



Community Stabilization: Naturally Occurring Affordable Housing – Single Family Program

Program Guide

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Values Statement

Our vision is that all Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice.

To achieve this vision, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from our programs and the housing economy.

We acknowledge and understand the intentional harms of the past, how they came to be and persist today, and our responsibility to correct them and remove barriers.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision-making,
- Listen and share the power we have,
- Honor, respect and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.

Chapter 1 – Introduction

1.01 Program Purpose and Authorizing Statute

The Community Stabilization Program was established pursuant to [Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 29](#), and [Minnesota Laws 2023, chapter 37, article 2, section 6](#), as a one-time program to preserve naturally occurring affordable housing.

[Minnesota Laws 2024, chapter 127, article 14, section 11](#), and [Minnesota Laws 2024, chapter 127, article 15, section 38](#) amended the requirements for the Community Stabilization Program. [Minnesota Laws 2025, chapter 32, article 1, section 3](#), amended the original appropriation, specifying that \$8,000,000 is to be used for the single-family housing program. These funds will be available through Minnesota Housing’s Community Stabilization: Naturally Occurring Affordable Housing – Single Family Program (the “Program”) and will be distributed as grants through a competitive Request for Proposals (RFP) process.

The legislation establishing the Program requires priority be given to applications with projects that:

- Serve lower-income households, and
- Maintain longer periods of affordability.

1.02 Program Overview

The Program is designed to facilitate the acquisition and/or rehabilitation of existing affordable single-family housing with the intent to sell the properties to income-qualified buyers. This program targets portfolios of single-family homes that may be lost as affordable units within the community due to market pressures or significant deferred rehabilitation needs. Losing portfolios of naturally occurring affordable housing threatens overall affordability in communities. This program aims to support transitions in ownership that present opportunities for tenants to become homeowners and that preserve affordable single-family homes for the benefit of the community.

The Program will provide grants to Administrators who will operate the program. Administrators will be awarded grants through a competitive RFP process. The Program is designed to provide accessible and flexible capital for program Administrators to purchase these properties as opportunities arise. Single-family properties will be purchased and/or rehabilitated as necessary with the intention that the Qualified Dwelling Unit will be resold to income-qualified home buyers. Grant funds may also be used to provide Affordability Gap Financing to eligible Homebuyer Households for the purchase of the Qualified Dwelling Units.

1.03 Program Guide

This Program Guide, including subsequent changes and additions, will be incorporated into the Grant Contract Agreement (the “Agreement”) executed between the Administrator and Minnesota Housing. If there are any conflicts between the terms of this Program Guide and the Agreement, the Agreement will control. This Program Guide, including subsequent changes and additions, is a supplement to the Agreement executed between the Administrator and Minnesota Housing.

Minnesota Housing reserves the right to, at its sole discretion:

- Alter or waive any of the requirements herein;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

1.04 Request for Proposals

The Program will provide grants to eligible organizations selected through a competitive RFP process in accordance with the policies established by the Minnesota Department of Administration’s [Office of Grants Management](#). All organizations applying for a grant must include as part of their application a plan to create new affordable homeownership and home preservation opportunities for targeted areas. Selected entities will be provided grant funds through an Agreement.

1.05 Terms and Definitions

[Appendix A](#) (Terms and Definitions) of this document includes definitions of capitalized terms used in this Program Guide.

1.06 Legal Addendum

Any recipient of an award pursuant to the Program agrees to comply with the additional requirements and obligations as described in [Appendix C](#) (Legal Addendum) of this Program Guide.

Chapter 2 – Eligibility Requirements

2.01 Eligible Recipients

An Eligible Recipient is one of the following:

- Local unit of government
- Federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity
- Private developer
- Limited equity cooperative
- Cooperative created under Minnesota Statutes [Chapter 308A](#) or [Chapter 308B](#)
- A community land trust created for the purposes outlined in [Minnesota Statute 462A.31, subdivision 1](#)
- Nonprofit Organization

2.02 Qualified Dwelling Units

To be eligible, properties must be considered Naturally Occurring Affordable Housing (NOAH) and must be a Single-Family dwelling. To meet the definition of NOAH Single-Family dwelling, a Qualified Dwelling Unit must fulfill each of the following requirements:

- Contain one to four units, and at least one unit must be intended for occupancy by a Homebuyer Household
- Located in communities where market pressures or significant deferred rehabilitation needs, as defined by the Agency, create opportunities for displacement or the loss of owner-occupied or single-family rental housing.
- Affordable to one of the following:
 - Owner-occupied households at or below 115 percent of the greater of state or area median income (AMI) when listed for sale.
 - Rental households at or below 80 percent of the greater of state or AMI, when occupied by a Renter Household. AMI is established by Minnesota Housing and posted to the [Partner Portal](#).

Minnesota Housing may, at its sole discretion, amend the target area when the Administrator provides a written request using the Change Request form, available on the [Partner Portal](#).

2.03 Eligible Activities

The Program funds must be used, only to the extent allowed in the Agreement and this Program Guide,

for one or more of the following activities:

- Acquisition of an existing NOAH single-family home
- Rehabilitation of an existing NOAH single-family home
- Resale of an existing NOAH single-family home
- Affordability Gap Financing

2.04 Eligible Expenses

Program funds are for the following purposes to support the preservation of NOAH:

- Acquisition costs – Includes costs such as title, survey, legal fees and other fees related to acquisition
- Rehabilitation costs – Includes costs related to the purpose of rehabilitation, such as:
 - Architecture and design costs, general contractor costs and permits
 - Environmental reviews and remediation, including lead-based paint, asbestos and radon mitigation
 - Rehabilitation and site work
 - Developer Fee
- Resale costs – Includes costs related to the sale of the Qualified Dwelling Unit to an eligible homebuyer such as:
 - Fees for the title evidence
 - Fees for recordation and filing of legal documents
 - Attorney fees
 - Real estate agent commissions
 - Appraisal and independent cost estimate fees
- Affordability Gap Financing – Includes one or more of the following:
 - The minimum downpayment amount required by a Homebuyer Household's first mortgage
 - A Homebuyer Household's settlement charges
 - Additional downpayment required for a Homebuyer Household to qualify for the first mortgage
 - Other Affordability Gap assistance to a Homebuyer Household as approved in writing by Minnesota Housing
- Administrative Fees

The Administrator must determine and document that all Project costs are reasonable, necessary and cost effective, and must maintain documentation of the purchasing and/or bidding process utilized. The Agreement may contain additional contracting and bidding requirements.

Minnesota Housing may, at its sole discretion, approve additional uses and reasonable expenses that support the purposes of acquisition, rehabilitation or resale.

If required by HUD, Administrators that provide secondary financing, including but not limited to Affordability Gap Financing, to a Homebuyer Household also receiving a Federal Housing Administration (FHA)-insured first mortgage must be approved by HUD and listed on HUD's Nonprofit Organization Roster.

Administrative Fees

Administrators must ensure that administrative fees do not exceed 15% of the total grant award and are directly related to the execution of grant funded activities.

Eligible administrative expenses include:

- Salaries/wages/fringe benefits of staff responsible for program oversight
- Travel
- Office space/utilities, equipment, phone, computer, internet
- Supplies, copies, postage, culturally specific items, meeting costs, refreshments for meetings
- Training
- Audit, insurance, accounting
- Human resources, information technology, communications
- Loan origination fees
- Other expenses directly related to the program, which must be approved in writing by Minnesota Housing

Administrators that utilize cost allocation plans for administrative expenses will be required to provide a description in the work plan that is submitted as part of contract due diligence.

2.05 Ineligible Expenses

Ineligible uses of funds include but are not limited to:

- New construction; for example, adding units, buildings or additional square footage
- Adding new amenities that are not already part of the Qualified Dwelling Unit; for example, pools and luxury amenities
- Permanent relocation expenses
- Improvements for commercial purposes
- Costs reimbursed from another source
- Costs incurred prior to the effective date of the Agreement

- Payment for labor performed by a member of the Household (e.g., homeowner labor)
- Reimbursement for the value of donated items such as labor, materials, or property

Approval or disapproval of any use of funds is at the sole discretion of Minnesota Housing.

Chapter 3 – Program Requirements

3.01 Rent and Income Requirements

Homebuyer households served through the Program must have income that is at or below 115% of the greater of state or AMI at the time of purchase.

If an acquired single-family home is temporarily maintained as rental housing, Administrators should minimize displacement of existing tenants to the extent reasonable and possible. Rents must be affordable to households at or below 80% of the greater of state or AMI.

New Renter Households served through the Program must have income that is at or below 115% of the greater of state or AMI at the time of initial occupancy, if such initial occupancy occurs after the date of grant execution.

AMI is established by Minnesota Housing and posted on the [Partner Portal](#).

3.02 Homebuyer Requirements

A household eligible to purchase a home through the Program must have income at or below 115% AMI. The Homebuyer Household must occupy the subject property as its principal residence within 60 days of acquisition of the Qualified Dwelling Unit.

AMI is established by Minnesota Housing and posted on the [Partner Portal](#).

The Administrator must establish and maintain a household selection process that meets Program requirements, including but not limited to [Fair Housing requirements](#). The Administrator may establish more stringent household selection requirements including maximum purchase prices, Household asset limits, loan-to-value, and combined loan-to-value limits.

Annualized Gross Income

Annualized Gross Income is the earned and unearned income of the parties in the Household as described below. Administrators must calculate Annualized Gross Income using the Income Eligibility Worksheet available on the [Partner Portal](#). The Income Eligibility Worksheet provides detailed guidance on how to perform the income calculation, including which income sources to include and exclude.

Parties Whose Income Must be Included When Calculating Annualized Gross Income

The income of the following persons must be verified and included when calculating Annualized Gross Income for Homebuyer Households of properties subsidized using Program funds:

- Anyone who will have title to the subject Qualified Dwelling Unit and signs the mortgage or equivalent document.
- Anyone expected to reside in the subject Qualified Dwelling Unit and who will be obligated to repay an underlying loan but who is not in title to the subject Qualified Dwelling Unit (for example, a Co-Signer on the mortgage note).
- The legal spouse of the borrower who will also reside in the subject Qualified Dwelling Unit.

If the borrower is legally married and the spouse does not or is not expected to reside in the subject Qualified Dwelling Unit, the Household file must contain the Non-Occupant Spouse Statement, available on the [Partner Portal](#).

Any person whose income must be included in the Annualized Gross Income calculation who receives no income must sign the Zero Income Statement, available on the [Partner Portal](#).

Household Affordability Gap Eligibility

The Administrator's Household selection process must include an assessment of the Households' needs for Affordability Gap assistance indicated by the Affordability Gap calculation and the Housing Ratio. The maximum amount of Affordability Gap Financing cannot exceed the difference between the total cost of acquiring the Qualified Dwelling Unit (including closing costs) and the amount of the first mortgage loan for which the Household qualifies, based on industry standard and prudent underwriting practices. See definitions for Affordability Gap and Affordability Gap Financing.

To be eligible for Affordability Gap assistance, a Household must spend at least 25 percent of its gross monthly income, as calculated for program eligibility, for housing payments associated with the Qualified Dwelling Unit. Housing payments are: monthly senior secured loan principal and interest, payments of principal and interest on all subordinate secured or unsecured loans, mortgage insurance, homeowners' association fees, property taxes, hazard insurance, land trust ground lease fees, and manufactured home park lot rent.

Minnesota Housing may, at its sole discretion, waive the housing-to-income ratio requirement for Affordability Gap Financing on a case-by-case basis when the Administrator provides a completed Change Request form found on the [Partner Portal](#).

3.03 Tenant Selection Plan

Administrators should allow existing tenants to remain in the unit consistent with any obligations under the existing rental agreement or seek to allow them to purchase the Qualified Dwelling Unit they occupy, if feasible. Administrators may extend or amend a rental agreement with an existing tenant but are not required to extend it as a condition of this grant.

3.04 Voucher Acceptance

Rental properties that receive funds under this Program may not reject an applicant based solely on their status as a holder of a rental subsidy, including but not limited to vouchers under Section 8 of the United States Housing Act of 1937, as amended.

Units occupied by households benefited by project-based or tenant-based rental assistance, such as Section 8 or a similar state or local government rental assistance program or a housing support agreement, are deemed to satisfy the rent and income restrictions.

3.05 Title Examination Requirements

The Administrator must ensure that they have clear and marketable title to the Qualified Dwelling Unit at the time of acquisition and prior to development, and at the time of transfer to a Homebuyer Household, as demonstrated by way of an attorney's legal title opinion or a title insurance policy, or, in the case of a unit taxed as personal property, demonstrated by a lien search performed in the proper jurisdiction.

In addition, if making a secured loan to a Homebuyer Household for the acquisition of a Qualified Dwelling Unit, such as a Deferred Loan, the Administrator must ensure that title to the Qualified Dwelling Unit to be secured is clear and marketable prior to making the loan, and the security instrument is fully executed, valid, and enforceable.

In the case of Tribal Lands, the Administrator must ensure that the proper official of the Tribal Land office establishes a clear and marketable title as defined by the Tribe governing the Land on which the Qualified Dwelling Unit is located.

3.06 Design and Construction Requirements

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost-effective materials and systems that minimize the consumption of natural resources both during rehabilitation and for long-term maintenance and operations. Minnesota Housing encourages optimizing the use of renewable resources and energy, minimizing damages and impact to the environment, and maximizing the use of solar and wind.

All Administrators are required to comply with the following:

- Green Communities Criteria, the Single Family Overlay to the Green Communities Criteria, and the Single Family Intended Methods Worksheet, all of which may be updated from time to time and are available on the [Partner Portal](#).
- The most recently adopted edition of the Minnesota State Building Codes, if applicable in the jurisdiction.
- Other local, state, and national codes and standards in effect; the most restrictive codes and regulations will apply.
- Notwithstanding the foregoing, Minnesota Housing Lead-Based Paint Guide requirements, available on the [Partner Portal](#), must be satisfied if an Acquisition, Rehabilitation, Resale Project includes the identification and correction of lead-based paint related health and safety hazards.

Green Communities Criteria

Each Acquisition, Rehabilitation, Resale Project must comply with the Enterprise Green Communities mandatory criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, or another version approved by Minnesota Housing for use in the Project.

For additional requirements and guidance regarding Green Communities Criteria, including criteria for waiver requests, please refer to Minnesota Housing’s Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, available on the [Partner Portal](#).

Building Code Compliance

All eligible activities must be in compliance with all applicable state, Tribe, county, and municipal health, housing, building, fire prevention, and housing maintenance codes and local ordinance or other public standards.

In areas of the state where there is a local building code or the state building code has been adopted, a licensed building official/inspector must provide a building permit, certificate of occupancy, certificate of completion, or a final inspection report in order to document that the improvements meet building code.

In areas of the state where there is no local building code or where the state building code has not been adopted, the Administrator must include in its contracts a requirement that improvements are completed in accordance with the state building code.

When working within Tribal reservations or on Tribal Lands, compliance with the governing Tribal laws and regulations relating to building and zoning is sufficient for compliance with this section.

Inspections

The Administrator must ensure the Qualified Dwelling Unit is inspected during the course of and upon completion of rehabilitation to determine that work has been completed according to the guiding documents (plans/specs/work orders/scope/contracts, etc.).

3.07 Resale Requirements

Qualified Dwelling Units must have a list price supported by an independent, third-party appraisal that complies with the Uniform Standards of Professional Appraisal Practice (USPAP). The final purchase price must be within 10% of the appraised value. If the proposed purchase price is not within 10% of appraised value, Minnesota Housing must be contacted prior to accepting an offer for further guidance.

3.08 Nationwide Mortgage Licensing System (NMLS) Registration Requirements

In compliance with the Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E.), all Administrators and Processing Entities that provide Affordability Gap loans to Homebuyer Households, including local units of government, Nonprofit Organizations, and other Non-Traditional Lenders, must be properly licensed to originate and service mortgage loans, as applicable. Administrators must also determine which staff members are considered individual mortgage loan originators and must comply with the S.A.F.E. Act and which staff members are exempt from compliance with it. The Minnesota Department of Commerce requires (pursuant to [Minnesota Statute 58A.03 subd. 2](#)) all mortgage lenders and entities deemed exempt to register with the Nationwide Mortgage Licensing System & Registry and obtain a unique identifier number.

3.09 Completion Requirements

A Project is considered complete for each activity type when the requirements below are met.

- Acquisition: An Acquisition Project is complete when the Administrator has acquired the home.
- Rehabilitation: A Rehabilitation Project is complete when all rehabilitation construction on the home has been completed.
- Affordability Gap: An Affordability Gap Project is complete when the Affordability Gap Financing has been expended and the Qualified Dwelling Unit has been conveyed to an Owner-Occupant.

Chapter 4 – Grant Funds

4.01 Funding Source

Funds for the Program are appropriated by the Minnesota Legislature and further granted to selected Administrators awarded through a competitive RFP process.

4.02 Grant Terms

Program funds will be provided as grants. Grant terms and repayment conditions are specified in the Agreement.

4.03 Disbursement Requests

The Administrator shall submit a disbursement request using the form provided by Minnesota Housing. Disbursements will only be made to the Administrator. Documentation to support the request amount will be required at the time of the request. Refer to the Request for Funds form and related instructions for information on disbursement methods and documentation requirements.

Funds may be requested on an advancement basis if approved through the Agreement. Any funds advanced must be reconciled through supporting documentation within 12 months of the request. If advanced funds cannot be reconciled, repayment may be required.

Minnesota Housing reserves the right to disburse funds more conservatively and may, at its sole discretion, withhold disbursements until quality assurance and compliance findings have been resolved by Minnesota Housing.

4.04 Affordability Gap Loan Documents and Disclosures

The Administrator must originate and service Affordability Gap Deferred Loans for Household Homebuyers in accordance with all applicable laws, rules, and regulations. Minnesota Housing does not assume any responsibility or liability in the making or servicing of these loans. This includes the laws, rules, and regulations regarding the origination and servicing of mortgage and consumer loans, including but not limited to all disclosure and record keeping requirements. Consult with your compliance department or legal counsel for guidance on completing required disclosures.

For each Deferred Loan the Administrator or a Processing Entity originates which is assigned to Minnesota Housing, the Administrator must ensure it has the following:

For loans secured by real property Qualified Dwelling Units:

- Fully executed, valid, and enforceable Loan Note, using the form provided by Minnesota Housing, available on the [Partner Portal](#);
- Fully executed, valid, and enforceable Mortgage, using the form provided by Minnesota Housing, available on the [Partner Portal](#); and
- Fully executed, valid, and enforceable Assignment of Mortgage, using the form provided by Minnesota Housing, available on the [Partner Portal](#).

The Loan Note is legal evidence of the debt to be repaid and must be endorsed to Minnesota Housing. All parties whose income must be included when calculating Annualized Gross Income according to Section 3.02 of this Program Guide for Deferred Loans must execute the Loan Note.

The Loan Mortgage is the legal document used to secure a loan against a real property Qualified Dwelling Unit. Anyone with an ownership interest in the Qualified Dwelling Unit, including at least one member of the Household, is required to be a party to the Loan Mortgage. The Loan Mortgage must be assigned to Minnesota Housing. The Administrator must ensure that both the Loan Mortgage and the Assignment of Mortgage are properly recorded with the appropriate county recorder or registrar of titles office.

For loans secured by Qualified Dwelling Units taxed as personal property (Manufactured Homes)

- Fully executed, valid, and enforceable Manufactured Home Note and Security Agreement, available on the [Partner Portal](#); and
- Fully executed, valid, and enforceable Department of Public Safety – Notification of Assignment, Release, or Grant of Secured Interest, available on the [Partner Portal](#).

The Manufactured Home Note and Security Agreement is legal evidence of the debt to be repaid. The Manufactured Home Note and Security Agreement and the Department of Public Safety – Notification of Assignment, Release, or Grant of Secured Interest and are the legal documents used to secure a loan against a Qualified Dwelling Unit taxed as personal property.

The Manufactured Home Note and Security Agreement must be endorsed to Minnesota Housing. All parties whose income must be included when calculating Annualized Gross Income according to Section 3.02 of this Program Guide for Deferred Loans must execute the Manufactured Home Note and Security Agreement.

The Department of Public Safety – Notification of Assignment, Release, or Grant of Secured Interest must show Minnesota Housing as the secured party. The Administrator must ensure that the completed Notification of Assignment, Release, or Grant of Secured Interest is properly filed with the

Minnesota Department of Public Safety.

4.05 Affordability Gap Loan Repayment

Unless otherwise outlined in the Agreement, Deferred Loans to Homebuyer Households and assigned to Minnesota Housing must be repaid according to the terms of the Loan, Loan Note, or Manufactured Home Note and Security Agreement. Deferred Loans made by Minnesota Housing to the Administrator must be repaid according to the terms of the Agreement.

4.06 Delivery of Loans to Minnesota Housing

For each Deferred Loan originated and assigned to Minnesota Housing, the Administrator must forward, or cause to be forwarded, to Minnesota Housing the Deferred Loan documentation listed in the Deferred Loan Document Transmittal Instructions and Transmittal Forms. The documents must be delivered in the same form, order, and timeline prescribed in the Deferred Loan Transmittal Instructions and Transmittal Forms. The Deferred Loan Document Instructions and Transmittal Forms are available on the [Partner Portal](#).

4.07 Affordability Gap Loan Servicing

Deferred Loans to Homebuyer Households that are assigned to Minnesota Housing will be designated a servicer by Minnesota Housing. Deferred Loans to Homebuyer Households that are assigned to Minnesota Housing are typically serviced by AmeriNat, although Minnesota Housing may, at its discretion, designate other servicers. Servicing inquiries, including satisfaction and subordination requests, should be directed to AmeriNat, unless another servicer is designated by Minnesota Housing.

4.08 Affordability Gap Loan Assumption

Deferred Loans are not assumable.

4.09 Affordability Gap Loan Hardship Policy

Minnesota Housing has in place a hardship policy for its Deferred Loans to Homebuyer Households that allows forgiveness either in part or whole if the Household is experiencing severe financial hardships that prevent full repayment of indebtedness. Please contact Minnesota Housing for more information regarding this policy.

4.10 Processing Entities for Deferred Loans to Homebuyer Households

The Administrator may contract with a Processing Entity to originate Deferred Loans on the Administrator's behalf. The Administrator must follow contracting and bidding requirements set forth

in the Agreement and this Program Guide when establishing such an arrangement. Only the Administrator or an approved Processing Entity may originate Deferred Loans to Homebuyer Households. The Processing Entity's participation must be approved in writing by Minnesota Housing before that Processing Entity originates Deferred Loans. The Administrator must have a written contractual relationship with the Processing Entity. The Administrator, however, retains sole responsibility for any default under the Agreement, including defaults caused by a Processing Entity.

Chapter 5 – Compliance Monitoring and Reporting

5.01 Compliance Monitoring Requirement

Minnesota Housing performs periodic inspections of projects awarded grant funds. Administrators will be notified in advance of any inspection.

All grant funds spent must be reconciled and supported by documentation of eligible costs incurred, in compliance with this Program Guide and the terms of the Agreement. Minnesota Housing reserves the right to make site visits, review Administrator's records and Project files, and conduct quality control audits.

Administrator's records and Project files must be made available upon request in order to conduct monitoring and quality control audits. Review may include, but is not limited to, expense documentation (for example, any and all books, records, invoices, and receipts), other program-related documents, and accounting procedures and practices relevant to the Agreement and this Program Guide.

5.02 Compliance Reporting Requirement

Administrators are required to provide annual reporting in a form and manner directed by Minnesota Housing.

Administrators must also submit a Household Demographic Project Information form to Minnesota Housing for each unit upon sale to an owner-occupant or upon award close-out if a unit has not been sold.

Administrators must submit a Close Out report when the award is completed. An award is complete when:

- All completed Projects have been reported to Minnesota Housing via Household Demographic Project Information forms;
- Final payment has been requested and all grant dollars have been expended in accordance with the Agreement or returned to Minnesota Housing;
- All required documentation has been submitted; and
- All units purchased or rehabilitated with grant funds have been acquired and/or rehabilitated, units may continue to be occupied by renters or have been sold to eligible homebuyers.

5.03 Compliance Term

Administrators must maintain copies of all books, records, project files, documents, and accounting

procedures related to the Agreement during the term of the Agreement and for a minimum of six years after the termination or expiration of the Agreement. These documents are subject to examination by Minnesota Housing, the State of Minnesota, the State Auditor, and the Legislative Auditor.

5.04 Grantee Performance Evaluation

After the expiration of the Agreement, Minnesota Housing will complete a Grantee Performance Evaluation (Evaluation) for each Administrator. The Evaluation will document Administrator timeliness, quality of work, and overall performance during the grant period. Evaluations will be saved to the Administrator's file. For all grant contract agreements in an amount of \$25,000 or more, Evaluation information will be submitted to the Commissioner of the Department of Administration and made available on the Office of Grants Management's [Grantee Evaluation website](#), per the [Office of Grants Management requirement](#).

Appendix A - Terms and Definitions

Table 2: Terms and Definitions

| Terms | Definitions |
|---------------------------------|---|
| Acquisition | The purchase of a Qualified Dwelling Unit including eligible costs as described in section 2.04. |
| Administrator | The entity with which Minnesota Housing has a contractual relationship to administer Community Stabilization Program dollars, including the entity identified as a “Grantee” in a grant contract Agreement, and any successors or assignees approved in writing by Minnesota Housing. |
| Affordability Gap | <p>Subject to Section 2.04, Affordability Gap is the difference between the purchase price for the Qualified Dwelling Unit, agreed to by the Homebuyer Household and the seller, plus buyer paid closing costs, and the amount of the first mortgage loan for which the Homebuyer Household qualifies based on industry standard, prudent underwriting practice.</p> <p>Purchase price + buyer paid closing costs - qualified first mortgage = Affordability Gap.</p> |
| Affordability Gap Financing | A Deferred Loan or grant funds used, in amounts not exceeding the Affordability Gap, to assist a Household in the acquisition of a Qualified Dwelling Unit. |
| Annualized Gross Income | The gross income of a Household calculated on an annual basis using the Income Eligibility Worksheet provided on the Partner Portal . |
| Community Stabilization Program | Program established by Minnesota Laws 2023, chapter 37, article 2, section 6 , and amended by Minnesota Laws 2024, ch. 127, art. 14, sec. 11 , Minnesota Laws 2024, ch. 127, art. 15, sec. 38 and Minnesota Laws 2025, ch. 32, art. 1, sec. 3 . |
| Deferred Loan | A non-amortizing, zero-interest deferred loan funded by Program funds that is made to a Homebuyer Household that must be repaid to the extent provided in the borrower loan agreement. |
| Developer Fee | The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for development services performed in an Acquisition, Rehabilitation, Resale Project. |
| Eligible Recipient | An Eligible Recipient pursuant to the Program as further described in section 2.01 (Eligible Recipients) of this Program Guide. |
| Grant Contract Agreement | A legally binding contract agreement between Minnesota Housing and an Administrator that governs the terms for providing and using Community Stabilization Program Dollars to perform eligible activities. The Agreement may be amended or supplemented in writing in accordance with its terms. |
| Green Communities Criteria | The Enterprise Green Communities criteria as modified by Minnesota Housing’s Minnesota Overlay and Guide to the Enterprise Green |

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| | Communities Criteria, available on the Partner Portal . |
| Homebuyer Household | A type of Household that is eligible to purchase a Qualified Dwelling Unit. |
| Household | A Homebuyer Household or Renter Household |
| Housing Ratio | The proportion of a Household’s monthly gross income (Annualized Gross Income divided by 12) necessary to pay monthly Property expenses, which are: monthly senior secured loan principal and interest, payments of principal and interest on all subordinate secured or unsecured loans, mortgage insurance, homeowners’ association fees, property taxes, hazard insurance, land trust ground lease fees, and manufactured home park lot rent. |
| HUD | The U.S. Department of Housing and Urban Development. |
| Land | The real property upon which Qualified Dwelling Units are located. |
| Minnesota Housing | The Minnesota Housing Finance Agency |
| Naturally Occurring Affordable Housing (NOAH) Single Family Dwelling | Single-Family Housing that meets all the following requirements: Contain one to four units, and at least one unit must be intended for occupancy by a Homebuyer Household; and Located in communities where market pressures or significant deferred rehabilitation needs, as defined by the agency, create opportunities for displacement or the loss of owner-occupied or single-family rental housing; and Affordable to owner-occupied households at or below 115 percent or rental households at or below 80 percent of the greater of state or AMI. AMI is established by Minnesota Housing and posted to the Partner Portal. |
| Nonprofit Organization | A tax-exempt nonprofit organization under section 501(c)(3) of the Internal Revenue Code that was established before January 1, 2025, as demonstrated by registration or filing of organizational documents with the state of origin. |
| Non-Traditional Lender | A type of housing lender that is not a state or federally regulated lender (such as a bank or credit union) but who holds the proper licensing and qualifications to originate, close and service consumer mortgage loans. |
| One Minnesota | The One Minnesota Plan is a vision for what our state can be and how we can make this vision a reality. |
| Partner Portal | An online website resource provided by Minnesota Housing for Administrators with Community Stabilization Program forms and information: https://mnhousing.gov/lenders-and-partners |
| Principal Residence | The Qualified Dwelling Unit which the Household regularly occupies as its main dwelling place for at least nine months of the year. |

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| Processing Entity | An entity that has a contractual relationship with an Administrator and has been approved by Minnesota Housing to conduct eligible activities on behalf of the Administrator under the Program. |
| Program | The Community Stabilization: Naturally Occurring Affordable Housing – Single Family Program. |
| Program Guide | The Program Guide for the Community Stabilization: Naturally Occurring Affordable Housing – Single Family Program. |
| Project | The housing development activity associated with a Qualified Dwelling Unit. The housing development activity is the approved activity carried out in accordance with the Agreement. |
| Property | The Land and the Qualified Dwelling Unit(s) situated thereon. |
| Qualified Dwelling Unit | A structure consisting of one to four units, a condominium, or a townhouse that is or will be occupied by the Renter Household or the Homebuyer Household as its Principal Residence and that is located on Land and is part of a Project and is described in section 2.02. |
| Rehabilitation | The rehabilitation of a Qualified Dwelling Unit including eligible costs as described in section 2.04. |
| Renter Household | A type of Household that is eligible to rent a Qualified Dwelling Unit. |
| Request for Proposals (RFP) | The competitive process of applying for Program funds. |
| Resale | The sale of a Qualified Dwelling Unit to a Homebuyer Household including eligible costs as described in section 2.04. |
| Single-Family Housing | A single residential Qualified Dwelling Unit with up to 4 housing units with at least one unit being intended for owner occupancy of the entire structure. |
| Tribally Designated Housing Entity | An entity as defined by U.S. Code, title 25, section 4103(22). |
| Tribal Land | Any Land owned or governed by a federally recognized Tribe. |

Appendix B - Forms

All forms provided for use with the Program are available on [Partner Portal](#). All forms identified as required in the Minimum Required Documents Checklist must be used to remain in compliance with this Program Guide.

Failure to use required forms may result in delayed or denied disbursements or require the return of disbursed funds.

Appendix C – Legal Addendum

1.01 Conflict and Control

In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.

1.02 Fraud

Fraud is any intentionally deceptive action, statement, or omission made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the communication channels described in section 1.07.

1.03 Misuse of Funds

A contracting party that receives funding from Minnesota Housing promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the recipient to pay for those activities, goods, or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a recipient; or (2) a recipient cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the contract.

Any recipient (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the communication channels described in section 1.07.

1.04 Conflict of Interest

A conflict of interest – Actual, Potential, or Appearance of a Conflict of Interest – occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A Potential Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper, or illegal act results from it.

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person’s decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation, or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations, or interests.
- **Appearance of a Conflict of Interest:** The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person’s personal interest, affiliation, or relationship inappropriately influenced that person’s action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes any situation in which one’s judgment, actions, or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business, or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual, or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person’s current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person’s household.
- **Friend:** A person with whom the individual has an ongoing personal social relationship. “Friend” does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. “Friend” does not include mere acquaintances (i.e., interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member, or their Partner has a connection to an organization via employment (current or prospective), has a financial interest, or is an active participant.
- **Partner:** A person’s romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage, or legal action with whom the individual has a close personal relationship.

Once made aware of a conflict of interest, Minnesota Housing will make a determination before

disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 1.07.

A contracting party should review its contract and request for proposals (RFP) material, if applicable, for further requirements.

1.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant, or other funding is restricted in issuing a loan, grant, combination of loan and grant, or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee, or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section 1.04;
- The assistance is awarded utilizing the same costs, terms, and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten, and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section 1.07.

1.06 Suspension

By entering into any contract with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the contract) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing’s website for a list of [suspended individuals and organizations](#) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

1.07 Disclosure and Reporting

Minnesota Housing promotes a “speak-up, see something, say something” culture whereby internal staff must immediately report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (e.g., administrators, grantees, or borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation using these same communication channels.

- Minnesota Housing’s Risk and Internals Control Director at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us
- Any member Minnesota Housing’s [Servant Leadership Team](#), as denoted on Minnesota Housing’s current organizational chart (Go to mnhousing.gov, scroll to the bottom of the screen and select About Us, select Servant Leadership Team)
- [Report Wrongdoing or Concerns](#) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing)

1.08 Electronic Signatures

Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

1.09 Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real estate-related transactions are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing, and operating procedures comply with nondiscrimination requirements. Housing providers and other entities involved in real estate-related transactions must comply with all nondiscrimination requirements related to the provision of credit, as well as access to services.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing, or improving a dwelling, or in the terms and conditions of real estate-related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions, or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print, or publish (or cause to make, print, or publish) notices, statements, or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Under certain circumstances, applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly, and to use affirmative fair

housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

1.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by the contracting party under the contract. The civil remedies of apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

1.11 Prevailing Wage

Under certain circumstances, awards of Minnesota Housing funds may trigger state prevailing wage requirements under [Minnesota Statute Chapter 177](#) or [Minnesota Statute 116J.871](#). In broad terms, Minnesota Statute Chapter 177 applies to an award of \$25,000 or greater for housing that is publicly owned. Minnesota Statute 116J.871 applies to awards for nonpublicly owned housing that meet the following conditions: (1) new housing construction (not rehabilitation of existing housing); (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds; or (3) allocations or awards of low-income housing tax credits, for which tax credits are used for multifamily housing projects consisting of more than ten units.

Minnesota Statute 116J.871 sets out several exceptions to the applicability of prevailing wage including: (1) rehabilitation of existing housing; (2) new housing construction in which total financial assistance at a single project site is less than \$100,000; and (3) financial assistance for the new construction of fully detached single-family affordable homeownership units for which the financial assistance covers no more than 10 fully detached single-family affordable homeownership units.

Entities receiving funding from Minnesota Housing as described in this section shall notify all employers on the project of the recordkeeping and reporting requirements in [Minnesota Statute 177.30, paragraph \(a\), clauses \(6\) and \(7\)](#). Each employer shall submit the required information to Minnesota Housing.

Questions related to submission of required information to Minnesota Housing may be directed to mhfa.prevailingwage@state.mn.us.

All questions regarding state prevailing wages and compliance requirements should be directed to that agency as follows:

Division of Labor Standards and Apprenticeship
State Program Administrator
443 Lafayette Rd. N.
St. Paul, MN 55155
651.284.5091 or dli.prevwage@state.mn.us

If a contractor or subcontractor fails to adhere to prevailing wage laws, then that contractor or subcontractor could face civil and/or criminal liability.