



## **Guidelines for the Rehab Support Program (2014)**

### **1. Program Summary:**

The **Rehab Support Program** (RSP) was created to help improve Minneapolis' housing and to rebuild the housing market in neighborhoods that have experienced high levels of mortgage foreclosures.

### **2. Loan terms:**

- a) Zero percent interest.
- b) No monthly payment.
- c) The loan is repayable subject to the following conditions, whichever comes first:
  - i. If the borrower ceases to live in or own the house, or
  - ii. At the end of 30 years from the date of the mortgage.
- d) The clear and ongoing intent of the program is to serve owner occupied properties. If the borrower must temporarily move from the residence to accommodate construction, the borrower must occupy the home within 60 days following the completion of any construction work.
- e) These loans are considered a "Special Mortgage" under the terms of Minnesota Statute 58.13. If the borrower later chooses to refinance their primary loan and pay off this RSP mortgage, the borrower will be required to provide proof of the completion of the counseling prior to receiving a Satisfaction of Mortgage.

### **3. Loan amount:**

The City will provide \$1.00 of RSP loan funds for each \$1.00 the borrower contributes as matching funds from some other available source. The maximum RSP loan is \$20,000.

### **4. Use of funds**

Proceeds of the RSP must be used for the following.

- a) All rehabilitation work must be performed by a licensed contractor and must be new work (not yet started) to the home that falls within one of the following categories of improvements that maintain or increase the value of the home:
  - Outstanding code orders and any health and safety hazards. (The Program Administrator will perform an inspection of the property to identify any health and safety repair items which must be included in the construction bids.)
  - Floor covering or refinishing
  - Kitchen remodeling
  - Bathroom remodeling
  - New siding
  - New or expanded garage, not to exceed 24 feet by 24 feet
  - Permanent functional landscaping
  - Replacement of windows and doors

- Insulation and weather stripping
  - Addition to home
  - Central air conditioning
  - Finishing an unfinished basement or attic
  - Replacing a furnace
  - Build, repair or replace a deck and patio
- b) RSP funds and the borrower's match may not be used to pay for luxury improvements such as a sauna, hot tub, or pool; the borrower may complete luxury items provided they are paid from the borrower's own funds and provided the amount attributable to the cost of those items is not part of the borrower's match to the RSP loan;
- c) Bids must be reviewed and approved by the Program Administrator;
- d) The borrower has two options to make payments for work completed during the construction process. The first option is to escrow the borrower's matching funds with the Program Administrator and the Program Administrator will make each construction payment with 50% of the money coming from the borrower's funds and the remaining 50% coming from RSP funds. If the borrower chooses not to escrow their funds with the Program Administrator, then the borrower must first pay for all the construction work from their funds until their matching funds are fully expended and then all remaining payments will come from the RSP funds.

**5. Eligible properties:**

A detached single family or duplex property located in a neighborhood that has been approved for this funding by the City (see number 10 below for a list of eligible neighborhoods).

**6. Eligible borrower:**

- a) The borrower must be living in the property for which they are seeking the RSP loan.
- b) The borrower's household income must not exceed 115% of the area median income.
- c) If the borrower is experiencing the prospect of a home foreclosure, they must be going through foreclosure prevention counseling through an agency that is part of the Minnesota Home Ownership Center (651-659-9336 or [www.hocmn.org](http://www.hocmn.org)) approved counseling agency network. In addition, the borrower must have received a permanent loan modification or provided documentation they are current and the home is affordable for the long term.

**7. Loan security**

- a) The RSP loan will be secured by a Promissory Note and Mortgage.
- b) The loan may be secured in a subordinate lien position behind other program funds.
- c) No title insurance is required.

**8. 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 can not be satisfied from the proceeds of such sale shall be released.

**9. Eligible neighborhoods (only these neighborhood are eligible to participate)**

Jordan  
Central  
Shingle Creek  
Lind-Bohanon  
Harrison

Folwell  
Webber-Camden  
Near North  
Bryant

McKinley  
Hawthorne  
Willard-Hay  
Cleveland

***For more information about applying for this assistance please call a Program Administrator. The current Program Administrators are:***

***Greater Metropolitan Housing Corporation at 612-588-3033  
Center for Energy and Environment at 612-335-5858***

### Tornado Relief Supplement

Effective June 17, 2011, the guidelines for the Rehab Support Program have been amended by City Council action and with the approval of the Minnesota Housing Finance Agency to allow funds to be used for repairs relating to the May 22, 2011 tornado that hit north Minneapolis. The changes made to the program are as follows as it relates to homes damaged by the tornado:

- The number of units in the home has been expanded from two to four units.
- The maximum amount of the loan has been increased to \$30,000.
- The homeowner does not need to come up with matching funds. However, if the borrower is receiving other funds for tornado repairs or other related construction costs, the borrower must escrow the other construction funds with GMHC unless GMHC expressly waives the escrow requirements.
- The RSP funds are to be considered funds of last resort which means that the borrower must first receive or be rejected for all other funding options which includes:
  1. Insurance proceeds, then
  2. SBA funds, then
  3. Minnesota Housing Finance Agency Quick Start funds, then
  4. Local or neighborhood based funds, then
  5. RSP funds
- If the homeowner does not now have homeowner's insurance they must obtain it during the application process, but in any case, prior to closing on the RSP loan. If they are unable to obtain standard insurance because of the condition of the property, they must seek insurance through the Minnesota Fair Plan. (Visit [www.mnfairplan.org](http://www.mnfairplan.org) for more information.) Any insurance agent may assist the homeowner in obtaining this coverage. Once the construction work is done, the homeowner must seek to obtain traditional homeowner's insurance coverage.