



Homeownership Investment Grants Program Guide

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The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

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

Values Statement

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

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making,
- Listen and share the power we have,
- Honor, respect and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.
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Chapter 1 – Program Purpose and Authorizing Statute

1.01 Purpose and Authorizing Statute

In 2023, the Minnesota Legislature allocated \$40 million of state appropriations to create the Homeownership Investment Grants Program (HIG Program). The HIG Program is intended to support projects that encourage affordable homeownership through partnership with eligible Community Development Financial Institutions (CDFIs).

The Homeownership Investment Grants Program adheres to Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 31, with eligibility provisions in Minnesota Laws 2023, chapter 37, article 2, section 11.

1.02 Request for Proposals

The HIG Program will provide grants to eligible organizations selected through a competitive request for proposals (RFP) process in accordance with the policies established by the Minnesota Department of Administration’s Office of Grants Management. All organizations applying for a grant must include as part of their application a plan to create new affordable home ownership and home preservation opportunities for Targeted Areas. Selected entities will be provided grant funds through a Grant Contract Agreement.

This Program Guide will be incorporated into the Grant Contract Agreement executed between the Administrator and Minnesota Housing. If there are any conflicts between the terms of this Program Guide and the Grant Contract Agreement, the Grant Contract Agreement controls.

Chapter 2 – Eligible Organizations

An Administrator under this program must be a non-profit organization that meets all four of the following criteria:

- Qualify for tax exempt status under United State Code, title 26, section 501(c)(3);
- Have primary operations located in Minnesota;
- Be certified as a Community Development Financial Institution (CDFI) by the United States Department of the Treasury; and
- Provide affordable housing lending or financing programs.

Chapter 3 – Eligible Projects

Eligible projects must invest in Affordable Homeownership opportunities in the State of Minnesota, and meet one of the following four activities outlined below.

3.01 Housing Development

Housing Development is defined as: developing owner-occupied home(s) to increase the supply available for Eligible Homebuyers.

3.02 Financing Programs

Financing programs are defined as: Loans or grants to developers, builders or other individuals involved in the construction of new owner-occupied homes for Eligible Homebuyers. This includes but is not limited to grants or loans for the purpose of construction, and any related acquisition, rehabilitation, demolition or removal of existing structures. Grants or loans may be made available for construction financing, permanent financing, interest rate reduction, refinancing, Gap Financing, first mortgage lending, downpayment assistance, or other financing programs.

3.03 Acquisition, Rehabilitation and Resale

Acquisition, Rehabilitation and Resale is defined as: the purchase of a single-family residential home, the subsequent rehabilitation of the property into a habitable condition, and sale of the rehabilitated home to an Eligible Homebuyer, who will occupy the home as a primary residence.

3.04 Revolving Loan Account

Revolving Loan Accounts are defined as: capital accounts to be used for the purpose of financing Affordable Homeownership opportunities. Each administrator's Grant Contract Agreement will outline how the revolving loan account will be used during the term of the grant.

Chapter 4 – Records Retention, Reporting and Monitoring

4.01 Records Retention

Administrators must maintain copies of all books, records, Project files, documents, and accounting procedures related to the Grant Contract Agreement during the term of the Grant Contract Agreement and for a minimum of six years after the termination or expiration of the Grant Contract Agreement. These documents are subject to examination by Minnesota Housing, the State of Minnesota, the State Auditor, and the Legislative Auditor.

4.02 Reporting

Administrators are required to submit all required reporting and related documentation to Minnesota Housing as specified pursuant to their Grant Contract Agreement. Reporting requirements in the Grant Contract Agreement may include, but are not limited to, the following:

- Household demographic and project information;
- Periodic reports (i.e. monthly, quarterly, annual reports);
- Close out reports; and
- Any reports, files, or documents required as part of Minnesota Housing’s monitoring for compliance with the Grant Contract Agreement, applicable laws and State policies.

4.03 Monitoring and Financial Reconciliation

With reasonable notice to the Administrator and, where applicable, to the household, Minnesota Housing reserves the right to make site visits, review Administrator’s records and project files, and conduct quality control audits. Records and project files subject to review will be specified in the Grant Contract Agreement. Monitoring and quality control audits are generally conducted to determine:

- Minnesota Housing program/policy compliance; and
- Fraud or misrepresentation on the part of any party involved in a transaction.

Chapter 5 – Administrative Costs

Administrators must minimize administrative costs when conducting their Eligible Projects.

The maximum administrative cost for Administrators will be ten percent (10%) of the grant, unless otherwise determined by Minnesota Housing.

Chapter 6 – Disbursements

Grant disbursements will follow the terms outlined in each Administrator’s Grant Contract Agreement. Funds will not be disbursed or used for expenses incurred before the contract effective date. All conditions for fund disbursement, including the submission of required documentation, will be specified in the Grant Contract Agreement and must be fulfilled before funds can be disbursed.

Appendix A: Definitions

Affordable Homeownership	Owner-occupied housing which is affordable to Eligible Homebuyers.
Administrator	The entity that executes the Grant Contract Agreement with Minnesota Housing.
Administrative Costs	Costs related to the implementation of Eligible Projects including but not limited to staff costs, marketing/advertising costs, Administrator overhead, legal fees, accounting fees, costs related to loan origination, or other costs as approved by Minnesota Housing.
Affordable Housing Lending	<p>Providing loans or financial assistance for the development, purchase or rehabilitation of housing that is accessible to families with low to moderate incomes.</p> <p>This includes but is not limited to first mortgage lending, downpayment assistance programs, affordability and value gap financing, interest rate buydowns, and grants.</p>
Eligible Homebuyer	An individual or household that meets specific criteria designed to promote equitable access to homeownership as defined by the program Administrator. Eligible homebuyers must have household income at or below 115% median income, as determined by HUD.
Gap Financing	<p>Value Gap-The difference between the costs of the property, including acquisition, demolition, rehabilitation, and construction, and the market value of the property upon sale.</p> <p>Affordability Gap- The difference between the total cost of acquiring the property, generally determined by the fair market sales price of the property, and the amount of the first mortgage loan for which the owner occupant qualifies</p>

	based on industry standard, prudent underwriting practice.
Grant Contract Agreement	A legal contract executed between Minnesota Housing and an Administrator providing Homeownership Investment Grants dollars in the form of a grant.
HIG Program	Homeownership Investment Grants Program
New Home	A newly created housing unit that, in its current condition, has not yet been lived in immediately prior to purchase by an Eligible Homeowner for Owner Occupancy.
Owner Occupied/Owner Occupancy	At least one Eligible Homebuyer must occupy the home within 60 days of purchase and intend to live in the home as their primary residence.
Revolving Loan	<p>A revolving loan occurs when a lender grants a borrower money up to an approved limit. The borrower may borrow up to their credit limit and may reuse their loan again after the balance is paid down.</p> <p>Or</p> <p>A committed loan facility allowing a borrower to borrow (up to a limit), repay, and re-borrow loans.</p>
Targeted Area	A geographic area where affordable housing projects are proposed as defined by the project Administrator.

Appendix B: Legal Addendum

B.01 Conflict and Control

In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.

B.02 Fraud

Fraud is any intentionally deceptive action, statement or omission made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the communication channels described in section 2.07.

B.03 Misuse of Funds

A contracting party that receives funding from Minnesota Housing promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a recipient; or (2) a recipient cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the contract.

Any recipient (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the communication channels described in section 2.07.

B.04 Conflict of Interest

A conflict of interest – Actual, Potential or Appearance of a Conflict of Interest – occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A Potential Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.

- **Actual Conflict of Interest**: An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.

- **Potential Conflict of Interest**: A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest**: The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business**: Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member**: A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- **Friend**: A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (i.e., interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest**: An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner**: A person's romantic and domestic partners and outside Business partners.
- **Relative**: Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 2.07.

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

B.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient (“Affiliated Assistance”) who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party’s internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section 2.04;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 2.04.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section 2.07.

B.06 Suspension

By entering into any contract with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the contract) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing’s website for a list of suspended individuals and organizations. (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

B.07 Disclosure and Reporting

Minnesota Housing promotes a “speak-up, see something, say something” culture whereby internal staff must immediately report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (e.g., administrators, grantees or borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation using these same communication channels.

- Minnesota Housing’s Chief Risk Officer at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;
- Any member Minnesota Housing’s [Servant Leadership Team](#), as denoted on Minnesota Housing’s current organizational chart (Go to mnhousing.gov, scroll to the bottom of the screen and select About Us, select Servant Leadership Team); or
- [Report Wrongdoing or Concerns \(mnhousing.gov\)](#) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

B.08 Electronic Signatures

Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

B.09 Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing’s fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real-estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

B.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

B.11 Prevailing Wage

Under certain circumstances, awards of Minnesota Housing funds may trigger state prevailing wage requirements under Minnesota Statutes Chapter 177 or Minnesota Statutes Section 116J.871. In broad terms, Minnesota Statutes Chapter 177 applies to an award of \$25,000 or greater for housing that is publicly owned. Minnesota Statutes Section 116J.871 applies to awards for non-publicly owned housing that meet the following conditions: (1) new housing construction (not rehabilitation); (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds.

Minnesota Statutes Section 116J.871 sets out several exceptions to the applicability of prevailing wage including (1) rehabilitation of existing housing; (2) new housing construction in which total financial assistance at a single project site is less than \$100,000; and (3) financial assistance for the new construction of fully detached single-family affordable homeownership units for which the financial assistance covers no more than ten fully detached single-family affordable homeownership units.

All determinations regarding prevailing wage are made by the Minnesota Department of Labor and Industry. All questions regarding state prevailing wages and compliance requirements should be directed to that agency as follows:

Division of Labor Standards and Apprenticeship
State Program Administrator
443 Lafayette Road N, St. Paul, MN 55155
651.284.5091 or dli.prevwage@state.mn.us

If, after a determination by the Minnesota Department of Labor that prevailing wage does apply, a contractor or subcontractor fails to adhere to prevailing wage laws, then that contractor or subcontractor could face civil and/or criminal liability.