

Minnesota Attorney General: Administrative Rules Proceedings

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SF-00006-05 (4/86)

STATE OF MINNESOTA

Office Memorandum

DEPARTMENT : ATTORNEY GENERAL

DATE : October 27, 1989

TO : JAMES J. SOLEM, Commissioner
Housing Finance Agency
Suite 300
400 Sibley Street
St. Paul, Minnesota 55101

FROM : MARTHA J. CASSERLY
Special Assistant Attorney General

PHONE : 525 Park Street, Suite 404 (55103)
296-6839

SUBJECT : In the Matter of the Adopted Permanent Rule Re Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

The above-referenced emergency rule has been approved as to its legality by the Attorney General on October 26, 1989.

Enclosed is your copy of the approved rule. This office has already filed two copies with the Secretary of State, who will forward one copy to the Revisor of Statutes. The fourth is being retained by this division of the Attorney General's Office for its records.

Also enclosed are any petitions, requests, submissions or comments along with any extra copies of documents which you submitted to the Attorney General.

Your next step is to arrange for publication of the Notice of Adoption in the State Register. In a day or two, you should receive from the Revisor's Office three copies of tne notice of adoption of your rule. You should submit two copies of the Notice of Adoption to the State Register for publication. A permanent rule without a hearing does not become effective until five days after a notice of adoption is published in the State Register in accordance with Minn. Stat. § 14.27. An emergency rule becomes effective five working days after approval by the Attorney General; however, the agency must publish a notice in the State Register in accordance with Minn. Stat. { 14.34.

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

MJC:bbl
Enclosures
cc: William Brown, Chief Judge (memo only)
MaryAnn Hruby " "
William H. Kuretsky " "

MN Housing Finance

4900.200 is a new rule which allows people in certain income levels to purchase or refinance a home at the same receive money to rehab their new or existing home through a single set of mortgage documents.

Statutory Authority 462A.06 Subd. 4 and 11

Subd. 4 It may make, and from time to time, amend and repeal rules not inconsistant with the provisions of sections 462A.01 to 462A.24

Subd. 11 It may make and publish rules pursuant to Chapter 14 respecting lending, construction lending, rehabilitation lending etc

Statement of Need and Reasonables

Why will this program aid in the preservation of existing housing stock? I think they could have discussed why combining the purchase or refinance and rehab in one set of documents is better. Is it more economical? Can they offer better terms because they are combining it? Do they predict they will get more people to fix homes knowing they will get money to rehab it before they buy it?

good pt - but they

180-day deadline

NA 14.12

doesn't apply because is not required

✓ (14.26) (rules without a hearing)

Published in State Reg. August 14, 1989

Comment period ends Sept 13 – Oct 12

within 180 deadline AG Bc.

Rules Sub 5. B = How long does the borrower have to live in the house after the completion? 1 day I think there should be a specific amount of time words be D/C

C. What's a reasonable credit risk what guidlines are they using reasonable is to broad

reas credit risk is

criteria Art-definable

Minnesota Housing Finance Agency

Adopted Permanent Rules Relating to Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

Rules as Adopted

4900.2000 DEFINITIONS

Subpart 1. **Scope.** For the purpose of part 4900.2005, the following terms have the meanings given them.

Subp. 2. **Purchase and rehabilitation mortgage loan.** "Purchase and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously purchase an existing home and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

Subp. 3. **Refinance and rehabilitation mortgage loan.** "Refinance and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously refinance the mortgage debt that is secured by an existing home that the borrower currently owns and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

4900.2005 PURCHASE AND REHABILITATION OR REFINANCE AND REHABILITATION MORTGAGE LOANS.

Subpart 1. **Eligible property.** The property to be purchased or refinanced with a purchase and rehabilitation or refinance and rehabilitation mortgage loan must be an existing one-to-four family residential dwelling located in Minnesota. Mobile homes and trailers are not eligible for purchase and rehabilitation or refinance and rehabilitation mortgage loans.

Subp. 2. **Minimum rehabilitation.** Each property financed with a purchase and rehabilitation mortgage loan must require and receive rehabilitation in a dollar amount greater than or equal to 15 percent of the purchase price of the property. Each property financed with a refinance and rehabilitation mortgage

loan must require and receive rehabilitation in a dollar amount greater than or equal to 15 percent of the value of the property prior to rehabilitation.

Subp. 3. **Eligible rehabilitation.** All rehabilitation work that is paid for out of the proceeds of a purchase and rehabilitation or refinance and rehabilitation mortgage loan must satisfy the following requirements:

A. Rehabilitation improvements must be made in order to comply with applicable state, county, and municipal health, housing, building, fire prevention, and housing maintenance codes, or other public standards applicable to housing; make the property more desirable to live in; increase the market value of the property; make the property more habitable; make the property more accessible to a handicapped person; make the property more energy efficient; or convert the property to or from a one-family residence from or to a two-to-four family residence.

B. Each rehabilitation improvement must be a permanent general improvement. Permanent general improvements include additions, alterations, renovations, or repairs upon or in connection with existing structures that materially preserve or improve the basic livability, safety, or utility of the property. Permanent general improvements do not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

C. Each rehabilitation improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a purchase and rehabilitation or refinance and rehabilitation mortgage loan for a property may be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

Subp. 4. **Scope of rehabilitation.** For purchase and rehabilitation or refinance and rehabilitation mortgage loans in which the cost of the rehabilitation work is over $5,000, the

borrower shall enter into an agreement with a reputable contractor to complete the rehabilitation work in accordance with written bids. Borrowers shall submit a minimum of two written bids from eligible contractors when the cost of the rehabilitation work exceeds $5,000. No contractor is required if the cost of the rehabilitation work is under $5,000. However, in such cases, borrowers shall submit cost estimates and proposals in a form specified by the agency for the rehabilitation work.

Subp. 5. **Borrower eligibility.** Each borrower shall meet the following requirements:

A. Each borrower shall be a person or family, including nonrelated individual adults, whose adjusted income does not exceed 100 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided, however, that the maximum adjusted income for targeted neighborhoods may not exceed 115 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development. Targeted neighborhoods are specific geographic areas specified by local governments or housing and redevelopment authorities as neighborhoods to receive special emphasis in terms of rehabilitation or preservation of the housing stock.

B. Each borrower shall occupy the residence upon completion of the rehabilitation work as the borrower's primary, year-round residence.

C. Each borrower shall be a reasonable credit risk with the ability to pay the loan obligation in accordance with underwriting standards of the mortgage industry for the type of mortgage loan being provided.

Subp. 6. **Maximum mortgage amount.** The maximum mortgage amount for any purchase and rehabilitation or refinance and rehabilitation mortgage loan must not exceed the maximum mortgage amount for applicable areas of the state for mortgage

loans to be insured by the Federal Housing Administration as determined and adjusted from time to time by the United States Department of Housing and Urban Development.

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

OCT 27 1989

Joan Anderson Growe
Secretary of State

11:10 AM

APPROVED AS TO FORM AND LEGALITY

October 26 1989

HUBERT H. HUMPHREY, III
ATTORNEY GENERAL

BY M J Cassedy
SPECIAL ASSISTANT ATTORNEY GENERAL

RULE REVIEW CHECKLIST

not back from Revisor

File No. 1630

Docket No. 05.0009.0450

DATE RECEIVED 10-12-89

ADOPTED W/O HEARING X

REVIEW DATE 10-23-89 ~~10-21-89~~

EMERGENCY RULE ✓

DUE DATE 10-26-89

TO REVISOR

REVISOR APPROVED

APPROVED 10-26-89 mjc

REVISOR DISAPPROVED

DISAPPROVED ✓

FILED W/SEC. OF STATE 10/27/89

WITHDRAWN

RETURNED TO AGENCY

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2 Rule as adopted (4 copies) not back from Revisor

NA Notice to Solicit Outside Information/Opinion (if applicable)
- _____ Date published in State Register
- _____ Comments

NA Petition for Adoption of a Rule (if applicable)

yes Board's Authorizing Resolution
- May 25, 1989 Date adopted

yes Proposed Rule
- 2 copies Revisor's Certificate

✓ Notice of Intent to Adopt Rule
- 462A.21(4,1) Statutory Authority
- NA Small Business Statement
- NA Expenditure of public money statement
- Aug 11, 1989 Signature

✓ Statement of Need and Reasonableness (if applicable)
- NA Small Business Statement
- NA Fees - § 16A.128

✓ Affidavit of Mailing Notice of Intent to Adopt Rule
- Aug 11, 1989 Date 30/25 days before adoption
- yes Notice attached
- yes Copy of rule or summary attached

_____ Publication in State Register
- Aug 14, 1989 Date 30/25 days before adoption

✓ 180-day deadline from:
- NA Effective date of law requiring rule (14.12) (both rules)
- ✓ end of comment period (§ 14.26) (rules without hearing)
- _____ effective date of statutory authority (§ 14.29) (emergency rules)

✓ Resolution Adopting
- Sept 28, 1989 Date adopted

_____ Findings of Fact, Conclusions & Order Adopting
- ~~Sept 28, 1989~~ Date

NA Written requests, submissions or comments

_____ Declaration of attorney
- William Knuetsky Name of SAAG representing agency

NA Notice of Submission to Atty. Gen. (if applicable)

NA Aff. of Mailing Notice to Atty. Gen. (if applicable)

MINNESOTA HOUSING FINANCE AGENCY

Celebrate MINNESOTA 1990

October 11, 1989

Ms. Patricia Nolte, Legal Assistant
Public Finance Division
Attorney General
404 Capitol Office Building
525 Park Street
St. Paul, MN 55155

RE: In the Matter of the Proposed Rule Relating to Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

Dear Ms. Nolte:

Enclosed please find for your review pursuant to Minnesota Statutes Sections 14.21 through 14.28, the adopted rules of the Minnesota Housing Finance Agency.

The following materials are submitted to you for your review pursuant to Minnesota Rules, Part 2010:

Rule As Adopted;

Certificate of Board's Resolution Adopting the Rule;

Certificate of Agency's Authorizing Resolution;

Notice of Intent to Adopt a Rule Without a Public Hearing;

Affidavit of Mailing the Notice of Intent to Adopt a Rule Without a Public Hearing and Certificate of Mailing List.

Rule as Proposed;

Rule as published in State Register;

Findings of Fact, Conclusions and Order Adopting the Rule Without a Public Hearing;

Statement of Need and Reasonableness; and

Declaration of Counsel.

The Agency did not publish a Notice of Intent to Solicit Outside Opinion in connection with this rule. No requests for a hearing were received during the 30-day comment period. The Agency did receive one comment letter during the 30-day comment period (enclosed), but did

not receive any requests from persons desiring notice of the date of submission of the proposed rule to the Attorney General. The Adopted rules are the same as the Proposed rules.

Sincerely,

James J. Solem
Commissioner

JJS:skn
Encs.

State of Minnesota

Minnesota Housing Finance Agency

In the Matter of the Proposed Rules
Relating to Purchase and Rehabilitation or
Refinance and Rehabilitation Mortgage Loans

Statement of Need and Reasonableness

4900.2000 through 4900.2000:

Minnesota Statutes, Section 462A.05, Subdivision 14 establishes that The Minnesota Housing Finance Agency (Agency) may agree to purchase, make, or otherwise participate in the making, and may enter into commitments for the purchase, making, or participation in the making, of eligible loans to persons and families of low and moderate income, for the rehabilitation of existing residential housing owned by them. Among other things, the statute also provides that such eligible loans may also refinance existing indebtness secured by the property if the refinancing is determined by the Agency to be necessary to permit the owner to meet the owners' housing costs without expending an unreasonable portion of the owners' income thereon.

Recently, in a review of housing needs throughout the State, the Governor's Commission on Affordable Housing in the 1990's recommended that the Agency develop and implement a mortgage loan program whereby eligible borrowers may either purchase and rehabilitate or refinance and rehabilitate a home through the execution of a single set of mortgage documents. It was noted by the Commission that a program of this nature would aid in preservation of the existing housing stock, and that no comparable product was available from private lenders upon equivalent terms and conditions. The proposed rule has been developed under the above referenced statute to implement the mandate of the Commission.

Proposed Minnesota Rules 4900.2000, subparts 1 through 3 provide the definitions of both a purchase and rehabilitation mortgage loan and a refinance and rehabilitation mortgage loan. Under the definitions, a borrower may either purchase an existing home or refinance his or her current home and provide for eligible rehabilitation of the home through execution of a single set of mortgage documents.

Proposed Minnesota Rule 4900.2005, subpart 1 specifies that an eligible property must be an existing one to four family residential dwelling located in Minnesota. Under industry standards, a residential property typically does not exceed one to four units. Mobile homes and trailers are not eligible for mortgage loans under these Rules as prudent lenders typically do not consider them to be adequate security for long-term mortgage financing.

Proposed Minnesota Rule 4900.2005, subpart 2 provides for a minimum level of rehabilitation to be eligible for a mortgage loan under these Rules. Depending on whether the mortgage loan is either to effect a purchase or refinance, minimum rehabilitation of 15% of either the purchase price or the value of the property is required. It was determined that amounts of rehabilitation under 15% were not substantial enough to effect the purposes for which these Rules were being promulgated and that affordable alternative forms of financing were available for amounts of rehabilitation under this level.

Proposed Minnesota Rule 4900.2005, subpart 3 specifies eligible rehabilitation. Specific types of improvements, the fact that each improvement must be a permanent improvement, and that all improvements must be made in compliance with local standards or codes are established in this section. Eligible rehabilitation under subpart 3 was developed to be consistent with the Administrative Rules governing other Agency rehabilitation programs as well as Minnesota Statutes 462A.05, subdivision 14.

Proposed Minnesota Rule 4900.2005, subpart 4 covers the scope of rehabilitation allowed. Generally, the rule provides that if the scope of work is greater than or equal to $5000.00, a reputable contractor must complete the work, and that bids for such work must be provided in specified form. This rule was established to protect both proposed borrowers and the Agency in increasing the likelihood that rehabilitation work will be completed in accordance with plans and specifications at the cost anticipated.

Proposed Minnesota Rule 4900.2005, subpart 5 covers borrower eligibility. To meet the provisions of the statute that eligible borrowers shall be of low and moderate income, the Rule establishes that adjusted income for borrowers may not exceed 100% of the greater of state or area median income as determined from time to time by the United States Department of Housing and Urban Development (HUD). This measure was chosen to assure that eligible borrowers would be drawn from the lower 50% of the universe of incomes as determined by an unbiased measure. However, pursuant to discussions with local government officials, the Rule provides that borrowers that wish to purchase homes in certain targeted neighborhoods may have incomes that may not exceed 115% of the greater of state or area median income as determined and adjusted from time to time by HUD. This was added to assist city officials in expanding their market to aid in housing preservation efforts within specific neighborhoods while still providing that only moderate incomes are served. The proposed Rule also provides that each borrower shall occupy the residence as his or her primary residence and that borrowers must be prudent lending risks.

Proposed Minnesota Rule 4900.2005, subpart 6 establishes that the maximum mortgage amount for any mortgage loan under this rule may not exceed the maximum mortgage amount for applicable areas of the state for mortgage loans to be insured by the Federal Housing Administration (FHA) as determined and adjusted from time to time. FHA establishes their maximum mortgage amounts with an emphasis towards financing modest cost housing. Again, this measure was chosen as it is objective and unbiased.

The Agency is cognizant of the provisions of Section 14.115 of the Minnesota Statutes, entitled Small Business Considerations in Rulemaking. The proposed Rules do not establish any compliance or reporting requirements, design or operational standards, or directly affect the way any business must operate. Therefore, the provisions contained in Minnesota Statutes 14.115 (1986) do not apply to the proposed Rules discussed herein.

CERTIFICATE OF THE

MINNESOTA HOUSING FINANCE AGENCY

AUTHORIZING RESOLUTION

I, Robert A. Worthington, do hereby certify that I am a member and the 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 25th day of May, 1989, that a quorum was present, and that a majority of those present voted for the resolution which has not been rescinded or modified.

> "RESOLVED, that James J. Solem, Commissioner of the Minnesota Housing Finance Agency, is hereby granted the authority and directed to sign and to give the Notice of the Minnesota Housing Finance Agency's Intent to Adopt a rule without a public hearing, governing the Purchase or Refinance/Rehabilitation Mortgage Loans to all persons who have registered their names with the Agency for that purpose and publish the Notice and rule in the State Register, and to perform any and all acts incidental thereto."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 25th day of May, 1989.

Chairman

Attest by one other Board Member

CERTIFICATE OF THE

MINNESOTA HOUSING FINANCE AGENCY

RESOLUTION ADOPTING THE RULE

I, Robert A. Worthington, do hereby certify that I am a member and the 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 property called and held on the 28th day of September, 1989, that a quorum was present, and that a majority of those present voted for the resolution which has not been rescinded or modified.

"RESOLVED, that the rule relating to Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans is approved and adopted, pursuant to authority vested in the Agency by Minnesota Statutes 462A.06, Subd. 4 and 11. James J. Solem, the Commissioner of the Minnesota Housing Finance Agency is authorized to sign the findings of fact, conclusions, and order adopting the rule and further is authorized to modify the rule if necessary to obtain the approval of the rule by the attorney general and to perform the necessary acts to provide that the rule shall have the force and effect of law."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 28th day of September, 1989.

Robert A. Worthington
Chairman

Demetrius G. Jelatis
Attest by one other Board member

In the Matter of the Proposed Adoption of the Rule of the Minnesota Housing Finance Agency Governing the Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

AFFIDAVIT OF MAILING THE NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING AND CERTIFICATE OF MAILING LIST

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

Susan K. Noren, being sworn says:

I hereby certify that the list of persons and associations who have requested, pursuant to Minnesota Statutes sections 14.14, subdivision 1a and 14.22 or 14.30, that their names be placed on the Minnesota Housing Finance Agency rulemaking mailing list is accurate, complete, and current as of this 11th day of August, 1989.

That on the 11th day of August, 1989, at the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notice of Intent to Adopt a Rule Without a Public Hearing by depositing in the United States mail, a copy thereof, with postage prepaid, to all persons and associations on the aforementioned mailing list.

Susan K Noren

Susan K. Noren
Office Services Supervisor

Subscribed and sworn to before me this 11th day of August, 1989.

R. M. Koran

Notary Public



MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Adoption of the Rule of the Minnesota Housing Finance Agency Governing the Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING

Notice is hereby given that the Minnesota Housing Finance Agency intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in Minnesota Statutes sections 14.22 to 14.28. The statutory authority to adopt the rule is Minnesota Statutes 462A.06, Subd. 4 and 11.

All persons have 30 days in which to submit comment in support of or in opposition to the proposed rule or any part or subpart of the rule. Comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule within the 30-day comment period. If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. If a public hearing is required, the agency will proceed pursuant to Minnesota Statutes, sections 14.131 to 14.20.

Comments or written requests for a public hearing must be submitted to:

Susan K. Noren
Legal Division
Minnesota Housing Finance Agency
Suite 300
400 Sibley Street
St. Paul, Minnesota 55101
Telephone: (612) 296-9794

The proposed rule may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rule as noticed.

A copy of the proposed rule is attached to this notice.

A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available from Susan K. Noren upon request.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General or who wish to receive a copy of the adopted rule, must submit the written request to Susan K. Noren.

Date: August 11, 1989

James J. Solem
Commissioner

Minnesota Housing Finance Agency

Proposed Permanent Rules Relating to Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

Rules as Proposed (all new material)

4900.2000 DEFINITIONS

Subpart 1. **Scope.** For the purpose of part 4900.2005, the following terms have the meanings given them.

Subp. 2. **Purchase and rehabilitation mortgage loan.** "Purchase and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously purchase an existing home and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

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4900.2005 PURCHASE AND REHABILITATION OR REFINANCE AND REHABILITATION MORTGAGE LOANS.

Subpart 1. **Eligible property.** The property to be purchased or refinanced with a purchase and rehabilitation or refinance and rehabilitation mortgage loan must be an existing one-to-four family residential dwelling located in Minnesota. Mobile homes and trailers are not eligible for purchase and rehabilitation or refinance and rehabilitation mortgage loans.

Subp. 2. **Minimum rehabilitation.** Each property financed with a purchase and rehabilitation mortgage loan must require and receive rehabilitation in a dollar amount greater than or equal to 15 percent of the purchase price of the property. Each property financed with a refinance and rehabilitation mortgage

Approved by Revisor

loan must require and receive rehabilitation in a dollar amount greater than or equal to 15 percent of the value of the property prior to rehabilitation.

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A. Rehabilitation improvements must be made in order to comply with applicable state, county, and municipal health, housing, building, fire prevention, and housing maintenance codes, or other public standards applicable to housing; make the property more desirable to live in; increase the market value of the property; make the property more habitable; make the property more accessible to a handicapped person; make the property more energy efficient; or convert the property to or from a one-family residence from or to a two-to-four family residence.

B. Each rehabilitation improvement must be a permanent general improvement. Permanent general improvements include additions, alterations, renovations, or repairs upon or in connection with existing structures that materially preserve or improve the basic livability, safety, or utility of the property. Permanent general improvements do not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

C. Each rehabilitation improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a purchase and rehabilitation or refinance and rehabilitation mortgage loan for a property may be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

Subp. 4. **Scope of rehabilitation.** For purchase and rehabilitation or refinance and rehabilitation mortgage loans in which the cost of the rehabilitation work is over $5,000, the

Approved
by Revisor _____

borrower shall enter into an agreement with a reputable contractor to complete the rehabilitation work in accordance with written bids. Borrowers shall submit a minimum of two written bids from eligible contractors when the cost of the rehabilitation work exceeds $5,000. No contractor is required if the cost of the rehabilitation work is under $5,000. However, in such cases, borrowers shall submit cost estimates and proposals in a form specified by the agency for the rehabilitation work.

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B. Each borrower shall occupy the residence upon completion of the rehabilitation work as the borrower's primary, year-round residence.

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Approved
by Revisor _____

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Approved
by Revisor _____

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

AGENCY: Minnesota Housing Finance Agency

MINNESOTA RULES: Chapter 4900

The attached rules are approved for publication in the State Register

Carla M. Riehle
Assistant Revisor

Minnesota Housing Finance Agency

Proposed Permanent Rules Relating to Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

Rules as Proposed (all new material)

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A. Each borrower shall be a person or family, including nonrelated individual adults, whose adjusted income does not exceed 100 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided, however, that the maximum adjusted income for targeted neighborhoods may not exceed 115 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development. Targeted neighborhoods are specific geographic areas specified by local governments or housing and redevelopment authorities as neighborhoods to receive special emphasis in terms of rehabilitation or preservation of the housing stock.

B. Each borrower shall occupy the residence upon completion of the rehabilitation work as the borrower's primary, year-round residence.

C. Each borrower shall be a reasonable credit risk with the ability to pay the loan obligation in accordance with underwriting standards of the mortgage industry for the type of mortgage loan being provided.

Subp. 6. **Maximum mortgage amount.** The maximum mortgage amount for any purchase and rehabilitation or refinance and rehabilitation mortgage loan must not exceed the maximum mortgage amount for applicable areas of the state for mortgage

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by Revisor _____

loans to be insured by the Federal Housing Administration as determined and adjusted from time to time by the United States Department of Housing and Urban Development.

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by Revisor _____

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

AGENCY: Minnesota Housing Finance Agency

MINNESOTA RULES: Chapter 4900

The attached rules are approved for publication in the State Register

Carla M. Riehle
Assistant Revisor

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Adoption of the Rule of the Minnesota Housing Finance Agency Governing the Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING

(1) Notice is hereby given that the Minnesota Housing Finance Agency intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in Minnesota Statutes sections 14.22 to 14.28. The statutory authority to adopt the rule is Minnesota Statutes 462A.06, Subd. 4 and 11.

(2) All persons have 30 days in which to submit comment in support of or in opposition to the proposed rule or any part or subpart of the rule. (2) Comment is encouraged. (3) Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule within the 30-day comment period. (4) If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. (5) Any (6) person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. (7) If a public hearing is required, the agency will proceed pursuant to Minnesota Statutes, sections 14.131 to 14.20.

(5) (6) Comments or written requests for a public hearing must be submitted to:

Susan K. Noren
Legal Division
Minnesota Housing Finance Agency
Suite 300
400 Sibley Street
St. Paul, Minnesota 55101
Telephone: (612) 296-9794

(8) The proposed rule may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rule as noticed.

(11) A copy of the proposed rule is attached to this notice.

(10) A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available from Susan K. Noren upon request.

(9) If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General or who wish to receive a copy of the adopted rule, must submit the written request to Susan K. Noren.

Date: August 11, 1989

James J. Solem
Commissioner

Minnesota Housing Finance Agency

Proposed Permanent Rules Relating to Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

Rules as Proposed (all new material)

4900.2000 DEFINITIONS

Subpart 1. **Scope.** For the purpose of part 4900.2005, the following terms have the meanings given them.

Subp. 2. **Purchase and rehabilitation mortgage loan.** "Purchase and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously purchase an existing home and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

Subp. 3. **Refinance and rehabilitation mortgage loan.** "Refinance and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously refinance the mortgage debt that is secured by an existing home that the borrower currently owns and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

4900.2005 PURCHASE AND REHABILITATION OR REFINANCE AND REHABILITATION MORTGAGE LOANS.

Subpart 1. **Eligible property.** The property to be purchased or refinanced with a purchase and rehabilitation or refinance and rehabilitation mortgage loan must be an existing one-to-four family residential dwelling located in Minnesota. Mobile homes and trailers are not eligible for purchase and rehabilitation or refinance and rehabilitation mortgage loans.

Subp. 2. **Minimum rehabilitation.** Each property financed with a purchase and rehabilitation mortgage loan must require and receive rehabilitation in a dollar amount greater than or equal to 15 percent of the purchase price of the property. Each property financed with a refinance and rehabilitation mortgage

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loan must require and receive rehabilitation in a dollar amount greater than or equal to 15 percent of the value of the property prior to rehabilitation.

Subp. 3. **Eligible rehabilitation.** All rehabilitation work that is paid for out of the proceeds of a purchase and rehabilitation or refinance and rehabilitation mortgage loan must satisfy the following requirements:

A. Rehabilitation improvements must be made in order to comply with applicable state, county, and municipal health, housing, building, fire prevention, and housing maintenance codes, or other public standards applicable to housing; make the property more desirable to live in; increase the market value of the property; make the property more habitable; make the property more accessible to a handicapped person; make the property more energy efficient; or convert the property to or from a one-family residence from or to a two-to-four family residence.

B. Each rehabilitation improvement must be a permanent general improvement. Permanent general improvements include additions, alterations, renovations, or repairs upon or in connection with existing structures that materially preserve or improve the basic livability, safety, or utility of the property. Permanent general improvements do not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

C. Each rehabilitation improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a purchase and rehabilitation or refinance and rehabilitation mortgage loan for a property may be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

Subp. 4. **Scope of rehabilitation.** For purchase and rehabilitation or refinance and rehabilitation mortgage loans in which the cost of the rehabilitation work is over $5,000, the

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by Revisor _____

borrower shall enter into an agreement with a reputable contractor to complete the rehabilitation work in accordance with written bids. Borrowers shall submit a minimum of two written bids from eligible contractors when the cost of the rehabilitation work exceeds $5,000. No contractor is required if the cost of the rehabilitation work is under $5,000. However, in such cases, borrowers shall submit cost estimates and proposals in a form specified by the agency for the rehabilitation work.

Subp. 5. **Borrower eligibility.** Each borrower shall meet the following requirements:

A. Each borrower shall be a person or family, including nonrelated individual adults, whose adjusted income does not exceed 100 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided, however, that the maximum adjusted income for targeted neighborhoods may not exceed 115 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development. Targeted neighborhoods are specific geographic areas specified by local governments or housing and redevelopment authorities as neighborhoods to receive special emphasis in terms of rehabilitation or preservation of the housing stock.

B. Each borrower shall occupy the residence upon completion of the rehabilitation work as the borrower's primary, year-round residence.

C. Each borrower shall be a reasonable credit risk with the ability to pay the loan obligation in accordance with underwriting standards of the mortgage industry for the type of mortgage loan being provided.

Subp. 6. **Maximum mortgage amount.** The maximum mortgage amount for any purchase and rehabilitation or refinance and rehabilitation mortgage loan must not exceed the maximum mortgage amount for applicable areas of the state for mortgage

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by Revisor _____

loans to be insured by the Federal Housing Administration as determined and adjusted from time to time by the United States Department of Housing and Urban Development.

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by Revisor _____

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

AGENCY: Minnesota Housing Finance Agency

MINNESOTA RULES: Chapter 4900

The attached rules are approved for publication in the State Register

Carla M. Riehle
Assistant Revisor

.1300; .1410; .1450; .1600; .1700; .1800; .2000; .2600; .3000; .3200; .3500; .3510; .3605; .3610; .3620; .3700; .3900; .4600; .4700; .4810; .4900; .5000; .5100; .5200; .5300; .5400; .5600; .5700; .6000 (adopted) 74
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Proposed Rules

Pursuant to Minn. Stat. §§ 14.22, an agency may propose to adopt, amend, suspend or repeal rules without first holding a public hearing, as long as the agency determines that the rules will be noncontroversial in nature. The agency must first publish a notice of intent to adopt rules without a public hearing, together with the proposed rules, in the *State Register*. The notice must advise the public:

1. **that they have 30 days in which to submit comment on the proposed rules;**
2. **that no public hearing will be held unless 25 or more persons make a written request for a hearing within the 30-day comment period;**
3. **of the manner in which persons shall request a hearing on the proposed rules; and**
4. **that the rule may be modified if the modifications are supported by the data and views submitted.**

If, during the 30-day comment period, 25 or more persons submit to the agency a written request for a hearing of the proposed rules, the agency must proceed under the provisions of §§ 14.14-14.20, which state that if an agency decides to hold a public hearing, it must publish a notice of intent in the *State Register*.

Pursuant to Minn. Stat. §§ 14.29 and 14.30, agencies may propose emergency rules under certain circumstances. Proposed emergency rules are published in the *State Register* and, for at least 25 days thereafter, interested persons may submit data and views in writing to the proposing agency.

Minnesota Housing Finance Agency

Proposed Permanent Rules Relating to Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans

Notice of Intent to Adopt a Rule Without a Public Hearing

NOTICE IS HEREBY GIVEN that the Minnesota Housing Finance Agency intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes* sections 14.22 to 14.28. The statutory authority to adopt the rule is *Minnesota Statutes* 462A.06, Subd. 4 and 11.

All persons have 30 days in which to submit comment in support of or in opposition to the proposed rule or any part or subpart of the rule. Comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule within the 30-day comment period. If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. Any person requesting a public hearing should state his or her name and address, and is

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

encouraged to identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. If a public hearing is required, the agency will proceed pursuant to *Minnesota Statutes*, sections 14.131 to 14.20.

Comments or written requests for a public hearing must be submitted to:

Susan K. Noren
Legal Division
Minnesota Housing Finance Agency
Suite 300
400 Sibley Street
St. Paul, Minnesota 55101
Telephone: (612) 296-9794

The proposed rule may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rule as noticed.

A copy of the proposed rule is attached to this notice.

A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available from Susan K. Noren upon request.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General or who wish to receive a copy of the adopted rule, must submit the written request to Susan K. Noren.

Dated: 11 August 1989

James J. Solem
Commissioner

Rules as Proposed (all new material)

4900.2000 DEFINITIONS

Subpart 1. **Scope.** For the purpose of part 4900.2005, the following terms have the meanings given them.

Subp. 2. **Purchase and rehabilitation mortgage loan.** "Purchase and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously purchase an existing home and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

Subp. 3. **Refinance and rehabilitation mortgage loan.** "Refinance and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously refinance the mortgage debt that is secured by an existing home that the borrower currently owns and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

4900.2005 PURCHASE AND REHABILITATION OR REFINANCE AND REHABILITATION MORTGAGE LOANS.

Subpart 1. **Eligible property.** The property to be purchased or refinanced with a purchase and rehabilitation or refinance and rehabilitation mortgage loan must be an existing one-to-four family residential dwelling located in Minnesota. Mobile homes and trailers are not eligible for purchase and rehabilitation or refinance and rehabilitation mortgage loans.

Subp. 2. **Minimum rehabilitation.** Each property financed with a purchase and rehabilitation mortgage loan must require and receive rehabilitation in a dollar amount greater than or equal to 15 percent of the purchase price of the property. Each property financed with a refinance and rehabilitation mortgage loan must require and receive rehabilitation in a dollar amount greater than or equal to 15 percent of the value of the property prior to rehabilitation.

Subp. 3. **Eligible rehabilitation.** All rehabilitation work that is paid for out of the proceeds of a purchase and rehabilitation or refinance and rehabilitation mortgage loan must satisfy the following requirements:

A. Rehabilitation improvements must be made in order to comply with applicable state, county, and municipal health, housing, building, fire prevention, and housing maintenance codes, or other public standards applicable to housing; make the property more desirable to live in; increase the market value of the property; make the property more habitable; make the property more accessible to a handicapped person; make the property more energy efficient; or convert the property to or from a one-family residence from or to a two-to-four family residence.

B. Each rehabilitation improvement must be a permanent general improvement. Permanent general improvements include additions, alterations, renovations, or repairs upon or in connection with existing structures that materially preserve or improve the basic livability, safety, or utility of the property. Permanent general improvements do not include materials, fixtures, or landscaping

of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

C. Each rehabilitation improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a purchase and rehabilitation or refinance and rehabilitation mortgage loan for a property may be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

Subp. 4. **Scope of rehabilitation.** For purchase and rehabilitation or refinance and rehabilitation mortgage loans in which the cost of the rehabilitation work is over $5,000, the borrower shall enter into an agreement with a reputable contractor to complete the rehabilitation work in accordance with written bids. Borrowers shall submit a minimum of two written bids from eligible contractors when the cost of the rehabilitation work exceeds $5,000. No contractor is required if the cost of the rehabilitation work is under $5,000. However, in such cases, borrowers shall submit cost estimates and proposals in a form specified by the agency for the rehabilitation work.

Subp. 5. **Borrower eligibility.** Each borrower shall meet the following requirements:

A. Each borrower shall be a person or family, including nonrelated individual adults, whose adjusted income does not exceed 100 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided, however, that the maximum adjusted income for targeted neighborhoods may not exceed 115 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development. Targeted neighborhoods are specific geographic areas specified by local governments or housing and redevelopment authorities as neighborhoods to receive special emphasis in terms of rehabilitation or preservation of the housing stock.

B. Each borrower shall occupy the residence upon completion of the rehabilitation work as the borrower's primary, year-round residence.

C. Each borrower shall be a reasonable credit risk with the ability to pay the loan obligation in accordance with underwriting standards of the mortgage industry for the type of mortgage loan being provided.

Subp. 6. **Maximum mortgage amount.** The maximum mortgage amount for any purchase and rehabilitation or refinance and rehabilitation mortgage loan must not exceed the maximum mortgage amount for applicable areas of the state for mortgage loans to be insured by the Federal Housing Administration as determined and adjusted from time to time by the United States Department of Housing and Urban Development.

Pollution Control Agency

Proposed Permanent Rules Relating to Water Quality Permit Fees

Notice of Intent to Adopt Rules Without a Public Hearing and of Intent to Adopt Rules With a Public Hearing if 25 or More Persons Request a Hearing

NOTICE IS HEREBY GIVEN that the Minnesota Pollution Control Agency (Agency) intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes* §§ 14.22 to 14.28 (1988). The proposed rules, if adopted, will raise all water quality permit fees a uniform 20 percent. This is the increase necessary to collect the increased total fee revenue required as a result of action taken during the 1989 legislative session, (*Minnesota Laws 1989*, ch. 335). The Agency's authority to adopt the rule is set forth in *Minnesota Statutes* § 116.07, subd. 4d (1988).

All persons have until 4:30 p.m. on September 13, 1989, to submit comments in support of or in opposition to the proposed rules or any part or subpart of the rules. Comment is encouraged. Each comment should identify the portion of the proposed rules addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rules within the comment period. If 25 or more persons submit a written request for a public hearing within the comment period, the public hearing will be held unless a sufficient number

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Adoption of the Rule of the Minnesota Housing Finance Agency Governing the Purchase and Rehabilitation or Refinance and Rehabilitation Mortgage Loans	FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULE WITHOUT PUBLIC HEARING

(1) Notice of the Commissioner's intent to adopt the above-entitled rule was published in the State Register on August 14, 1989 and was sent by United States mail to all persons on the list maintained by the agency pursuant to Minnesota Statutes, sections 14.14, subdivision 1a and 14.22 on August 14, 1989. (2) The statement of need and reasonableness was prepared before the notice of intent to adopt a rule without a public hearing was mailed to all persons on the rulemaking mailing list and published in the State Register and was available to the public.

(4) All persons were given the opportunity to submit comment on the rule for 30 days after notice of proposed rulemaking. (5) No requests for a public hearing on the rule were received by the agency.

(6) No submissions or comments on the rule were received by the agency. (7) No requests for notice of submission to the attorney general were received by the agency.

Based on the comments and evidence in the record before the Agency, I find the following:

(8) The above-captioned rule is needed and reasonable.

(8) NOW, THEREFORE, IT IS ORDERED that the rule identified as 4900.2000-4900.2005 is adopted this 28th day of September, 1989, (9) pursuant to authority vested in the Agency by Minnesota Statutes, sections 462A.06 Subd. 4 and 11.

(9)

James J. Solem, Commissioner

In the Matter of the Adoption
of the Rule of the Minnesota
Housing Finance Agency Governing the
Purchase and Rehabilitation or
Refinance and Rehabilitation
Mortgage Loans

DECLARATION
OF COUNSEL

I, William H. Kuretsky, Special Assistant Attorney General, do hereby declare that I have examined the above-captioned rule, and the supporting rulemaking record, and that, based on my examination, the Administrative Procedure Act and Minnesota Rules, chapter 2010 have been followed, Any exceptions are listed below. For Attorney General billing purposes, the four-digit docket client code is 0450.

William H. Kuretsky
Special Assistant Attorney General

Dated: October 10, 1989

arc minnesota
Association for Retarded Citizens
3225 Lyndale Avenue South, Minneapolis, MN 55408-3699
Toll Free 1-(800)-582-5256
(612)-827-5641

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EXECUTIVE DIRECTOR
Susan Abderholden

August 22, 1989



Susan K. Noren
Legal Division
Minnesota Housing Finance Agency
Suite 300
400 Sibley Street
St. Paul, Minnesota 55101

Dear Ms. Noren:

I am writing on behalf of the ARC MN in regards to the proposed permanent rules relating to purchase and rehabilitation or refinance and rehabilitation mortgage loans. ARC MN is a non-profit organization comprised of 8,000 members dedicated to improving the lives of people with mental retardation and related conditions.

Our concerns with the proposed rule are as follows:

4900.2005, Subp. 2. - The 15% requirement for minimum rehabilitation is too high. As you probably are aware, many homes in the metro area cost $85,000 or more. Using the 15% standard would require families to have rehabilitation costs of $12,750 or more. Many families need to rehabilitate their family homes but will have costs that are under the 15% yet need access to this program. We would recommend bringing that figure down to at least 10%.

4900.2005, Subp. 5. - Guardians of adults with mental retardation and related conditions sometimes purchase a home for their son/daughter and the mortgage payment is paid with their SSI or MSA income. The wording of this section would prohibit a guardian from borrowing money to make the house accessible because the borrower (the guardian) will not reside there, even though the person on whose behalf they are borrowing money will reside there. We recommend that you allow an exception for people who are under guardianship or conservatorship to allow their representative to borrow on their behalf.

Thank you in advance for consideration of our concerns. If you have any questions, please do not hesitate to contact me.

Sincerely,

Sue Abderholden

Sue Abderholden
Executive Director