

**Program Guidelines NRP Home Improvement Program  
For  
1-4 Unit Owner-Occupied Properties**

**Fund Purpose:** To use NRP funds (either as amortizing or deferred loans), in coordination with other financing programs, to help property owners improve their existing structures. Before the Bottineau NRP loan can be provided, the program administrator will first attempt to place applicants in the MHFA Fix Up Fund, MHFA Community Fix Up Fund, MHFA Community Fix up Fund Sub Prime Program, the MHFA Home Energy Loan Program, or other available programs.

**Eligible Properties:** The property being improved must be a owner occupied and homesteaded that contains between one to four dwelling units. Owner-occupied, mixed use properties are eligible if more than 50% of the building's after rehabilitation above ground square footage is used for residential purposes. Individual condominium, cooperative, and/or townhouse units are eligible. Condominium, cooperative, and/or townhouse associations are not eligible.

**Terms of Revolving Loans**

**Income Limit:** None.

**Interest Rate:** 4% annual interest.

**Loan Term:** Maximum of 10 years. Approximately 1 year for every \$1,000 borrowed. Within the 10 year term, all loans (principle and interest balance) will be due and payable upon a transfer of title, upon conversion to contract for deed, or if the original borrower no longer owns and occupies the property.

**Loan Amount:** Minimum of \$1,000. Maximum of \$10,000.

**Match Requirement (See Chart on Page 2):**

- For loans to households with incomes > 120% of "MMI", the NRP amount of the loan must be 50% or less of the total project cost (up to the program maximum - \$10,000).  
Example A: If the total project cost is \$12,000, the NRP Revolving Loan will be \$6,000.  
Example B: If the total project cost is \$26,000, the NRP Revolving Loan will be \$10,000.

- For loans to households with incomes  $\leq 120$  but  $> 100\%$  of MMI, the NRP amount of the loan must be 75% or less of the total project cost (up to the program maximum - \$10,000).  
 Example C: If the total project cost is \$12,000, the NRP Revolving Loan will be \$9,000.  
 Example D: If the total project cost is \$26,000, the NRP Revolving Loan will be \$10,000.
- For loans to households with incomes  $\leq 100\%$  of MMI, there is no match requirement. The NRP amount of the total may be for 100% of the total project cost (up to the program maximum - \$10,000).  
 Example E: If the total project cost is \$8,000 the NRP Revolving Loan will be \$8,000.  
 Example F: If the total project cost is \$16,000, the NRP Revolving Loan will be \$10,000.

**Match Requirement (continued):** Match requirements will be based upon a percentage of the area median income (“MMI”). “Adjusted gross income” as stated on the applicant’s most recent Federal Tax Return or other comparable information acceptable to the program administrator. These figures are determined by the Department of Housing and Urban Development (HUD) and are adjusted annually. When the HUD figures are adjusted, these will also change.

<b>Family Size</b>	<b>120% of Median</b>	<b>100% of Median</b>
1	\$66,000	\$55,000
2	\$75,360	\$62,800
3	\$84,840	\$70,700
4	\$94,200	\$78,500
5	\$101,760	\$84,800
6	\$109,320	\$91,100
7	\$116,760	\$97,300
8+	\$124,320	\$103,600

**Debt to Income Ratio:** Applicants must have a debt to income ratio of 55% or less. If the debt to income ratio is  $> 48.01\%$ , a budget counseling/consultation session will be required before a loan can be approved.

**Terms of Deferred Loans**

**Income Limit:** Annual household income cannot exceed 100% of area median income (“MMI”). Income will be “adjusted gross income” as stated on the applicant’s most recent Federal Tax Return or other comparable information acceptable to the program administrator. These figures are determined by the Department of Housing and Urban Development (HUD) and are adjusted annually. When the HUD figures are adjusted, these will also change. Additionally, applicants must be determined to be ineligible for an amortized loan under this program.

<b>Family Size</b>	<b>100% of Median</b>	<b>60% of Median</b>
1	\$55,000	\$33,000
2	\$62,800	\$37,680
3	\$70,700	\$42,420
4	\$78,500	\$47,100
5	\$84,800	\$50,880
6	\$91,100	\$54,660
7	\$97,300	\$58,380
8+	\$103,600	\$62,160

**Interest Rate:** 2% annual interest.

**Loan Term:** Maximum of 10 years. Deferred loans will be forgiven at 10% per year. Within the 10 year term, all loans (principle and interest balance) will be due and payable upon a transfer of title, upon conversion to contract for deed, or if the original borrower no longer owns and occupies the property. If none of these events occur within 10 years of the loan closing date, repayment of the loan will be 100% forgiven.

**Loan Amount:** Minimum of \$1,000. Maximum of \$10,000.

**Match Requirement (See Chart on Page 3):**

- For deferred loans to households with incomes  $\leq 100$  but  $> 60\%$  of MMI, the NRP amount of the total must be 50% or less of the total project cost.  
Example A: If the total project cost is \$12,000, the NRP Deferred Loan will be \$6,000.  
Example B: If the total project cost is \$26,000, the NRP Deferred Loan will be \$10,000.
- For deferred loans to households with incomes  $\leq 60\%$  of MMI, there is no match requirement. The NRP amount of the total may be for 100% of the total project cost (up to the program maximum - \$10,000).  
Example E: If the total project cost is \$8,000, the NRP Deferred Loan will be \$8,000.  
Example F: If the total project cost is \$16,000, the NRP Deferred Loan will be \$10,000.

Applicants may utilize an NRP revolving loan for the required match if they can meet the eligibility requirements for the revolving loan.

**For Both Loan Programs**

**Eligible Improvements:** The following will be eligible:

- a) Projects that correct a City of Minneapolis housing maintenance code violation. (If a citation has been issued, the health and safety issues must be the first areas addressed with the loan);
- b) Projects that correct residential conditions that do not meet local or state building codes;
- c) Projects that address Truth-In Sale-of-Housing items;
- d) Projects that will repair or remodel an existing structure by:
  - (1) Reducing long-term maintenance costs
  - (2) Correcting lead or asbestos hazards
  - (3) Increasing the energy efficiency of the structure
  - (4) Upgrading basic systems (plumbing, electric, HVAC, etc.)

**Ineligible Improvements:** work initiated prior to the loan application being received by the program administrator, recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, non-built-in appliances, business-related uses, improvements of a non-capital nature, loans for working capital, debt service, or refinancing of existing debt. Questions about whether an improvement is NRP eligible, must be resolved by the City of Minneapolis.

**Questionable Improvements:** If the description of proposed work does not appear to qualify and the determination of the program administrator is questioned by the applicant, the applicant shall be advised of the proposed improvement being reviewed by the Bottineau Neighborhood Association, Board of Directors. Decisions of the Board will be final. Questions about whether an improvement is NRP eligible, must be resolved by the City of Minneapolis.

**Loan to Value Ratio:** All loans secured by the property, including the new loan(s), must total 110% or less of the after improvement property value.

**Loan Security:** NRP loans will be secured by a Mortgage in the name of the City of Minneapolis.

**Work Completion:** Within 120 days (preferred) but no later than 180 days (limit) after loan closing. The program administrator may authorize exceptions on a case by case basis. The program administrator will verify installation of the improvements, ensure that any needed permits have been issued, and that the appropriate inspection and approval has occurred.

**Application Process:** Applications will be submitted directly to the program administrator and will be processed in the order in which they are received. The program administrator will first attempt to place applicants in the MHFA Fix Up Fund, MHFA Community Fix Up Fund, MHFA Community Fix up Fund Sub Prime Program, the MHFA Home Energy Loan Program, or other available programs.

**Borrower's Match:** The program administrator may ask for documentation of the source, and terms and conditions of the match, if required, prior to closing the NRP loan.

**Total Project Cost:** It will be the borrower's responsibility for pay for all costs to finance the total project cost that are over and above the NRP loan, even if there is no "match" requirement.

**Loan Processing Fees:** The fee for originating the NRP loans will be paid from the NRP allocation for this program.

**Loan Servicing Fees:** The fees for servicing the NRP loans will be paid from either the NRP allocation for this program or from program income:

**Fees paid by the Borrower:** Mortgage registration tax and document recording fees will be paid by the borrower at the time of the loan closing.

**Disbursement Process:** Payment to the contractor (or owner in sweat equity situations) will be made upon completion of work and inspection by the program administrator. The following items must be received prior to final disbursement of funds:

1. Final proposal or invoice from contractor (or materials list from supplier)
2. Final inspection verification by program administrator
3. Completion certificate(s) signed by borrower and contractor
4. Proof of payment to contractor for any required "match" funds
5. Lien waiver for entire cost of work
6. Evidence of required city permit