

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

Our File No. 717

8/11 Solem requested TD send full copy of Notice and new Cert. Adopting

RULE REVIEW CHECKLIST

DATE RULE RECEIVED 7/31
DATE FOR REVIEW 8/11
DATE DUE 8/14

Adopted w/a hearing ____
Adopted w/o a hearing ✓
Temporary rule ____

Approved ____ Disapproved 8-14-81 Returned to Agency ____

Resubmitted 9.10.81 Due 9/21
Approved 9/17 Disapproved ____ Returned to Agency 9/18

Date filed w/Secretary of State 9/18 REVISOR APPROVED ✓

✓ Rule as Adopted

✓ Rule as Proposed

✓ Order Adopting 7.27.81

9/10 Dinerstein requested to send new order adopting and related resolution rec'd 9/11/81

N/A Notice of Intent to Solicit Outside Opinion

✓ Order for rulemaking
____ Date of Hearing

✓ Certificate of Board's Authorizing Resolution

? ___ Notice of rulemaking
____ Sufficiency

✓ Affidavit of Mailing Notice or rulemaking
6.18.81 At least 30 days prior to ~~hearing~~/adoption

✓ Mailing list Certificate

✓ Publication in State Register
6.22.81 At least 30/~~20~~ days prior to ~~hearing~~/adoption

N/A Hearing Examiner's Report

N/A Chief Hearing Examiner's Report(s)
____ Approving H.E.'s Report
____ Approving agency action

? Agency's Findings of Fact See submittal memo re only change to rule as proposed

N/A LCRAR Report or agency Affidavit

? ___ Certificate of Board's Resolution Adopting Rules

N/A Order Approving Incorporation by Reference

✓ Statement of Need and Reasonableness

N/A Petition for Adoption of a Rule

N/A Record (includes transcript or tape, exhibits, comments received by agency, requests for a hearing, and other relevant materials) no comments received

✓ Certificate of Compliance w/Rulemaking Procedures

N/A Affidavit of Mailing Notice of Submission to Attorney General

N/A Notice of Submission to the Attorney General

SF-00006-02

STATE OF MINNESOTA

DEPARTMENT ATTORNEY GENERAL

Office Memorandum

TO : JAMES J. SOLEM
Executive Director
Minnesota Housing Finance Agency

DATE: September 17, 198

ATTN : James Dinerstein
Special Assistant Attorney General

FROM : Ted. A. Martinez
Special Assistant Attorney General

PHONE: 296-0315

SUBJECT: In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program

Enclosed herewith are the rules you have submitted for approval. These rules have been approved by this office and filed with the Secretary of State. Please note that they have not been filed with the State Register; this must be done promptly by your agency.

Upon receipt and before transmittal to your agency, however, it is important that you recheck these rules as to:

1. Affixation of stamps of the Attorney General and Secretary of State to the last page of the rules;

2. Coverage by these stamps of all rules submitted; and

3. Inclusion of all pages to the rules in the approved set

If you have any questions in this regard, please contact me.

Enc.

cc: Kathy Burek
Duane Harves

MINNESOTA HOUSING FINANCE AGENCY

September 9, 1981

RECEIVED
SEP 10 1981
ATTORNEY GENERAL
ADMINISTRATIVE AGENCIES

Mr. Ted A. Martinez
Special Assistant Attorney General
Administration-Finance Division
Room G25 Administration Building
50 Sherburne Avenue
St. Paul, Minnesota 55155

RE: In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program

Dear Mr. Martinez:

Pursuant to your memo dated August 14, 1981, the Board of the Minnesota Housing Finance Agency has adopted revised rules in accordance with your suggestions.

These rules are being submitted for your approval.

If I can be of any further assistance, please feel free to call me at telephone number 296-2063.

Sincerely,

James J. Solem
Executive Director

JJS/jak

Encl.

333 Sibley Street, St. Paul, Minnesota 55101 (612) 296-7608
Equal Opportunity Housing and Equal Opportunity Employment

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program Without a Public Hearing.

ORDER ADOPTING RULES

Notice of the Agency's intent to adopt the above-entitled rules without a public hearing was published in the State Register on June 22, 1981, and was sent by United States mail to all persons on the list maintained by the Agency pursuant to Minnesota Statutes section 15.0412, subdivision 4 on June 18, 1981. After affording interested and affected persons an opportunity to submit comments for 30 days after Notice, receiving fewer than seven written requests for a public hearing within the 30-day comment period, reviewing and considering the comments, and determining the need for and reasonableness of the above-captioned rules.

NOW, THEREFORE, IT IS ORDERED that these rules identified as Rules of the Minnesota Housing Finance Agency Relating to the Home Improvement Grant Program and Rehabilitation Loan Program are adopted this 27th day of August, 1981 pursuant to authority vested in the Agency by Minnesota Statutes section 462A.06, subdivision 4 and 11.

James J. Solem, Executive Director

MINNESOTA HOUSING FINANCE AGENCY
333 Sibley Street
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 81-26

RESOLUTION AUTHORIZING ADOPTION OF RULES GOVERNING THE HOME IMPROVEMENT GRANT PROGRAM AND REHABILITATION LOAN PROGRAM WITHOUT A PUBLIC HEARING

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

That in accordance with the comments of the Attorney General, the rules relating to Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program attached hereto as Exhibit A be and they hereby are approved and adopted, pursuant to authority vested in us by Minnesota Statutes section 462A.06, subdivision 4 and 11 superceding the rules adopted by the Agency on the 23rd day of July, 1981, and that James J. Solem, the Executive Director of the Agency, be and hereby is authorized to sign an order adopting these rules and further is authorized to perform the necessary acts to provide that these rules shall have the force and effect of law.

Adopted by the Minnesota Housing Finance Agency this 27th day of August, 1981.

Chairman

Secretary

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program Without a Public Hearing.

CERTIFICATE OF BOARD'S RESOLUTION ADOPTING RULES

I, Arthur Sidner, do hereby certify that I am the Vice Chairman of the Minnesota Housing Finance Agency, an agency duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Agency, duly and properly called and held on the 27th day of August, 1981, that a quorum was present at said meeting, that a majority of those present voted for the resolution, and that said resolution is set forth in the minutes of said meeting and has not been rescinded or modified.

> "RESOLVED, that in accordance with the comments of the Attorney General, the rules relating to Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program attached hereto as Exhibit A be and they hereby are approved and adopted, pursuant to authority vested in us by Minnesota Statutes section 462A.06, subdivision 4 and 11 superceding the rules adopted by the Agency on the 23rd day of July, 1981, and that James J. Solem, the Executive Director of the Agency, be and hereby is authorized to sign an order adopting these rules and further is authorized to perform the necessary acts to provide that these rules shall have the force and effect of law."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 27th day of August, 1981.

Arthur E. Sidner
Vice Chairman

Chairman

SF-00006-02

STATE OF MINNESOTA

DEPARTMENT ATTORNEY GENERAL

Office Memorandum

TO : JAMES J. SOLEM
Executive Director
Minnesota Housing Finance Agency

DATE: August 14, 1981

ATTN: James Dinerstein
Special Assistant Attorney General

FROM : Ted A. Martinez TAM
Special Assistant Attorney General

PHONE: 296-0315

SUBJECT: In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program

The rules in the above-entitled matter have not been approved by this office for the following reason:

The use of the word "may" in the last sentence of 12 MCAR § 3.071 A. makes the rule permissive in nature and may give rise to uneven application. That is, a situation may arise where two people will have substantially the same physical condition in addition to identical written certification of a licensed physician that the physical condition substantially limits such person's ability to function in a residential setting. If this is the case, the application of the rule as it presently reads may result in one of the individuals being deemed a handicapped person while the other is not at the sole discretion of the Agency. Without stated criteria or standards regarding who will or will not be determined a "handicapped person" the rule as it presently reads raises equal protection questions in its application.

It should be noted that the rule as proposed stated that a person "shall" be deemed a handicapped person as opposed to "may" be deemed the same. This is more desirable inasmuch as it would provide for uniform application.

After consideration of the above comments and agency action, if any, these rules may be resubmitted for review. Upon resubmission, please include two copies of a new or supplemental Order Adopting, and the original and two copies of the new Rule as Adopted. Also, please include a memorandum specifying that the rules are being resubmitted so that we may obtain our initial file in this matter.

Please be advised that pursuant to Minn. Stat. § 15.0412 subd. 4g effective July 1, 1981, "(n)o rule shall be filed with the secretary of state or published in the state register unless the revisor

of statutes has endorsed on the rule that it is approved as to form." Therefore, at the time when you resubmit the new rule to this office, you must submit two copies of the same to the revisor of statutes.

If you have any questions concerning the issues raised in this memorandum, please do not hesitate to call me.

TAM:rjg

Enc.

cc: Duane Harves
Susan Robertson
Ann Bateson

MINNESOTA HOUSING FINANCE AGENCY

July 31, 1981

RECEIVED
JUL 31 1981
ATTORNEY GENERAL
ADMINISTRATIVE AGENCIES

Mr. Jerry Anderson
Special Assistant Attorney General
G-25 - Administration Building
50 Sherburne Avenue
St. Paul, Minnesota 55155

RE: In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program Without a Public Hearing.

Dear Mr. Anderson:

Enclosed please find for your review pursuant to Minnesota Statutes Section 15.0412, Subdivision 4h, the adopted rules of the Minnesota Housing Finance Agency.

The following materials are submitted to you for your review pursuant to 1 MCAR § 1.203:

Rules as Adopted.

Order Adopting.

Certificate of Board's Resolution Adopting a Rule.

Order for Notice of Intent to Adopt a Rule Without Public Hearing.

Certificate of Board's Authorizing Resolution.

Notice of Intent to Adopt a Rule Without Public Hearing.

Affidavit of Mailing Notice of Intent to Adopt a Rule Without Public Hearing.

Mailing list Certificate.

Rule as Proposed.

Statement of Need and Reasonableness.

Certificate of Compliance With Rulemaking Procedures.

The Agency did not publish a Notice of Intent to Solicit Outside Opinion in connection with their rules. No comments or requests for a hearing were received during the 30 day period.

The only change in the rule as proposed is the deletion of the amendment to 12 MCAR § 3.070, which rule had been repealed in an earlier proceeding.

Sincerely,

James J. Solem
Executive Director

JJS/jak

Encl.

OFFICE OF THE REVISOR OF STATUTES
Disapproval of Form of Rules

__X__ The form of the attached rules is not approved. The revisor requests the changes described below before the rules will be approved.

(1) 12 MCAR S 3.062 C.: There must be a closing parenthesis after "Council."

(2) 12 MCAR S 3.067 G.2.: "Intent" should be "intend." "Principle" should be "principal."

(3) 12 MCAR S 3.0701: This rule was repealed in 1980. See 4 S.R. 705 and 4 S.R. 1692. It should be removed from this set of rule amendments.

The following change is not necessary, but should be made:

(1) 12 MCAR S 3.061: The reference to Laws 1981, Chapter 306, Section 5 should be changed to Minn. Stat. S 462A.05, subd. 14a.

Other miscellaneous differences between the rules as adopted and the rules as proposed will be automatically corrected in the document being prepared by the Revisor's Office. One such difference is the spelling of "excluding" in 12 MCAR S 3.002 0.3. New language which was inadvertently not underlined in any version of the rules will also be automatically corrected.

The Revisor's document showing only changes which have been made since the rules were originally proposed will be ready by August 7, 1981, assuming the agency approves the changes requested by the Revisor's Office on this certificate.

Steven C. Cross
Revisor of Statutes

Name: T M Lauterbach
Theresa M. Lauterbach

Title: Assistant Revisor

Phone: 296-0956

_____ The changes requested by the revisor are approved by the agency.

_____ The changes requested by the revisor are not approved by the agency

_____
Agency's Representative

_____ The attorney general agrees that the changes requested by the revisor are form changes, not substantive changes.

_____
Assistant Attorney General

12 MCAR § 3.002(0)(3).

3. with respect to home improvement grants and rehabilitation loans pursuant to Chapter Seven of these Rules to be made by the agency, those persons and families whose adjusted income does not exceed $6,000 and whose assets, exclusing the property to be improved, does not exceed $25,000; and

12 MCAR § 3.002(T)

T. "Administering Entity" means a Non-Profit or governmental entity (including but not limited to an incorporated county or municipality, a housing redevelopment authority, and a community action organization), which enters into a contract with the Agency for the local administration of the Home Improvement Grant or Rehabilitation Loan Program pursuant to Chapter Seven of these Rules.

Chapter Seven: Home Improvement Grants and Rehabilitation Loans.

12 MCAR § 3.061 Scope.

Rules in this Chapter (12 MCAR §§3.061 to 3.072) govern the Home Improvement Grant Program authorized by Minnesota Statutes Section 462A.05, Subdivision 15 and the Rehabilitation Loan Program authorized by Laws 1981, Chapter 306, Section 5. The Agency is authorized to make rehabilitation loans with or without interest or periodic payments. In this Chapter loans made with interest and periodic payments shall be referred to as "Flexible Loans" and loans made without interest or periodic payments shall be referred to as "Deferred Loans".

In addition to the requirements of this Chapter, a Flexible Loan must meet the requirements of Chapter Six of these rules, except that the applicant for a Flexible Loan need not be a reasonable credit risk as required in 12 MCAR §§ 3.051(C), and the structure to be improved need not be at least 15 years old as required by 12 MCAR § 3.051(D).

12 MCAR § ~~3.061~~ 3.062 servation of funds.

A. For a period of at least ~~45~~ 30 days after the agency gives notice that the funds for making rehabilitation grants or loans are available, the agency shall receive requests for reservation of funds from prospective administering entities.

B. Requests for reservation of funds for rehabilitation grants or loans may be made by prospective administering entities to the agency, and shall contain:

1. a plan setting forth the proposed method of delivery of the rehabilitation grants or loans;

2. evidence satisfactory to the agency that the administering entity has the capacity effectively and efficiently to carry out the plan;

3. evidence satisfactory to the agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered;

4. the specific funding amount requested for a ~~12-month~~ period of not more than 24 months and the administrative allowance, if any, required by the administering entity to defray the expenses of administering the program;

5. other funding sources available to the administering entity for administration and home improvement; and

~~6. a description of the local housing problems;~~

~~7. specific goals to be accomplished with requested funds; and~~

~~8~~ 6. a description of the targeting plan, if any, whereby the administering entity will establish priorities for awarding grant and loan funds based on an assessment of need within its jurisdiction, in the event that the number of applications exceeds the number of grants and loans which can be awarded. The targeting plan, if any, shall be subject to approval by the agency and may not have the effect of excluding any otherwise eligible applicant from making an application and being considered eligible for a grant or loan.

C. The Agency shall allocate the funds available at any time among the several regions, based upon data assembled by the Agency and accurately reflecting housing needs and related factors. The Agency shall submit its proposed allocation of funds to the applicable Regional Development Commission (including the Metropolitan Council and shall consider the comments and recommendations of the Commissions with respect to the extent to which the proposed allocation assists in satisfying the housing needs for the region.

12 MCAR § ~~3.062~~ 3.063 Eligible recipients of rehabilitation grants and loans. In addition to all conditions imposed by the act, an application for a rehabilitation grant or loan shall satisfy the following requirements:

A. The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least

1. a life estate or

2. a one-third interest in the fee title or in the contract for deed with respect to such structure. The Agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations. For mobile homes taxed as personal property or not permanently affixed to real property recipient(s) must:

~~(1) have resided in the structure at the present location for a period of one year immediately preceding the date of application as the recipient(s') principal place of residence, (2)~~ (1) be current in any loan payments on the structure, and ~~(3)~~ (2) individually or in the aggregate have a 100% interest in the title to the mobile home.

B. For the purpose of complying with the ownership requirements, the recipient may aggregate his interest in such property with the ownership interests of other individuals also occupying the structure to be improved as their principal place of residence. All individuals occupying the structure to be improved as their principal place of residence and having an ownership interest in such structure

must join in the application.

C. Each recipient must be a person or family of low and moderate income as defined in 12 MCAR § 3.002 0.3.

D. "Assets" for purposes of this Chapter ~~the home improvement grant program~~ shall be the sum of the following, after deducting any outstanding indebtedness:

1. cash on hand or in checking or savings accounts;

2. securities or U.S. Savings Bonds;

3. market value of all interests in real estate (exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located);

4. cash value of life insurance policies; and

5. all other property, exclusive of household furnishings, clothing, and one automobile.

12 MCAR § ~~3.063~~ 3.064 Amount of grant or loan. The amount of the rehabilitation grant or loan shall not exceed the lesser of:

A. ~~$5,000~~ $6,000 or

B. the actual cost of the work performed, or

C. that portion of the cost of rehabilitation which the Agency determines cannot otherwise be paid by such person or family without spending an unreasonable portion of the income of such person or family thereon.

The Agency shall review the creditworthiness of each recipient of a Rehabilitation Loan pursuant to 12 MCAR § 3.013. If the recipient is not financially capable of making a monthly loan payment of at least $10 the recipient shall be eligible for a deferred loan. A recipient who is financially capable of making a monthly loan payment of $10 or more shall be eligible for a Flexible Loan.

12 MCAR § ~~3.064~~ 3.065 Responsibilities of Administering Entity. The Administering Entity shall have the following responsibilities:

A. The Administering Entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing

recipients, and certifying that the rehabilitation work is satisfactorily completed.

B. The Administering Entity shall make on-site inspections of the properties to be improved:

1. before such application is approved and

2. after work has been completed ~~and before the contractors have been paid in full~~.

C. The Administering Entity shall not charge an applicant or recipient any application, processing, or other fee.

D. The Administering Entity may, with the prior written consent of the Agency, allocate part of its total funding, ~~in accordance with a formula based upon data assembled by the Agency and reflecting administrative costs, geographic area, level of funding, and other related factors,~~ to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the Administering Entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses, and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the Agency according to a budget submitted by the Administering Entity and approved by the Agency. Disbursements of the administrative allowance shall be contingent upon the Agency's review and approval of the satisfactory progress of the program.

12 MCAR § ~~3.065~~ 3.066 Eligible properties. Grant and loan funds shall be used only to improve properties which meet the following criteria:

A. The property shall be located within the State of Minnesota, be used primarily for residential purposes, and contain no more than two dwelling units, one of them owner-occupied.

B. The property to be improved shall conform to applicable zoning ordinances and possess all appropriate use permits.

C. The improvements shall be made upon or in connection with existing structures, including mobile homes. Trailers shall not be eligible.

D. No property shall be eligible for a Home Improvement Grant or loan if it has been improved by such a grant or loan within the five year period ~~next~~ immediately preceding the date on which application for such grant or loan is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant or to failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems, as determined by the Agency in its sole discretion.

E. The property to be improved with grant or loan funds shall be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, rehabilitation funds shall be used to the extent necessary to increase such efficiency. Energy saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor, and duct installation, storm windows and doors, and caulking and weather stripping. Energy saving features shall be consistent with the energy standards promulgated as part of the State Building Code but such improvements need not bring the housing into full compliance with such energy standards.

12 MCAR § ~~3.066~~ 3.067 Eligible improvements. Improvements made with Home Improvement Grant or Loan funds shall satisfy the following requirements:

A. Each improvement shall be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property affecting directly the safety, habitability, or energy usage of the property. Permanent general improvements shall be economically viable in terms of a determination that:

1. the structure will have a reasonable life expectancy after the improvement is made, and

2. the structure will be reasonably livable, safe, and habitable after the improvement is made.

Permanent general improvements shall not include materials, fixtures, or land-

scaping of a type or quality exceeding that customarily used in the locality for decent, safe, and sanitary properties of the same general type as the property to be improved.

B. Each improvement shall be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a Home Improvement Grant or Loan shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

C. ~~Home Improvement Grant~~ Funds provided under this Chapter shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or a sewage disposal system (including septic systems) into compliance with local, state, or federal environmental and sanitary standards.

D. All contracts covering all or any portion of an improvement shall contain an Agency approved warranty of workmanship and materials.

E. No grant or loan funds shall be used for the purpose of refinancing or paying off existing indebtedness. All such funds shall be used to finance improvements begun after application for such funds has been approved.

F. For mobile homes taxed as personal property or not permanently affixed to real property eligible improvements shall be limited to the following:

1. Improvements which bring the property into compliance with current standards for energy efficiency, fire safety and anchoring systems.

2. Improvements to remedy imminent safety hazards, or accessibility modifications~~, but only upon prior written approval by the Agency~~.

3. Other permanent general improvements, ~~but only upon prior written approval by the Agency and a determination that~~ if after completion of ~~such~~ all improvements the mobile home will comply with the standards ~~set forth~~ referred to in Paragraph 1.

G. Improvements which affect the accessibility of a dwelling for a Handicapped Person are eligible improvements provided that they are performed in compliance with the following conditions:

1. The improvement must be an Accessibility Improvement as defined in 12 MCAR § 3.071(B).

2. The beneficiary of the improvements must occupy or intend to occupy the dwelling unit to be improved as his or her principle residence.

3. Architectural or engineering costs incurred in the design of accessibility improvements may be funded as eligible improvements.

12 MCAR § ~~3.067~~ 3.068 Repayment.

A. The recipient of a grant ~~fund~~ and all individuals who signed the application for such ~~fund~~ grant shall enter into an agreement with the Agency for repayme which shall provide that in the event the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within six years from the date upon which the grant application was approved, then the recipient shall repay, and the Agency shall have a lien as security for repayment of, all or a portion of such grant funds in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency Occurs	Percent Repayment
Prior to end of 36th full month	100%
After end of 36th full month until end of 48th full month	75%
After end of 48th full month until end of 60th full month	50%
After end of 60th full month until end of 72nd full month	25%
After end of 72nd full month	No Repayment

If any grant funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the grant. ~~No repayment shall be required to the extent that the grant is made to improve the accessibility of residential housing to a handicapped occupant.~~

B. The recipient of a deferred payment loan and all individuals who signed the application for such loan shall enter into an agreement with the Agency for repayment, which shall provide that in the event the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within ten years from the date upon which the grant application was approved, then the recipient shall repay and the Agency shall have a lien as security for repayment of all of such loan. If any loan funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the loan.

12 MCAR § ~~3.068~~ 3.069 Home owner labor agreement. An eligible recipient may agree wi an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant or loan, if the Administering Entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances sufficient grant or loan funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld. Upon successful completion of the improvement work so funded, the Administering Entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work.

12 MCAR § ~~3.069~~ 3.070 Emergency home improvement ~~grant~~ fund. The Agency may establish a separate fund known as the Emergency Home Improvement ~~Grant~~ Fund. The Agency may

make Emergency Home Improvement Grants and Loans in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant, failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems. ~~Grants from the Emergency Home Improvement Grant Fund shall be made to eligible applicants for rehabilitation necessitated by an emergency occurence whereby the dwelling:~~

~~A. was rendered immediately uninhabitable, or~~

~~B. suffered severe structural damage, or~~

~~C. became imminently hazardous to a Handicapped Person.~~

~~An emergency occurrence is an event which took place within a reasonably recent period of time prior to the grant application and which caused a defect or deficiency in the dwelling proposed to be rehabilitated, or which resulted in a resident of that dwelling becoming handicapped~~.

Before an application to the Emergency Home Improvement ~~Grant~~ Fund is accepted, the Administering Entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant and loan funds ~~fund and, if applicable, that no funds are available from the Accessibility Improvement Fund,~~ to cover the cost of repairs. ~~Such funds may also be used to correct serious defects or deficiencies in the dwelling other than the specific defect or deficiency which rendered the dwelling immediately uninhabitable~~.

Grants and loans from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these Rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of 12 MCAR § ~~3.061B~~.3.062C

12 MCAR § 3.0701 Accessibility improvement fund. ~~With funds appropriated by the Legislature from time to time for that purpose,~~ The Agency may establish an Accessibility Improvement Fund from which Home Improvement Grants and Loans may be made to eligible applicants for the purpose of making Accessible improvements to dwelling units occupied by handicapped persons of low or moderate

income, as defined in 12 MCAR § 3.002 0.3. Grants and loans from the accessibility improvement fund shall be made pursuant to the procedures set forth in Chapter 7 of these rules, provided, however, that the accessibility improvement ~~grant~~ fund shall not be subject to the reservation and allocation requirements of 12 MCAR § ~~3.061.~~ 3.062 12 MCAR § 3.071(A).

A. with respect to rehabilitation grants and loans pursuant to Chapter Seven of these rules and accessibility improvement assistance pursuant to Chapter Seven-A of these rules, "Handicapped Person" means a person who has a permanent physical condition which is not correctable and which substantially reduces such person's ability to function in a residential setting. A person with a physical condition which does not require the use of a device to increase mobility ~~shall~~ may be deemed a handicapped person ~~only~~ upon the written certification of a licensed physician that the physical condition substantially limits such person's ability to function in a residential setting.

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program Without a Public Hearing.

CERTIFICATE OF BOARD'S RESOLUTION ADOPTING RULES

I, James J. Solem, do hereby certify that I am Executive Director of the Minnesota Housing Finance Agency, an agency duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Agency, duly and properly called and held on the 23rd day of July, 1981, that a quorum was present at said meeting, that a majority of those present voted for the resolution and that said resolution is set forth in the minutes of said meeting and has not been rescinded or modified.

"RESOLVED, that the rules relating to the Home Improvement Grant Program and Rehabilitation Loan Program attached hereto are approved and adopted, pursuant to authority vested in us by Minnesota Statutes section 462A.06, subdivision 4 and 11 and that James J. Solem, the Executive Director of the Agency, be and hereby is authorized to sign an order adopting these rules and further is authorized to perform the necessary acts to provide that these rules shall have the force and effect of law."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 23rd day of July, 1981.

James J. Solem, Executive Director

Minnesota Housing Finance Agency

Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program Without a Public Hearing

Notice of Intent to Adopt Rules without a Public Hearing

Notice is hereby given that the Minnesota Housing Finance Agency ("agency") proposes to adopt the above-entitled rules without a public hearing. The agency has determined that the proposed adoption of these rules will be noncontroversial in nature and has elected to follow the procedures set forth in Minn. Stat. § 15.0412, subd. 4h(1980).

Persons interested in these rules shall have 30 days to submit comments on the proposed rules. The proposed rules may be modified if the modifications are supported by the data and views submitted to the agency and do not result in a substantial change in the proposed language.

Unless seven or more persons submit written requests for a public hearing on the proposed rules within the 30-day comment period, a public hearing will not be held. In the event a public hearing is required, the agency will proceed according to the provisions of Minn. Stat. § 15.0412, subds. 4-4f. If a public hearing is requested, identification of the particular objection, the suggested modifications to the proposed language, and the reasons or data relied on to support the suggested modifications is desired.

Persons who wish to submit comments or a written request for a public hearing should submit such comments or request to:

Mary Tingerthal, Manager

Home Improvement Programs

Minnesota Housing Finance Agency

Suite 200 - Nalpak Building

333 Sibley Street

St. Paul, Minnesota 55101

Telephone (612) 297-3126

Authority for the adoption of these rules is contained in Minn. Stat. § 462A.06, subds. 4 and 11(1980). Additionally, a Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rules, and that identifies the data and information relied upon to support the proposed rules, has been prepared and is available from Ms. Tingerthal upon request.

Upon adoption of the final rules without a public hearing, the proposed rules, this Notice, the Statement of Need and Reasonableness, all written comments received, and the final rules as adopted will be delivered to a designee of the Attorney General for review as to form and legality, including the issue of substantial change. Persons who wish to be advised of the submission of these rules for approval, or who wish to receive a copy of the final rules as adopted, should submit a written statement of such request to Ms. Tingerthal.

A copy of the proposed rules is attached to this notice. Additional copies may be obtained by contacting Ms. Tingerthal.

Please be advised that Minn Stat. ch. 10A requires each lobbyist to register with the State Ethical Practices Board within five (5) days after he or she commences lobbying. A lobbyist is defined in Minn. Stat. § 10A.01, subd. 11(1980) as any individual:

(a) Engaged for pay or other consideration, or authorized by another individual or association to spend money, who spends more than five hours in any month or more than $250.00, not including his own travel expenses and membership dues, in any year, for the purpose of attempting to influence legislative or administrative action by communicating or urging others to communicate with public officials; or

(b) Who spends more than $250.00, not including his own traveling expenses and membership dues, in any year for the purpose of attempting to influence legislative or administrative action by communicating or urging others to communicate with public officials.

The statute provides certain exceptions. Questions should be directed to the Ethical Practices Board, 40 State Office Building, Saint Paul, Minnesota 55155, telephone (612) 296-5615.

June 8, 1981

James J. Solem

Executive Director

12 MCAR § 3.002(0)(3).

3. with respect to home improvement grants and rehabilitation loans pursuant to Chapter Seven of these Rules to be made by the agency, those persons and families whose adjusted income does not exceed $6,000 and whose assets, exclusing the property to be improved, does not exceed $25,000; and

12 MCAR § 3.002(T)

T. "Administering Entity" means a Non-Profit or governmental entity (including but not limited to an incorporated county or municipality, a housing redevelopment authority, and a community action organization), which enters into a contract with the Agency for the local administration of the Home Improvement Grant or Rehabilitation Loan Program pursuant to Chapter Seven of these Rules.

Chapter Seven: Home Improvement Grants and Rehabilitation Loans.

12 MCAR § 3.061 Scope.

Rules in this Chapter (12 MCAR §§3.061 to 3.072) govern the Home Improvement Grant Program authorized by Minnesota Statutes Section 462A.05, Subdivision 15 and the Rehabilitation Loan Program authorized by Laws 1981, Chapter 306, Section 5. The Agency is authorized to make rehabilitation loans with or without interest or periodic payments. In this Chapter loans made with interest and periodic payments shall be referred to as "Flexible Loans" and loans made without interest or periodic payments shall be referred to as "Deferred Loans".

In addition to the requirements of this Chapter, a Flexible Loan must meet the requirements of Chapter Six of these rules, except that the applicant for a Flexible Loan need not be a reasonable credit risk as required in 12 MCAR §§ 3.051(C), and the structure to be improved need not be at least 15 years old as required by 12 MCAR § 3.051(D).

12 MCAR § ~~3.061~~ 3.062 Reservation of funds.

A. For a period of at least ~~45~~ 30 days after the agency gives notice that the funds for making rehabilitation grants or loans are available, the agency shall receive requests for reservation of funds from prospective administering entities.

B. Requests for reservation of funds for rehabilitation grants or loans may be made by prospective administering entities to the agency, and shall contain:

1. a plan setting forth the proposed method of delivery of the rehabilitation grants or loans;

2. evidence satisfactory to the agency that the administering entity has the capacity effectively and efficiently to carry out the plan;

3. evidence satisfactory to the agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered;

4. the specific funding amount requested for a ~~12-month~~ period of not more than 24 months and the administrative allowance, if any, required by the administering entity to defray the expenses of administering the program;

5. other funding sources available to the administering entity for administration and home improvement; and

~~6. a description of the local housing problems;~~

~~7. specific goals to be accomplished with requested funds; and~~

6. a description of the targeting plan, if any, whereby the administering entity will establish priorities for awarding grant and loan funds based on an assessment of need within its jurisdiction, in the event that the number of applications exceeds the number of grants and loans which can be awarded. The targeting plan, if any, shall be subject to approval by the agency and may not have the effect of excluding any otherwise eligible applicant from making an application and being considered eligible for a grant or loan.

C. The Agency shall allocate the funds available at any time among the several regions, based upon data assembled by the Agency and accurately reflecting housing needs and related factors. The Agency shall submit its proposed allocation of funds to the applicable Regional Development Commission (including the Metropolitan Council and shall consider the comments and recommendations of the Commissions with respect to the extent to which the proposed allocation assists in satisfying the housing needs for the region.

12 MCAR § ~~3.062~~ 3.063 Eligible recipients of rehabilitation grants and loans. In addition to all conditions imposed by the act, an application for a rehabilitation grant or loan shall satisfy the following requirements:

A. The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least

1. a life estate or

2. a one-third interest in the fee title or in the contract for deed with respect to such structure. The Agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations. For mobile homes taxed as personal property or not permanently affixed to real property recipient(s) must:

~~(1) have resided in the structure at the present location for a period of one year immediately preceding the date of application as the recipient(s') principal place of residence; (2)~~ (1) be current in any loan payments on the structure, and ~~(3)~~ (2) individually or in the aggregate have a 100% interest in the title to the mobile home.

B. For the purpose of complying with the ownership requirements, the recipient may aggregate his interest in such property with the ownership interests of other individuals also occupying the structure to be improved as their principal place of residence. All individuals occupying the structure to be improved as their principal place of residence and having an ownership interest in such structure

must join in the application.

C. Each recipient must be a person or family of low and moderate income as defined in 12 MCAR § 3.002 0.3.

D. "Assets" for purposes of this Chapter ~~the home improvement grant program~~ shall be the sum of the following, after deducting any outstanding indebtedness:

1. cash on hand or in checking or savings accounts;

2. securities or U.S. Savings Bonds;

3. market value of all interests in real estate (exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located);

4. cash value of life insurance policies; and

5. all other property, exclusive of household furnishings, clothing, and one automobile.

12 MCAR § ~~3.063~~ 3.064 Amount of grant or loan. The amount of the rehabilitation grant or loan shall not exceed the lesser of:

A. ~~$5,000~~ $6,000 or

B. the actual cost of the work performed, or

C. that portion of the cost of rehabilitation which the Agency determines cannot otherwise be paid by such person or family without spending an unreasonable portion of the income of such person or family thereon.

The Agency shall review the creditworthiness of each recipient of a Rehabilitation Loan pursuant to 12 MCAR § 3.013. If the recipient is not financially capable of making a monthly loan payment of at least $10 the recipient shall be eligible for a deferred loan. A recipient who is financially capable of making a monthly loan payment of $10 or more shall be eligible for a Flexible Loan.

12 MCAR § ~~3.064~~ 3.065 Responsibilities of Administering Entity. The Administering Entity shall have the following responsibilities:

A. The Administering Entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing

recipients, and certifying that the rehabilitation work is satisfactorily completed.

B. The Administering Entity shall make on-site inspections of the properties to be improved:

1. before such application is approved and

2. after work has been completed ~~and before the contractors have been paid in full~~.

C. The Administering Entity shall not charge an applicant or recipient any application, processing, or other fee.

D. The Administering Entity may, with the prior written consent of the Agency, allocate part of its total funding, ~~in accordance with a formula based upon data assembled by the Agency and reflecting administrative costs, geographic area, level of funding, and other related factors,~~ to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the Administering Entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses, and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the Agency according to a budget submitted by the Administering Entity and approved by the Agency. Disbursements of the administrative allowance shall be contingent upon the Agency's review and approval of the satisfactory progress of the program.

12 MCAR § ~~3.065~~ 3.066 Eligible properties. Grant and loan funds shall be used only to improve properties which meet the following criteria:

A. The property shall be located within the State of Minnesota, be used primarily for residential purposes, and contain no more than two dwelling units, one of them owner-occupied.

B. The property to be improved shall conform to applicable zoning ordinances and possess all appropriate use permits.

C. The improvements shall be made upon or in connection with existing structures, including mobile homes. Trailers shall not be eligible.

D. No property shall be eligible for a Home Improvement Grant or loan if it has been improved by such a grant or loan within the five year period ~~next~~ immediately preceding the date on which application for such grant or loan is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant or to failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems, as determined by the Agency in its sole discretion.

E. The property to be improved with grant or loan funds shall be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, rehabilitation funds shall be used to the extent necessary to increase such efficiency. Energy saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor, and duct installation, storm windows and doors, and caulking and weather stripping. Energy saving features shall be consistent with the energy standards promulgated as part of the State Building Code but such improvements need not bring the housing into full compliance with such energy standards.

12 MCAR § ~~3.066~~ 3.067 Eligible improvements. Improvements made with Home Improvement Grant or Loan funds shall satisfy the following requirements:

A. Each improvement shall be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property affecting directly the safety, habitability, or energy usage of the property. Permanent general improvements shall be economically viable in terms of a determination that:

1. the structure will have a reasonable life expectancy after the improvement is made, and

2. the structure will be reasonably livable, safe, and habitable after the improvement is made.

Permanent general improvements shall not include materials, fixtures, or land-

scaping of a type or quality exceeding that customarily used in the locality for decent, safe, and sanitary properties of the same general type as the property to be improved.

B. Each improvement shall be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a Home Improvement Grant or Loan shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

C. ~~Home Improvement Grant~~ Funds provided under this Chapter shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or a sewage disposal system (including septic systems) into compliance with local, state, or federal environmental and sanitary standards.

D. All contracts covering all or any portion of an improvement shall contain an Agency approved warranty of workmanship and materials.

E. No grant or loan funds shall be used for the purpose of refinancing or paying off existing indebtedness. All such funds shall be used to finance improvements begun after application for such funds has been approved.

F. For mobile homes taxed as personal property or not permanently affixed to real property eligible improvements shall be limited to the following:

1. Improvements which bring the property into compliance with current standards for energy efficiency, fire safety and anchoring systems.

2. Improvements to remedy imminent safety hazards, or accessibility modifications~~, but only upon prior written approval by the Agency~~.

3. Other permanent general improvements, ~~but only upon prior written approval by the Agency and a determination that~~ if after completion of ~~such~~ all improvements the mobile home will comply with the standards ~~set forth~~ referred to in Paragraph 1.

G. Improvements which affect the accessibility of a dwelling for a Handicapped Person are eligible improvements provided that they are performed in compliance with the following conditions:

1. The improvement must be an Accessibility Improvement as defined in 12 MCAR § 3.071(B).

2. The beneficiary of the improvements must occupy or intent to occupy the dwelling unit to be improved as his or her principle residence.

3. Architectural or engineering costs incurred in the design of accessibility improvements may be funded as eligible improvements.

12 MCAR § ~~3.067~~ 3.068 Repayment.

A. The recipient of a grant ~~fund~~ and all individuals who signed the application for such ~~fund~~ grant shall enter into an agreement with the Agency for repayment which shall provide that in the event the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within six years from the date upon which the grant application was approved, then the recipient shall repay, and the Agency shall have a lien as security for repayment of, all or a portion of such grant funds in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency Occurs	Percent Repayment
Prior to end of 36th full month	100%
After end of 36th full month until end of 48th full month	75%
After end of 48th full month until end of 60th full month	50%
After end of 60th full month until end of 72nd full month	25%
After end of 72nd full month	No Repayment

If any grant funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the grant. ~~No repayment shall be required to the extent that the grant is made to improve the accessibility of residential housing to a handicapped occupant.~~

B. The recipient of a deferred payment loan and all individuals who signed the application for such loan shall enter into an agreement with the Agency for repayment, which shall provide that in the event the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within ten years from the date upon which the grant application was approved, then the recipient shall repay and the Agency shall have a lien as security for repayment of all of such loan. If any loan funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the loan.

12 MCAR § ~~3.068~~ 3.069 Home owner labor agreement. An eligible recipient may agree with an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant or loan, if the Administering Entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances sufficient grant or loan funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld. Upon successful completion of the improvement work so funded, the Administering Entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work.

12 MCAR § ~~3.069~~ 3.070 Emergency home improvement ~~grant~~ fund. The Agency may establish a separate fund known as the Emergency Home Improvement ~~Grant~~ Fund. The Agency may

make Emergency Home Improvement Grants and Loans in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant, failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems. ~~Grants from the Emergency Home Improvement Grant Fund shall be made to eligible applicants for rehabilitation necessitated by an emergency occurence whereby the dwelling:~~

~~A. was rendered immediately uninhabitable, or~~

~~B. suffered severe structural damage, or~~

~~C. became imminently hazardous to a Handicapped Person.~~

~~An emergency occurrence is an event which took place within a reasonably recent period of time prior to the grant application and which caused a defect or deficiency in the dwelling proposed to be rehabilitated, or which resulted in a resident of that dwelling becoming handicapped.~~

Before an application to the Emergency Home Improvement ~~Grant~~ Fund is accepted, the Administering Entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant and loan funds ~~fund and, if applicable, that no funds are available from the Accessibility Improvement Fund,~~ to cover the cost of repairs. ~~Such funds may also be used to correct serious defects or deficiencies in the dwelling other than the specific defect or deficiency which rendered the dwelling immediately uninhabitable.~~

Grants and loans from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these Rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of 12 MCAR § ~~3.061B~~.3.062C

12 MCAR § 3.0701 Accessibility improvement fund. ~~With funds appropriated by the Legislature from time to time for that purpose,~~ The Agency may establish an Accessibility Improvement Fund from which Home Improvement Grants and Loans may be made to eligible applicants for the purpose of making Accessible improvements to dwelling units occupied by handicapped persons of low or moderate

income, as defined in 12 MCAR § 3.002 0.3. Grants and loans from the accessibility improvement fund shall be made pursuant to the procedures set forth in Chapter 7 of these rules, provided, however, that the accessibility improvement ~~grant~~ fund shall not be subject to the reservation and allocation requirements of 12 MCAR § ~~3.061.~~3.062

12 MCAR § 3.071(A).

A. with respect to rehabilitation grants and loans pursuant to Chapter Seven of these rules and accessibility improvement assistance pursuant to Chapter Seven-A of these rules, "Handicapped Person" means a person who has a permanent physical condition which is not correctable and which substantially reduces such person's ability to function in a residential setting. A person with a physical condition which does not require the use of a device to increase mobility ~~shall~~ may be deemed a handicapped person ~~only~~ upon the written certification of a licensed physician that the physical condition substantially limits such person's ability to function in a residential setting.

AG copy

Minnesota Housing Agency

Adopted Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program

Rules as Adopted

12 MCAR S 3.002

O.3. With respect to home improvement grants and rehabilitation loans pursuant to Chapter Seven of these Rules to be made by the agency, those persons and families whose adjusted income does not exceed $6,000 and whose assets, excluding the property to be improved, does not exceed $25,000; and

12 MCAR S 3.002

T. "Administering entity" means a non-profit or governmental entity (including but not limited to an incorporated county or municipality, a housing redevelopment authority, and a community action organization), which enters into a contract with the agency for the local administration of the Home Improvement Grant or Rehabilitation Loan Program pursuant to Chapter Seven of these rules.

Chapter Seven:

Home Improvement Grants and Rehabilitation Loans

12 MCAR S 3.061 Scope. Rules in this chapter ~~(12 MCAR SS 3.061 to 3.072)~~ govern the Home Improvement Grant Program authorized

by Minnesota Statutes S 462A.05, subd. 15 and the Rehabilitation Loan Program authorized by ~~Laws of 1981, ch. 306, S 5~~ Minn. Stat. S 462A.05, subd. 14a. The agency is authorized to make rehabilitation loans with or without interest or periodic payments. In this chapter loans made with interest and periodic payments shall be referred to as "flexible loans" and loans made without interest or periodic payments shall be referred to as "deferred loans."

In addition to the requirements of this chapter, a flexible loan must meet the requirements of Chapter Six of these rules, except that the applicant for a flexible loan need not be a reasonable credit risk as required in 12 MCAR SS 3.051 C., and the structure to be improved need not be at least 15 years old as required by 12 MCAR S 3.051 D.

12 MCAR S 3.062 Reservation of funds.

A. For a period of at least 30 days after the agency gives notice that the funds for making rehabilitation grants or loans are available, the agency shall receive requests for reservation of funds from prospective administering entities.

B. Requests for reservation of funds for rehabilitation grants or loans may be made by prospective administering entities to the agency, and shall contain:

1. A plan setting forth the proposed method of delivery of the rehabilitation grants or loans;

2. Evidence satisfactory to the agency that the administering entity has the capacity effectively and efficiently to carry out the plan;

3. Evidence satisfactory to the agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered;

4. The specific funding amount requested for a period of not more than 24 months and the administrative allowance, if any, required by the administering entity to defray the expenses of administering the program;

5. Other funding sources available to the administering

entity for administration and home improvement; and

6. A description of the targeting plan, if any, whereby the administering entity will establish priorities for awarding grant and loan funds based on an assessment of need within its jurisdiction, in the event that the number of applications exceeds the number of grants and loans which can be awarded. The targeting plan, if any, shall be subject to approval by the agency and may not have the effect of excluding any otherwise eligible applicant from making an application and being considered eligible for a grant or loan.

C. The agency shall allocate the funds available at any time among the several regions, based upon data assembled by the agency and accurately reflecting housing needs and related factors. The agency shall submit its proposed allocation of funds to the applicable Regional Development Commission (including the Metropolitan Council) and shall consider the comments and recommendations of the commissions with respect to the extent to which the proposed allocation assists in satisfying the housing needs for the region.

12 MCAR S 3.063 Eligible recipients of rehabilitation grants and loans. In addition to all conditions imposed by the act, an application for a rehabilitation grant or loan shall satisfy the following requirements:

A. The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least

1. A life estate or

2. A one-third interest in the fee title or in the contract for deed with respect to such structure. The agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations. For mobile homes taxed as personal property or not permanently affixed to real property recipient(s) must:

a. Be current in any loan payments on the structure,

and

b. Individually or in the aggregate have a 100% interest in the title to the mobile home.

B. For the purpose of complying with the ownership requirements, the recipient may aggregate his interest in such property with the ownership interests of other individuals also occupying the structure to be improved as their principal place of residence. All individuals occupying the structure to be improved as their principal place of residence and having an ownership interest in such structure must join in the application.

C. Each recipient must be a person or family of low and moderate income as defined in 12 MCAR S 3.002 0.3.

D. "Assets" for purposes of this chapter shall be the sum of the following, after deducting any outstanding indebtedness:

1. Cash on hand or in checking or savings accounts;

2. Securities or U.S. Savings Bonds;

3. Market value of all interests in real estate (exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located);

4. Cash value of life insurance policies; and

5. All other property, exclusive of household furnishings, clothing, and one automobile.

12 MCAR S 3.064 Amount of grant or loan. The amount of the rehabilitation grant or loan shall not exceed the lesser of:

A. $6,000 or

B. The actual cost of the work performed, or

C. That portion of the cost of rehabilitation which the agency determines cannot otherwise be paid by such person or family without spending an unreasonable portion of the income of such person or family thereon.

The agency shall review the creditworthiness of each recipient of a rehabilitation loan pursuant to 12 MCAR S 3.013. If the recipient is not financially capable of making a monthly

loan payment of at least $10 the recipient shall be eligible for a deferred loan. A recipient who is financially capable of making a monthly loan payment of $10 or more shall be eligible for a Flexible Loan.

12 MCAR S 3.065 Responsibilities of administering entity. The administering entity shall have the following responsibilities:

A. The administering entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients, and certifying that the rehabilitation work is satisfactorily completed.

B. The administering entity shall make on-site inspections of the properties to be improved:

1. Before such application is approved and

2. After work has been completed.

C. The administering entity shall not charge an applicant or recipient any application, processing, or other fee.

D. The administering entity may, with the prior written consent of the agency, allocate part of its total funding, to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the administering entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses, and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the agency according to a budget submitted by the administering entity and approved by the agency. Disbursements of the administrative allowance shall be contingent upon the agency's review and approval of the satisfactory progress of the program.

12 MCAR S 3.066 Eligible properties. Grant and loan funds shall be used only to improve properties which meet the following criteria:

A. The property shall be located within the State of Minnesota, be used primarily for residential purposes, and

contain no more than two dwelling units, one of them owner-occupied.

B. The property to be improved shall conform to applicable zoning ordinances and possess all appropriate use permits.

C. The improvements shall be made upon or in connection with existing structures, including mobile homes. Trailers shall not be eligible.

D. No property shall be eligible for a Home Improvement Grant or loan if is has been improved by such a grant or loan within the five year period immediately preceding the date on which application for such grant or loan is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant or to failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems, as determined by the agency in its sole discretion.

E. The property to be improved with grant or loan funds shall be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, rehabilitation funds shall be used to the extent necessary to increase such efficiency. Energy saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor, and duct installation, storm windows and doors, and caulking and weather stripping. Energy saving features shall be consistent with the energy standards promulgated as part of the State Building Code but such improvements need not bring the housing into full compliance with such energy standards.

12 MCAR S 3.067 Eligible improvements. Improvements made with Home Improvement Grant or Loan funds shall satisfy the following requirements:

A. Each improvement shall be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in

the property affecting directly the safety, habitability, or energy usage of the property. Permanent general improvements shall be economically viable in terms of a determination that:

1. The structure will have a reasonable life expectancy after the improvement is made, and

2. The structure will be reasonably livable, safe, and habitable after the improvement is made.

Permanent general improvements shall not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for decent, safe, and sanitary properties of the same general type as the property to be improved.

B. Each improvement shall be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a Home Improvement Grant or Loan shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

C. Funds provided under this chapter shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or a sewage disposal system (including septic systems) into compliance with local, state, or federal environmental and sanitary standards.

D. All contracts covering all or any portion of an improvement shall contain an agency approved warranty of workmanship and materials.

E. No grant or loan funds shall be used for the purpose of refinancing or paying off existing indebtedness. All such funds shall be used to finance improvements begun after application for such funds has been approved.

F. For mobile homes taxed as personal property or not permanently affixed to real property eligible improvements shall be limited to the following:

1. Improvements which bring the property into compliance

with current standards for energy efficiency, fire safety and anchoring systems.

2. Improvements to remedy imminent safety hazards, or accessibility modifications.

3. Other permanent general improvements, if after completion of all improvements the mobile home will comply with the standards referred to in Paragraph 1.

G. Improvements which affect the accessiblity of a dwelling for a Handicapped Person are eligible improvements provided that they are performed in compliance with the following conditions:

1. The improvement must be an accessibility improvement as defined in 12 MCAR S 3.071 B.

2. The beneficiary of the improvements must occupy or ~~intent~~ intend to occupy the dwelling unit to be improved as his or her ~~principle~~ principal residence.

3. Architectural or engineering costs incurred in the design of accessibility improvements may be funded as eligible improvements.

12 MCAR S 3.068 Repayment.

A. The recipient of a grant and all individuals who signed the application for such grant shall enter into an agreement with the agency for repayment, which shall provide that in the event the property ~~(~~upon which the improvement is located~~)~~ is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within six years from the date upon which the grant application was approved, then the recipient shall repay, and the agency shall have a lien as security for repayment of, all or a portion of such grant funds in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency Occurs	Percent Repayment
Prior to end of 36th full month	100%
After end of 36th full month until end of 48th full month	75%

After end of 48th full month until end of 60th full month 50%

After end of 60th full month until end of 72nd full month 25%

After end of 72nd full month No Repayment

If any grant funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the grant.

B. The recipient of a deferred payment loan and all individuals who signed the application for such loan shall enter into an agreement with the agency for repayment, which shall provide that in the event the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within ten years from the date upon which the grant application was approved, then the recipient shall repay and the agency shall have a lien as security for repayment of all of such loan. If any loan funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the loan.

12 MCAR S 3.069 Home owner labor agreement. An eligible recipient may agree with an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant or loan, if the administering entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances sufficient grant or loan funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld. Upon successful completion of the improvement work so funded, the administering entity may make available to the recipient all or part of the withheld

funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work.

12 MCAR S 3.070 Emergency home improvement fund. The agency may establish a separate fund known as the Emergency Home Improvement Fund. The agency may make Emergency Home Improvement Grants and Loans in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant, failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems.

Before an application to the Emergency Home Improvement Fund is accepted, the Administering Entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant and loan funds to cover the cost of repairs. Grants and loans from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of 12 MCAR S 3.062 C.

~~12 MCAR S 3.0701 Accessibility improvement fund. The agency may establish an Accessibility Improvement Fund from which Home Improvement Grants and Loans may be made to eligible applicants for the purpose of making Accessible improvements to dwelling units occupied by handicapped persons of low or moderate income, as defined in 12 MCAR S 3.002 0.3. Grants and loans from the accessibility improvement fund shall be made pursuant to the procedures set forth in Chapter 7 of these rules, provided, however, that the accessibility improvement fund shall not be subject to the reservation and allocation requirements of 12 MCAR S 3.062.~~

See transmittal memo re this deletion

12 MCAR S 3.071

A. With respect to rehabilitation grants and loans pursuant

to Chapter Seven of these rules and accessibility improvement assistance pursuant to Chapter Seven-A of these rules, "handicapped person" means a person who has a permanent physical condition which is not correctable and which substantially reduces such person's ability to function in a residential setting. A person with a physical condition which does not require the use of a device to increase mobility may be deemed a handicapped person upon the written certification of a licensed physician that the physical condition substantially limits such person's ability to function in a residential setting.

OFFICE OF THE REVISOR OF STATUTES

Certificate of Approval of Adopted Rules

Agency: Minnesota Housing Finance Agency

Rule Numbers: 12 MCAR S 3.002; 12 MCAR SS 3.061-3.071

Rule Title: Adopted Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program

Type of Rules: Permanent X

Temporary _____

Documents Incorporated by Reference:

None

The attached Rules are approved as to form.

Steven C. Cross
Revisor of Statutes

Name: T M Lauterbach
Theresa M. Lauterbach

Title: Assistant Revisor

Phone: 296-0956

Amendments as Proposed SHOWING CHANGES MADE IN RULES AS ADOPTED

12 MCAR § 3.002(0)(3).

3. with respect to home improvement grants and rehabilitation loans pursuant to Chapter Seven of these Rules to be made by the agency, those persons and families whose adjusted income does not exceed $6,000 and whose assets, excluding the property to be improved, does not exceed $25,000; and

12 MCAR § 3.002(T)

T. "Administering Entity" means a Non-Profit or governmental entity (including but not limited to an incorporated county or municipality, a housing redevelopment authority, and a community action organization), which enters into a contract with the Agency for the local administration of the Home Improvement Grant or Rehabilitation Loan Program pursuant to Chapter Seven of these Rules.

Chapter Seven: Home Improvement Grants and Rehabilitation Loans.

12 MCAR § 3.061 Scope.

Rules in this Chapter (12 MCAR §§3.061 to 3.072) govern the Home Improvement Grant Program authorized by Minnesota Statutes Section 462A.05, Subdivision 15 and the Rehabilitation Loan Program authorized by Laws 1981, Chapter 306, Section 5. The Agency is authorized to make rehabilitation loans with or without interest or periodic payments. In this Chapter loans made with interest and periodic payments shall be referred to as "Flexible Loans" and loans made without interest or periodic payments shall be referred to as "Deferred Loans".

In addition to the requirements of this Chapter, a Flexible Loan must meet the requirements of Chapter Six of these rules, except that the applicant for a Flexible Loan need not be a reasonable credit risk as required in 12 MCAR §§ 3.051(C), and the structure to be improved need not be at least 15 years old as required by 12 MCAR § 3.051(D).

12 MCAR § ~~3.061~~ 3.062 Reservation of funds.

A. For a period of at least ~~45~~ 30 days after the agency gives notice that the funds for making rehabilitation grants or loans are available, the agency shall receive requests for reservation of funds from prospective administering entities.

B. Requests for reservation of funds for rehabilitation grants or loans may be made by prospective administering entities to the agency, and shall contain:

1. a plan setting forth the proposed method of delivery of the rehabilitation grants or loans;

2. evidence satisfactory to the agency that the administering entity has the capacity effectively and efficiently to carry out the plan;

3. evidence satisfactory to the agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered;

4. the specific funding amount requested for a ~~12-month~~ period of not more than 24 months and the administrative allowance, if any, required by the administering entity to defray the expenses of administering the program;

5. other funding sources available to the administering entity for administration and home improvement; and

~~6. a description of the local housing problems;~~

~~7. specific goals to be accomplished with requested funds; and~~

~~4~~ 6. a description of the targeting plan, if any, whereby the administering entity will establish priorities for awarding grant and loan funds based on an assessment of need within its jurisdiction, in the event that the number of applications exceeds the number of grants and loans which can be awarded. The targeting plan, if any, shall be subject to approval by the agency and may not have the effect of excluding any otherwise eligible applicant from making an application and being considered eligible for a grant or loan.

C. The Agency shall allocate the funds available at any time among the several regions, based upon data assembled by the Agency and accurately reflecting housing needs and related factors. The Agency shall submit its proposed allocation of funds to the applicable Regional Development Commission (including the Metropolitan Council and shall consider the comments and recommendations of the Commissions with respect to the extent to which the proposed allocation assists in satisfying the housing needs for the region.

12 MCAR § ~~3.062~~ 3.063 Eligible recipients of rehabilitation grants and loans. In addition to all conditions imposed by the act, an application for a rehabilitation grant or loan shall satisfy the following requirements:

A. The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least

1. a life estate or

2. a one-third interest in the fee title or in the contract for deed with respect to such structure. The Agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations. For mobile homes taxed as personal property or not permanently affixed to real property recipient(s) must:

~~(1) have resided in the structure at the present location for a period of one year immediately preceding the date of application as the recipient(s') principal place of residence, (2)~~ (1) be current in any loan payments on the structure, and ~~(3)~~ (2) individually or in the aggregate have a 100% interest in the title to the mobile home.

B. For the purpose of complying with the ownership requirements, the recipient may aggregate his interest in such property with the ownership interests of other individuals also occupying the structure to be improved as their principal place of residence. All individuals occupying the structure to be improved as their principal place of residence and having an ownership interest in such structure

must join in the application.

C. Each recipient must be a person or family of low and moderate income as defined in 12 MCAR § 3.002 0.3.

D. "Assets" for purposes of this Chapter ~~the home improvement grant program~~ shall be the sum of the following, after deducting any outstanding indebtedness:

1. cash on hand or in checking or savings accounts;

2. securities or U.S. Savings Bonds;

3. market value of all interests in real estate (exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located);

4. cash value of life insurance policies; and

5. all other property, exclusive of household furnishings, clothing, and one automobile.

12 MCAR § ~~3.063~~ 3.064 Amount of grant or loan. The amount of the rehabilitation grant or loan shall not exceed the lesser of:

A. ~~$5,000~~ $6,000 or

B. the actual cost of the work performed, or

C. that portion of the cost of rehabilitation which the Agency determines cannot otherwise be paid by such person or family without spending an unreasonable portion of the income of such person or family thereon.

The Agency shall review the creditworthiness of each recipient of a Rehabilitation Loan pursuant to 12 MCAR § 3.013. If the recipient is not financially capable of making a monthly loan payment of at least $10 the recipient shall be eligible for a deferred loan. A recipient who is financially capable of making a monthly loan payment of $10 or more shall be eligible for a Flexible Loan.

12 MCAR § ~~3.064~~ 3.065 Responsibilities of Administering Entity. The Administering Entity shall have the following responsibilities:

A. The Administering Entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing

recipients, and certifying that the rehabilitation work is satisfactorily completed.

B. The Administering Entity shall make on-site inspections of the properties to be improved:

1. before such application is approved and

2. after work has been completed ~~and before the contractors have been paid in full~~.

C. The Administering Entity shall not charge an applicant or recipient any application, processing, or other fee.

D. The Administering Entity may, with the prior written consent of the Agency, allocate part of its total funding, ~~in accordance with a formula based upon data assembled by the Agency and reflecting administrative costs, geographic area, level of funding, and other related factors,~~ to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the Administering Entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses, and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the Agency according to a budget submitted by the Administering Entity and approved by the Agency. Disbursements of the administrative allowance shall be contingent upon the Agency's review and approval of the satisfactory progress of the program.

12 MCAR § ~~3.065~~ 3.066 Eligible properties. Grant and loan funds shall be used only to improve properties which meet the following criteria:

A. The property shall be located within the State of Minnesota, be used primarily for residential purposes, and contain no more than two dwelling units, one of them owner-occupied.

B. The property to be improved shall conform to applicable zoning ordinances and possess all appropriate use permits.

C. The improvements shall be made upon or in connection with existing structures, including mobile homes. Trailers shall not be eligible.

D. No property shall be eligible for a Home Improvement Grant or loan if it has been improved by such a grant or loan within the five year period ~~next~~ immediately preceding the date on which application for such grant or loan is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant or to failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems, as determined by the Agency in its sole discretion.

E. The property to be improved with grant or loan funds shall be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, rehabilitation funds shall be used to the extent necessary to increase such efficiency. Energy saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor, and duct installation, storm windows and doors, and caulking and weather stripping. Energy saving features shall be consistent with the energy standards promulgated as part of the State Building Code but such improvements need not bring the housing into full compliance with such energy standards.

12 MCAR § ~~3.066~~ 3.067 Eligible improvements. Improvements made with Home Improvement Grant or Loan funds shall satisfy the following requirements:

A. Each improvement shall be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property affecting directly the safety, habitability, or energy usage of the property. Permanent general improvements shall be economically viable in terms of a determination that:

1. the structure will have a reasonable life expectancy after the improvement is made, and

2. the structure will be reasonably livable, safe, and habitable after the improvement is made.

Permanent general improvements shall not include materials, fixtures, or land-

scaping of a type or quality exceeding that customarily used in the locality for decent, safe, and sanitary properties of the same general type as the property to be improved.

B. Each improvement shall be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a Home Improvement Grant or Loan shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

C. ~~Home Improvement Grant~~ Funds provided under this Chapter shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or a sewage disposal system (including septic systems) into compliance with local, state, or federal environmental and sanitary standards.

D. All contracts covering all or any portion of an improvement shall contain an Agency approved warranty of workmanship and materials.

E. No grant or loan funds shall be used for the purpose of refinancing or paying off existing indebtedness. All such funds shall be used to finance improvements begun after application for such funds has been approved.

F. For mobile homes taxed as personal property or not permanently affixed to real property eligible improvements shall be limited to the following:

1. Improvements which bring the property into compliance with current standards for energy efficiency, fire safety and anchoring systems.

2. Improvements to remedy imminent safety hazards, or accessibility modifications~~, but only upon prior written approval by the Agency~~.

3. Other permanent general improvements, ~~but only upon prior written approval by the Agency and a determination that~~ if after completion of ~~such~~ all improvements the mobile home will comply with the standards ~~set forth~~ referred to in Paragraph 1.

G. Improvements which affect the accessibility of a dwelling for a Handicapped Person are eligible improvements provided that they are performed in compliance with the following conditions:

1. The improvement must be an Accessibility Improvement as defined in 12 MCAR § 3.071(B).

2. The beneficiary of the improvements must occupy or intent to occupy the dwelling unit to be improved as his or her principle residence.

3. Architectural or engineering costs incurred in the design of accessibility improvements may be funded as eligible improvements.

12 MCAR § ~~3.067~~ 3.068 Repayment.

A. The recipient of a grant ~~fund~~ and all individuals who signed the application for such ~~fund~~ grant shall enter into an agreement with the Agency for repayment, which shall provide that in the event the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within six years from the date upon which the grant application was approved, then the recipient shall repay, and the Agency shall have a lien as security for repayment of, all or a portion of such grant funds in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency Occurs	Percent Repayment
Prior to end of 36th full month	100%
After end of 36th full month until end of 48th full month	75%
After end of 48th full month until end of 60th full month	50%
After end of 60th full month until end of 72nd full month	25%
After end of 72nd full month	No Repayment

If any grant funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the grant. ~~No repayment shall be required to the extent that the grant is made to improve the accessibility of residential housing to a handicapped occupant.~~

B. The recipient of a deferred payment loan and all individuals who signed the application for such loan shall enter into an agreement with the Agency for repayment, which shall provide that in the event the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within ten years from the date upon which the grant application was approved, then the recipient shall repay and the Agency shall have a lien as security for repayment of all of such loan. If any loan funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the loan.

12 MCAR § ~~3.068~~ 3.069 Home owner labor agreement. An eligible recipient may agree with an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant or loan, if the Administering Entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances sufficient grant or loan funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld. Upon successful completion of the improvement work so funded, the Administering Entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work.

12 MCAR § ~~3.069~~ 3.070 Emergency home improvement ~~grant~~ fund. The Agency may establish a separate fund known as the Emergency Home Improvement ~~Grant~~ Fund. The Agency may

make Emergency Home Improvement Grants and Loans in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant, failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems. ~~Grants from the Emergency Home Improvement Grant Fund shall be made to eligible applicants for rehabilitation necessitated by an emergency occurence whereby the dwelling:~~

~~A. was rendered immediately uninhabitable, or~~

~~B. suffered severe structural damage, or~~

~~C. became imminently hazardous to a Handicapped Person.~~

~~An emergency occurrence is an event which took place within a reasonably recent period of time prior to the grant application and which caused a defect or deficiency in the dwelling proposed to be rehabilitated, or which resulted in a resident of that dwelling becoming handicapped.~~

Before an application to the Emergency Home Improvement ~~Grant~~ Fund is accepted, the Administering Entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant and loan funds ~~fund and, if applicable, that no funds are available from the Accessibility Improvement Fund,~~ to cover the cost of repairs. ~~Such funds may also be used to correct serious defects or deficiencies in the dwelling other than the specific defect or deficiency which rendered the dwelling immediately uninhabitable.~~

Grants and loans from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these Rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of 12 MCAR § ~~3.061D~~.3.062C

~~12 MCAR § 3.0701 Accessibility improvement fund. With funds appropriated by the Legislature from time to time for that purpose, The Agency may establish an Accessibility Improvement Fund from which Home Improvement Grants and Loans may be made to eligible applicants for the purpose of making Accessible improvements to dwelling units occupied by handicapped persons of low or moderate~~

~~income, as defined in 12 MCAR § 3.002 0.3. Grants~~ and loans ~~from the accessibility improvement fund shall be made pursuant to the procedures set forth in Chapter 7 of these rules, provided, however, that the accessibility improvement grant fund shall not be subject to the reservation and allocation requirements of 12 MCAR § 3.061.~~3.062~~

12 MCAR § 3.071(A).

A. with respect to rehabilitation grants and loans pursuant to Chapter Seven of these rules and accessibility improvement assistance pursuant to Chapter Seven-A of these rules, "Handicapped Person" means a person who has a permanent physical condition which is not correctable and which substantially reduces such person's ability to function in a residential setting. A person with a physical condition which does not require the use of a device to increase mobility ~~shall~~ may be deemed a handicapped person ~~only~~ upon the written certification of a licensed physician that the physical condition substantially limits such person's ability to function in a residential setting.

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program Without a Public Hearing.

ORDER ADOPTING RULES

Notice of the Agency's intent to adopt the above-entitled rules without a public hearing was published in the State Register on June 22, 1981, and was sent by United States mail to all persons on the list maintained by the Agency pursuant to Minnesota Statutes section 15.0412, subdivision 4 on June 18, 1981. After affording interested and affected persons an opportunity to submit comments for 30 days after Notice, receiving fewer than seven written requests for a public hearing within the 30-day comment period, reviewing and considering the comments, and determining the need for and reasonableness of the above-captioned rules.

NOW, THEREFORE, IT IS ORDERED that these rules identified as Rules of the Minnesota Housing Finance Agency Relating to the Home Improvement Grant Program and Rehabilitation Loan Program are adopted this 23rd day of July, 1981 pursuant to authority vested in the Agency by Minnesota Statutes section 462A.06, subdivision 4 and 11.

James J. Solem, Executive Director

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program Without a Public Hearing.

ORDER FOR NOTICE OF INTENT TO ADOPT RULES WITHOUT PUBLIC HEARING

IT IS ORDERED this 28th day of May, 1981 that a Notice of Intent to Adopt Rules Without Public Hearing in the above-entitled matter be given to all persons who have registered their names with the Minnesota Housing Finance Agency for that purpose and be published in the State Register.

MINNESOTA HOUSING FINANCE AGENCY

James J. Solem, Executive Director

CERTIFICATE OF BOARD'S

AUTHORIZING RESOLUTION

I, Arne Carlson, do hereby certify that I am Secretary of the Minnesota Housing Finance Agency, an Agency duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Agency and properly called and held on the 28th day of May, 1981, that a quorum was present at said meeting, that a majority of those present voted for the resolution and that said resolution is set forth in the minutes of said meeting and has not been rescinded or modified.

> "RESOLVED, that James J. Solem, Executive Director of the Minnesota Housing Finance Agency, by and he hereby is authorized and directed to give public notice for the purpose of promulgating rules of the Minnesota Housing Finance Agency without a public hearing, said rules relating to the Home Improvement Grant Program and Rehabilitation Loan Program, as well as to perform any and all acts incidental thereto, including the signing of a notice of intent to adopt rules without a public hearing.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 31st day of July, 1981.

Arne Carlson
Secretary

Arthur E. Sidner
Vice Chairman
(attested)

STATE OF MINNESOTA

COUNTY OF RAMSEY

In the matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program Without a Public Hearing

AFFIDAVIT OF MAILING

Judith A. Keiser, being first duly sworn, deposes and says:

That on the 18th day of June, 1981, at the City of St. Paul, County of Ramsey, State of Minnesota, she served the attached Notice of Intent to Adopt Rules Without Public Hearing by depositing in the State of Minnesota Central Mail System for United States mailing at said City of St. Paul, a copy thereof, properly enveloped, with postage prepaid, on all persons and associations who have requested that their names be placed on file with the State Minnesota Housing Finance Agency for the purpose of receiving notice of the proposed adoption of rules by this Agency.

Judith A Keiser

Subscribed and sworn to before me this 18th day of June, 1981.

Kathleen J. Johnson

KATHLEEN J. JOHNSON
NOTARY PUBLIC—MINNESOTA
RAMSEY COUNTY
My Comm. Expires Dec. 9, 1986

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

CERTIFICATE

In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program Without a Public Hearing.

I hereby certify that the list of persons, associations, and other interested groups who have requested, pursuant to Minn. Stat. § 15.0412, subd. 4, that their names be placed on file with and maintained by the Minnesota Housing Finance Agency for the purpose of receiving notice of the proposed adoption of rules by this Agency is accurate and complete as of 1:00 p.m., this 18th day of June, 1981.

Judith A. Keiser

Judith A. Keiser

provide a joint report to either the agency, or both the agency and the Minnesota Environmental Quality Board (MEQB) on behalf of its member utilities. Such a joint report shall contain all information required by these rules and shall be in a format deemed acceptable by the director. Such a joint report shall fulfill the obligations of the member utilities in meeting these rules and the statutory informational requirements of Minn. Stat. §§ 116H.10 and .11 (1980)

Within these rules where the agency's reporting requirements and those of the MEQB are similar the MWPSG in its report need file only one joint listing of the required information so long as that listing provides all the data requirements of these rules and is in a format acceptable to the director.

The following rules within these reporting requirements shall be considered similar to those of the MEQB: 6 MCAR §§ 2.0207 B.4.-7., 2.0208 B.-C., and 2.0209 A.-B. In addition to these rules, the director may designate other rules similar as well.

6 MCAR § ~~2.0212~~ 2.0213 Corrections. Substantial corrections of any report or statement must be filed with the agency within 10 days following the date of the event prompting the change in reported information or the date upon which the person filing became aware of the inaccuracy. The change or correction shall identify the form and the paragraph of the information to be changed or corrected.

6 MCAR § ~~2.0213~~ 2.0214 Federal or state data substitution for Energy Agency data requirements. Upon written request by any utility, the director may allow it to substitute data provided to the federal government or another state agency in lieu of data required by these regulations if the data required by both agencies is substantially the same.

Housing Finance Agency

Proposed Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program

Notice of Intent to Adopt Rules without a Public Hearing

Notice is hereby given that the Minnesota Housing Finance Agency ("agency") proposes to adopt the above-entitled rules without a public hearing. The agency has determined that the proposed adoption of these rules will be noncontroversial in nature and has elected to follow the procedures set forth in Minn. Stat. § 15.0412, subd. 4h(1980).

Persons interested in these rules shall have 30 days to submit comments on the proposed rules. The proposed rules may be modified if the modifications are supported by the data and views submitted to the agency and do not result in a substantial change in the proposed language.

Unless seven or more persons submit written requests for a public hearing on the proposed rules within the 30-day comment period, a public hearing will not be held. In the event a public hearing is required, the agency will proceed according to the provisions of Minn. Stat. § 15.0412, subds. 4-4f. If a public hearing is requested, identification of the particular objection, the suggested modifications to the proposed language, and the reasons or data relied on to support the suggested modifications is desired.

Persons who wish to submit comments or a written request for a public hearing should submit such comments or request to:

Mary Tingerthal, Manager
Home Improvement Programs
Minnesota Housing Finance Agency
Suite 200—Nalpak Building
333 Sibley Street
St. Paul, Minnesota 55101
Telephone (612) 297-3126

Authority for the adoption of these rules is contained in Minn. Stat. § 462A.06, subds. 4 and 11(1980). Additionally, a Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rules, and that identifies the data and information relied upon to support the proposed rules, has been prepared and is available from Ms. Tingerthal upon request.

Upon adoption of the final rules without a public hearing, the proposed rules, this Notice, the Statement of Need and Reasonableness, all written comments received, and the final rules as adopted will be delivered to a designee of the Attorney General for review as to form and legality, including the issue of substantial change. Persons who wish to be advised of the submission of these rules for approval, or who wish to receive a copy of the final rules as adopted, should submit a written statement of such request to Ms. Tingerthal.

A copy of the proposed rules is attached to this notice. Additional copies may be obtained by contacting Ms. Tingerthal. 16

Please be advised that Minn. Stat. ch. 10A requires each lobbyist to register with the State Ethical Practices Board within five (5) days after he or she commences lobbying. A lobbyist is defined in Minn. Stat. § 10A.01, subd. 11(1980) as any individual:

(a) Engaged for pay or other consideration, or authorized by another individual or association to spend money, who spends more than five hours in any month or more than $250.00, not including his own travel expenses and membership dues, in any year, for the purpose of attempting to influence legislative or administrative action by communicating or urging others to communicate with public officials; or

(b) Who spends more than $250.00, not including his own traveling expenses and membership dues, in any year for the purpose of attempting to influence legislative or administrative action by communicating or urging others to communicate with public officials.

The statute provides certain exceptions. Questions should be directed to the Ethical Practices Board, 40 State Office Building, Saint Paul, Minnesota 55155, telephone (612) 296-5615.

June 8, 1981

James J. Solem
Executive Director

Amendments as Proposed

12 MCAR § 3.002 O.3. with respect to home improvement grants and rehabilitation loans pursuant to Chapter Seven of these Rules to be made by the agency, those persons and families whose adjusted income does not exceed $6,000 and whose assets, excluding the property to be improved, does not exceed $25,000; and

12 MCAR § 3.002 T. "Administering entity" means a non-profit or governmental entity (including but not limited to an incorporated county or municipality, a housing redevelopment authority, and a community action organization), which enters into a contract with the Agency for the local administration of the Home Improvement Grant or Rehabilitation Loan Program pursuant to Chapter Seven of these rules.

Chapter Seven: Home Improvement Grants and Rehabilitation Loans

12 MCAR § 3.061 Scope. Rules in this chapter (12 MCAR §§ 3.061 to 3.072) govern the Home Improvement Grant Program authorized by Minnesota Statutes § 462A.05, subd. 15 and the Rehabilitation Loan Program authorized by Laws of 1981, ch. 306, § 5. The agency is authorized to make rehabilitation loans with or without interest or periodic payments. In this chapter loans made with interest and periodic payments shall be referred to as "flexible loans" and loans made without interest or periodic payments shall be referred to as "deferred loans."

In addition to the requirements of this chapter, a flexible loan must meet the requirements of Chapter Six of these rules, except that the applicant for a flexible loan need not be a reasonable credit risk as required in 12 MCAR §§ 3.051 C., and the structure to be improved need not be at least 15 years old as required by 12 MCAR § 3.051 D.

12 MCAR § ~~3.061~~ 3.062 Reservation of funds.

A. For a period of at least ~~45~~ 30 days after the agency gives notice that the funds for making rehabilitation grants or loans are available, the agency shall receive requests for reservation of funds from prospective administering entities.

B. Requests for reservation of funds for rehabilitation grants or loans may be made by prospective administering entities to the agency, and shall contain:

1. a plan setting forth the proposed method of delivery of the rehabilitation grants or loans;

2. evidence satisfactory to the agency that the administering entity has the capacity effectively and efficiently to carry out the plan;

3. evidence satisfactory to the agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered;

4. the specific funding amount requested for a ~~12 month~~ period of not more than 24 months and the administrative allowance, if any, required by the administering entity to defray the expenses of administering the program;

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5. other funding sources available to the administering entity for administration and home improvement; and

~~6. a description of the local housing problems;~~

~~7. specific goals to be accomplished with requested funds; and~~

6. a description of the targeting plan, if any, whereby the administering entity will establish priorities for awarding grant and loan funds based on an assessment of need within its jurisdiction, in the event that the number of applications exceeds the number of grants and loans which can be awarded. The targeting plan, if any, shall be subject to approval by the agency and may not have the effect of excluding any otherwise eligible applicant from making an application and being considered eligible for a grant or loan.

C. The agency shall allocate the funds available at any time among the several regions, based upon data assembled by the agency and accurately reflecting housing needs and related factors. The agency shall submit its proposed allocation of funds to the applicable Regional Development Commission (including the Metropolitan Council and shall consider the comments and recommendations of the commissions with respect to the extent to which the proposed allocation assists in satisfying the housing needs for the region.

12 MCAR § ~~3.062~~ 3.063 **Eligible recipients of rehabilitation grants and loans.** In addition to all conditions imposed by the act, an application for a rehabilitation grant or loan shall satisfy the following requirements:

A. The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least

1. a life estate or

2. a one-third interest in the fee title or in the contract for deed with respect to such structure. The Agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations. For mobile homes taxed as personal property or not permanently affixed to real property recipient(s) must:

~~(1) have resided in the structure at the present location for a period of one year immediately preceding the date of application as the recipient(s') principal place of residence; (2)~~

a. be current in any loan payments on the structure, and ~~(3)~~

b. individually or in the aggregate have a 100% interest in the title to the mobile home.

B. For the purpose of complying with the ownership requirements, the recipient may aggregate his interest in such property with the ownership interests of other individuals also occupying the structure to be improved as their principal place of residence. All individuals occupying the structure to be improved as their principal place of residence and having an ownership interest in such structure must join in the application.

C. Each recipient must be a person or family of low and moderate income as defined in 12 MCAR § 3.002 O.3.

D. "Assets" for purposes of this chapter ~~the home improvement grant program~~ shall be the sum of the following, after deducting any outstanding indebtedness:

1. cash on hand or in checking or savings accounts;

2. securities or U.S. Savings Bonds;

3. market value of all interests in real estate (exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located);

4. cash value of life insurance policies; and

5. all other property, exclusive of household furnishings, clothing, and one automobile.

12 MCAR § ~~3.063~~ 3.064 **Amount of grant or loan.** The amount of the rehabilitation grant or loan shall not exceed the lesser of:

A. ~~$5,000~~ $6,000 or

B. the actual cost of the work performed, or

C. that portion of the cost of rehabilitation which the Agency determines cannot otherwise be paid by such person or family without spending an unreasonable portion of the income of such person or family thereon.

The agency shall review the creditworthiness of each recipient of a rehabilitation loan pursuant to 12 MCAR § 3.013. If the recipient is not financially capable of making a monthly loan payment of at least $10 the recipient shall be eligible for a deferred loan. A recipient who is financially capable of making a monthly loan payment of $10 or more shall be eligible for a Flexible Loan.

12 MCAR § ~~3.064~~ 3.065 **Responsibilities of administering entity.** The administering entity shall have the following responsibilities:

A. The administering entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients, and certifying that the rehabilitation work is satisfactorily completed.

B. The administering entity shall make on-site inspections of the properties to be improved:

1. before such application is approved and

2. after work has been completed ~~and before the contractors have been paid in full~~.

C. The administering entity shall not charge an applicant or recipient any application, processing, or other fee.

D. The administering entity may, with the prior written consent of the agency, allocate part of its total funding, ~~in accordance with a formula based upon data assembled by the Agency and reflecting administrative costs, geographic area, level of funding, and other related factors,~~ to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the administering entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses, and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the agency according to a budget submitted by the administering entity and approved by the agency. Disbursements of the administrative allowance shall be contingent upon the agency's review and approval of the satisfactory progress of the program.

12 MCAR § ~~3.065~~ 3.066 **Eligible properties.** Grant and loan funds shall be used only to improve properties which meet the following criteria:

A. The property shall be located within the State of Minnesota, be used primarily for residential purposes, and contain no more than two dwelling units, one of them owner-occupied.

B. The property to be improved shall conform to applicable zoning ordinances and possess all appropriate use permits.

C. The improvements shall be made upon or in connection with existing structures, including mobile homes. Trailers shall not be eligible.

D. No property shall be eligible for a Home Improvement Grant or loan if it has been improved by such a grant or loan within the five year period ~~next~~ immediately preceding the date on which application for such grant or loan is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant or to failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems, as determined by the Agency in its sole discretion.

E. The property to be improved with grant or loan funds shall be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, rehabilitation funds shall be used to the extent necessary to increase such efficiency. Energy saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor, and duct installation, storm windows and doors, and caulking and weather stripping. Energy saving features shall be consistent with the energy standards promulgated as part of the State Building Code but such improvements need not bring the housing into full compliance with such energy standards.

12 MCAR § ~~3.066~~ 3.067 **Eligible improvements.** Improvements made with Home Improvement Grant or Loan funds shall satisfy the following requirements:

A. Each improvement shall be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property affecting directly the safety, habitability, or energy usage of the property. Permanent general improvements shall be economically viable in terms of a determination that:

1. the structure will have a reasonable life expectancy after the improvement is made, and

2. the structure will be reasonably livable, safe, and habitable after the improvement is made.

Permanent general improvements shall not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for decent, safe, and sanitary properties of the same general type as the property to be improved.

B. Each improvement shall be made in compliance with all applicable health, fire prevention, building, and housing codes

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and standards; provided, however, that no application for a Home Improvement Grant or Loan shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

C. ~~Home Improvement Grant~~ Funds provided under this chapter shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or a sewage disposal system (including septic systems) into compliance with local, state, or federal environmental and sanitary standards.

D. All contracts covering all or any portion of an improvement shall contain an Agency approved warranty of workmanship and materials.

E. No grant or loan funds shall be used for the purpose of refinancing or paying off existing indebtedness. All such funds shall be used to finance improvements begun after application for such funds has been approved.

F. For mobile homes taxed as personal property or not permanently affixed to real property eligible improvements shall be limited to the following:

1. Improvements which bring the property into compliance with current standards for energy efficiency, fire safety and anchoring systems.

2. Improvements to remedy imminent safety hazards, or accessibility modifications~~, but only upon prior written approval by the Agency~~.

3. Other permanent general improvements, ~~but only upon prior written approval by the Agency and a determination that~~ if after completion of ~~such~~ all improvements the mobile home will comply with the standards ~~set forth~~ referred to in Paragraph 1.

G. Improvements which affect the accessibility of a dwelling for a Handicapped Person are eligible improvements provided that they are performed in compliance with the following conditions:

1. The improvement must be an accessibility improvement as defined in 12 MCAR § 3.071 B.

2. The beneficiary of the improvements must occupy or intent to occupy the dwelling unit to be improved as his or her principle residence.

3. Architectural or engineering costs incurred in the design of accessibility improvements may be funded as eligible improvements.

12 MCAR § ~~3.067~~ 3.068 Repayment.

A. The recipient of a grant ~~fund~~ and all individuals who signed the application for such ~~fund~~ grant shall enter into an agreement with the Agency for repayment, which shall provide that in the event the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within six years from the date upon which the grant application was approved, then the recipient shall repay, and the Agency shall have a lien as security for repayment of, all or a portion of such grant funds in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency Occurs	Percent Repayment
Prior to end of 36th full month	100%
After end of 36th full month until end of 48th full month	75%
After end of 48th full month until end of 60th full month	50%
After end of 60th full month until end of 72nd full month	25%
After end of 72nd full month	No Repayment

If any grant funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the grant. ~~No repayment shall be required to the extent that the grant is made to improve the accessibility of residential housing to a handicapped occupant.~~

B. The recipient of a deferred payment loan and all individuals who signed the application for such loan shall enter into an agreement with the Agency for repayment, which shall provide that in the event the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within ten years from the date upon which the grant application was approved, then the recipient shall repay and the Agency shall have a lien as security for repayment of all of such loan. If any loan funds are used for purposes other than an eligible improvement upon

eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the loan.

12 MCAR § ~~3.068~~ 3.069 **Home owner labor agreement.** An eligible recipient may agree with an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant or loan, if the administering entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances sufficient grant or loan funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld. Upon successful completion of the improvement work so funded, the administering entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work.

12 MCAR § ~~3.069~~ 3.070 **Emergency home improvement ~~grant~~ fund.** The agency may establish a separate fund known as the Emergency Home Improvement ~~Grant~~ Fund. The agency may make Emergency Home Improvement Grants and Loans in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant, failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems. ~~Grants from the Emergency Home Improvement Grant Fund shall be made to eligible applicants for rehabilitation necessitated by an emergency occurence whereby the dwelling~~:

~~A. was rendered immediately uninhabitable, or~~

~~B. suffered severe structural damage, or~~

~~C. became imminently hazardous to a Handicapped Person.~~

~~An emergency occurrence is an event which took place within a reasonably recent period of time prior to the grant application and which caused a defect or deficiency in the dwelling proposed to be rehabilitated, or which resulted in a resident of that dwelling becoming handicapped~~.

Before an application to the Emergency Home Improvement ~~Grant~~ Fund is accepted, the Administering Entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant and loan funds ~~fund and, if applicable, that no funds are available from the Accessibility Improvement Fund,~~ to cover the cost of repairs. ~~Such funds may also be used to correct serious defects or deficiencies in the dwelling other than the specific defect or deficiency which rendered the dwelling immediately uninhabitable.~~ Grants and loans from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of 12 MCAR § ~~3.061D.~~ 3.062 C.

12 MCAR § 3.0701 **Accessibility improvement fund.** ~~With funds appropriated by the Legislature from time to time for that purpose,~~ The agency may establish an Accessibility Improvement Fund from which Home Improvement Grants and Loans may be made to eligible applicants for the purpose of making Accessible improvements to dwelling units occupied by handicapped persons of low or moderate income, as defined in 12 MCAR § 3.002 O.3. Grants and loans from the accessibility improvement fund shall be made pursuant to the procedures set forth in Chapter 7 of these rules, provided, however, that the accessibility improvement ~~grant~~ fund shall not be subject to the reservation and allocation requirements of 12 MCAR § ~~3.061.~~ 3.062.

12 MCAR § 3.071 A. with respect to rehabilitation grants and loans pursuant to Chapter Seven of these rules and accessibility improvement assistance pursuant to Chapter Seven-A of these rules, "handicapped person" means a person who has a permanent physical condition which is not correctable and which substantially reduces such person's ability to function in a residential setting. A person with a physical condition which does not require the use of a device to increase mobility ~~shall~~ may be deemed a handicapped person ~~only~~ upon the written certification of a licensed physician that the physical condition substantially limits such person's ability to function in a residential setting.

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STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program Without a Public Hearing.

CERTIFICATE OF BOARD'S RESOLUTION ADOPTING RULES

I, James J. Solem, do hereby certify that I am Executive Director of the Minnesota Housing Finance Agency, an agency duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Agency, duly and properly called and held on the 23rd day of July, 1981, that a quorum was present at said meeting, that a majority of those present voted for the resolution, and that said resolution is set forth in the minutes of said meeting and has not been rescinded or modified.

"RESOLVED, that the rules relating to the Home Improvement Grant Program and Rehabilitation Loan Program attached hereto as Exhibit A be and they hereby are approved and adopted, pursuant to authority vested in us by Minnesota Statutes section 462A.06, subdivision 4 and 11 and that James J. Solem, the Executive Director of the Agency, be and hereby is authorized to sign an order adopting these rules and further is authorized to perform the necessary acts to provide that these rules shall have the force and effect of law."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 23rd day of July, 1981.

Chairman

Secretary

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

Proposed Amendment to and Adoption of Rules Governing the Home Improvement Grant Program and Rehabilitation Loan Program Without a Public Hearing.

STATEMENT OF

NEED AND REASONABLENESS

The Minnesota Housing Finance Agency ("Agency") is authorized in Minn. Stat. §462A.06, Subdivisions 4 and 11 to promulgate rules. Since 1976, the Agency has operated a Home Improvement Grant Program pursuant to Minn. Stat. Section 462A.05, Subdivision 15, and Chapter Seven of the Agency's rules with funds appropriated by the Minnesota Legislature. Funding for the Home Improvement Grant Program ended with the appropriation of the 1979-80 biennium. Laws 1979, Chapter 327, Section 13, Subdivision 2. In 1981 the Legislature, in Laws 1981, Chapter 306, Section 5, created a new Rehabilitation Loan Program, to be operated with appropriated money. The appropriation is found in Laws 1981, Section 21 (a). The language in Laws 1981, Chapter 306, Section 5, is similar in many respects to that of Minn. Stat. Section 462A.05, Subdivision 15, since the program will function as a successor to the Home Improvement Grant Program.

The proposed rules amend Chapter Seven of the Agency's rules (12 MCAR §§ 3.061 to 3.072) and certain definitions in the Agency's rules to include the new Rehabilitation Loan Program within the scope of the Chapter. It is reasonable to expand the Home Improvement Grant Program rules to include the Rental Rehabilitation Loan Program because the two programs have similar authorizing statutes, will be administered by similar (and in many instances identical) Administering Entities, and are the two programs of the Agency for rehabilitation funded entirely by money appropriated by the Legislature. The rules will remain in effect for both programs since (i) pursuant to Minn. Stat. § 462A.21, Subdivision 10, appropriations to the Agency do not lapse, and it will be possible for the Agency to continue the Home Improvement Grant Program during the period in which the new program will operate and (ii) the Legislature may at some future date appropriate additional money for the Home Improvement Grant Program.

12 MCAR § 3.0020.3.

It is necessary to establish an income limit for the new Rental Rehabilitation Loan Program. Since the program is a replacement for the Home Improvement Grant Program and is intended to serve the same population that the Home Improvement Grant Program has served, it is reasonable to use the income limit currently established for the Home Improvement Grant Program.

12 MCAR § 3.002 T.

Since the Agency is going to employ similar Administering Entities for the Rehabilitation Loan Program as have been used for the Home Improvement Grant Program, it is both necessary and reasonable to expand the definition of Administering Entity.

12 MCAR § 3.061.

It is necessary and reasonable to outline the expanded scope of the rules and to define for the purpose of Chapter Seven the two types of loans authorized by Laws 1981, Chapter 306, Section 5.

The Agency is authorized by Laws 1981, Chapter 306, Section 5 to make loans with or without interest or periodic payments. It is necessary to distinguish between the two. It is reasonable to call those loans with interest and periodic payments "Flexible Loans" and those loans without interest or periodic payments "Deferred Loans".

The Agency intends to make an effort to increase the availability of appropriated dollars available to assist the population served by Chapter Seven by purchasing from the proceeds of bonds sold to finance the Home Improvement Loan Program under Chapter Six those Flexible Loans where the borrower has demonstrated through a period of regular payment that he or she is a reasonable credit risk, as required in 12 MCAR § 3.051.C. In order to make the loan purchasable under Chapter Six, it is necessary and reasonable to make the requirements of Chapter Six apply to recipients of a Flexible Loan. Since the principal difference between a borrower under Chapter Six and Chapter Seven who qualifies under the income limits of both programs will be that Chapter Seven has no requirement that a borrower be a reasonable credit risk and since the Agency intends to permit a borrower to obtain a Rehabilitation Loan under Chapter Seven and establish that they are a reasonable credit risk through regular payment on the loan, it is necessary and reasonable to exclude the reasonable credit risk standard from the rule.

Note all recipients of a flexible loan will have their loans transferred under Chapter Six. There is no equivalent to the 15 years of age standard in 12 MCAR § 3.051 D in Chapter Seven, and it is necessary to exclude the 15 year standard under this rule if the Agency does not wish it to apply to flexible loans, and it is reasonable to do so.

12 MCAR § 3.062.

This statement of need has already addressed why it is necessary and reasonable to expand the scope of Chapter 7 to include rehabilitation loans. Therefore, the necessity and reasonableness of the technical amendments which are needed for the addition of rehabilitation loans to the remaining sections of Chapter Seven will not be addressed further in this statement.

In § 3.062 A, the Agency has determined over the life of the Home Improvement Grant Program that a 45 day period for receiving requests for reservation of funds is excessive. The Agency believes that a 30 day period is reasonable.

In § 3.062B, a number of changes are proposed. Because of the reduced level of funding as a result of recent budget cutbacks, the Agency believes it is necessary and reasonable to go from a 12 month contract with Administering Entities to a not more than 24 month contract so that an Administering Entity which does not receive sufficient funds to operate a 24 month program can submit a request for funding specifying a shorter period.

The old paragraphs 6 and 7 of § 3.062B have not produced information useful to the Agency in selecting Administering Entities. Therefore, the Agency finds it necessary and reasonable to eliminate the requirements.

12 MCAR § 3.063.

The Agency has found that the requirement of § 3.063 A 2 that a mobile home owner have resided in the structure at the present location for a period of one year to be excessively restrictive. It has resulted in particularly harsh results with persons who lived in the same location, but replaced one mobile home with another, or who moved a mobile home to a new site. The Agency believes that it is necessary and reasonable to eliminate the requirement.

12 MCAR § 3.064.

The change to § 3.064A is necessary and reasonable because it is consistent with the current statutory provisions for both affected programs under Minn. Stat. § 462A.05, Subdivision 15 and Laws 1981, Chapter 306, Section 5.

Since the Agency will be making both flexible loans and deferred loans with money appropriated for the Rehabilitation Loan Program, it is necessary in § 3.064C to determine which persons will receive the two types of loans. The Agency has found that it is not practical to process loan payments of less than $10 per month. It is reasonable to have those recipients who are capable of making a monthly loan payment of $10/month or more receive a flexible loan and those recipients who cannot receive a deferred loan.

12 MCAR § 3.065.

The deletions in this section are necessary and reasonable because the Agency has determined in the operation of the Home Improvement Grant Program that the provisions are not necessary for the operation of the program.

12 MCAR § 3.066.

The change to § 3.066 D is necessary and reasonable because the Agency has found that defects to the roof or foundation systems have an effect much like failure of the plumbing, heating, or electrical systems in that the house may become unlivable until the defects are corrected, and that, therefore, the prohibition on a second grant for a five year period should not apply.

12 MCAR § 3.067.

It is necessary and reasonable to delete the prior written approval requirement in § 3.067F because the Agency has found it to be unnecessary and administratively burdensome in the operation of the Home Improvement Grant Program.

§ 3.067G is necessary because the Agency intends to permit accessibility improvements to be made with funds provided under Chapter seven. It is reasonable to define accessibility improvements in the same manner as already defined in 12 MCAR § 3.071B.

It is reasonable to require the beneficiary of accessibility improvements to occupy the dwelling as a principal residence since there are limited resources available and the Agency cannot afford to fund improvements where use will be less than full time. It is reasonable to include architectural and engineering costs as eligible improvements in the case of accessibility improvements because they involve unique design and engineering considerations, and improperly constructed accessibility improvements are often of little or no value for the intended purpose.

12 MCAR § 3.068.

The amendments to § 3.068A are necessary to conform to the existing Minn. Stat. Section 462A.21, Subdivision 4a.

The new § 3.068 B is necessary to implement the repayment requirements of Laws 1981, Section 306, Subdivision 5. The provision is similar to that provided for Home Improvement Grants. Deferred loans are made without interest or periodic payments. The statute makes it clear that if the specified events have not occurred within ten years no repayment obligation will exist. It is reasonable to require repayment of the loan during the first ten years if the circumstances specified in the statute arise since the aid is in the form of a loan to the qualified person or family, and the benefit should not pass on to other individuals.

12 MCAR § 3.070.

This amendment is necessary because the Agency has found the existing rule to be administratively unworkable. The criteria in the new rule for emergency grants or loans are the same as those which govern the making of additional grants or loans under 12 MCAR

§ 3.066D. It is reasonable to use the same criteria in both cases since the reason for the two rules is similar, and it makes it easier for Administering Entities to understand the program.

It is necessary and reasonable to delete reference to the Accessibility Improvement Fund since Accessibility Improvements will be made from that fund and not from emergency grants or loans.

Since there has been a serious reduction in funds appropriated by the Legislature for the Chapter seven programs, it is necessary and reasonable to limit emergency grants and loans to cover the specific emergency items and not permit other deficiencies in the dwelling to be corrected at the same time.

12 MCAR § 3.0701.

In the 1981 legislative session, the Legislature did not appropriate additional money for the accessibility programs and, in Laws 1981, Chapter 306, Section 10, authorized the Agency to transfer unencumbered funds among various appropriated accounts. Since the Agency has the authority to fund an Accessibility Improvement Fund without funds appropriated by the Legislature for that purpose, it is necessary and reasonable to delete that portion of 12 MCAR § 3.0701.

12 MCAR § 3.071A.

This is a technical amendment related to the amendment in § 3.067G.

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

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STATEMENT OF COMPLIANCE WITH RULEMAKING PROCEDURES

I, Special Assistant Attorney General, James E. Dinerstein do hereby declare that I have examined the rules and all related documents and that, based on my examination and my personal familiarity with the applicable procedures, the Administrative Procedure Act, the rules of the Office of Administrative Hearings, and the rules of the Attorney General have been followed. Any exceptions are noted below.

James E. Dinerstein
Special Assistant Attorney General

Dated: July 30, 1981