



Home Improvement Loan Programs Procedural Manual

July 1, 2024



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An equal opportunity employer.

This information will be made available in alternative format upon request.

Table of Contents

<i>Mission Statement</i>	1
<i>Background</i>	1
<i>Home Improvement Loan Programs</i>	1
Chapter 1 – Partner Responsibilities and Warranties	2
1.01 <i>Procedural Manual</i>	2
1.02 <i>Disclosure and Use of Social Security Number/Minnesota Tax Identification Number</i>	2
1.03 <i>Unauthorized Compensation</i>	3
1.04 <i>Minnesota Housing Due Diligence Audit Guidelines and Requirements</i>	3
1.05 <i>Termination of Lender Participation</i>	3
1.06 <i>Representations and Warranties</i>	4
1.07 <i>Lender Compensation</i>	6
1.08 <i>Annual Renewal Requirements and Fees</i>	6
1.09 <i>Selection of Contractors</i>	6
1.10 <i>Marketing Materials Terms of Use</i>	6
Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, Disclosure and Reporting and Fair Housing Policy	8
2.01 <i>Fraud</i>	8
2.02 <i>Misuse of Funds</i>	8
2.03 <i>Conflict of Interest</i>	8
2.04 <i>Suspension</i>	10
2.05 <i>Disclosure and Reporting</i>	11
2.06 <i>Fair Housing Policy</i>	11
2.07 <i>Minnesota Government Data Practices</i>	12
Chapter 3 – Borrower Eligibility	13
3.01 <i>Borrower</i>	13
3.02 <i>Borrower Age</i>	13
3.03 <i>Co-signers</i>	13
3.04 <i>Unauthorized Compensation</i>	13
3.05 <i>Ownership Interest</i>	13
3.06 <i>Principal Residence/Occupancy Requirement</i>	14
3.07 <i>Credit Scores and Requirements</i>	14
3.08 <i>Fix Up Loan Program Income Limits</i>	16
3.09 <i>Separated Spouses</i>	17
3.10 <i>Loans to Employees and Affiliated Parties</i>	17
Chapter 4 – Property Eligibility	18
4.01 <i>Eligible Properties Minnesota Housing</i>	18
4.02 <i>Manufactured Homes</i>	18
4.03 <i>Ineligible Properties</i>	19
4.04 <i>After Improved Value Limit (Equity)</i>	19
4.05 <i>Right to Inspect</i>	19
4.06 <i>Local Ordinances and Plans</i>	19
Chapter 5 – Loan Eligibility	20
5.01 <i>Eligible Loans</i>	20
5.02 <i>Ineligible Loans</i>	21
5.03 <i>Eligible Improvements</i>	22

5.04	<i>Ineligible Improvements</i>	22
5.05	<i>Bids and Estimates for Improvements</i>	23
5.06	<i>Credit Requirements</i>	23
5.07	<i>Homeowner Labor</i>	23
5.08	<i>Interest Rate/Payment Requirements General Interest Rate and Payment Information</i>	24
5.09	<i>Conventional Loans</i>	25
5.10	<i>Refinancing and Consolidation</i>	25
5.11	<i>Maximum Outstanding Loan Limits</i>	25
5.12	<i>Closing Costs and Pre-Paid Finance Charges</i>	26
5.13	<i>Non-Complying Loans</i>	27
5.14	<i>Repurchase of Loans</i>	27
Chapter 6 – Special Assistance Program Requirements.....		28
6.01	<i>Community Fix Up</i>	28
6.02	<i>Incentive Rate Energy Conservation and Accessibility Improvement Loans</i>	29
6.03	<i>Energy Loan Plus Program Loans</i>	29
6.04	<i>Eligible Energy Conservation Improvements</i>	29
Chapter 7 Commitment/Disbursement.....		30
Chapter 8 – Documentation Requirements.....		31
8.01	<i>Loan Processing and Closing</i>	31
8.02	<i>Minnesota Housing Documentation/Delivery Requirements</i>	31
8.03	<i>Signature Requirements</i>	32
8.04	<i>Records Retention</i>	32
Chapter 9 - Servicing.....		33
9.01	<i>Servicing</i>	33
9.02	<i>Delivery of Loans to Servicer</i>	33
9.03	<i>Assumption</i>	33
9.04	<i>Due on Sale</i>	33
Appendix A: Definitions.....		34
Appendix B: Forms List		36

Introduction

Mission Statement

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Background

Minnesota Housing was created in 1971 by the Minnesota Legislature.

Minnesota Housing offers programs that address Minnesota’s housing needs by providing financial and related technical assistance opportunities so that all Minnesotans have decent, safe, affordable housing and stronger communities.

Minnesota Housing established the Fix Up and the Community Fix Up loan programs to encourage and support the preservation of existing housing.

Home Improvement Loan Programs

Fix Up Loan

Affordable interest rate home improvement loans to Borrowers throughout Minnesota.

Community Fix Up Loan

Affordable interest rate home improvement loans that are available throughout Minnesota under special initiatives with specific participating Lenders.

- The discount loan initiative allows Lenders to establish their own interest rates by buying down the standard Community Fix Up loan rate using leveraged funds.
- The value-added services initiative allows Lenders to provide or partner with non-profit or governmental organizations for value-added services to address community needs.

Incentive Rate Energy Conservation and Accessibility Improvement Loans

Reduced interest rate home improvement loans that must be used exclusively for energy conservation and Accessibility Improvements.

Chapter 1 – Partner Responsibilities and Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement for Minnesota Housing Programs executed between the Lender and Minnesota Housing.

Minnesota Housing reserves the right to:

- Change the program interest rate at any time under its sole discretion;
- 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 grants waivers, alterations or revisions at its sole discretion.

1.02 Disclosure and Use of Social Security Number/Minnesota Tax Identification Number

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Chapter 270A) allows the disclosure of the Borrower’s Social Security 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.

1.03 Unauthorized Compensation

The Lender may receive fees approved in this Procedural Manual. However, the Lender may not receive or demand from the builder, remodeler, contractor, supplier, or Borrower:

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

1.04 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan purchased by Minnesota Housing. 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 being True and Certified. Loan audits will include, but are not limited to, the following:

- A minimum of 10% of all loans purchased;
- All loans which go into early payment default (90 days or more past due) in the first 12 months;
- Loans originated by the Lender with higher-than-average delinquency rates; and
- Other purposes as determined by Minnesota Housing.

Audited loans are reviewed for:

- Minnesota Housing program/policy compliance;
- Compliance with credit/property underwriting requirements;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends or other indicators that may have an impact on the financial viability of the loan portfolio in part or in whole.

1.05 Termination of Lender Participation

Minnesota Housing may terminate the participation of any Lender at any time and may preclude the Lender’s future eligibility for reasons including, but not limited to, nonconformance with:

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

Upon termination of a Lender’s Participation Agreement, Minnesota Housing will:

- Continue to purchase eligible loans until the lock expiration date; and
- Not refund participation fees to the Lender.

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

Minnesota Housing may, at its option, impose remedies other than contract cancellation for Lender nonperformance.

The Lender may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate a Lender is at Minnesota Housing's sole discretion.

1.06 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 (and any applicable rules, regulations and orders there under):

- Minnesota Statute §47.20;
- Minnesota Statute §58.04;
- Minnesota Statute §325G.15 and §325G.16;
- Minnesota Statute §334.01;
- 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;
- 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);
- Federal Trade Commission Trade Regulation Rule Concerning Preservation of Consumers' Claims and Defenses (Holder Rule), 16 CFR §433;
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- Data Privacy - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth in Lending Act (Regulation Z);
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- Uniform Electronic Transactions Act (UETA), Minn. Stat. Ch. 325L;

- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Real Estate Settlement and Procedures Act of 1974; and
- TILA/RESPA Integrated Disclosure Rule (TRID).

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 assigns the loan free and clear of all encumbrances;
- The Lender has directly or indirectly collected from the Borrower, or any other person, only those fees or charges specifically permitted in this Procedural Manual;
- There are no defaults in complying with the terms of the loan;
- The Lender has no knowledge of any circumstances or conditions with respect to the loan, the property to be improved, or the Borrower's credit standing that could make the loan an unacceptable investment or cause the loan to become delinquent;
- The loan meets all applicable state and federal laws pertaining to usury and the loan is not usurious;
- The Lender has disbursed the loan proceeds to the Borrower by cash, check, money order, or crediting of a Borrower's account in a way that the Borrower will have complete access to and control of the funds at all times;
- The Lender has not advanced funds, nor induced or solicited any advance of funds by another, directly or indirectly for payment of any amount required by the loan;
- The Lender has delivered and assigned a Direct Loan and has complied with all state and federal regulations to make sure the loan is not a Dealer Loan. Definitions for Direct Loan and Dealer Loan can be found in Appendix A of this Procedural Manual;
- The Lender will maintain adequate capital and trained personnel for participation in the Fix Up Loan Program;
- The relevant requirements of any state or federal laws with respect to consumer credit, plain language consumer contracts, and truth-in-lending are satisfied;
- Any loan transaction subject to the right of rescission which has not been effectively waived, has been delivered after the rescission period has expired and the loan has not been rescinded; and
- The Lender has no knowledge that any improvement covered by the loan is in violation of any zoning law or regulation.

The Lender also agrees that the person who confirms on the Minnesota Housing Loan Commitment System the Lender Representations and Warranties on behalf of the Lender is fully conversant with Minnesota Housing program requirements and has the authority to legally bind the Lender; and the

Lender has complied with all terms, conditions, and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions, and requirements are specifically waived in writing by Minnesota Housing.

1.07 Lender Compensation

Secured Loans

The Lender is compensated for each secured loan purchased by Minnesota Housing as follows:

- A Processing fee of \$650 for each secured loan.
- The Lender may charge, and the Borrower may finance, an origination fee of not more than 1% of the principal balance of the loan, the actual cost of the title search and flood certification, and the actual cost of document preparation not to exceed \$150.
- The Lender may charge, and the Borrower may finance, the actual cost of a broker's purchase price opinion based on a Competitive Market Analysis (CMA), not to exceed \$150.
- The actual cost of the credit report, recording fees and mortgage registration tax fees must be paid from the Borrower's own funds and may not be financed in the loan amount.

Unsecured Loans

The Lender is compensated for each secured loan purchased by Minnesota Housing as follows:

- The Lender is compensated \$500 for each unsecured loan purchased by Minnesota Housing.¹
- The Lender may charge, and the Borrower may finance, the actual cost of document preparation not to exceed \$150.
- There are no origination fees, title search, flood certification, recording or mortgage registration tax fees for unsecured loans.
- The actual cost of the credit report must be paid from the Borrower's own funds and may not be financed in the loan amount.

1.08 Annual Renewal Requirements and Fees

- The Lender must pay an annual renewal fee to Minnesota Housing in the amount of \$250;
- Minnesota Housing may adjust the annual renewal fees at any time at its discretion; and
- The Lender must meet the minimum loan volume requirements as specified by Minnesota Housing.

1.09 Selection of Contractors

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

1.10 Marketing Materials Terms of Use

¹ Community Fix Up loans must be secured by a lien in favor of Minnesota Housing.

MINNESOTA HOUSING – HOME IMPROVEMENT PROGRAMS PROCEDURAL MANUAL
JULY 1, 2024

Lenders must follow Minnesota Housing's [Terms of Use](#) for marketing materials and the Participation Agreement requirements for marketing and use of Minnesota Housing's name or logo.

Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, Disclosure and Reporting and Fair Housing Policy

2.01 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 2.05.

2.02 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 2.05.

2.03 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 2.05.

Federal Conflict of Interest Requirements:

State and federal conflict of interest requirements differ, and Minnesota Housing business partners must comply with all requirements.

Minnesota Housing administers various programs using federal funds. Minnesota Housing requires that each of its external business partners (e.g., administrators, borrowers, contractors, grantees or subrecipients) complies with all applicable federal conflict of interest standards. Specifically, no external business partner’s employee, agent or consultant may participate in the selection, award or administration of a contract supported by a federal award if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the business partner’s employee, agent, consultant or any member of their immediate family, their partners, or an organization which employs or is about to employ any of these parties, has a financial or other interest in, or obtains a tangible personal benefit from, a firm considered for a contract. External business partner’s employees, agents and consultants may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts supported by a federal award. Minnesota Housing will not consider it a violation of this policy if the external business partner’s employee, agent or consultant receives an unsolicited item of nominal value.

In addition, no external business’s partner employees, agents or consultants “who exercise or have exercised any functions or responsibilities with respect to activities assisted with” funds from HOME Investment Partnerships (HOME), HOME American Rescue Plan (HOME ARP), Housing Opportunities for Persons with AIDS (HOPWA) or National Housing Trust Fund (NHTF) “or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from” a HOME, HOME ARP, HOPWA or NHTF-assisted activity “or have a financial interest in any contract, subcontract, or agreement with respect to the” HOME, HOME ARP, HOPWA or NHTF-assisted activity “or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.”² Violation of federal conflict of interest requirements by business partners, agents or consultants will result in appropriate actions by Minnesota Housing, including the potential termination of the relationship and additional contractual or other remedies. Violation of federal conflict of interest requirements may need to be reported to the federal government in appropriate circumstances.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing relating to federal funds must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 2.05.

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

2.04 Suspension

² See generally, HOME: [24 CFR 92.356](#); including any revisions by the Appendix to the HOME-ARP Notice as amended; HOPWA: [24 CFR 574.625](#); NHTF: [24 CFR 93.353](#). In limited circumstances, a conflict of interest could be waived via an exception request, in writing. For further information, see federal regulations at: HOME: [24 CFR 92.356](#); HOPWA: [24 CFR 574.625](#); NHTF: [24 CFR 93.353](#)

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).

2.05 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 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 \(mnhousing.gov\)](#) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

2.06 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 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.

2.07 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.

Chapter 3 – Borrower Eligibility

3.01 Borrower

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

3.02 Borrower Age

The Borrower must be eighteen (18) years of age or older or a minor declared emancipated by a court having jurisdiction.

3.03 Co-signers

Co-signer(s) are allowed when the income and credit history of the Co-signer(s) are to be included for the purpose of qualifying the Borrower(s) for the loan pursuant to section 5.06 of this Procedural Manual.

Co-signer(s)' credit scores must meet or exceed the Borrower minimum credit scores specified in section 3.07 of this Procedural Manual.

The Fix Up Loan Note and application must be fully executed by the Borrower(s) and Co-signer(s).

3.04 Unauthorized Compensation

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

3.05 Ownership Interest

The Borrower(s) must individually, or in the aggregate, possess at least a one-third ownership interest in the residence to be improved.

The Borrower(s) and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be improved.

Eligible forms of ownership interest include the following:

- A fee simple estate; or
- A leasehold estate; or
- A leasehold estate subject to a Community Land Trust; or
- A home-site lease upon tribal trust land (unsecured loans only).
- Vendee interest in a recorded contract-for-deed; or
- A recorded life estate (Remaindermen to a life estate aren't eligible to be a Borrower, but remaindermen and spouses, if any, must sign the mortgage that secures the loan.)

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 trust land; and
- Ownership subject to a reverse mortgage is ineligible for a secured loan, however ownership subject to reverse mortgage is eligible for an unsecured loan.

Title may be held in the following ways:

- Individually;
- Joint tenants; or
- Tenants in common.

Secured Loans

Title investigation may be conducted by the Lender through documented contact with the County Recorder's Office/Registrar of Titles, title and loan closing documentation from the recent home purchase or refinance, or with an Owner's and Encumbrances report.

- All documentation used for title investigation of the loan must be dated within 90 days of the loan closing; and
- Documentation must show all existing liens against the property.

Unsecured Loans

The Borrower(s) ownership interest must be documented before closing the loan. Ownership interest can be documented in a variety of ways deemed appropriate by Minnesota Housing, including a copy of the most recent property tax statement, a copy of the deed, a copy of the home purchase closing disclosure and/or a copy of the note and mortgage.

When a property is located on tribal trust land, the Lender must obtain a copy of the Borrower's home-site lease assignment.

3.06 Principal Residence/Occupancy Requirement

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

3.07 Credit Scores and Requirements

The credit report (and any supplemental information) upon which the Lender relies must be current and must show the Borrower to be solvent with a reasonable ability to repay the obligation, and, in other respects, to be a prudent lending risk.

The Lender must have and utilize normal and prudent written underwriting standards. These standards must include, but are not limited to, the following minimum credit criteria:

- All documentation used as a basis for credit underwriting of the loan must be dated within 120 days of loan closing. This includes documentation relative to credit reporting and income verification.

- The Borrower(s), Co-Borrower(s), and Co-signer(s) must meet the minimum credit scores as follows:

Secured loan – minimum credit score of 620.

Unsecured loan – minimum credit score of 680.

- Alternative credit sources may not be used to offset unavailable credit scores for a Borrower requesting an unsecured loan.
- If the Borrower is requesting a secured loan and if the credit report(s) for the Borrower(s), Co-Borrower(s), and Co-signer(s) indicate the credit score(s) are unavailable, the credit report(s) documenting no score(s) must be retained in the loan file.
- For secured loans, the Lender must establish an alternative credit history of at least 6 months by clearly documenting that routine and consistent payments were made during the most recent preceding 6-month period from at least three of the following:
 - Mortgage lenders, contract for deed vendors, or others able to verify housing expense and payment history³;
 - Public utilities;
 - Telephone companies;
 - Cable television providers; or
 - Internet providers.
- All Qualifying Income used in calculating the monthly debt to gross income ratio (DTI) must be stable and likely to continue. Documentation that the income used to qualify the Borrower(s) is stable and likely to continue must be obtained and retained in the loan file.
- The Borrower(s)' monthly DTI may not exceed 48% unless:
 - There is a Co-signer;
 - The Borrower(s)' monthly DTI does not exceed 55%; and
 - The combined monthly DTI for the Borrower(s) and the Co-signer does not exceed 48%.
- If the Borrower(s) has reported, or the credit report indicates, a bankruptcy or foreclosure, the following applies:

Chapter 7 Bankruptcy:

- The fact that the bankruptcy was discharged must be verified on the credit report.
 - The discharge date must be at least 18 months before the loan closing; or
 - If the discharge date is not clearly identified on the credit report then a copy of the Order Discharging Debtor must be retained in the loan file and the Order Discharging Debtor must be dated at least 18 months before the loan closing.

Chapter 13 Bankruptcy:

- The completion of repayment plan must be verified on the credit report.
 - The date of completion of the repayment plan must be at least 18 months before the loan closing; or
 - If the completion date is not clearly identified on the credit report, the Trustee must provide written verification that the repayment of debt was completed and a copy of the written verification of Chapter 13 Bankruptcy completion must be retained in the loan file.

Foreclosure

- The date of completion of the redemption period for the foreclosure must be at least 18 months before the loan closing; and
- Written verification of completion of the redemption period must be retained in the loan file.

Note: Refer to section 4.04 of this Procedural Manual for age of property value documentation requirements.

3.08 Fix Up Loan Program Income Limits

Income is defined by and calculated according to the Lender’s credit underwriting guidelines (i.e. Qualifying Income).

To be eligible, the Borrower(s)’ qualifying income must not exceed applicable Fix Up Loan Program income limits as described in the chart below.

Type of Loan	Is there an income limit?
Incentive Rate Energy loan	No.
Accessibility loan	No.
Energy Loan Plus	Yes. See website.
Secured or Unsecured Fix Up loan	Yes. See website.
Community Fix Up loan	Yes. See website.

Exception for Accessibility Improvements:

Minnesota Housing may waive the income limit for Fix Up loans to accommodate Accessibility Improvements. Prior written approval from Minnesota Housing is required.

3.09 Separated Spouses

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

3.10 Loans 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 2.03;
- 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 2.03.
- 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 2.05.

Chapter 4 – Property Eligibility

4.01 Eligible Properties Minnesota Housing

In order to qualify as an eligible property for a Minnesota Housing loan, the residence must be:

- Located in the State of Minnesota;
- A residential property, which includes:
 - A single family detached home;
 - An individual unit in a Planned Unit Development (PUD);
 - A townhome³;
 - A unit of a condominium³;
 - A manufactured home permanently affixed to a foundation and taxed as real property;
 - A duplex⁴;
 - A triplex⁵;
 - A fourplex⁵
- If new construction, the residence must be at least 90 days old with an issued certificate of occupancy

4.02 Manufactured Homes

Minnesota Housing distinguishes between two types of manufactured homes:

- Modular Homes – Homes built to state building codes and may be delivered to the site in modular sections. Modular homes are acceptable for home improvement financing.
- Mobile Homes – The homes are built on wheeled chassis, which remain a basic structural element. Mobile homes are acceptable for home improvement financing if they meet the following requirements:
 - Must be located on land owned or being purchased by the Borrower;
 - Must be on a permanent foundation with wheels and axles removed;
 - All utility connections are operable so that the home is habitable;
 - Unit must be assessed/taxed as real estate;
 - Unit being improved meets all other eligibility requirements under this Procedural Manual; and

³ If the property is a townhome, only the portion of the real estate owned by the Borrower is eligible.
If the property is a condominium, only the portion of the real estate owned by the Borrower is eligible.
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⁵ The Borrower must occupy at least one unit of the property.

- Security for the loan to purchase the manufactured home is in the form of a mortgage covering the property.

4.03 Ineligible Properties

Properties not eligible for home improvement financing are as follows:

- A property containing more than four dwelling units;
- A property with short-term construction financing;
- Recreational or seasonal homes;
- A manufactured home taxed as personal property; or
- A property primarily used for business (more than 50% of the floor space is used for business).

4.04 After Improved Value Limit (Equity)

A secured loan, when combined with all other existing indebtedness secured by the property, may not exceed 110% of the property's after-improved value. The after-improved value is determined by adding no more than 50% of the total cost of proposed improvements to the property's current market value.

Current market value may be determined using any one of the following documents:

- Estimated Market Value from the most recent property tax statement or property valuation notice for the property to be improved; or
- Broker's purchase price opinion based on a competitive market analysis, if the opinion was ordered by a Lender and completed by a disinterested third party within 120 days of the loan closing.

Note: For further guidance, refer to [Brokers Price Opinion/Competitive Market Analysis Guidance](#) posted in the Resources section of the Fix Up loan program page on [Minnesota Housing's website](#).

- The purchase price or related appraised value for the purchase of the home occurring within the past 12 months before the loan closing
- If the Borrower(s) has/have owned the property for more than 12 months, an existing appraisal dated within the most recent preceding 12 months before the loan closing; or
- Other methods, on a case-by-case basis with written approval from Minnesota Housing in advance of loan funding.

4.05 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 Fix Up Loan Note, upon giving reasonable notice to the Borrower as outlined in the Note.

4.06 Local Ordinances and Plans

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

Chapter 5 – Loan Eligibility

5.01 Eligible Loans

General Loan Eligibility Requirements

Minnesota Housing purchases closed and funded loans from Lenders with a current Participation Agreement. The Lender must warrant that the following criteria are met for each loan submitted for purchase:

- All loans are originated, processed, credit underwritten, closed, and disbursed in accordance with the requirements of this Procedural Manual;
- If the loan is secured by a mortgage in first lien position, the combination of the interest rate and loan repayment term may not cause the annual percentage rate (APR) for the loan to exceed the first lien position rate published on Minnesota Housing’s website by more than .49%;
- All loans must be current as to monthly payments at the time of loan purchase by Minnesota Housing;
- 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;
- Minnesota Housing program income and property requirements are met; and
- 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 on the Minnesota Housing loan commitment system.

Eligible Loan Types/Loan Amounts/Minimum and Maximum Loan Terms

Fix Up Loan Type	Min. Loan Amt.	Max. Loan Amt.	Min. Loan Term	Max. Loan Term
Regular - Secured Loan	\$2,000	\$75,000	1 year	20 years
Regular - Unsecured Loan	\$2,000	\$25,000	3 years	10 years
Energy Incentive - Secured Loan	\$2,000	\$60,000	1 year	20 years
Energy Incentive - Unsecured Loan	\$2,000	\$30,000	3 years	10 years
Energy Loan Plus – Secured Loan	\$2,000	\$30,000	3 years	20 years
Energy Loan Plus – Unsecured Loan	\$2,000	\$30,000	3 years	10 years
Accessibility - Secured Loan	\$2,000	\$35,000	1 year	20 years
Community Fix Up - Secured Loan	\$2,000	\$75,000	1 year	20 years

The above loan repayment terms apply subject to the following:

- Maximum loan amounts assume the Borrower does not have, nor is the Property subject to, an existing Fix Up loan debt. If the Borrower or the Property is subject to an existing Fix Up loan debt, refer to [Section 5.11](#) of this Procedural Manual to determine maximum loan amounts.
- The maximum possible loan term on a secured or unsecured loan in an amount less than or equal to \$10,000 is 10 years.
- The maximum possible loan term for secured loans in an amount greater than \$10,000 is 20 years.
- The Lender will not make a loan term for an unreasonable length of time. Final maturity of the loan will be commensurate with the Borrower’s ability to pay, including such considerations as debt-to-income ratio, size of household, and Qualifying Income and useful life of improvements being financed. Qualifying Income is defined in Appendix A of this Procedural Manual.
- For properties secured by a mortgage or contract-for-deed, the term of a secured loan may not extend beyond the mortgage or contract-for-deed’s balloon payment due date, if applicable.
 - The Lender must review the contract-for-deed for any terms that would be incompatible with the proposed loan or proposed improvements.
- For tribal trust properties:
 - The loan term may not extend beyond the term of the individual home-site lease; and
 - The loan must be unsecured

5.02 Ineligible Loans

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

- Any loan secured by a mortgage in first lien position and having an APR that exceeds the first lien position rate published on Minnesota Housing’s website by more than .49%;
- Any secured loan subject to a reverse mortgage;
- Any secured loan where the Borrower(s), Co-Borrower(s), or Co-signer(s) has a credit score below 620;
- Any secured loan where the Borrower(s), Co-Borrower(s), or Co-signer(s) is without a credit score and is unable to establish satisfactory alternative credit under the terms in Section 3.07 above;
- Unsecured loans where the Borrower(s), Co-Borrower(s), or Co-signer(s) has no established credit score;
- Unsecured loans where the Borrower(s), Co-Borrower(s), or Co-signer(s) has a credit score below 680;

- Any loan that causes the balance of all outstanding Program loans to exceed a limit described in [Section 5.11](#) of this Procedural Manual;
- Secured loans on properties located on Tribal land, held in trust or otherwise; or
- Loans with repayment terms in excess of the terms set forth in section 5.01.

5.03 Eligible Improvements

The proceeds of a loan under this Procedural Manual must be used to finance permanent improvements which improve the basic livability or energy efficiency of the property⁵, including:

- Structural additions;
- Alterations; and/or
- Renovations and repairs.
- Repairs 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 also eligible. This includes, and is not limited to:
 - Replacement of a well; and/or
 - A septic system upgrade or replacement.

If the loan will be used to reimburse the Borrower for improvements started or materials purchased before the date of the loan closing, the Lender must document the following through the use of receipts or paid billing statements:

- The improvements were made within the 120-day period immediately preceding the loan closing;
- The cost of materials and improvements; and
- That the improvements are eligible under the loan program.

Note: Further eligible and ineligible improvements may be found on the Eligible/Ineligible Improvements list, posted in the Resources section of the Fix Up loan program page on Minnesota Housing's website.

5.04 Ineligible Improvements

Ineligible improvements include, but are not limited to the following:

- Costs associated with a project which is incomplete (i.e. framing a room addition) unless accompanied by written verification of sufficient cash on deposit or approval from a supplemental funding source, to complete the project;
- Any improvement which is not a permanent fixture to the property (appliances, furniture or other personal items that are not fixtures);

⁵ A property includes the main residence; its porch or deck; a garage not exceeding 1,000 square feet, attached or detached; any sidewalks, retaining walls or driveways within the property's boundaries as outlined in the legal description.

- Payment, wholly or in part, of assessments for public improvements;
- Construction of or addition to existing residential garage space which will result in garage space exceeding 1,000 square feet;
- Improvements to a garage that is in excess of 1,000 square feet;
- Construction of or aesthetic improvements to recreational facilities including, but not limited to, gazebos, tennis courts, hot tubs, swimming pools, and saunas;
- Conversion of a nonresidential structure to a residential structure;
- Conversion of a recreational home to a year-round permanent residence;
- Costs associated with moving a house, modular or manufactured home;
- Construction or improvements to a greenhouse;
- Improvements to a recreational home;
- Improvements begun more than 120 days before the date of the loan closing;
- Improvements to the portion of buildings or real estate owned by the association in a PUD or condominium project;
- Labor costs paid to the Borrower or any resident of the household;
- Use of materials or permanent fixtures which exceed the quality of those in the locality of the subject property;
- New construction or expansion of an area used in a trade or business;
- Construction, installation, or cost related to playground equipment;
- Repairs to or construction of outbuildings, including but not limited to sheds, utility buildings, shops, barns, and silos; and
- Installation or repair of an underground sprinkler system.

Note: Further eligible and ineligible improvements may be found on the Eligible/Ineligible Improvements list, posted in the Resources section of the Fix Up Loan Program web page on [Minnesota Housing's website](#).

5.05 Bids and Estimates for Improvements

Before making a loan, the Lender must obtain current (prior to the bid expiration date, or if no bid expiration date, no more than 120 days before the loan closing) bids and estimates having sufficient detail to show both the estimated cost and the eligibility of the improvements.

5.06 Credit Requirements

Refer to section 3.07 of this Procedural Manual.

5.07 Homeowner Labor

Homeowners cannot complete labor with the Incentive Rate Energy Conservation or Energy Loan Plus loan option. For all other Fix Up loan options, the following restrictions on homeowner labor apply:

- All labor completed by the homeowner(s) must comply with all applicable building code regulations and ordinances;
- All necessary licenses and permits must be obtained;
- Homeowner(s) and any other household residents may not be reimbursed for labor using loan funds; and
- The Fix Up Homeowner Labor Agreement must be fully executed and included in the loan file. This form is located in the Minnesota Housing loan commitment system.

5.08 Interest Rate/Payment Requirements General Interest Rate and Payment Information

The annual simple interest rates for all loans under the Home Improvement Loan Programs are the rates stated on Minnesota Housing’s website.

A final payment in an amount other than the regular installment may be required but may not be more than one and one-half times the amount of the regular installment.

Secured Loans and Unsecured Loans without Monthly Automatic Payments

Level monthly payments are required with the first payment due date to be 20 to 45 days following the Fix Up Loan Note date. The monthly payment is based on the loan amount, loan term, and loan interest rate.

Loans with Monthly Automatic Payments

Except for Incentive Rate Energy Conservation loans, Energy Loan Plus loans and Accessibility Improvement loans, all other Fix Up loan options with monthly automatic payments must follow the following:

- The interest rate matches the rate posted on Minnesota Housing’s website and is below the rate for the same loan without monthly automatic payments.
- The Borrower must complete the Authorization for Automatic Payment which is an AmeriNat servicing form. The Forms Guide & Glossary on Minnesota Housing’s website contains a link to this form.
- The Borrowers may choose to have the loan payment deducted from either a checking or savings account.
- Within five days of purchase approval, the Lender must submit a void blank check or savings account deposit slip from the Borrower with the executed Authorization for Automatic Payment to the Servicer. Refer to section 8.02.
- Level monthly payments are required with the first payment due occurring 20 to 45 days after the Fix Up Loan Note date.
- The Authorization for Automatic Payment form must state payment date options.

- The Servicer has the right to unilaterally terminate any Borrower from an automatic payment program if three or more of the Borrower’s payments are rejected or returned for insufficient funds. Upon termination, the Servicer also has the right to increase the interest rate on the loan to what the interest rate would have been had the Borrower not elected to set up automatic payments on the loan commitment date. Increased interest rates may be permanent.

5.09 Conventional Loans

At the time of application, conventional financing for the proposed improvements must not otherwise be available from private lenders upon equivalent terms and conditions.

5.10 Refinancing and Consolidation

In general, Minnesota Housing will not purchase loans for the purpose of refinancing or reimbursing the Borrower(s) for expenses incurred on the subject property more than 120 days before the loan closing.

- A limited exception exists when the Borrower(s) seek consolidation of an outstanding balance(s) of a previously received Minnesota Housing loans at the time the Borrower is applying for additional Fix Up loan funds to implement new eligible improvements.
- If this exception applies, the Borrower(s) may be subject to a prepayment penalty on the previously received Minnesota Housing loans (refer to the existing Fix Up Loan Note) at the time of consolidation.
- Previously received Minnesota Housings loans eligible for consolidation into a new secured Fix Up loan are limited to:
 - Previously originated secured Fix Up, unsecured Fix Up, unsecured Incentive Rate Energy Conservation, and secured Incentive Rate Energy Conservation and Accessibility loans may be consolidated into a new secured Fix Up loan.

Previously received Minnesota Housing loans eligible for consolidation into a new unsecured Fix Up loan are limited to:

- Previously originated unsecured Fix Up and unsecured Incentive Rate Energy Conservation loans with outstanding balances may be consolidated into a new unsecured Fix Up loan.
- Under no circumstances is a Lender allowed to consolidate a previously originated loan from any source into a new unsecured Incentive Rate Energy Conservation loan.

5.11 Maximum Outstanding Loan Limits

The maximum loan amounts described in section 5.01 of this Procedural Manual assume the Borrower does not have, nor is the Property subject to, existing Fix Up loan debt. In some cases, however, a Borrower will have, and/or the Property will be subject to, existing Fix Up loan debt. In those cases, the maximum outstanding loan limits described in the charts below apply.

As noted below, the outstanding principal balance of any combination of unsecured loans must not exceed \$30,000 per Borrower.

Table 1: Maximum Outstanding Loan Limit per Property

Loan Type	Combined balance of any Loan Type listed on the left column must not exceed
Secured and unsecured Fix Up loans <ul style="list-style-type: none"> • Secured and unsecured Incentive Rate Energy Conservation and Accessibility loans • Secured and unsecured Energy Loan Plus loans and • Secured and unsecured Community Fix Up loans 	\$75,000 per Property

Table 2: Maximum Outstanding Loan Limit per Borrower

Loan Type	Combined balance of each Loan Type by Borrower must not exceed
Secured Fix Up loans	\$75,000 per Borrower
Unsecured Fix Up loans	\$25,000 per Borrower*
Secured and unsecured Energy Loan Plus loans	\$30,000 per Borrower*
Unsecured Fix Up and unsecured energy loans (both Incentive Rate Energy Conservation and Energy Loan Plus loans)	\$30,000 per Borrower*
Secured Incentive Rate Energy Conservation (not Energy Loan Plus)	\$60,000 per Borrower
Secured Accessibility Improvement Loans	\$35,000 per Borrower

*The outstanding principal balance of any combination of unsecured loans must not exceed \$30,000 per Borrower.

5.12 Closing Costs and Pre-Paid Finance Charges

- The following apply to closing cost and pre-paid finance charges:
- The actual cost of the credit report may be collected by the Lender. This fee must be collected from the Borrower and may not be deducted from proceeds or financed in the loan;
- Recording fees and mortgage registration tax costs may be collected from the Borrower and shall not be included in the face amount of the secured Fix Up Loan Note or paid from loan proceeds;

- The Lender may charge, and the Borrower may finance in a secured loan, an origination fee of not more than 1% of the principal balance of the loan;
- The Lender may charge, and the Borrower may finance in a secured loan, the actual cost of the title search and flood certification;
- The Lender may charge, and the Borrower may finance the actual cost of document preparation, not to exceed \$150;
- The Lender is required to verify the legal description of the subject property, the Borrower's ownership interest, and any existing liens including reverse mortgages;
- If the Borrower chooses to obtain credit life and accident and health insurance, the cost of this insurance may not be included in the face amount of the Fix Up Loan Note or paid from loan proceeds; and
- All closing cost and pre-paid finances charges must be disclosed to the Borrower(s) as required by applicable law.

5.13 Non-Complying Loans

Minnesota Housing has the right to take one or more of the following actions in the event a Lender submits a loan that does not, as determined by Minnesota Housing, comply with the requirements of this Procedural 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 purchase price;
- Terminate, suspend, or otherwise limit the Lender's Participation Agreement with Minnesota Housing; or
- Preclude the Lender from future participation in Minnesota Housing programs.

5.14 Repurchase of Loans

Minnesota Housing may, at its option, tender to the Lender any loan for 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(s) or condition(s) described in the Participation Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, the Lender has ten (10) business days to submit payment to Minnesota Housing for the unpaid principal balance, accrued interest, and 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 – Special Assistance Program Requirements

6.01 Community Fix Up

Community Fix Up loans must meet the loan requirements of the Fix Up loan program and the Community Fix Up initiative. The Lender is responsible to determine if the Borrower meets the initiative's requirements and verify that the value-added services and/or interest rate discount is available through the specific Community Fix Up initiative.

Proposals for Community Fix Up initiatives must:

1. Address and incentivize specific community rehabilitation needs that cannot be effectively met under the statewide Fix Up loan program.
2. Provide or partner with community organizations (such as non-profits, utility companies, local governments, housing and economic development authorities) to provide:
 - Leveraged funds in the form of discounted interest rates or matching funds;
 - Other value-added services or incentives such as donated rehabilitation advising, energy conservation rebates, or translation services; or
 - A Loan Loss Reserve Fund.
3. Include a written plan for targeted outreach and marketing.

The Lender and their community partner(s), if applicable, must submit a Community Fix Up proposal for their initiative. Minnesota Housing staff will review and approve proposals on an ongoing basis. A pool of funds is available to the approved initiative for two years as long as the Fix Up loan program funding remains available and the Lender remains in good standing with Minnesota Housing.

- Discount Loan Initiatives:
 - Provides Lenders with the ability to offer alternative interest rates under the Community Fix Up loan program using leveraged funds to buy down the current program rate.
 - Minnesota Housing reimburses the Lender for the loan principal and processing fee. The loan is serviced at the rate and payment amount indicated on the Fix Up Loan Note.
- Value Added Services:
 - The Lender provides value-added services or partners with non-profit or governmental organizations offering value-added services to address community needs.
- Loan Loss Reserve Fund:
 - The Lender is able to fund a Loan Loss Reserve as approved by Minnesota Housing.

6.02 Incentive Rate Energy Conservation and Accessibility Improvement Loans

Incentive Rate Energy Conservation and Accessibility Improvement Loans are eligible for reduced interest rates. The proceeds of these loans must be used exclusively for one or more of the following:

- Eligible Energy Conservation Improvements as described in [Section 6.04](#) of this Procedural Manual.
- Eligible Accessibility Improvements, as described in the [Fix Up Loan Program Incentive Rate Energy Conservation, Energy Loan Plus and Accessibility Improvement Loan improvements list](#).
- Accessibility improvements documented on the [Accessibility Evaluation for Reduced Interest Rate](#) form, submitted to Minnesota Housing prior to funds commitment, and approved by Minnesota Housing.

For requirements pertaining to a waiver of Fix Up Loan Program income limits for Accessibility Improvement Loans, refer to [section 3.08](#) of this Procedural Manual.

For requirements pertaining to loan amount minimums and maximums as well as loan term minimums and maximums, refer to [section 5.01](#) of this Procedural Manual.

6.03 Energy Loan Plus Program Loans

Energy Loan Plus loans are eligible for a further reduced interest rate. The proceeds of these loans must be used exclusively for Eligible Energy Conservation Improvements as described in [Section 6.04](#) of this Procedural Manual.

For requirements pertaining to income limits, refer to [section 3.08](#) of this Procedural Manual.

For requirements pertaining to loan amount minimums and maximums as well as loan term minimums and maximums, refer to [section 5.01](#) of this Procedural Manual.

6.04 Eligible Energy Conservation Improvements

Eligible improvements for Incentive Rate Energy Conservation Loans and Energy Loan Plus loans must meet Energy Star® requirements and are generally limited to:

- Window replacement with Energy Star® Windows;
- Heating system replacement;
- Central air conditioning replacement;
- Water heater replacement;
- Light fixture replacement;
- Insulation/attic air sealing;
- Solar panels (secured Incentive Rate Energy Conservation loans only); and
- Heat Recovery Ventilation System or Energy Recovery Ventilation System.

Energy Star® requirements are subject to change over time. Refer to the [Fix Up Loan Program Incentive Rate Energy Conservation, Energy Loan Plus and Accessibility Eligible Improvements list](#) for specific requirements.

Chapter 7 Commitment/Disbursement

See Minnesota Housing’s website for:

- [The Rate Lock Guide](#)
- [The Home Improvement System Guide](#)

Chapter 8 – Documentation Requirements

8.01 Loan Processing and Closing

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

- Loans must be closed and disbursed before completing the True and Certify process in the Minnesota Housing Loan Commitment System;
- Loans must be current as to monthly payments;
- The Lender must follow Minnesota Housing and all industry standard regulatory and compliance provisions throughout the processing of the loan;
- All loan documents must be on Minnesota Housing forms or industry standard forms that meet Minnesota Housing requirements;
- 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 and appropriate stages of the loan;
- The loan must be originated and closed in, or assigned to, the name of the Lender that is a party to the Participation Agreement and that locked the loan on the Minnesota Housing loan commitment system; and
- All assignments must run directly from the Lender to Minnesota Housing

8.02 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal form detailing specific documentation/delivery requirements. The Lender must fully execute and deliver documents within designated timeframes. 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 has properly executed the Fix Up Loan Note bearing the simple interest rate on the loan commitment system; and
- The Lender has reviewed both the Fix Up Loan Note and Mortgage to make sure appropriate signatures were obtained and duly notarized.

Documentation not delivered to Minnesota Housing/Service within the specified timeframes may result, at Minnesota Housing's discretion, in the Lender being required to repurchase the loan or any other remedy as identified in this Procedural Manual.

8.03 Signature Requirements

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 as well as any counterparty requirements (e.g. Fannie Mae, Federal Housing Administration, U.S. Bank HFA Division). The use of e-signatures for eligible program documents is voluntary. E-signatures are not acceptable on any document that needs to be recorded with the county.

Fix Up Loan Note

- The Borrower(s) must sign the Fix Up Loan Note as the Borrower(s).
- If the Borrower's spouse or any other resident of the household with an ownership interest is included in qualifying for the loan, those person(s) must sign the Fix Up Loan Note as a Co-Borrower(s).

Mortgage

Any person with an ownership interest, whether or not they reside in the property, must sign the Mortgage.

Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

8.04 Records Retention

The Lender must retain any and all documents (including compliance with Minnesota Housing program guidelines) as may be required, including, but not limited to:

- A written verification of all major sources of income;
- The credit report and any necessary supplementary information;
- A written verification of current property ownership (if contract-for-deed, a copy of the properly recorded contract);
- The bids and estimates for all proposed improvements; and
- All compliance documents required by the Lender's regulatory authority.

Chapter 9 - Servicing

9.01 Servicing

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

9.02 Delivery of Loans to Servicer

The Lender must forward the loan, along with the required documentation in the prescribed order and format, to the assigned Servicer by mail within five (5) calendar days of Minnesota Housing purchasing the loan.

9.03 Assumption

Loans are not assumable.

9.04 Due on Sale

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

- Sale or transfer of any or all of the Borrower's interest in the residence; or
- At the time the property is no longer used by the Borrower as a Principal Residence.

Appendix A: Definitions

All terms used in the Procedural Manual use industry standard definitions except for the following:

TERM	DEFINITION
Accommodation Party	An owner of the property who is not a Borrower on the Fix Up Loan Note, such as a non-borrowing spouse or a contract-for- deed vendor.
Accessibility Improvement	An interior or exterior improvement or modification to a property, which is necessary to enable a resident or a Borrower with a permanent physical or mental condition that substantially limits one or more major life activities to function in that property.
Authorization for Automatic Payment	An AmeriNat form that must be completed by the Borrower(s) to receive the ACH rate reduction.
Borrower	A person who receives funds in the form of a loan that is, or will be, assigned to Minnesota Housing with the obligation of repaying the loan.
Co-signer	A party that is obligated to repay the loan but is not an owner-occupant of the property.
Dealer Loan	A loan where an intermediary such as a contractor, salesman or materials supplier, having a financial interest in the contract for the repair, alteration, or improvement of the Borrower’s property, intervenes or participates in the application for or disbursement of the loan.
Direct Loan	A loan applied for by, and disbursed to the Borrower; and where the Credit Application, signed by the Borrower is filled out by: <ul style="list-style-type: none"> A. The Borrower; or, B. A maker of the Fix Up Loan Note other than a Borrower; or, C. A person acting at the direction of a Borrower who has no financial interest, directly or indirectly, in the contract for the repair, alteration, or improvement of the Borrower’s property.
Energy Loan Plus	Those loans referenced in section 6.03 of this Procedural Manual.

Incentive Rate Energy Conservation and Accessibility Improvement Loans	Those loans referenced in section 6.02 of this Procedural Manual. This is separate and distinct from the secured Accessibility Loan under the Fix Up loan program.
Minnesota Housing	Refers to Minnesota Housing Financing Agency.
Lender	A lender under contract to participate in Minnesota Housing programs.
Order Discharging Debtor	The notice filed with the Bankruptcy Court proving the bankruptcy case was successfully completed and all debt was discharged. Note: If the bankruptcy case is dismissed, it means that something went wrong with the case and the debts are still owed to the creditors.
Participation Agreement	The Participation Agreement for Minnesota Housing Home Improvement Loan Program executed between the Lender and Minnesota Housing that allows the Lender to participate and offer Minnesota Housing’s Fix Up loan program.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and their household.
Qualifying Income	Gross annual income that is verified and documented as stable and likely to continue. This income is used to determine: <ul style="list-style-type: none"> • the Debt-to-Income Ratio for the Borrower(s) and Co-signer(s); and • whether approving the loan application constitutes a prudent investment risk.
Servicer	A company selected by Minnesota Housing to service loans assigned to Minnesota Housing pursuant to its mortgage loan programs.
True and Certify	The loan-level process in Minnesota Housing’s loan commitment system completed by the Lender that certifies all the information entered into the system is true and accurate.

Appendix B: Forms List

See www.mnhousing.gov for required loan program forms as well as optional forms.