



**Habitat for Humanity of Minnesota  
Habitat Minnesota Fund Allocation  
Request for Applications**

**ABOUT THE FUND**

Partner families in Minnesota have purchased over 2,500 Habitat for Humanity homes since the late 1980's. Like all Habitat for Humanity homes, these homes are sold with a 0% interest mortgage. The Habitat Minnesota Fund allows HFH-MN to act as a secondary lender for Minnesota's HFH mortgages. Affiliates pledge their homeowners' mortgages and monthly mortgage payments to the Fund. In return, affiliates get the cash value of the mortgage right away, rather than having to wait 20 to 30 years for the payments to come in. Affiliates then use this cash to accelerate home building, acquire land for large-scale projects, and leverage support from others.

**All current approved loan requests will be disbursed from the 21<sup>st</sup> Century Fund. The 21<sup>st</sup> Century Fund** was established in 2000 with a **\$21 million, zero-interest loan** from the Minnesota Housing Finance Agency (MHFA). Because HFH-MN holds this money interest free, we are able to loan 21<sup>st</sup> Century Funds to affiliates at **0% interest**. Repayments to HFH-MN from affiliates generate approximately **\$1.5 million annually**, which is then available for re-lending to affiliates.

The **full-term lending option** within the 21<sup>st</sup> Century Fund carries an **8% loan origination fee** to help cover program costs. The loan term matches the term of the mortgage pledged to HFH-MN, on average 25 – 30 years.

**Example of Full-Term Loan Transaction:**

Assume an approved loan allocation of \$85,000.

Affiliate will pledge a mortgage with an outstanding balance of at least \$85,000

Interest Rate: 0%

Loan proceeds to affiliate evidenced by a promissory note between the affiliate and HFH-MN: \$85,000

Note term up to or equal to the pledged mortgage maturity date: 25 Years

Note payment matches the homeowner monthly Payment: \$283

Origination Fee paid at loan closing: 8% of loan proceeds or in this case \$6,800

The **short-term lending option** within the 21<sup>st</sup> Century Fund carries a **3% loan origination fee** to help cover program costs. The loan term is one year. A \$500, 6-month extension fee will be applied if the affiliate is unable to pay the loan in full at the end of the year. (\$1,000, 1-year extension fee)

**Example of Short-Term Loan Transaction:**

Assume an approved loan allocation of \$85,000.

Affiliate will pledge a mortgage with an outstanding balance of at least \$85,000

Interest Rate: 0%

Loan proceeds to affiliate evidenced by a promissory note between the affiliate and HFH-MN: \$85,000

Note term: 1 Year

Note payment matches the homeowner monthly Payment: \$283

Origination Fee paid at loan closing: 3% of loan proceeds or in this case \$2,550

## APPLICATION

A complete application consists of the following 7 items. All forms referred to in blue type are available on the [HFH-MN website](#).

1. The detailed program and operating **budget** and a **12-month cash flow projection** *extending from the date of application*. If you operate a ReStore, **please include the ReStore budget** if it is separate from the affiliate budget. A [sample](#) and [blank HFH Projected Cash Flow Budget](#) can be found at hfhmn.org. **Please provide information in Excel format.**
2. **Most Recent Quarterly Financial statements** including 1) balance sheet; 2) profit & loss statement **compared to budget**; and 3) a 12-month statement of cash flows. If you operate a ReStore, please include the ReStore financial statements if they are separate from the affiliate financials or if they are identified by class. If you do not prepare an income statement compared to budget, please provide the Report provided to your board of directors that compares your financial performance to budget, such as a cash flow budget compared to actual report. See [sample HFH Actual compared to Budget Cash Flow](#) at hfhmn.org.
3. A completed, up to date **Mortgage Portfolio Quality Report** for each mortgage or contract for deed you hold as of **the time of application**. [Please use the Mortgage Portfolio Quality Report template](#). **Please provide information in Excel format.**
4. Your affiliate's **Historical Summary of Sources of Support** showing data for the 12-month fiscal years from the previous three year ends and the projection for the current FY. **Important Note:** Sources should match the affiliate's financial statements for the three previous years and the current FY projections should match the affiliate's current budget. HFH-MN is seeking to ensure that affiliates continue to receive strong support from their local communities. Should significant decreases in local support be evident, funding allocations will be adjusted accordingly. [Please use the Historical Sources of Funds template](#). **Please provide information in Excel format.**
5. A **count and brief narrative** of your affiliate's plan for **new housing production, A Brush With Kindness or Critical Home Repair and ReStore** over the next three years and how HFH-MN resources will be **utilized** to accomplish your program goals.
6. A copy of your current **Fund Development Plan**. An "ideal" Fund Development Plan includes planned fund sources, amount, timing and the responsible committee or staff person.
7. The **approximate date** you anticipate drawing the funds based on cash flow needs.

## FUNDING CRITERIA

HFH-MN will use the following Funding Criteria as a guide to allocating 21<sup>st</sup> Century Funds. In addition, please see the "Additional Requirements" of affiliates and the mortgage portfolios, some of which are necessary to apply for funding and some are ongoing requirements once you become a borrower.

### 1. **Broad Allocation of Resources throughout the State**

The 21<sup>st</sup> Century Fund is allocated to HFH affiliates on the basis of (a) the number of Minnesota Family Investment Program (the State's welfare program to help low-income families with children) or "MFIP" households residing within each affiliate's service area compared to the statewide total and (b) the capacity of the affiliate to build and grow home production. The State of Minnesota required these criteria as a part of the 21<sup>st</sup> Century Funding legislation.

## 2. Local Fund Raising

Funding available under this program is intended to leverage affiliates' local fund raising efforts. As such, these loans should be considered as matching funds to those raised locally. Each affiliate's budget, Historical Sources of Support and Fund Development Plan will be reviewed to ensure that **no more than 50%** of an affiliate's program and operating support comes from HFH-MN loan funding.

## 3. Home Production

An affiliate is active in housing production and has a reasonable plan in place to continue to utilize HFH-MN loan funds for their intended purpose of increasing home production and partner families served.

## 4. Credit Risk Rating (CRR)

HFH-MN CRR system is used as a guide to the affiliates' financial health, capacity and the related risk of an HFH-MN loan allocation. The CRR measures risk based on percentage of the dollars of the performing portfolio pledged, portfolio delinquencies, cash management, debt service coverage and other debt-load. Details of the [\*HFH-MN Credit Risk Rating criteria\*](#) are available at [hfhmn.org](http://hfhmn.org).

## ADDITIONAL REQUIREMENTS

The following conditions pertaining to the affiliate and their Mortgage portfolio must be met at the time of application or disbursement and be maintained as long as the affiliate is a borrower of HFH-MN.

### Affiliate Requirements

1. The affiliate must be in **good standing** with the HFH-MN, MN Secretary of State, the MN Attorney General's Office and HFH-I.
2. The affiliate must file the appropriate Form 990 with the IRS.
3. Before the loan disbursement, affiliate must provide a **Borrowing Resolution** for the amount awarded from their Board of Directors.
4. The percentage of an affiliate's mortgages that may be pledged will not exceed 60% of the **performing** mortgages in an affiliate's portfolio in dollar amount of principal outstanding, minus any mortgages pledged to another lender. Performing mortgages and balances must be certified by a current Mortgage Portfolio Quality report at the time of loan disbursement.
5. An affiliate with annual revenues exceeding \$250,000 or assets in excess of \$500,000 must produce and submit **annual audited financial statements**.
6. Each affiliate must submit **quarterly financial statements** and a **quarterly Mortgage Portfolio Quality Report** for their entire loan portfolio for as long as the affiliate is a borrower of HFH-MN.
7. Loan proceeds from HFH-MN must be used for building in Minnesota.
8. HFH-MN will debit an affiliate's bank account for the monthly loan payments.
9. An affiliate must demonstrate that **outreach and marketing efforts** are made to ensure that MFIP families in their community are aware of the Habitat program.

### Portfolio Requirements

1. The property pledged must be covered by **title insurance**. Title must be vested in homeowner and any encumbrances, liens, covenants, etc. must be acceptable to HFH-MN. In addition, the homeowner must have both **property and liability insurance** with the affiliate named as loss payee.
2. The first mortgage loan amount and/or the amount disbursed to the affiliate may not exceed 80% of the appraised value of the home. The value of the property will be determined based on a copy of an **appraisal** submitted to HFH-MN.
3. Any pledged mortgage originated after 12/31/2017 must use **HFH-MN Standardized Loan Documents** (or other form of loan document acceptable to HFH-MN) for home sales to Habitat homeowners.

4. Only **mortgages**, not contracts for deed, can be pledged.
5. A professional servicer must service all homeowner loans. Please see *HFHI's Mortgage Servicing Standards* for minimal servicing requirements.
6. Any mortgage pledged to HFH-MN must be for **property in Minnesota**.
7. The property for which the mortgage is pledged, must have been sold to a family whose **income does not exceed 60% of the greater of State or County median income** at the time the homeowner applied to Habitat for a home. This income requirement must be verified and documented by the affiliate.
8. Once pledged, **a mortgage cannot become more than 90 days delinquent** – at this point the affiliate must provide replacement collateral.
9. No mortgage in the portfolio will be accepted as collateral if the homeowner has been more than **60 days delinquent in the past 12 months**. New mortgages may be pledged at the discretion of HFH-MN.
10. No outside subordinate financing such as **home equity loans** may be placed on any properties whose mortgage has been pledged as collateral to HFH-MN **without the prior, written approval** of HFH-MN.
11. A **flood plain determination** must be completed for any pledged loan; and if a pledged property lays in a flood plain all appropriate and recommended remedies must have been taken.

HFH-MN is confident there will be enough resources to meet demand. Please apply for all of what you anticipate needing.

#### TIMELINE

Request for Applications Posted	March 30, 2020
<b>Applications due to HFH-MN Office</b>	<b>September 30, 2020</b>
Affiliates to receive final determination	3-4 weeks

**\*In the case of unforeseen circumstances, these timelines can be adjusted at the determination of HFH-MN Staff to meet critical need.**

We greatly appreciate the submission of the application **ELECTRONICALLY** in “Excel” or “Word” document formats whenever available (such as budgets, financial statements, and historical sources of funds).

I am happy to work with you **in any way** to complete your application. I can be reached by phone, e-mail, or am willing to visit to answer questions, concerns or needs for clarification that you may have about the application or the process. Please feel free to contact me any time. I look forward to receiving your applications.

**Susan Thompson, Loan and Grant Program Director**  
**Habitat for Humanity of Minnesota**  
 2171 University Ave. W., Suite 200  
 St. Paul, MN 55114

**E-mail: susan@hfhmn.org**  
**Direct: 612-331-4439, ext. 3**  
**Toll free: 877-804-3466, ext. 3**  
**Cell: 612-859-4301**

**Becca Seidel, Loan and Grant Program Specialist**  
**Habitat for Humanity of Minnesota**  
 2171 University Ave. W., Suite 200  
 St. Paul, MN 55114

**E-mail: becca@hfhmn.org**  
**Direct: 612-331-4439, ext. 6**  
**Toll free: 877-804-3466, ext. 6**  
**Cell: 320-491-7345**