



Disaster Recovery Loan Program

Program Manual

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Chapter 1 – Introduction

1.01 Background

The Minnesota Housing Finance Agency (“Minnesota Housing”) was created in 1971 by the Minnesota Legislature.

Minnesota Housing finances housing that low and moderate-income Minnesotans can afford while helping Minnesotans buy and repair their homes.

1.02 Mission Statement

Housing is foundational to a full life and a thriving state, so we equitably collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

1.03 Values Statement

All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

Minnesota Housing 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 action.

1.04 Procedural Manual

This Procedural Manual sets forth for Lenders the terms and conditions under which Minnesota Housing will purchase loans originated under the Disaster Recovery Loan Program (the “Program”).

1.05 Disaster Recovery Loan Program

The Disaster Recovery Loan Program was established to support housing recovery after a natural disaster. In response to a presidential declaration of major disaster, Minnesota Housing may offer the Program to support the repair or replacement of damaged homes within the designated disaster area(s). The Program is offered through participating Lender(s) that originate and close loans to

Borrowers who meet program eligibility requirements when homeowner's insurance and other federal disaster related programs are not enough to return a home to its pre-disaster condition.

The Program is authorized under Minnesota Statute, 12A.09 and 462A.33.

Chapter 2 – Partner Responsibilities and Warranties

2.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Disaster Recovery Loan Program Participation Agreement (the “Participation Agreement”) executed between the Lender and Minnesota Housing. Minnesota Housing reserves the right to:

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

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing may grant waivers, alterations or revisions at its sole discretion.

2.02 Disclosure and Use of Social Security Numbers

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Chapter 270A) and Minnesota Statutes Section 270C.65 allows the disclosure of the borrower’s Social Security number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

2.03 Unauthorized Compensation

The Lender may receive fees approved in this Procedural Manual. The Lender cannot receive or demand from the builder, remodeler, contractor, supplier, or Borrower(s):

- Kickbacks, rebates, or discounts; or
- Commissions; or
- Other compensation

2.04 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep a complete loan file with all original documents for each loan originated for purchase by Minnesota Housing, except those documents sent to the loan servicer. A complete closed loan file, including all origination, disclosure and closing documents, must be uploaded into Minnesota Housing’s loan commitment system within 48 hours of the Lender completing the True and Certify process. Minnesota Housing reserves the right to conduct quality control, audit, or monitoring activities at its sole discretion upon written notice to Lender.

2.05 Termination of a Lender's Participation

Minnesota Housing may terminate the participation of the Lender under this Manual at any time and can prevent the Lender's future eligibility for reasons including, but not limited to, noncompliance with:

- This Procedural Manual;
- The Participation Agreement; or
- Applicable state and federal laws, rules and regulations.

Upon termination of the Lender's Participation Agreement, Minnesota Housing may continue to purchase eligible loans until the lock expiration date.

Minnesota Housing will provide written notice of termination to the Lender.

Minnesota Housing may, at its option, impose remedies other than termination of the Participation Agreement for the Lender's nonperformance.

The Lender may request reinstatement into Minnesota Housing programs. The decision whether to reinstate the Lender shall be at Minnesota Housing's sole discretion.

2.06 Representations and Warranties

The Lender agrees to comply with all applicable federal, state, and local laws, ordinances, regulations, and orders including, but not limited to, the following:

- Title VI of the Civil Rights Act of 1964
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974
- Section 527 of the National Housing Act
- The Equal Credit Opportunity Act
- The Fair Credit Reporting Act and any applicable regulations and orders
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988)
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A)
- Data Practices - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101 et. seq.
- Real Estate Settlement Procedures Act of 1974
- The Housing and Economic Recovery Act of 2008 (HERA)
- The Mortgage Disclosure Improvement Act (MDIA)

- The S.A.F.E. Mortgage Licensing Act of 2008 (12 USC 5101, et. seq.) – Minnesota Statutes Chapters 58 and 58A
- Anti-Money Laundering and Office of Foreign Assets Control Policy
- Bank Secrecy Act
- Dodd-Frank Wall Street Reform and Consumer Protection Act
- Fair Credit Reporting Act
- Truth In Lending Act
- USA Patriot Act

In addition to the above warranties and representations, the Lender also warrants and represents the following are true and correct at the time of loan delivery to Minnesota Housing:

- The Lender is the sole owner and holder of the loan with the right to assign it to Minnesota Housing;
- The Lender has assigned the loan free and clear of all encumbrances;
- The Lender has complied and will continue to comply with all terms and conditions in the Participation Agreement and this Manual for each loan processed and closed unless prior written approval is obtained from Minnesota Housing;
- Meets all requirements of state and federal law to originate and sell loans under the Participation Agreement and this Manual;
- The Lender will keep adequate capital and trained personnel for participation in the Disaster Recovery Loan Program;
- The Lender follows all state and federal consumer lending laws, rules and regulations;
- The Lender has neither received nor solicited any fee or remuneration not approved by this Procedural Manual; and
- The Lender has no knowledge that any improvement covered by the loan is in violation of any zoning law or regulation.

The Lender agrees that the person who accesses the loan commitment system on behalf of the Lender is fully conversant with Minnesota Housing Program requirements, and has the authority to legally bind the Lender. When a Lender completes the True and Certify process in the loan commitment system, the Lender certifies that it has complied with all terms, conditions and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions and requirements have been specifically waived in writing by Minnesota Housing.

2.07 Lender Compensation

The Lender is compensated as follows:

- Disaster Recovery Center (DRC) staffing (if requested by Minnesota Housing): \$300 per day for each DRC location, plus mileage
- Loans purchased by Minnesota Housing: \$2,000 per purchased loan
- Final inspections: \$350 per inspection, plus mileage

The Lender Reimbursement form and supporting documentation must be submitted to Minnesota Housing for DRC staffing and all mileage expenses.

Chapter 3 – Borrower Eligibility Requirements

3.01 Borrower

One individual or multiple individuals are eligible to be a Borrower(s) only if the individual(s) meet the requirements of this Procedural Manual.

Single-family rental property Borrower(s) may be a business entity if prior written approval is received from Minnesota Housing. The approval is at the sole discretion of Minnesota Housing.

3.02 Borrower Age

The Borrower(s) must be eighteen years of age or older or legally emancipated.

3.03 Co-Signers

Co-signers are not permitted for Program loans.

3.04 Unauthorized Borrower Compensation

The Borrower may not receive kickbacks, rebates, discounts, or compensation from any party to the transaction.

In order to reduce the Rehabilitation costs, a borrower may receive discounts from the builder, remodeler, contractor, or supplier. In these cases, the Lender must document the loan file that the discounts received are considered typical for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered.

3.05 Ownership Interest

The Borrower(s) and Accommodation Party, individually or in the aggregate, must have 100 percent ownership interest in the property to be rehabilitated or replaced.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A leasehold estate, including a lease agreement subject to a Community Land Trust;
- Vendee interest in a recorded contract-for-deed;
- An approved Tribal residential lease on Tribal Land;
- A manufactured home taxed as real property;
- A manufactured home taxed as personal property and located in a manufactured home park; or
- A manufactured home with an approved Tribal residential lease located on Tribal Land.

The title can be held in the following ways:

- Individually;
- Joint tenants;
- Tenants in common; or
- A recorded life estate, excluding Remainderman

Ineligible forms of ownership interest include but are not limited to the following:

- Shares in a cooperative corporation or other similar cooperative structure;
- Ownership by any form of trust except in a Community Land Trust or individual home-site lease assignments or other residential agreement on Tribal Land; and
- Ownership subject to a reverse mortgage.

3.06 Contract for Deed Requirements

The contract-for-deed must be in place before the disaster. The document must be recorded.

Vendee Borrower(s)

The Borrower(s) must get approval from contract for deed vendor prior to loan closing. The vendor must agree to sign the Mortgage as an Accommodation Party.

Vendor Borrower(s)

If a contract-for-deed property is returned to the vendor because of the disaster; the contract must be legally cancelled before the closing of the loan. The Lender must contact Minnesota Housing process instructions.

3.07 Leasehold Estates

The Leasehold must have a remaining term of ten years from the closing date of the loan.

3.08 Tribal Land

Borrower(s) with property located on a Tribal Land within the boundaries of the state of Minnesota are eligible. Program eligibility follows the criteria in the presidential declaration of major disaster:

- County declarations authorizing funding for homeowners located in an eligible county; and/or
- Tribal Nation declarations authorizing funding for Tribal members and their descendants.

In the case of 1) presidential declarations of major disasters authorizing funding for Tribal Nations; or 2) Loans for a property located on Tribal Land, loans shall be unsecured. The Lender must contact Minnesota Housing for documentation and process instructions.

3.09 Occupancy Requirements

Primary Residence

The Borrower(s) must have owned and occupied the property as their Principal Residence at the time of the disaster. Further, the Borrower(s) must continue to own and occupy the property as their Principal Residence during the term of the loan.

Rental Property

The Borrower(s) must have owned the 1-4 unit rental property at the time of the disaster. Further, the Borrower(s) must continue to own the property and charge rent affordable to the local workforce during the term of the loan. The Affordable to Local Workforce Rent limits is updated each year and published on [Minnesota Housing's website](#) under the Deferred Loan Programs tab.

3.10 Income Limits

There is no income limit for this Program.

The application requires the disclosure of total annual household income. However, lenders do not need to verify income for this program.

3.11 Other Requirements

The Borrower(s) must exhaust all available funding sources before being approved for a loan under this Program, including:

- All private insurance claims; and
- All available federal disaster programs:
 - Programs authorized by a presidential disaster declaration may include Federal Emergency Management Agency (FEMA), the Small Business Administration (SBA) and/or the Bureau of Indian Affairs (BIA).

The Borrower(s) must provide documentation of all repair or replacement costs and the funding sources used to return the property to pre-disaster condition. The documentation may include, but is not limited to:

- Flood/Hazard insurance
 - Insurance adjustors estimate
- FEMA, SBA and/or BIA program documentation:
 - Application/Loan Number
 - Final decision/Denial reason
 - Repair/Replacement funding amount

- Approved upgrades for health and safety
 - Alternative site requirements, if applicable
- FEMA initial inspection
- SBA damage assessment rating
- Out of pocket expenses:
 - Receipts or paid billing statements
- Bids/Estimates
- Other funding sources
 - County
 - Veterans Administration

3.12 Complete Loss of Property

The Borrower(s) is ineligible when:

- They received a buyout funded in whole or in part by any federal or state agency; or
- An alternative site is used when a federal program denied a request for an alternative location.

3.13 Separated Spouses

All legal spouses must sign the mortgage, even when the Lender establishes that a legal spouse permanently resides outside the household.

Chapter 4 – Property Eligibility

4.01 Eligible Properties

Property eligible for a loan must be located in an area of Minnesota named in a presidential declaration of major disaster and include any of the following types:

- Single Family detached home;
- Duplex;
- Triplex;
- Fourplex;
- Twin home;
- Planned Unit Development (PUD) unit;
- Condominium unit;
- Townhome ,
- Manufactured homes that meet requirements in Section 3.05

If the property is a condominium or townhome, only the portion of the real estate owned by the Borrower is eligible for financing under this Program.

4.02 Rental Property

Borrower(s) must sign the Certification of Rents agreeing to charge rent affordable to the local workforce during the term of the loan. The affordable rent guidelines are available on [Minnesota Housing's website](#).

4.03 Ineligible Properties

Properties ineligible for financing include:

- Recreational or seasonal home;
- Property containing five or more units;
- Property held in trust, other than as permitted in Section 3.05; Property primarily used for business (more than 50 percent of the floor space is used for business);
- Property that already has a Disaster Recovery Loan for the same disaster; or
- Rental property used for short term occupancy including vacation rentals.

4.04 Right to Inspect

Minnesota Housing or its authorized representative has the right to inspect the property to be improved at any time from the date of the Disaster Recovery Loan Note, upon giving reasonable notice to the Borrower as outlined in the Note.

4.05 Local Ordinances and Plans

Properties being improved must conform to applicable zoning ordinances and possess all necessary use permits.

4.06 Final Inspection

Upon completion of the work, the Lender and the Borrower must execute the Completion Certificate and upload to the loan file. All work must be completed within 12 months of loan closing unless Minnesota Housing approves a Project Extension Request. Project extensions are not to exceed 20 months from the closing date.

The Lender must conduct a final inspection of the property when:

- The loan amount is over \$10,000; or
- The loan is for a rental property.

The Lender may request written approval from Minnesota Housing to complete a final inspection for a loan less than \$10,000.

Chapter 5 – Loan Eligibility

5.01 Eligible Loans

Minnesota Housing purchases closed loans from the Lender with an active Participation Agreement. The Lender must warrant the following criteria are met for each loan submitted for purchase:

- The loan was originated, processed, underwritten, closed and disbursed following the requirements of this Procedural Manual;
- All local, state and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending, and wrongful discrimination in residential housing are met;
- All Program requirements are met;
- The Lender reserved funds in the loan commitment system;
- The loan was originated and closed in the name of the Lender that is a party to the Participation Agreement and that locked the loan in Minnesota Housing’s loan commitment system;
- The loan amount does not exceed the maximum loan amount and only funds repairs necessary to return a property to its pre-disaster condition.

5.02 Ineligible Loans

Loans ineligible for purchase by Minnesota Housing include, but are not limited to:

- Duplicate funding for same disaster event;
- A property not located in the presidential declaration area;
- Damage repair not disaster related;
- Borrower(s) who decline federal assistance offer(s);
- When a federal program denied an application for fraud or character reasons;
- When a federal program denied an application due to inability to verify property ownership or damage;
- When a federal program denied an application based on inability to confirm identity or citizenship status;
- When a federal program denied an application for missing information;
- A home replacement or relocation when a federal program did not approve full home replacement or relocation.

5.03 Loan Terms

Loans are interest-free, deferred payment which are forgivable at the end of the loan term. If the Borrower(s) sells, transfers title, or no longer meet occupancy or rental requirements during the loan term, the loan will become due and payable.

5.04 Loan Amount

The minimum loan amount is \$1,000.

The maximum loan amount will be posted on the [Minnesota Housing's website](#) for each event.

5.05 Loan Security

Any mortgage for a property taxed as real estate must be submitted for recording within 10 days of the closing date.

All interests in the Note and Mortgage must be assigned to Minnesota Housing when the loan is purchased and funded by Minnesota Housing.

Loans for a Manufactured Home taxed as personal property must be secured with a lien against the title to the Manufactured Home and submitted for filing within 10 days of the closing date.

In the case of 1) presidential declarations of major disasters authorizing funding for Tribal Nations; or 2) Loans for a property located on Tribal Land, loans shall be unsecured. The Lender must contact Minnesota Housing for documentation and process instructions.

5.06 Disbursement of Funds

Minnesota Housing will purchase a closed loan after the Lender has completed the True and Certify process in Minnesota Housing's loan commitment system. One hundred percent of the loan amount, the Lender fee and final inspection fee will be disbursed two business days after the loan has been purchased by Minnesota Housing.

Lender Disbursement to Borrower(s)

Prior to the disbursement of funds to the Borrower(s) and start of the Rehabilitation, all written contract(s) must be executed (signed and dated) between the Borrower(s) and contractor(s).

A copy of the disbursement(s) must be uploaded to Minnesota Housing's loan commitment system within 48 hours of the disbursement.

Loan Amount Less than \$10,000

One hundred percent of the loan amount may be disbursed to the Borrower(s).

Loan Amount greater than \$10,000

The disbursements should be made in the following manner:

- First disbursement cannot exceed fifty percent of the loan amount;
- The disbursement of the remaining balance will occur after the Lender has performed the final inspection and the Lender has uploaded the executed Completion Certificate to the loan file.

5.07 Rehabilitation Requirements

The Lender must permit the Borrower to choose the contractor(s).

All rehabilitation must be a permanent improvement necessary to return a property to its pre-disaster condition. All work must be made in compliance with all applicable state, county and municipal or Tribal government health, housing, building, fire prevention and housing maintenance codes or other public standards.

All rehabilitation must be completed by contractors licensed in the State of Minnesota or Tribal government approved contractors. A homeowner is not required to be licensed when homeowner labor is involved. A written construction contract must be executed between the contractor(s) and the Borrower.

Out-of-State Contractors

Minnesota Housing will consider an exception for out-of-state contractors on a case-by-case basis when in-state contractors are unavailable or unable to perform the required work.

5.08 Homeowner Labor

Homeowner labor is allowed if these requirements are met:

- All labor completed by the Borrower(s) must comply with all applicable building code regulations and ordinances;
- All necessary licenses and permits must be obtained;
- Borrower(s) and any other household residents may not be reimbursed for labor using loan funds; and
- The Homeowner Labor Agreement must be fully executed and included in the loan file.

5.09 Eligible Use of Funds

The proceeds of a loan must be used to complete the rehabilitation or replacement of a damaged property. Only permanent improvements not fully funded by private insurance and federal programs are eligible.

Eligible expenses include, but are not limited to:

- Accessibility related improvements;
- Air Conditioning/Cooling System
- Closing costs (such as recording, filing fees and mortgage registration tax);
- Demolition costs;
- Doors;
- Electrical;
- Exterior finishing;
- Foundation;
- Garage;
- Heating and ventilation;
- Insulation;
- Insurance deductible (home only);
- Interior finishing;
- Landscaping for drainage or accessibility;
- Lead abatement;
- Mold remediation;
- Plumbing;
- Radon mitigation;
- Roofing;
- Siding;
- Site preparation;
- Soft costs (such as architectural fees, permit fees, inspection fees);
- Structural alterations (repairs such as attic, basement, deck, entryway, attached porch and steps);
- Windows; and
- Other improvements approved in writing by Minnesota Housing.

Improvements that bring a property into compliance with state, county, municipal health, housing, building, fire, and housing maintenance codes or other public standards applicable to housing are eligible.

If loan proceeds will be used to reimburse the Borrower(s) for expenses incurred before the loan closing, the Lender must document the following through receipts and/or paid billing statements:

- The disaster damage resulted in the expense;
- The cost of any material and improvements; and

The improvements are eligible under the program.

Exceptions are at Minnesota Housing's sole discretion. If an exception is granted, Minnesota Housing will provide the approval in writing. The written approval from Minnesota Housing must be retained in the loan file.

5.10 Ineligible Use of Funds

Expenses paid in full by private insurance and federal programs are not eligible. Loan proceeds may not be used to pay for expenses beyond rehabilitation or replacement of a damaged home.

Ineligible uses of funds include, but are not limited to, the following:

- Structural additions for living area or garage that did not exist unless a medical or accessibility need exists;
- Luxury improvements that use materials that exceed what is customarily used in the area for similar properties;
- Public improvement assessments;
- Common area improvements owned by an association;
- Landscaping improvement or repair (such as sod, seeding, trees, shrubs, flowers, pools and artificial turf);
- Funding Replacement or repair of personal property that does not become a permanent part of the property, including but not limited to appliances, electronics and furniture;
- Payment of existing debt not related to disaster repairs/replacements;
- Repair or replacement of a property located outside an area named in a presidential declaration of major disaster without approval by a federal program;
- Replacement of a manufactured home not on a permanent foundation located outside a manufactured home park;
- Funding more than one loan for the same Borrower(s), per disaster;
- Funding a property in default or foreclosure that would prevent the Borrower(s) from occupying the property through the term of the loan;
- Providing funds to rehabilitate or replace a property when the underlying first lien financing is a contract-for-deed that is not fully amortizing or has a term of less than ten years; and
- Purchase of tools or cleaning supplies.

5.11 Non-Complying Loans

Minnesota Housing shall have the right to take one or more of the following actions in the event the Lender submits a loan that does not, as determined by Minnesota Housing, comply with the requirements of this Manual:

- Adjust the purchase price of the non-complying loan;
- If not already purchased, refuse to purchase the loan;

- If already purchased, require the Lender to repurchase the loan for the outstanding balance and any fees/compensation paid to the Lender;
- Terminate, suspend, or otherwise limit the Participation Agreement with Minnesota Housing; and
- Preclude the Lender from future participation in Minnesota Housing programs.

5.12 Repurchase of Loans

Minnesota Housing, at its option; may tender any loan to the Lender to repurchase if:

- Any representation or warranty of the Lender or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term or condition set forth in the Participation Agreement and this Manual.

Upon written notice of repurchase by Minnesota Housing, the Lender has ten business days to submit payment to Minnesota Housing for the unpaid principal balance, submit payment for fees/compensation paid to the Lender in the sale of the loan, and submit payment for reasonable expenses incurred by Minnesota Housing, including attorney's fees. Failure to comply with this requirement may result in the termination, suspension, further legal action, or otherwise limit the Lender's Participation Agreement with Minnesota Housing.

Chapter 6 – Commitment and Disbursement

6.01 Commitment and Disbursement Guidance

The Lender must use the loan commitment system to reserve funds and obtain a Commitment by following these guides:

- The Program Commitment Guide
- The Program System Guide

Chapter 7 – Documentation Requirements

7.01 Loan Processing and Closing

All loans submitted to Minnesota Housing for purchase must meet the following requirements:

- Loans must be closed before completing the True and Certify process in the Minnesota Housing loan commitment system;
- Minnesota Housing forms must be used as outlined in the Forms Guide and Glossary;
- Minnesota Housing or industry-standard forms may not be altered in any way other than to add a company name and logo;
- All loan documents must be complete, accurate, and reviewed by the Lender at the various stages of the loan;
- The loan must be originated and closed in the name of the Lender that is a party to the Participation Agreement and that locked the loan in the Minnesota Housing loan commitment system;
- All assignments must run directly from the Lender to Minnesota Housing Finance Agency. If the document requires the address, use the address on the Loan Transmittal.
- All Notes and Manufactured Home Note and Security Agreement must be endorsed to Minnesota Housing Finance Agency.
- All mortgages, assignments or liens must be recorded in the appropriate offices:
 - County Recorder’s Office or Registrar of Titles
- For manufactured homes taxed as personal property located in a manufactured home park, the Public Safety Form must be filed with Department of Public Safety.
 - The form must list Minnesota Housing Finance Agency as the secured party with this address on the Loan Transmittal.

7.02 Documentation Delivery

The Lender must use the Loan Transmittal when delivering documentation to Minnesota Housing. Delivery requirements are detailed on the form. In addition, the Lender must specifically warrant the following:

- The Lender has obtained, and reviewed, applicable documentation to determine compliance with all Minnesota Housing requirements and industry standard regulations and requirements;
- The Lender and Borrower(s) have properly executed the documentation; and
- The Lender has reviewed the program documents to make sure appropriate signatures were obtained and duly notarized.

Documentation not delivered to Minnesota Housing or the servicer within the specified time frame may result, at Minnesota Housing’s discretion, in the Lender having to repurchase the loan, or any

other remedy as identified in this Manual. Minnesota Housing may, at its discretion, extend the timeframes.

All forms listed in the Loan File Documentation Guide should be fully executed, as applicable, and uploaded to the loan commitment system by the Lender. Forms may be found on the Forms Guide and Glossary.

7.03 Signature Requirements

When applicable, these Program documents must meet the following signature requirements:

Note

All Borrower(s) must sign the Note as the Borrower(s).

Mortgage/Security Agreement

Any person with an ownership interest must sign the Mortgage or Manufactured Home Note and Security Agreement. This includes all legal spouses, even if permanently residing outside the household.

- Remainderman will be required to sign the Mortgage as an Accommodation Party.
- Contract-for-deed properties, the vendor will be required to sign the Mortgage as an Accommodation Party.

Notification of Assignment, Release or Grant of Security Interest Agreement Public Safety Form (PS2017)

For manufactured homes taxed as personal property and located in a manufactured home park the Borrower(s) must sign the Public Safety Form.

7.04 Loan Modification and Loan Corrections

The Lender must contact Minnesota Housing to request approval and instructions, for loan amount corrections and/or other modifications after loan closing or after the documentation has been recorded.

7.05 Records Retention

The Lender must retain all loan documents in compliance with state and federal regulatory guidelines. The Lender is required to make loan records available for inspection by Minnesota Housing for a period of at least six years after the loan is sold to Minnesota Housing. Loan documentation including, but not limited to:

- Disaster damages and funding decision documentation (e.g. insurance funding amount or denial reason, all applicable federal programs funding amounts or denial reasons)
- Property related documents (e.g. written verification of property ownership, signed and dated bids and estimates for all proposed repairs, receipts for all expenses, verification of contractor license and purchase/construction agreements, if applicable).
- Loan documents (e.g. application, supporting documents, borrower communication and executed program documents).
- All compliance documents by the Lender's regulatory authority).

Chapter 8 – Servicing

8.01 Servicing

Each Lender is assigned a designated servicer by Minnesota Housing. Minnesota Housing may, at its discretion, designate other servicers.

Servicer will provide statements and notices to the Borrower as required by law until the loan is forgiven or repaid.

8.02 Document Delivery to Servicer

The Lender must use the Loan Transmittal when delivering documentation to the servicer. Delivery requirements are detailed on the form.

8.03 Loan Repayment

Loans are immediately due and payable under the terms of the Note upon first occurrence of the following conditions:

- Sale or transfer of the title to the property; or
- If a rental property does not comply with Certification of Rents; or
- The Borrower(s) ceases to occupy a property as their Principal Residence.

8.04 Assumptions

Loans under this program are not assumable.

8.05 Subordinations

Minnesota Housing allows subordinations only under limited circumstances and only with prior written approval. During the term of the loan, the Borrower's ability to use any equity in the property may be severely restricted.

Appendix A - Definitions

Table 1. Defined Terms

Term	Definition
Accommodation Party	An owner of the property who is not a borrower on the Note, such as a non-purchasing spouse or contract-for- deed vendor.
Affordable Rent	Rent charged for each county that is affordable to the local workforce. The affordable rents are based on average wages in each county published by the Minnesota Department of Employment and Economic Development and income data derived from the U.S. Census Bureau’s American Community Survey.
Bureau of Indian Affairs (BIA)	A federal government agency responsible for management of the trust assets of American Indians and Alaska Natives. Funding may be available to Tribal communities after a natural disaster.
Commitment	A commitment of funds from Minnesota Housing with specific terms and conditions applied to a specific Borrower(s) and a specific property.
Disaster Recovery Center	A Disaster Recovery Center (DRC) is set up by a federal agency after a disaster to make it easier for survivors to learn about programs and resources.
Federal Emergency Management Agency (FEMA)	Federal government agency that coordinates larger scale natural disaster response, recovery, and mitigation efforts including grant funding for homeowners, renters and businesses.
Lender	A lender under contract to participate in the Program.
Manual	This Procedural Manual that contains program guidelines and procedures for the Disaster Recovery Loan Disaster Recovery Loan Program.
Manufactured Home	Manufactured Home as defined in Minn. Stat. 327.31, subd. 6.
Minnesota Housing	Refers to Minnesota Housing Finance Agency.
Participation Agreement	The contract executed between the Seller’s Lender and Minnesota Housing that defines the terms in which the Seller’s Lender agrees to participate in the Program, also referred to as “Agreement”.
Principal Residence	A property used as the primary domicile of the owner occupant Borrower and their household.
Program	The Disaster Recovery Program.
Rehabilitation	Necessary repairs to be completed on the Borrower’s property.
Remainderman	The person who inherits property when someone when someone passes away and has executed a life estate deed.
Servicer	A company selected by Minnesota Housing to service loans assigned to Minnesota Housing pursuant to its loan programs.

Term	Definition
Small Business Administration (SBA)	Small Business Administration is a federal government agency that supports impacted communities after a natural disaster through loan programs for home repair or replacement, personal property, and business damage.
Single Family Rental Property	A 1-4 family residence property owned by an investor and used solely for residential housing rental purposes.
Tribal Land	Any land owned or governed by a federally recognized Tribe.
True and certify	The loan-level process in Minnesota Housing’s loan commitment system completed by the Lender that certifies all the information entered in the system is true and accurate.
Vendee	The individual with possession and use of the property under a contract for deed agreement.
Vendor	The individual with legal ownership to the property under a contract for deed agreement.

Appendix B - Forms

[Minnesota Housing's website](#) has the loan program forms. A Forms Guide and Glossary is published for each disaster event.

Appendix C - Legal Addendum

C.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.

C.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 C.07 of this Addendum.

C.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 C.07 of this Addendum.

C.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:** An 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 (that is, 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 C.07 of this Addendum.

C.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 C.04 of this Addendum;
- 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 C.04 of this Addendum.

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 C.07 of this Addendum.

C.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).

C.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 (for example, 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 Chief Risk Officer 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); or
- [Report Wrongdoing or Concerns](#) (go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

C.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.

C.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 non-discrimination requirements. Housing providers

and other entities involved in real estate related transactions must comply with all non-discrimination 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 makes it 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.

C.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, Minnesota Statutes, Chapter 13, 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 Minnesota Statutes, section 13.08 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.

C.11 Prevailing Wage

Under certain circumstances, awards of Minnesota Housing funds may trigger state prevailing wage requirements under [Minnesota Statutes, Chapter 177](#) or [Minnesota Statutes, section 116J.871](#). In broad terms, Minnesota Statutes, Chapter 177 applies to an award of \$25,000 or greater for housing that is publicly owned. Minnesota Statutes, section 116J.871 applies to awards for non-publicly 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 Statutes, section 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 ten 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 Statutes, section 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 the Minnesota Department of Labor and Industry 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.