (sole source aquifers).
- Wetland protection.
- Wild and Scenic Rivers.

Once complete, the statutory checklist must be submitted to Minnesota Housing for a determination as to the project’s status as an exempt activity, or a categorically excluded

activity. If determined to be “exempt,” Minnesota Housing will promptly notify the Eligible Organization and the project may proceed.

If the project is determined to be categorically excluded and not exempt, Minnesota Housing will notify the Eligible Organization, which shall publish and distribute the “Notice of Intent to Request Release of Funds” in accordance with the requirements of 24 CFR Part 58 and provide copies to Minnesota Housing. The notice shall direct the reader to submit comments to the following address:

Minnesota Housing Finance Agency  
Attn: MURL - NOIRROF  
400 Wabasha Street North, Suite 400, St. Paul, MN 55102

Following the comment period, Minnesota Housing will submit a “Request for Release of Funds and Certification” to HUD. Minnesota Housing will promptly notify the Eligible Organization that the project may proceed when it receives an “Authority to Use Grant Funds” form from HUD.

Whether the project is deemed exempt or categorically excluded, the Eligible Organization shall not do anything in relation to the project that would have an adverse environmental impact or limit the choice of reasonable alternatives before Minnesota Housing gives its approval to proceed with the project.

As a way to permit moving a project forward in a manner that does not limit the choice of reasonable alternatives while awaiting completion of the environmental review, HUD permits the purchase of a real estate option on a property prior to completion of the environmental review, provided the option agreement stipulates that the purchase of the property is subject to a determination by the Minnesota Housing that the property is desirable from an environmental standpoint, and the cost of the option is a nominal portion of the Purchase Price. The cost of options for properties determined to not be environmentally suitable may not be paid with HOME Funds.

## **Chapter 4 - Eligible Homebuyers**

### **4.01 General**

Minnesota residents wishing to purchase an Eligible Property from the Eligible Organization under the MURL Program must meet the Program requirements and eligibility criteria set forth in this Chapter. Such residents must be both a First-Time Homebuyer and an At Risk Homebuyer.

### **4.02 Homebuyer's Requirements**

The Eligible Organization, with the input from the Advisory Board, shall select an Eligible homebuyer.

Eligible homebuyers include individuals and families who are "at risk." An "At Risk Homebuyer" is defined as an individual or a family who is homeless, receiving public assistance, or would otherwise be unable to afford homeownership without this Program. An At Risk Homebuyer lacks the ability to meet mortgage industry underwriting standards for traditional mortgage financing.

Within the definition of an At Risk Homebuyer' an Eligible Organization has flexibility to identify specific requirements that each homebuyer must meet within its proposal. It is the responsibility of the Eligible Organization to adhere to its definition in the processing of homebuyers under the Program.

In addition, a homebuyer must qualify as a first time homebuyer. In general a first time homebuyer is defined by Minnesota Housing is an individual and/or family who have not held an ownership interest in a Principal Residence in the last 3 years. (See Page 37 for exceptions.)

The Eligible Organization must verify the status of the homebuyer by reviewing the homebuyer's past three years of federal income tax returns. Income tax returns are the primary reference as to whether or not the homebuyer declared a mortgage interest or real estate tax deduction evidencing ownership of a previous home. While such deductions on past federal income tax returns are not necessarily proof positive that the homebuyer previously owned a home, it is an Eligible Organization's responsibility to further investigate the situation to determine final eligibility regarding this requirement.

### **4.03 Owner Occupancy**

Each homebuyer who purchases a home under the MURL Program must occupy the Eligible Property as a Principal Residence within 60 days following the closing of the Contract for Deed and continue to occupy it as their Principal Residence for the full term of the Contract-for-Deed. If the homeowner no longer resides in the property as their Principal Residence prior to the Contract-for-Deed being paid in full the Eligible Organization must take appropriate steps to cancel the contract.

#### **4.04. Household Income Limits**

The Eligible Organization may establish income limits for the Program, which they deem appropriate for a particular Designated Area, but under no circumstances may the homebuyer's income exceed levels, which would not qualify the Household as a low-income family at the time of purchase. Specifically, the Gross Annual Income of the Household may not exceed 80% of median income for the area as determined by HUD with adjustments for smaller and larger families.

In calculating Household annual income under this Section, an Eligible Organization must project income *for 12 months* as of the date of application from all sources and before taxes or withholding for all residents living in an Eligible Borrower's Household as provided in 24 CFR Part 5.609. Income to be projected includes, but is not limited to salary, commissions, bonuses, earnings from part-time employment, interest, dividends, tips, gains on sale of securities, annuities, pensions, royalties, veterans administration compensation, net rental income from all sources, alimony, child support, public assistance, sick pay, social security benefits, income received from business activities or investments, unemployment compensation, estate or trust income, and other miscellaneous income.

All sources of income must be verified in accordance with one of the following provisions and copies retained in the homeowner's file:

- Written verification from employers or other income providers.
- A minimum of four recent check stubs.
- Current Social Security, veteran's administration pension, or Minnesota Family Investment Program award letters.
- Deposit slips, bank statements showing regular automatic deposits of funds.
- Income from self-employment should be based on the average of the last two years of income.

#### **4.05 Homebuyer Monthly Payment**

In April 2005 the Calculation to determine the homebuyer's monthly payment was changed. Following are the rules for pre- and post-April 2005 calculations to determine a homebuyer's monthly payment:

- If the homebuyer purchased the property after April 1, 2005 (s) he must make payments under the Contract for Deed equal to 25% of the Gross Monthly Household Income.
- If homebuyer purchased the property prior to **April 1, 2005** (s) he must make payments under the Contract for Deed equal to the greater of 25% of their Adjusted Gross Monthly Household Income or 10% of the Gross Monthly Household Income.

- Application of the homebuyer's payments under the Contract for Deed must be made first to Escrow Accounts for real estate taxes and hazard insurance, then repayment of principal.
- When the initial qualification of a homebuyer has been completed, there should be sufficient income to provide payment for the monthly escrows of real estate taxes, hazard insurance, for a principal reduction, and other expenses related to the home (ie., utilities, garbage removal).

#### **4.06 Good Neighbor Policy**

Homebuyers under the Program must agree to comply with the "Good Neighborhood Policy" as developed by the Eligible Organization for each Designated Area.

## Chapter 5 - Contract-For-Deed Requirements and Property Conveyance

### 5.01 Contract-for-Deed – General

Each homebuyer acquiring property under the Program must do so by way of Contract for Deed with the Eligible Organization. The Contract for Deed is to be executed in a form developed by the Minnesota Housing.

The terms and conditions of the Contract for Deed have been established in accordance with the guidelines under the HOME Regulations and the Program. A copy of the Good Neighbor Policy must be attached to the Contract for Deed.

### 5.02 Payments required under a contract for deed

Eligible Organizations must establish a policy based on the methods listed below, on which way they will determine the sales price and apply that policy to all MURL units.

All Contracts for Deed are to be zero-percent interest with a term not to exceed 30 years. The Contract for Deed will provide that the entity, which services the same, must escrow real estate taxes and hazard insurance on behalf of the Homebuyer on a monthly basis, see Homebuyer's Monthly Payment in Chapter 4, Section V, Part C.

### 5.03 Sale Price Limits

The sales price to the eligible homebuyer may not exceed the lessor of the total development costs, the appraised value, or the limits set forth, below. (The Minnesota Housing will provide updates as necessary.)

- |                                    |           |
|------------------------------------|-----------|
| • Minneapolis/St. Paul MSA*        | \$221,160 |
| • Dodge, Olmsted, Wabasha Counties | \$175,531 |
| • Goodhue County                   | \$170,095 |
| • All Other Counties               | \$154,896 |

\*Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright Counties.

### 5.04 Downpayment, Closing Costs and Prepaid Expenses

Downpayment, closing costs, and prepaid expenses are not required or allowed to be paid "out of pocket" by the Homebuyer under the Program. These items are to be included in the Contract for Deed amount.

### 5.05 Annual Recertification

A homebuyer must agree to allow the Eligible Organization to annually verify Household income to adjust the monthly payments under the Contract for Deed. If the homebuyer fails to supply the required information within the specified time period, the homebuyer will be in

default under the Contract-for-Deed and the Eligible Organization shall cancel the Contract for Deed.

To complete the annual recertification process, the Eligible Organization shall send an initial reminder to the homebuyer 90 days prior to the annual recertification date. This notice must clearly state that the homebuyer has 30 days to contact the Eligible Organization and make an appointment to begin the recertification process. It must outline what documentation is required and that failure to comply *will* result in cancellation of the Contract-for-Deed.

If the homeowner has not responded within the required 30-day time period, a second notice shall be sent, giving the homeowner an additional 30 days to respond and must clearly restate the information contained in the initial notice.

If the homebuyer still does not respond within the additional 30-day time period the Eligible Organization must send a third and final notice giving the homebuyer 10 days to respond. If the homebuyer continues to fail to respond, the Eligible Organization must *begin* cancellation of the Contract-for Deed.

The following are examples of the time guidelines for the required recertification:

All re-certifications must be completed as of April 1<sup>st</sup>.

- Send Initial Notice                      January 1
- Send Second Notice                      February 1
- Send Final Notice                         March 1

Recertification information is forwarded to Minnesota Housing with the annual report on or before March 31<sup>st</sup>.

If, after the annual recertification has been completed, the Homebuyer's Household income is not sufficient to provide for the payment of at least the amount required for the monthly escrows of real estate taxes and hazard insurance, then the Eligible Organization will be responsible to pay those amounts on behalf of the Homebuyer and these amounts will be added to the outstanding unpaid balance of the Contract for Deed. At such time as the Homebuyer's Household income increases, application of the monthly payments shall be made first to current escrows for the real estate taxes and hazard insurance, then to arrearages of taxes and insurance, then to principal.

A homebuyer must also notify the Eligible Organization immediately of any substantive change in employment, income, so that the monthly payments due under the Contract for Deed may be adjusted accordingly. If such notification is not provided, the homebuyer will be in default under the Contract for Deed unless specifically waived by the Eligible Organization.

Homebuyers must also agree to allow access to the residence it is purchasing under the Contract for Deed to a representative of the Eligible Organization and/or Minnesota Housing at

any reasonable time, but at least on an annual basis, for the purpose of ascertaining occupancy and that the property is being adequately maintained.

The Eligible Organization must, in conjunction with the income recertification, inspect the property to ensure the property is well-maintained and ensuring occupancy by the individual and/or family purchasing the property on the Contract-for-Deed. Any necessary repairs to the property or changes in Occupancy must be noted and resolved.

### **5.06 Payment Default/Cancellation of the Contract-for-deed**

Failure to pay the monthly payments required under a Contract for Deed shall be considered a default under the Contract for Deed unless the homebuyer and the Eligible Organization mutually agree that the Homebuyer is eligible for forbearance of the required monthly payments. The homebuyer shall be eligible for forbearance of the monthly payments only in the event of a total loss of Household income, loss of employment, injury, or similar event, which severely impacts ability to make the required payments. The period of forbearance shall be for three months, or such other time agreed upon by the Eligible Organization and the homebuyer. If, at the end of the period of forbearance the homebuyer is still unable to pay the required payments, the Eligible Organization may cancel either the Contract for Deed or extend the forbearance.

Upon resale of a MURL home the Eligible Organization must submit a Household Demographic/Information Form and a Project Summary Form completed for the new homeowner. This requirement allows Minnesota Housing to update the demographic tracking records for the MURL Program properties.

### **5.07 Prepayment**

Homebuyers have the right to fully or partially prepay the Contract for Deed at any time without penalty. Any partial prepayment shall be applied first to any amount advanced by the Eligible Organization, and the balance shall be applied to the outstanding principal balance. Partial prepayment shall not postpone the due dates of any future installments to be paid by the homebuyer or change the amount of such installments.

### **5.08 Home Improvements**

Homebuyers shall not, without first obtaining the Eligible Organization's written approval, make any improvements to the Eligible Property in an amount in excess of \$2,000.00.

Homebuyers shall not create or permit to accrue liens or adverse claims against the Eligible Property which will constitute a lien or claim against the Eligible Organization's interest in the Eligible Property. A Homebuyer needing an Emergency Repair may be exempt from this prohibition with prior approval from Minnesota Housing and use of an approved Minnesota Housing Home Improvement Program including: the Rehabilitation Loan Program; and, depending on the Homebuyer's ability to repay, the Fix-Up Fund or Community Fix-Up Fund Programs. Use of non-Minnesota Housing financing products is prohibited.

An Emergency Repair is when rehabilitation is needed for repairs to a property currently financed through the MURL Program and damaged as a result of an event beyond the Homebuyer's control or as necessitated by a systems or structural failure including, but not limited to the following:

- Failure of the heating, electrical, ventilation, or plumbing/septic system;
- Roof leaks that have led to significant secondary damage to the interior of the home;
- A structural failure of the foundation, walls, or roof of the home that could cause collapse;
- An elevated lead blood level of a household resident due to lead paint;
- An accessibility need that prevents a disabled person from inhabiting the home; or
- Other emergency conditions that could cause the home to be or become uninhabitable will be considered by Minnesota Housing on a case-by-case basis.

The Homebuyer must apply to an eligible Minnesota Housing Home Improvement Program Lender and be approved through the selection process of the selected Home Improvement Program. The Home Improvement Program Lender must not be the Administrator who has a vendor interest in the Contract for Deed with the Homebuyer.

The Administrator must sign as an Accommodation Party for any Minnesota Housing Home Improvement Program liens against the property that result from an Emergency Repair. As such, the Administrator is liable to repay any debt not repaid by the Homebuyer in the event of default.

Homebuyers shall pay the Eligible Organization all amounts, costs and expenses, including reasonable attorneys' fees, incurred by the Eligible Organization to remove any such liens or adverse claims.

### **5.09 Hazard Insurance Requirements**

Homebuyers must keep all buildings, improvements and fixtures now or later located on the Eligible Property insured against loss by fire, extended coverage perils, vandalism, malicious mischief and, if applicable, furnace explosion in an amount no less than the original amount *or the* outstanding balance of the Contract for Deed.

The insurance shall be issued by an insurance company or companies licensed to do business in the State of Minnesota and acceptable to Eligible Organization. Homebuyers shall maintain the insurance at all times while any amount remains unpaid under the Contract for Deed. The insurance policies shall provide for not less than 10 days written notice to the Eligible Organization before cancellation, non-renewal, termination or change in coverage, and homebuyers shall deliver to the Eligible Organization a duplicate original or certificate of such insurance policy or policies.

### **5.10 Resale Restrictions**

MURL is funded with federal HOME dollars and a requirement of the HOME Program is that the properties remain affordable to low-to moderate income Households. Under the HOME Program, housing remains affordable if the subsequent purchaser's family income is equal to or less than 80% of median income for the area in which the housing is located as determined by HUD with adjustments for smaller and larger families and the family uses the housing as its Principal Residence. The Affordability period set for MURL is 15 years. This is accomplished through the filing of the Declaration of Covenants Running with the Land at the County Recorder's Office.

The Minnesota Housing requires that each existing home purchased with the assistance of HOME Program funds be kept affordable for a period of 15 ½ years from the date the Declaration of Covenants Running with the Land is filed with the County Recorder's Office. The Declaration of Covenants Running with the Land must be filed prior to filing the Contract for Deed.

At the same time, the HOME Regulations require that the homebuyer must receive a fair return on their housing investment. To meet the requirements of the HOME Regulations, the Contract for Deed must contain an outline of the resale restrictions filed by the Eligible Organization with the appropriate County Recorder's office and any deed provided subsequent to the prepayment of the Contract for Deed must also contain a deed restriction pursuant to the HOME Regulations.

Upon resale, the homebuyer is allowed to keep any equity accumulated in the property, which will assure the homebuyer of a "fair return".

### **5.11 Flood Insurance**

If the Eligible Property is located in an area identified by HUD as a special flood hazard area and is located in a community where flood insurance is available, then the homebuyers must obtain and maintain flood insurance in an amount equal to the lesser of the outstanding balance of the Contract-for-Deed or the maximum limit of coverage available under the National Flood Insurance Act of 1973. Note that flood plain A (100 year) is the only area that requires this policy. Failure to comply with this requirement during the period of the Contract-for-Deed constitutes a breach of the warranties under the Program.

### **5.12 Application of Insurance Proceeds**

If the Eligible Property is damaged by fire or other casualty, the insurance proceeds paid on account of such damage shall be applied to the outstanding balance due under the Contract for Deed, even if such amounts are not then due to be paid, unless homebuyers make a permitted election described below. Such payment shall not postpone the due date of the installments to be paid under the Contract for Deed or change the amount of such installments.

### **5.13 Homebuyer's Election to Rebuild**

If Eligible property is damaged by fire or other casualty and the homebuyer is not in default under the Contract for Deed, or after curing any such default, the homebuyer may elect to have that portion of any insurance proceeds necessary to perform repair work, replace or restore the damaged property deposited in an Escrow Account. The escrow agent may be a bank or title insurance company qualified to do business in the State of Minnesota, or such other party as may be mutually agreeable to the Eligible Organization and the homebuyer. The election may only be made by written notice from the homebuyer to the Eligible Organization within 60 days after the damage occurs. Also, the election will only be permitted if the Eligible Organization approves plans, specification and contracts for the repair work. The Eligible Organization shall not unreasonably withhold or delay its approval.

If such an election is permitted by the Eligible Organization, the Eligible Organization and the homebuyer shall jointly deposit, when paid, such insurance proceeds needed to pay for the repair work into the Escrow Account. If the insurance proceeds are insufficient to pay fully for the repair work, the homebuyer must, before the commencement of the repair work, deposit sufficient additional money into the Escrow Account to cover the full payment for the repair work. Even if the insurance proceeds are unavailable or are insufficient to pay the cost of the repair work, the homebuyer must at all times be responsible to pay the full cost of the repair work.

The escrow agent in accordance with generally accepted sound construction disbursement procedures must disburse all escrowed funds to fully pay for the repair work. The homebuyer is responsible for all costs associated with the creation and administration of the Escrow Account and must deposit the necessary funds into the Escrow Account before the repair work is started. The homebuyer must ensure that the repair work is completed in a good and workmanlike manner, as soon as reasonably possible and no later than 1 year from the date the damage occurred. If there are any funds remaining in the Escrow Account after all of the repairs have been completed and paid for in full, then the remaining funds shall be applied against the outstanding balance due and payable under the Contract for Deed.

### **5.14 Liability**

Homebuyers shall, at their own expense, procure and maintain liability insurance against claims for bodily injury, death and property damage occurring on or about the Eligible Property in amounts reasonably satisfactory to the Eligible Organization and naming the Eligible Organization as an additional insured.

### **5.15 Contract-for-Deed Closing**

The sale of the Eligible Property to a homebuyer and the closing on the Contract-for-Deed should take place at a location designated by the Eligible Organization. Any closing costs, that the Eligible Organization charges to the homebuyer must be funded from and included in the amount of the Contract for Deed, and:

- shall comply with the applicable provisions of Minnesota law and HOME Regulations 92.206(d) (2).
- shall not exceed that which is deemed usual or reasonable for the transaction being closed.

Allowable closing costs may not exceed the actual amount expended for such items as credit reports, appraisals, property inspection fees, continuation of abstract, title examination and opinion, surveys and filing fees.

### **5.16 Contract-for-Deed Servicing**

It is the responsibility of the Eligible Organization to either service or provide for the servicing of the Contract for Deed. It is required that each Contract for Deed be fully serviced, including collection and application of payments to proper accounts in the manner specified within the Contract for Deed, and Chapter Six; Part III Recordkeeping Requirements; B. Individual Project Records in this Procedural Manual. It is further required that adequate records be maintained to reveal the status and balance of each Contract for Deed on a monthly basis.

An Eligible Organization must specify within its proposal, arrangements that it has made for servicing the Contract(s) for Deed, fees to be paid to outside servicers, and the source of funds used to pay those fees.

## Chapter 6 - Reporting/Recordkeeping Requirements

### 6.01 General

An Eligible Organization must forward to Minnesota Housing any information pertinent to the Program. The purpose of this information is to allow Minnesota Housing to monitor the progress of the Program, evaluate the implementation and impact of the program, and monitor compliance with HOME Regulations.

### 6.02 Reporting Requirements

- Project Reports: Certain reports are required to be forwarded to Minnesota Housing on a project-by-project basis.
  - When the initial draw request for Acquisition funds is submitted the following documents must be attached:
    - Minnesota Housing Project Set-up Form
    - Statutory Checklist (include historical letter)
    - Copy of the Purchase Agreement
    - Copy of the Settlement Statement upon purchase of the property by the Eligible Organization
    - Exhibit C or D Forms
  - Construction Draw requests require no documentation be submitted.
  - The following documentation must be attached to the final draw request
    - Copy of the recorded Contract-for-Deed
    - Copy of the recorded Warranty Deed
    - Copy of the recorded Declaration of Covenants Running with the Land
    - Lead Based Paint Checklist
    - Accepted bids
    - Bid Summary Form
    - Minnesota Housing Project Summary Form
    - Household Demographic/Project Information Form
- Annual Program Reports: The following reports are required and must be submitted by the Eligible Organization on an annual basis.
  - A “Monthly Contract-for-Deed Payment” form must be completed for each homebuyer and kept in the Eligible Organization’s files. This report must contain the following information:
    - The beginning and ending outstanding balance of the Contract for Deed for that year,
    - The amount of the required monthly payment,

- A payment history of the account and the deposits and disbursements of tax and insurance Escrow Accounts.
- An annual accounting of the Revolving Loan Account Balance beginning with last year's balance; an outline of the frequency, circumstances and nature of funds expended (ie., assistance to the homeowners, funds used in conjunction with another MURL project, administrative costs, etc.), contract for deed payments deposited, and the current balance of the account.

The annual reports must be supplied to the Minnesota Housing offices no later than March 31st of each year.

- The Section 3 Employment and Training Report must be completed by an Eligible Organization if they were awarded a project grant in excess of \$200,000 and if a contractor/subcontractor has a contract with the Eligible Organization in excess of \$100,000 per project. This report, stating the hiring and training practices regarding Section 3, must be completed.
- The Employment and Training Report must be submitted no later than September 30th of each year.
- The Applicant Tracking Form must be completed by each Eligible Organization during the timeframe they are actively marketing a MURL home. The report will summarize the status and outcome of all applications to purchase a MURL home.
- This report must be submitted twice a year for the periods ending March 31st and September 30th of each year.

### **6.03 Record Keeping Requirements**

The Eligible Organization is responsible for the maintenance of certain records, which indicate compliance with MURL Regulations. They include, but are not limited to:

- **Revolving Fund**

An Eligible Organization shall provide for the establishment of a Revolving Fund into which all loan repayments, sales proceeds, or captured funds must be placed. If the Eligible Organization is in full compliance with the MURL Program and HOME Regulations, then it may use the funds contained in the Revolving Fund to rehabilitate and maintain Eligible Properties currently in the Eligible Organization's portfolio. As of December 17, 2010, the Eligible Organization may no longer acquire, rehabilitate or sell additional Eligible Properties. The Revolving Fund may also be used to pay any debt to remove a lien placed against an Eligible Property due to an Emergency Repair provided that the lien complied with Chapter 5, Section VIII of this Procedural Manual. A developer's fee may not be charged by the Administrator to the Revolving Fund for the removal of said lien.

On an annual basis beginning with the 2010 program year, any administrative expenses incurred during the year may be paid from the Revolving Fund provided an itemized list of expenses for said costs is submitted to Minnesota Housing as part of

the aforementioned annual reports due March 31<sup>st</sup> of each year. All administrative costs submitted to Minnesota Housing must be certified as accurate by either the Executive Director or the Chief Financial Officer of the Eligible Organization.

**NOTE:** The terms, conditions, provisions and requirements contained herein regarding the use of the Revolving Fund shall control over any conflicting language found elsewhere, including, but not limited to the grant funding agreement.

- Individual Project Records:
  - Records that demonstrate that each Eligible Property meets the property standards in Chapter Three, Section XIII of this Procedural Manual.
  - Records that demonstrate compliance with the requirements in Section 92.254 of the HOME Regulations for affordable homeownership including the initial Purchase Price and “after rehab” appraisal of the property.
  - Records demonstrating compliance with Uniform Relocation and Acquisition Act and regulations.
- Other Federal Requirements/Records:
  - Equal opportunity and fair housing records containing:
    - Data on the extent to which each racial and ethnic group and single-headed Households (by gender of Household head) have applied for, participated in, or benefited from, any program or activity funded in whole or in part with HOME Program funds.
    - Documentation of actions undertaken to meet the requirements of 24 CFR Part 135, which implements Section 3 of the Housing Development Act of 1968, as amended (12 U.S.C. 1701u).
    - Documentation of the affirmative steps taken to assure that small and minority-owned and female-owned businesses are used when possible (see requirements of Chapter 3, Section IX).
    - Documentation of the success of the affirmative steps taken to assure minority and women-owned businesses are used when possible, including data indicating the racial/ethnic or gender character of each business entity receiving a contract or subcontract paid, or to be paid, with HOME Funds; and the amount of the contract or subcontract. The Employment and Training form is to be utilized in tracking the data.
    - Documentation of the actions the Eligible Organization has taken to affirmatively further fair housing; including Records indicating the affirmative marketing procedures and requirements under Section 92.351 of the HOME Regulations.
  - Records that demonstrate compliance with environmental review requirements in Section 92.352 of the HOME Regulations.

- Records the demonstrate compliance with the lead-based paint requirements of 24 CFR part 35.
- Records supporting requests for waivers of the conflict of interest prohibition in Section 92.356 of the HOME Regulations.

Minnesota Housing, the Legislative Auditor for the State of Minnesota, HUD and the Comptroller General of the United States, or any of their representatives, have the right of access to any pertinent books, documents, papers or other records of the Eligible Organization, in order to make audits, examinations, excerpts, and transcripts. Minnesota Housing reserves the right to make site visits at any stage of the rehabilitation process, with reasonable notice to the Eligible Organization or homebuyer.

## Chapter 7 - Warranties

### 7.01 Eligible Organization Warranties

By entering into and executing a Grant Funding Agreement, the Eligible Organization did thereby agree to make and did make the following warranties to Minnesota Housing and its assigns:

- It is either a political subdivision of the State of Minnesota or a nonprofit entity that has as a primary purpose the providing or development of affordable housing for low- and moderate-income persons or Households and qualifies as an Eligible Organization under the MURL Program.
- It will comply with all of the requirements imposed upon an Eligible Organization under the MURL Program rules, HOME regulations and this Procedural Manual.
- It has legal authority to transact business in the State of Minnesota.
- It has legal authority to enter into, execute and deliver the Grant Funding Agreement and all other documents referred to herein, and it has taken all actions necessary and incident to its execution and delivery of such Agreement and such other documents.
- It is not in violation of any provisions of its organizational documents or of the laws of the State of Minnesota, and there are no actions, suits or proceedings pending, or to its knowledge threatened, before or by any judicial body or governmental authority, against or effecting it, and it is not in default with respect to any order, writ, injunction, decree, or demand of any court or any governmental authority that would impair its ability to enter into the Grant Funding Agreement or to perform any of the acts required of it in such Agreement or any document referred to herein.
- Neither the execution and delivery of the Grant Funding Agreement, nor compliance with any of the terms, conditions, requirements or provisions contained herein, is prevented by, is a breach of, or will result in a breach of any term, condition or provision on any agreement or document which it is now a party or by which it is bound.
- It will maintain adequate capital and personnel for the proper operation and administration of its duties under the Program.
- It will comply with all of the terms, conditions, provisions and requirements, contained in the Grant Funding Agreement, the HOME Regulations, MURL statutes and rules and the Program Procedural Manual.
- It will comply with the Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion for Lower Tier Covered Transactions.
- It will fully enforce all the terms, conditions and provisions contained in the Contract-for-Deed.

- All of the representations contained in the Eligible Organization’s Proposal are true and correct, and it will comply with all such representations.

## Appendix A: Definitions

The following terms shall have the meanings set forth unless an exception is clearly made in another section of this Procedural Manual to indicate otherwise. Definitions appear in alphabetical order to enable the reader to locate them quickly while using this Procedural Manual.

TERM	DEFINITION
Adjusted Gross Monthly Income	Adjusted Gross Monthly Income means subtracting \$1,000 from the Gross Annual Income for all Household residents, age 18 or older, from all sources and before taxes or withholding, and dividing by 12.
Applicant	Applicant means an individual or Household that makes an application and meets the requirements of the MURL Program.
At Risk Homebuyer	An At Risk Homebuyer is an individual or family who is homeless, receiving public assistance, or would otherwise be unable to afford homeownership without this Program. An At Risk Homebuyer lacks the ability to meet mortgage industry underwriting standards for traditional mortgage financing.
Bid Summary Form	Listing of contractors that were mailed bids, dates mailed, date received, and contractor selected.
Community Housing Development Organization	A Community Housing Development Organization is a private, nonprofit housing organization that has among its purposes the provision of decent housing that is affordable to low income persons, as evidenced by its charter, Chapters of incorporation, or bylaws and which meets all the provisions contained in Section 92.2 of the HOME Regulations.

TERM	DEFINITION
Contract-For-Deed	<p>A Contract for Deed is the instrument used to convey an ownership interest in the rehabilitated property from the Eligible Organization to the At Risk Homebuyer and to secure the payment of the Purchase Price.</p> <p>Defective paint surface means paint on applicable surfaces that are cracking, scaling, chipping, peeling, or loose.</p> <p>A person with a disability is an individual who has a permanent physical condition that substantially reduces their ability to function in the home setting. A person with a physical condition that does not require use of a mobility device (such as a wheelchair, walker, or crutches) shall be considered a person with a disability if his/her licensed physician certifies in writing how the physical condition substantially limits ability to function in the home.</p>
Designated Area	<p>A Designated Area is an area specified by the Eligible Organization in which it may acquire, rehabilitate, and sell Eligible Property under the Program.</p> <p>Elevated Blood Level or “EBL” means excessive absorption of lead that is a confirmed concentration of lead in whole of blood.</p>
Eligible Organization	<p>An Eligible Organization is an organization that has been selected to participate in and receive a grant under the MURL Program.</p>

TERM	DEFINITION
Eligible Property	An Eligible Property is a single family residential property, located within a Designated Area, that is vacant, condemned, boarded up, vacant, or identified as desirable for purchase and rehabilitation or after approval by the Minnesota Housing for demolition/removal of existing structure and new construction of a single family unit by the Eligible Organization, which, if rehabilitated, may prevent or arrest the spread of blight.
Escrow Account	An account where the Contract for Deed taxes and insurance portion of the monthly payments are deposited.
Fair Market Value	An Eligible Organizations estimate of property value, established through an objective method by a person familiar with real estate values. Such methods would include, but not necessarily be limited to, an appraisal by a qualified appraiser, documented market analysis of values of similar properties recently sold in the area or the assessed value. In all cases, documentation supporting the estimate shall be kept in the Eligible Organizations project file and be available for Minnesota Housing’s inspection.

TERM	DEFINITION
First-Time Homebuyer	<p>A First-Time Homebuyer is an individual and his or her spouse who have not owned a home during the three-year period before the purchase of a home under the Program except that:</p> <ul style="list-style-type: none"> <li>• Any individual who is a “displaced homemaker” may not be excluded from consideration as a First-Time Homebuyer under this paragraph on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse; and</li> <li>• Any individual who is a “single parent” may not be excluded from consideration as a First-Time Homebuyer under this paragraph on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse.</li> </ul>
Good Neighbor Policy	<p>A Good Neighbor Policy is a set of standards developed by an Eligible Organization’s with the Advisory Board. Input pertaining to community behavior or housing maintenance that homebuyers under the Program must agree to meet or observe.</p>
Grant Funding Agreement	<p>Grant Funding Agreement is the legal contract that is executed by the Minnesota Housing and the Eligible Organization, which allows for MURL Grant Funds to be disbursed.</p>
Gross Annual Income	<p>Total annual income received before taxes, insurance and other expenses are deducted.</p>

TERM	DEFINITION
Gross Monthly Household Income	Gross Monthly Income means the income from all sources before taxes and withholding of all residents in the Household, age 18 and over, that is anticipated to be received during the 12 months following the date of certification, and either the income of a nonresident spouse or payments a nonresident spouse is required to make under separate maintenance agreement, or satisfactory evidence that the payments are not being made. Gross annual income for self-employment or other variable sources of income are projected using an average from the two most recent calendar years.
Home Funds	HOME Funds include all Federal appropriations for the HOME Program, plus all repayments and interest or other return on the investment of these funds.
Home Program	HOME Program refers to the Federal HOME Investment Partnerships Program, which is administered by HUD under the National Affordable Housing Act pursuant to the HOME Regulations. Under the HOME Program, HUD allocates funds by formula among eligible state and local governments to strengthen public/private partnerships to provide affordable housing.
Home Regulations	HOME Regulations refer to 24 CFR; part 92 implementing the HOME Investment Partnerships Program.
Household	Household is an applicant/Borrower and any other residents who occupy a room or rooms constituting a Principal Residence.
HUD	United States Department of Housing and Urban Development
Lien Waiver	Lien Waiver is a legal document that is executed by a contractor, subcontractors and material suppliers under which they relinquish any right they may have to place a lien on the property for work performed or materials supplied.

<b>TERM</b>	<b>DEFINITION</b>
Local Neighborhood Advisory Board Or Advisory Board	Local Neighborhood Advisory Board or Advisory Board is an appointed Board of individuals that will provide input in the selection of Eligible Properties and homebuyers within the Designated Area.
Low or Moderate Income	This is the Gross Annual Income limit as set by HUD for Households at or below 80% of the area median income.
Minnesota Housing	Minnesota Housing Finance Agency
MURL Grant Funds	The proceeds of the MURL Grant Funding Agreement.
Principal Residence	Principal Residence means the property which the homebuyer regularly occupies as their main dwelling place for at least nine months of the year.
Prior Approval	Prior Approval refers to written approval from Minnesota Housing for demolition/removal of an existing structure and the new construction of a single family unit on an Eligible Property
Procedural Manual	Procedural Manual or Manual refers to this Minnesota Urban and Rural Homesteading Procedural Manual.
Program	Means the Minnesota Urban and Rural Homesteading Program
Purchase Price	Means the price of the property as determined by the Eligible Organization and offered to the First-Time at Risk Homebuyer.
Request For Proposal	A formal request notifying the public that Minnesota Housing is accepting written proposals for consideration of funding under some or all of their programs.
Revolving Fund	Revolving Fund is the account in which all Contract for Deed principal payments are deposited into and are available for eligible program use.
Scope of Work	Scope of Work is a detailed outline of the necessary rehabilitation work to be completed on the property.

TERM	DEFINITION
Section 3	<p>Part of the Housing and Urban Redevelopment Action of 1968 regulations of 24 CFR Part 135, under certain conditions requires that HUD recipients, to award contracts to business that contribute to the economic advancement of low or very low-income persons and for the businesses they own or that employ them to the maximum extent feasible. Work completed under MURL may be subject if the Eligible Organization was awarded federal assistance in the excess of \$200,000 through the RFP process or contractors and/or subcontractors are awarded a contract in the excess of \$100,000 for a specific project.</p>
Sworn Construction Statement	<p>Sworn Construction Statement is a sworn statement of fact made by a general contractor that lists all of the work to be performed on a project, the subcontractors who will perform the listed work, material suppliers who will supply materials for the listed work, and the cost of each individual item of work and item of material that will be supplied.</p> <p>Underserved Populations are identified as individuals and/or Households of color, single female head of Households with minor children, and disabled individuals.</p>

## Appendix B: Minnesota Urban and Rural Homesteading Program Staff

NAME	PHONE NUMBER	RESPONSIBILITIES
Leighann McKenzie Housing Program Professional	651.296.9804 800.710.8871	Policy, administrative and general questions
TTY	651.297.2361 800.710.8871	Telecommunications Device for Hearing Impaired
Fax	651.296.8292	
Internet E-mail	<a href="mailto:leighann.mckenzie@state.mn.us">leighann.mckenzie@state.mn.us</a>	