

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

SF-00006-05 (4/86)

DEPARTMENT : ATTORNEY GENERAL

STATE OF MINNESOTA

Office Memorandum

DATE : March 12, 1990

TO : JAMES J. SOLEM, Commissioner
Housing Finance Agency
400 Sibley Street, Suite 300 (55101)

FROM : CHARLENE HATCHER CH
Special Assistant Attorney General
525 Park Street, Suite 404 (55103)

PHONE : 296-9422

SUBJECT : In the Matter of the Adopted Permanent Rule Relating to Neighborhood Preservation Home Improvement Loans

The above-referenced Permanent rule has been approved as to its legality by the Attorney General on March 8, 1990.

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 the 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.

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

CH.

RULE REVIEW CHECKLIST

File No. 1674 — Docket No. 05-0009-0450

DATE RECEIVED 2-27-90 — ADOPTED W/O HEARING X

REVIEW DATE 3-8-90 — EMERGENCY RULE _____

DUE DATE 3-13-90 — To Revisor: 2-28-90

REVISOR APPROVED 3-7-90

APPROVED 3-8-90 — REVISOR DISAPPROVED _____

DISAPPROVED _____ — FILED W/SEC. OF STATE 3-12-90

WITHDRAWN _____ — RETURNED TO AGENCY _____

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4 Rule as adopted (4 copies)

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

_____ Petition for Adoption of a Rule (if applicable)

✓ Board's Authorizing Resolution missing* Received 3-6-90
- Oct 26, 1989 Date adopted

✓ Proposed Rule
- ✓ Revisor's Certificate

✓ Notice of Intent to Adopt Rule
- 462A.06 subd 4b Statutory Authority
- _____ Small Business Statement
- _____ Expenditure of public money statement
- Jan 5, 1990 Signature

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

✓ Affidavit of Mailing Notice of Intent to Adopt Rule
- Jan 5, 1990 Date (30)/25 days before adoption
- ✓ Notice attached
- _____ Copy of rule or summary attached

✓ Publication in State Register
- January 8, 1990 Date (30)/25 days before adoption

✓ 180-day deadline from:
- NA Effective date of law requiring rule (14.12) (both rules) — not mandatory, not new
- ✓ end of comment period (§ 14.26) (rules without hearing)
- _____ effective date of statutory authority (§ 14.29) (emergency rules)

_____ Resolution Adopting
- Feb 22, 1990 Date adopted

✓ Findings of Fact, Conclusions & Order Adopting
- Feb 22, 1990 Date

_____ Written requests, submissions or comments

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

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

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

* See memo Gerry to send it

Housing Finance Agency

Adopted Permanent Rules Relating to Neighborhood Preservation Home Improvement Loans

Rules as Adopted

4900.0010 DEFINITIONS.

[For text of subps 1 to 22, see M.R. 1989]

Subp. 23. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means:

[For text of items A to E, see M.R. 1989]

F. With respect to neighborhood preservation home improvement loans pursuant to parts 4900.2300 to 4900.2340, those persons and families whose gross annual income does not exceed the income limits established by any agency of the federal government with respect to federally subsidized mortgages for low and moderate income families.

NEIGHBORHOOD PRESERVATION HOME IMPROVEMENT LOANS

4900.2300 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.2300 to 4900.2340 have the meanings given them in this part.

Subp. 2. **City.** "City" has the meaning given in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 3. **Designated neighborhood.** "Designated neighborhood" means that geographic area identified by a city that has been approved by the agency as a designated neighborhood and has the following characteristics:

A. is within an incorporated city;

B. has definite geographical boundaries; and

C. consists primarily of residential-use structures.

Subp. 4. **Eligible applicants.** "Eligible applicants" means general applicants and other applicants.

Subp. 5. **General applicants.** "General applicants" means applicants who are:

A. natural persons or families of low or moderate

income who occupy the property to be improved as a single-family structure;

B. natural persons or families of low or moderate income who own existing residential housing occupied by renters, provided the applicant complies with the agency's required occupancy requirement;

C. nonprofit entities, limited profit entities, or cooperative housing corporations that provide:

(1) residential care facilities for mentally ill, mentally retarded, physically handicapped, or drug dependent persons; or

(2) dwelling accommodations for persons or families of low and moderate income; or

(3) dwelling accommodations for other persons or families when the agency determines it necessary to further its policy of economic integration.

Subp. 6. **Neighborhood preservation home improvement loan.** "Neighborhood preservation home improvement loan" means a loan administered under parts 4900.2300 to 4900.2340.

Subp. 7. **Other applicants.** "Other applicants" means:

A. natural persons and families who are not of low and moderate income;

B. natural persons and families of low and moderate income who own existing residential housing occupied by renters, where the applicant does not comply with the agency's required occupancy requirement;

C. corporations and partnerships that provide:

(1) dwelling accommodations for persons or families of low or moderate income; or.

(2) dwelling accommodations for other persons or families when the agency determines it necessary to further its policy of economic integration.

4900.2310 PROPOSALS FOR LOANS.

Subpart 1. **Requests for proposals.** From time to time, the agency may request proposals from cities for neighborhood

preservation home improvement loans for a period of not less than 60 days on a form specified by the agency.

Subp. 2. **Selection of proposals.** The agency shall select proposals for funding based on the following criteria:

A. the relative neighborhood preservation needs described in the proposal, including, but not limited to, housing needs, the needs of commercial and public properties, and infrastructure;

B. the extent to which other resources are or will be allocated to address the stated needs;

C. the expected impact of the neighborhood preservation activities;

D. the extent to which other conditions or resources exist for long-term preservation of the designated neighborhood;

E. the extent to which low and moderate income residents will benefit from the neighborhood preservation activities;

F. the extent to which displacement of residents will be minimized;

G. the geographic area to be serviced, the size of the request for funds, or other factors that will achieve a reasonable distribution of resources across the state;

H. the priority rating a city may assign to a proposal if the city submits more than one proposal; and

I. the extent to which the proposal is more innovative than other proposals.

4900.2320 ELIGIBLE LOAN APPLICATIONS.

Subpart 1. **Eligible borrowers.** An eligible borrower must be an eligible applicant that also meets the ownership interest and credit risk requirements specified in this part.

Subp. 2. **Ownership interest.** Each eligible borrower for a neighborhood preservation home improvement loan must individually or in the aggregate possess at least a one-third interest in fee, in a contract for deed, or in a life estate in the property to be improved. However, occupancy of the property

by the eligible borrower is not required.

For manufactured or factory-made housing taxed as personal property or not permanently affixed to real property, an eligible borrower must individually or in the aggregate have a 100 percent interest in the title to the housing to be improved.

Subp. 3. **Credit risk.** Each eligible borrower must be a reasonable credit risk with the ability to pay the loan obligation as determined by the agency or by the lending institution, if any, servicing the loan on behalf of the agency pursuant to part 4900.0080.

Subp. 4. **Compliance with zoning ordinances.** The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

Subp. 5. **Use of property restricted.** The property must be used primarily for residential purposes.

Subp. 6. **Time of completion.** All improvements must be reasonably capable of being completed within nine months of the date of the disbursement of funds, except for delays due to causes beyond the applicant's reasonable control, such as fire, strike, and shortage of materials.

Subp. 7. **Unavailability of financing.** At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 8. **Required occupancy.** Except as parts 4900.2300 to 4900.2340 apply to other applicants, owners of residential housing occupied by renters shall give preference in renting the improved housing units to those persons of low or moderate income who occupied the residential housing at the time of application for the loan. Upon completion of the improvements, structures containing six rental units or fewer must be occupied by persons and families of low and moderate income in at least one of the units in the case of a one-unit or two-unit rental structure, two of the units in the case of a three-unit rental structure, three of the units in the case of a four-unit rental structure, four of the units in the case of a five-unit or six-unit rental structure, and at least 75 percent of the rental

units in the case of rental structures containing more than six units.

4900.2330 RESTRICTION ON FUNDS.

At least 75 percent of funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood must be dedicated to make loans to general applicants.

No more than 25 percent of the funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood may be used to make loans to other applicants.

4900.2340 ELIGIBLE USES OF LOAN PROCEEDS.

Subpart 1. **Eligible improvements.** An improvement financed with the proceeds of a neighborhood preservation home improvement loan must meet all of the requirements of part 4900.0520.

Subp. 2. **Refinancing.** Up to 50 percent of the proceeds of a neighborhood preservation home improvement loan may be used to pay the balance on contracts for deed or mortgages involving the property to be improved, provided such action is necessary to permit the owner to meet the owner's housing cost without expending an unreasonable portion of the owner's income.

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
MAR 12 1990
Joan Anderson Growe
Secretary of State
11:45 AM

APPROVED AS TO LEGALITY
March 8, 1990
HUBERT H. HUMPHREY, III
ATTORNEY GENERAL
BY Charlene M. Hatcher
SPECIAL ASSISTANT ATTORNEY GENERAL

MINNESOTA HOUSING FINANCE AGENCY

Due Norwin 6-97 94

Celebrate MINNESOTA 1990

February 26, 1990

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 Neighborhood Preservation Home Improvement 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 not receive any comments during the 30 day comment period, nor did it 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.

Stat auth. 462A.06 Subd 4 and 11

462A.06 subd 4

Agency may make, and ... rules not inconsistant with 462A.01 to 462A.24

462A.06 subd 11

It may make and publish rules pursuant to Chapter 14 respecting lending ... and other rules as are necessary to effectuate

3-1-90 missing authorizing resolution
told Jim Signa missing resolution
3-2-90 Sue Norton said she would send it

MINNESOTA HOUSING FINANCE AGENCY

Celebrate MINNESOTA 1990

March 5, 1990

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 Neighborhood Preservation Home Improvement Loans.

Dear Ms. Nolte:

Pursuant to your request I have enclosed a copy of the Agency's Authorizing Resolution.

If you need further Assistance, call me at 296-9794.

Sincerely,

Susan K. Noren rjd.

Susan K. Noren
Office Systems Supervisor
Legal Division

SKN:rjd

Enclosure

400 Sibley Street, Suite 300, St. Paul, Minnesota 55101 (612) 296-7608 Telecopier (612) 296-8139
Equal Opportunity Housing and Equal Opportunity Employment

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 26th day of October, 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 Neighborhood Preservation Home Improvement 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 26th day of October, 1989.

Robert A. Worthington
Chairman

Shirley Van Dyck
Attest by one other Board Member

In the Matter of the Proposed Adoption of the Rule of the Minnesota Housing Finance Agency Governing the Neighborhood Preservation Home Improvement 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)

Julie A. Maloney, 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 5th day of January, 1990

That on the 5th day of January, 1990, 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.

Julie A. Maloney
Clerk Typist 4/Supervisor

Subscribed and sworn to before me this 5th day of January, 1990.

Susan K. Noren
Notary Public

SUSAN K. NOREN
NOTARY PUBLIC-MINNESOTA
RAMSEY COUNTY
MY COMMISSION EXPIRES APRIL 8, 1991

State of Minnesota

Minnesota Housing Finance Agency

In the Matter of the Proposed
Adoption of Rules of the Minnesota
Housing Finance Agency Governing
Neighborhood Preservation Home
Improvement Loans

Statement of Need and Reasonableness

4900.0010

This part sets forth definitions for the purpose of Parts 4900.2300 to 4900.2340.

Subpart 23.F.

The Agency has adopted policy to provide housing rehabilitation financing assistance to individuals and families of low and moderate income. This subpart is necessary to define low and moderate income persons and families. A definition using the income limits set by an agency of the federal government is reasonable, as these limits are regularly reviewed and adjusted to reflect economic conditions in various Minnesota areas.

4900.2300

This part establishes definitions for various elements of neighborhood preservation home improvement loans.

Subpart 1

This subpart is necessary to identify the parts of the rules for which the definitions in this part are applicable.

Subpart 2

This subpart defines a city for the purpose of establishing what entity is eligible to designate a neighborhood and to submit a request for funding.

It is reasonable to use this definition, as cities are the unit of local government which are best qualified to identify a neighborhood needing assistance.

Subpart 3

This subpart identifies the minimum characteristics necessary for a geographic area to be considered as a designated neighborhood.

The definition of a designated neighborhood is necessary to assist the city and the Agency in targeting the loans and measuring the impact of the loans within the neighborhood.

It is reasonable to use the elements cited, as virtually all neighborhoods are within an incorporated city, have definite boundaries, and consist of structures used primarily for residential purposes. These minimum elements are also general enough to provide flexibility to a city in their designation of a neighborhood.

It is also reasonable to require Agency approval of a neighborhood designation to ensure scarce resources can be targeted to neighborhoods most needing assistance and resulting in the most impact.

Subpart 4

This subpart establishes that there are two types of applicants. It is necessary to have two types of applicants, as the statutory authority for these loans indicates that at least 75% of the funds must be made available to applicants meeting the Agency's normal definition of eligible applicants, while up to 25% of the funds may be made available to entities not meeting the Agency's normal definition of eligible applicants.

Subpart 5

The Agency is restricted by MS462A.03, Subdivision 13 to making loans to those persons or entities listed.

It is reasonable and necessary to use this definition for a general applicant for these loans because of the statutory requirement that at least 75% of funds committed to a neighborhood be made available to this type of applicant.

Subpart 6

This subpart is necessary to identify the parts of rules which apply to the program.

Subpart 7

By statute, up to 25% of funds committed to a neighborhood may be made available to those applicants who do not meet the general applicant definition.

It is necessary to provide housing rehabilitation financing assistance to these other applicants, as the primary purpose of these loans is to improve most of the housing in a designated neighborhood.

This subpart, in conjunction with Subpart 4, will ensure that most property owners will have access to funds when the improvements will benefit the entire designated neighborhood.

This subpart will also support the Agency's policy of economic integration within the designated neighborhood.

4900.2310

This part establishes criteria for cities to request a commitment of neighborhood preservation home improvement funding to improve a designated neighborhood.

Subpart 1

This subpart allows the Agency to solicit requests for funding from eligible cities. The Agency must allow cities at least 60 days to submit their proposals.

Subpart 2

This subpart lists the essential elements which must be included in a city's request for funding.

The specific elements are necessary to ensure that limited financial resources are awarded to the funding proposals having the greatest need and the greatest expected impact on the designated neighborhoods.

The specific elements requested are reasonable to adequately compare competitive proposals, and to ensure the city has exercised care and diligence in identifying an eligible neighborhood and its needs.

4900.2320

This part identifies various eligibility criteria for borrowers, properties, and financing.

Subpart 1

An eligible borrower must be either a general applicant or an other applicant, and must qualify for a loan in all other aspects.

Subpart 2

Most loans will be secured with a mortgage against the property to be improved. To obtain a valid and enforceable mortgage as security, the Agency has as its policy that borrowers must have the necessary ownership interest indicated. The required ownership interest is identical to the requirement in other Agency home improvement programs. It is reasonable to require borrowers to have an ownership interest in order to obtain valid and enforceable mortgages, and to ensure that borrowers have an incentive to repay the loan.

Subpart 3

To obtain financing for these loans, the Agency must ensure that the borrowers are reasonable credit risks, and they must have a demonstrated ability to repay the loans. This requirement is both reasonable and necessary for the Agency to meet its fiduciary responsibilities.

Subpart 4

This provision is necessary so that the state does not subsidize or encourage violations of zoning ordinances or other land use guides.

Subpart 5

This subpart is necessary and reasonable because the purpose of the program is to improve existing residential housing in a designated neighborhood, not commercial or public property.

Subpart 6

It is necessary to limit the amount of time necessary for a borrower to complete the work in order to ensure the funds are spent for the intended purposes and the impact of the improvements on the neighborhood will occur within a measurable time.

Nine months is a reasonable time period for the completion of work, as this allows adequate time to accommodate seasonal construction periods.

Subpart 7

Conventional financing means financing which is not subsidized and is available to any similarly situated borrower.

Private lenders generally mean for-profit entities which are regularly engaged in making interest-bearing loans for the purpose of financing housing rehabilitation. This subpart is reasonable because the purpose of the program is to provide financing with terms and conditions which will encourage investment in housing that might not occur given terms and conditions of conventional loans.

Subpart 8

The Agency is mandated by statute to require general applicants that own rental properties to give preference in housing to low and moderate income tenants who occupied the housing at the time of application for the loan, and to establish conditions for insuring that the housing will be occupied by persons and families of low and moderate income upon completion of the improvements.

The occupancy requirement does not require all units in a multi-unit property to be occupied by low and moderate income persons or families. It is reasonable to allow higher income occupants in the properties, as this promotes the Agency's policy of economic integration.

4900.2330

This part specifies the amount of funds which are to be made available within a designated neighborhood to general applicants and to other applicants. The rule is necessary and reasonable as the amounts made available to the two types of applicants is a statutory requirement.

4900.2340

This part specifies the eligible uses of loan proceeds.

Subpart 1

Eligible improvements are limited to those eligible in the Agency's Home Improvement Loan Programs.

It is necessary to limit the types of eligible improvements to ensure compliance with the federal government's requirements governing uses of tax-exempt bond proceeds and to not finance frivolous improvements.

It is reasonable to use the Home Improvement Loan Program's regulations as the definitions of eligible improvements, as the regulations are the most familiar to Agency staff, city staff, and the Agency's financial investors.

Additionally, the Agency's Home Improvement Loan Program's regulations are sufficiently broad in their language and implementation as to provide for the financing of a broad scope of various improvements. It is therefore reasonable to use these regulations to provide the necessary flexibility to applicants and cities in doing improvements to individual properties within designated neighborhoods.

Subpart 2

This subpart allows up to 50% of the loan proceeds to be used to satisfy a mortgage or contract-for-deed involving the property to be improved, provided it is necessary to enable borrowers to meet prudent lending affordability standards.

This action is reasonable when it is done to enable a borrower to reduce their total monthly payment obligations to afford the new monthly payment on the neighborhood preservation home improvement loan.

It is reasonable to restrict the amount of funds available to refinance existing mortgages or contracts-for-deed because the primary purpose of the program is the finance of property improvements and because the debt the Agency will issue to finance loans will be short term debt, making large refinancings with short terms impractical.

The Agency is cognizant of the provisions of Section 14.115 of Minnesota Statutes, entitled Small Business Considerations in Rulemaking. To the extent that the loan funds directly benefit the low and moderate income occupants in structures within the Agency's Program, the statute is inapplicable. To the extent that the funds may inure to the benefit of small businesses, the proposed rules do not establish any compliance or reporting requirements, design or operational standards not mandated by the federal government, and the effect of the Agency's Program in making the loan funds available is to make decent, safe, and sanitary housing affordable primarily for low and moderate income persons and, as a consequence, the proposed regulations have no negative effect on small businesses.

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 22nd day of February, 1990, 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 Neighborhood Preservation Home Improvement 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 22nd day of February, 1990.

Robert A. Worthington
Chairman

Attest by one other Board member

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

RESOLUTION NO. MHFA 90-7

RESOLUTION AUTHORIZING ADOPTION OF RULES RELATING TO NEIGHBORHOOD PRESERVATION HOME IMPROVEMENT LOANS WITHOUT A PUBLIC HEARING

That the rule relating to Neighborhood Preservation Home Improvement 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 by name this 22nd day of February, 1990.

Chairman

Housing Finance Agency

Adopted Permanent Rules Relating to Neighborhood Preservation Home Improvement Loans

Rules as Adopted

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[For text of subps 1 to 22, see M.R. 1989]

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NEIGHBORHOOD PRESERVATION HOME IMPROVEMENT LOANS

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Subpart 1. **Requests for proposals.** From time to time, the agency may request proposals from cities for neighborhood

preservation home improvement loans for a period of not less than 60 days on a form specified by the agency.

Subp. 2. **Selection of proposals.** The agency shall select proposals for funding based on the following criteria:

A. the relative neighborhood preservation needs described in the proposal, including, but not limited to, housing needs, the needs of commercial and public properties, and infrastructure;

B. the extent to which other resources are or will be allocated to address the stated needs;

C. the expected impact of the neighborhood preservation activities;

D. the extent to which other conditions or resources exist for long-term preservation of the designated neighborhood;

E. the extent to which low and moderate income residents will benefit from the neighborhood preservation activities;

F. the extent to which displacement of residents will be minimized;

G. the geographic area to be serviced, the size of the request for funds, or other factors that will achieve a reasonable distribution of resources across the state;

H. the priority rating a city may assign to a proposal if the city submits more than one proposal; and

I. the extent to which the proposal is more innovative than other proposals.

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Subp. 2. **Ownership interest.** Each eligible borrower for a neighborhood preservation home improvement loan must individually or in the aggregate possess at least a one-third interest in fee, in a contract for deed, or in a life estate in the property to be improved. However, occupancy of the property

by the eligible borrower is not required.

For manufactured or factory-made housing taxed as personal property or not permanently affixed to real property, an eligible borrower must individually or in the aggregate have a 100 percent interest in the title to the housing to be improved.

Subp. 3. **Credit risk.** Each eligible borrower must be a reasonable credit risk with the ability to pay the loan obligation as determined by the agency or by the lending institution, if any, servicing the loan on behalf of the agency pursuant to part 4900.0080.

Subp. 4. **Compliance with zoning ordinances.** The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

Subp. 5. **Use of property restricted.** The property must be used primarily for residential purposes.

Subp. 6. **Time of completion.** All improvements must be reasonably capable of being completed within nine months of the date of the disbursement of funds, except for delays due to causes beyond the applicant's reasonable control, such as fire, strike, and shortage of materials.

Subp. 7. **Unavailability of financing.** At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 8. **Required occupancy.** Except as parts 4900.2300 to 4900.2340 apply to other applicants, owners of residential housing occupied by renters shall give preference in renting the improved housing units to those persons of low or moderate income who occupied the residential housing at the time of application for the loan. Upon completion of the improvements, structures containing six rental units or fewer must be occupied by persons and families of low and moderate income in at least one of the units in the case of a one-unit or two-unit rental structure, two of the units in the case of a three-unit rental structure, three of the units in the case of a four-unit rental structure, four of the units in the case of a five-unit or six-unit rental structure, and at least 75 percent of the rental

units in the case of rental structures containing more than six units.

4900.2330 RESTRICTION ON FUNDS.

At least 75 percent of funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood must be dedicated to make loans to general applicants.

No more than 25 percent of the funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood may be used to make loans to other applicants.

4900.2340 ELIGIBLE USES OF LOAN PROCEEDS.

Subpart 1. **Eligible improvements.** An improvement financed with the proceeds of a neighborhood preservation home improvement loan must meet all of the requirements of part 4900.0520.

Subp. 2. **Refinancing.** Up to 50 percent of the proceeds of a neighborhood preservation home improvement loan may be used to pay the balance on contracts for deed or mortgages involving the property to be improved, provided such action is necessary to permit the owner to meet the owner's housing cost without expending an unreasonable portion of the owner's income.

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Adoption of the Rule of the Minnesota Housing Finance Agency Governing the Neighborhood Preservation Home Improvement 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. Comment is encouraged. (3) Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

(4) 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. 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.

(5) 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.

(12) 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: January 5, 1990

James J. Solem
Commissioner

C. funds to install, repair, or improve target area infrastructure;

D. fees from community development activities;

E. financial contributions to support general obligation or revenue bonds issued for the Housing Preservation Program, or a project connected with the program; or

F. the greater of market value or cost to the city of land, buildings, equipment, or other real or personal property granted or loaned to a for-profit or nonprofit corporation or other entity or individual for use in implementing the program.

4900.2260 ADVISORY COMMITTEE.

Before making any loans, a city must establish an advisory committee to assist in implementing the program. The city shall determine this committee's composition and responsibilities.

4900.2270 GRANT PROPOSAL SELECTION.

From time to time the agency may request proposals for grants from cities and shall receive proposals for at least 60 days. Only one target area may be included in each proposal submitted, but a city may submit proposals for more than one target area.

The agency shall select grant proposals for funding based on the following factors:

A. the extent of substandard or hazardous housing conditions in the target area, the impact the program will have in reducing or eliminating them;

B. the extent to which displacement of low and moderate income tenants will be minimized;

C. adequacy of documentation, including that required to establish target area eligibility;

D. revolving loan fund characteristics, and the extent to which proposed lending activities do not duplicate available agency programs that are adequately funded;

E. administrative capabilities of the city or the entity that will administer the program on behalf of the city; and

F. the geographic area to be serviced, the size of grant request or other factors, to the end that a reasonable distribution of resources can be achieved across the state.

Housing Finance Agency

Proposed Permanent Rules Relating to Neighborhood Preservation Home Improvement 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

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.

Legal Division
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101-1998
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: 5 January 1990

James J. Solem
Commissioner

Rules as Proposed

4900.0010 DEFINITIONS.

[For text of subps 1 to 22, see M.R. 1989]

Subp. 23. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means:

[For text of items A to E, see M.R. 1989]

F. With respect to neighborhood preservation home improvement loans pursuant to parts 4900.2300 to 4900.2340, those persons and families whose gross annual income does not exceed the income limits established by any agency of the federal government with respect to federally subsidized mortgages for low and moderate income families.

NEIGHBORHOOD PRESERVATION HOME IMPROVEMENT LOANS

4900.2300 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.2300 to 4900.2340 have the meanings given them in this part.

Subp. 2. **City.** "City" has the meaning given in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 3. **Designated neighborhood.** "Designated neighborhood" means that geographic area identified by a city that has been approved by the agency as a designated neighborhood and has the following characteristics:

A. is within an incorporated city;

B. has definite geographical boundaries; and

C. consists primarily of residential-use structures.

Subp. 4. **Eligible applicants.** "Eligible applicants" means general applicants and other applicants.

Subp. 5. **General applicants.** "General applicants" means applicants who are:

A. natural persons or families of low or moderate income who occupy the property to be improved as a single-family structure;

B. natural persons or families of low or moderate income who own existing residential housing occupied by renters, provided the applicant complies with the agency's required occupancy requirement;

C. nonprofit entities, limited profit entities, or cooperative housing corporations that provide:

(1) residential care facilities for mentally ill, mentally retarded, physically handicapped, or drug dependent persons; or

(2) dwelling accommodations for persons or families of low and moderate income; or

(3) dwelling accommodations for other persons or families when the agency determines it necessary to further its policy of economic integration.

Subp. 6. **Neighborhood preservation home improvement loan.** "Neighborhood preservation home improvement loan" means a loan administered under parts 4900.2300 to 4900.2340.

Subp. 7. **Other applicants.** "Other applicants" means:

A. natural persons and families who are not of low and moderate income;

B. natural persons and families of low and moderate income who own existing residential housing occupied by renters, where the applicant does not comply with the agency's required occupancy requirement;

C. corporations and partnerships that provide:

(1) dwelling accommodations for persons or families of low or moderate income; or

(2) dwelling accommodations for other persons or families when the agency determines it necessary to further its policy of economic integration.

4900.2310 PROPOSALS FOR LOANS.

Subpart 1. **Requests for proposals.** From time to time, the agency may request proposals from cities for neighborhood preservation home improvement loans for a period of not less than 60 days on a form specified by the agency.

Subp. 2. **Selection of proposals.** The agency shall select proposals for funding based on the following criteria:

A. the relative neighborhood preservation needs described in the proposal, including, but not limited to, housing needs, the needs of commercial and public properties, and infrastructure;

B. the extent to which other resources are or will be allocated to address the stated needs;

C. the expected impact of the neighborhood preservation activities;

D. the extent to which other conditions or resources exist for long-term preservation of the designated neighborhood;

E. the extent to which low and moderate income residents will benefit from the neighborhood preservation activities;

F. the extent to which displacement of residents will be minimized;

G. the geographic area to be serviced, the size of the request for funds, or other factors that will achieve a reasonable distribution of resources across the state;

H. the priority rating a city may assign to a proposal if the city submits more than one proposal; and

I. the extent to which the proposal is more innovative than other proposals.

4900.2320 ELIGIBLE LOAN APPLICATIONS.

Subpart 1. **Eligible borrowers.** An eligible borrower must be an eligible applicant that also meets the ownership interest and credit risk requirements specified in this part.

Subp. 2. **Ownership interest.** Each eligible borrower for a neighborhood preservation home improvement loan must individually or in the aggregate possess at least a one-third interest in fee, in a contract for deed, or in a life estate in the property to be improved. However, occupancy of the property by the eligible borrower is not required.

For manufactured or factory-made housing taxed as personal property or not permanently affixed to real property, an eligible borrower must individually or in the aggregate have a 100 percent interest in the title to the housing to be improved.

Subp. 3. **Credit risk.** Each eligible borrower must be a reasonable credit risk with the ability to pay the loan obligation as determined by the agency or by the lending institution, if any, servicing the loan on behalf of the agency pursuant to part 4900.0080.

Subp. 4. **Compliance with zoning ordinances.** The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

Subp. 5. **Use of property restricted.** The property must be used primarily for residential purposes.

Subp. 6. **Time of completion.** All improvements must be reasonably capable of being completed within nine months of the date of the disbursement of funds, except for delays due to causes beyond the applicant's reasonable control, such as fire, strike, and shortage of materials.

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.

Subp. 7. **Unavailability of financing.** At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 8. **Required occupancy.** Except as parts 4900.2300 to 4900.2340 apply to other applicants, owners of residential housing occupied by renters shall give preference in renting the improved housing units to those persons of low or moderate income who occupied the residential housing at the time of application for the loan. Upon completion of the improvements, structures containing six rental units or fewer must be occupied by persons and families of low and moderate income in at least one of the units in the case of a one-unit or two-unit rental structure, two of the units in the case of a three-unit rental structure, three of the units in the case of a four-unit rental structure, four of the units in the case of a five-unit or six-unit rental structure, and at least 75 percent of the rental units in the case of rental structures containing more than six units.

4900.2330 RESTRICTION ON FUNDS.

At least 75 percent of funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood must be dedicated to make loans to general applicants.

No more than 25 percent of the funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood may be used to make loans to other applicants.

4900.2340 ELIGIBLE USES OF LOAN PROCEEDS.

Subpart 1. **Eligible improvements.** An improvement financed with the proceeds of a neighborhood preservation home improvement loan must meet all of the requirements of part 4900.0520.

Subp. 2. **Refinancing.** Up to 50 percent of the proceeds of a neighborhood preservation home improvement loan may be used to pay the balance on contracts for deed or mortgages involving the property to be improved, provided such action is necessary to permit the owner to meet the owner's housing cost without expending an unreasonable portion of the owner's income.

Housing Finance Agency

Proposed Permanent Rules Relating to Qualifications for Housing

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*, section 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
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101-1998
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.

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 Neighborhood Preservation Home Improvement 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 January 8, 1990 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 January 8, 1990. (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.

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

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

The above-captioned rule is needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that the rule identified as 4900.2300-4900.2340 is adopted this 22nd day of February, 1990, 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 Neighborhood Preservation Home Improvement 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: February 22, 1990

Housing Finance Agency

Proposed Permanent Rules Relating to Neighborhood Preservation Home Improvement Loans

Rules as Proposed

4900.0010 DEFINITIONS.

[For text of subps 1 to 22, see M.R. 1989]

Subp. 23. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means:

[For text of items A to E, see M.R. 1989]

F. With respect to neighborhood preservation home improvement loans pursuant to parts 4900.2300 to 4900.2340, those persons and families whose gross annual income does not exceed the income limits established by any agency of the federal government with respect to federally subsidized mortgages for low and moderate income families.

NEIGHBORHOOD PRESERVATION HOME IMPROVEMENT LOANS

4900.2300 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.2300 to 4900.2340 have the meanings given them in this part.

Subp. 2. **City.** "City" has the meaning given in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 3. **Designated neighborhood.** "Designated neighborhood" means that geographic area identified by a city that has been approved by the agency as a designated neighborhood and has the following characteristics:

A. is within an incorporated city;

B. has definite geographical boundaries; and

C. consists primarily of residential-use structures.

Subp. 4. **Eligible applicants.** "Eligible applicants" means general applicants and other applicants.

Subp. 5. **General applicants.** "General applicants" means applicants who are:

A. natural persons or families of low or moderate

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income who occupy the property to be improved as a single-family structure;

B. natural persons or families of low or moderate income who own existing residential housing occupied by renters, provided the applicant complies with the agency's required occupancy requirement;

C. nonprofit entities, limited profit entities, or cooperative housing corporations that provide:

(1) residential care facilities for mentally ill, mentally retarded, physically handicapped, or drug dependent persons; or

(2) dwelling accommodations for persons or families of low and moderate income; or

(3) dwelling accommodations for other persons or families when the agency determines it necessary to further its policy of economic integration.

Subp. 6. **Neighborhood preservation home improvement loan.** "Neighborhood preservation home improvement loan" means a loan administered under parts 4900.2300 to 4900.2340.

Subp. 7. **Other applicants.** "Other applicants" means:

A. natural persons and families who are not of low and moderate income;

B. natural persons and families of low and moderate income who own existing residential housing occupied by renters, where the applicant does not comply with the agency's required occupancy requirement;

C. corporations and partnerships that provide:

(1) dwelling accommodations for persons or families of low or moderate income; or

(2) dwelling accommodations for other persons or families when the agency determines it necessary to further its policy of economic integration.

4900.2310 PROPOSALS FOR LOANS.

Subpart 1. **Requests for proposals.** From time to time, the agency may request proposals from cities for neighborhood

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preservation home improvement loans for a period of not less than 60 days on a form specified by the agency.

Subp. 2. **Selection of proposals.** The agency shall select proposals for funding based on the following criteria:

A. the relative neighborhood preservation needs described in the proposal, including, but not limited to, housing needs, the needs of commercial and public properties, and infrastructure;

B. the extent to which other resources are or will be allocated to address the stated needs;

C. the expected impact of the neighborhood preservation activities;

D. the extent to which other conditions or resources exist for long-term preservation of the designated neighborhood;

E. the extent to which low and moderate income residents will benefit from the neighborhood preservation activities;

F. the extent to which displacement of residents will be minimized;

G. the geographic area to be serviced, the size of the request for funds, or other factors that will achieve a reasonable distribution of resources across the state;

H. the priority rating a city may assign to a proposal if the city submits more than one proposal; and

I. the extent to which the proposal is more innovative than other proposals.

4900.2320 ELIGIBLE LOAN APPLICATIONS.

Subpart 1. **Eligible borrowers.** An eligible borrower must be an eligible applicant that also meets the ownership interest and credit risk requirements specified in this part.

Subp. 2. **Ownership interest.** Each eligible borrower for a neighborhood preservation home improvement loan must individually or in the aggregate possess at least a one-third interest in fee, in a contract for deed, or in a life estate in the property to be improved. However, occupancy of the property

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by the eligible borrower is not required.

For manufactured or factory-made housing taxed as personal property or not permanently affixed to real property, an eligible borrower must individually or in the aggregate have a 100 percent interest in the title to the housing to be improved.

Subp. 3. **Credit risk.** Each eligible borrower must be a reasonable credit risk with the ability to pay the loan obligation as determined by the agency or by the lending institution, if any, servicing the loan on behalf of the agency pursuant to part 4900.0080.

Subp. 4. **Compliance with zoning ordinances.** The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

Subp. 5. **Use of property restricted.** The property must be used primarily for residential purposes.

Subp. 6. **Time of completion.** All improvements must be reasonably capable of being completed within nine months of the date of the disbursement of funds, except for delays due to causes beyond the applicant's reasonable control, such as fire, strike, and shortage of materials.

Subp. 7. **Unavailability of financing.** At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 8. **Required occupancy.** Except as parts 4900.2300 to 4900.2340 apply to other applicants, owners of residential housing occupied by renters shall give preference in renting the improved housing units to those persons of low or moderate income who occupied the residential housing at the time of application for the loan. Upon completion of the improvements, structures containing six rental units or fewer must be occupied by persons and families of low and moderate income in at least one of the units in the case of a one-unit or two-unit rental structure, two of the units in the case of a three-unit rental structure, three of the units in the case of a four-unit rental structure, four of the units in the case of a five-unit or six-unit rental structure, and at least 75 percent of the rental

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units in the case of rental structures containing more than six units.

4900.2330 RESTRICTION ON FUNDS.

At least 75 percent of funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood must be dedicated to make loans to general applicants.

No more than 25 percent of the funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood may be used to make loans to other applicants.

4900.2340 ELIGIBLE USES OF LOAN PROCEEDS.

Subpart 1. **Eligible improvements.** An improvement financed with the proceeds of a neighborhood preservation home improvement loan must meet all of the requirements of part 4900.0520.

Subp. 2. **Refinancing.** Up to 50 percent of the proceeds of a neighborhood preservation home improvement loan may be used to pay the balance on contracts for deed or mortgages involving the property to be improved, provided such action is necessary to permit the owner to meet the owner's housing cost without expending an unreasonable portion of the owner's income.

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by Revisor _____

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Neighborhood Preservation Home Improvement Loans

AGENCY: Housing Finance Agency

MINNESOTA RULES: Chapter 4900

The attached rules are approved for publication in the State Register

Carla M. Riehle
Assistant Revisor

Housing Finance Agency

Proposed Permanent Rules Relating to Neighborhood Preservation Home Improvement Loans

Rules as Proposed

4900.0010 DEFINITIONS.

[For text of subps 1 to 22, see M.R. 1989]

Subp. 23. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means:

[For text of items A to E, see M.R. 1989]

F. With respect to neighborhood preservation home improvement loans pursuant to parts 4900.2300 to 4900.2340, those persons and families whose gross annual income does not exceed the income limits established by any agency of the federal government with respect to federally subsidized mortgages for low and moderate income families.

NEIGHBORHOOD PRESERVATION HOME IMPROVEMENT LOANS

4900.2300 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.2300 to 4900.2340 have the meanings given them in this part.

Subp. 2. **City.** "City" has the meaning given in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 3. **Designated neighborhood.** "Designated neighborhood" means that geographic area identified by a city that has been approved by the agency as a designated neighborhood and has the following characteristics:

A. is within an incorporated city;

B. has definite geographical boundaries; and

C. consists primarily of residential-use structures.

Subp. 4. **Eligible applicants.** "Eligible applicants" means general applicants and other applicants.

Subp. 5. **General applicants.** "General applicants" means applicants who are:

A. natural persons or families of low or moderate

Approved by Revisor

income who occupy the property to be improved as a single-family structure;

B. natural persons or families of low or moderate income who own existing residential housing occupied by renters, provided the applicant complies with the agency's required occupancy requirement;

C. nonprofit entities, limited profit entities, or cooperative housing corporations that provide:

(1) residential care facilities for mentally ill, mentally retarded, physically handicapped, or drug dependent persons; or

(2) dwelling accommodations for persons or families of low and moderate income; or

(3) dwelling accommodations for other persons or families when the agency determines it necessary to further its policy of economic integration.

Subp. 6. **Neighborhood preservation home improvement loan.** "Neighborhood preservation home improvement loan" means a loan administered under parts 4900.2300 to 4900.2340.

Subp. 7. **Other applicants.** "Other applicants" means:

A. natural persons and families who are not of low and moderate income;

B. natural persons and families of low and moderate income who own existing residential housing occupied by renters, where the applicant does not comply with the agency's required occupancy requirement;

C. corporations and partnerships that provide:

(1) dwelling accommodations for persons or families of low or moderate income; or

(2) dwelling accommodations for other persons or families when the agency determines it necessary to further its policy of economic integration.

4900.2310 PROPOSALS FOR LOANS.

Subpart 1. **Requests for proposals.** From time to time, the agency may request proposals from cities for neighborhood

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preservation home improvement loans for a period of not less than 60 days on a form specified by the agency.

Subp. 2. **Selection of proposals.** The agency shall select proposals for funding based on the following criteria:

A. the relative neighborhood preservation needs described in the proposal, including, but not limited to, housing needs, the needs of commercial and public properties, and infrastructure;

B. the extent to which other resources are or will be allocated to address the stated needs;

C. the expected impact of the neighborhood preservation activities;

D. the extent to which other conditions or resources exist for long-term preservation of the designated neighborhood;

E. the extent to which low and moderate income residents will benefit from the neighborhood preservation activities;

F. the extent to which displacement of residents will be minimized;

G. the geographic area to be serviced, the size of the request for funds, or other factors that will achieve a reasonable distribution of resources across the state;

H. the priority rating a city may assign to a proposal if the city submits more than one proposal; and

I. the extent to which the proposal is more innovative than other proposals.

4900.2320 ELIGIBLE LOAN APPLICATIONS.

Subpart 1. **Eligible borrowers.** An eligible borrower must be an eligible applicant that also meets the ownership interest and credit risk requirements specified in this part.

Subp. 2. **Ownership interest.** Each eligible borrower for a neighborhood preservation home improvement loan must individually or in the aggregate possess at least a one-third interest in fee, in a contract for deed, or in a life estate in the property to be improved. However, occupancy of the property

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by the eligible borrower is not required.

For manufactured or factory-made housing taxed as personal property or not permanently affixed to real property, an eligible borrower must individually or in the aggregate have a 100 percent interest in the title to the housing to be improved.

Subp. 3. **Credit risk.** Each eligible borrower must be a reasonable credit risk with the ability to pay the loan obligation as determined by the agency or by the lending institution, if any, servicing the loan on behalf of the agency pursuant to part 4900.0080.

Subp. 4. **Compliance with zoning ordinances.** The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

Subp. 5. **Use of property restricted.** The property must be used primarily for residential purposes.

Subp. 6. **Time of completion.** All improvements must be reasonably capable of being completed within nine months of the date of the disbursement of funds, except for delays due to causes beyond the applicant's reasonable control, such as fire, strike, and shortage of materials.

Subp. 7. **Unavailability of financing.** At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 8. **Required occupancy.** Except as parts 4900.2300 to 4900.2340 apply to other applicants, owners of residential housing occupied by renters shall give preference in renting the improved housing units to those persons of low or moderate income who occupied the residential housing at the time of application for the loan. Upon completion of the improvements, structures containing six rental units or fewer must be occupied by persons and families of low and moderate income in at least one of the units in the case of a one-unit or two-unit rental structure, two of the units in the case of a three-unit rental structure, three of the units in the case of a four-unit rental structure, four of the units in the case of a five-unit or six-unit rental structure, and at least 75 percent of the rental

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units in the case of rental structures containing more than six units.

4900.2330 RESTRICTION ON FUNDS.

At least 75 percent of funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood must be dedicated to make loans to general applicants.

No more than 25 percent of the funds that are available to make neighborhood preservation home improvement loans in a designated neighborhood may be used to make loans to other applicants.

4900.2340 ELIGIBLE USES OF LOAN PROCEEDS.

Subpart 1. **Eligible improvements.** An improvement financed with the proceeds of a neighborhood preservation home improvement loan must meet all of the requirements of part 4900.0520.

Subp. 2. **Refinancing.** Up to 50 percent of the proceeds of a neighborhood preservation home improvement loan may be used to pay the balance on contracts for deed or mortgages involving the property to be improved, provided such action is necessary to permit the owner to meet the owner's housing cost without expending an unreasonable portion of the owner's income.

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Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Neighborhood Preservation Home Improvement Loans

AGENCY: Housing Finance Agency

MINNESOTA RULES: Chapter 4900

The attached rules are approved for publication
in the State Register

Carla M. Riehle
Assistant Revisor