

Home Improvement Program (HIP)



Minneapolis Home Improvement Program (HIP) Program Guidelines

1. PROGRAM SUMMARY

- Home Improvement Program serves low income residents who own and occupy their residence. The program offers a deferred loan and lead grant to address health & safety repairs, housing code violations and lead remediation costs. Minneapolis has teamed up with the Minneapolis Health Department and Hennepin County's Healthy Homes program to provide additional lead grants to homes with children under the age of six.

2. ELIGIBLE BORROWER

- **Applicant's gross household income** (the income from all sources before taxes and withholding for every resident of the household, age 18 and over) **may not exceed 80% of area median income**, as determined by the U. S. Department of Housing and Urban Development.
- Property owners must have **owned and occupied the property for at least six months** prior to the date of the application. Life estate holders and contract-for-deed purchasers shall be eligible. Absentee owners are not eligible.
- **Mortgage and contract for deed payments** - payments on all mortgages and contracts for deed on the property are current. If the payment is delinquent, it must be brought current before application and remain current thru the loan closing.
- **Property taxes must be current.** Property taxes will be considered current if a borrower has made arrangements to pay (Confession of Judgment) and has been current on the payments for a minimum of six consecutive months immediately prior to the loan application.
- **Chapter 7 Bankruptcies must be discharged for at least 6 months.** A borrower who has filed a Chapter 13 Bankruptcy must have made at least 6 payments and be current. The borrower must also obtain written permission from the trustee to obtain this new financing.
- **Current on obligations owed to or insured by any body of government.** This includes income tax liens, child support, and student loans; if the loan/debt has been charged off, the borrower will be required to contact the lender and make arrangements to pay the amount past due. If a payment arrangement is made, at least 6 payments must be made in the arrangement, and payments must be current at the time of loan approval. If a loan has been forgiven, written proof must be obtained.
- If the borrower's gross monthly income is less than their monthly expenses, it is an automatic denial based on inability to maintain the property.

3. ELIGIBLE PROPERTIES

- Properties that are being repaired must be used primarily for residential purposes and **contain no more than one dwelling unit.**
- Federal lead regulations require the treatment of the entire residential structure including common areas of multi-unit structures. Therefore, condominiums, townhomes, and rooming houses built before 1978 are ineligible for this assistance.
- The property to be improved must not be in violation of applicable zoning ordinances.

4. LOAN AMOUNT

- The maximum loan amount is \$25,000.
- Maximum Minneapolis Lead Grant amount is \$10,000.
- The maximum amount of deferred funding an applicant may receive through this program during any calendar period of ten (10) years is also \$25,000 per property.
- The maximum amount of grant funding an applicant may receive through this program during any calendar period of ten (10) years is also \$10,000 per property.
- In the event that a property that was repaired with financing received through this City program has changed ownership, additional loans may be provided for eligible work up to the maximum amount allowed.

5. LOAN TERMS & SECURITY

The loan has a 0% interest requiring no monthly payments and shall be secured by a Promissory Note and/or Mortgage providing that the loan shall be immediately due and payable upon:

- The 30th anniversary date of the loan.
- If the property is sold, transferred or otherwise conveyed.
- Property ceases to be the loan recipient's principal place of residence prior to the 30th anniversary date of the loan.
- The work is not commenced or completed on time or if the loan funds are misused.
- The mortgage may be subordinated as part of a refinance of the primary loan.
- These loans are considered a "Special Mortgage" under the terms of Minnesota Statute 58.13, which means a mortgage with an interest rate or repayment term that is not standard in the real estate market.

6. USE OF FUNDS

- The financing available must be sufficient to repair all code orders issued by the Minneapolis Department of Inspections, and repair or replace a red tagged furnace. If, after all code orders have been repaired or the furnace repaired or replaced, there are funds remaining, any health and safety hazards identified by a rehabilitation specialist may be repaired
- **Deferred loans** can be used to finance housing maintenance code violations including but not limited to repairs cited by the City of Minneapolis Inspections Department by code orders, a Centerpoint Energy red tagged furnace, or any health and safety item identified by City of Minneapolis. The financing available must be sufficient to repair all code orders issued by the Minneapolis Department of Inspections and any health and safety items.
- **Lead Grants** can be used to finance lead containment or abatement when lead contamination is discovered during the home inspection. It cannot be used to pay for work that would have been a normal part of the Loan repair work had Federal Lead Regulations not existed.

7. APPLICATION PROCESS

- Presently there is a waiting list for applications. **Interested applicants are encouraged to call the Residential Loan Administrator at 612-673-5174 to have their names added to the list.** As funding permits, persons from the waiting list are contacted and offered an application. As new programs become available that might serve home improvement needs sooner, individuals from the waiting will be contacted. Participating in other programs or opportunities as offered, does not exclude participants from applying for the HIP (Minneapolis Home Improvement Program) in the future.

8. OWNERSHIP REQUIREMENTS

- The applicant must have owned and occupied the property for a period of at least six months prior to the date of the application.
- The property to be improved must be the borrower's principal place of residence (nine months of any twelve month period) and the borrower must have a qualifying interest in the property, although that interest may be aggregated with the ownership interest of other individuals occupying the property as their principal place of residence. A qualifying interest must consist of:
 - A valid life estate. Such life estates must be recorded and must appear in the records of the County; or
 - A one-third interest in the fee title. Such interest may be subject to a mortgage; or
 - A one-third interest as a purchaser in a contract for deed for the property to be improved. The contract for deed, and all intervening documents that support the applicant's interest in the property, must be recorded and must appear in the records of the County. The fee owner(s) must sign the mortgage to allow the mortgage lien to be valid.
- Properties held in trust will be considered on a case by case basis. A copy of the trust document must be submitted for review and the trustee must agree to sign all the closing documents.
- All individuals having an ownership interest in the property to be improved must sign the mortgage or other repayment agreement. Ownership shall be based upon the information verified as recorded in the County Recorder's office.

9. ELIGIBLE IMPROVEMENTS

- Include, but not be limited to: electrical, plumbing, heating, plastering, painting, carpentry, sheet rock, siding, retaining walls, foundation and cement work, roofing, and accessibility improvements. Repairs to garages may be done provided all necessary repairs to the dwelling are completed first. Garage repairs are limited to code orders or electrical code updates on garages that currently have electrical power, provided the garage is structurally sound, meets minimum code, and all necessary items in the dwelling have been completed
- Each improvement must be a permanent general improvement. Permanent general improvements will include such alterations, renovations, or repairs upon or in connection with existing structure that correct defects or deficiencies in the property directly affecting the safety, habitability, or energy consumption of the property. A permanent general improvement will be economically viable in terms of a determination that after the improvement is made the structure will be reasonable, livable, safe and habitable.
- Permanent general improvements will not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property improved.
- Each improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards.
- All work shall be completed within six calendar months from the date that the assistance is provided. Immediately following the completion of work, the City of Minneapolis shall conduct a completion inspection.
- No loan funds will be used in whole or in part for the purpose of refinancing or paying off existing indebtedness. All funds must be used to finance improvements begun after the execution of a contract signed by the loan recipient and the contractor

10. UNFEASIBLE TO REHAB

- An inspection and work write-up is completed by a rehabilitation specialist, and if in his/her opinion, the required work is:
- Insufficient to correct the safety and health hazards to make the property livable and habitable within the maximum financing available, s/he may elect to discontinue processing.
- If the applicant appeals the rejection, it will be his/her responsibility to demonstrate that s/he can obtain lower bids, or that s/he can provide other funds to accomplish the rehab. The funds would have to be placed in escrow at the time of the closing. The source of these funds must be verified.

11. PREPARATION OF BIDDING CONTRACTS

- The contract bidding documents are based upon the Property Inspection Report completed by the rehabilitation specialist and must list all eligible improvements for which contractors will provide bids. The rehabilitation specialist may provide opportunities for the contractor to bid on alternates, such as, “to repair or replace.” A minimum of three bidding packages will be mailed.

12. CONTRACTOR BIDS

- A minimum of two bids should be obtained for each of the authorized improvements. If the applicant can document that they tried in good faith to obtain multiple bids and were unable to within the time allotted by the rehabilitation specialist, one bid is acceptable, however the rehabilitation specialist must provide a statement of cost reasonableness for the file. All bids must conform to the minimum standards of the current technical specifications. All contractors must possess and maintain the proper license for the work to be completed. If an emergency condition exists, it is acceptable to process with only one bid. The homeowner and contractor must be notified by the rehab staff prior to submission of the package to finance.

13. CATASTROPHIC LANGUAGE

- In the event the Mortgage holder and the servicer, in their sole and absolute discretion, after a loss mitigation analysis, find that a catastrophic event, including but not limited to Borrower’s death or extended illness, or the extended illness of a close family member who depends primarily on the borrower for support, has occurred which substantially and permanently impairs their ability to repay this Promissory Note and Mortgage and requires them to sell the Property for an amount less than the existing balance on the Promissory Note and Mortgage, that portion of the lien of Promissory Note and Mortgage that cannot be satisfied from the proceeds of such sale shall be released.