



Community Homeownership Impact Fund Program

Procedural Manual

December 29, 2025



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

DECEMBER 29, 2025

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Introduction

Values Statement

The vision of the Minnesota Housing Finance Agency (“Minnesota Housing”) is for all Minnesotans to 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, Minnesota Housing will reorient how we work and expand who has a voice at the table, and who participates in and benefits from the housing economy.

Minnesota Housing 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.

Mission Statement

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

Background

Minnesota Housing was created in 1971 by the Minnesota Legislature. Minnesota Housing offers funding through an annual Single Family Request for Proposal (RFP) to assist communities in addressing local housing concerns by leveraging resources to maintain and develop owner-occupied housing that is Affordable to the Local Work Force.

Community Homeownership Impact Fund Program

The Community Homeownership Impact Fund Program (“Impact Fund”), formerly known as the Community Revitalization Program, is the umbrella name for a variety of limited funding resources offered in the Single Family RFP, including the Economic Development and Housing Challenge Fund and other Minnesota Housing resources which vary from time to time.

The Impact Fund allows for a variety of housing activities including: Acquisition, Rehabilitation and Resale, New Construction (which may include demolition-rebuild), Owner-Occupied Rehabilitation, and Affordability Gap assistance. Funding for Owner-Occupied Rehabilitation and Affordability Gap assistance are generally limited to situations where the articulated community need for such funds cannot be served by other available programs and resources, including Minnesota Housing programs.

Chapter 1 – Partner Responsibilities/Warranties

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

1.01 Procedural Manual

This Procedural Manual sets forth for Administrators the terms and conditions under which Minnesota Housing will award Impact Fund Dollars to Administrators.

This Procedural Manual, including subsequent changes and additions, is a supplement to an Agreement executed between the Administrator and Minnesota Housing. This Procedural Manual is incorporated into the Agreement by reference.

Minnesota Housing reserves the right to:

- Alter or waive any of the requirements herein;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Administrators may request, in writing to Minnesota Housing, waivers, alterations, or revisions to this Procedural Manual. Minnesota Housing grants waivers, alterations, or revisions at its sole discretion.

In the case of a conflict between this Procedural Manual and the Application for Funds, this Procedural Manual controls. In the case of a conflict between the Agreement and this Procedural Manual, the Agreement controls. This Procedural Manual, may, however, contain more stringent requirements than those found in the Application for Funds or the Agreement. In which case, Administrators must comply with the most stringent requirements.

1.02 The Agreement

If an Administrator submits its Application for Funds to Minnesota Housing and is selected to receive Impact Fund Dollars through an Impact Fund Award, Minnesota Housing and the Administrator will execute an Agreement, or Agreements, outlining the legal relationship and responsibilities between the Administrator and Minnesota Housing.

Each Agreement is labeled with an Impact Fund Award ID Number, which is the unique identifier for the Impact Fund Award. The Administrator must use the Impact Fund Award ID Number on all forms and correspondence to Minnesota Housing.

1.03 Evidence of Misconduct Referred to Attorney General

Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Impact Fund to the Minnesota Attorney General's office for appropriate legal action.

Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Administrator and/or the Household. This includes Impact Fund Dollars, together with all applicable administrative costs and other fees or commissions received by the Administrator in connection with the Impact Fund Dollars and for all attorney fees, legal expenses, court costs, or other expenses incurred by Minnesota Housing in connection with the Impact Fund Dollars or recovery of such funds.

1.04 Compliance with Privacy Statutes

The Administrator must comply with all applicable requirements of the Minnesota Government Data Practices Act, which includes, but is not limited to, the following:

- Requires the Administrator to supply individuals with the Tennesen Warning and the Privacy Act Notice when requesting private data;
 - Note: Administrators that are governmental entities are to use the form approved by their "Responsible Authority", as defined in Minnesota Government Data Practices Act 13.02, Subd. 16. All other Administrators must use the applicable Tennesen Warning and Privacy Act Notice located on the Impact Fund Partner Portal.
- Governs when the disclosure of an individual's social security number is required;
- Provides that when a Household receives a loan, only the Borrower's name, address, and amount of assistance received are public data;
- Provides that all data regarding a Household that receives or benefits from Grant Funds, except the amount of assistance, are private data on individuals and may not be released without the Household's permission; and
- Provides that all other data created by or collected from the Household, including financial information such as credit reports, financial statements, and net worth calculations, are classified as private data on individuals under Minnesota Statutes 462A.065 and 13.462 Subd. 3.

1.05 Unauthorized Compensation

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

- Kickbacks;
- Commissions;

- Rebates; or
- Other compensation.

In order to reduce the Total Development Cost associated with an eligible Property, an Administrator may receive discounts from the seller, builder, remodeler, contractor, or supplier. In these cases, the Administrator file must be documented to prove that the discounts received are considered normal for the market area and do not constitute a kickback, commission, rebate, or compensation for products or services rendered. Any discounts that exceed the norm must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor, or supplier providing the discount.

1.06 Monitoring, Financial Reconciliation and Quality Control Audits

All Impact Fund Dollars spent must be reconciled and supported by documentation of eligible costs incurred in compliance with this Procedural Manual and the terms of the Agreement.

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.

Administrator's records and Project files, including but not limited to Administrator, Household/Borrower, and Construction/Property files as specified in the Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), must be made available upon request in order to conduct monitoring and quality control audits.

Monitoring and Financial Reconciliation

Administrator's records and Project files must be made available to Minnesota Housing at the Administrator's office during regular business hours, via remote submission, or both, if and as requested by Minnesota Housing. Monitoring and financial reconciliation generally includes:

- Physical inspection of Projects;
- Verification of Project files including eligibility requirements and documentation requirements (see Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#)); and
- Review of expense documentation (for example, any and all books, records, invoices, and receipts), other program-related documents, and accounting procedures and practices relevant to the Agreement and this Procedural Manual.

Quality Control Audits

Quality control audits typically focus on an Administrator's use of Impact Fund Dollars to make Deferred Loans to Borrowers, including Deferred Loans originated by a Processing Entity. Administrator's records and Project files must be made available to Minnesota Housing via remote submission, or at the Administrator's office during regular business hours, or both, if and as requested by Minnesota Housing. Audited files are reviewed for:

- Minnesota Housing program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and other indicators that may have an impact on the financial viability of the Impact Fund Program.

1.07 Term of Funds Availability

Minnesota Housing reserves the right to cancel the Impact Fund Award specified in the Agreement if the Agreement is not executed and returned to Minnesota Housing within 60 days of the Administrator's receipt of the Agreement.

Impact Fund Dollars will be available to the Administrator for the term set forth in the Agreement. If the Agreement does not specify a term for availability of the Impact Fund Dollars, then the term will be 20 months from the effective date of the Agreement. Minnesota Housing, at its sole discretion, may extend the period Impact Fund Dollars are available to the Administrator.

Impact Fund Dollars the Administrator receives but does not expend on eligible activities must be repaid to Minnesota Housing in accordance with the terms and conditions outlined in the Agreement.

1.08 Termination of Administrator Participation

Minnesota Housing may terminate the participation of any Administrator under this Procedural Manual at any time and may preclude an Administrator's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Agreement;
- The Application for Funds;
- The procedural manuals and agreements of other Minnesota Housing programs;
- The Federal Fair Housing Law;
- The Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect individuals' rights with regard to obtaining homeownership; and
- Other applicable state and federal laws, rules, and regulations.

Minnesota Housing may, at its option, impose remedies other than termination of the Agreement for Administrator nonperformance.

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

1.09 Representations and Warranties

The Administrator agrees to comply with all applicable federal, state, and local laws, ordinances, regulations, and orders including, but not limited to, the following:

- Title 24, Code of Federal Regulations, Part 35, Subpart A;
- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act and any applicable regulations and orders thereunder;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Law (Title VIII);
- Minnesota Statutes Chapter 326B;
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Minnesota Statutes Section 462A.33;
- Minnesota Statutes Section 462A.34;
- Minnesota Statutes Section 462A.37;
- Minnesota Rules 4900.3600-3652;
- Minnesota Government Data Practices Act - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Minnesota Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act) of 2010;
- Minnesota Statutes 58A.03;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth in Lending Act (TILA);
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;

- Internal Revenue Code of 1986, Section 6050H;
- Real Estate Settlement Procedures Act of 1974 (RESPA), as amended;
- Dodd-Frank Wall Street Reform and Consumer Protection Act; and
- TILA-RESPA Integrated Disclosure Rule.

In addition to the above warranties and representations, Administrator also covenants, warrants, and represents that:

- It is a city, a housing and redevelopment authority, a joint powers board established by two or more cities, a federally recognized American Indian Tribe or subdivision located in Minnesota, a Tribal housing corporation, a nonprofit organization, a Private Developer, a Public Housing Agency, or eligible School entity;
- It will fully comply with all terms and conditions in the Agreement, the Single Family RFP, the Application for Funds, and this Procedural Manual for each eligible activity outlined in the Administrator's Impact Fund Application for Funds unless prior written approval is obtained from Minnesota Housing;
- It will not modify Minnesota Housing forms unless it first receives written authorization from Minnesota Housing;
- It will not contract with vendors who are suspended or debarred in Minnesota, including those identified in the Minnesota Department of Administration's Suspended/Debarred Vendor Report, Minnesota Housing Suspension List, and vendors debarred by federal government agencies;
- It will ensure entities performing work on its Projects maintain all licenses (including licenses in residential trades) where licensure is required by laws, ordinances, and rules;
- It will maintain all licenses (including licenses in residential trades), permits, and performance bonds if and as required by laws, ordinances, and rules;
- It will comply with the Minnesota Housing Lead-Based Paint Guide if the activity includes the identification and correction of health and safety hazards;
- If it or a Processing Entity originates loans, it will comply with standard underwriting requirements of the secondary market and prudent lenders that originate loans for similar Projects;
- It will use Impact Fund Dollars only for an eligible activity or eligible activities;
- It will control the disbursement of Impact Fund Dollars in accordance with the terms of the Agreement and this Procedural Manual;
- It will monitor the construction or rehabilitation of the Qualified Dwelling Unit in accordance with the terms of the Agreement and this Procedural Manual;
- It will obtain and review all applicable documentation to determine and record compliance with all Minnesota Housing requirements;
- It will maintain adequate capital and trained personnel for the administration of the Impact Fund Dollars;

- It will not assign any Agreements executed with Minnesota Housing without prior written approval from Minnesota Housing;
- It will represent in the Application for Funds the specific organization with which it intends to sign the Agreement with Minnesota Housing and to which Impact Fund Dollars will be disbursed;
- The Property owner has good and marketable fee simple title to, or a long-term “mortgageable” lease for, the Property unless Minnesota Housing waives this requirement in writing;
- If the Qualified Dwelling Unit or Property is subject to a mortgage, lien, or other encumbrance, it is a mortgage, lien, or other encumbrance acceptable to prudent lenders that make loans or grants for similar Properties or Qualified Dwelling Units; and
- It is an entity duly formed or incorporated under the laws of the State of Minnesota.

1.10 Affirmative Marketing

The Administrator must take necessary steps to affirmatively market to Underserved Populations, including developing and implementing marketing plans that promote fair housing through intentional outreach. The Administrator must ensure compliance with any additional requirements in the Agreement.

Chapter 2 – Household Eligibility Requirements

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

2.01 Households

A Household is eligible to benefit from assistance only if that Household meets the requirements of this Procedural Manual and the Agreement. Households benefitting from Impact Fund Dollars must be Owner-Occupants.

A Homebuyer Household is a type of Household that is eligible to purchase or, for grants for Schools, a Household that occupies a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the construction of or acquisition, rehabilitation, and resale of a Qualified Dwelling Unit and/or Affordability Gap Financing to purchase a Qualified Dwelling Unit.

A Homeowner Household is a type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Property or Qualified Dwelling Unit in which the Household has an ownership interest. The Homeowner Household must occupy the subject Property or Qualified Dwelling Unit as its Principal Residence.

Households benefitting from Indian Housing Set-Aside Funds must be American Indian Households. Verification of tribal affiliation or membership is required.

2.02 Household Selection

The Administrator must establish and maintain a Household selection process, which ensures that Households meet Impact Fund requirements.

The Administrator may establish more stringent Household selection requirements including maximum purchase prices, Household asset limits, loan-to-value, and combined loan-to-value limits.

2.03 Household Affordability Gap Eligibility

The Administrator's Household selection process must include an assessment of the Households' needs for Affordability Gap assistance indicated by the Affordability Gap calculation and the Housing Ratio. The maximum amount of Affordability Gap Financing cannot exceed the difference between the total cost of acquiring the property (including closing costs) and the amount of the first mortgage loan for which the Household qualifies, based on industry standard, prudent underwriting practices. See definitions for Affordability Gap and Affordability Gap Financing.

To be eligible for Affordability Gap assistance, a Household must spend at least 25 percent of its gross monthly income for housing payments associated with the Property or Qualified Dwelling Unit.

Housing payments are: monthly senior secured loan principal and interest, subordinate secured loan principal and interest, mortgage insurance, homeowners' association fees, Property taxes, hazard insurance, land trust ground lease fees, and manufactured home park lot rent.

Minnesota Housing may, at its sole discretion, waive the housing-to-income ratio requirement for Affordability Gap Financing on a case-by-case basis, when the Administrator provides a completed Change Request form found on the [Impact Fund Partner Portal](#).

2.04 Homebuyer Age

All persons in Homebuyer Households obtaining title to a Property or Qualified Dwelling Unit, or a vendee interest in a contract-for-deed or contract-for-title, must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

2.05 Unauthorized Compensation

Households must not receive kickbacks, rebates, discounts, or other compensation from any party in the transaction.

2.06 Principal Residence/Occupancy Requirements

Each Household that receives or benefits from Impact Fund Dollars must occupy the eligible Property or Qualified Dwelling Unit as its Principal Residence.

2.07 Impact Fund Income Eligibility

Area Median Income

The Administrator and Minnesota Housing establish Household income limits for each eligible activity undertaken with Impact Fund Dollars through the Agreement. All Households benefitting from Impact Fund Dollars must not exceed the lower of the income limits specified in the Agreement or 115 percent of area median income. Area median income is established by Minnesota Housing and posted on the [Impact Fund Partner Portal](#).

Annualized Gross Income

Annualized Gross Income is the earned and unearned income of the parties in the Household as described below. Administrators must calculate Annualized Gross Income using the Income Eligibility Worksheet available on the [Impact Fund Partner Portal](#). The Income Eligibility Worksheet provides detailed guidance on how to perform the income calculation, including which income sources to include and exclude.

Parties Whose Income Must be Included When Calculating Annualized Gross Income

When calculating Annualized Gross Income, an Administrator must verify and include the income of the following persons in Homebuyer Households of Qualified Dwelling Units purchased, constructed, or rehabilitated using Impact Fund Dollars:

- Anyone who will have title to the subject Property or Qualified Dwelling Unit and signs the mortgage or equivalent document.
- Anyone expected to reside in the subject Property or Qualified Dwelling Unit and who will be obligated to repay an underlying loan but who is not in title to the subject Property or Qualified Dwelling Unit (for example, a Co-Signer on the mortgage note).
- The legal spouse of the borrower who will also reside in the subject Property or Qualified Dwelling Unit.

The income of the following persons must be verified and included when calculating Annualized Gross Income for Homeowner Households of Qualified Dwelling Units receiving Impact Fund Owner-Occupied Rehabilitation assistance:

- Anyone in title to the subject Property or Qualified Dwelling Unit who also resides in the subject Property or Qualified Dwelling Unit.
- The legal spouse of the borrower who also resides in the subject Property or Qualified Dwelling Unit.

If the borrower is legally married and the spouse does not or is not expected to reside in the subject Property or Qualified Dwelling Unit, the Household file must contain the Non-Occupant Spouse Statement, available on the Impact Fund Partner Portal. The spouse may still be required to sign any Impact Fund Loan Mortgage or equivalent document (see “Accommodation Parties” below and Chapter 6 of this Procedural Manual).

Any person whose income must be included in the Annualized Gross Income calculation who receives no income must sign the Zero Income Statement, available on the Impact Fund Partner Portal.

Accommodation Parties

An accommodation party is anyone with an ownership interest in an eligible Property or Qualified Dwelling Unit that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property or Qualified Dwelling Unit, or a seller of a contract-for-deed to an Owner-Occupant. An accommodation party must sign the Impact Fund Loan Mortgage or equivalent document.

Co-Signers

Co-signers are permitted on first mortgage loans originated for Homebuyer Households. Co-signers are not vested in title and may reside in the subject Property or Qualified Dwelling Unit.

Chapter 3 – Property Eligibility

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

3.01 Qualified Dwelling Unit

A Qualified Dwelling Unit must:

- Be attached or detached, owner-occupied housing, including manufactured homes. See Manufactured Homes paragraph below for additional requirements;
- Be residential in nature and have a remaining economic life equal to the loan term plus 10 years;
- Be occupied by an eligible Household;
- Be Affordable to the Local Workforce;
- Be affordable to Households with incomes not exceeding the Impact Fund Eligibility Income established according to Section 2.07 of this Procedural Manual;
- Be completed during the effective term of the Agreement;
- Contain no more than four units with at least one unit being occupied by the Household that owns the entire structure; and
- Be located within the target area referenced in the Agreement.

Minnesota Housing may, at its sole discretion, amend the target area when the Administrator provides a written request using the Change Request form, available on the [Impact Fund Partner Portal](#).

Manufactured Homes

Manufactured homes taxed as personal property may be eligible Qualified Dwelling Units, unless explicitly identified in the Agreement. An Administrator that seeks to serve a Household purchasing or rehabilitating a manufactured home taxed as personal property must contact Minnesota Housing prior to assisting the Household, as such Projects are approved at the sole discretion of Minnesota Housing.

Manufactured homes taxed as real property should be treated like all other Qualified Dwelling Units taxed as real property.

3.02 Title Examination Requirements

The Administrator must ensure that they have clear and marketable title to the Property or Qualified Dwelling Unit at the time of acquisition and prior to development, and at the time of transfer to a Homebuyer Household, as demonstrated by way of an attorney's legal title opinion or a title insurance policy, or, in the case of a Qualified Dwelling Unit taxed as personal property, demonstrated by a lien search performed in the proper jurisdiction.

In addition, if making a secured loan to a Borrower for the acquisition of a Property or Qualified Dwelling Unit, such as a Deferred Loan, the Administrator must ensure that title to the Property or Qualified Dwelling Unit to be secured is clear and marketable prior to making the loan, and the security instrument is fully executed, valid, and enforceable.

In the case of Tribal Lands, the Administrator must ensure that the proper official of the Tribal Land office establishes a clear and marketable title as defined by the Tribe governing the Land on which the Qualified Dwelling Unit is located.

3.03 Community Land Trusts

A Community Land Trust, whether the Administrator or a partner entity, must meet the following conditions:

- The Community Land Trust must provide evidence, satisfactory to Minnesota Housing, that members of Homebuyer Households purchasing Qualified Dwelling Units in the Community Land Trust receive full disclosure of their rights and obligations under the trust, including future limitations on sale;
- Each ground lease must grant Minnesota Housing the right to exercise the first option to purchase, if the Community Land Trust does not, as required in Minnesota Statute 462A.31, Subd. 3, Restrictions;
- The Community Land Trust must submit evidence, satisfactory to Minnesota Housing, that land trust Homebuyer Households have access to the secondary mortgage market; and
- The form and terms and conditions of the Community Land Trust ground lease must align with all requirements established by Fannie Mae or Freddie Mac, = and otherwise satisfactory to Minnesota Housing.

3.04 Reasonable Cost Estimates

The Administrator must determine and document that all Project costs are reasonable, necessary, and cost effective, and must maintain documentation of the purchasing and/or bidding process utilized. The Agreement may contain additional contracting and bidding requirements.

3.05 Building Code Compliance

All eligible activities must be in compliance with all applicable state, Tribe, county, and municipal health, housing, building, fire prevention, and housing maintenance codes and local ordinance or other public standards.

In areas of the state where there is a local building code or the state building code has been adopted, a licensed building official/inspector must provide a building permit, certificate of occupancy, certificate

of completion, or a final inspection report in order to document that the improvements meet building code.

In areas of the state where there is no local building code or where the state building code has not been adopted, the Administrator must include in its contracts a requirement that improvements are completed in accordance with the state building code.

When working within Tribal reservations or on Tribal Lands, compliance with the governing Tribal laws and regulations relating to building and zoning is sufficient for compliance with this Section 3.05.

Chapter 4 – Eligible Activities

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

4.01 Eligible Activities

Impact Fund Dollars must be used, only to the extent allowed in the Agreement and this Procedural Manual, for:

- Construction of new housing (New Construction);
- Acquisition, Rehabilitation, Resale of existing housing;
- Rehabilitation of existing owner-occupied housing (Owner-Occupied Rehabilitation), including reduction of interest rates in conjunction with Minnesota Housing’s Community Fix Up Loan Program;
- Conversion to housing from another use;
- Affordability Gap Financing;
- Value Gap Financing; or
- Other activities approved by Minnesota Housing.

Eligible activities **must** culminate in the rehabilitation, construction, or purchase of a Qualified Dwelling Unit occupied by an Owner-Occupant.

4.02 Ineligible Activities

Impact Fund Dollars **must not** be used for:

- Non-owner occupied housing;
- Public infrastructure, including parks, community centers, municipal water, sewer, curbs, and gutters, that is not directly related to the development or rehabilitation of Qualified Dwelling Units;
- The construction of private infrastructure that does not lie within the Land upon which the Qualified Dwelling Unit is located;
- Administration costs not connected to the development or rehabilitation of Qualified Dwelling Units;
- Individuals who want to refinance their existing loan;
- Improvements for commercial use; and
- Other activities not approved by Minnesota Housing.

4.03 New Construction

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

Prevailing Wage

Under certain circumstances, awards of agency funds may trigger state prevailing wage requirements under Minnesota Statute 116J.871. See Section 1.11 of Appendix C: Legal Addendum for requirements.

In the 2023 and 2024 legislative sessions, the state prevailing wage statutes ([Minnesota Statute 116J.871](#)) were amended to include new reporting requirements and to broaden prevailing wage applicability for multifamily rental housing projects that receive funding from Minnesota Housing. These changes help ensure compliance with state statutes and streamline reporting procedures.

In addition to the existing Prevailing Wage Certification Form submitted before closing, Minnesota Housing must now collect Certified Payroll Reports within 14 days after each pay period throughout construction. The Certified Payroll reports must be submitted electronically throughout the construction period.

Visitability

Visitability unit design and construction allow people with mobility impairments to enter and comfortably stay for a duration. Visitability must be met for the following types of Projects:

- New construction Projects receiving state-appropriated Impact Fund Dollars for Interim Loan financing; and
- New construction Projects completed under Agreements effective on or after June 1, 2018, that receive state-appropriated Impact Fund Dollars.

Visitability does not apply to projects using Impact Fund Dollars for only Affordability Gap.

To meet visitability, Properties must contain each of the following elements:

- 32-inch clear opening doorways throughout the Qualified Dwelling Unit;
- At least one no-step entrance; and
- A half bath, or larger bathroom, on the main level.

Minnesota Housing may waive the no-step entrance requirement if site conditions make the requirement impractical or if it reduces affordability. Minnesota Housing may waive the bathroom requirement if it reduces affordability. Minnesota Housing cannot waive the 32-inch clear opening doorways requirement. To request a waiver, contact Minnesota Housing in writing using the Change Request form available on the [Impact Fund Partner Portal](#). Waiver requests must be submitted prior to

the start of construction, and work may not proceed unless approved in writing, or as otherwise authorized in writing by Minnesota Housing.

An Administrator unsure of whether visitability applies to its Project should contact Minnesota Housing.

Green Communities Criteria

Each new construction Project must comply with the Enterprise Green Communities mandatory criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, or another version approved by Minnesota Housing for use in the Project.

For additional requirements and guidance regarding Green Communities Criteria, including criteria for waiver requests, please refer to Minnesota Housing's Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, available on the [Impact Fund Partner Portal](#).

Projects using Impact Fund Dollars for only Affordability Gap or Grant Funding to Schools under Section 4.07 are exempt from Green Communities Criteria.

Inspections

The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of construction to determine that work has been done properly.

4.04 Acquisition, Rehabilitation, Resale

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

All Acquisition, Rehabilitation, Resale Projects must meet the following criteria:

- U.S. Department of Housing and Urban Development (HUD) Housing Quality Standards;
- The most current version of the Enterprise Green Communities Criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, available on the Impact Fund Partner Portal, or another version approved by Minnesota Housing for use in the Project. However, if Impact Fund Dollars are used for only Affordability Gap, Green Communities Criteria do not apply.
- Notwithstanding the foregoing, Minnesota Housing Lead-Based Paint Guide requirements, available on the Impact Fund Partner Portal, must be satisfied if an Acquisition, Rehabilitation, Resale Project includes the identification and correction of lead-based paint related health and safety hazards.

Inspections

The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of rehabilitation to determine that work has been done properly.

4.05 Owner-Occupied Rehabilitation

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

If Minnesota Housing awards an Administrator Impact Fund Dollars in the form of Deferred Loan Funds to conduct Owner-Occupied Rehabilitation activity for eligible Homeowner Households, all requirements of Chapter 6 of this Procedural Manual apply.

Green Communities Criteria are not applicable to Owner-Occupied Rehabilitation activity.

If an Owner-Occupied Rehabilitation Project includes the identification and correction of health and safety hazards, the Minnesota Housing Lead-Based Paint Guide, available on the Impact Fund Partner Portal, must be followed.

Completion Certificate

At the completion of construction or rehabilitation work for all Owner-Occupied Rehabilitation Projects, the Administrator must document via a completion certificate that the work has been completed to the satisfaction of the Administrator and Owner-Occupant. Minnesota Housing's Impact Fund Owner-Occupied Rehabilitation Project Completion Certificate, available on the [Impact Fund Partner Portal](#), must be used for this purpose.

The preceding paragraph does not apply to Community Fix Up Loan Program interest rate write-down Projects. Instead, Community Fix Up Loan Program interest rate write-down Projects must adhere to completion certification requirements of the Community Fix Up Loan Program.

Coordination with Other Programs

Administrators must be knowledgeable of basic eligibility and referral sources for Minnesota Housing's Fix Up Loan Program, Minnesota Housing's Community Fix Up Loan Program, Minnesota Housing's Rehabilitation Loan Program/Emergency and Accessibility Loan Program, U.S. Department of Agriculture Rural Development Section 504 rehabilitation loans and grants, weatherization assistance, and other home rehabilitation and repair programs available, including those funded through the Minnesota Department of Employment and Economic Development's (DEED) Small Cities Development Program. For more information, refer to [Minnesota Housing's website](#) (including the Impact Fund Training section of the [Impact Fund webpage](#)), the Minnesota Homeownership Center's Home Rehab

and Repair Matrix, DEED’s website, and the U.S. Department of Agriculture’s [Minnesota Rural Development Single Family Housing Contacts](#).

The Administrator, or a Processing Entity, must:

- Review each Homeowner Household’s basic eligibility for those other programs listed in the preceding paragraph;
- Refer the Homeowner Household to programs offering financing at more-generous terms for which it appears to be eligible;
- Provide Homeowner Households with the opportunity to access those programs before providing a loan for Owner-Occupied Rehabilitation; and
- Document each review and referral in the Household/Borrower file.

The Administrator or a Processing Entity must also, prior to providing a loan for Owner-Occupied Rehabilitation, review each Homeowner Household’s basic eligibility for and ability to repay a loan under the Minnesota Housing Fix Up Loan Program or Community Fix Up Loan Program according to a fair, reasonable, and consistent standard and either:

- Offer the Homeowner Household a loan under the Fix Up Loan Program or Community Fix Up Loan Program if the Administrator or Processing Entity is a participating Fix Up Loan Program lender, or refer the Homeowner Household to a participating Fix Up Loan Program lender for a loan under the Fix Up Loan Program or Community Fix Up Loan Program; or
- Document the Homeowner Household’s ineligibility for or inability to repay a loan under the Fix Up Loan Program or Community Fix Up Loan Program.

4.06 Affordability Gap

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

Funds awarded for Affordability Gap Financing must be used by the Administrator for one or more of the following specific uses, as approved by Minnesota Housing:

- The minimum downpayment amount required by a Homebuyer Household’s first mortgage;
- A Homebuyer Household’s settlement charges;
- Additional downpayment required for a Homebuyer Household to qualify for the first mortgage;
- Long-term (30+ years) subsidy tied to real Property;
 - Note that Homebuyer Household settlement charges are not eligible expenses for Affordability Gap Financing when used for long-term (30+ years) subsidy tied to real Property.

- Other Affordability Gap assistance to a Homebuyer Household as approved by Minnesota Housing.

If required by HUD, Administrators that provide secondary financing, including but not limited to Affordability Gap Financing, to a Homebuyer Household also receiving a Federal Housing Administration (FHA)-insured first mortgage must be approved by HUD and listed on HUD's Nonprofit Organization Roster.

4.07 Grant Funding to Schools

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

Funds awarded to an eligible School entity for costs related to a School's construction of Qualified Dwelling Units will be as a grant and must be used by the Administrator for one or more of the following specific eligible usages:

- Building materials to be used for construction of the Qualified Dwelling Unit;
- Construction tools;
- Subcontractors and professional labor; and/or
- Other costs related to home construction as approved by Minnesota Housing.

Funds awarded to an Administrator for costs related to a School's construction of Qualified Dwelling Units may not be used for any of the following usages:

- Staff costs including salary, hourly pay, or benefits;
- Insurance related to construction of Qualified Dwelling Unit;
- Heavy equipment costs including purchase or rental;
- Soft costs including a Developer or Administration Fee;
- Any costs not directly related to the construction of the Qualified Dwelling Unit; and/or
- Other costs that Minnesota Housing deems ineligible.

Use of Grant Funding to Schools must result in the creation of a Qualified Dwelling Unit and must be used for the training of students in the construction trades.

The Qualified Dwelling Unit must be initially owned and occupied by an eligible Owner-Occupant.

An Administrator may contract with another entity or individual to develop and construct Qualified Dwelling Units. The contracted entity may initially hold title to the Qualified Dwelling Unit and lead the construction of the Qualified Dwelling Unit, but the Administrator is solely responsible for ensuring compliance with all terms and conditions set forth in this Procedural Manual.

Green Communities Criteria

Qualified Dwelling Units that receive Funds under 5.07 are exempt from Green Communities Criteria.

Inspections

The Administrator must ensure regular inspections of the Qualified Dwelling Unit during construction to ensure the work meets all applicable industry and safety standards. The Administrator may conduct these inspections or contract with a licensed entity to conduct the inspections. Proof of inspections should be kept by the Administrator and provided to Minnesota Housing upon request.

Homebuyer Education and Counseling

The Owner-Occupant must complete a homeownership education counseling and training program prior to acquiring the Qualified Dwelling Unit. The Administrator is responsible for submitting proof of completion of the homeownership education counseling and training program to Minnesota Housing upon request.

Conflict With Other Sections in Manual

Should there be a conflict in terms and conditions between the requirements for Administrators receiving Funds under this Section 4.07 and other sections of this Manual, the terms, and conditions of this Section 4.07 shall control.

Chapter 5 – General Administration of Impact Fund Award

(See Minimum Required Documents Checklist, found on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

5.01 Fund Types

Minnesota Housing will award Impact Fund Dollars to Administrators in the form of:

- An Interim Loan;
- A Deferred Loan;
- Deferred Loan Funds;
- A Bond Proceeds Loan; or
- Grant Funds.

5.02 Escrow Account

The Administrator must promptly deposit Impact Fund Dollars received to an escrow account it has established. Any interest earned on such funds while held in this escrow account may be used by the Administrator for activities eligible under the Impact Fund. The Administrator must maintain a detailed accounting of all of its escrow account(s) and, upon request, provide a copy of such accounting to Minnesota Housing. The Administrator may commingle funds it is holding in escrow, provided that it maintains a separate ledger entry for Impact Fund Dollars received under each individual disbursement from Minnesota Housing.

5.03 Prohibition Against Layering Impact Fund Dollars

Administrators must not layer (combine) Impact Fund Dollars under two separate Impact Fund Awards in the same Project unless specifically approved in writing by Minnesota Housing. It is the Administrator's responsibility to review all funding sources in a Project to ensure layering does not occur. Combining Grant Funds, Deferred Loan Funds, and Bond Proceeds from the same Impact Fund Award is not considered layering.

Interim Loan funds are exempt from this prohibition against layering.

Impact Fund Dollars may be layered with Grant Funds for Schools under Section 4.07.

To request a waiver to this prohibition against layering, the Administrator must submit a Change Request form, available on the Impact Fund Partner Portal, to Minnesota Housing for review and approval as soon in the process as possible and allow a reasonable amount of time for Minnesota Housing to review it prior to closing.

5.04 Impact Fund Per-Unit Subsidy

If an Administrator seeks to exceed the typical or average per-unit subsidy provided for in the Agreement by more than 50 percent, or seeks to exceed the maximum per-unit investment provided for in the Agreement by any amount, the Administrator must obtain prior written approval from Minnesota Housing. To request approval, the Administrator must submit a Change Request form, available on the Impact Fund Partner Portal, to Minnesota Housing as soon in the process as possible and allow a reasonable amount of time for Minnesota Housing to review it prior to closing.

If no typical or average per-unit investment is explicit in the Agreement, the average is to be imputed by dividing the total dollar amount of funds awarded by the number of Projects or units to be completed as stated in the Agreement.

5.05 Eligible Costs

Eligible costs are hard costs and soft costs that are necessary, reasonable, and relate directly to eligible activities and eligible Property or Qualified Dwelling Unit, are part of a Project, and that culminate in the purchase, construction, or rehabilitation of a Qualified Dwelling Unit occupied by an Owner-Occupant. Hard costs are:

- Land and Property acquisition;
- Demolition;
- Removal of existing structures;
- Site preparation;
- Construction or rehabilitation;
- Construction or rehabilitation of private infrastructure directly related to the Qualified Dwelling Unit such as connection to city water and sewer;
- Lead mitigation or abatement; and
- Other costs approved by Minnesota Housing.

Soft costs incurred by the Administrator must be reasonable and necessary, and must directly relate to the financing of acquisition, construction, or rehabilitation of Qualified Dwelling Units. Soft costs are:

- A Developer Fee or an Administration Fee;
- Architectural, engineering, or related professional services required to prepare plans, drawings, specifications, or work write-ups;
- Costs to settle the financing for a Qualified Dwelling Unit, such as:
 - Private lender origination fees;
 - Credit reports;
 - Fees for the title evidence;
 - Fees for recordation and filing of legal documents;
 - Attorney fees;

- Real estate agent commissions; and
 - Appraisal and independent cost estimate fees;
- Costs of any audit that Minnesota Housing may require with respect to Impact Fund Dollars; and
- Other costs approved by Minnesota Housing.

5.06 Ineligible Costs

Ineligible costs are:

- Costs reimbursed from another source;
- Reimbursement for the value of donated items such as labor, materials, or property;
- Payment for labor performed by a member of the Household (e.g., homeowner labor);
- Costs not included in Section 5.05, Eligible Costs;
- Profit, overhead, wages, benefits, and other compensation to the Administrator, Processing Entity, or other entity affiliated with the Administrator or Processing Entity outside of a Minnesota Housing approved Administration Fee or Developer Fee, unless such costs have been approved in writing by Minnesota Housing;
- Costs incurred prior to the effective date of the Agreement; and
- Costs not approved by Minnesota Housing.

5.07 Administration Fees

The Administration Fee is an amount Minnesota Housing pays to the Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity for making a grant or a loan to a Household using Impact Fund Dollars.

The Administration Fee must not exceed the actual costs to make a grant or a loan to a Household using Impact Fund Dollars. Such costs are:

- Securing and maintaining the funding source;
- Household education specific to the Deferred Loan or grant;
- Lender identification, communication, and coordination;
- Construction management services for Owner-Occupied Rehabilitation Projects;
- Requesting Impact Fund Dollars from Minnesota Housing;
- Document preparation;
- Tracking and reporting specific to the Impact Fund Award; and
- Other costs as determined by Minnesota Housing.

Administrators must disclose the Administration Fee in its Application for Funds. The maximum Administration Fee per loan or grant to a Household is set forth in the Agreement. Any fee charged to

the Household must be disclosed to the Household in advance with a description of the costs the fee covers.

5.08 Developer Fees

Administrators directly involved in or bearing primary responsibility for the New Construction or Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit may charge a Developer Fee. This Developer Fee is paid at the time of closing from sale proceeds and must not exceed 10 percent of the Project's Total Development Cost (less the Developer Fee).

The Developer Fee is the total cumulative payment accruing to the Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity for development services performed in a New Construction or Acquisition, Rehabilitation, Resale Project. The Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity, must earn no additional profit or compensation, nor include costs for wages, benefits, or overhead in the Total Development Cost of a Project, without Minnesota Housing's written consent.

Administrators must not charge a Developer Fee when providing only Affordability Gap Financing or Owner-Occupied Rehabilitation financing to an eligible Household.

5.09 Signature Requirements

Minnesota Housing accepts documents that are signed electronically using e-Signature, as defined in Appendix A. However, eSignatures are not acceptable on any document that needs to be recorded with the county.

Wet signatures are always permitted and under no circumstances may a signer be required to sign by e-Signature. For an e-Signature, the following criteria must be met:

- Must follow Minnesota Housing Electronic Signature policy (see Appendix C: Legal Addendum, Electronic Signatures); and
- Must follow all county, state, and federal laws, as well as counterparty requirements (such as Fannie Mae, Federal Housing Administration, US Bank).

Chapter 6 – Deferred Balloon Loans and Deferred Forgivable Loans

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

6.01 General

Deferred Balloon Loans

Deferred Loan Funds may be used by the Administrator to:

- Provide Affordability Gap Financing for Homebuyer Households;
- Provide financing for Owner-Occupied Rehabilitation; or
- Support other eligible activities as specified in the Agreement.

Deferred Balloon Loans to Borrowers must be structured as non-amortizing, zero interest loans with a balloon payment due in a lump sum upon the term of the loan. Loans with a balloon payment must be disclosed as such to the Borrower.

Deferred Forgivable Loans

Grant Funds may be used by the Administrator to:

- Provide Affordability Gap Financing for Homebuyer Households;
- Provide financing for Owner-Occupied Rehabilitation; or
- Support other eligible activities as specified in the Agreement.

Deferred Forgivable Loans to Borrowers must be structured as non-amortizing, zero interest loans with a term of forgiveness that removes the Borrower's responsibility to repay the loan balance so long as the Borrower satisfies all terms and conditions of the loan note.

6.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form. The Request for Funds form is available on the [Impact Fund Partner Portal](#). Refer to the Request for Funds form and related instructions for information on disbursement methods and documentation requirements.

Administrators must request Deferred Loan Funds only on a loan-by-loan basis and no sooner than upon the Administrator's or Processing Entity's commitment to lend to a Household on a specified closing date agreed to by the Administrator or Processing Entity and the Household.

Minnesota Housing reserves the right to disburse funds more conservatively and may withhold disbursements until quality assurance and compliance findings have been resolved by Minnesota Housing.

6.03 Loan Documents and Disclosures

The Administrator must originate Deferred Loans for Borrowers in accordance with all applicable laws, rules, and regulations. This includes the laws, rules, and regulations regarding the origination and disclosure of mortgage and consumer loans. Consult with your compliance department or legal counsel for guidance on completing required disclosures.

For each Deferred Loan the Administrator or a Processing Entity originates which is assigned to Minnesota Housing, the Administrator must ensure it has the following:

For loans secured by real property Qualified Dwelling Units:

- Fully executed, valid, and enforceable Impact Fund Loan Note, using the form provided by Minnesota Housing, available on the [Impact Fund Partner Portal](#); and
- Fully executed, valid, and enforceable Impact Fund Mortgage, using the form provided by Minnesota Housing, available on the [Impact Fund Partner Portal](#); and
- Fully executed, valid and enforceable Assignment of Mortgage, using the form provided by Minnesota Housing, available on the [Impact Fund Partner Portal](#).

The Impact Fund Loan Note is legal evidence of the debt to be repaid and must be endorsed to Minnesota Housing. All parties whose income must be included when calculating Annualized Gross Income according to Section 2.07 of this Procedural Manual for Deferred Loans must execute the Impact Fund Loan Note.

The Impact Fund Loan Mortgage is the legal document used to secure a loan against a real property Qualified Dwelling Unit. Anyone with an ownership interest in the Qualified Dwelling Unit, including at least one member of the Household, is required to be a party to the Impact Fund Loan Mortgage. The Impact Fund Loan Mortgage must be assigned to Minnesota Housing. The Administrator must ensure that both the Impact Fund Loan Mortgage and the Assignment of Mortgage are properly recorded with the appropriate county recorder or registrar of titles office.

For loans secured by Qualified Dwelling Units taxed as personal property (Manufactured Homes)

- Fully executed, valid, and enforceable Impact Fund Manufactured Home Note and Security Agreement, available on the [Impact Fund Partner Portal](#); and
- Fully executed, valid, and enforceable Department of Public Safety - Notification of assignment, release, or grant of secured interest, available on the [Impact Fund Partner Portal](#).

The Impact Fund Manufactured Home Note and Security Agreement is legal evidence of the debt to be repaid. The Impact Fund Manufactured Home Note and Security Agreement and the Department of Public Safety - Notification of assignment, release or grant of secured interest and are the legal documents used to secure a loan against a Qualified Dwelling Unit taxed as personal property.

The Impact Fund Manufactured Home Note and Security Agreement must be endorsed to Minnesota Housing. All parties whose income must be included when calculating Annualized Gross Income according to Section 2.07 of this Procedural Manual for Deferred Loans must execute the Impact Fund Manufactured Home Note and Security Agreement.

The Department of Public Safety - Notification of assignment, release or grant of secured interest must show Minnesota Housing as the secured party. The Administrator must ensure that the completed Notification of Assignment, Release or Grant of Secured Interest is properly filed with the Minnesota Department of Public Safety.

6.04 Nationwide Mortgage Licensing System (NMLS) Registration

In compliance with the Secure and Fair Enforcement for Mortgage Licensing Act, all Administrators and Processing Entities, including local units of government and non-traditional lenders, must determine which staff members are considered individual mortgage loan originators and must comply with the S.A.F.E. Act and which staff members are exempt from compliance with it.

The Minnesota Department of Commerce requires (pursuant to Minnesota Statute 58A.03 subd.2) all mortgage lenders and entities deemed exempt to register with the Nationwide Mortgage Licensing System & Registry and obtain a unique identifier number.

6.05 Repayment

Unless otherwise outlined in the Agreement, Deferred Loans to Borrowers and assigned to Minnesota Housing must be repaid according to the terms of the Impact Fund Loan, Impact Fund Loan Note, or Impact Fund Manufactured Home Note and Security Agreement.

Deferred Loans made by Minnesota Housing to the Administrator must be repaid according to the terms of the Agreement.

6.06 Delivery of Loans to Minnesota Housing

For each Deferred Loan originated and assigned to Minnesota Housing, the Administrator must forward, or cause to be forwarded, to Minnesota Housing the Deferred Loan documentation listed in the Deferred Loan Document Transmittal Instructions and Transmittal Forms. The documents must be delivered in the same form, order, and timeline prescribed in the Deferred Loan Transmittal

Instructions and Transmittal Forms. The Deferred Loan Document Instructions and Transmittal Forms are available on the [Impact Fund Partner Portal](#).

6.07 Servicing

Deferred Loans to Borrowers that are assigned to Minnesota Housing will be designated a servicer by Minnesota Housing. Deferred Loans to Borrowers that are assigned to Minnesota Housing are typically serviced by AmeriNat, although Minnesota Housing may, at its discretion, designate other servicers. Servicing inquiries, including satisfaction and subordination requests, should be directed to AmeriNat, unless another servicer is designated by Minnesota Housing.

6.08 Assumption

Deferred Loans are not assumable.

6.09 Hardship Policy

Minnesota Housing has in place a hardship policy for its Deferred Loans to Borrowers that allows forgiveness either in part or whole if the Household is experiencing severe financial hardships that prevent full repayment of indebtedness. Please contact Minnesota Housing for more information regarding this policy.

6.10 Processing Entities for Deferred Loans to Borrowers

The Administrator may contract with a Processing Entity to originate Deferred Loans on the Administrator's behalf. The Administrator must follow contracting and bidding requirements set forth in the Agreement and this Procedural Manual. Only the Administrator or a Processing Entity may originate Deferred Loans to Borrowers. The Processing Entity's participation must be approved in writing by Minnesota Housing before that Processing Entity originates Deferred Loans. The Administrator must have a written contractual relationship with the Processing Entity. The Administrator, however, retains sole responsibility for any default under the Agreement, including defaults caused by a Processing Entity.

Chapter 7 – Housing Infrastructure Bond Proceeds Loans

(See Minimum Required Documents Checklist, found on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

7.01 General

Minnesota Housing may issue its State Appropriation Bonds (Housing Infrastructure) and use Bond Proceeds to make Bond Proceeds Loans to Administrators to finance the following purposes:

- Value Gap Financing: Construction, acquisition, rehabilitation, and adaptive reuse costs up to the amount of the Value Gap for the Qualified Dwelling Unit;
- Community Land Trust Acquisition of Land: For Community Land Trusts, the actual costs of the acquisition of Land, demolition and site clearing, and Utility Connections related to land owned by or to be owned by a Community Land Trust; and
- Owner-Occupied Rehabilitation.

Any demolition, site clearing, or Utility Connections financed by a Bond Proceeds Loan to an Administrator must be completed prior to conveyance of the Qualified Dwelling Unit to an Owner-Occupant.

7.02 Properties Eligible to be Financed with Bond Proceeds Loans

If any costs are to be reimbursed with Bond Proceeds Loan funds related to a Project, those costs related to the associated Property or Qualified Dwelling Unit must have been incurred no earlier than the date specified on the *Certificate of Administrator as to Expenditure of Bond Proceeds* provided by Minnesota Housing.

7.03 Additional Documentation Required

Files for Projects receiving a Bond Proceeds Loan must, at minimum, contain the documents and meet the requirements referenced in the following, all available on the Impact Fund Partner Portal:

- Minimum Required Documents Checklist;
- Applicable Bond Certificate; and
- Request for Funds Form.

The Request for Funds form and Bond Certificate outline additional documentation requirements and instructions.

7.04 Disbursement of Bond Proceeds Loans

To request disbursements of Bond Proceeds Loans, the Administrator must submit a Request for Funds form, Bond Certificate, and the documentation required under Section 7.03 of this Procedural Manual. The Request for Funds form and Bond Certificate are available on the [Impact Fund Partner Portal](#).

Minnesota Housing reserves the right to disburse funds more conservatively and may withhold disbursements until quality assurance and compliance findings have been resolved by Minnesota Housing.

7.05 Repayment of Bond Proceeds Loans

The Administrator must repay Bond Proceeds Loans upon the occurrence of events, and at the times, set forth in the Agreement.

Chapter 8 – Grant Funds

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

8.01 General

Grant Funds may be used by the Administrator to:

- Provide funding for Value Gap Financing;
- Provide funding for Affordability Gap Financing for Homebuyer Households;
- Pay for eligible costs under Section 4.07, Grant Funding to Schools; or
- Finance other eligible activities, as approved by Minnesota Housing, that preserve long term affordability or for which repayment is economically infeasible.

8.02 Disbursement of Grant Funds

To request funds, the Administrator must submit a Request for Funds form, available on the [Impact Fund Partner Portal](#).

Minnesota Housing may disburse Grant Funds to the Administrator as follows:

Value Gap Financing and Grant Funding to Schools:

- Up to one-third of the total award of Grant Funds is available in the first disbursement upon Administrator's request and at the discretion of Minnesota Housing.
- When the Administrator has demonstrated significant progress, Minnesota Housing, at its discretion, will make further disbursements to the Administrator upon receipt of additional Request for Funds forms.

Affordability Gap and Owner-Occupied Rehabilitation:

- On a transaction-by-transaction basis, no sooner than upon the Administrator's or Processing Entity's commitment to lend to a Household on a specified closing date agreed to by the Administrator or Processing Entity and the Household.

Minnesota Housing reserves the right to disburse funds more conservatively and may withhold disbursements until quality assurance and compliance findings have been resolved by Minnesota Housing.

8.03 Repayment of Grant Funds

Repayment conditions are specified in the Agreement.

Chapter 9 – Interim Loans

(See Minimum Required Documents Checklist, available on the [Impact Fund Partner Portal](#), for minimum documentation requirements.)

9.01 General

Minnesota Housing may provide an Interim Loan to an Administrator to acquire, rehabilitate, demolish, and construct Qualified Dwelling Units. Whether, and at what rate, an Interim Loan bears interest is outlined in the Agreement.

If an Interim Loan is interest bearing, interest will accrue from the date of disbursement to the date of repayment.

9.02 Disbursement of Interim Loans

To request funds, the Administrator must submit a Request for Funds form and documentation of the acquisition, demolition, or start of construction of the Projects for which it is requesting funds. The Request for Funds form is available on the [Impact Fund Partner Portal](#).

Minnesota Housing reserves the right to disburse funds more conservatively and may withhold disbursements until quality assurance and compliance findings have been resolved by Minnesota Housing.

9.03 Repayment of Interim Loans

The term of an Interim Loan is set forth in the Agreement.

Interim Loan funds and interest accrued must be repaid on or before the repayment date or termination of availability date noted in the Agreement. Specific repayment requirements are detailed in the Agreement. Contact Minnesota Housing with any questions about repayment procedure and amounts due.

9.04 Assumption

Interim Loans are not assumable.

Chapter 10 – Records Retention and Reporting

10.01 Records Retention

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

10.02 Reporting Individual Household Demographic and Project Information

Administrators must submit a Household Demographic Project Information form to Minnesota Housing for each Project either upon Project completion as described in this Section 10.02, or when:

- All eligible activities to be performed on a Project have been performed in accordance with the Agreement;
- The Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant; and
- If the Project is supported by Deferred Loan Funds, all necessary Deferred Loan documents have been executed and, where required, submitted for recording.

The Household Demographic Project Information Form template is available on the [Impact Fund Partner Portal](#).

Project Completion by Activity Type

A Project is considered complete for each activity type when the requirements below are met.

- **New Construction**: A New Construction Project is complete when construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.08 of this Procedural Manual.
- **Acquisition, Rehabilitation, Resale**: An Acquisition, Rehabilitation, Resale Project is complete when rehabilitation and any construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.08 of this Procedural Manual.
- **Owner-Occupied Rehabilitation**: An Owner-Occupied Rehabilitation Project, except for a Community Fix Up Loan Program interest rate write-down Project, is complete once any loan closing and all rehabilitation has been completed, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.08 of this Procedural Manual.

- Community Fix Up Loan Program Interest Rate Write-Down: A Community Fix Up Loan Program interest rate write-down Project is complete when the loan closing is complete and all necessary documents have been recorded and delivered to Minnesota Housing and the servicer, as designated under the [Fix Up Loan Program](#).
- Affordability Gap: An Affordability Gap Project is complete when the Affordability Gap Financing has been expended, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.08 of this Procedural Manual.
- Grant Funding to Schools: A Grant Funding to Schools Project is complete when construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.08 of this Procedural Manual.

10.03 Annual Reporting

Administrators must provide an annual report known as the Impact Fund Annual Report/Final Close Out Report for each open Impact Fund Award. The format for this report is available on the [Impact Fund Partner Portal](#).

10.04 Close Out Reporting

Administrators must submit an updated Impact Fund Annual Report/Final Close out Report when an Impact Fund Award is expired or completed. An Impact Fund Award is complete when:

- All Impact Fund Dollars have been expended in accordance with the Agreement, or returned to Minnesota Housing;
- All Projects have been completed as described in Section 10.02 of this Procedural Manual; and
- All completed Projects have been reported to Minnesota Housing via Household Demographic Project Information forms as described in Section 10.02 of this Procedural Manual, or via another format approved by Minnesota Housing.

Appendix A: Definitions

TERM	DEFINITION
Accommodation Party	Anyone with an ownership interest in an eligible Property or Qualified Dwelling Unit that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property or Qualified Dwelling Unit, or a seller of a contract-for-deed to an Owner-Occupant Household.
Acquisition, Rehabilitation, Resale	The eligible activity of acquiring, rehabilitating and re-selling a Property or Qualified Dwelling Unit to a Homebuyer Household, as described in Section 4.04 of this Procedural Manual.
Administrator	The entity with which Minnesota Housing has a contractual relationship to administer Impact Fund Dollars, including the entity identified as a “Grantee” in a grant contract Agreement, and any successors or assignees approved in writing by Minnesota Housing. Eligible Administrators include cities, housing and redevelopment authorities, joint powers boards established by two or more cities, federally recognized American Indian Tribes or subdivisions located in Minnesota, Tribal housing corporations, non-profit organizations, Private Developers, Public Housing Agencies, and Schools.
Administration Fee	The cumulative amount Minnesota Housing pays to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for the making of a grant or a loan for affordability gap or owner-occupied rehabilitation to a Household using Impact Fund Dollars, as described in Section 5.07 of this Procedural Manual.
Affordability Gap	<p>Subject to Section 4.06, Affordability Gap is the difference between the purchase price for the Property or Qualified Dwelling Unit, agreed to by the Homebuyer Household and the seller, plus buyer paid closing costs, and the amount of the first mortgage loan for which the Homebuyer Household qualifies based on industry standard, prudent underwriting practice.</p> <p>Purchase price + buyer paid closing costs – qualified first mortgage = Affordability Gap</p> <p>In the case of long-term (30+ years) subsidy, see instructions in Section 4.06.</p>

TERM	DEFINITION
	<p>When the Administrator is the seller or has a vested interest in or affiliation with the entity selling the Property or Qualified Dwelling Unit, the asking price of the Property must be supported by an independent, third-party appraisal that complies with the Uniform Standards of Professional Appraisal Practice (USPAP).</p> <p>The final purchase price must be within 10% of the appraised value. If the final purchase price is not within 10% of appraised value, Minnesota Housing must be contacted prior to closing for further guidance.</p>
Affordability Gap Financing	A Deferred Loan or Grant Funds used, in amounts not exceeding the Affordability Gap, to assist a Household in the acquisition of a Property or Qualified Dwelling Unit.
Affordable to the Local Work Force	The amount of housing payments made by the occupants of housing funded under the Economic Development and Housing Challenge Fund is affordable based on the wages of jobs being created or retained in the local area, the fastest growing jobs in the local area, the jobs with the most openings in the local area, or the wages of the workforce employed by organizations making contributions under the Economic Development and Housing Challenge Fund. Housing payments are affordable if they do not exceed 30 percent of the wages being paid in the local area as the wages are described in the application for Economic Development and Housing Challenge Fund funding.
Agreement	A legally binding contract agreement between Minnesota Housing and an Administrator that governs the terms for providing and using Impact Fund Dollars to perform eligible activities. The Agreement may be amended or supplemented in writing in accordance with its terms.
American Indian Household	A Household containing at least one person enrolled in a federally recognized Tribe.
Annualized Gross Income	The gross income of a household calculated on an annual basis using the Income Eligibility Worksheet provided on the Impact Fund Partner Portal .
Application for Funds	The application for funds prepared by an Administrator and submitted in response to the Single Family RFP as accepted in writing or electronically by Minnesota Housing.

TERM	DEFINITION
Bond Certificate	A Certificate of Administrator as to Expenditure of Bond Proceeds or similar form that verifies Bond Proceeds have been properly used for eligible activities.
Bond Proceeds	Proceeds of Minnesota Housing’s State Appropriation Bonds (Housing Infrastructure) that are disbursed by Minnesota Housing to the Administrator as a deferred, zero percent interest loan for the acquisition, construction, and rehabilitation of Qualified Dwelling Units; and for the acquisition of Land and demolition and Utility Connections related to Land owned by or to be owned by a Community Land Trust.
Bond Proceeds Loan	A deferred, zero percent interest loan made by Minnesota Housing to the Administrator from Bond Proceeds for the purposes set forth in the Agreement.
Borrower	A person who is obligated to repay a Deferred Loan, typically under an Impact Fund Loan Note, and is a member of a Household.
Co-Signer	A person who is obligated to repay the underlying mortgage loan (signer of the mortgage note) but who is not in title to the subject Property or Qualified Dwelling Unit and has not signed the mortgage deed.
Community Land Trust	A city or a nonprofit corporation organized under Minnesota Statutes chapter 317A that complies with Minnesota Statutes section 462A.31 and that qualifies for tax exempt status under United States Code, title 26, section 501(c)(3), and that meets all other criteria for community land trusts set by the agency.
Community Revitalization Program	Previous name of the Community Homeownership Impact Fund Program.
Deferred Balloon Loan	A Deferred Loan structured as a non-amortizing, zero interest loan with a balloon payment due in a lump sum to the Administrator upon the term of the loan. A Deferred Loan with a balloon payment must be disclosed as such to the Borrower.
Deferred Forgivable Loan	A Deferred Loan structured as a non-amortizing, zero interest loan with a term of forgiveness that removes the Borrower's responsibility to repay the loan balance so long as the Borrower satisfies all terms and conditions of the security instruments.

TERM	DEFINITION
Deferred Loan(s)	A non-amortizing, zero interest deferred loan funded by Impact Fund Dollars that is made to a Household or to an Administrator that must be repaid to the extent provided in the Agreement and Chapter 6 of this Procedural Manual.
Deferred Loan Funds	Funds reserved by Minnesota Housing for use by the Administrator to provide Deferred Loans to Households for Affordability Gap Financing or Owner-Occupied Rehabilitation.
Developer Fee	The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for development services performed in a New Construction or Acquisition, Rehabilitation, Resale Project.
e-Signature	<p>An “electronic signature” which means an electronic sound, symbol, or process attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record. An e-signature is electronically affixed to an electronic document using an approved software program which authenticates identity, day, and time of affix (such as, but not limited to, DocuSign or Adobe Sign) and will provide a certificate of authenticity. Subject to the terms of Section 5.09 above, an e-Signature can replace a wet signature, which is a signature affixed manually with pen on paper.</p> <p>An e-Signature is different than a digital signature, which is digitally affixed to an electronic document not using e-signature software and includes a time stamp and IP address, but not a certificate of authenticity.</p> <p>An e-Signature is also different than a signature stamp, which can be typed into or on a document, a copy and paste of an image of a signature, a jpeg, or the use of /s/ as a signature, checking a box or typing one’s initials.</p>
Grant Funds	Funds awarded by Minnesota Housing to an Administrator in accordance with the Agreement.
Green Communities Criteria	The Enterprise Green Communities criteria as modified by Minnesota Housing’s Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, available on the Impact Fund Partner Portal .

TERM	DEFINITION
Homebuyer Household	A type of Household that is eligible to purchase a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the New Construction or the Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit, and/or Affordability Gap Financing to acquire a Property or Qualified Dwelling Unit.
Homeowner Household	A type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Qualified Dwelling Unit in which the Household has an ownership interest and that occupies the subject Property or Qualified Dwelling Unit as its Principal Residence.
Household	A Homebuyer Household or Homeowner Household.
Housing Ratio	The proportion of a Household’s monthly gross income (Annualized Gross Income divided by 12) necessary to pay monthly Property expenses, which are: monthly first-mortgage principal and interest charges, subordinate mortgage principal and interest charges, Property taxes, hazard insurance, mortgage insurance, homeowners’ association fees, land trust ground lease fees, and manufactured home park lot rent.
HQS	U.S. Department of Housing and Urban Development Housing Quality Standards.
HUD	The U.S. Department of Housing and Urban Development.
Impact Fund	Minnesota Housing’s Community Homeownership Impact Fund Program.
Impact Fund Award	Impact Fund Dollars awarded to an Administrator by Minnesota Housing for a specific purpose and governed by an Agreement.
Impact Fund Award Identification (ID) Number	The identifier assigned to an Administrator’s Impact Fund Award and listed on an Agreement, which should be used on forms and correspondence with Minnesota Housing.
Impact Fund Dollars	The aggregate funds that Minnesota Housing reserves and makes available to the Administrator for eligible activities under one or more Agreements.

TERM	DEFINITION
Impact Fund Loan Mortgage	The form provided by Minnesota Housing used to secure a loan against a real property Qualified Dwelling Unit. Template is provided on the Impact Fund Partner Portal .
Impact Fund Loan Note	The legal document that is evidence of the Deferred Loan to be repaid. The applicable template is available on the Impact Fund webpage.
Impact Fund Manufactured Home Note and Security Agreement	The form provided by Minnesota Housing that is evidence of the Deferred Loan to be repaid and the legal document used to secure a loan against a Qualified Dwelling Unit taxed as personal property. Template is provided on the Impact Fund Partner Portal .
Impact Fund Partner Portal	An online resource provided by Minnesota Housing for Administrators with Impact Fund forms and information: https://partners.mnhousing.gov/community-initiatives-programs/impact-fund.html
Indian Housing Set-Aside Funds	The Economic Development Housing Challenge set-aside funding awarded under the Impact Fund to an Administrator to exclusively serve American Indian Households by conducting eligible activities under the Agreement.
Interim Loan	A short-term loan made to an Administrator to assist with acquiring, demolishing, rehabilitating, or constructing homes for Owner-Occupants.
Land	The real property upon which Qualified Dwelling Units are located or are to be constructed.
New Construction	The eligible activity of constructing and selling a new Property or Qualified Dwelling Unit to a Homebuyer Household, as described in Section 4.03 of this Procedural Manual.
Owner-Occupant	A Household whose income does not exceed the Impact Fund Eligibility Income as described in Section 2.07 of this Procedural Manual and who owns the Property or Qualified Dwelling Unit and uses it as its Principal Residence. A Household that has purchased a Property or Qualified Dwelling Unit subject to a contract-for-deed is considered an Owner-Occupant.

TERM	DEFINITION
Owner-Occupied Rehabilitation	The eligible activity of rehabilitating a Property or Qualified Dwelling unit owned by an Owner-Occupant, as described in Section 4.05 of this Procedural Manual.
Principal Residence	The Property or Qualified Dwelling Unit which the Household regularly occupies as its main dwelling place for at least nine months of the year.
Private Developer	An individual or a for-profit nongovernmental entity, including a cooperative housing corporation as defined in Minnesota Rule 4900.0010, subpart 8, and a limited dividend entity as defined in part Minnesota Rule 4900.0010, subpart 14.
Processing Entity	An entity that has a contractual relationship with an Administrator and has been approved by Minnesota Housing to conduct eligible activities under the Impact Fund.
Procedural Manual	This Community Homeownership Impact Fund Program Procedural Manual.
Project	The housing development activity associated with a Property or Qualified Dwelling Unit. The housing development activity is the approved activity carried out in accordance with the Agreement.
Property	The Land and the Qualified Dwelling Unit(s) situated thereon.
Public Housing Agency	Any state, county, municipality or other governmental entity or public body (or agency or instrumentality thereof) that is authorized to engage or assist in the development or operation of low-income housing.
Qualified Dwelling Unit	A structure consisting of one-to-four units, a condominium, or a townhouse that is or will be occupied by the Homeowner Household or Homebuyer Household as its Principal Residence and that is located on or will be constructed on Land and is part of a Project and is described in Section 3.01.
Single Family Request for Proposal (RFP)	The process by which the Single Family Division of Minnesota Housing solicits Administrator Applications for Funding under the Impact Fund.
School	A school district; a cooperative unit, as defined in Minnesota Statutes 123A.24, Subd. 2; a charter school; a contract alternative school; a Tribal contract school; or a nonprofit organization contracted by one of

TERM	DEFINITION
	the preceding entities may receive funding in accordance with Minnesota Statutes 462A.33, Subd. 9. Individual schools other than those listed above, such as technical schools, colleges, universities, or institutions providing higher education, are not eligible Schools under this definition.
Scope of Work	A detailed outline of the necessary rehabilitation work to be completed on the Project.
Total Development Cost	<p>The total eligible costs for the construction, acquisition, rehabilitation, and adaptive reuse of Property or Qualified Dwelling Unit. Eligible costs are described in Section 5.05, and ineligible costs are described in section 5.06.</p> <p>Certain pre-development costs incurred prior to the effective date of the Agreement may be included in the Total Development Cost calculation, if they are agreed to in writing by Minnesota Housing. These pre-development costs are not eligible for reimbursement but can be used to calculate the maximum Value Gap.</p>
Tribal Indian Housing Program	Minnesota Housing’s Tribal Indian Housing Program described in Minnesota Statutes Section 462A.07, subd. 14.
Tribal Land	Any Land owned or governed by a federally recognized Tribe.
Underserved Populations	Households of color or Hispanic ethnicity, single heads of Households with minor children, and Households with a disabled member(s).
Utility Connections	<p>Connections on the Land from utilities in the street or alley to a Qualified Dwelling Unit, limited to the following:</p> <ul style="list-style-type: none"> • Connection of gas supply to a Qualified Dwelling Unit’s gas service regulator. • Connection of utility electrical supply to the electricity meter at a Qualified Dwelling Unit. • Connection of municipal water supply to a water meter located inside a Qualified Dwelling Unit. • Connection of sanitary sewer to the Qualified Dwelling Unit (i.e., construction or replacement of the house sewer between the

TERM	DEFINITION
	<ul style="list-style-type: none"> • sewer and the building drain). The waste stacks within the walls of a Qualified Dwelling Unit are not included in this definition. <p>If required by a local municipality: Connection of storm sewer service to the Qualified Dwelling Unit and/or any storm water retention system located on the Property.</p>
Value Gap	<p>The difference between the Total Development Cost of a Project and the purchase price for the Property or Qualified Dwelling Unit, agreed to by the Homebuyer Household.</p> <p>The asking price must be supported by an independent, third-party appraisal that complies with the Uniform Standards of Professional Appraisal Practice (USPAP).</p> <p>The final purchase price must be within 10% of the appraised value. If the final purchase price is not within 10% of appraised value, Minnesota Housing must be contacted prior to closing for further guidance.</p> <p>Total Development Costs – purchase price (within 10% of appraised value) = Value Gap</p>
Value Gap Financing	<p>A Deferred Loan or Grant Funds used, in amounts not exceeding the Value Gap, for eligible costs to assist an Administrator to acquire, construct, or rehabilitate a Property or Qualified Dwelling Unit and transfer the Qualified Dwelling Unit or Property to a Homebuyer Household. The amount of Value Gap Financing must be reconciled with supporting documentation of eligible costs.</p>

Appendix B: Forms

All forms provided for use with the Impact Fund Program are available on the [Impact Fund Partner Portal](#). All forms identified as required in the Minimum Required Documents Checklist must be used to remain in compliance with this Procedural Manual.

Failure to use required forms may result in delayed or denied disbursements or the return of disbursed funds.

Appendix C: Legal Addendum

1.01 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.

1.02 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 1.07.

1.03 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 1.07.

1.04 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 1.07.

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

1.05 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 D;
- 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 1.04.

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 1.07.

1.06 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).

1.07 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).

1.08 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.

1.09 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.

1.10 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.

1.11 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 of existing housing); (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds; or (3) allocations or awards of low-income housing tax credits, for which tax credits are used for multifamily housing projects consisting of more than ten units.

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.

Entities receiving funding from Minnesota Housing as described in this section shall notify all employers on the project of the recordkeeping and reporting requirements in Minnesota Statutes Section 177.30, paragraph (a), clauses (6) and (7). Each employer shall submit the required information to Minnesota Housing.

Questions related to submission of required information to Minnesota Housing may be directed to:
mhfa.prevailingwage@state.mn.us.

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 a contractor or subcontractor fails to adhere to prevailing wage laws, then that contractor or subcontractor could face civil and/or criminal liability.](#)