MEETINGS SCHEDULED FOR MAY

Location:

Minnesota Housing
400 Sibley Street, Suite 300
St. Paul, MN 55101

<u>THURSDAY, MAY 23, 2013</u>

Regular Board Meeting
State Street Conference Room - First Floor
1:00 p.m.

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, May 23, 2013.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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Minnesota Housing Finance Agency
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Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A

Minnesota Housing Finance Agency Board Meeting

Thursday, May 23, 2013

1:00 p.m.

State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. Regular Meeting of April 25, 2013.
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
6. **Consent Agenda**
   A. Resolutions Delegating Certain Authorities to the Commissioner
   B. Approval, Procedural Manual, Mortgage Credit Certificate Program
   C. Commitment, Low and Moderate Income Rental (LMIR) Program
   - Creeks Run Townhomes, Chaska
   D. Commitment, Low and Moderate Income Rental (LMIR) and Low and Moderate Income Rental Bridge Loan (LMIR-BL) Programs
   - The Square on 31st (f/k/a Rochester Square), Rochester
   E. Commitment, Low and Moderate Income Rental (LMIR) and Low and Moderate Income Rental Bridge Loan (LMIR-BL) Programs
   - Concordia Arms, Maplewood
   F. Commitment, Low and Moderate Income Rental (LMIR) Program
   - Deer Ridge Townhomes, Alexandria
7. **Action Items**
   A. Approval, Amendment, Affordable Housing Plan
   B. Approval, Application Scoring Metrics, Community Homeownership Impact Fund
   C. Approval, Changes, Step Up Program
   D. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2013 Series C (GNMA and FNMA Pass-Through Program) and 2013 Series D (GNMA And FNMA Pass-Through Program)
   E. Resolution Relating to State Appropriation Bonds (Housing Infrastructure), Series 2013; Authorizing the Issuance and Sale Thereof and Approving the Execution and Delivery of Related Documents

F. Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof for a Multifamily Housing Development in Maplewood, Minnesota
G. Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof for a Multifamily Housing Development in Rochester, Minnesota

8. Discussion Items

A. Post-Sale Analysis, Homeownership Finance Bonds, Series 2013B (GNMA and FNMA Pass-Through Program) (Taxable)
B. 2013 Affordable Housing Plan and Strategic Plan: Second Quarter Progress Report

9. Informational Items

None.

10. Other Business

11. Adjournment

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, April 25, 2013
1:44 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:40 p.m.
2. **Roll Call.**
Members present: Gloria Bostrom, John DeCramer, Joe Johnson, Ken Johnson, Steve Johnson, Stephanie Klinzing, Rebecca Otto.
Minnesota Housing staff present: Paula Beck, Dan Boomhower, Jessica Deegan, Joe Gonnella, Amy John, Bill Kapphahn, Kurt Keena, Kasey Kier, Julie LaSota, Diana Lund, Carrie Marsh, Eric Mattson, John Patterson, Bob Porter, Megan Ryan, Joel Salzer, Becky Schack, Terry Schwartz, Barb Sporlein, Kim Stuart, Susan Thompson, Mary Tingerthal, Katie Topinka, Ted Tulashie, Elaine Vollbrecht, Xia Yang.
Others present: James Smith, Dorsey and Whitney; Liam Higgins and Paul Rebholz, Wells Fargo; Michelle Adams, Kutak Rock; Cory Hoeppner and Derek McGreal, RBC Capital Markets; Chip Halbach, Minnesota Housing Partnership; Celeste Grant, Office of the State Auditor; Tom O'Hern, Office of the Attorney General.
3. **Agenda Review**
There were no changes to the agenda.
4. **Approval of the Minutes.**
A. Regular Meeting of April 4, 2013.
Mr. Joe Johnson moved approval of the minutes as written. Ms. Klinzing seconded the motion. Motion carries 7-0.
5. **Reports**
A. Chair
There was no chairman's report.
B. Commissioner
Commissioner Tingerthal announced the following:
   - Agency Finance Counsel Joe Gonnella is retiring and today's approval is Joe's last bond transaction for the Agency. Paula Rindels will begin at the Agency on Monday. Ms. Rindels had been the Agency's bond counsel for many years and has been underwriter's counsel for the last two years. The Agency is fortunate to be able to have Paula step into this highly technical role at the Agency.
   - The annual employee appreciation event was held earlier today. At the breakfast, Mary shared with staff an appreciation for the monumental achievements of the past year, which included massive changes in all of the Agency's Single Family programs; laying groundwork for new Multifamily programs; and legislative victories. Staff have had a remarkable track record and the event is a small way to say "thank you."
   - Last week, the Agency's management group came together to review data from the annual employee engagement survey. The survey shows some areas in which results are not as strong as others; many of these areas revolve around leadership and management development. Managers as a group agreed to take on these issues over the next year.
   - On Wednesday, HUD announced a major consolidation of their multifamily operations. Several HUD field offices are being closed entirely. The Minnesota field office will remain open but multifamily

operations will be assigned to the Chicago hub area. HUD has been developing these hubs over the last year with a goal of speeding up approvals. Agency staff are unsure what will happen with the Minneapolis field office staff and how these changes will impact the Agency. Agency staff will build the relationships we need in order to be successful under the new structure. HUD will also be affected by sequestration; all HUD offices will be closed on ten dates over the next fiscal year. It is anticipated that the Agency will be able to work around these closures. The board will be notified if there is any impact to the Agency's portfolio.

- There have been no changes in the appropriations bill since the last meeting. The recommendations of the compensation council will be included in the bill that is negotiated in the conference committee.
- With regard to 4D properties (low-income rental properties) that qualify for lower property tax rates, we began to hear about a small percentage of properties that, through building better mixed income and being located in different neighborhoods, some properties have suffered higher property taxes. Local assessors do not take into consideration that the property is low income housing and applies the prevailing rate. In buildings that have a steep differential between low income rents and market rate rents, the owners are starting to feel the pinch. Legislation is being drafted that allows owners to apply for a cap that would limit property taxes to 10% of the maximum income the property may generate.
- Earlier in the week there was a Multifamily Advisory Council (MAC) meeting. The MAC meeting is an annual meeting in which developers, managers, owners, attorneys, accountants, tax credit investors, and others can meet with staff to discuss what they are thinking about in terms of accessibility of Agency programs and how programs may be changed. It is a great forum for answering questions about the Qualified Allocation Plan.
- The Consolidated RFP would be announced next week.
- The Agency is co-sponsoring with the University of St. Thomas an event for housing finance professionals that will include classes that will be taught by real estate professionals and also classes by our staff on how to package very technical multifamily transactions.
- All board appointments were confirmed yesterday by the Senate.

C. Committee

Chair Ken Johnson announced that the Finance and Audit Committee had met earlier in the day with the external audit team from CliftonLarsonAllen to discuss the plan for the Agency's upcoming audit. Mr. Steve Johnson moved to accept the committee report. Mr. John DeCramer seconded the motion. Motion carries 7-0.

6. Consent Agenda

A. Resolution Authorizing Execution and Delivery of First Amendment to Standby Bond Purchase Agreement with Wells Fargo Bank, National Association

Ms. Bostrom moved approval of the consent agenda. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

7. Action Items

A. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2013 Series A, Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2013 Series B, and Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2013 Series C

Mr. Joe Gonnella requested that the board authorize three series, all of which are an economic refunding which would allow the Agency to allocate higher interest rate loans to be blended with new money loans. Bonds would be priced in May and issued in June. Michelle Adams, Kutak Rock, provided some parameters of the issues, noting that the structure was still being finalized. The board was asked to approve the issues on a not-to-exceed basis. Chair Johnson stated for the record that all board members had received the preliminary official statement. **MOTION:** Ms. Klinzing moved approval. Mr. Joe Johnson seconded the motion. Motion carries 7-0. The board thanked Mr. Gonnella for his service and wished him a happy retirement. Commissioner Tingerthal stated that the NIBP refunding issue that was intended to go to market in March but was held back was very successful during April and the deal was closed the previous day. The board would receive a post-sale report at its May meeting.

B. Housing Tax Credit (HTC) Program- 2013 Round 2 Selections and Waiting List

Mr. Bob Porter requested approval of the final competitive round of the 2013 program, stating that ten applications were received requesting a total of $4.5 million. Mr. Porter requested approval of funding for the three top ranked applications. Mr. Porter also requested that the Board waive the $1 million per developer tax credit cap to allow for an additional award to Old Home Plaza; the top ranked proposal of round two. Mr. Porter stated that proposals on the waiting list have undergone a preliminary review and would be subject to a full underwriting review should additional credits become available through returned credits or an additional allocation from the national pool.

In response to a question from Ms. Bostrom, Mr. Porter stated that the two applications who previously were awarded credits were not currently under construction but would have needed to have sufficient resources to move forward in order to have been awarded credits in round one.

In response to a question from Mr. DeCramer, Mr. Ted Tulashie stated that Old Home Plaza would face a financing gap if the waiver was not approved. Currently, the developer has delayed their developer fee in order to make the development feasible. The developer has received good pricing for the credits they were previously awarded and waiting for additional credits to become available or for the next round could potentially reduce the pricing of the credits they have already received. As an adaptive re-use workforce housing building near light rail, the project is a high priority development in the city of St. Paul. If the developer were to apply for tax credits in a future round, an award would still require a waiver as the cap is per development. **MOTION:** Auditor Otto moved approval of the selections, the waiting list and the waiver. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

C. Commitment and Selection, Bridges Rental Assistance

Ms. Carrie Marsh presented this request for approval of 21 grant agreements totaling $5.9 million dollars in rental assistance for adults with serious mental illness. Ms. Marsh stated that the funding for the program is contingent upon receipt of sufficient state appropriations. In the past, appropriations for the program have been consistent and staff are expecting the same this year. Ms. Marsh informed the board that the program previously had used a request for proposals process but has changed to a renewal process because there had not been any new applicants in a number of years. The program will serve just under 500 households and a few vouchers are being re-allocated due to the non-renewal of one provider who did not submit an application. Ms. Marsh added that the program is administered in partnership with the Department of Human Services and the Minnesota Department of Health. **MOTION:** Ms. Bostrom moved approval. Mr. DeCramer seconded the motion. Motion carries 7-0.

8. Discussion Items

A. Resolutions Delegating Certain Authorities to Staff

Commissioner Tingerthal introduced this item, stating that delegations were originally discussed at the governance meetings a few months ago. The board would not be asked to vote on the delegations today and staff will return with revisions for approval at the May meeting.

Tom O'Hern, Assistant Attorney General, provided the following information:

- There are three large topics in the area of governance: Bylaws, which were rewritten and adopted in 2013; delegations which will be discussed today; and policies, which will be discussed and revised in future months.

- Under statute, management and control of the Agency is vested solely with the Board, but the board does have the right and the authority to delegate things to the Commissioner. Delegated authority must be handled in a prudent matter and authority that must be exercised by law, for example authorizing resolutions for the issuance of bonds, may not be delegated.
- The board has authority to rescind any delegation at any time. They may also add delegations to the Commissioner or staff at any time.
- The Commissioner has statutory authority to delegate her own duties and authority to staff as she sees fit.
- The goal of the delegations is to expedite the Agency's business of making loans and grants and also to consolidate all the delegations in a single place. Existing delegations were not requested uniformly and were difficult to locate.
- Standards or rules for the exercise of delegated authority must be set by the Board.
- The Board must maintain oversight of the authorities that are delegated. For this reason, there are reporting requirements under each delegation.

Regarding the delegation of approval for loan commitment extensions, Ms. Klinzing inquired why the delegation indicates two extensions of twelve months and suggested that the language instead allow for up to two extensions based on the original commitment period. Commissioner Tingerthal stated that the language was intended to indicate that the extensions could be up to 12 months each. Staff would like to keep some flexibility in the term of the extension. They recognize the importance of keeping pressure on a project to get it done but there can be circumstances, such as title issues, that can take a long time to cure.

Mr. DeCramer asked that staff clarify what would qualify as a non-material change. Mr. John Patterson, Director of Planning, Research and Evaluation, stated the primary reason for this delegation is to allow staff to make small incremental changes to address when demand for a program exceeds the expectation and there are available non-scarce resources that can be used for that particular program, staff would have the authority to redirect those resources without prior approval from the board.

Ms. Bostrom commented that she liked the reporting requirement and that the frequency of reports may be adjusted in the future if staff or the Board feels it would be appropriate.

In response to a question from Mr. DeCramer, Commissioner Tingerthal stated that there is a state statute that governs natural disasters and that lays out the rules for responding to a disaster. The use of dollars that come into the Agency's disaster fund or any funds received as the result of a natural disaster are primarily driven by the legislation allocating funds for disaster relief.

Chair Johnson inquired if any member wished to remove any of the requested delegations and no member responded affirmatively. Chair Johnson stated that the delegations were a good piece of work that was well thought out and considered.

In response to a question from Auditor Otto, Mr. O'Hern stated that board policies would be brought to the board in June or July and that many policies would likely be rescinded. The revisions to the policy regarding the suspension and elimination of applicants will require significant work by both Mr. O'Hern and Assistant Commissioner for Policy Tonja Orr. Mr. O'Hern asked that Board members inform him if they feel there are any new policies that they feel should be adopted.

B. Website Demonstration

This item was presented following the conclusion of the Finance and Audit Committee meeting and prior to the beginning of the regular meeting. Communications Director Megan Ryan gave members a tour of the recently re-launched Minnesota Housing website. Staff took a lot of time to plan the new site and engaged a usability expert who assisted in evaluating who comes to our website and why. The new site is considerably less cumbersome to navigate, with 101 pages versus 380 pages on the old site. Technical tools were also reviewed and the Agency selected an enterprise content management (ECM) system.

Commissioner Tingerthal added that a lot of time was invested upfront and doing that allowed the Agency to select an ECM layer that will be used in a variety of ways, including the website, the intranet and as a means to allow our Agency partners to access needed documents via the website. During the planning process, staff learned that partners use the website to find rates, forms, and program information. Under the old structure, keeping the site up-to-date was very difficult due a very cumbersome update process. Under the current design, many staff are charged with maintaining portions of the site and a workgroup is creating a governance document for maintenance of the site.

Next, Jessica Deegan, GIS Coordinator / Research Specialist provided a demonstration of the Community Profiles tool which has been available on the Minnesota Housing website for three years. Organizations applying for agency funding can use the site to drill down on property and community data and use that information to show how their proposal fits in with Minnesota Housing's priorities.

Auditor Otto stated that the tool was an incredible example of taking big data and making it extraordinarily usable and is an example of good government because the tool is helpful to smaller organizations that don't have the resources to hire someone to get the data for them.

Commissioner Tingerthal stated that the data from the tool is also very useful for staff as they review applications because it ensures that all applicants are bringing the same information, making proposals less time consuming to compare and that the cost of the system is extremely minimal. Tingerthal added that, in Ms. Deegan, the Agency has a premier GIS professional on staff. Tingerthal also stated that the tool is built on top a platform that is owned by the Community Reinvestment Fund, a non-profit organization based in Philadelphia. Tingerthal shared that CIO Tony Peleska sits on the board of AIM, a non-profit that provides information exchange and training from all over the world. At an AIM board meeting, Mr. Peleska shared how, with this tool, we are putting big data and its usefulness at the fingertips of even the smallest communities free of charge.

9. Informational Items

None.

10. Other Business

None.

11. Adjournment.

The meeting was adjourned at 2:32 p.m.

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Minnesota Housing Finance Agency

AGENDA ITEM: 6.A
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Resolutions Delegating Certain Authorities to the Commissioner

CONTACT: Mary Tingerthal, 651-296-5738
mary.tingerthal@state.mn.us

REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

☑ Administrative ☐ Commitment(s) ☐ Modification/Change ☑ Policy ☐ Selection(s) ☑ Waiver(s)

☐ Other: ______________________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:

The Commissioner is requesting that the Commissioner be granted authority to authorize certain actions that currently are brought to the Board for approval and to reapprove certain authority which has been previously delegated to the Commissioner. Granting the requested delegated authority will allow the Agency to react to time sensitive issues in a more expedient matter and will also improve the efficiency of the loan and grant process. For most of the delegated authorities, the Commissioner will make a written report to the Board at least annually describing the actions taken utilizing that authority and also indicate whether the parameters of any delegated authority merit revision. For a few of the delegated authorities, the Commissioner will inform the Board of the action taken at the next regularly scheduled Board meeting. All of the delegated authorities may be amended or revoked by the Board at any time. The resolutions are largely unchanged from the time they were presented in draft form at the April 25 meeting. Changes based on feedback at the April 25 meeting appear on pages 12 and 44 of the board packet.

FISCAL IMPACT:

None.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☑ Strengthening Organizational Capacity

ATTACHMENT(S):

- Summary of delegated authorities
- Single Family detailed delegated authorities and resolutions
- Multifamily detailed delegated authorities and resolutions
- General detailed delegated authorities and resolutions

Board Agenda Item: 6.A
Attachment: Summary

Summary of Delegations Requested

Single Family Delegations

Topic	Brief Description of Authority Delegated	Delegation Type	Delegation Number
Approval of Tribal Indian Housing Corporation Housing Plans and Administrative Budgets	Commissioner may approve housing plans and administrative budgets developed by tribal Indian Housing Corporations for use with Agency programs.	Reaffirming	001
Approval of Pipeline Program Lenders and Servicers	Commissioner may approve lenders for participation in loan programs.	Reaffirming	002
Approval of Pipeline and Deferred Loan Waivers	Commissioner may approve waivers allowing funding to proceed in the event of minor lender errors.	New	003

Multifamily Delegations

Topic	Brief Description of Authority Delegated	Delegation Type	Delegation Number
LMIR Loan Funding Modifications	Commissioner may make certain loan funding modifications under the LMIR Program. (Supersedes Board Report dated September 26, 2002)	Reaffirming (with change)	004
Deferred Loan Funding Modifications	Commissioner may authorize certain loan funding modifications under deferred loan programs. (Supersedes Board Report dated December 20, 2001)	Reaffirming (with change)	005
Asset Management and Preservation Loan Funding Modifications	Commissioner may approve certain loan funding modifications under the asset management and preservation programs. (Supersedes Board Report dated July 22, 2004)	Reaffirming (with change)	006
Deferred Loan Debt Forgiveness	Commissioner may forgive deferred loans equal to or less than $250,000. (Supersedes Board Report dated February 28, 2008)	Reaffirming	007
Deferred Loan Assumptions	Commissioner may approve assumptions of deferred loans.	New	008
Loan Commitment Extensions	Commissioner may approve up to two ~~12-month~~ loan commitment extensions of not more than 12 months each.	New	009
Amortizing Loan Prepayment Prohibition Waivers	Commissioner may approve waivers to amortizing loan pre-payment prohibitions.	New	010

General Delegations

Topic	Brief Description of Authority Delegated	Delegation Type	Delegation Number
Non-material Changes to Agency Guides	Commissioner may approve non-material changes to Agency guides.	New	011
Non-material Changes to the Affordable Housing Plan.	Commissioner may approve adjustments to the Affordable Housing Plan that do not result in material changes to the Agency's production goals or expenditures.	New	012
Changes to Programs and Guides Due to Federal Changes	Commissioner may update program and Agency guides in accordance with published Federal changes.	New	013
Waiver of Agency Program Requirements Incident to Natural Disaster	Commissioner may waive program requirements in the event of a disaster.	New (formerly a Board policy)	014

REAFFIRMING DELEGATED AUTHORITY – SINGLE FAMILY

Approval of Tribal Indian Housing Corporation Housing Plans and Administrative Budgets

The Commissioner is requesting delegated authority to maintain the past practice of permitting Agency staff to approve housing plans and administrative budgets developed by tribal Indian housing corporations and program administrators.

The statute pertaining to American Indian housing programs (Minn. Stat. sec. 462A.07, subd. 14) provides for Agency approval of housing plans and administrative budgets developed by tribal Indian housing corporations or program administrators. In the late 1980's, Board members noted that these were the only programs or organizations for which the Board reviewed such information, and felt it appropriate that such negotiations and approvals to be conducted between staff and program administrators as opposed to the Board. For a number of years, new state appropriations for such programs have not been granted, and program activities are conducted through prepayments and repayments of program revolving funds. However, new state appropriations may be granted in the future.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 001

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING APPROVAL OF TRIBAL INDIAN HOUSING CORPORATION HOUSING PLANS AND ADMINISTRATIVE BUDGETS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

<u>DELEGATED AUTHORITY</u>
To authorize the Commissioner to approve housing plans and administrative budgets submitted to the Agency by tribal Indian housing finance corporations or other designated entities responsible for administering Indian housing programs established by statute.

<u>PARAMETERS OF DELEGATED AUTHORITY</u>
The housing plan and budget must be reviewed by an appropriate person or committee designated by the Commissioner.

<u>REPORTING REQUIREMENTS</u>
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and shall indicate whether the parameters of the delegated authority merit revision.

<u>OTHER CONSIDERATIONS</u>
None.

Adopted this 23rd day of May, 2013

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CHAIRMAN

REAFFIRMING DELEGATED AUTHORITY – SINGLE FAMILY

Approval of Pipeline and Deferred Loan Program Lenders and Servicers

The Commissioner is requesting delegated authority to maintain the past practice authorized by the Board pertaining to the selection of program lenders and servicers.

Under most single family loan programs lender applications for program participation are received pursuant to program requirements on a monthly basis. Such applications are submitted pursuant to requirements established in the applicable program procedural manual or process guide and, occasionally, the requirements established by Agency counterparties including guarantors, mortgage insurers and master servicers. Though less common, servicer applications are also received pursuant to requirements prescribed by the Agency.

This delegation improves the efficiency of the pipeline and deferred loan programs.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 002

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING APPROVAL OF PIPELINE PROGRAM LENDERS AND SERVICERS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

<u>DELEGATED AUTHORITY</u>
To authorize the Commissioner to approve lenders and servicers for single family loan pipeline programs.

<u>PARAMETERS OF DELEGATED AUTHORITY</u>
The approval of the lenders and servicers must be in accordance with the terms and conditions specified in the procedural manual or process guide established for the applicable program, as well as the requirements established by loan insurers, guarantors or counterparties with which the Agency has entered into agreements pertaining to lender selection.

REPORTING REQUIREMENTS
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and shall indicate whether the parameters of the delegated authority merit revision.

<u>OTHER CONSIDERATIONS</u>
None.

Adopted this 23rd day of May, 2013

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CHAIRMAN

NEW DELEGATED AUTHORITY – SINGLE FAMILY

Approval of Pipeline and Deferred Loan Waivers

The Commissioner is requesting Board delegated authority to take corrective action in situations where minor program requirement errors have been made by lenders or administrators.

Single Family program lenders and administrators occasionally make errors in violation of the Agency's program requirements under its pipeline and deferred loan programs. These waivers typically pertain to program income limits, house price (acquisition cost) limits, the conversion of HOME Homeowner Entry Loan Programs to deferred downpayment assistance loans, and other de minimus program requirements pertaining to such programs.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 003

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING WAIVERS FOR SINGLE FAMILY PIPELINE AND DEFERRED LOAN PROGRAMS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to grant program waivers for single family pipeline and deferred loan programs, including waivers pertaining to program income limits, house price (acquisition cost) limits, the conversion of HOME Homeowner Entry Loan Programs to deferred downpayment assistance loans, and other de minimus program requirements pertaining to such programs.

PARAMETERS OF DELEGATED AUTHORITY

1. Waivers of program income and house price limits must meet the requirements of applicable federal law and be within 5% of published program limits.
2. Waivers must be provided in a manner in which program lenders or administrators are discouraged from repeating such mistakes.
3. Waivers must be reviewed by an appropriate person or committee designated by the Commissioner.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and shall indicate whether the parameters of the delegated authority merit revision.

OTHER CONSIDERATIONS

None.

Adopted this 23rd day of May, 2013

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CHAIRMAN

REAFFIRMING DELEGATED AUTHORITY WITH REVISION - MULTIFAMILY

Funding Modifications

The Commissioner is requesting continuation of Board-delegated authority, with a proposed revision, to make funding modifications for several Agency loan program.

Current Practice

In 2000, the Board delegated to staff the authority to make funding modifications to loans selected under the Multifamily Request for Proposals (RFP) for deferred loan programs within certain guidelines. Agency staff was required to report activity on an annual basis to the Board. Funding Modification Guidelines were developed by staff and approved in 2001.

Similarly, in 2002, the Board delegated to staff the authority to make funding modifications to loans committed under the Low and Moderate Income Rental program (LMIR).

In 2004, the Board delegated to staff the authority to make funding modifications to Asset Management and Preservation loans.

Under current delegated authority, Agency staff is authorized to make the following deferred loan modifications for RFP selections:

1. Make a dollar-for-dollar funding swap from one RFP program to another, including funding partners' programs, based upon fund availability;
2. Consolidate funding from multiple programs to one program to simplify a development's financing (total dollar amount remains the same), based upon fund availability; and
3. Increase funding for a development so long as the increased funding is less than the greater of $50,000 or 10 percent of all RFP funding in the development, including funding partners and Agency first mortgage loans, up to a maximum total increase of $200,000.

Under current delegated authority, Agency staff is also authorized to make changes to loan commitment amounts for the Low and Moderate Income Rental Program (LMIR), Preservation Affordable Rental Investment Fund Program (PARIF) and or Asset Management Fund (AMF) Loans under the following conditions:

1. The Board commitment for the has not expired, and
2. The increase in the loan amount is less than 10 percent.

Requested Revision to Delegated Authority

The Commissioner is requesting the same delegated RFP deferred funding change authority with one revision. The funding modification limits were established in 2000 and have not changed since that time. It is requested that the delegated RFP deferred loan funding modification authority limits be increased to less than the greater of $100,000 or 15 percent of all RFP funding in a development, including funding partners and Agency first mortgage loans up to a maximum of $300,000 (rather than less than the greater of $50,000 or 10 percent of all RFP funding in the development up to a maximum of $200,000). The rationale for the increase is the costs of developments and the loans amounts have increased due to inflation.

The Commissioner is also requesting the same prior delegated loan modification authority regarding other types of loans with one requested revision; namely to raise the amount of allowed increase in a loan amount from 10 percent to 15 percent. The rationale for the increase is the costs of developments and the loans amounts have increased due to inflation.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 004

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY LOW AND MODERATE INCOME RENTAL PROGRAM LOAN MODIFICATIONS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to make certain loan funding modifications under the Low and Moderate Income Rental (LMIR) Program.

PARAMETERS OF DELEGATED AUTHORITY
1. The Board commitment for the LMIR loan must not have expired.
2. The increase to the LMIR loan amount must be less than 15 percent of the originally committed LMIR loan amount.
3. The Agency Clearinghouse Committee must approve the funding modification.

REPORTING REQUIREMENTS
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and shall indicate whether the parameters of the delegated authority merit revision.

OTHER CONSIDERATIONS
Supersedes Board Report dated September 26, 2002.

Adopted this 23rd day of May, 2013

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CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 005

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING
MULTIFAMILY DEFERRED LOAN FUNDING MODIFICATIONS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to make certain funding modifications under the deferred loan programs.

PARAMETERS OF DELEGATED AUTHORITY
1. An increase in deferred loan funding must be less than the greater of $100,000 or 15 percent up to a maximum of $300,000 of all deferred loan/grant funding in the proposal, including funding partners.
2. A loan modification may be a dollar for dollar funding swap from one deferred loan/grant program to another, including funding partners' programs, based on fund availability.
3. A loan modification may be a consolidation of funding from multiple programs to one program to simplify the development's financing (total dollar amount remains the same), based upon fund availability.
4. The Agency Clearinghouse Committee must approve all deferred loan funding modifications.

REPORTING REQUIREMENTS
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and shall indicate whether the parameters of the delegated authority merit revision.

OTHER CONSIDERATIONS
Supersedes Board Report dated December 20, 2001.

Adopted this 23rd day of May, 2013

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CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
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St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 006

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY ASSET MANAGEMENT AND PRESERVATION FUNDING LOAN MODIFICATIONS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to make funding loan modifications for the Asset Management or Preservation Affordable Rental Investment Fund ("PARIF") programs.

PARAMETERS OF DELEGATED AUTHORITY

1. The Board commitment for the Asset Management or PARIF loan has not expired.
2. The increase to the loan amount must be less than 15 percent of the originally committed loan amount.
3. The Agency Clearinghouse Committee must approve the funding modification.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and shall indicate whether the parameters of the delegated authority merit revision.

OTHER CONSIDERATIONS

Supersedes Board Report dated July 22, 2004.

Adopted this 23rd day of May, 2013

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CHAIRMAN

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REAFFIRMING DELEGATED AUTHORITY WITH REVISION - MULTIFAMILY

Forgiveness of Deferred Loans

The Commissioner is requesting a continuation of delegated authority regarding deferred loan forgiveness.

Current Practice

The Board previously approved a deferred loan debt forgiveness policy in 2008.

Deferred loans are necessary to ensure the affordability of rental developments at various targeted incomes in order to meet specific strategic priorities and mission objectives. The resources for these loans include Pool 3, Financing Adjustment (FA), Financing Adjustment Factor (FAF), debt service savings and State appropriations.

In recent years, the size of deferred loans has increased as it becomes more costly to develop housing and as incomes and rents stagnate and expenses continue to rise. These large loans have been underwritten with the expectation that they will provide affordability for their underwritten term and represent a significant investment by the Agency.

However, as with any loan portfolio, a certain percentage of loans will fail. The deferred loan portfolio is by its nature higher risk, due to the lower income populations being served and their limited ability to pay rent. Because these are higher risk loans, they are reserved at 100% of the loan amount at the time they are made, resulting in an immediate capital charge; therefore, forgiving these deferred loans later does not have any further adverse fiscal impact on the Agency.

This portfolio is also aging, and while the loans have enabled the provision of thousands of affordable units for many years, there are some instances where the continued success of the underlying asset is no longer economically feasible. This failure may precipitate a request to the Agency for loan forgiveness.

Currently, deferred loan debt forgiveness requests by borrowers are submitted through the Agency's Multifamily Request for Action process. Staff performs an analysis of the request utilizing established criteria. Examples of the considerations include, but are not limited to, the following:

1. Whether there still a market for the intended use;
2. Whether the building has been damaged or is in disrepair, whether the development remains economically feasible, and whether it is financially prudent to rebuild or repair the building;
3. Whether there is a viable owner/manager for the housing in the area;
4. Whether the value of the property is greater than the total debt; and
5. Whether the legal cost of recovering the debt exceeds the amount of the debt.

Often there are other funders involved that participate in the discussion and subsequent workout. Strategies considered during the workout may include extending loan terms, reduction of interest rates, if applicable, or finding new owners. However, there are occasional circumstances where a building is no longer viable.

Approved deferred loan debt forgiveness requests are evaluated first by the Agency Clearinghouse Committee and then are submitted to the Mortgage Credit Committee for approval.

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MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 007

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY DEFERRED LOAN DEBT FORGIVENESS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to forgive deferred loans in an amount equal to or less than $250,000.

PARAMETERS OF DELEGATED AUTHORITY
1. Considerations for the deferred debt forgiveness:
    - Is there a market for the intended use of the property?
    - If the property has been damaged or is in disrepair, is it not economically feasible and desirable to rebuild or repair the property?
    - Is there a viable owner/manager for the property in the area?
    - Is the value of the property less than the total debt?
    - Is the cost to the Agency of recovering the debt more than the amount of the debt?
    - Other considerations identified by Agency staff?
2. The amount of debt forgiveness must be equal to or less than $250,000.
3. The Agency Clearinghouse Committee must approve the debt forgiveness.
4. The Agency Mortgage Credit Committee must approve the debt forgiveness.

REPORTING REQUIREMENTS
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and shall indicate whether the parameters of the delegated authority merit revision.

OTHER CONSIDERATIONS
Supersedes Board Report dated February 28, 2008.

Adopted this 23rd day of May, 2013

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CHAIRMAN

NEW DELEGATED AUTHORITY - MULTIFAMILY

Deferred Loan Assumptions

The Commissioner is requesting delegated authority to permit the assumption of deferred loans.

In certain situations (usually in connection with the sale or transfer of properties), the need arises for a borrower to have an Agency deferred loan assumed by another entity.

Currently, assumption requests are submitted by borrowers through the Agency's Multifamily Request for Action process. Staff is assigned to do a detailed analysis of the request. Staff presents the request to Agency's Clearinghouse Committee for approval. The Clearinghouse Committee is comprised of staff representing risk management, preservation, legal, asset management, compliance, and underwriting. Approved deferred loan assumption requests are then submitted to the Mortgage Credit Committee, which is chaired by the Commissioner, for approval.

This delegated authority would improve the efficiency of the loan process.

MINNESOTA HOUSING FINANCE AGENCY
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RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 008

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY DEFERRED LOAN ASSUMPTIONS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to approve the assumption of multifamily deferred loans.

PARAMETERS OF DELEGATED AUTHORITY
1. It must be in the best interests of the Agency to approve the loan assumption.
2. The Agency Clearinghouse Committee must approve the loan assumption.
3. The Agency Mortgage Credit Committee must approve the loan assumption.

REPORTING REQUIREMENTS
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and shall indicate whether the parameters of the delegated authority merit revision.

OTHER CONSIDERATIONS

None.

Adopted this 23rd day of May, 2013

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CHAIRMAN

NEW DELEGATED AUTHORITY - MULTIFAMILY

Loan Commitment Extensions

The Commissioner is requesting delegated authority to extend a loan commitment up to two times.

<u>Current Practice</u>
The Board currently approves loan commitments for developments selected under the Multifamily Request for Proposals (RFP) and pipeline process.

Within the time frames listed below, a development selected by the Board to receive a loan must either enter into a Construction Loan closing agreement with the Agency or enter into an End Loan Commitment with the Agency to meet the initial loan commitment period.

At the time of selection:

- A deferred loan programs enters into a 20 month loan commitment
- A 501 (c) (3) program loan enters into a 12 month loan commitment
- A Low and Moderate Income Rental program (LMIR) loan enters into a 6 month loan commitment
- Rental Assistance and Operating Subsidy Grants enters into a 20 month loan commitment, if tied to a capital award
- Rental Assistance and Operating Subsidy grants have enter into a 12 month loan commitment
- Rental Assistance and Operating Subsidy Grants enter into a 20 month loan commitment, if tied to a capital award

If the development elects the End Loan Commitment, the development is given 18 months to complete construction from the date of End Loan Commitment and the end loan commitment overrides the initial loan commitment date.

Sometimes it is necessary for a loan commitment to be extended due to delays in processing the loan. In those cases, requests for loan commitment extensions are brought to the Board for approval.

The requested delegated authority would improve the efficiency of the loan process.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
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RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 009

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY LOAN COMMITMENT EXTENSIONS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to approve loan commitment extensions for deferred loans, Low and Moderate Income Rental (LMIR) program loans, 501 (c) (3) program loans and Rental Assistance and Operating Subsidy grants.

PARAMETERS OF DELEGATED AUTHORITY
1. Only two loan commitment extensions are permitted. The extension period of each extension must not exceed twelve months.
2. The Agency Mortgage Credit Committee must approve the loan commitment extension.

REPORTING REQUIREMENTS
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and shall indicate whether the parameters of the delegated authority merit revision.

OTHER CONSIDERATIONS
None.

Adopted this 23rd day of May, 2013

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CHAIRMAN

NEW DELEGATED AUTHORITY - MULTIFAMILY

Amortizing Loan Prepayment Prohibition Waivers

The Commissioner is requesting delegated authority to waive the loan prepayment prohibition in certain amortizing loans when warranted. This request excludes loans financed with the Agency's tax exempt bonds or governed by specific program rules (e.g., Rule 49.00.0010, subp. 7 regarding Redefined Equity loans).

Within its first mortgage amortizing portfolio, the Agency has loans that are structured so that owners are prohibited from prepaying prior to a date certain as outlined in the mortgage loan document. Currently, a loan prepayment prohibition waiver request is submitted by the borrower through the Agency's Multifamily Request for Action process. Staff performs an analysis of the request utilizing established criteria. Examples of the considerations include, but are not limited to:

1. The loan has less than 12 months left in its lock out period and is part of an effort to align with a new financing package.
2. It is important to preserve the subsidy and affordability as long as possible (an attempt is made to scale an affordability extension to number of months waived).
3. The property is located in a high growth area and/or high need area for affordable housing.
4. The prepayment is in conjunction with preservation or stabilization effort.

Staff presents the request to Agency's Clearinghouse Committee for approval.
Approved loan prepayment waiver requests are then submitted to the Mortgage Credit Committee for approval.

The requested delegated authority would improve the efficiency of the loan process.

MINNESOTA HOUSING FINANCE AGENCY
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RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 010

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING WAIVER OF AMORTIZING LOAN PREPAYMENT PROHIBITION

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to waive the prohibition against amortizing loan prepayments.

PARAMETERS OF DELEGATED AUTHORITY
1. It must be in the best interests of the Agency to approve the waiver.
2. The Agency Clearinghouse Committee must approve the waiver.
3. The Agency Mortgage Credit Committee must approve the waiver.

REPORTING REQUIREMENTS
The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and shall indicate whether the parameters of the delegated authority merit revision.

OTHER CONSIDERATIONS
None.

Adopted this 23rd day of May, 2013

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CHAIRMAN

NEW DELEGATED AUTHORITY – GENERAL

Non-Material Changes to Agency Guides

The Commissioner is requesting delegated authority to make non-material changes to Agency guides (commonly referred to as manuals).

Agency guides are manuals required by Agency rules to be prepared by the Commissioner that set forth uniform procedures by which applications for loans or grants shall be submitted, the contents thereof, and the conditions upon which loans or grants shall be made.

The term “material” means that there is a substantial likelihood that a Board member would reasonably rely on the substance of the change in its management and control of the Agency. In deciding the materiality of the change, the change should be reviewed from three Agency vantage points: legal, financial and policy. Some examples of changes which are not material include format changes, correction of typographical errors and clarification language.

The requested delegated authority would improve the efficiency of the loan process.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 011

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING NON-MATERIAL CHANGES TO AGENCY GUIDES

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to make non-material changes to Agency guides.

PARAMETERS OF DELEGATED AUTHORITY
1. The term "non-material change" means that there is a substantial likelihood that a Board member would not reasonably rely on the substance of the change in its management and control of the Agency.
2. All "non-material changes" must be approved by the appropriate person or committee designated by the Commissioner and an attorney employed by, or assigned to, the Agency.

REPORTING REQUIREMENTS
A red-lined copy of the guide showing the non-material changes will be provided to the Board at its next regularly scheduled meeting.

OTHER CONSIDERATIONS
None.

Adopted this 23rd day of May, 2013

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CHAIRMAN

NEW DELEGATED AUTHORITY - GENERAL

Non-material Changes to the Affordable Housing Plan

The Commissioner is requesting delegated authority to make non-material changes to the Agency's Affordable Housing Plan. Specifically, delegated authority is requested to:

1. Adjust the allocation of funding under Housing Infrastructure Bonds and Economic Development and Housing Challenge (EDHC) among the eligible uses of the funds – for example, the estimated split of EDHC funds between single family and multifamily.
2. Adjust program funding levels when federal funding is finalized or changed, including Housing Opportunities for People with AIDS (HOPWA), HOME, Section 8, Section 236, and Low-Income Housing Tax Credits.
3. Adjust estimated funding activity in revolving loan accounts, as long as the accounts have sufficient funds to accommodate additional activity.
4. Adjust program funding levels as estimates of contributions from partner organizations, loan repayments, uncommitted balances that carry forward, and other receipts are updated or revised.
5. Increase funding for programs funded with Mortgage Revenue Bonds or Pool 2 by no more than 10% of the budgeted amount, if there are sufficient resources to do so.

The requested delegated authority would improve the efficiency of the loan process.

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MINNESOTA HOUSING FINANCE AGENCY
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St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 012

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING CERTAIN CHANGES TO THE AFFORDABLE HOUSING PLAN

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to make certain changes to the Affordable Housing Plan.

PARAMETERS OF DELEGATED AUTHORITY
1. Adjustments may be made to the allocation of funding under Housing Infrastructure Bonds and Economic Development and Housing Challenge (EDHC) among the eligible uses of the funds.
2. Adjustments may be made to program funding levels when federal funding is finalized or changed, including Housing Opportunities for People with AIDS (HOPWA), HOME, Section 8, Section 236, and Low-Income Housing Tax Credits.
3. Adjustments may be made to estimated funding activity in revolving loan accounts, as long as the accounts have sufficient funds to accommodate additional activity.
4. Adjustments may be made to program funding levels as estimates of contributions from partner organizations, loan repayments, uncommitted balances that carry forward, and other receipts are updated or revised.
5. Funding for programs funded with Mortgage Revenue Bonds or Pool 2 maybe increased by no more than 10% of the budgeted amount, if there are sufficient resources to do so.

REPORTING REQUIREMENTS
The Commissioner shall report to the Board any changes made at the next regularly scheduled Board meeting.

<u>OTHER CONSIDERATIONS</u>
None.

Adopted this 23rd day of May, 2013

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CHAIRMAN

NEW DELEGATED AUTHORITY - GENERAL

Changes to Programs and Guides Due to Federal Changes

The Commissioner is requesting delegated authority to make changes to programs and guides due to Federal changes.

For many of its loan programs, the Agency relies on Federal figures in calculating income levels, rent levels and house price limits.

For single family transactions, income and house price (acquisition cost) limits are established pursuant to publication of certain indices designed for such purposes. Typically, such indices are published by either the U.S. Department of Housing and Urban Development or the Internal Revenue Service. The percent of such indices by which such limits are determined are provided in federal law, state statute or within procedural manuals or guides approved by the Board. The Board has typically allowed staff to adjust limits in accordance with program requirements upon publication of the applicable index.

For multifamily transactions, HUD publishes updated median family income, Multifamily Tax Subsidy Projects (MTSP) limits and Fair Market Rents (FMRs) annually. The Agency uses the updated limits for administering and monitoring the respective programs for which they are intended (e.g., Section 8, HOPWA, HOME, tax credit, tax exempt bonds). In addition, as required by statute and/or rule, the Agency uses the HUD published incomes as the basis for calculating income and rent limits for the Agency's loan programs (e.g., LMIR, EDHC, and HTF).

Since the Federal changes must be reflected in those Agency's loan programs and guides that rely on the Federal figures and the Agency is required to comply with the Federal figures, it would be more efficient to not bring those changes to the Board.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
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RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 013

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER TO MAKE CHANGES TO PROGRAMS AND GUIDES DUE TO FEDERAL CHANGES.

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to make changes to programs and guides due to Federal changes.

PARAMETERS OF DELEGATED AUTHORITY
1. The term "Federal changes" refers to Federal figures used or relied upon in calculating income levels, rent levels and house price limits.
2. All changes to the Agency programs and guides must be made in accordance with the provisions established in program procedural manuals or process guides.
3. All changes to the Agency programs and guides must be in compliance with state and federal law pertaining to the program or activity.

REPORTING REQUIREMENTS
A copy of the guide showing the changes will be provided to the Board at its next regularly scheduled meeting.

OTHER CONSIDERATIONS
None.

Adopted this 23rd day of May, 2013

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CHAIRMAN

NEW DELEGATED AUTHORITY - GENERAL

Waiver of Agency Program Requirements Incident to Natural Disaster

The Commissioner is requesting delegated authority to waive program requirements in the event of a natural disaster.

This authority was previously in the form of a Board policy, attached to the proposed resolution.
It has been determined that such authority is more properly a delegation matter rather than a policy matter.

In December 2000, the Board amended a policy originally established in 1992 which provides the Commissioner with broad authority to waive Agency program requirements to enable staff to respond quickly to the unique circumstances often incident to a natural disaster. This authority is limited to the extent that the Commissioner may not waive requirements prescribed in federal law pertaining to such programs.

This delegated authority permits the Commissioner to act quickly in order to help those persons and families impacted by a natural disaster.

Board Agenda Item: 6.A
Attachment: Requests and Resolutions – General

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 014

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING WAIVER OF AGENCY PROGRAM REQUIREMENTS INCIDENT TO NATURAL DISASTER RESPONSE

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW, THEREFORE, BE IT RESOLVED that the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY
To authorize the Commissioner to grant program waivers which will enhance the ability of the Agency to respond to natural disasters which result in the destruction of, or damage to, real property. Such waivers include, but are not limited to, increases in program income and house price limits for Agency programs as well as other waivers necessary to provide access to or repair of living space for individuals and households affected by the disaster.

PARAMETERS OF DELEGATED AUTHORITY
1. The program waiver must be in response to a natural disaster declaration made by the Governor and/or the President.
2. All waivers of program requirements must not be in violation of federal or other statutory requirements pertaining to such programs.
3. All waivers must not adversely affect state access to federal resources that may be applied in response to a natural disaster.

REPORTING REQUIREMENTS
The Commissioner shall report to the Board pertaining to waivers approved at its next regularly scheduled meeting.

OTHER CONSIDERATIONS
This Resolution rescinds and replaces the Board's Natural Disasters Policy, as amended.

Adopted this 23rd day of May, 2013

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CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 6.B
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Approval, Procedural Manual, Mortgage Credit Certificate Program

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REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☑ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests approval of the procedural manual for the new Mortgage Credit Certificate Program, approved by Board on April 4, 2013.

FISCAL IMPACT:
The procedural manual implements requirements for the program, which is budgeted through the Affordable Housing Plan.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- Draft Procedural Manual

BACKGROUND

A mortgage credit certificate (MCC) reduces the amount of federal income tax a qualified homeowner pays by providing a non-refundable federal tax credit during the life of a mortgage loan, as long as the homeowner occupies the home as his or her principal residence. After all other credits and deductions are taken, the value of the MCC is applied directly to the homeowner's remaining federal income tax liability, if any. Thus, to benefit from a mortgage credit certificate, a borrower must have a federal tax liability.

The Agency had $135,107,649 of mortgage revenue bonding (MRB) authority that was about to expire at the end of 2012. By converting the excess MRB authority to MCC authority, the Agency can repurpose the unused authority and add another program to support first-time homebuyers. The authority would have otherwise gone unused.

The Board approved implementation of the Mortgage Credit Certificate Program at its April 4, 2013 meeting. The attached draft manual implements the board-approved policy decisions.

Significant program terms include:

- Owner-occupancy required
- MRB income limits
- MRB loan and purchase price limits
- 35% credit rate
- Access to the Monthly Payment Loan downpayment and closing cost loan option
- Notice to borrowers explaining what an MCC is
- Notice to borrowers at the end of the first calendar year to remind them they have to claim the credit on their taxes
- Fee for MCC of 1% of purchase price; waive fee for MCC recipients who use with Minnesota Housing first mortgage financing
- Lender participation fee of $250 fee unless lender has already paid U.S. Bank's participation fee
- One-time training required for participating lenders

As indicated in the April 4, 2013 MCC Program Concept Board memo, staff is finalizing program processes and anticipates launching the new program on or about June 17, 2013.

Minnesota Housing Finance Agency

Minnesota Housing Start Up Mortgage Credit Certificate (MCC) Program Procedural Manual

June 17, 2013

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Introduction

Mission Statement

Minnesota Housing finances affordable housing for low- and moderate-income households while fostering strong communities.

Background

The Minnesota Housing Finance Agency ("Minnesota Housing") was created in 1971 by the Minnesota Legislature.

Minnesota Housing offers three mortgage loan programs to serve low- and moderate-income homebuyers:

- Start Up Program for first-time homebuyers, a first mortgage loan program with access to downpayment and closing cost loans;
- Start Up MCC for first-time homebuyers that includes a first mortgage loan, a federal tax credit and access to a downpayment or refinance and closing cost loan; and
- Step Up for non-first-time homebuyers for home purchase or refinance, with access to a downpayment and closing cost loan.

In addition, Minnesota Housing provides financial assistance to certain Borrowers who need downpayment and closing cost loans to make homeownership possible.

For the Start Up, Start Up MCC and Step Up programs, a Master Servicer securitizes and purchases closed loans originated by Lenders under prescribed program requirements. For the MCC issued in conjunction with a Lender proprietary loan product, Lenders originate and close loans under their individual underwriting and closing procedures.

Mortgage Credit Certificates

Mortgage credit certificates (MCCs) are federal tax credits that provide financial assistance to certain first-time homeowners by allowing the homeowner to claim a tax credit for a specific portion of the mortgage interest paid per year. An MCC is not a mortgage and must be used in conjunction with first mortgage financing. Start Up MCC combines first mortgage financing with an MCC, as well as access to downpayment and closing cost assistance.

Monthly Payment Loan Program

Minnesota Housing's amortizing Monthly Payment Loan provides secondary financing with an interest rate equal to the interest rate on the first mortgage loan to assist borrowers with downpayment and/or closing costs. See Chapter 5 for Monthly Payment Loan guidelines. The Monthly Payment Loan is the only Minnesota Housing downpayment option offered in connection with "the Program". Certain other downpayment loan programs offered by Lenders or through other programs may be eligible for an MCC. (See Section 4.12 of this Procedural Manual.)

Procedural Manual

This Procedural Manual sets forth for lenders the terms and conditions of the "the Program" Program as established by Minnesota Housing and federal regulations. Chapters 1 through 9 apply generally to mortgage loans purchased by Minnesota Housing's Master Servicer for which Minnesota Housing has also issued MCCs. Chapter 10 applies to Borrowers linking the MCC with non-Minnesota Housing first mortgage financing.

Chapter 1 – Lender Responsibilities and Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement for Start Up MCC (hereinafter referred to as "the Program"), as executed between the Lender and Minnesota Housing. It is incorporated into such Participation Agreement by reference and is a part thereof as fully as if set forth in such Participation Agreement at length.

Minnesota Housing reserves the right to:

- Change the MCC credit rate at any time at its sole discretion;
- Alter or waive any requirement herein;
- Impose other additional requirements;
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated; and
- Grant waivers, alterations or make revisions at its sole discretion.

1.02 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 these programs to the Minnesota Attorney General's office for appropriate legal action.
- If, after a loan is made and/or an MCC issued, a Lender discovers any material misstatements or misuse of the proceeds of the loan by the Borrower(s) or others, the Lender shall promptly report such discovery to Minnesota Housing and the Master Servicer.
- Minnesota Housing, or the Master Servicer, or both, may exercise all remedies available to them under the Participation Agreement or otherwise, both legal and equitable, to recover funds from the Lender and/or the Borrower(s). This includes revocation of the MCC and/or repayment of loan funds, together with all applicable administrative costs and other fees or commissions received by the Lender in connection with the MCC and reimbursement of all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the MCC or recovery thereof.

1.03 Disclosure and Use of Social Security Number/Minnesota Tax Identification Number

The Minnesota Revenue Recapture Act (Minnesota Statutes, Sections 270A.01 to 270A.12, as amended) allows the disclosure of the Borrower(s) Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the Borrower(s) to Minnesota Housing.

1.04 Unauthorized Compensation

Lender may receive fees approved in this Procedural Manual. However, Lender shall not receive or demand from realtor, builder, property seller or Borrower(s):

- Kickbacks;
- Commissions; or
- Other compensation.

1.05 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each MCC issued by Minnesota Housing. Documentation supporting issuance of an MCC may be requested to be forwarded to Minnesota Housing for review. Audits will include, but are not limited to, a minimum of 10% of all MCCs issued by Minnesota Housing.

Audited loans are reviewed for:

- IRS Code compliance related to MCCs;
- Minnesota Housing program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that may have an impact on the success of the Borrower(s) and programs.

1.06 Termination of Lender Participation

Minnesota Housing may terminate the participation of any Lender under "the Program" at any time and may preclude Lender's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Participation Agreement;
- The Master Servicer Guide;
- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;

- Any federal or state laws or acts that protect the Recipients' rights with regard to obtaining financing for homeownership; and
- Other applicable state and federal laws, rules and regulations.

Upon termination of a Lender's contract, Minnesota Housing will continue to issue MCCs and purchase eligible loans for which a commitment has been issued until the commitment expiration date.

- Minnesota Housing will not refund participation fees to the Lender.
- Minnesota Housing may, at its option, impose remedies other than termination of the contract for Lender nonperformance.
- Lender may request reinstatement into Minnesota Housing programs. The decision to reinstate a Lender shall be at Minnesota Housing's sole discretion.

1.07 Covenants

The Lender agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders, including but not limited to the following as then in effect (and any applicable rules, regulations and orders thereunder):

- 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;
- Equal Credit Opportunity Act;
- Fair Credit Reporting Act;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Minnesota Human Rights Act – Minnesota Statutes Chapter 363A;
- Data Privacy - Minnesota Statutes Chapter 13 and Section 462A.065;
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- Americans with Disabilities Act;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth In Lending Act;
- 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 25; and

- Real Estate Settlement Procedures Act of 1974.

In addition to the above-listed covenants, the Lender is to confirm that:

- The person who confirms on the HDS SF Web Application the Lender Representations and Warranties on behalf of the Lender has the authority to legally bind the Lender and is fully conversant with Minnesota Housing program requirements; and
- The Lender is in compliance with all terms, conditions and requirements of:
  - ◊ The MCC Participation Agreement;
  - ◊ This Procedural Manual; and
  - ◊ The Master Servicer's Lender Guide unless those terms, conditions and requirements have been specifically waived by Minnesota Housing or the Master Servicer, as applicable, in writing.

1.08 Lender Compensation

Lender is compensated for each loan purchased by the Master Servicer as follows:

- Origination fee collected from the Borrower in accordance with RESPA; and
- Service release premium paid by the Master Servicer in an amount established by Minnesota Housing and posted on the Minnesota Housing website.

Lender is compensated for the MCC by collecting an MCC fee from the Borrower in an amount established by Minnesota Housing and posted on www.mnhousing.gov.

1.09 Annual Renewal Requirements and Fees

Lenders must be approved by Minnesota Housing and meet the participation requirements as stated on the website prior to qualifying participants for the program.

Lenders are subject to an annual program renewal process and participation fees.

Chapter 2 – Borrower Eligibility

2.01 Borrower

One individual or multiple individuals are eligible to be a Borrower only if such individual or individuals meet the requirements of this Procedural Manual.

2.02 Borrower Age

Borrower(s) must be 18 years of age or older or have been declared emancipated by a court having jurisdiction.

2.03 Co-Signers

Non-occupant co-signers are not allowed on first mortgage loans. All Borrowers must occupy the property as their primary residence.

2.04 Unauthorized Compensation

Borrower(s) shall not receive kickbacks, rebates, discounts, and/or compensation from any subcontractor, realtor or property seller.

2.05 Prior Homeownership – Three Year Requirement

Borrower(s) may not have had an ownership interest in a Principal Residence at any time during the three-year period ending on the date of execution of the mortgage. This requirement applies to any person who will execute the note, and will have a present ownership interest in the property being financed.

- Present ownership interest includes:
  - ◊ A fee simple interest;
  - ◊ An individual tenancy, joint tenancy, a tenancy in common, or a tenancy by the entirety;
  - ◊ The interest of a tenant shareholder in a cooperative;
  - ◊ A life estate;
  - ◊ A leasehold estate or a leasehold estate subject to a Community Land Trust;
  - ◊ A land contract, under which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time;
  - ◊ An interest held in trust for the Borrower(s) (whether or not created by the Borrower(s)) that would constitute a present ownership interest if held directly by the Borrower(s);
  - ◊ Vendee interest in a contract for deed; or

  - ◊ An ownership interest in a mobile home that is taxed as real estate.
- Interests that do not constitute a present ownership interest include:
  - ◊ Remaindermen interest;
  - ◊ An ordinary lease with or without an option to purchase;
  - ◊ A mere expectancy to inherit an interest in a Principal Residence;
  - ◊ The interest that a purchaser of a residence acquires on the execution of an accepted offer to purchase real estate;
  - ◊ An interest in a non-Principal Residence during the previous three years (e.g. recreational/seasonal home);
  - ◊ An ownership interest in a mobile home which is not permanently attached to the land and is taxed as Personal Property; or
  - ◊ Pre-existing interest in the subject property.
- Required Documentation - Tax Returns:
  - ◊ To verify that the Borrower(s) meets the three-year requirement, the Lender must obtain copies of signed federal income tax returns filed by the Borrower(s) for the three years immediately preceding the date their mortgage is executed. The Lender should examine the tax returns and the credit report for any evidence that the Borrower(s) may have <u>owned a principal residence during the past three years</u>. The Lender should examine the tax returns and the credit report for any evidence that the Borrower(s) may have claimed deductions for property taxes or mortgage interest deductions on a primary residence. The Borrower(s) may also provide the Lender with an affidavit that he/she was not required to file an Income Tax Return during one or all of the preceding three years. See Chapter 7 – Documentation Requirements for acceptable alternative formats of federal income tax returns.
- Special Documentation for current ownership:
  - ◊ A Borrower(s) with a current ownership interest in a residence within the most recent three-year period must be able to provide evidence (e.g. copy of rental agreement/lease) showing that they have not lived in the dwelling during the most recent three-year period.

2.06 Principal Residence/Occupancy Requirements

Borrower(s) must intend to occupy the financed dwelling as a Principal Residence within 60 days after the closing of their mortgage. A certification of owner occupancy is to be made by the Borrower(s) in the Borrower Affidavit.

2.07 Homebuyer Education

Qualified Homebuyer Education[1] is required for Borrowers securing Minnesota Housing financing under the following:

- Fannie Mae HFA Preferred™ (Conventional);
- Fannie Mae HFA Preferred Risk Sharing™ (Conventional); and
- Borrowers receiving funds for downpayment or closing cost loans through the Monthly Payment Loan.

Homebuyer education may be delivered either by instructors trained under Home Stretch or NeighborWorks® America in a classroom setting or via the Minnesota Home Ownership Center's Framework, an online home buyer education platform. Homebuyer education must be completed prior to closing.

The above noted requirements will be satisfied when at least one Borrower per household provides a certificate of completion.

2.08 Credit Scores and Debt-to-Income (DTI) Ratios

A credit score of 640 or higher is required of all Borrower(s). If the credit report reflects three credit scores for the Borrower(s), use the middle score to determine Borrower eligibility. If the credit report reflects only two scores for the Borrower(s), use the lower of the two scores to determine Borrower eligibility.

- If the Borrower(s) have a credit score greater than or equal to 640 and less than 660, the DTI may not exceed 45% or the maximum DTI permitted by the underlying mortgage product, whichever is lower.
- If the Borrower(s) have a credit score of 660 or higher, the maximum DTI may not exceed 50% or the maximum DTI permitted by the underlying mortgage product, whichever is lower.
- If there are multiple Borrowers in a transaction and all have credit scores, the score from the Borrower with the lowest credit score will determine the maximum DTI.
- If no Borrower(s) have credit scores, alternative credit suggesting a prudent underwriting risk must be developed, and the maximum DTI is 45% or the maximum DTI permitted by the underlying mortgage product, whichever is lower.
- If one Borrower has a credit score of at least 640 but the other Borrower(s) do not have a credit score, the question of whether alternative credit must be developed for the Borrower(s) without a score is deferred to the underlying loan product guidelines and the maximum DTI is 45% or the maximum DTI permitted by the underlying mortgage product, whichever is lower.

[1] Available courses are listed on the Homeownership Center website at: http://www.hocmn.org

- The Borrower(s) must have a minimum credit score of 680 for all HFA Preferred Risk Sharing™ loans.

2.09 Minnesota Housing Program Eligibility Income

Income Limit

Household eligibility income may not exceed "the Program" income limits listed on Minnesota Housing's website. Such limits are subject to change without prior notice.

Total Household Income

Gross annual household income is the gross annual projected household income as of the date of the mortgage application of all persons residing or intending to reside in a property from whatever source derived (with the exception of incidental income from after school employment of persons under 18 years of age) and before taxes or withholdings.

The Minnesota Housing maximum gross household income cannot exceed the amounts listed on Minnesota Housing's website.

Gross annual projected household income includes but is not limited to:

- Salary, commissions, overtime, shift differential, bonuses, tips, earnings from part-time employment;
- Interest, dividends, gains on sale of securities;
- Annuities, pensions, royalties;
- Veterans Administration compensation, public assistance, social security benefits, unemployment compensation and sick pay;
- Net rental income (including contract-for-deed income), income received from business activities or investments;
- Alimony, child support;
- Estate or trust income; and
- Transfer payments such as social security, disability, unemployment insurance, workers compensation, veterans' benefits, pensions and other government/public assistance.

See Income Eligibility Calculation Worksheet on www.mnhousing.gov.

Non-Borrowing Occupant

The income of all occupants must be verified and considered for the purposes of determining whether the Minnesota Housing maximum income limits have been exceeded even if a non-borrowing occupant's income is not considered for credit underwriting purposes. See Income Eligibility Calculation Worksheet on www.mnhousing.gov.

2.10 MCCs to Employees and Affiliated Parties

Minnesota Housing will issue MCCs in connection with loans made to directors, officers and employees of Lenders and/or their families as well as to builders, realtors and/or their families, and any other principal with whom the Lender does business. Minnesota Housing employees and/or their families are also eligible. The Borrower(s) must meet all eligibility criteria for the program.

2.11 Borrower Fee

The MCC Borrower Fee to Minnesota Housing is waived for Borrowers using "the Program".

Chapter 3 – Property Eligibility

3.01 Eligible Properties

Properties eligible for "the Program" must be located in the State of Minnesota and may include any of the following housing types:

- A single-family detached residence;
- A unit within an eligible Planned Unit Development ("PUD");
- An eligible unit of a condominium;
- A duplex (the Borrower(s) must occupy one unit of a duplex property AND the duplex property must have been a residence for at least five years prior to the date of the new mortgage, i.e. not new construction or recently converted from non-residential use);
- A manufactured home permanently affixed to a foundation and taxed as real property, financed with a government insured/guaranteed loan, and that meets the requirements outlined in Section 3.02 of this Procedural Manual; or
- A modular home built to state building codes and delivered to the site in modular sections. Modular homes are acceptable for all financing types, subject to loan product guidelines and the approval of the mortgage insurer/guarantor.

3.02 Manufactured/Mobile Homes

Homes built to Federal Manufactured Home Construction Safety Standards, administered by HUD. The homes are built on wheeled chassis, which remain a basic structural element.

- Manufactured/mobile homes are acceptable only for government insured/guaranteed loan products if they meet the following requirements:
  - ◊ Foundation: Permanently attached and anchored per manufacturer specifications to a basement, slab or footings to frost line;
  - ◊ Wheels, axles and trailer hitches must be removed;
  - ◊ Units must be assessed as real estate for property tax purposes; and
  - ◊ Units must meet the requirements of the underlying loan product and the applicable insurer/guarantor.

3.03 New Construction Requirements

New Construction properties must meet the following requirements:

- A property located within Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright counties must be serviced by a regional waste water treatment center or by a treatment system owned and operated by a local unit of government;

- The land must be zoned for residential housing;
- The land must not have been annexed within the previous calendar year;
- The cost of land purchased within the 24 months prior to the date on which construction begins must be included in the Acquisition Cost;
- The value of land, as determined by the appraiser, must be used to determine Acquisition Cost if the land was purchased more than 24 months prior to the date on which construction begins or through a non-arm's length transaction;
- Any temporary financing (e.g. construction certificate, bridge certificate, contract for deed) provided prior to the date of the certificate closing may not exceed 24 months in term;
- Land equity (the dollar value of the difference between land value/cost and the total amount the Recipient owes against the land) may be used by a Recipient only as a downpayment;
- A Certificate of Occupancy must be issued for the property prior to certificate closing; and
- The Borrower(s) may not act as the General Contractor.

3.04 Ineligible Properties

Properties not eligible for financing are as follows:

- A unit in a Cooperative Corporation or a limited equity Cooperative Corporation;
- Recreational/seasonal home;
- Single-wide mobile/manufactured home even if permanently affixed to a foundation and taxed as real property;
- A property intended to be used as an investment property (except the rental of a second unit in a duplex);
- A newly constructed duplex or a duplex converted from nonresidential use in the past five years;
- A property where 15% or more of the total area of the property is used primarily in a trade or business in a manner which would permit the Borrower(s) to take a deduction for any portion of the costs of the property for expenses incurred in connection with such trade or business use of the property on the Recipients' federal income tax return;
- Newly constructed residences with private septic systems located within Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright counties.

3.05 Acquisition Cost Limit

Acquisition Cost is the cost of acquiring an eligible property from the Property Seller as a completed residential unit. The Acquisition Cost of a property may not exceed the amounts listed on Minnesota Housing's website. (See www.mnhousing.gov for House Price Limits). Such amounts are subject to change without notice.

Acquisition Cost includes:

- All amounts paid either in cash or in kind, by the Borrower(s) (or by a related party for the benefit of the Borrower(s)) to the Property Seller (or to a related party for the benefit of the Property Seller) as consideration for the property;
- All amounts paid by or on behalf of the Borrower(s) and required to complete or repair a residence whether or not the cost of such completion or repairs is to be financed with the proceeds of a Minnesota Housing loan (which may be agreed upon beyond the contractually provided purchase price);
- The purchase price as well as all repair costs for FHA 203K Streamlined loans;
- All land cost or land value as stated in New Construction Requirements Section 3.03; and
- All special assessments paid or assumed by the Borrower(s).

Acquisition Cost does <u>not</u> include:

- Usual and reasonable closing or financing costs; or
- Any special assessments paid by the Property Seller

3.06 Appraised Value

The appraised value of the subject property may not exceed 125% of the applicable Acquisition Cost Limit.

3.07 Personal Property

Personal Property may not be financed or listed as part of the total purchase transaction between the Borrower(s) and Property Seller. Only permanently affixed property (fixtures) are eligible for financing.

3.08 Excess Property

The financing of a property may include only land necessary to maintain the "basic livability" of the dwelling.

- The land being financed may not provide other than incidental income to the Borrower(s);

- The appraiser must state that the subject lot is not greater in size than other residential parcels in the community; and
- The land may not comprise more than one parcel or be eligible for legal subdivision unless the appraiser states that the land is commensurate in size with other residential parcels in the community, and the Borrower(s) must certify that he or she has no intention of selling or leasing any portion of the land being financed.

Chapter 4 – First Mortgage Requirements

4.01 Eligible Loans

The Master Servicer purchases closed loans from Lenders under contract in Minnesota Housing mortgage loan programs. The Lender must warrant that the following criteria have been met for each loan submitted for purchase:

- Eligible loans are originated under the following programs:
  - ◊ Conventional Fannie Mae HFA Preferred™ with the Desktop Underwriter® (DU®) findings of Approve/Eligible;
  - ◊ Fannie Mae HFA Preferred Risk Sharing™;
    - originated by participating lenders that have fully executed the HFA Preferred Risk Sharing™ Supplement to the Participation Agreement; and
    - with DU® findings of Approve/Eligible;
  - ◊ Federal Housing Administration (FHA) purchase transactions;
  - ◊ FHA 203(k) Streamlined Purchase;
  - ◊ Veterans Administration (VA);
  - ◊ Rural Development (RD);
- All local, state and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending and wrongful discrimination in residential housing have been met;
- Minnesota Housing Prior Homeownership – Three Year Requirement,, program income, property acquisition cost and residency requirements have been met; and
- The loan must be originated and closed in, or assigned to, the name of the Lender that is a party to the Participation Agreement and that has gained an Individual Commitment of funds from Minnesota Housing via the HDS SF Web Application.

Except as provided in Section 4.09 below, an MCC cannot be issued in conjunction with the acquisition or refinancing of an existing mortgage loan.

4.02 New Construction Requirements

<u>In addition</u> to the new construction loan eligibility requirements already stated in this Procedural Manual (Section 3.03), a New Construction property must meet the following requirements:

- Minnesota Housing funds are not used for temporary initial financing (e.g. interim or construction financing);
- All sweat equity meets the requirements of the applicable loan product and insurer/guarantor, as well as the following:

- ◊ Work was performed by the Borrower or members of a Borrower's family, specifically, the Borrower's brothers and sisters (whether by whole or half-blood), spouse, or lineal descendants;
- ◊ Individuals that perform the work must be qualified to do the specific type of work;
- ◊ The maximum dollar amount of the sweat equity does not exceed $5,000;
- ◊ Sweat equity is not a part of Acquisition Cost; and
- ◊ Sweat equity includes only the value of work and not the cost of materials.

4.03 Ineligible Loans

Ineligible loans include, but are not limited to:

- HFA Preferred™ and HFA Preferred Risk Sharing™ loans that receive a Refer with Caution recommendation under Fannie Mae's Desktop Underwriter®;
- HFA Preferred Risk Sharing™ loans where the Borrower's credit score is less than 680;
- Loans for the acquisition or refinancing of an existing mortgage; and
- Any first or second mortgage loan that are financed with the proceeds of the sale of tax-exempt bonds.

4.04 Amortization Requirements

The first mortgage loan must:

- Have a fixed interest rate;
- Be fully amortized over the term of the loan; and
- Be payable on the first of each month in level installments that include at least principle and interest.

4.05 Mortgage Term

Loans must have a 15-year or 30-year term.

4.06 Interest Rates

Interest rates for Minnesota Housing loan programs are listed on www.mnhousing.gov.

4.07 Loan Mortgage Insurance Coverage

- Except as otherwise permitted by Minnesota Housing and its Master Servicer, loans with a loan-to-value ratio in excess of 80% must be insured/guaranteed by a mortgage insurer that is acceptable to Minnesota Housing, including:
  - ◊ FHA;
  - ◊ VA;
  - ◊ RD;
  - ◊ Fannie Mae HFA Preferred™; and
- Fannie Mae HFA Preferred Risk Sharing™ loans with a loan-to-value ratio in excess of 80% are not required to have private mortgage insurance coverage.

4.08 Private Mortgage Insurance Companies – Minimum Requirements

All private mortgage insurance companies must:

- Be licensed to do business in the State of Minnesota; and
- Maintain a rating of A2 from Moody's Investor Services and AA from Standard and Poor's Corporation at the time the mortgage loan is purchased by the Master Servicer, or possess Fannie Mae and Freddie Mac approval.

4.09 Refinancing of an Existing Mortgage

Minnesota Housing does not allow the refinancing of an existing loan and will not issue an MCC in connection with such loan unless the loan is used to replace or refinance temporary initial financing that has an original mortgage term of 24 months or less such as:

- Construction or interim loans; or
- Bridge loans or gap loans.

4.10 Settlement/Closing Costs

Settlement/closing costs, fees or charges the Lender collects from any party in connection with any loan must:

- Comply with Minnesota law;
- Meet all requirements of the insurer/guarantor;
- Not exceed an amount deemed usual or reasonable for the type of transaction being closed (e.g. FHA, VA);
- Not exceed the actual amounts expended for any item (e.g. credit report, appraisal); and
- Ensure the Borrower does not pay more than a pro-rata share of property taxes.

4.11 Gifts

All gifts received by Borrower(s) for a Minnesota Housing loan must satisfy the requirements of the applicable first mortgage loan product and the insurer/guarantor.

4.12 Non-Minnesota Housing Junior Liens/Community Seconds

All junior liens/community seconds (including resale restrictions) used in conjunction with a Minnesota Housing loan must comply with the following:

- All requirements of the applicable first mortgage loan product and insurer/guarantor;
- The Monthly Payment Loan must take 2nd position;
- Junior liens do not reduce Acquisition Cost;
- A Borrower may receive cash back at closing from junior lien proceeds only when the cash back represents a refund of the Borrower's own investment as allowed by the first mortgage product; and
- Minnesota Housing requires full disclosure of any and all junior liens.

Except for a Monthly Payment Loan (as described in Chapter 5), Minnesota Housing will not issue an MCC for more than the amount of the first mortgage loan (i.e., the certified indebtedness amount, as it relates to an MCC, will not include the amount of any such junior/second lien).

4.13 Non-Complying Loans

Minnesota Housing and/or the Master Servicer shall have the right to take one or more of the following actions in the event a Lender submits a mortgage loan that does not, as determined by Minnesota Housing or the Master Servicer, comply with the requirements of this Procedural Manual:

- Adjust the purchase price of the non-complying loan;
- If not already purchased, refuse to purchase the loan and/or issue the MCC;
- If already purchased, require the Lender to repurchase the loan for the purchase price and/or revoke the MCC;
- Terminate, suspend, or otherwise limit the Lender's Participation Agreement with Minnesota Housing and/or the Master Servicer; and
- Preclude the Lender from future participation in Minnesota Housing programs.

Chapter 5 – Downpayment and Closing Cost Loans

The Monthly Payment Loan is available with "the Program". The loan may be applied towards the downpayment and customary buyer closing costs. The amount of the Monthly Payment Loan will be included in the certified indebtedness amount as it relates to MCC.

5.01 Monthly Payment Loans

Monthly Payment Loans:

- Are available only in conjunction with "the Program";
- Are available in increments of $100 up to the greater of 5% of the purchase price (rounded up to the nearest $100), or $5,000;
- FHA 203K Streamlined purchases are available in increments of $100 up to the greater of 5% of the purchase price plus the cost of repairs (rounded up to the nearest $100), or $5,000;
- Must occupy second lien position when combined with a non-Minnesota Housing Community Second mortgage;
- Have an interest rate equal to that of the first mortgage;
- Are fully amortizing and are payable in level monthly payments over a 10-year term;
- Are due on the first of each month, beginning with the due date of the initial monthly payment for the first mortgage;
- Must be paid in full upon:
  - ◊ Sale or refinance of the property;
  - ◊ Transfer of title to the property;
  - ◊ Payment in full of the first mortgage at maturity; or
  - ◊ The first mortgage is declared due and payable whether through default or other event;
- May be originated with the HFA Preferred Risk Sharing Product™; and
- May not be assumed.

5.02 Monthly Payment Loan Borrower Eligibility

Borrowers must satisfy all eligibility requirements of "the Program" as well as the following additional requirements for the Monthly Payment Loan.

Income Limits

"The Program" income limits apply to Monthly Payment Loan Borrowers.

Homebuyer Education

Homebuyer Education is required for all Borrowers who receive Monthly Payment Loans.

Homebuyer education may be delivered either by instructors trained under Home Stretch or NeighborWorks® America in a classroom setting or via the Minnesota Home Ownership Center's Framework, an online homebuyer education platform. Homebuyer education must be completed prior to closing.

The above noted requirements will be satisfied when at least one Borrower per household provides a certificate of completion.

Cash Investment

A minimum cash investment of the lesser of 1% of the purchase price or $1,000, including prepaids, is required. The cash investment must come from the Borrower's assets and may not be a gift, grant, loan or sweat equity contribution.

Asset Limit

Monthly Payment Loans have no asset limit.

Cash to the Borrower at Closing

Borrowers may receive cash back at closing only when all of the following criteria apply:

- The cash to the Borrower at closing represents a refund of dollars paid outside of closing is and reflected on the HUD-1 Settlement Statement;
- The cash to the Borrower at closing does not compromise the Borrower's minimum cash investment requirement; and
- The underlying first mortgage product and the insurer/guarantor allow the refund.

5.03 Monthly Payment Loan Lender Warranties

In addition to the warranties stated in Section 1.07, the Lender warrants the following:

- Borrower's cash investment is paid from Borrower's own funds; and
- Funds received by the Borrower(s) are being applied to the transaction and verified through the HUD-1 Settlement Statement.

5.04 Second Mortgage Application and Loan Disclosure Procedures

Lenders should follow mortgage industry compliance requirements for the Monthly Payment Loan. As indicated in the Participation Agreement with Minnesota Housing and the Master Servicer, Lenders are required to follow the appropriate regulatory law(s) including, but not limited to:

- Following the disclosure requirements in accordance with the applicable laws and regulations (MDIA, RESPA, Regulation Z, etc.), for every Minnesota Housing first and second mortgage;
- Generating a separate Truth in Lending (TIL) and Good Faith Estimate (GFE) for all downpayment and closing cost loan options;
- Following industry-standard requirements regarding GFE and TIL disclosure procedures; and
- Including the downpayment and closing cost loans either on the first mortgage HUD-1 or a separate HUD-1.

Chapter 6 – Mortgage Credit Certificate Terms and Conditions

6.01 Program Term

The program term of Start Up MCC shall apply to loans closed between June 17, 2013 and December 31, 2014, unless Minnesota Housing extends Start Up MCC.

6.02 Credit Rate

The Mortgage Credit Certificate credit rate is 35%.

6.03 Credit Limitations

- The tax credit may not exceed $2,000 per year, regardless of whether the tax credit (mortgage interest paid on a loan multiplied by the 35% credit rate) exceeds $2,000. Any amount in excess of $2,000 may not be carried forward to subsequent tax years.
- An MCC is applicable only to interest paid on the "the Program" loan and the Monthly Payment Loan. No tax credit is available for interest paid by the MCC Holder (Borrower) on any other loan, regardless of whether such loan is secured by a principal residence.
- An MCC cannot be issued or used, directly or indirectly, in connection with an ineligible mortgage loan. Pursuant to "the Program" certifications, the Borrower will represent that no portion of the financing for the residence in connection with which the MCC is issued is provided from a prohibited mortgage loan.

6.04 No Interest Paid to Related Persons

No interest on the "the Program" loan or the certified indebtedness amount may be paid to a person who is a related person.

6.05 On-Going Occupancy Requirement

An MCC is treated as revoked when the residence to which the MCC relates ceases to be the Borrower's principal residence and the Borrower may not continue to claim the tax credit.

6.06 Subsidy Recapture

The recapture tax provisions of the Code apply to all MCC Holders. Recapture may apply if all three conditions occur at once:

- The residence is sold within the first nine years of the closing date or the MCC issuance date (whichever is later);
- The MCC Holder realizes a gain on the sale of the residence (as defined by the IRS); and
- The MCC Holder's income has increased since the closing date and exceeds the limits established by the IRS.

The recapture tax is payable in the year the borrower sells or transfers his or her eligible residence.

To ensure understanding and disclosure of subsidy recapture, Lenders must:

- Explain subsidy recapture to the Borrower(s) at the time of certificate application (see Subsidy Recapture Disclosure Overview on www.mnhousing.gov);
- Require the Borrower(s) to sign the completed Subsidy Recapture Disclosure Statement prior to or at the time of closing; and
- Recommend the Borrower(s) seek the advice of a tax professional.

6.07 MCC Revocation After Closing Date

The IRS has various remedies available for non-compliance with "the Program", including disallowance of the tax credit. Automatic revocation of an MCC occurs whenever:

- The residence for which the MCC was issued ceases to be the borrower's principal residence;
- Except as otherwise described herein, the loan is refinanced;
- Ownership of the primary residence is sold, assumed or otherwise transferred to a non-qualified party;
- Minnesota Housing or a participating lender discovers any material misstatement, whether negligent or fraudulent, made by the borrower in any loan or MCC document; or
- The "the Program" loan is paid in full.

6.08 Carry-forward of Borrower's Unused Tax Credit

Generally, if the Borrowers' MCC credit exceeds their tax liability for any year, the Borrower(s) are not entitled to a refund, but they may carry the unused portion of the tax credit forward, subject, but not limited to:

- The carry-forward may not exceed the maximum tax credit of $2,000; and
- Unused tax credits may not carry forward beyond the third tax year after issuance of the MCC.

The Internal Revenue Service has many regulations covering tax credit carry-forward. Lenders should encourage Borrowers to seek expert tax advice in this area.

6.09 Assumption of Loan and Transfer of Mortgage Credit Certificates

An MCC is transferable only as follows:

- Minnesota Housing gives written approval of the transfer;
- The transferee assumes liability for the remaining balance of the certified indebtedness amount in connection with the acquisition of the eligible residence from the transferor;
- A transfer fee is remitted to Minnesota Housing;
- Minnesota Housing issues a new MCC to the transferee; and
- The following requirements are met as they are in effect at the time of the loan assumption:
  - ◊ The Prior Homeownership – Three Year Requirement (Section 2.05);
  - ◊ Gross annual household income requirement (Section 2.09);
  - ◊ The principal residence requirement (Section 2.06);
  - ◊ The limitation regarding ineligible loans (Section 4.03); and
  - ◊ Acquisition Cost requirement (Section 3.05).

Additionally, the transferee may be subject to the recapture tax if the eligible residence is sold within nine years of the date the new MCC is issued.

6.10 MCC Reissuance

If the borrower opts to refinance a program loan, Minnesota Housing may, at its option, reissue the MCC, provided all of the following are met:

- The original MCC Holder applies for and obtains a new loan and a reissued MCC pursuant to all of the requirements of the Program, as such Program requirements exist at the time of the refinancing (including the payment of any fees);
- The new loan refinances the original loan on the eligible residence with respect to which the original loan was made;
- The certified mortgage indebtedness specified on the reissued MCC does not exceed the then outstanding balance of the certified mortgage indebtedness of the original MCC;
- The Credit Certificate Rate on the reissued MCC does not exceed that on the original MCC;
- The expiration date of the reissued MCC does not exceed that of the original MCC; and
- The MCC is reissued not later than the date which is one year after the closing date with respect to the new loan.

Chapter 7 – Commitment Terms

See Minnesota Housing's website for the following documents regarding committing a Minnesota Housing MCC Program loan:

- Commitment Terms
- Process Guide

Chapter 8 – Documentation and Reporting Requirements

8.01 Loan Processing and Closing

All loans submitted to Minnesota Housing for approval must meet the following requirements:

- Loans must be closed and disbursed prior to requesting Minnesota Housing loan Funding Approval via the HDS SF Web Application;
- At Funding Approval, Minnesota Housing issues the mortgage credit certificate directly to the Borrower.
- Lender must follow all mortgage industry regulatory and compliance provisions throughout the processing of the loan;
- All loan documents must be industry standard and meet the requirements of the Master Servicer, the underlying loan product and the insurer/guarantor, as applicable;
- All loan documents must be complete, accurate and reviewed by the Lender at the various and appropriate stages of the loan;
- For loans underwritten utilizing industry standard automated underwriting systems, Minnesota Housing requires full documentation when verifying income and assets to confirm Minnesota Housing eligibility;
- Minnesota Housing or industry-standard forms may not be altered in any way other than to add a company name and logo;
- The loan must be originated and closed in, or assigned to, the name of the Lender that is a party to the Participation Agreement and that has received an Individual Commitment of Funds from Minnesota Housing;
- All mortgage assignments (except HOME HELP mortgage assignments) must run directly from the Lender to the Master Servicer; and
- Lender must submit final documents to the Master Servicer within 120 days of Master Servicer's loan purchase.

8.02 Minnesota Housing Documentation/Delivery Requirements

The Master Servicer provides the Delivery Checklist form detailing specific documentation/delivery requirements. Lender must fully execute and deliver documents within designated timeframes. In addition, Lenders must specifically warrant the following:

- Borrower Affidavit has been signed, and duly notarized, by each Borrower who signs the note and intends to reside in the property as their Principal Residence;

- Lender has obtained, and reviewed, applicable documentation to determine compliance with the certifications on the Borrower Affidavit as it pertains to the [Minnesota Housing MCC Program] requirements;
- Documentation includes, but is not limited to:
  - ◊ Signed Federal income tax returns (IRS Form 1040 and all its versions) for the preceding 3-year period; or
  - ◊ The computer generated form for electronically filed returns showing the line numbers and all corresponding entries; or
  - ◊ A letter from the IRS indicating the type of tax return filed and the significant line entries from the return;
- Lender has obtained a signed, written explanation from any Borrower(s) if there is any indication that the Borrower has had an ownership interest in a primary residence within the past three years. Any such interest must be documented and verified to provide reasonable assurance that there was no actual ownership in a primary residence;
- Property Seller Affidavit has been signed, and duly notarized, by those persons conveying the residence and/or land to the Borrower(s);
- Lender has reviewed any and all contracts in connection with the residence sale transaction to ensure total compliance with this manual; and
- Subsidy Recapture Disclosure Statement has been completed and signed by each Borrower prior to or at closing.

Documentation not delivered to Minnesota Housing and the Master Servicer, as applicable, within the specified time frames, may result, at Minnesota Housing's or the Master Servicer's discretion, in the Lender being required to repurchase the loan and Minnesota Housing refusing to issue or revoking the MCC, or any other remedy as identified in this Procedural Manual. Minnesota Housing and/or the Master Servicer may also, at its discretion, extend the aforementioned timeframes.

8.03 Records Retention

Lender must retain any and all compliance documents (including compliance with Minnesota Housing program guidelines) as may be required by the Lender's regulatory authority, the requirements of the underlying loan product and the requirements of the insurer/guarantor, as appropriate. Loan product and insurer/guarantor minimum and/or alternative documentation requirements does not relieve the Lender from the responsibility of acquiring and maintaining complete files, including any and all documents and materials as would customarily be required for servicing and/or loan audit.

For a period of six years following the closing date, the lender must retain the following information with respect to each MCC:

- Name, mailing address, and Social Security Number or Tax Identification Number (SSN/TIN) of the MCC Holder;
- Name, mailing address, and TIN of Minnesota Housing; and
- Closing date, the certified indebtedness amount (the loan amount), and the certificate credit rate for each loan and the respective MCC.

8.04 Lender Reporting Requirements

The lender is required to annually file (on or before January 31 of each year) a report with the IRS using IRS Form 8329 with respect to loans made in conjunction with the issuance of MCCs during the prior calendar year.

Chapter 9 – Loan Servicing

9.01 Servicing

Loans committed in connection with "the Program" will be purchased by Minnesota Housing's Master Servicer. Minnesota Housing may, at its discretion, subject to any contractual provisions between Minnesota Housing and the Master Servicer, change the Master Servicer.

9.02 Lender Servicing Responsibilities

Notwithstanding anything to the contrary contained in the Participation Agreement, during the period from loan closing to Master Servicer purchase, the Lender must collect and apply all loan payments made by the borrower for the "the Program" loan and the Monthly Payment Loan, if applicable. Loan payments collected must include:

- "The Program" loan monthly principal and interest;
- Monthly Payment Loan monthly principal and interest, if applicable;
- 1/12th of annual property tax;
- Mortgage insurance, if applicable;
- Flood insurance, if applicable;
- Hazard insurance (escrows); and
- Assessments, if applicable.

In addition, the Lender must maintain a payment history for "the Program" loan and, if applicable, the Monthly Payment Loan, including the following:

- Breakdown of principal, interest and escrows;
- Any principal repayments;
- Remaining principal balance of loan; and
- Collection of any past due payments.

9.03 Assumption/Due-On-Sale

A Minnesota Housing loan financed with either a Conventional (HFA Preferred™ or HFA Preferred Risk Sharing™) or Rural Development loan product is due upon sale and may not be assumed.

A Minnesota Housing loan financed with either a Federal Housing Administration (FHA) or Veterans Administration (VA) loan product may be assumed only by persons who:

- At the time of the assumption, intend to occupy the property as their Principal Residence within 60 days of closing;

- Have not had an ownership interest in a Principal Residence (other than the property being purchased with the proceeds of the loan) during the three year period ending on the day the Borrower(s) executed the loan application;
- Do not have gross household income that exceeds the current Minnesota Housing limits (see Federal Purchase Price Limits – Assumption on Minnesota Housing's Website);
- Are not purchasing or acquiring the residence at an Acquisition Cost that exceeds the current Minnesota Housing limits (see Federal Purchase Price Limits – Assumption on Minnesota Housing's Website); and
- Unless the loan is assumed in accordance with the above provisions, the loan is due upon sale or transfer of title.

9.04 Hardship Policy

Minnesota Housing has in place a hardship policy for its Monthly Payment Loans that allows forgiveness either in part or whole if the Borrower is experiencing severe financial hardships that prevent him or her from paying back full indebtedness.

Chapter 10 – Mortgage Credit Certificate Linked with Non-Minnesota Housing Financing

Borrowers may apply to Minnesota Housing for an MCC with any first mortgage loan whether purchased by Minnesota Housing's Master Servicer pursuant to its "the Program" Program or not, so long as the Borrower, property and first mortgage loan meet the following requirements which are based on the applicable federal and state regulations with respect to MCCs.

10.01 Lender Responsibilities and Warranties

All requirements and guidelines specified in Chapter 1 of this Procedural Manual apply with the exception of Section 1.08, Lender Compensation.

10.02 Lender Compensation

The Lender is compensated for MCC by collecting an MCC fee from the Borrower(s) in an amount established by Minnesota Housing and posted on Minnesota Housing's website at www.mnhousing.gov.

10.03 Borrower Eligibility

All requirements and guidelines contained in Chapter 2 with the exception of section 2.08 Credit Scores and Debt-to-Income (DTI) Ratios.

10.04 Borrower Fee

Borrowers are required to pay to Minnesota Housing a fee of 1% of the loan amount to Minnesota Housing.

10.05 Property Requirements

All requirements and guidelines contained in Chapter 3 apply.

10.06 Eligible Loans

A Minnesota Housing MCC may be used with conventional, FHA, VA and RD loan products and other loans acceptable to Minnesota Housing.

Sections 4.02 and 4.03 also apply.

10.07 Second Mortgages

Borrowers who receive MCCs not used with a Minnesota Housing first mortgage loan are not eligible for the Monthly Payment Loan or any other Minnesota Housing downpayment and closing cost loan.

10.08 Mortgage Credit Certificate Terms and Conditions

All requirements and guidelines contained Chapter 6 apply.

10.09 Interest Rates

Interest rates for loans not purchased by Minnesota Housing or its Master Servicer are determined by Lenders.

10.10 Reserving an MCC

Refer to the separate document, the MCC Reservation and Pre-Closing Review Process Guide.

10.11 Issuing the MCC

Minnesota Housing will issue the mortgage credit certificate directly to the Borrower after closing when the lender mails a copy of the executed note and the HUD-l Settlement Statement.

10.12 Minnesota Housing Documentation/Delivery Requirements

Lenders must deliver to Minnesota Housing all required documentation and information relating to each application for an MCC.

10.13 Records Retention

For a period of six years following the closing date, the lender must retain the following information with respect to each MCC:

- Name, mailing address, and Social Security Number or Tax Identification Number (SSN/TIN) of the MCC holder;
- Name, mailing address, and TIN of Minnesota Housing; and
- Closing date, the certified indebtedness amount (the loan amount), and the certificate credit rate for each loan and the respective MCC.

Minnesota Housing retains the right to perform periodic random audits of the Lenders' records with respect to MCCs and the corresponding loans.

10.14 Lender Reporting Requirements

The lender is required to annually file (on or before January 31 of each year) a report with the IRS using IRS Form 8329 with respect to loans made in conjunction with the issuance of MCCs during the prior calendar year.

10.15 Participation Agreement and Fee

The Lender must execute a Participation Agreement with Minnesota Housing and pay to Minnesota Housing a one-time fee of $250.00.

Appendix

Definitions
Forms List

Definitions

Acquisition Cost	The cost of acquiring a completed residential unit. (See Section 3.04)
Borrower	An applicant who meets the requirements as stated in Section 2.01 of this Procedural Manual.
First-Time Homebuyer	A Borrower who meets the requirements as stated in Section 2.05 of this Procedural Manual.
Individual Commitment	A specific legal commitment of funds with specific terms and conditions for use by a specific Borrower purchasing a specific property.
Master Servicer	The company selected by Minnesota Housing to be the Master Servicer for the first mortgage in conjunction with the Mortgage Credit Certificate.
MCC Holder	Borrower
MCC Issuer	Minnesota Housing
MCC Tax Credit Amount	Mortgage interest multiplied by the MCC Tax Credit Rate.
MCC Tax Credit Rate	Current rate specified by Minnesota Housing used for calculating the MCC Tax Credit Amount.
Mortgage Credit Certificate	A document issued by Minnesota Housing that may entitle the Recipient to claim a federal income tax credit.
Mortgage Interest Deduction	A common itemized deduction that allows homeowners to deduct the amount of interest they pay on any loan used to build, purchase or make improvement upon their residence.

Forms List

See www.mnhousing.gov for required forms.

Minnesota Housing Finance Agency

AGENDA ITEM 6.C
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Creeks Run Townhomes, Chaska (D6715)

CONTACT: John Rocker, 651-284-0078
john.rocker@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $850,000, subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
The 2013 Affordable Housing Plan (AHP) allocated $90 million in new activity for the LMIR program, which includes $20 million from the Housing Investment Fund (Pool 2) and $70 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. Funding for this loan falls within the approved budget and the loan will be made at interest rates and terms consistent with what is described in the AHP. The LMIR loan will generate $87,000 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
Background
Development Summary
Resolution

The Minnesota Housing Finance Agency (Agency) Board, at its October 25, 2012, meeting, approved this development for processing under the under the Low and Moderate Income Rental (LMIR) program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$9,163,669		$9,756,792		593,123	
Gross Construction Cost	$5,773,282		$6,510,000		736,718	
Agency Sources:						
LMIR	$850,000		$850,000		$0	
Total Agency Sources	$850,000		$850,000		$0	
Other Non-Agency Sources:						
Housing Syndication Proceeds	$8,186,406		$8,458,000		271,594	
Deferred Development Fee	$127,263		$341,792		214,529	
Seller Note	$0		$107,000		107,000	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
2BR LTH	2	$180	2	$180		$0
3BR LTH	2	$180	2	$180		$0
2BR	5	$945	5	$926		-$19
3BR	23	$1,091	23	$1,070		-$21
4 BR	8	$1,217	8	$1,193		-$24
Total Number of Units	40		40			

Factors Contributing to Variances:
Construction costs came in significantly higher than expected. The developer was able to find some cost savings elsewhere, but not enough to offset the cost of construction.

The increased syndication proceeds, deferred developer fee and the addition of a new seller note will offset the increase in construction costs.

The amount of the LMIR loan has not changed and there is no other Agency funding for this project. When Lot 2 is sold for the Phase II development, the seller note will be paid off and the LMIR loan will be paid down by $206,000 in order to release the excess land from collateral.

Rents have declined slightly due to an increase in the utility allowance and a small reduction in the allowable tax credit rents.

Other significant events since Board Selection:
None.

Board Agenda Item: 6.C
Attachment: Development Summary

DEVELOPMENT SUMMARY

DEVELOPMENT:

				D6715	
Name:	Creeks Run Townhomes			App#:	M16332
Address:	SEQ of Yellow Brick Road & Crossstown Blvd				
City:	Chaska	County:	Carver	Region:	MHIG

MORTGAGOR:

Ownership Entity: Creeks Run Limited Partnership
General Partner/Principals: Creeks Run LLC / David Dye, Marv Kotek, Ryan Sailer

DEVELOPMENT TEAM:

General Contractor:	Frerichs Construction Company, Vadnais Heights
Architect:	Kaas Wilson Architects, Minneapolis
Attorney:	Winthrop & Weinstine, PA, Minneapolis
Management Company:	Premier Housing Management, Vadnais Heights
Service Provider:	Simpson Housing Services, Minneapolis

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$850,000	LMIR First Mortgage	
	Funding Source:	Housing Invest Fund (Pool 2)
	Interest Rate:	4.75%
	MIP Rate:	0.25%
	Term (Years):	30
	Amortization (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
2BR LTH	2	1,113	$180	$283	$7,200
3BR LTH	2	1,367	$180	$327	$7,200
2 BR	5	1,113	$926	$926	$37,040
3 BR	23	1,367	$1,070	$1,070	$42,800
4 BR	8	1,518	$1,193	$1,201	$47,720
TOTAL	40				

NOTES: ***The** four LTH units have received Group Rental Housing (GRH) rental assistance from Carver County. Residents in the GRH units pay 30% of household income towards housing; all other units are rent-restricted at 50% AMI. The above rent grid assumes no GRH assistance.

Purpose:
Creeks Run is the proposed new construction of a 40-unit townhome development in Chaska. Exterior project amenities will include a free-standing clubhouse that will contain management offices, a clubroom and a fitness room. Two playgrounds will be provided as well - one for younger children and one for older children. The project will also include an internal walking path connecting both of the playground areas to the existing city trail to the southeast of the property.

Target Population:
General occupancy units will target underserved populations including single heads of households with minor children and households of color. Four units will serve households experiencing long-term homelessness.

Project Feasibility:
The project is financially feasible as proposed. The LMIR loan of $850,000 is conservatively underwritten. Development is also receiving Housing Tax Credits that will generate syndication proceeds of approximately $8.5 million. Other sources of funding include approximately $340,000 in deferred developer fee and $375,000 in tax increment financing from the City of Chaska (which is a direct write-down in the price of the land and therefore is not shown in the Sources and Uses).

The development's total development cost (TDC) is $243,920 per unit before the excess land is sold for Phase II, and $227,545 per unit after the land is sold. TDC of $243,920 is within 25% of the Predictive Cost Model.

Development Team Capacity:
Although Everwood Development has developed only three multifamily developments since it was formed in 2010, the principals of Everwood Development (Marvin Kotek and David Dye) along with Ryan Sailer, their development officer, combined, provide adequate experience to manage the development and long-term operation of this affordable housing. David Dye and Ryan Sailer have 17 years combined experience overseeing the acquisition and development of real estate with an emphasis in affordable housing. Marvin Kotek has over 40 years' experience in the construction industry and has overseen the construction of thousands of units. The Agency currently has two developments under construction with this developer.

Physical and Technical Review:
The Architect (Kaas Wilson) and Contractor (Frerichs Construction Co.) have the capacity to complete this project. The new construction project proposes 40 units in nine separate buildings plus a stand-alone community building. The design features two-story townhomes with attached two car garages, large windows, nice loft/bonus space that will serve as family room or play room, good passive site design and building orientation. The site is adjacent to other multi-family and residential neighborhoods, a nice park and connects to city trail system.

Market Feasibility:
A market study for the subject property was completed by Novogradac & Company prior to Board selection. The market study concluded that there was ample demand to support the development and that it was forecasted to lease up in within five months of completion and achieve a stabilized occupancy rate of 95%.

Supportive Housing:
Simpson Housing Services has been a very strong and successful service provider in the metro area for long-term homeless individuals and families. They demonstrate an understanding of the population's needs that they serve and have the ability to find a way to meet those needs. The Agency has no concerns about Simpson's capacity and experience. This project has recently been awarded Group Residential Housing (GRH) rental assistance and the property's operating budget includes $24,000 per year for Simpson's services.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$9,756,792		$243,920
Acquisition or Refinance Cost	$837,334		$20,933
Gross Construction Cost	$6,510,000		$162,750
Soft Costs (excluding Reserves)	$2,236,887		$55,922
Non-Mortgageable Costs	$0		$0
Reserves	$172,571		$4,314
Total LMIR Mortgage (Including 4% DCE)	$850,000		$21,250
First Mortgage Loan-to-Cost Ratio		9%	
Agency Deferred Loan Sources			
None	$0		$0
Total Agency Sources	$850,000		$21,250
Total Loan-to-Cost Ratio		9%	
Other Non-Agency Sources			
Syndication Proceeds	$8,458,000		$211,450
Def. Developer Fee	$341,792		$8,545
Seller Note	$107,000		$2,675
Total Non-Agency Sources	$8,906,792		$222,670

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Board Agenda Item: 6.C
Attachment: Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Creeks Run Townhomes
Sponsors:	Everwood Company
Guarantors:	Marvin Kotek, David Dye, Ryan Sailer and
	the Marvin J. Kotek Revocable Trust
Location of Development:	Chaska
Number of Units:	40
General Contractor:	Frerichs Construction Company, St. Paul
Architect:	Kaas Wilson Architects, Minneapolis
Amount of Development Cost:	$9,756,792
Amount of Low and Moderate	
Income Rental (LMIR) Mortgage:	$850,000

WHEREAS, the Agency has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the construction of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, the Agency has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage loan to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $850,000; and

2. The End Loan Commitment shall be entered into on or before November 31, 2013 and shall have an 18 month term (which shall also be the LMIR Commitment Expiration Date); and

3. The interest rate on the permanent LMIR loan shall be 4.75 percent per annum plus 0.25 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 30 year amortization; and

4. The term of the permanent LMIR loan shall be 30 years; and

5. As a precondition to any future release of Lot 2 as collateral for the LMIR loan, the LMIR loan shall be paid down by $206,000; and

6. Agency staff shall review and approve the Mortgagor; and

7. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

8. Marvin Kotek, David Dye, Ryan Sailer and the Marvin J. Kotek Revocable Trust shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

9. Marvin Kotek, David Dye, Ryan Sailer and the Marvin J. Kotek Revocable Trust shall guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

10. The sponsor, the builder, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 23rd day of May 2013.

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CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 6.D
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: The Square on 31st (f/k/a Rochester Square)

CONTACT: Anne Heitlinger, 651-296-9841
anne.heitlinger@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $2,326,090, a Low and Moderate Income Rental Bridge Loan (LMIR BL) program commitment in the approximate amount of $1,188,000 and a deferred funding commitment in the amount $243,483 under the Preservation Affordable Rental Investment Fund (PARIF) , both subject to review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
The 2013 Affordable Housing Plan (AHP) allocated $110 million in new activity for the LMIR program, including $90 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. Funding for this loan falls within the approved budget and the loan will be made at interest rates and terms consistent with what is described in the AHP. Additionally, these loans will generate $87,984 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

The new PARIF loan will be funded from state appropriations and will not have any fiscal impact on the Agency's financial condition

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
Background
Development Summary
Resolution

Background
The Minnesota Housing Finance Agency (Agency) Board, at its October 25, 2012 meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR), Preservation Affordable Rental Investment Fund (PARIF) , and Housing Infrastructure Bond (HIB) programs. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	SELECTION	COMMITMENT	VARIANCE
Total Development Cost	$10,283,351	$10,211,681	($71,670)
Relocation	$20,000	$106,964	$86,964
Operating Reserves	$321,056	$231,593	($89,463)
Financing Costs	$714,299	$579,128	($135,171)
Agency Sources			
LMIR	$2,715,000	$2,326,090	($388,910)
Housing Infrastructure Bonds - EDHC	$4,082,305	$4,418,377	$336,072
PARIF	$543,483	$243,483	($300,000)
Other Non-Agency Sources			
Syndication Proceeds	$2,421,468	$2,582,253	$160,785
Deferred Developer Fee	$186,095	$306,208	$120,113
Greater MN Housing Fund	$250,000	$250,000	$0
Reserve Equity	$85,000	$85,000	$0
LMIR Bridge	$3,000,000	$1,188,000	($1,812,000)

Factors Contributing to Variances:

Relocation expenses increased, as the property found seven over-income households.

Financing costs have changed due to the Minnesota Housing updating its bond issuance fees, and the determination that a much smaller bridge loan is required.

Reserve costs were reduced as the syndicator accepted that the Agency development cost escrow (DCE) count toward its requirements.

The change in underwriting rents necessitated a lower LMIR mortgage. Changes in HIB and PARIF amounts reflect changes in funding sources for technical reasons. The HIB loan amount increased slightly due to a lower LMIR amount.

	Selection	Commitment	Variance
Unit Type			
0 BR	12	12	0
1 BR	40	38	(2)
2 BR	52	54	2
Total Number of Units	104	104	0
Long Term Homeless (LTH) Units	**Selection**	**Commitment**	**Variance**
0 BR	3	2	(1)
1 BR	3	2	(1)
2 BR	0	2	2
Total LTH Units	6	6	0

Rents	**Number of Units**	**Selection**	**Commitment**	**Variance**
0BR/HAP	10	$368	$374	$6
0BR/HAP/LTH	2	$368	$374	$6
1BR/HAP	33	$545	$519	($26)
1BR	3	$545	$580	$35
1BR/HAP/LTH	2	$545	$519	($26)
2BR/HAP	46	$675	$654	($21)
2BR	6	$675	$675	$0
2BR/HAP/LTH	2	NA	$654	NA
Total	104			

Factors Contributing to Variances:

Rents at commitment reflect the current rents being charged for both Housing Assistance Payments (HAP) and non-HAP rents. Rents at selection reflected the possibility of a notable rent increase at HAP renewal, which did not occur in 2012, but could occur in 2013.

Unit mix changed with the change to a bond/4% transaction, as the owner could maintain the current unit configuration.

Unit mix for long term homeless units was changed at the request of local Continuum of Care organization, and the Minnesota Housing supportive housing officer.

Other significant events since Board Selection:
None.

DEVELOPMENT SUMMARY

DEVELOPMENT:

					D3446
Name:	The Square on 31st (f/k/a Rochester Square)			App#:	M16345
Address:	320 31st Street NE				
City:	Rochester	County:	Olmsted	Region:	SEMIF

MORTGAGOR:

Ownership Entity:	RS Apartments, Limited Partnership
General Partner/Principals:	RS Group, LLC, whose sole member is Joseph Weis

DEVELOPMENT TEAM:

General Contractor:	Eagle Building Company, LLC, Minneapolis
Architect:	Kaas Wilson Architects, Minneapolis
Attorney:	Winthrop & Weinstine, PA, Minneapolis
Management Company:	Paramark Corporation, Rochester
Service Provider:	Zumbro Valley Mental Health, Rochester

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 2,326,090	LMIR First Mortgage	
	Funding Source:	Tax Exempt Future Bond Sale
	Interest Rate:	4.56% -(Estimated *)
	MIP Rate:	0.25%
	Term (Years):	30
	Amortization (Years):	30
$ 1,188,000	LMIR Bridge Loan	
	Funding Source:	Tax Exempt Future Bond Sale
	Interest Rate:	1.60% -(Estimated *)
	Term (Years):	1.5
$ 243,483	PARIF	
	Funding Source:	Preservation ARIF
	Interest Rate:	0.0%
	Term (Years):	30

*The interest rate on the LMIR and LMIR Bridge Loan will be based on the market rate at the time of the bond sale.

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
0BR/HAP	10	475	$ 374	$ 705	$15,000
0BR/HAP/LTH	2	475	$ 374	$ 423	$15,000
1BR/HAP	33	625	$ 519	$ 755	$21,000
1BR	3	625	$580	$755	$23,000
1BR/HAP/LTH	2	625	$ 519	$ 453	$21,000
2BR/HAP	46	825	$ 654	$906	$26,000
2BR	6	825	$ 675	$906	$27,000
2BR/HAP/LTH	2	825	$ 654	$ 543	$26,000
TOTAL	104				

NOTES: *Residents in units covered by the HAP contract will pay 30% of their income for rent. Six units will be deemed to serve households experiencing -long term homelessness and will have rental assistance through the project-based Section 8 contract**.**

Purpose:
The Square on 31st (f/k/a Rochester Square Apartments) is the preservation/rehabilitation of a 104 unit development in Rochester, with 91% of units covered by a Project Based Section 8 contract. The property consists of two three-story walk-up buildings, with a mix of studio, one and two bedroom units. The property also provides landscaped site amenities and surface lot parking. The Section 8 contract is currently renewed on an annual basis, but the new owner is in the process of seeking a 15-20 year extension of the contract. This proposal will generate approximately $5.4 million (net present value) of Federal Rental Assistance over a 15 year term.

Target Population:
The targeted population is households with incomes at or below 60% AMI including low income families, singles, persons with disabilities, and seniors. The developer will designate six units for individuals who have experienced long-term homelessness. As 95 of the 104 units are covered by a Section 8 contract, the project is affordable to households with very low and low incomes.

Project Feasibility:
The proposal is financially feasible and is recommended for a LMIR first mortgage of $2,326,090 funded by tax exempt bonds (and with corresponding 4% tax credits), $4,418,377 from Housing Infrastructure Bonds, and $243,483 in Preservation Affordable Rental Investment Fund (PARIF). During construction, the development will also utilize short term bonds of $1,188,000. (Final funding amounts will be determined by the bonds rates in effect at the time of closing.) Tax credits associated with the tax exempt bonds will generate syndication proceeds of $2,582,523. Additional funding sources include $250,000 from Greater Minnesota Housing Fund, $85,000 in transferred reserves, and an estimated $306,208 of deferred developer fee.

Development Team Capacity:
This developer has capacity to complete the development proposal. Joseph Development was established by Joe Weis in 1960 to develop and/or own market rental properties and affordable rental properties in

Minnesota and surrounding states. Minnesota Housing has provided amortizing mortgages with Joseph Weis. Weis's portfolio includes developments funded with tax credits, LMIR and Section 8.

The management company also has the necessary capacity to manage the development proposal. Paramark Real Estate Services was originally established in 1971 and currently manages over 34 market rate and affordable publicly subsidized developments located in Minnesota, Wisconsin and Iowa. The Agency Housing Management Officer currently works with Paramark on nine other properties (including Section 8 properties) and gives the company high marks including accurate, timely reporting.

Physical and Technical Review:
The Square on 31st was originally built in 1970's, and has not undergone a significant renovation since that time. Many components are at the end of their effective useful life. The scope of work includes improvements to the site (landscaping and parking lot) , building envelope (roof, windows, siding), security, common areas (plumbing, HVAC) , and dwelling units (kitchen and bath fixtures, appliances, lighting, cabinets/countertops, flooring). The total development cost includes construction costs of $42,000 per unit. The architect firm, Kaas Wilson, and contractor, Eagle Building Corporation are experienced and well qualified to complete the project.

The total development cost per unit of $98,189, is 20% below the predictive model.

Market Feasibility:
The City of Rochester has the highest job and household growth in greater Minnesota. There is more than sufficient rental demand in the market area to support the rental units post-rehabilitation. New construction tax credit properties constructed in the past five years rented up to 100% occupancy shortly after completion, and the subject property has a strong occupancy history. All Minnesota Housing financed properties in the Rochester area report very low vacancies. Services and transportation are convenient and accessible to the development.

Supportive Housing:
Zumbro Valley Mental Health Center (ZVMHC) has experience providing services to the population in a housing first model and is a partner in the LTH supportive services grant with Hearth Connection. ZVMHC provides a comprehensive set of services, many accessed on site or nearby. Supportive services will be funded by Adult Rehabilitation Mental Health Services (ARMHS) and LTH Supportive Services. Referrals come from its street outreach team, which offices at a local church which functions as a drop in center, and it works regularly with Olmsted County and other local service providers and shelters.

DEVELOPMENT COST SUMMARY (Estimated):

	Total		Per Unit
Total Development Cost	$10,211,681		$98,189
Acquisition or Refinance Cost	$3,200,000		$30,769
Gross Construction Cost	$4,627,915		$44,499
Soft Costs (excluding Reserves)	$2,152,173		$20,694
Reserves	$231,593		$2,227
Total LMIR Mortgage (Including 4% DCE)	$2,326,090		$22,366
First Mortgage Loan-to-Cost Ratio		23%	
Agency Deferred Loan Sources			
Hsg Infrastructure Bonds EDHC	$4,418,377		$42,484
LMIR Bridge Loan	$1,188,000		$11,423
PARIF	$243,483		$2,341
Total Agency Sources	$8,175,950		$78,615
Total Loan-to-Cost Ratio		85%	
Other Non-Agency Sources			
Syndication Proceeds	$2,582,523		$24,832
Greater MN Housing Fund	$250,000		$2,404
Deferred Developer Fee	$306,208		$2,944
Reserve Equity	$85,000		$817
Total Non-Agency Sources	$3,223,731		$30,997

Board Agenda Item: 6.D
Attachment: Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR), LOW AND MODERATE INCOME RENTAL BRIDGE LOAN (LMIR BL) AND PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAMS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	The Square on 31st (f/k/a Rochester Square)
Sponsors:	Joseph Weis
Guarantors:	Joseph Weis
Location of Development:	Rochester
Number of Units:	104
General Contractor:	Eagle Building Company, Minneapolis
Architect:	Kaas Wilson Architects, Minneapolis
Amount of Development Cost:	$10,211,681
Amount of LMIR Mortgage: (not to exceed)	$2,500,000*
Amount of LMIR Bridge Loan: (but not limited to)	$1,188,000*
Amount of PARIF deferred loan: (but not limited to)	$243,483

* Interest rate and maximum mortgage are subject to change based on market conditions at the time of the bond sale. Any decrease in LMIR first mortgage as a result of an increase in the interest rate may be offset by a commensurate increase in Housing Infrastructure Bond proceeds. The total of the bond issuances (LMIR, LMIR BL and HIB) cannot exceed $8,250,000.

WHEREAS, the Agency has determined that such applicant is an eligible sponsor under the Agency's rules; that such construction and permanent mortgage loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the construction of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, the Agency has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies; and

WHEREAS, the Board has previously authorized the issuance of a loan commitment for the Housing Infrastructure Bond-EDHC loan for the development by its Resolution No. MHFA 12-066;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to said applicant from sales of new tax exempt bonds (under the LMIR and LMIR BL Programs) and a new deferred loan under the PARIF program for the indicated development, subject to the following terms and conditions:

1. The amount of the LMIR loan is estimated at $2,326,090, and the amount of the LMIR BL is estimated at $1,188,000; and

2. The initial closing of the LMIR, and the LMIR BL loan shall be on or before November 30, 2013 (which shall also be the LMIR Commitment Expiration Date); and

3. The LMIR and LMIR Bridge Loan transactions are to be financed with the proceeds of tax-exempt bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner acceptable to the Agency; and

4. The LMIR permanent loan amount is estimated at $2,326,090 based on an estimated rate of 4.56 percent plus 0.25 percent HUD MIP and a 30-year amortization, however the interest rate on the construction and permanent mortgage shall be set at the time of bond sale, and will be up to the maximum rate permitted under federal tax-exempt bond law and the maximum mortgage amount and interest rate is subject to change based on market conditions at the time of bond sale and initial loan closing and any change in the LMIR first mortgage as a result of a change in the final interest rate may be offset by a commensurate change in amount of Housing Infrastructure Bonds; and

5. The term of the permanent LMIR loan shall be 30 years plus up to an eighteen month interest only period; and

6. The interest rate pursuant to the Bridge Loan will be based on the interest rate on the series of bonds issued to finance the Bridge Loan plus up to the maximum allowable spread, and is estimated to be 1.60 percent per annum payable in a balloon payment no more than 18 months after closing; and

7. The amount of the PARIF deferred loan shall be $243,483; and

8. The Initial Closing of the PARIF loan shall be on or before November 30, 2013 (which shall also be the PARIF Commitment Expiration Date); and

9. Repayment of the PARIF loan shall be deferred at 0 percent and is due upon maturity of the LMIR loan; and

10. Agency staff shall review and approve the Mortgagor; and

11. The Mortgagor shall execute Agency Mortgage Loan Commitments for the LMIR, LMIR Bridge and PARIF loans with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

12. In accordance with subd. 39 of Minn. Stat. § 462A.05, and the rider to the appropriation providing funds to the program, the Mortgagor will enter into a covenant running with the land requiring owner to renew the Section 8 HAP contract for the term of the PARIF loan, and to agree to accept renewals of such assistance for so long as it is made available to the development, and providing the right of first refusal to a non-profit or local unit of government should the Owner receive a viable purchase offer during the term of the loan; and

13. Agency staff shall review and approve the Ownership Entity and Mortgagor; and

14. Joseph Weis (or an affiliate entity approved by the Agency) shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

15. Joseph Weis (or an affiliate entity approved by the Agency) shall guarantee the mortgagor's payment obligation under the LMIR Building Loan Agreement, LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

16. The sponsor, the builder, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 23rd day of May 2013.

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CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 6.E
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Concordia Arms, Maplewood, D3352

CONTACT: Susan Thompson, 651-296-9838
susan.thompson@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment of approximately $4,020,000, a Low and Moderate Income Rental Bridge Loan (LMIR BL) program commitment in the approximate amount of $1,318,000, both subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
The 2013 Affordable Housing Plan (AHP) allocated $90 million in new activity for the LMIR program, including $70 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. Funding for these loans falls within the approved budget and the loans will be made at interest rates and terms consistent with what is described in the AHP. The LMIR loan will generate $125,450 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
Background
Development Summary
Resolution

Board Agenda Item: 6.E
Attachment: Background

Background
The Minnesota Housing Finance Agency (Agency) Board, at its October 25, 2012, meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR), Low and Moderate Income Rental Bridge Loan (LMIR BL) and Housing Infrastructure Bond (HIB) Programs. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$ 15,500,819		$15,910,182		$409,363	
Gross Construction Cost	$ 5,013,686		$5,446,734		$433,048	
Agency Sources:						
LMIR (TE Bond)	$4,000,000		$4,020,000		$20,000	
LMIR Bridge Loan (TE Bond3)	$5,900,000		$1,318,000		($4,582,000)	
Housing Infrastructure Bond-EDHC	$3,914,265		$3,984,265		$70,000	
Total Agency Sources	$13,814,265		$9,322,265		($4,492,000)	
Other Non-Agency Sources:						
Syndication Proceeds -Wells Fargo	$3,262,332		$3,615,940		$353,608	
Seller Loan	$3,336,100		$3,336,100		$0	
Ramsey County HOME	$200,000		$200,000		$0	
Mt Council LHIA	$300,000		$300,000		$0	
Deferred Developer Fee	$223,712		$228,385		$4,673	
Cash Flow from Operations	$264,410		$225,492		($38,918)	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1 BR	124	$830	124	$885	0	$55
2 BR	1	$944	1	$992	0	$48
Total Number of Units	125		125		0	

Factors Contributing to Variances:
TDC has increased relative to the refinement in the scope of work. The increase is funded primarily through increased Syndication proceeds. Syndication has increased due to an increase in tax credit pricing from an estimated $0.86/credit at selection to $0.92.

LMIR Bridge Loan decreased significantly due to inclusion of Housing Infrastructure Bonds which reduced the need for other tax exempt bond financing to qualify for tax credits. Housing Infrastructure Bond proceeds are increased by 2% to partially offset increased soft costs relative to tax exempt financing structure.

Other significant events since Board Selection:
Rents were conservatively estimated at selection due to the pending expiration of the Section 8 HAP contract in December 2012. Because the contract was renewed for a 20-year term effective January 1, 2013, the rents are now being underwritten at the approved Housing Assistance Payment (HAP) rents.

Board Agenda Item: 6.E
Attachment: Development Summary

DEVELOPMENT SUMMARY
DEVELOPMENT:

				D3352
Name:	Concordia Arms			App#: M16320
Address:	2030 Lydia Avenue East			
City:	Maplewood	County:	Ramsey	Region: MHIG

MORTGAGOR:

Ownership Entity:	CB Concordia Limited Partnership
General Partner/Principals:	CB Concordia LLC, whose sole member is CommonBond Communities

DEVELOPMENT TEAM:

General Contractor:	Frerichs Construction Company, Vadnais Heights
Architect:	LHB Inc, Minneapolis
Attorney:	Winthrop & Weinstine, Minneapolis
Management Company:	CommonBond Communities, Saint Paul
Service Provider:	CommonBond Communities, Saint Paul

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 4,020,000	LMIR First Mortgage	
	Funding Source:	Tax Exempt Future Bond Sale
	Interest Rate:	4.71% (Estimated*)
	MIP Rate:	0.25%
	Term (Years):	35
	Amortization (Years):	35
$ 1,318,000	LMIR Bridge Loan	
	Funding Source:	Tax Exempt Future Bond Sale
	Interest Rate:	1.60% (Estimated*)
	Term (Years):	1.5

* The interest rate on the LMIR and the LMIR Bridge Loan will be based on the market rate at the time of the bond sale.

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT*	AGENCY LIMIT*	INCOME AFFORDABILITY*
1BR	124	560	$ 885	$ 885	$ 35,400
2BR	1	560	$ 992	$ 992	$ 39,680
TOTAL	125				

NOTES: *The units in the development receive the benefit of a project based Section 8 HAP contract. Residents in the Section 8 units pay 30% of household income towards housing. Seven units will be deemed to serve households experiencing long-term homelessness.

Purpose:
Concordia Arms is the acquisition/preservation of an existing 125-unit project-based Section 8, elderly/disabled building originally financed under the HUD 202 program. Concordia Arms is a three-story elevator building with surface parking. CommonBond Communities will acquire the development, address the rehabilitation needs, and will agree to maintain the Federal Assistance for at least 30 years. This proposal will generate approximately $13.3 million (net present value) of Federal Rental Assistance over a 30-year term.

Target Population:
Concordia Arms serves extremely low income seniors, numerous persons with disabilities and other special needs households with few housing options. The targeted populations include households of color and disabled households. The new ownership and funding will create improved resident programming and will facilitate the addition of seven units that will serve long-term homeless households.

Project Feasibility:
Deferred funding from Housing Infrastructure Bonds of $3,984,265, along with a LMIR amount of $4,020,000, and a bridge loan of $1,318,000 will be funded with Tax Exempt Bonds. Tax credits generated by the tax exempt bonds will generate approximately $3.6 million of syndication proceeds. Agency funds will leverage partner funding from Ramsey County HOME funds of $200,000and Met Council LHIA funds of $300,000. Current replacement reserve funds of approximately $300,000 will be reinvested in the rehabilitation as along with cash-flow from operations of $225,000. Other funding will include a seller loan of $3,336,100 from CommonBond Communities and a deferred developer fee of $228,385.

Development Team Capacity:
CommonBond Communities appears to have the necessary qualifications to successfully complete and maintain this development. CommonBond is the Midwest's largest nonprofit provider of affordable housing with services and has served the region for over 40 years. It has developed and currently owns or manages nearly 5,500 affordable rental apartments and townhomes throughout Minnesota, Wisconsin and Iowa. Its portfolio includes Section 8, tax credit, Section 202, public housing, homeless and long-term homeless units.

Physical and Technical Review:
This existing, three- story, 125-unit senior apartment building has been well maintained but through long-term wear and tear and deferred maintenance, the development has major capital needs. The TDC of $129,201 per unit includes rehabilitation of $43,574/unit. Unit improvements will include replacement of all flooring, kitchen and bath remodel including fixtures and appliances as needed; common area rehabilitation will include accessibility improvements, flooring, lighting and doors; mechanical improvements including replacement of makeup air system, addition of an emergency generator; exterior rehabilitation will include replacement of siding and windows, and correction of concrete and site drainage.

The developments TDC of $127,281 is within 25% of the Cost Predictive Model.

Market Feasibility:
The Concordia property is located on a major transit corridor, in close proximity to significant amenities, including an adjacent park and major retail. Maplewood is identified as a Minnesota Housing top growth community with a very strong need for affordable housing. The development is located directly across the street from the Maplewood Mall. It has a history of very strong occupancy often with 100% occupancy and a waiting list.

Supportive Housing:
CommonBond provides supportive services in 64 housing communities across the state. Approximately one-third of program participants are seniors, many of whom have achieved housing stability and other goals. With its expertise with senior populations, CommonBond will serve the seven long-term homeless individuals well. Referrals will come from housing service providers in the metro area including local homeless shelters and aging programs like Senior Linkage Line. Intensive case management will be offered along with both on and off site services for participants. Health and access to health care will be a special focus of these services.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$15,910,182		$127,281
Acquisition or Refinance Cost	$7,244,100		$57,953
Gross Construction Cost	$5,446,734		$43,574
Soft Costs (excluding Reserves)	$2,785,168		$22,281
Non-Mortgageable Costs (excluding Reserves)	$434,180		$3,473
Reserves	**$0**		**$0**
Total LMIR Mortgage (Including 4% DCE)	$4,020,000		$32,160
First Mortgage Loan-to-Cost Ratio		25%	
Agency Deferred Loan Sources			
LMIR Bridge Loan	$1,318,000		$10,544
Housing Infrastructure Bonds EDHC	$3,984,265		$31,874
Total Agency Sources	$9,322,265		$74,578
Total Loan-to-Cost Ratio		59%	
Other Non-Agency Sources			
Deferred Developer Fee	$228,385		$1,827
Ramsey County Funds	$200,000		$1,600
Met Council LHIA	$300,000		$2,400
Seller Loan	$3,336,100		$26,689
Cash Flow from Operations	$225,492		$1,803
Syndication Proceeds	$3,615,940		$28,928
Total Non-Agency Sources	$7,905,917		$63,247

Board Agenda Item: 6.E
Attachment: Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT LOW AND MODERATE INCOME RENTAL (LMIR) AND LOW AND MODERATE INCOME RENTAL BRIDGE LOAN (LMIR BL) PROGRAMS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development that is occupied by persons and families of low and moderate income, as follows:

Name of Development:	Concordia Arms
Sponsors:	CommonBond Communities
Guarantors:	CommonBond Communities
Location of Development:	Maplewood
Number of Units:	125
General Contractor:	Frerichs Construction, Minneapolis
Architect:	LHB Corporation, Minneapolis
Amount of Development Cost:	$15,910,182
Amount of Low and Moderate Income Rental (LMIR) Mortgage (not to exceed):	$4,500,000*
Amount of LMIR Bridge Loan (BL) (but not limited to):	$1,318,000*

* Interest rate and maximum mortgage is subject to change based on market conditions at the time of the bond sale. Any decrease in LMIR first mortgage as a result of an increase in the interest rate may be offset by a commensurate increase in proceeds from Housing Infrastructure Bonds. The total of the bond issuances (LMIR, LMIR BL and Housing Infrastructure Bond (HIB)) cannot exceed $10,250,000.

WHEREAS, the Agency has determined that such applicant is an eligible sponsor under the Agency's rules; that such construction and permanent mortgage loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the construction of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, the Agency has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies; and

WHEREAS, the Board has previously authorized the issuance of a loan commitment for the Housing Infrastructure Bond - EDHC loan for the development by its Resolution No. MHFA 12-066;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to said applicant from the sale of new tax-exempt bonds (under the LMIR and LMIR BL Programs) for the indicated development, subject to the following and conditions:

1. The amount of the LMIR loan shall not exceed $4,500,000 and the amount of the LMIR BL is estimated, but not limited to, $1,318,000; and

2. The initial closing of the LMIR, and the LMIR BL loans shall be on or before November 30, 2013 (which shall also be the LMIR Commitment Expiration Date); and

3. The LMIR and LMIR Bridge Loan transactions are to be financed with the proceeds of tax-exempt bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner acceptable to the Agency; and

4. The LMIR permanent loan amount is estimated at $4,020,000 based on an estimated rate of 4.71 percent plus 0.25 percent HUD MIP and a 35-year amortization, however the interest rate on the construction and permanent mortgage shall be set at the time of bond sale, and will be up to the maximum rate permitted under federal tax-exempt bond law and the maximum mortgage amount and interest rate is subject to change based on market conditions at the time of bond sale and initial loan closing and any change in the LMIR first mortgage as a result of a change in the final interest rate may be offset by a commensurate change in deferred developer fee; and

5. The term of the permanent LMIR Mortgage Loan shall be 35 years plus up to 18 months interest only period; and

6. The interest rate pursuant to the Bridge Loan will be based on the interest rate on the series of bonds issued to finance the Bridge Loan plus up to the maximum allowable spread, and is estimated to be 1.60 percent per annum payable in a balloon payment no more than 18 months after closing; and

7. Agency staff shall review and approve the Ownership Entity and the Mortgagor; and

8. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

9. The Mortgagor shall enter into a binding commitment with the Agency agreeing to remain in the Section 8 program (or any successor project based rental assistance program offered by HUD) for the term of the Housing Infrastructure Bond- EDHC loan; and

10. CommonBond Communities (or an affiliate entity approved by the Agency) shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

11. CommonBond Communities (or an affiliate entity approved by the Agency) shall guarantee the mortgagor's payment obligation under the LMIR Building Loan Agreement, LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

12. The sponsor, the builder, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 23rd day of May 2013.

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CHAIRMAN

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Minnesota Housing Finance Agency

AGENDA ITEM: 6.F
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Deer Ridge Townhomes, Alexandria – D5207

CONTACT: Ted Tulashie, 651-297-3119
ted.tulashie@state.mn

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $776,577 subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
The 2013 Affordable Housing Plan (AHP) allocated $90 million in new activity for LMIR program, which includes $20 million from the Housing Investment Fund (Pool 2) and $70 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. Funding for this loan falls within the approved budget and the loan will be made at interest rates and terms consistent with what is described in the AHP. This LMIR loan will generate $55,088 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
Background
Development Summary
Resolution

Board Agenda Item: 6.F
Attachment: Background

Background
The Minnesota Housing Finance Agency (Agency) Board, at its November 15 2012, meeting, approved this development for processing under the under the Low and Moderate Income Rental (LMIR) program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION	SELECTION		COMMITMENT		VARIANCE	
Total Development Cost	$4,004,760		$4,209,972		$205,212	
Gross Construction Cost	$3,169,408		$3,169,408		$0	
Agency Sources:						
LMIR (Pool 2)	$776,577		$776,577		$0	
Total Agency Sources	$776,577		$776,577		$0	
Other Non-Agency Sources:						
Syndication Proceeds	$3,228,183		$3,234,485		$6,302	
Deferred Developer Fee	$0		$198,910		$198,910	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
2 BR	1	$656	1	$656	0	$0
2 BR	1	$656	1	$656	0	$0
2 BR	6	$683	6	$683	0	$0
2 BR	5	$683	5	$683	0	$0
3 BR	2	$772	2	$772	0	$0
3 BR	8	$789	8	$789	0	$0
3 BR - EO	1	$0	1	$0	0	$0
Total Number of Units	24		24			

Factors Contributing to Variances:
The increased costs are related to an equity pay-in structure which necessitated a bridge loan to bridge approximately 78.8% of the syndication equity necessary to complete the construction. The increase in the TDC (mainly soft costs and financing costs) is offset by the developer deferring a significant portion of its developer fee.

Other significant events since Board Selection:
None.

DEVELOPMENT SUMMARY

DEVELOPMENT:				D5207
Name:	Deer Ridge Townhomes			App#: M16410
Address:	1615 – 1699 45th Avenue East			
City:	Alexandria	County:	Douglas	Region: WCMIF

MORTGAGOR:

Ownership Entity:	Alexandria Housing Limited Liability Limited Partnership
General Partner/Principals:	Deer Ridge Housing LLC whose members include D.W. Jones Inc. (Skip Duchesneau and Dale Jones), and Alexandria HRA, LLC (with Alexandria Housing Redevelopment Authority as its sole member)

DEVELOPMENT TEAM:

General Contractor:	Gopher State Contractors, Inc., Rice
Architect:	Ringdahl Architects PA, Alexandria
Attorney:	Gammello, Qualley & Pearson PLLC, Baxter
Management Company:	D.W. Jones Management Inc., Walker
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 776,577	LMIR First Mortgage	
	Funding Source:	Housing Investment Fund (Pool 2)
	Interest Rate:	4.75%
	MIP Rate:	0.25%
	Term (Years):	30
	Amortization (Years):	30

RENT GRID:

UNIT TYPE	**NUMBER**	**UNIT (SQ. FT.)**	**GROSS RENT**	**AGENCY LIMIT**	**INCOME AFFORDABILITY***
2BR	1	1,359	$ 656	$ 683	$ 26,240
2BR	1	1,453	$ 656	$ 683	$ 26,240
2BR	6	1,359	$ 683	$ 683	$ 27,240
2BR	5	1,453	$ 683	$ 683	$ 27,320
3BR	2	1,637	$ 772	$ 789	$ 30,880
3BR	8	1,637	$ 789	$ 789	$ 31,560
3BR-EO	1	1,637	$0	$ 0	$ 0
TOTAL	24				

*LMIR, in conjunction with Housing Tax Credits, encourages rents to be affordable to households at 50% AMI with incomes up to 60% AMI

Purpose
DW Jones in collaboration with the Alexandria Housing and Redevelopment Authority (HRA) will construct a new 24 unit townhouse development on a vacant parcel of land located close to services in Alexandria, MN. The development will consist of two- and three-bedroom units with attached garages contained in six buildings. The immediate area is prime for new development due to the construction of a new public school nearby. The proposed site, currently owned by the HRA is immediately adjacent to a new, large senior housing development and additional development is expected to follow. Over time, this portion of the city should continue to develop.

Target Population:
The targeted population will include families with children, single head of households with children, individual/families of color and physically disabled households earning 50-60% of area median income. These households will earn approximately $26,000 - $31,000 per year. The residents may work for area employers including Douglas County Hospital, Alexandria School District, Douglas Machine, Tastefully Simple, Knute Nelson Memorial Home and local retailers such as K-mart, Menards, and Pete's County Market.

Project Feasibility:
The development is financially feasible as proposed. The site is within three miles of numerous schools, libraries, day care centers, grocery stores, retail stores, drug stores, banks, and public services. The site provides easy access to major regional roadways. The City is in support of this development, as evidenced by its Tax Increment Financing contribution.

Development Team Capacity:
D. W. Jones Inc. and D. W. Jones Management Inc. were established in 1976 and 1989 respectively. The entities have significant experience developing, owning and managing this type of housing development. The developer entity and the architect have recently successfully completed similar developments. This team has proved to be capable and competent. Minnesota Housing's experience with D. W. Jones has been positive.

Physical and Technical Review:
The building design is adequate. The developer has worked with Agency staff to come up with plans and unit designs that satisfy the Agency's standards. This 24-unit townhomes development with attached garages is located in an area experiencing development growth. The architect, Ringdahl Architects, PA and Gopher State Contractors, Inc. have the capacity to complete this project. Overall, a good site and strong development team making this a good addition to the Agency's 1st mortgage portfolio.

The development's total development cost of $175,416 per unit is within 25 percent of the Predictive Model.

Market Feasibility:
The market study indicated that this development is located in an area experiencing both household and job growth. It also concluded that all 24 total units could be completely absorbed into the market within four to six months of completion, contingent upon proper marketing and pre-leasing.

Supportive Housing:
N/A

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$4,209,972		$175,416
Acquisition or Refinance Cost	$145,000		$6,042
Gross Construction Cost	$3,129,164		$130,382
Soft Costs (excluding Reserves)	$877,234		$36,551
Non-Mortgageable Costs (excluding Reserves)	$0		$0
Reserves	$58,574		$2,441
Total LMIR Mortgage (Including 4% DCE)	$776,577		$32,357
First Mortgage Loan-to-Cost Ratio		18%	
Agency Deferred Loan Sources			
Total Agency Sources	$776,577		$32,357
Total Loan-to-Cost Ratio		18%	
Other Non-Agency Sources			
Syndication Proceeds	$3,234,485		$134,770
Deferred Developer Fee	$198,910		$8,288
Total Non-Agency Sources	$3,433,395		$143,058

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MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Deer Ridge Townhomes
Sponsor:	Alexandria Housing LLLP
Guarantors:	Ronald (Skip) A. Duchesneau and Dale W. Jones
Location of Development:	Alexandria
Number of Units:	24
General Contractor:	Gopher State Contractors, Inc.
Architect:	Ringdahl Architects, PA
Amount of Development Cost:	$4,209,972
Amount of LMIR Mortgage (not to exceed):	$776,577

WHEREAS, the Agency has determined that such applicant is an eligible sponsor under the Agency's rules; that such construction and permanent mortgage loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the construction of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, the Agency has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a construction and permanent mortgage loan to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $776,577; and

2. The End Loan Commitment shall be entered into on or before November 31, 2013 and shall have an 18 month term (which shall also be the LMIR Commitment Expiration Date); and

3. The interest rate on the permanent LMIR loan shall be 4.75 percent per annum plus 0.25 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 30 year amortization; and

4. The term of the permanent LMIR loan shall be 30 years; and

5. Agency staff shall review and approve the Mortgagor; and

6. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

7. Ronald (Skip) A. Duchesneau and Dale W. Jones shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months,; and

8. Ronald (Skip) A. Duchesneau and Dale W. Jones shall guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

9. The sponsor, the builder, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 23rd day of May 2013.

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CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 7.A
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Approval, Amendment, Affordable Housing Plan

CONTACT: Ruth Hutchins, 651-297-3128
ruth.hutchins@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
The National Foreclosure Mitigation Counseling (NFMC) Program and the Making Home Affordable Outreach and Intake Project (MHA Project) are designed to support the provision of foreclosure intervention counseling services. These funds will be awarded to housing counseling agencies throughout Minnesota who have previously participated as a sub-grantee under previous rounds of funding under the NFMC Program.

Staff is hereby requesting Board approval to amend the Affordable Housing Plan to include these two federal resources: 1) the NFMC Program; and 2) the MHA Project.

FISCAL IMPACT:
Increases resources to provide statewide foreclosure prevention activities.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
Background

BACKGROUND:
The NFMC Program started in 2008 as a one-time federally funded grant with a goal to support a rapid expansion of foreclosure intervention counseling capacity. As the foreclosure crisis continued, there have been six previous rounds of funding under the NFMC Program to support outreach and a range of foreclosure counseling activities with homeowners. Minnesota Housing has participated in each funding round receiving a total of $13,639,876.50 including our current round of funding, NFMC Round 6. This has allowed housing counseling agencies throughout Minnesota to serve over 36,300 households to date. The award under NFMC Round 7 provides $980,694.00.00 to support outreach and counseling efforts with a goal to serve over an additional 3,000 households statewide by December 31, 2013.

The Making Home Affordable (MHA) Program was created by the Obama administration in 2009 to stabilize the housing market and help struggling homeowners get mortgage relief and avoid foreclosure. Eligible homeowners can lower their monthly mortgage payments and obtain loans at lower interest rates. For homeowners for whom ownership is no longer affordable or desirable, the program can provide options which avoid foreclosure. Additionally, there are also options for unemployed homeowners and homeowners who owe more than their homes are worth. The MHA Program has expanded the eligibility criteria and extended their deadline for applications to December 31, 2013.

The United States Department of Treasury has made available additional funds as a one-time grant under the MHA Project. The goal of the MHA Project is to make more homeowners aware of the full range of options under the MHA Program through outreach efforts, and to assist those homeowners who are eligible with the successful completion of the MHA application process. Minnesota Housing will receive $187,110.00 for the MHA program, which will allow housing counseling agencies throughout Minnesota to serve an additional 315 households by December 31, 2013.

Minnesota Housing Finance Agency

AGENDA ITEM: 7.B
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Approval, Application Scoring Metrics, Community Homeownership Impact Fund

CONTACT: Luis Pereira, 651-296-8276 luis.pereira@state.mn.us
Tal Anderson, 651-296-2198 tal.anderson@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☑ Administrative ☐ Commitment(s) ☐ Modification/Change ☑ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests board approval of the point allocation system for the 2013 Single Family Request for Proposal (RFP). Publicizing the specific Agency and program policy priorities and weight that is given to each by Minnesota Housing will promote the submission of RFP applications that more closely align with those priorities.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☑ Strengthening Organizational Capacity

ATTACHMENT:
- Background

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BACKGROUND
The Community Homeownership Impact Fund (formerly CRV) team has recently conducted a review and made revisions to the Single Family Request for Proposal application to clarify application questions and streamline it to become activity-specific.[1] By being made aware of the specific Agency and program policy priorities the relative priority level that is given to each by Minnesota Housing, RFP applicants will be able to better respond to the program priorities and encourage proposals that are more aligned with those priorities.

Five of the ten criteria include the consideration of geographically specific data for which maps have been developed in Community Profiles by Minnesota Housing's Planning, Research, and Evaluation staff. These criteria include: Foreclosure; Minimizing Transportation Costs and Promoting Access to Transit; Economic Integration; Community Recovery; and the Jobs and Housing Growth Initiative.

Below are the criteria and the points allocated to each criterion for the 2013 Single Family Request for Proposals.

RFP criteria and points allocated:

1. **Foreclosure** – up to 5 points total, with full or partial points allocated based on the extent to which proposals address foreclosed properties and the proposed target areas are within one or more Foreclosure Priority Areas.

2. **Foreclosure Remediation/Community Recovery Strategy** – 1 point.

3. **Efficient Land Use** – up to 5 points total, based on the extent to which:
   a. Proposals maximize the efficient use of land;
   b. Rehabilitation proposals maximize the adaptive reuse of buildings;
   c. New Construction proposals minimize the loss of agricultural land and green space.

4. **Minimizing Transportation Costs and Promoting Access to Transit –** up to 5 points total, appropriately-defined for Metro areas and Greater Minnesota.

5. **Economic Integration** – up to 5 points total, with points awarded based on the extent to which the proposed housing activity is affordable to eligible low-moderate income households is located within higher income areas and near job centers.

6. **Leverage** – up to 9 points total, including:
   a. The diversity of leverage;
   b. The total leverage committed by activity;
   c. The leverage ratio.

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[1] See Minnesota Statutes section 462A.33 for the Economic Development and Housing Challenge Program statutory provisions, Minnesota Rules part 4900.3648 for selection standards, and Minnesota Rule 4900.3650 for funding priorities.

7. **Other Investment/Cost factors related to project feasibility –** up to 5 points total, including:
   a. Regulatory incentives;
   b. Cost containment;
   c. The extent to which funds secure affordability of units for the long term and/or funds will be returned to the Agency.

8. **Serving Eligible and Underserved Populations** – up to 7 points total, including:
   a. Marketing and outreach techniques;
   b. The selection process/criteria for eligible households;
   c. The suitability of housing design.

9. **Community Recovery** – up to 2 points total, with partial points allocated based on the extent to which proposed target area coincides with a Community Recovery Priority Area.

10. **Cooperatively-developed plan (CDP)** – up to 2 points total
    A CDP is a community-supported plan that encompasses multiple affordable housing and related service initiatives in a geographically-defined area that is developed through the cooperation and input of a local unit of government and a community or housing partner. Points are awarded based on the extent to which:
    a. A CDP is provided for the community in which the proposed target area is located;
    b. If a CDP is provided, if there is a clear connection between the plan's affordable/workforce housing needs and related service initiatives and proposed housing activity.

11. **Workforce Housing & the Jobs and Housing Growth Initiative** – up to 4 points total, including:
    a. Whether the vacancy rate among owner-occupied housing is demonstrated as low;
    b. The extent to which the proposed target area falls within a Jobs-Housing Priority Area and/or alternative, commuter- and/or job growth data is provided (i.e. job growth and high number of commuters);
    c. The extent to which there is a workforce housing need due to business expansion.

12. **Organizational Capacity** – up to 10 points total, including related housing experience; a demonstration of successful completion of similar projects; and other organizational due diligence factors.

13. **Overall Project Feasibility** – up to 10 points total, including the nature of the proposed site; the extent of the need for the proposed housing activity in the local market; the extent to which reasonable development costs are proposed; and the extent to which the housing (activity) is economically viable.

Minnesota Housing Finance Agency

AGENDA ITEM: 7.C
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Approval, Changes, Step Up Program

CONTACT: Devon Pohlman, 651-296-8255
devon.pohlman@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☑ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Permit current Homeownership Assistant Fund (HAF) borrowers with incomes over the Step Up program income limits to refinance into the Step Up program and refinance their deferred payment HAF loan into an amortizing Monthly Payment Loan. In addition, apply the HOME HELP and Entry Cost Homeownership Opportunity (ECHO) subordination guidelines to the Step Up program.

FISCAL IMPACT:
This change results in the earlier than anticipated repayment of HAF appropriations and Pool 3 funds, maximizing the amount of funds available to Minnesota Housing's lowest income families.

There is no fiscal impact on the extension of the HOME HELP and ECHO subordination guidelines to the Step Up program.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

BACKGROUND:
Minnesota Housing's whole loan portfolio contains 4,689 borrowers with an interest-free deferred Homeownership Assistance Fund (HAF) loan with a first-mortgage interest rate above four percent. First mortgage loan interest rates in this portfolio range from four to eight percent, with 98% of loans at or above five percent. Minnesota Housing permits HAF borrowers to subordinate when refinancing into the Step Up program, provided borrowers meet the Step Up income limits.

This recommendation creates a refinance option for whole loan mortgage borrowers with HAF loans, who have incomes above the Step Up limits and who lack the financial resources to meet the HAF loan repayment requirements. The HAF loan requires payment in full upon refinance. The repayment requirement coupled with average HAF loan amounts ranging from $6,500 and $14,340, present barriers to refinancing under private sector lender options. In addition, these borrowers are unable to take advantage of federal refinance options, because their loans are not owned by Fannie Mae or Freddie Mac. Since the Agency finances Step Up program loans with secondary market financing, it is now able to offer these borrowers a way to refinance in order to lower their first mortgage interest rate.

It is difficult to estimate the number of current HAF whole loan borrowers who are over the Step Up income limits and have not refinanced due to the HAF loan repayment requirements. An analysis of monthly housing payment savings makes this proposal attractive even if a limited number of Minnesota Housing borrowers benefit. For most whole loan HAF borrowers, the total monthly housing payment (PITI) drops from $855 to an estimated $635. The expected savings are even more significant for just under 1,000 HAF borrowers who owe just over $14,300 in HAF, bringing their first mortgage monthly payments down from $1,036 to $788.

This policy change benefits both the borrower, by lowering their first mortgage interest rate and enhancing loan performance, and Minnesota Housing, by replenishing HAF appropriations/Pool 3 funds and generating Step Up program income.

If approved, section 5.02 of the Step Up manual pertaining to income limits will be revised to reflect this change.

HOME HELP and ECHO subordination guidelines allow subordination during refinance with no income requirements. The proposal allows HOME HELP and ECHO borrowers, regardless of income, to choose the Step Up programs, for they too do not have access to the federal refinance programs.

Minnesota Housing Finance Agency

AGENDA ITEM: 7.D
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2013 Series C (GNMA and FNMA Pass-Through Program) and 2013 Series D (GNMA and FNMA Pass -Through Program)

CONTACT: Don Wyszynski , 651-296-8207 don.wyszynski@state.mn.us Paula Rindels, 651-296-2293 paula.rindels@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: Bond Transaction

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff is preparing to issue bonds to provide funds to refund certain of the Homeownership Finance Bonds purchased as program bonds under the New Issue Single Family Bond program (the 2013 Series C Bonds) and to provide for the acquisition of newly originated mortgage backed securities (the 2013 Series D Bonds). Kutak Rock LLP, the Agency's bond counsel will send the resolution and Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of the bond issue on a not to exceed basis.

FISCAL IMPACT:
The transaction will result in the Agency earning the maximum allowable spread on both the refunding bonds and the new money bonds.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
None.

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Minnesota Housing Finance Agency

AGENDA ITEM: 7.E
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Resolution Relating to State Appropriation Bonds (Housing Infrastructure), Series 2013; Authorizing the Issuance and Sale Thereof and Approving the Execution and Delivery of Related Documents

CONTACT: Don Wyszynski , 651-296-8207
don.wyszynski@state.mn.us

Paula Rindels, 651-296-2293
paula.rindels@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☑ Other: Bond Transaction

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff is preparing to issue State Appropriation Bonds, the proceeds of which will be used to fund eligible housing infrastructure projects that have been or will be approved by the Board . Kutak Rock LLP, the Agency's bond counsel will send the resolution and Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of the bond issue on a not to exceed basis.

FISCAL IMPACT:
The debt service on the bonds is to be paid from annual appropriations by the State of Minnesota, and the bonds are not a debt or liability of the Minnesota Housing Finance Agency.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
None

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AGENDA ITEM: 7.F
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof for a Multifamily Housing Development in Maplewood, Minnesota

CONTACT: Don Wyszynski , 651-296-8207 don.wyszynski@state.mn.us
Paula Rindels, 651-296-2293 paula.rindels@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: Bond Transaction

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff is preparing to issue bonds to provide financing for the Concordia Arms apartment development in Maplewood, Minnesota. Kutak Rock LLP, the Agency's bond counsel will send the resolution and Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of the bond issue on a not to exceed basis.

FISCAL IMPACT:
The Agency currently expects that the permanent loan financed by the bonds will yield approximately 0.7% higher than the yield of the long-term bonds, the rate on the bridge loan will be approximately 1% higher than the rate on the short-term bonds, and the developer will pay all of the costs associated with the bond issuance process.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
None

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Minnesota Housing Finance Agency

AGENDA ITEM: 7.G
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof for a Multifamily Housing Development in Rochester, Minnesota

CONTACT: Don Wyszynski , 651-296-8207, don.wyszynski@state.mn.us
Paula Rindels, 651-296-2293, paula.rindels@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: Bond Transaction

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff is preparing to issue bonds to provide financing for The Square on 31st apartment development in Rochester, Minnesota. Kutak Rock LLP, the Agency's bond counsel will send the resolution and Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of the bond issue on a not to exceed basis.

FISCAL IMPACT:
The Agency currently expects that the permanent loan financed by the bonds will yield approximately 0.6% higher than the yield of the long-term bonds, the rate on the bridge loan will be approximately 1% higher than the rate on the short-term bonds, and the developer will pay all of the costs associated with the bond issuance process.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
None

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Minnesota Housing Finance Agency

AGENDA ITEM: 8.A
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: Post-Sale Analysis, Homeownership Finance Bonds, Series 2013B (GNMA and FNMA Pass-Through Program) (Taxable)

CONTACT: Don Wyszynski , 651-296-8207
don.wyszynski@state.mn.us

Bill Kapphahn, 651-215-5972
william.kapphahn@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: Finance

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
The Agency sold $86,510,000 of Homeownership Finance Bonds on April 9, 2013 to refund two series of bonds issued under the New Issue Bond Program. Pursuant to the Debt Management Policy, the attached post-sale analysis is provided by the Agency's financial advisor, CSG Advisors. This is an information item and does not require approval.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Post-Sale Analysis

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$86,510,000
Minnesota Housing Finance Agency
Homeownership Finance Bonds
2013 Series B
(GNMA and FNMA Pass-Through Program)
(Taxable)

POST-SALE ANALYSIS

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. This transaction used the innovative monthly pass-through approach of 2012 Series A, 2012 Series B and 2013 Series A, but this time *to refund past bond issues*, rather than fund new production.

Specifically, the 2013 Series B *refunds two of Minnesota Housing's Program Bond issues from the New Issue Bond Program (NIBP).* This opportunity is possible because U.S. Treasury allowed the Program Bonds that they were financing from all HFAs to be optionally callable at par at any time. This is a highly unusual feature for single-family bonds. (The Market Bonds that were publicly sold as part of each issue were not callable for 10 years.)

By issuing refunding bonds at much lower interest rates – both because of today's market and the monthly pass-through structure – Minnesota Housing was able to reduce its cost of funds and *significantly increase its net interest margin.*

The only way that Minnesota Housing *can retain all of this increased spread* is if the refunding bonds are *taxable.* Hence, 2013 Series B was Minnesota Housing's first *taxable monthly pass-through issue*. Many other HFAs have been similarly refunding their NIBP Program Bonds.

Key Objective. Minnesota Housing's objective in the transaction was to increase its net interest margin and help increase the Agency's net worth.

Accomplishments. The results were extremely successful.

1. **Increased Interest Margin.** Minnesota Housing was able to issue the 2013 B bonds at 2.70% and significantly increase its net interest margin, as follows:

Average interest rate on refunded 2009 A-1 and A-3 Program Bonds:	3.53%
Interest rate on 2013 B Bonds to replace these Program Bonds:	2.70%
Increased annual interest margin to Minnesota Housing:	0.83%

2. **Net Savings.** The benefits of the transaction can be measured in terms of net present value and in the length of time it will take to recover the costs of issuance. Assuming prepayment speeds on the underlying mortgages remain at their average speed since the mortgages were originated 2+ years ago (approximately 175% of the industry standard PSA prepayment speed):

    - Net present value savings would be $ 4.2 million. This is 4.8% of the bonds being refunded, well above the general standard of 3% savings for refundings.

    - The interest savings in the first year are approximately $700,000.

    - The NIBP indenture would more than recover all costs of issuance within approximately a year.

3. **Where the Savings Occur**. The savings will accrue in the HFB indenture, whose net worth will increase at a significantly greater rate due to the refunding.

Timing and Sizing. The issue is designed to lock in interest rates, and net interest savings, as quickly as possible to take advantage of today's still low rates on pass-through bonds.

The size of the issue was based on the two series of outstanding Program Bonds to be refunded. The three remaining series of Program Bonds have much lower interest rates and would not provide any significant net savings using this taxable structure at current rates.

Major Design Decisions. Key decisions by the Agency have been to:

1. **Pass-Through.** Minnesota Housing used the pass-through structure that resulted in yields on recent Minnesota Housing transactions of approximately 80 basis points below traditionally structured single-family bonds.
2. **Taxable v. Zero Participations.** The bonds were issued taxably so that Minnesota Housing can retain all the increased interest rate spread. The alternative – of issuing tax-exempt refunding bonds and creating and using zero participations – is not practical with the pass-through structure on a refunding without a large new money issue for new loans to close at the same time that would use those zero participations. In any case, Minnesota Housing already has a substantial amount of zero participations for use on future new production.
3. **Ability to Call the Bonds in 10 Years.** As on its prior pass-through issues, Minnesota Housing included a 10-year par call at the Agency's option that will let the Agency potentially take advantage of interest rates in ten years to either refund the bonds or sell the MBS and pay off remaining bonds. This feature did not seem to have any impact on investor demand or pricing, so it has effectively been a free option to Minnesota Housing on these issues.

Bond Results. Following are key highlights:

1. **Investor Interest.** This bond sale was much more challenging than Minnesota Housing's prior pass-through issues for several reasons:

    - There are fewer investors interested in taxable (rather than tax-exempt) HFA pass-through bonds, and they expect a significantly greater spread. The first taxable issues in late 2012 were sold at yields only 15 basis points higher than tax-exempt issues; this differential today is 45 basis points, far more in line with the actual potential tax benefits.

    - Many HFAs are coming to market with taxable NIBP refunding issues to lock in positive interest rate savings. In the week of the sale, 5 HFAs came to market with taxable issues, and investors had their pick of transactions (as well as future expected transactions from Ohio, Kentucky, Florida and other HFAs seeking to refund their NIBP Program Bonds).

    - Most investors are seeking issues with high loan rates and high prepayment speeds, because they believe rates will rise when the Fed reduces its purchases of mortgage-backed securities. Minnesota Housing's loan rates and prepayment speeds are slightly lower than the averages of other HFA issues coming to market.

    - At over $85 million, the issue was the largest of these taxable pass-through issues sold last week, requiring a larger number of interested investors. Building up sufficient investor interest in advance to assure a successful sale was the key to success.

There were orders from 10 investors, totaling $105.4 million, including one bank, four insurance companies and five money-managers. The largest order was for $35 million.

2. **Timing.** The rise in Treasury yields in early March (increasing from about 1.7% to 2.05% on the 10-year treasury bond) caused Minnesota Housing to postpone the transaction until interest rates were more favorable and there would be significant savings from the refunding. Treasury yields then dropped in late March and early April, due to euro zone worries from the bailout of Cyprus banks and unexpectedly weak employment increases in the U.S. Minnesota Housing then moved forward very quickly with the issue to take advantage of lower yields. The timing was excellent, as rates increased by 10 to 15 basis points later in the week after the release of Fed Reserve Open Market Committee deliberations.

3. **Successful Sale.** The sale proved favorable, with Minnesota Housing achieving tight spreads to Treasury bond yields and GNMAs.

FEATURES OF THIS ISSUE

Structure

1. **Tax Status.** The bonds were sold as taxable bonds.

2. **Single Maturity.** All bonds mature in 2041. There are no serial or intermediate term bonds, PAC bonds or any of the other typical housing bond structures that allocate tranches to investors based on maturity or prepayment speed. Instead, each investor owns and receives a pro rata share of all principal and interest.

***Pricing*.** Because the issue consisted of a single maturity of monthly pass-through bonds suited to institutional investors, there was a single institutional order period. The bonds were not offered to retail investors. Pricing took place after several weeks of intense pre-marketing by the Agency's underwriters to identify and approach potential investors who might be interested.

1. **Institutional Demand*.*** Minnesota Housing was able to obtain $104 million of orders.

2. **Breadth of Interest.** Although some purchasers of Minnesota Housing's prior pass-through bonds did not participate in the sale, due to the tight yields, other investors stepped in. Orders were received from ten investors. Three of the buyers accounted for about 73% of the total volume of orders. A total of approximately 50 investors have purchased this type of monthly pass-through bond to date.

UNDERWRITING

***Underwriting Fees*.** As with the prior pass-through issues, takedowns were established at lower levels than industry standards or Minnesota Housing precedent on long-term tax-exempt bond sales. Management fees were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.

Comparable Transactions. Following are the recent comparable taxable issues.

	Missouri 2013 C	**Minnesota Housing 2013 A**	**Oklahoma 2013 AB**	**Colorado 2013AA**	**South Carolina**
Pricing Date	April 8	**April 9**	April 10	April 12	April 12
Senior Manager	Stifel	**RBC**	Baum	RBC	Citi
Purpose	NIBP refunding	**NIBP refunding**	NIBP refunding	NIBP refunding	NIBP refunding
% GNMA	100%	**95%**	100%	100%	100%
% FNMA	0%	**5%**	0%	0%	0%
Rating	Aa+	**Aaa**	Aaa	Aaa	Aaa
Size	$47.84 m	**$ 85.1 m**	$57.3 m	$ 53.4 m	$ 50.11
Structure	Pass-through	**Pass-through**	Step-in refunding	Step-in refunding	Step-in refunding
Optional par redemption	10 years	**10 years**	10 years	10 years	10 years
Price	Par	**Par**	Par	Par	Par
Coupon	**2.65%**	**2.70%**	**2.75%**	**2.80%**	**2.95%**
Weighted average life*	**12.4 years**	**9.6 years**	**11.6 / 11.1 years*** **	**11.8 years**	**12.0 years**
10 year Treasury	1.76%	**1.76%**	1.78%	1.82%	1.82%
Difference	+ 89 bp	**+ 94 bp**	+ 97 bp	+ 98 bp	+ 113 bp
GNMA I yield**	2.39%	**2.40%**	2.39%	2.39%	2.39%
Difference	+ 26 bp	**+ 30 bp**	+ 36 bp	+ 41 bp	+ 56 bp

* *At 100% PSA*
** *3.0% GNMAs for current delivery, per Thomson Reuters, at 100% PSA*
*** *At 100% SIFMA*

Performance. All orders were taken by RBC on a net designated basis for the 3 managers (RBC, Morgan Stanley and Piper Jaffray). Since the bonds are not suitable for retail investors, no third rotating co-manager or selling group was needed to help market the bonds.

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ISSUE DETAILS

Key Dates:	2013 A Bond Pricing:	
	Institutional Order Period:	Tuesday morning, April 9, 2013
	Closing Date:	April 25, 2013

Economic Calendar. Several announcements at the end of the prior week helped generate a significant rally in the Treasury market. The Bank of Japan announced its sharp turn toward stimulus and on the same day, worse-than-forecast jobless claims statistics were released. On Friday April 5th, the dismal 88,000 rise in total payrolls prompted concern for the strength of the U.S. recovery. This very modest payroll increase – against the 193,000 consensus estimate and the 268,000 rise in February – and significant renewed euro zone worries as a result of Cyprus caused Treasury yields to drop to their lowest levels since December 12.

During the week of the sale itself, most statistics were close to market expectations, with retail sales slightly weaker than expected, and the producer price index lower than expected. The March Fed minutes released Wednesday morning – even though taken from a meeting well before the Cyprus crisis, the Bank of Japan change and the weaker domestic economic news – alarmed investors that at least some of the Fed governors were less sanguine about continuing the Fed's heavy purchases of treasuries and mortgage-backed securities.

Treasuries. Since U.S. Treasury bond yields reached all-time lows last July, yields have trended higher based on modestly positive domestic economic news, with dips when the euro zone stumbled. By mid-March, the 10-year bond tested and slightly exceeded the 2% level.

Then, in the last two weeks of March and first week of April, the collapse and fumbled bailout of the Cypriot banks, the latest threats from North Korea, and most importantly, worries about the strength of the U.S. economic recovery, drove global investors toward the safety of treasuries. On Friday April 5th, the 10-year and 30-year treasuries dropped to their lowest yields since December, ending the week at 1.72% on the 10-year and 2.87% on the 30-year.

By the end of Thursday April 11th, however, the original projected sale date, they had climbed to 1.82% and 3.01%, up 0.10% and 0.14% since the end of the prior week.

Municipals. Municipal bond yields continue to lag treasury yields. As of 4/5/2013, the 30-day visible supply has risen to $11 billion, close to the highest in 9 months – and including a $2.6 billion taxable component, the largest such weekly amount in more than two years. Other factors include:

- Compared to historical issuance levels, 2013 volume remains modest – matching 2012's below-average pace, buoyed by refunding opportunities. With mutual fund outflows in recent weeks and only moderate new issue supplies, muni levels have been eroding relative to treasuries. Refundings are only modestly below last year's level, with taxable sales remaining strong, especially in housing. Increasing supply and growing threats of economic uncertainty have left munis underperforming treasuries.

- Recent fund outflows, new highs in the stock markets, and concern for the impact of a strengthening economy on interest rates had been reflected in a softening of retail demand.

- After narrowing earlier in 2013, credit spreads have edged wider to 0.67% between the AAA 30-year G.O. MMD index and A-rated G.O.s (down from 0.80% for much of 2012).

- Through the recent cycles of treasury rates, the relative value of municipal bonds to treasuries has improved, compared to the levels during most of 2012. As of Friday, 4/5/2013, the 10-year MMD is 99.4% of the 10-year treasury, and the 30-year MMD is 102.1% of the 30-year treasury – well above long-term historical averages of around 80%. Growing international and U.S. economic concerns and last week's rally in treasuries has not yet fully translated into improvements in municipal yields.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/ Treasury Ratio
2010 A*	9/15/10	2.67%	2.39%	89.5%	3.79%	3.72%	98.2%
2011 A/B*	3/22/11	3.34%	3.27%	97.9%	4.44%	4.85%	109.2%
2011 C/D*	6/7/11	3.01%	2.63%	87.4%	4.27%	4.23%	99.1%
2011 E*	8/24/11	2.29%	2.26%	98.7%	3.63%	3.89%	107.2%
2011 F/G*	11/22/11	1.94%	2.18%	112.4%	2.91%	3.83%	131.6%
2012 ABCD**	3/27/12	2.20%	1.97%	89.5%	3.29%	3.34%	101.5%
2012 A*	7/31/12	1.51%	1.66%	109.9%	2.56%	2.84%	110.9%
2012 B*	10/2/12	1.64%	1.69%	103.0%	2.81%	2.86%	101.8%
2013 A*	**1/9/13**	**1.88%**	**1.69%**	**89.9%**	**3.06%**	**2.80%**	**91.5%**
2013 B*	**4/8/13**	**1.76%**	**1.72%**	**97.7%**	**2.93%**	**2.94%**	**100.3%**
Change from 2013 A to 2013 B		**- 13 bps**	**+ 3 bps**	**+7.8%**	**- 13 bps**	**+ 14 bps**	**+ 8.8%**

** Homeownership Finance Revenue Bond Indenture*
***Residential Housing Finance Bond Indenture (RHFB)*

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS themselves or purchasing HFAs' taxable bonds backed by MBS. In effect, bond purchasers look as much to the spread between HFA bonds and MBS as they do to the spread between HFA bonds and treasuries.

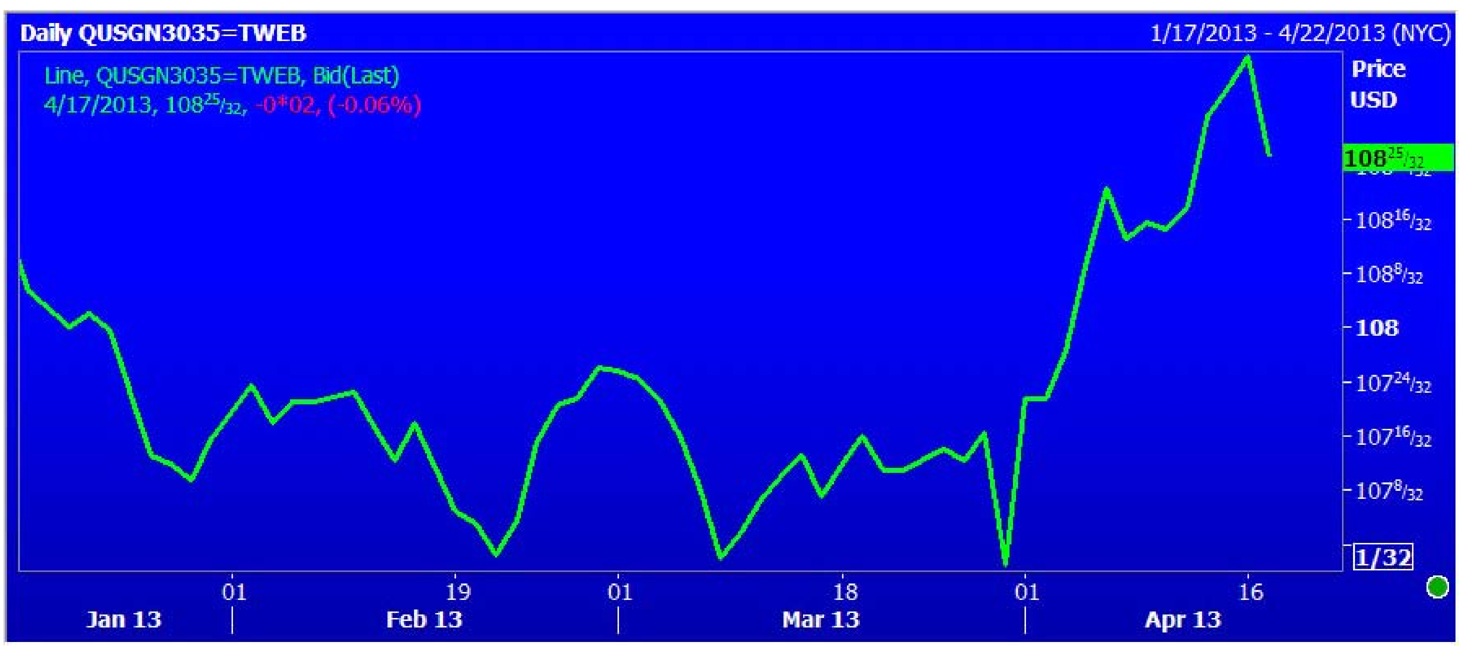
MBS yields have risen slightly over the last several months but not as much as treasury yields. Although there is an increasing possibility of the Federal Reserve tapering off its purchases of MBS and treasuries, the Fed's continuing activity keeps MBS yields unusually low. Fed purchases continue to be about 40% of all new MBS supply.

Type	Delivery	Coupon	Measure	Oct. 2, 2012	Jan. 8	March 1	March 15	April 9
GNMA	1 month	3.50	Price	109 26/32	108 4/32	107 25.5/32	107 8/32	108 11.5/32
			Yield*	2.43%	2.61%	2.65%	2.71%	2.59%
FNMA	1 month	3.50	Price	107	106 5/32	105 25/32	105 9/32	106 4.5/32
			Yield*	2.67%	2.79%	2.86%	2.92%	2.82%
10-year treasury	n/a	n/a	Yield	1.64%	1.89%	1.86%	2.01%	1.76%
GNMA to treasury	n/a	n/a	Yield*	0.79%	0.72%	0.79%	0.70%	0.83%

*at 100% PSA

Chart 1 shows GNMA prices over the last several months. GNMA prices increased (and yields dropped) during the recent Treasury rally, and then weakened on the days immediately preceding the sale.

Chart 1: GNMA I 3.5 Coupon, May Delivery



Minnesota Housing Finance Agency

AGENDA ITEM: 8.B
MINNESOTA HOUSING BOARD MEETING
May 23, 2013

ITEM: 2013 Affordable Housing Plan and Strategic Plan: Second Quarter Progress Report

CONTACT: John Patterson, 651-296-0763
john.patterson@state.mn.us

REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Staff have attached for your review:

- The second quarter progress report for the 2013 Affordable Housing Plan and the Strategic Plan;
- Funding adjustments to the 2013 Affordable Housing Plan (as delegated)
- Outline of amendment to the Affordable Housing Plan that will come in June

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

- 2013 Affordable Housing Plan and Strategic Plan: Second Quarter Progress Report
- 2013 Affordable Housing Plan Funding Adjustments
- Outline of amendment to the Affordable Housing Plan that will come in June

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2013 Affordable Housing Plan and Strategic Plan

Second Quarter Progress Report

(October 1, 2012 – March 31, 2012)

May 16, 2012

Overview

The implementation of the 2013 Affordable Housing Plan (AHP) continues to be strong. Of particular note, the Agency launched a revamped set of loan products for first-time and existing homebuyers on December 18, 2013. After an initial settling-in period, production has picked up significantly. The Agency had its best March and April since 2010 (during which the Federal homebuyer tax credit was available) and 2007 prior to that. Under the 2013 AHP, the Agency intends to increase its single-family mortgage volume from $250 million to $350 million. Based on current production, this goal is achievable.

In general, the Agency is on track to achieve its production goals for the year, with only a few exceptions:

- The lending environment for home improvement is very sluggish, and the Agency continues to monitor the market and refine its strategies for improving production.

- The Agency has delayed utilizing its Asset Management funds as it refines its strategies for preserving and stabilizing the existing multifamily portfolio. The Agency anticipates enhanced outreach efforts to take place this spring, in conjunction with annual physical inspections, which will drive utilization of these funds for the remainder of the AHP.

The following tables provide more information about the Agency's activities. Each line of the table has a corresponding note at the end of the report that provides details and explanations. With the Agency 50% through the 2013 AHP, we expect programs to have reached at least 50% of their production goal. Programs that use a request for proposal (RFP) process to award funds should be at or near a 100% of their goal if the RFP selections have been completed for the year.

Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Indicators

Quarter 2 of 2013 AHP (50% through AHP)

	AHP Forecast	Actual To-Date	Portion of AHP Forecast Completed
Single Family Production - Homes			
1. First Mortgages (purchased/settled loans)	2,917	1,242	43%
2. Other Opportunities	502	396	79%
3. Owner-Occupied Home Improvement/Rehabilitation	1,618	603	37%
Total	*5,037*	*2,241*	*44%*
Multifamily Production – Rental Units			
4. New Rental Construction	668	896	134%
5. Rental Unit Rehabilitation	3,310	2,885	87%
6. Asset Management	250	0	0%
Total	*4,228*	*3,781*	*89%*
Rental Assistance - Households			
7. Agency Funded Rental Assistance	2,539	2,027	80%
8. Section 8 and 236 Contracts	30,227	30,428	101%
Total	*32,766*	*32,455*	*99%*
Build Sustainable Housing			
9. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:			
a. Single Family	50%	59%	**
b. Multifamily	100%	70%	**
Address Foreclosures			
10. Foreclosure Counseling Interventions (7/1/2012-3/31/2012)	6,000	4,047	67%
11. Homes/Units Acquired	470	459	98%
End Long-Term Homelessness			
12. Number of Housing Opportunities Funded – Calendar Year 2013*	TBD	TBD	TBD
Increase Emerging Market Homeownership			
13. Percentage of Mortgages Going to Emerging Market Households (First-Time Homebuyers – Start Up)	22%	26%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
14. Return on Net Assets – State Fiscal Year 2013	$18.1 million	$13.8 million	**
15. Annualized Return on Net Assets (%) – State Fiscal Year 2013	2.5%	2.5%	**

* These are opportunities funded under the Business Plan to End Long-Term Homelessness by Minnesota Housing and other state agencies. The opportunities are counted on calendar year basis. Because the state expects to finish the current Business Plan in the next few months by financing the last of the 4,000 housing opportunities outlined in the plan, a goal has not been set for all of calendar year 2013. The next Business Plan will determine what the state's next set of goals should be.

** Not Applicable

Table 2: Distribution of Resources
Quarter 2 of 2013 AHP (50% through AHP)

	AHP Forecast	Actual To-Date
16. Percentage of Funds Committed or Disbursed Under the AHP	95%	53%

Table 3: Management of Loan Assets
Quarter 2 of 2013 AHP (50% through AHP)

	AHP Forecast	Actual To-Date
17. Delinquency Rate for Whole/MBS Loan Single-Family Portfolio (March 31, 2012)	3.96%*	6.53%**
18. Foreclosure Rate for Whole/MBS Loan Single-Family Portfolio (March 31, 2012)	1.17%*	1.60%**
19. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	5.54%
20. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	3.42%

* Forecast/benchmark is based on the Minnesota-wide average for similar loans as reported by the Mortgage Bankers Association.
**The information presented is on an Agency-wide basis and adjusted to include MBS production as part of the loan portfolio. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

Discussion of Items in the Table

- **Line 1:** Lending for single-family first mortgages is a little behind schedule, with production at 43% of the goal when the Agency is 50% through the AHP. The Agency launched a revamped set of loan products in December. After an initial settling-in period, production has increased significantly. The Agency has had its best March and April since 2010 (during which the Federal homebuyer tax credit was available) and 2007 prior to that.

- **Line 2:** Currently, the Agency is at 79% of its production target for other single-family housing opportunities. The Agency has already completed its RFP selections for the year under the Community Revitalization (CRV) program (including new construction, down-payment assistance, and acquisition/rehabilitation/resale). Additional single-family opportunities will be added as activity under the Habitat for Humanity and Twin Cities Community Land Bank programs continue.

  In the AHP, the Agency made available $4 million with the intention of financing the purchase 40 homes through contracts for deed in Greater Minnesota, similar to the Bridge to Success program in the metro area. During the Agency's housing dialogues in the spring of 2012, we consistently heard about the need for contract for deed financing in Greater Minnesota. After spending several months exploring the feasibility of this type of program, we have decided to not move forward with it at this time because of capacity and interest issues at the local level. These 40 homes are in the

502 unit AHP forecast under "other single-family housing opportunities" (line item 2), but they will not be realized.

- **Line 3:** While the Agency has had strong production in owner-occupied rehabilitation under the CRV program and the Rehabilitation Loan program, production has been slow under the regular home improvement programs (Fix-Up Fund and Community Fix-Up Fund). The lack of activity reflects a low level of home improvement lending across the market. Staff continues to monitor home improvement lending activity closely and refine the Agency's strategies for increasing production.

- **Line 4:** Production in new rental construction has been very strong. In the recent RFP and tax credit selection process, the Agency allocated more funding to new construction than originally forecasted. Because the Agency makes most of its funding commitments for rental production through RFP and tax credit selections, which have completed, production will only increase a little over the last 6 months of the AHP.

- **Line 5:** Rental rehabilitation production has been strong even though funding allocated to it under RFP and tax credit selections was less than originally forecasted. (Additional funds went to new construction.) The Agency is close to meeting its production goal, largely because funding per unit was less than the historical average.

- **Line 6**: There has been a pause in the commitment of Asset Management funds (used to preserve and stabilize the Agency's existing multifamily portfolio) while the Agency refines its approach to preservation/stabilization. The Agency anticipates enhanced outreach efforts to take place this spring, in conjunction with annual physical inspections, which will drive utilization of these funds for the remainder of the AHP.

- **Line 7:** Rental assistance under the Bridges and Housing Trust Fund programs is on track. The number of households assisted will increase during the year as turnover occurs (households moving off the program and new households starting to receive the assistance). The historical turnover rate has been about 15% per year.

- **Line 8:** Section 8 and 236 assistance is on track. These project-based units will continue to receive assistance through the year.

- **Line 9:** The majority of Minnesota Housing's production meets sustainable design criteria.

  On the single-family side, all of the homes receiving Community Revitalization funds for new construction or rehabilitation meet the standard. However, the Fix-Up Fund (FUF) and the Community Fix-Up Fund (CFUF) home improvement programs are market driven, and borrowers are not required to follow sustainable design criteria in their home improvement efforts. Thus, the single-family percentage is less than 100%.

Typically, the multifamily percentage is about 100%. The current percentage is 30% lower because a sizable number of units were funded with General Obligation (G.O.) bond proceeds under the Publicly Owned Housing Program (POHP). Projects funded with G.O. bond proceeds are by law subject to the Minnesota Sustainable Building Guidelines (also known as “B-3 Guidelines”). Due to the limited scope of work under POHP, most projects received a waiver from the Center for Sustainable Building Research, the entity that administers the B-3 guidelines on behalf of the state, and did not have to meet the sustainable guidelines.

- **Line 10:** Over the last couple of years, the number of foreclosure counseling interventions has declined as mortgage delinquencies and demand for counseling has declined. (This activity is funded through the Homeowner Education Counseling and Training – HECAT program – which operates on state fiscal year. The data applies to July 1, 2012 to March 31, 2012)

- **Line 11:** The Agency is making progress in acquiring its target number of foreclosed housing units.

- **Line 12:** These housing opportunities are funded under the Business Plan to End Long-Term Homelessness by Minnesota Housing and other state agencies. The opportunities are counted on calendar year basis. Because the state expects to finish the current Business Plan in the next few months by financing the last of the 4,000 housing opportunities outlined in the Plan, a goal has not been set for all of calendar year 2013. The next Business Plan will determine the state’s next set of goals.

- **Line 13:** The Agency continues to meet its goal of serving emerging markets (communities of color or Hispanic ethnicity) through homeownership. The Agency estimates that 21.0% of renter households that are income eligible for Minnesota Housing first mortgages are from an emerging market.

- **Lines 14 and 15:** In the first nine months of state fiscal year 2013, the Agency’s return on net assets was $13.8 million, which is a 2.5% annualized rate. If the Agency continues this rate for the rest of the year, the Agency’s return will be $18.1 million.

- **Line 16:** Besides a sluggish home improvement market and a delay in utilizing asset management funds, the Agency is largely on track to effectively utilize the funds made available in 2013 Affordable Housing Plan.

- **Lines 17-18:** The Agency’s delinquency rate (6.53%) for Single Family first mortgages is higher than the market-wide benchmark for Minnesota (3.96%). The Agency’s rate is typically above the benchmark during challenging economic times. In addition, the Agency’s rate jumped a couple percentage points in mid 2012, which was unexpected given overall market trends. The Agency believes that the increase is attributable in substantial part to diminished servicing activity resulting from efforts by the servicer, in response to regulatory directives, to standardize and restructure its collection and foreclosure activities. The servicer has committed additional resources since October to process the backlog of files. Since December 31, 2013, the delinquency rate for the combined whole-loan and MBS portfolio has dropped from 7.37% to 6.53%.

- **Line 19-20**: The Agency is meeting its goal for minimizing the number and share loans on its multifamily watch list.

2013 AHP Funding Adjustments

The following table identifies the funding adjustments that staff has carried out, as delegated under the 2013 Affordable Housing Plan (page 29).

Program	Adjustment	Notes
Housing Trust Fund (HTF) – Housing Infrastructure Bonds	-$1,735,910	The Agency originally estimated that it would allocate $12 million of Housing Infrastructure Bond proceeds for supportive housing through the Housing Trust Fund. The actual allocation after project selection was $1.7 million less.
Economic Development and Housing/Challenge (EDHC) – Housing Infrastructure Bonds	+$1,735,910	The Agency originally estimated that it would allocate $18 million of Housing Infrastructure Bond proceeds for preservation, rental foreclosure, and community land trust activities through the Economic Development and Housing/Challenge program. The actual allocation after project selection was $1.7 million more.
Economic Development and Housing/Challenge (EDHC)	+$1,295,090	Higher repayment of state appropriated funds than originally forecasted.
HOME Affordable Rental Preservation (HOME HARP)	-$330,652	• The estimated uncommitted carry forward balances of HOME funds from the 2012 AHP was $330,652 less than originally estimated.
HOME	-	The Federal sequester and funding under the Continuing Resolution will lower the estimated $6.2 million appropriation by about 5%. Once final numbers are available, the AHP will be adjusted.
Housing Opportunities for Persons with AIDS (HOPWA)	-	The Federal sequester and funding under the Continuing Resolution will lower the estimated $142,672 appropriation by about 5%. Once final numbers are available, the AHP will be adjusted.
Low Income Housing Tax Credit (LIHTC)	+$3,012	Adjustment in per capita tax credit allocation
Housing Trust Fund (HTF) – Non-Capital	+$20,961	Higher repayment of loans, reimbursement of unused grant funds, and earnings from Real Estate Brokerage account than originally forecasted
Bridges	+$426	Return of unused funds from an administrator
Technical Assistance and Operating Support	+9,719	Higher earnings from Real Estate Brokerage account than originally forecasted; also, additional funds from the Department of Human Services for a contract with Wilder Foundation.
Disaster Relief Contingency Fund	+19,395	Higher repayment of loan funds than originally forecasted

2013 AHP Amendment Coming in June
Synchronizing State Appropriations with All Other Funds

Reasons for Amendment

Currently, the portion of the Affordable Housing Plan (AHP) addressing state appropriated funds runs on a slightly different schedule than the portions dealing with all the Agency's other funds. The regular part of the AHP runs from October 1 to September 30 of each year and matches the federal fiscal year (see line 2 of the following table); while the portion of the AHP related to state appropriated funds runs from July 1 to June 30 and matches the state fiscal year (see line 3 in the table). This split is causing logistical issues in budgeting and tracking funds, particularly for programs that combine funds from state appropriations and another source, such as Pool 3.

Staff proposes to bring all funds onto the same schedule, October 1 through September 30. We will carry this out by adding another quarter (3 months) of state appropriated funding to the 2013 AHP (see lines 7 and 8 of the following table). Starting with the 2014 AHP, all funds will be budgeted and tracked on the same schedule. With the one-quarter adjustment and new structure, two key points need to be kept in mind.

- While the 2013 AHP will generally cover a 12 month period, it will cover a 15 month period for state appropriated funds, which will create some consistency and comparison issues.
- Each AHP going forward will have state appropriated funds from two different state fiscal years (see line 8). For example, the 2014 AHP will have three quarters of funding from state fiscal year 2014 and one quarter of funding from state fiscal year 2015.

The shift in budgeting and tracking will not affect how and when funds are committed and spent. The Agency will use the same funds in the same quarters under the current and revised approaches; lines 4 and 8 in the following table are identical with the same funds used in the same quarters. The Agency is only changing the AHP to which the July-to-September state-appropriation activity gets counted, which is represented by the change in coloring in the table.

Quarter by Quarter Use and Tracking of AHP Funds
Transition Quarter - Bringing State Funds in Sync with All Other Funds

	July-Sept. 2012	Oct.-Dec. 2012	Jan.-March 2013	April-June 2013	July-Sept. 2013	Oct.-Dec. 2013	Jan.-March 2014	April-June 2014	July-Sept. 2014	Oct.-Dec. 2014	Jan.-March 2015	April-June 2015	July-Sept. 2015
1	CURRENT APPROACH												
2		Regular 2013 AHP				Regular 2014 AHP				Regular2015 AHP			
3	Traditional 2013 AHP for State Funds				Traditional 2014 AHP for State Funds				Traditional 2015 AHP for State Funds				
4	**SFY'13 Funds**	**SFY'13 Funds**	**SFY'13 Funds**	**SFY'13 Funds**	**SFY'14 Funds**	**SFY'14 Funds**	**SFY'14 Funds**	**SFY'14 Funds**	**SFY'15 Funds**	**SFY'15 Funds**	**SFY'15 Funds**	**SFY'15 Funds**	
5	REVISED APPROACH												
6		Regular 2013 AHP				Regular 2014 AHP				Regular2015 AHP			
7	Traditional 2013 AHP for State Funds				Extra Quarter	New 2014 AHP for State Funds				New 2015 AHP for State Funds			
8	**SFY'13 Funds**	**SFY'13 Funds**	**SFY'13 Funds**	**SFY'13 Funds**	**SFY'14 Funds**	**SFY'14 Funds**	**SFY'14 Funds**	**SFY'14 Funds**	**SFY'15 Funds**	**SFY'15 Funds**	**SFY'15 Funds**	**SFY'15 Funds**	**SFY'16 Funds**

Adjusted Funding Levels

With the amendment that will come next month, staff will report the full funding level for each program under the 2014-15 biennium but also report the amount of these funds that will likely commit from July 1, 2013 to September 30, 2013. The estimated commitments during those three months will be the amendment to the 2013 AHP. We will also estimate the number of housing unit/households that will be assisted through those commitments.

Program	**2014-15 Appropriation**	**Estimated July - September 2013 Commitments**	**Estimated July - September 2013 Units / Households**
Homeownership Assistance Fund (HAF)			
Homebuyer Education, Counseling & Training (HECAT)			
Rehabilitation Loan Program (RLP)			
Preservation Affordable Rental Investment Fund (PARIF)			
Rental Rehabilitation Deferred Loan Program (RRDL)			
Housing Trust Fund (HTF)			
Bridges			
Family Homeless Prevention and Assist. Program (FHPAP)			
Economic Development and Housing/Challenge (EDHC)			
Technical Assistance and Operating Support			
TOTAL			