MEETINGS SCHEDULED FOR AUGUST

NOTE LOCATION CHANGE:
Northwest Area Foundation
60 Plato Blvd E, #400
St. Paul, MN 55107
The Northwest Area Foundation is located in the Drake Building on Plato Blvd.

THURSDAY, AUGUST 31, 2017

Finance and Audit Committee Meeting
Maud Hill Room – Fourth Floor
11:00 am

Regular Board Meeting
Maud Hill Room – Fourth 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, August 31, 2017.

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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400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

AGENDA
Minnesota Housing Board Meeting
Thursday August 31, 2017
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. (page 5) Regular Meeting of July 27, 2017
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
6. **Consent Agenda**
   A. (page 13) Selection/Commitment, Housing Opportunities for Persons with AIDS (HOPWA) Renewal-Minnesota AIDS Project (D3621)
   B. (page 17) Selection/Commitment, Housing Trust Fund (HTF) Rental Assistance Grant Renewals
   C. (page 29) Amendments to Agreements between Minnesota Housing and Habitat for Humanity Minnesota
   D. (page 31) Amendments to Agreements between Minnesota Housing and Northcountry Cooperative Foundation (NCF)
7. **Action Items**
   A. (page 33) Request for Waivers to Agency Debt Management Policy, Upper Post Flats, D7976
   B. (page 125) Approval, Resolution authorizing Homeownership Finance Bonds (HFB), and approving the execution and delivery of related documents
   C. (page 217)Approval, Resolution authorizing State Appropriation Bonds (Housing Infrastructure), and approving the execution and delivery of related documents
   D. (page 271) Approval/Selections Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity)
8. **Discussion Items**
   A. (page 279)Draft 2018 Affordable Housing Plan
   B. (page 385)Revisions to the Publicly Owned Housing Program (POHP) Request For Proposals (RFP) and Post-Selection Process
9. **Information Items**
   A. (page 389)Quarterly Progress Report 2017 AHP and 2016-2019 Strategic Plan
   B. (page 397)Report of Participant Suspension
10. **Other Business**
    None.
11. **Adjournment**

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MINUTES

Minnesota Housing Finance Agency Board Meeting
Thursday July 27, 2017
1:00 pm
State Street Conference Room- First Floor
400 Sibley Street, St Paul, MN 55101

1. **Call to Order.**
   Chair John DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:02 p.m.

2. **Roll Call.**
   Members Present: John DeCramer, Joe Johnson, Craig Klausing, Rebecca Otto, Stephanie Klinzing and Damaris Hollingsworth
   Minnesota Housing staff present: Tal Anderson, Ryan Baumtrog, Laura Bolstad, Dan Boomhower, Shelley Bork, Wes Butler, Kevin Carpenter, Adam Connell, Jessica Deegan, Diane Elias, Kenatia Gilmer, Lori Gooden, Anne Heitlinger, Andee Holdener, Karen Johnson, Margaret Kaplan, Kasey Kier, Tresa Larkin, Diana Lund, Paul Marzynski, Eric Mattson, Kim McAfee, Maria Palacios-Pirkl, John Patterson, Kirby Pitman, Devon Pohlman, William Price, Paula Rindels, Megan Ryan, Joel Salzer, Terry Schwartz, Anne Smetak, Laird Sourdif, Kim Stuart, Susan Thompson, Will Thompson, Kody Thurnau, Mary Tingerthal, LeAnne Tomera, Katie Topinka, Maia Ulrich, Nicola Viana, Long Xiong, Pa-Yeng Yang
   Others Present: John Anifinson, National Park Service; Erin Hanafin Berg, Preservation Alliance of Minnesota (PAM); Jr Campuzano and Melanie Lien, Piper Jaffray; Myron Franz, Minnesota Management and Budget (MMB); Chip Halbach, Minnesota Housing Partnership (MHP); Laura Janke, RBC Capital Markets; Owen Metz, Mark Moorhouse and Paul Sween, Dominium; Keith Parker, Minnesota Regional DNR; Larry Peterson, Minnesota DNR, Retired, Fort Snelling; Douglas Schroeder, Minneapolis Building and Construction Trades Council; Owen Truesdell, Tunheim; Ben Wilson, Minnesota Department of Veteran Affairs

3. **Agenda Review.**
   Chair DeCramer announced that there were several changes to the agenda:
   1. Item 7.D: there was a corrected version of the 4% QAP self-scoring worksheet.
   2. Item 7.E: the Minnetonka Affordable Housing Board Report has been withdrawn at the request of the developer.
   3. Recommend that we pull Item 7.F: a request to Consider Waiver to the Agency Debt Management policy regarding Upper Post Flats and move this from an Action Item to a Discussion Item. The original plan was to vote on this action at today's meeting, but because board members were unable to tour the site beforehand, it was suggested that

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the item be discussed today and be included as an Action Item at the August meeting. This will allow time for tours prior to voting.

Motion: Auditor Otto moved the approval of the revised Agenda. Joe Johnson seconded the motion. Motion carries 6-0.

4. There are five visitors requesting to speak in regard to The Upper Post Flats agenda item. Agency policy requires board approval to allow speakers to take part in the meeting.
   Motion: Auditor Otto moved to approve the speakers. Joe Johnson seconded the motion.
5. Upper Post Flats was moved just ahead of the Consent Agenda to accommodate a board member leaving early.

4. Approval of the Minutes.

A. Special Meeting of June 14, 2017

B. Regular Meeting of June 22, 2017

Auditor Otto noted that Ramona Advani should be moved to "Members Present" since she was Rebecca Otto's designee at the June 14 Special Meeting.

Motion: Joe Johnson moved to approve both sets of minutes as amended. Seconded by Stephanie Klinzing. Motion carries 6-0.

5. Reports.

A. Chair

None.

B. Commissioner

Commissioner Tingerthal shared the following with the board:

- The Commissioner thanked LeAnne Tomera, the substitute board secretary filling in for Rachel Franco this week.
- The Commissioner noted that the Agency will be moving in September and today's board meeting is the last one at our current location. Our August meeting will take place at the Northwest Area Foundation, just across the river from downtown St. Paul on Plato Blvd. Both the 11:00 a.m. Finance and Audit Committee and the regular board meeting at 1:00 p.m. will take place at that location. Lunch will be served in between meetings.
- Due to the move, staff are trying to minimize the number of meetings in the upcoming weeks, particularly with external meetings, the week of Labor Day. The Agency is moving in waves over a series of three days. We will be the very first tenant to move into a building that is under major reconstruction. Staff has been taking construction tours of the space.
- This is a busy time of year for the Agency. We are reviewing 55 applications for Multifamily and 30+ applications for the Single Family RFP that will be coming to the board for decisions in October. We are also working on our Affordable Housing Plan (AHP) for next year. In early August, board members will get a draft copy of the AHP at the same time it becomes available for public comment. There will be a presentation

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of the AHP at the August board meeting. If there are signification comments, we will contact board members regarding a program committee meeting in early September and take action to adopt the plan at the September board meeting.

- If board members desire to tour Upper Post Flats, let LeAnne know, and we will work with the DNR to arrange it.
- Introduction of new employees:
    - Barb Sporlein introduced Kenatia Gilmer, Executive Assistant. Ms. Gilmer joined us on June 14 and is supporting the Planning and Administration teams.
    - John Patterson introduced Andee Holdener and Maia Uhrich. Ms. Holdener and Ms. Uhrich are working on research projects for the home buying patterns of millennials and households of color and comparing Minnesota's developer fee schedules to those in other states.
    - Dan Boomhower introduced Marcia Palacios-Pirkl. Ms. Palacios-Pirkl is doing an analysis of agency recruiting sources to see how effective they are.
    - Marcia Kaasa introduced Pa Yang and Long Xiong, high school student Interns from St. Paul Right Track. The student interns will be with the agency until August 18 completing a variety of tasks.
    - Marcia Kaasa introduced Amy Tho. Ms. Tho is an Administrative Assistant in our Single Family department. Ms. Thao previously worked at US Bank.
- The next board meeting is on August 31 and is one week later than usual due to the Audit.
- Commissioner Tingerthal welcomed Christie Eller; Deputy Attorney from the State Attorney General's office who was there representing the board. Ms. Tingerthal thanked Ms. Eller for being with us today.

Action Item 7.F is moved to a Discussion Item Regarding requested Conduit Bond Issuance for Upper Post Flats

Chair John DeCramer opened the comment period noting that board members would have opportunities for questions after each speaker or at the end of the presentation.

Commissioner, Myron Frans, Minnesota Management and Budget (MMB)

Commissioner Franz stated he was present at the request of Governor Dayton who had provided a letter endorsing the project to the chair and all the board members. Commissioner Frans indicated that he is available to take calls or meet at any time to provide additional information.

Mark Moorhouse and Owen Metz, Dominium

Mark Moorhouse stated that Dominium has been working on this project with the DNR for some time. Mr. Moorhouse noted that without seeing the site, it is hard to envision the whole scope and the rich history associated with it. He stated that the request to the board is for a commitment for allocation of $58M in tax exempt bonds in order to leverage 4% tax credits and the granting of necessary waivers to

get this project done. He provided a refresher on the development plan, which covers the 26 buildings that remain at the Upper Post and would provide 170 units of housing geared toward veterans.

Mr. Moorhouse stated the project is transportation friendly. In regard to the density of the development, there are 40 acres, with four units planned per acre. This provides a unique opportunity to provide large family housing. He recognizes the project comes off as very expensive project, but they view it in two parts: an affordable housing community and a historic redevelopment. When you look at it as two distinct situations, the costs come back in line.

Mr. Moorhouse stated that the board granted similar waivers for CommonBond's Upper Post project a few years ago and that on per square foot basis the cost would be similar. He stressed that the state is obligated to maintain this historic development as part of accepting it from the federal government as surplus land. Granting the request will leverage significant federal resources. Owen Metz commented that the project would fulfill a need for new affordable housing even though it isn't preservation. Mr. Moorhouse stated in summary he hoped the board would take the time and tour the project.

In response to a clarification from Auditor Otto, Mr. Moorhouse responded that the leveraged federal resources would be the Low Income Housing Tax Credits and the Federal Historic Tax Credits. Auditor Otto stated to Chair DeCramer that she has toured the site.

Joe Johnson commented that someone indicated the state is responsible for maintaining the property right now. He inquired about what the legislature has done to help this project. Mr. Metz responded that the bond request approaching $3M is to slow down the deterioration. The DNR has annually invested $250,000 to prevent further deterioration.

Erin Hanafin Berg, **Director of Policy and Services for the Preservation Alliance of Minnesota, a statewide non-profit organization**

Erin Hanafin Berg stated that the Preservation Alliance has a long history with Fort Snelling Upper Post, which has been vacant, underutilized and endangered for over 40 years. Ms. Hanafin Berg participated with a number of other stakeholders on a task force to try to find a way forward for this landmark site and listed some of the positive results from this work including the development of the Boy Scout base camp, CommonBond's creation of 58 units of supportive housing for veterans in five historic buildings, as well as an extensive exterior building stabilization work by the Hennepin County Sentence to Serve crews. Ms. Hanafin Berg stated Dominium's proposal demonstrates that housing at the Upper Post is not impossible and in many ways the site is ideally suited for this kind of reuse. She asked that the board consider the opportunity costs as well as the actual dollars of the funding request and to waive the policies that stand in the way of the project and allow Dominium's proposal to move forward.

Keith Parker, DNR

Keith Parker stated that he would like to emphasize that as a state we have a great opportunity, and he recognizes the great challenge to restore and reuse the Upper Post. He stated that the state spends

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about $250,000 a year just maintaining and stabilizing these buildings and stated this is probably the best proposal in over 20 years that would restore and reuse these buildings. Mr. Parker asked the board to reach out to his office to participate in a tour.

John Anifinson, National Park Service
John Anifinson discussed the historic importance of Fort Snelling to the whole state. For most of its history, the state didn't honor its responsibility to preserve and protect the site.

Doug Schroeder, Vice President from the Brick Layers Union for Dan McConnelly, Business Manager, Minneapolis Building and Construction Trade Council
Doug Schroeder is here on behalf of Dan McConnelly who was unable to attend the meeting due to a previous commitment. He read a letter prepared by Mr. McConnelly regarding Minneapolis Building and Construction Trades Counsel's support of Dominium's proposal to redevelop the historic Upper Post area of Fort Snelling.

Comment period ended and Chair DeCramer opened the floor for questions from the Board.
Chair DeCramer stated he struggles with this issue. He noted that the cost of the project was three times the predictive cost model, and he queried whether the project needed to include all the buildings. He also noted a full application has not yet been submitted and it is unknown if additional waivers may be needed.

Auditor Otto noted she and her husband used to do historic restorations. Ms. Otto stated that she has seen the property and the bones are generally still in good shape in most of the buildings. She questioned the large lift that was being asked of the Agency and charged the proponents to reach out to federal delegation for additional resources. She also noted the board has policies in place and duties under statute and an obligation to serve the entire state with limited resources. She noted her willingness to help with the federal delegation if there is a way for her to do.

Damaris Hollingsworth stated that as an architect, she can appreciate the historical value of those buildings. Ms. Hollingsworth stated that she is struggling with using resources for one project that could be used to serve 300 to 400 families and noted that this is an important project but at the expense to other families we could be serving.

Stephanie Klinzing stated that she is a historian and understands preservation. She noted however, that the focus of the Agency is housing. Ms. Klinzing also raised concerns regarding the size, scope and cost of the project.

Craig Klausing noted that there are compelling reasons for historic preservation but as a housing project he has not heard a compelling argument as to why the board would deviate from the policy regarding conduit bond financing.

Joe Johnson reiterated the challenge of encompassing both housing and preservation. Mr. Johnson is supportive of finding solutions but it would be hard to use the Agency's limited resources on this development.

Paul Sween, Dominium, made closing statements to the board. Mr. Sween suggested that the loss of resources to the Agency wasn't $58M, but only $1M, which is the amount of interest revenue the Agency would lose if it were to replace the $58M of tax-exempt debt with taxable debt for use in the Agency's Single Family mortgage program.

Commissioner Tingerthal ended the discussion reminding board members that the Upper Post proposal would come back to the board for a decision at the August 31 board meeting. Chair John DeCramer reminded board members to arrange a time to tour the Upper Post Flats with LeAnne.

6. Consent Agenda

A. National Housing Trust Fund 2017 Allocation Plan - Jessica Deegan

B. Extension of maturity and amendment of terms on a MHFA loan to Greater Metropolitan Housing Corporation - Kevin Carpenter

C. Amend Board Resolution for Family Homeless Prevention Program and Assistance award to correct a clerical error - Diane Elias

Motion: Joe Johnson moved the approval of all items on the Consent Agenda. Seconded by Craig Klausing. Motion carries 6-0.

7. Action Items

A. Approval/Motion, Affordable Housing Plan Amendments, Home Mortgage Programs, Deferred Payment Loan Program and Family Homeless Prevention and Assistance Program

Nicola Viana and John Patterson presented to the board the staff's request for additional funding for the Home Mortgage Program, Deferred Payment Loan program and Family Homeless Prevention and Assistance program under the 2017 Affordable Housing Plan.

Motion: Joe Johnson moved approval of the Affordable Housing Plan Amendments, Home Mortgage Programs, Deferred Payment Loan Program and Family Homeless Prevention and Assistance Program. Seconded by Auditor Otto. Motion carries 6-0

B. Approval, Family Homeless Prevention and Assistance Program (FHPAP), Landlord Risk Mitigation Fund (LRMF), Pilot Program Selections

Diane Elias presented to the board the staff's request to approve the funding selections for the LRMF Pilot Program.

Motion: Auditor Otto moved approval of the Family Homeless Prevention and Assistance Program (FHPAP), Landlord Risk Mitigation Fund (LRMF), Pilot Program Selections. Seconded by Stephanie Klinzing. Motion carries 6-0

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C. 2017 RFP Early Award Initiative – Dorothy Day, D7890

Paul Marzynski presented to the board the staff recommendation to adopt a resolution authorizing the issuance of a Housing Infrastructure Bonds Loan (HIB Loan) via the Housing Trust Fund program commitment in the amount of $13,475,837, subject to the review and approval of the Mortgagor, and the terms and conditions of Minnesota Housing's term letter.

Motion: Joe Johnson moved approval of the 2017 RFP Early Award Initiative – Dorothy Day Seconded by Damaris Hollingsworth. Motion carries 6-0

D. Approval, Qualified Allocation Plan (QAP) and Procedural Manual, 2019 Housing Tax Credit (HTC) Program

Devon Pohlman presented to the board the staff recommendation to adopt the 2019 Housing Tax Credit Qualified Allocation Plan (QAP), Procedural Manual, and Self-scoring Worksheet.

Motion: Joe Johnson moved approval of the Qualified Allocation Plan (QAP) and Procedural Manual, 2019 Housing Tax Credit (HTC) Program. Seconded by Craig Klausing. Motion carries 6-0

E. Minnetonka Affordable Housing, Minnetonka and Golden Valley, D3102

This item was pulled from agenda at the request of the developer

F. Request to Consider Waivers to Agency Debt Management Policy, Upper Post Flats, D7976

This item was moved to the top of the agenda.

8. Discussion Items

None.

9. Information Items

A. Post-Sale Report, Residential Housing Finance Bonds (RHFB) 2017 Series ABC

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:51 p.m.

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John DeCramer
Chair

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Item: Selection/Commitment, Housing Opportunities for Persons with AIDS (HOPWA) Renewal-Minnesota AIDS Project (D3621)

Staff Contact(s):
Elaine Vollbrecht, 651.296.9953, elaine.vollbrecht@state.mn.us

Request Type:
☒ Approval
☐ Motion
☒ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Minnesota Housing staff recommends the adoption of a resolution approving $169,929 for funding under the Housing Opportunities for Persons with AIDS Program (HOPWA) for the Minnesota AIDS Project (MAP).

Fiscal Impact:
Minnesota Housing will receive a fee of three percent ($5,255) for the administration of this program. The Agency anticipates receiving HOPWA formula funding for the state of Minnesota in the amount of $175,184. The recommended award is contingent upon receiving this funding.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Resolution

Minnesota Housing is the grantee for the HOPWA state of Minnesota formula funds, appropriated annually by the Department of Housing and Urban Development (HUD). HUD HOPWA funds are distributed under a statutory formula that is based on AIDS surveillance information (number of people living with HIV/AIDS) from the Centers for Disease Control and Prevention as well as other factors including the share of the state's population in poverty and local housing costs.

State HOPWA formula funds serve Greater Minnesota outside of the 13 county Eligible Metropolitan Statistical Area (EMSA), including two Wisconsin Counties. Low-income persons (at or below 80 percent of area median income (AMI)) who are medically diagnosed with HIV/AIDS, together with their families, are eligible to receive HOPWA assistance.

The amount allocated to Minnesota Housing for program use in FY 2018 is $175,184, of which $169,929 will be available for program funding. The remaining $5,255 is applied toward Agency administrative expenses. The Minnesota HIV Housing Coalition - comprised of advocates, representatives of government agencies, and HIV housing and service providers - has established the funding priorities for the HOPWA Program, which includes priority for the renewal and sustainability of existing programs. Due to the limited amount of funding, the opportunity to apply for these funds was open only to the current grantee, Minnesota AIDS Project (MAP). Minnesota Housing posted application materials in June 2017 and received an application from MAP requesting $169,929 to renew and administer the funds from October 1, 2017 to September 30, 2018.

MAP has administered HOPWA funds throughout Greater Minnesota since 2001, serving households in 50 of 76 Greater Minnesota counties in FY 2016. MAP works collaboratively with a variety of community organizations and receives referrals from the Rural AIDS Action Network (RAAN), Mayo HIV case management program, Minnesota AIDS Project's Duluth Case Management program, as well as local county social service providers. Funds are available to eligible persons as emergency assistance for short-term rent, mortgage and utility payments (STRMU). Due to the limited funding available, MAP distributes its emergency assistance through a lottery, based on referrals from the service providers, with restrictions on the funding amount and number of times the funding can be accessed by a given party. MAP assisted 177 households with STRMU in FY2016, with 82 percent of the assisted households at income levels below 50 percent AMI, and 54 percent of the assisted households at income levels below 30 percent AMI. In FY 2018, MAP anticipates the STRMU assistance serving approximately 150 individuals living with HIV/AIDS and their family members.

The number of individuals living with HIV in Greater Minnesota continues to increase. In addition, the costs of rent, mortgage payments and utilities continued to rise in the last year. Participants in Greater Minnesota often experience difficulty obtaining long-term rental subsidies, leaving households living with HIV/AIDS at risk for housing instability and homelessness. The STRMU program helps to mitigate these rising barriers.

Staff has completed its review of the proposal and recommends approval.

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

RESOLUTION NO. MHFA 17-

RESOLUTION APPROVING SELECTION/AUTHORIZATION TO FUND HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA) GRANT

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) has received an application to provide funds for a HOPWA Short-Term Rent, Mortgage and Utility (STRMU) emergency assistance program for low-income persons who are medically diagnosed with HIV/AIDS.

WHEREAS, Minnesota Housing staff has reviewed the request and determined that it is in compliance under the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the applications will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes Minnesota Housing staff, contingent upon receipt of the funding, to enter into a grant agreement using federal resources as set forth below, subject to changes allowable under the HUD HOPWA Program, upon the following conditions:

1. Minnesota Housing staff shall review and approve the grantee and the total recommended amount as indicated;

   Minnesota AIDS Project D3621 $ 169,929

2. The issuance of a grant agreement in form and substance acceptable to Minnesota Housing staff, and the closing of the individual grant shall occur no later than six months from the adoption date of this resolution; and

3. The sponsor and such other parties shall execute all such documents relating to said grant as Minnesota Housing, in its sole discretion, deems necessary.

Adopted this 31st day of August 2017

_____
CHAIRMAN

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Item: Selection/Commitment, Housing Trust Fund (HTF) Rental Assistance Grant Renewals

Staff Contact(s):
Elaine Vollbrecht, 651.296.9953, elaine.vollbrecht@state.mn.us

Request Type:
☒ Approval
☐ Motion
☒ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff requests adoption of the attached resolution authorizing $23,025,000 from the Housing Trust Fund (HTF) for rental assistance grants to continue to house 1,491 households from October 1, 2017 to September 30, 2019.

Fiscal Impact:
HTF is a state appropriated resource and committing these funds does not adversely impact Minnesota Housing's financial position. The state's biennial budget was approved by the Minnesota Legislature in June 2017 and included $23,292,000 for HTF base funding.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- 2017 HTF Rental Assistance Funding Recommendations
- Resolution

In April 2017, Minnesota Housing (Agency) notified current grantees with HTF rental assistance grants expiring on or before September 30, 2017, of the opportunity to apply for additional funding. Applications were due on May 31, 2017. The Agency received 56 applications requesting over $23.4 million in funding to provide rental assistance for 1,491 households. The balance of the appropriation remaining after the commitment of these recommendations is expected to be committed within the biennium for other programs funded through HTF, which may include rental assistance pilot programs or other existing programs.

HTF rental assistance serves families and individuals with incomes at or below 60 percent of the Area Median Income limits (AMI), with most at or below 30 percent AMI at initial occupancy, and those who are at risk of or experiencing homelessness or long-term homelessness. The programs also serve households of color, single headed households and persons with disabilities. Some grantees administer multiple programs serving different populations. The grants recommended are administered by 39 organizations (local housing agencies and non-profits), with some grantees managing multiple program focuses. Recommended funding to these organizations will assist households with rental subsidies across 68 Minnesota counties and seven tribal nations.

Through the renewal application, some grantees requested to serve fewer or additional households than they previously served. Based on the Agency priority to prevent and end homelessness and its commitment to Minnesota's Plan to Prevent and End Homelessness, our recommendations maintain the current number of assisted households to the extent possible. This has been achieved by redistributing opportunities in order to provide ongoing housing support to households served by grantees that did not apply for funding, or to leverage additional service funds received by grantees. In recent years, most appropriated HTF resources have been used to sustain the current level of the Agency's rental assistance commitments in accordance with Minnesota Housing's Affordable Housing Plan (AHP).

Minnesota Housing staff reviewed the applications, applying the following criteria:

- Alignment with the mission of the Agency
- Compliance with Agency Statutes and Rules
- Financial feasibility, market and organizational capacity
- The extent to which proposals meet Agency funding priorities
- Performance of the rental assistance grantee, including timely utilization of funds, reporting, and success in reaching goals and objectives described in their application
- Risk assessment of non-profit organizations

Geographic Distribution and Population Served:

- 69 percent of the housing opportunities recommended are in the metro area
- 31 percent are in greater Minnesota
- 77 percent of households will have experienced long-term homelessness
- 59 percent of households will be families with children, including youth families with head of household aged 18-24

In FY16, HTF rental assistance:

- Served 1,722 households including 2,496 minor children
- 65 percent of households served were households of color or Hispanic ethnicity

- 3.4 percent of households served were seniors
- Average annual income was $9,186
- Average monthly rental subsidy per household was $604

Program Administration
The HTF Rental Assistance Program is designed to be flexible so grantees can select the subsidy structure that best fits the needs of their population. For example, some programs follow the Section 8 model in which the subsidy offered is the difference between 30 percent of the household's income and the contract rent. Other programs have opted to offer a subsidy cap in which a maximum amount, either flat or based on number of bedrooms in the unit, is offered to offset the rental expenses. Other variations in the program include: population served; programs may exclusively target households experiencing long term homelessness; and/or households with a particular household composition. The household composition impacts the grant budget as do household income source, geographic location and local housing market conditions.

Program Trends
Each current grantee has experienced a set of unique circumstances that have influenced their performance, number of households served, and funds utilized. The following provides some examples:

Change in Household Targeting

- Two grantees elected not to reapply for funding, but the 98 households they were funded to serve will continue to receive assistance through other HTF grantees.
- Four grantees requested funding for fewer households resulting in a total of 40 fewer households. Reasons include sizing the request to lower utilization due to limited housing availability, and reduction in service funding.
- One Re-Entry Pilot grantee chose not to reapply, for a loss of 2 households.
- Five grantees applied for funding to serve 103 additional households.

Overall, the net effect will be 37 fewer households served than in the previous year.

Grant Utilization
Most applicants described difficulties in accessing eligible housing. Due to low vacancy rates, landlords in general are less willing to accept rental vouchers or persons with barriers to housing stability, or they are less willing to meet required physical standards. Rent levels above the local payment standard also present a challenge. Applicants described a variety of efforts to increase landlord participation, including development of relationships with landlords, ensuring response to behavioral or rental issues, and offering landlord education about the funding source and expectations.

Re-Entry Pilot
This year, Re-Entry Pilot programs providing temporary rental assistance for persons exiting a Minnesota correctional facility were given the opportunity to apply for ongoing funding on a biennial basis. Current grants for the Re-Entry Pilot expire December 31, 2017, and grantees will use those funds until that time. Funding recommendations for the biennium took this into consideration. The recommendations for the Re-Entry Pilot programs are reflected in the tables at the end of this report.

Future Considerations
The decrease in targeted households and grant utilization difficulties are a concern. During the next biennium, Minnesota Housing will explore ways to utilize HTF to increase access to housing and will continue to align with other partners and funding sources to continue efforts to effectively prevent and end homelessness.

Funding Analysis and Recommendations
Funding requests were evaluated and recommendations are based on:

- actual and projected costs
- current and projected utilization
- reasonableness of the request

As a result of this analysis, 25 of the funding requests were recommended as requested, rounded to the nearest thousand. The remaining 31 requests were adjusted based on the factors noted above.

2017-2019 HTF RENTAL ASSISTANCE FUNDING RECOMMENDATIONS					
METRO					
TENANT-BASED RENTAL ASSISTANCE		**HOUSEHOLDS**		**FUNDING**	
APPLICANT/PROGRAM	**LTH**	**REQUEST**	**RECOMMEND**	**REQUEST**	**RECOMMEND**
Amherst Wilder Foundation/Roof Program	X	7	7	$ 152,880	$ 153,000
Carver County CDA/HTF		13	13	$ 172,512	$ 175,000
Catholic Charities/Rental Subsidy Program	X	72	72	$ 967,197	$ 968,000
Clare Housing/Project Cornerstone	X	18	18	$ 368,514	$ 365,000
Dakota County CDA/HTF		23	23	$ 401,304	$ 402,000
Dakota County CDA/LTH	X	23	23	$ 376,464	$ 375,000
Hearth Connection/HTF		41	41	$ 839,206	$ 820,000
Hearth Connection/Metro Region	X	167	167	$ 3,209,682	$ 3,200,000
Lutheran Social Service of MN/HTF		25	25	$ 381,824	$ 380,000
Lutheran Social Service of MN/Journey Homes	X	38	38	$ 825,142	$ 825,000
Lutheran Social Service of MN/LTH	X	24	24	$ 314,571	$ 315,000
MHR/Ramsey ACT/TCM Program	X	73	73	$ 1,058,780	$ 1,050,000
Metropolitan HRA/RAAC		54	54	$ 563,760	$ 555,000
Neighborhood House/ESFC Program	X	12	12	$ 276,300	$ 265,000
RADIAS Health/Anoka Housing Assistance Program	X	45	45	$ 610,245	$ 610,000
RADIAS Health/Police Homeless Outreach Program	X	32	32	$ 513,024	$ 510,000
Simpson Housing Services/HTF		37	37	$ 501,666	$ 502,000
Simpson Housing Services/Women's Housing Partnership	X	46	46	$ 634,452	$ 635,000
St. Stephen's/Combo		35	35	$ 898,812	$ 899,000
St. Stephen's/ELTH	X	10	10	$ 152,040	$ 152,000
St. Stephen's/HTF	X	27	27	$ 498,888	$ 499,000
St. Stephen's/LTH	X	18	18	$ 325,434	$ 325,000
St. Stephen's/STRONG	X	50	50	$ 969,380	$ 940,000
YWCA St. Paul/LTH	X	13	13	$ 273,000	$ 273,000
Subtotal - Metro TBRA		**903**	**903**	**$ 15,285,077**	**$ 15,193,000**
RE-ENTRY PROGRAMS		**HOUSEHOLDS**		**FUNDING**	
APPLICANT/PROGRAM	**LTH**	**REQUEST**	**RECOMMEND**	**REQUEST**	**RECOMMEND**
Scott County CDA		2	2	$ 29,254	$ 26,000
Ujamaa Place		12	12	$ 138,396	$ 95,000
Subtotal – Metro Re-Entry Programs		**14**	**14**	**$ 167,650**	**$ 121,000**

SPONSOR-BASED RENTAL ASSISTANCE		HOUSEHOLDS		FUNDING	
APPLICANT/DEVELOPMENT	**LTH**	**REQUEST**	**RECOMMEND**	**REQUEST**	**RECOMMEND**
Amherst Wilder Foundation/Minnesota Place	X	10	10	$ 76,800	$ 66,000
Beacon/Audubon Crossings	X	4	4	$ 54,000	$ 50,000
Commonbond/Vicksburg Commons	X	4	4	$ 32,432	$ 33,000
Emerge/Camden Apartments	X	10	10	$ 260,073	$ 255,000
Hope Community, Inc./The Wellstone	X	4	4	$ 5,000	$ 5,000
IPTF/Maynidowahdak Odena		10	10	$ 240,000	$ 238,000
Jeremiah Program/St. Paul Campus	X	4	4	$ 82,279	$ 80,000
Lutheran Social Service of MN/Cedarview Commons and Rivertown Commons	X	20	20	$ 351,240	$ 350,000
Project for Pride in Living, Inc./Heading Home PPL	X	16	16	$ 416,217	$ 416,000
RADIAS Health/Crane Ordway	X	14	14	$ 146,160	$ 146,000
Vail Place/Louisiana Court	X	18	18	$ 308,637	$ 308,000
Subtotal - Metro SBRA		**114**	**114**	**$ 1,972,838**	**$ 1,947,000**
TOTAL METRO		**1031**	**1031**	**$ 17,425,565**	**$ 17,261,000**

2017-2019 HTF RENTAL ASSISTANCE FUNDING RECOMMENDATIONS

GREATER MINNESOTA

TENANT-BASED RENTAL ASSISTANCE		HOUSEHOLDS		FUNDING	
APPLICANT/PROGRAM	**LTH**	**REQUEST**	**RECOMMEND**	**REQUEST**	**RECOMMEND**
Bi-CAP/LTH		75	75	$ 1,071,000	$ 1,050,000
Bi-CAP/HTF RAP	X	30	30	$ 295,200	$ 275,000
Clay County HRA/Homeless to Housed	X	55	55	$ 792,000	$ 792,000
Hearth Connection/Southern Region		44	44	$ 676,408	$ 610,000
Hearth Connection/Northeast Region	X	90	90	$ 1,466,502	$ 1,430,000
Mahube-Otwa Community Council/LTH	X	48	48	$ 600,744	$ 600,000
Olmsted County HRA/T-RAP		18	18	$ 192,240	$ 182,000
Red Lake Homeless Shelter Inc./LTH	X	14	14	$ 180,432	$ 180,000
South Central MN Multi-County HRA/HTF		30	30	$ 197,532	$ 198,000
Southwest MN Housing Partnership/LTH	X	7	7	$ 88,988	$ 89,000
Subtotal - Greater Minnesota TBRA		**411**	**411**	$ 5,561,046	$ 5,406,000

RE-ENTRY PROGRAMS		HOUSEHOLDS		FUNDING	
APPLICANT/PROGRAM	**LTH**	**REQUEST**	**RECOMMEND**	**REQUEST**	**RECOMMEND**
HRA of Bemidji		10	10	$ 83,010	$ 69,000
Itasca County HRA		7	7	$ 103,155	$ 90,000
Subtotal – Greater Minnesota Re-Entry Programs		**17**	**17**	**$ 186,165**	**$ 159,000**

SPONSOR-BASED RENTAL ASSISTANCE		HOUSEHOLDS		FUNDING	
APPLICANT/DEVELOPMENT	LTH	REQUEST	RECOMMEND	REQUEST	RECOMMEND
Central MN Housing Partnership	X	4	4	$ 7,500	$ 6,000
Churches United in Ministry/Fire House Flats	X	4	4	$ 16,704	$ 10,000
D.W. Jones Management /River Rock	X	6	6	$ 70,500	$ 70,000
Family Promise	X	4	4	$ 27,264	$ 15,000
New Pathways, Inc./Normandy Townhomes	X	6	6	$ 87,144	$ 70,000
The Salvation Army /Twin Cities	X	4	4	$ 13,000	$ 13,000
The Salvation Army /Twin Cities	X	4	4	$ 15,400	$ 15,000
Subtotal - Greater Minnesota SBRA		**32**	**32**	**$ 237,512**	**$ 199,000**
TOTAL GREATER MINNESOTA		**460**	**460**	**$ 5,984,723**	**$ 5,764,000**
2017-2019 HTF RENTAL ASSISTANCE FUNDING RECOMMENDATIONS					
TOTAL STATEWIDE					
TOTAL STATEWIDE		**1491**	**1491**	**$ 23,410,288**	**$ 23,025,000**
METRO RECOMMENDATIONS		**1031**	**1031**	**$ 17,425,565**	**$ 17,261,000**
GREATER MINNESOTA RECOMMENDATIONS		**460**	**460**	**$ 5,984,723**	**$ 5,764,000**

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

RESOLUTION NO. MHFA 17-

RESOLUTION APPROVING SELECTION/AUTHORIZATION TO HOUSING TRUST FUND (HTF) RENTAL ASSISTANCE GRANT RENEWALS

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) has received applications to provide rental assistance for families and individuals who are low income, near homeless, homeless or long-term homeless; and

WHEREAS, Minnesota Housing staff has reviewed the request and determined that it is in compliance under the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the applications will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the board hereby authorizes Minnesota Housing staff to enter into grant amendments using state resources and in compliance with applicable statutes and regulations as set forth, subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

1. Minnesota Housing staff shall review and approve the grantees and the total recommended amounts as indicated;

FMF Housing/Beacon Interfaith Housing Collaborative – Audubon Crossings	D5895	$	50,000
Bi-County Community Action Program	D3562	$	275,000
Bi-County Community Action Program LTH	D2211	$	1,050,000
Carver County CDA	D1971	$	175,000
Catholic Charities	D4041	$	968,000
Central Minnesota Housing Partnership – Grand Oaks	D4082	$	6,000
Churches United in Ministry – Fire House Flats	D6699	$	10,000
Clare Housing – Project Cornerstone	D5883	$	365,000
Clay County – Homeless to Housed	D5967	$	792,000
CommonBond Communities – Vicksburg Commons	D3874	$	33,000

Dakota County CDA	D3541	$	402,000
Dakota County CDA – LTH	D3541	$	375,000
Emerge Community Development – Camden Apartments	D3903	$	255,000
Family Promise – Cascade Creek	D6353	$	15,000
Hearth Connection	D3557	$	820,000
Hearth Connection – Metro Region	D5479	$	3,200,000
Hearth Connection – Northeast Region	D5480	$	1,430,000
Hearth Connection – Southern Region	D5478	$	610,000
Hope Community, Inc. – The Wellstone	D3863	$	5,000
HRA of Bemidji	D4616	$	69,000
Indigenous Peoples Task Force – Maynidoowahdak Odena	D2151	$	238,000
Itasca County HRA	D7683	$	90,000
The Jeremiah Program – St. Paul Campus	D4073	$	80,000
D.W. Jones Management, Inc. – River Rock Townhomes	D5208	$	70,000
Lutheran Social Service	D3910	$	380,000
Lutheran Social Service – LTH	D3910	$	315,000
Lutheran Social Service – Journey Homes	D3910	$	825,000
Lutheran Social Service – Cedarview Commons and Rivertown Commons	D3589	$	350,000
Mahube-Otwa Community Council	D2022	$	600,000
Mental Health Resources – Ramsey County ACT/TCM LTH Program	D6280	$	1,050,000
Metro HRA – Rental Assistance in Anoka County (RAAC)	D3537	$	555,000
Neighborhood House – East Side Housing Opportunity Program	D3865	$	265,000

New Pathways, Inc. – Normandy Townhomes	D6253	$	70,000
Olmsted HRA – Transitional Rental Assistance Program	D3533	$	182,000
Project for Pride In Living – Heading Home PPL	D6194	$	416,000
RADIUS Health – Anoka Housing Assistance Program	D2217	$	610,000
RADIUS Health – Crane Ordway	D3813	$	146,000
RADIUS Health – Police Housing Outreach Project	D5528	$	510,000
Red Lake Homeless Shelter, Inc.	D6232	$	180,000
The Salvation Army – The Crossing at Big Lake Station	D5900	$	15,000
The Salvation Army – The Depot at Elk River Station	D6339	$	13,000
Scott County CDA	D3534	$	26,000
Simpson Housing Services, Inc.	D1937	$	502,000
Simpson Housing Services, Inc. – WHP	D5893	$	635,000
South Central Minnesota Multi County HRA	D3558	$	198,000
Southwest Minnesota Housing Partnership	D5899	$	89,000
St. Stephen's Human Services – Hennepin County Combo	D3747	$	899,000
St. Stephen's Human Services – HTF	D3747	$	499,000
St. Stephen's Human Services – LTH	D3747	$	325,000
St. Stephen's Human Services – ELTH	D3747	$	152,000
St. Stephen's Human Services – STRONG	D3747	$	940,000
Ujamaa Place	D8024	$	95,000
Vail Place – Louisiana Court Homeless Project	D1838	$	308,000
Amherst H. Wilder Foundation – The ROOF Project	D3859	$	153,000
Amherst H. Wilder Foundation – Minnesota Place	D5960	$	$66,000
YWCA of St. Paul – LTH	D3875	$	273,000

2. The issuance of grant agreements in form and substance acceptable to Minnesota Housing staff, and the closing of the individual grant shall occur no later than six months from the adoption date of this resolution; and

3. The grantees shall execute all such documents relating to said grant as Minnesota Housing, in its sole discretion, deems necessary.

Adopted this 31st day of August 2017

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CHAIRMAN

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Board Agenda Item: 6.C
Date: 8/31/2017

Item: Amendments to Agreements between Minnesota Housing and Habitat for Humanity of Minnesota

Staff Contact(s):
Tal Anderson, tal.anderson@state.mn.us, 651-296-2198
Matt Dieveney, matthew.dieveney@state.mn.us, 651-282-2577

Request Type:

☒ Approval
☐ Motion
☐ Resolution

☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff recommends temporarily reducing the interest rate of two loans to Habitat for Humanity of Minnesota (Hab-MN). The interest rates would be reduced to 1% and 0%, respectively, for three years. Both loans are funded from Pool 3 and currently bear interest rates of 2%. The combined outstanding principal balance is currently about $3 million.

Fiscal Impact:
The proposed loan modifications would reduce the Agency interest income from $1.09 million to $960,000 over the remaining lives of the two loans.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background

Background:
From 2001 through 2016, the Agency had been lending $2 million per year to Hab-MN, which then lent the funds to local Habitat for Humanity affiliates across Minnesota to fund 0% mortgages for Habitat homeowners.

In September 2016, the Agency's Mortgage Credit Committee and Board of Directors approved redirection of this $2 million of annual funding to affiliate Twin Cities Habitat for Humanity (TCHFH) for a period of four years. TCHFH has developed a new funding model that it believes will be more sustainable and will leverage the Agency's investment to attract private capital investments in mortgages for Habitat homeowners.

Over the past five years, TCHFH was responsible for 83% of the borrowing from Agency funds provided to Hab-MN and has now ceased any new borrowing. With TCHFH embarking on a new funding model, Hab-MN will continue to look at program and lending strategies that best serve the entire state.

The proposed interest rate modifications will help Hab-MN cover its administrative costs as it responds to decreased revenue resulting from decreased new borrowing activity. No loan principal would be forgiven, but the Agency's interest income would be reduced by a combined $132,000 over the lives of the two loans.

Item: Amendment to Agreement between Minnesota Housing and Northcountry Cooperative Foundation

Staff Contact(s):
Nira Ly, 651.296.6345, nira.ly@state.mn.us

Request Type:
☒ Approval
☒ Motion
☐ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff recommends amending Minnesota Housing's Agreement with the Northcountry Cooperative Foundation (NCF) to expand the eligible activity that it may implement under the Workforce and Affordable Homeownership Development Program. The activity expansion will allow NCF to use awarded funds to replace water mains at the Zumbro Ridge Estates manufactured home park.

Fiscal Impact:
None.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background

Background:
Minnesota Housing received a one-time $750,000 appropriation by the Minnesota legislature in the 2016 supplemental budget for the Workforce and Affordable Homeownership Development Program (the Program). Northcountry Cooperative Foundation (NCF) was approved to receive $335,000 under the Program at the April 2017 Agency board meeting. The funding was awarded to NCF to connect Zumbro Ridge Estates, a manufactured home park, to the City of Rochester's sewer system.

An engineering firm recently completed an examination of the condition and infrastructure of Zumbro Ridge Estates. The engineer found that water mains connecting to 14 lots are made of copper and cast iron and will need to be replaced with PVC pipes within the next two years. The engineer's report was completed after applications for the Program were due, which is why the water main replacement was not originally included as an activity under NCF's proposal.

A resident-owned cooperative has been established and is currently in the process of purchasing Zumbro Ridge Estates. One of the outstanding issues is permanent financing from project lenders for the purchase of the manufactured home park. Project lenders have expressed concern about the useful life of Zumbro Ridge Estate's infrastructure, including the water mains. These concerns have affected underwriting and delayed project lenders' decisions on permanent financing. As a result, NCF requested that the agency expand the eligible activity under the Program to include replacement of the water mains.

Staff Recommendation
Staff recommends amending Minnesota Housing's Agreement with NCF to expand its eligible activity under the Program to include the replacement of the water mains that connect to the 14 lots. Project lenders' permanent financing is essential to enable residents to purchase Zumbro Estate Estates. Replacement of the water mains will reassure project lenders about the long-term useful life of the water mains and will move the resident-purchase forward.

A portion of the Program funds will be set aside for the connection to the City of Rochester's sewer system. The City has applied for grant funding from the Minnesota Pollution Control Agency (MPCA) for the sewer connection. It is confident that it will receive funding from the MPCA although final funding decisions will not be made until early 2019. Funding from the MPCA is expected to cover the majority of the costs related to the sewer connection.

Minnesota Housing Finance Agency

Board Agenda Item: 7.A
Date: 8/31/2017

Item: Request for Waivers to Agency Debt Management Policy, Upper Post Flats, D7976

Staff Contact(s):
Ryan Baumtrog
Kevin Carpenter

Request Type:
☒ Approval
☒ Motion
☐ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
The developer of the Upper Post Flats project, Dominium, LLC, is requesting the Board to waive several requirements of the Agency's Debt Management Policy to allow its request for the issuance of conduit tax-exempt private activity bonds for the project to construct 176 units of affordable housing.

Fiscal Impact:
Issuance of tax-exempt bonds from the Agency's entitlement bond volume cap is a critically important resource in providing capital to finance the Agency's affordable housing programs. Using approximately $58 million of the limited private activity bond volume cap resource for a single conduit bond issuance would likely cause a significant loss of authority and flexibility for the Agency to operate its broad array of priority programs now and into the future.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
Background
Board Report for Agenda Item 7.F of July 27, 2017 Board Meeting with the following attachments:
- Background
- Agency Debt Management Policy
- Board Report for Agenda Item 8.A of March 23, 2017 Board Meeting
- Minutes of March 23, 2017 Board Meeting
- Debt Management Policy Board Report for April 5, 2017 Special Board Meeting
- Minutes of April 5, 2017 Special Board Meeting
- July 12, 2017 Letter from the Governor to Board Members

Written Comments for Upper Post Landing Provided at July 27, 2017 Board Meeting
Materials Submitted by Other Entities for Inclusion with this Board Report:
- August 23, 2017 Materials and Cover Memorandum from Dominium
- August 23, 2017 Letter from Commissioner Franz, MMB, to Board Members
- August 21, 2017 Letter from Commissioner Shellito, MDVA, to Board Members
- August 1, 2017 Letter from Charles D. Liddy, Miller Dunwiddie

Background
As stated in last month's Board report, the Agency's Debt Management Policy emphasizes that a goal of the Agency is to raise capital for its programs at the lowest overall cost. In support of this goal, tax-exempt bonding authority is a valuable resource and use of bonding authority for conduit debt issuance is generally not in the best interest of the Agency. For that reason, as stated under Section 1.09 of the Agency's Debt Management Policy, eleven threshold conditions must be present in order for conduit bonds to be issued. Dominium is requesting the issuance of approximately $58 million in conduit bonds which would require the Board to waive at least three threshold conditions.

The threshold conditions that require waivers are that: (1) the issuance is for preservation of affordable rental units; (2) significant barriers to issuance of bonds by another government issuer exist; and (3) the conduit bond issuance does not cause a significant loss of bonding authority available to Minnesota Housing to operate priority programs.

A description of the circumstances and these specific threshold conditions was presented in last month's Board report. As stated in that Board report, staff had significant reservations about the project's ability to meet those threshold conditions. Staff continues to have those reservations and would like to highlight several points.

1. **Minnesota Housing policy mirrors state policy with a strong policy preference for preserving existing affordable rental units.**

   - Minn. Stat. § 462A.05, sub. 13 requires the Agency "to prefer those housing projects that are federally subsidized and those loans which are federally insured or guaranteed, to the extent that the agency finds such projects and loans to be available at the times and in the amounts needed to meet the shortage of residential housing for persons and families of low and moderate income."
   - Minnesota Housing's statutory requirement mirrors the state's preference for preservation projects set forth in the bonding allocation statute (Minn. Stat.474A.061, subd.2a). That statute requires Minnesota Management and Budget to give first priority to awards of bonding authority from the Housing Pool for eligible residential rental projects to projects that preserve existing federally-subsidized housing.

   Using Agency resources for preservation also serves to preserve scarce federal resources for affordable housing. For instance, if a 176-unit project-based Section 8 property were converted to market rate or allowed to deteriorate, this would result in the loss of approximately $15.7 million (on a present value basis) in federal rent subsidies over the typical 20-year contract period. Using Agency resources to preserve such properties serves to retain such federal resources that would otherwise be lost.

2. **Given the high costs of the Upper Post Flats project (176 units at $600,000 per unit), this project does not produce enough rental units that meet agency priorities to justify the amount of volume cap requested ($58 million).**

   Minnesota Housing uses private activity bonds to finance several types of rental housing including: preservation of federally-assisted housing, permanent supportive housing for people with disabilities or who have experienced homelessness and new construction affordable family housing (including

workforce housing in Greater Minnesota). The Agency has developed an estimate of the number of rental units that could be produced using $58 million in bonds if they were not used for the Upper Post Flats project. All of these housing types can and do house veterans, including some with specific veteran preference policies.

The Agency used the Predictive Cost model and project characteristics similar to the Upper Post Flats project (location, number of units, bedroom size and mix, building style, square footage) to determine an equivalent cost per unit for each of these types of housing. Based on federal requirements and experience with other projects, the Agency used an estimate that private activity bonds would provide 50% of the total development costs. These estimates are shown here:

- Preservation of federally-assisted housing – Using $186,000 per unit as an estimate, $58 million in bonds could preserve 620 units, ensuring the federal subsidies that provide deep rental assistance are preserved and providing housing for very low income residents.

- Supportive housing – Using $265,000 per unit, $58 million in bonds could create 435 units of deeply affordable housing for those individuals, families and youth experiencing homelessness.

- New Construction Family Housing – Using $235,000 per unit as an estimate, $58 million in bonds could create 490 units of affordable housing for individuals and families at or below 60% area median income.

Since the Agency typically allocates resources to a variety of projects in any year, a combined analysis is probably most accurate. If the Agency allocated 1/3 of the $58 million in bonding authority to each of these strategic priorities, the Agency would be able to finance at total of 520 units of rental housing, of which 310 units would likely be new construction (145 units of supportive housing and 165 units of new construction family housing) and 210 units of preservation.

In the 2017 RFP proposals currently under review, the Agency received requests for over $123 million in bonding authority for nearly 1,400 units in multifamily requests and the Agency will be making difficult trade-offs among of these strategic priorities. The Agency expects the demand for these resources to increase over the next several years.

2. **Financing home ownership programs not only meets a critical policy goal but also provides long term sustainable funding for all Agency programs, including multifamily development.**

- Financing single family mortgage programs on the Agency's balance sheet produces a significant amount of income that is used to provide down payment and closing cost assistance for first time home buyers, as well as providing reliable future funding for rental and other Agency programs
- Using a portion of the Agency's entitlement allocation of bonding authority for financing single family mortgage programs is a critically important resource to leverage and blend with taxable bonds and other resources to maximize future financial resources for all the Agency's programs and operations, and has been publicly recognized by rating agencies as a sound strategy.

- Since 2011, more than 4,600 low to moderate income households of color ($52,184 average household income) have become homeowners using the Agency's mortgage programs, including a significant amount of down payment and closing cost assistance. A household wanting to rent a 3-bedroom unit at the Upper Post project would need an annual income of $53,520 to pay the proposed $1,338 monthly rent.

If the Board decides to grant the waivers it must then also decide whether to grant the necessary waiver to the Agency's predictive cost model in order to grant a conditional commitment of bonding authority from the Agency's entitlement allocation. Federal statute requires that Minnesota Housing, as the state's designated allocating agency for housing tax credits, determine the reasonableness of costs for any property to which it allocates tax credits. As stated in last month's Board report, the current estimated total development cost of the project is approximately $600,000 per unit which is nearly triple the Agency's predictive cost model cost of $208,000 per unit.

Minnesota Housing Finance Agency

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Equal Opportunity Housing and Equal Opportunity Employment

- Board Report for Agenda Item 7.F of July 27, 2017 Board Meeting with the following attachments:
    - Background
    - Agency Debt Management Policy
    - Board Report for Agenda Item 8.A of March 23, 2017 Board Meeting
    - Minutes of March 23, 2017 Board Meeting
    - Debt Management Policy Board Report for April 5, 2017 Special Board Meeting
    - Minutes of April 5, 2017 Special Board Meeting
    - July 12, 2017 Letter from the Governor to Board Members

Minnesota Housing Finance Agency

Board Agenda Item: 7.F
Date: 7/27/2017

Item: Request to Consider Waivers to Agency Debt Management Policy, Upper Post Flats, D7976

Staff Contact(s):
Ryan Baumtrog
Kevin Carpenter
Wes Butler

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
The prospective developer of the Upper Post Flats project has requested Agency staff to ask the Board, whether the Board would consider certain waivers to the Agency's Debt Management Policy that would allow for the processing of the developer's request for the issuance of conduit tax-exempt private activity bonds for the project.

Fiscal Impact:
Issuance of tax-exempt bonds from the Agency's entitlement bond volume cap is a critically important resource in providing capital to finance the Agency's affordable housing programs. Using approximately $58 million of the limited private activity bond volume cap resource for a single conduit bond issuance would likely cause a significant loss of authority and flexibility for the Agency to operate its broad array of priority programs now and into the future.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Agency Debt Management Policy
- Board Report for Agenda Item 8.A of March 23, 2017 Board Meeting
- Minutes of March 23, 2017 Board Meeting
- Debt Management Policy Board Report for April 5, 2017 Special Board Meeting
- Minutes of April 5, 2017 Special Board Meeting
- July 12, 2017 Letter from the Governor to Board Members

Background

The subject of this memorandum involves a potential issuance of conduit bonds. As stated in the Agency's Debt Management Policy (copy attached), a goal of the Agency is to raise capital for its programs at the lowest overall cost. In support of this goal, the policy notes that tax-exempt bonding authority is a valuable resource and that the use of bonding authority for conduit debt issuance is generally not in the best interest of the Agency. For that reason, as stated under Section 1.09 of the Agency's Debt Management Policy, eleven threshold conditions must be present in order for staff to recommend a conduit bond issue to the Board.

In September 2016, Minnesota Housing staff received a request, in the form of a partial application, from Dominium, LLC ("Dominium") for the Agency to issue approximately $58 million in conduit tax-exempt private activity bonds for Dominium's proposed Upper Post Flats development. In order for the Agency to proceed with that request, it appears that at least three of the conduit bond threshold conditions in the Debt Management Policy would have to be waived.

The usual process for requests for conduit bond issuance is for staff to review a proposed project's complete application and, when warranted, recommend that the Board authorize the issuance of conduit bonds for the project. Such recommendation would be made only if staff is satisfied that the eleven threshold conditions for issuing conduit bonds are met or, if not, that a waiver of one or more particular threshold conditions is justified. The proposed Upper Post Flats project presents an unusual situation since staff is not in a position to request that conduit bonds be issued due to not having a complete application, but even if it had a complete application, it does not believe waivers would be warranted. However, Dominium has requested that staff present the potential waiver matter for consideration by the Board so that they can determine whether or not to continue working with the Department of Natural Resources on the development.

The threshold conditions that appear likely to require waivers are that: (1) the issuance is for preservation of affordable rental units; (2) significant barriers to issuance of bonds by another government issuer exist; and (3) the conduit bond issuance does not cause a significant loss of bonding authority available to Minnesota Housing to operate priority programs.

A description of the circumstances and these specific threshold conditions was presented to the Board in the attached Board Report dated March 23, 2017 (Agenda Item 8.A) at pages 66 and 67. Staff continues to have significant reservations about the project's ability to meet those threshold conditions:

- **Threshold Condition:** ***"The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan."***
  This project proposes the adaptive reuse of historic buildings that have been vacant for an extended period of time. Therefore, because there is no federal rental assistance at risk, and no existing affordable rental units to preserve, the project does not meet the criteria of being a project for the preservation of affordable rental units.

- **Threshold Condition:** ***"Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult."***
  Staff is unaware of a reason that the developer could not request that Hennepin County submit application for an allocation of private activity bonds from the state housing pool, or the unified pool, at MMB. The project is located in an unincorporated area of Hennepin County. Because of the current competitive environment for volume cap allocations from either state pool, and because the project does not qualify as a project that preserves affordable rental units (which are given preferences and priority in the allocation in statute), it is uncertain whether such an application would result in an allocation of bonding authority.

- **Threshold Condition:** ***"Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency."***
  In the current environment, the dwindling and limited amount of the Agency's entitlement bond volume cap is constraining the Agency's ability to use tax exempt bonds to finance a wide variety of projects and our programs. Because this environment is expected to intensify in the future, using approximately $58 million of this volume cap for a single project that produces roughly 200 units of affordable rental housing is likely to limit our ability to finance more rental units as well as finance and fund other programs from all areas of the Agency.

The March 23, 2017 Board Report also raised additional staff concerns, which could become an issue if this project were to move forward, including that the current estimated total development cost of approximately $600,000 per unit is nearly triple the Agency's predictive cost model cost of $208,000 per unit.

At the Board's March 23, 2017 meeting the Board received comments from the DNR, Dominium and other parties supporting the project who had requested the opportunity to make comments. At that Board meeting, the Board asked several questions of the presenters, but did not discuss the matter. Attached are the minutes of that meeting.

On April 5, 2017 the Board held a Special Board meeting to discuss the Agency's Debt Management Policy. The Board discussed the reasons conduit debt issuance is generally not in the best financial interest of the Agency as well as the threshold requirement that an eligible project must preserve existing affordable rental units. Attached are the minutes of that meeting as well as staff's Board Report.

The Governor submitted a letter dated July 12, 2017 (attached) to Board members expressing support for the project and urging the Board to grant the necessary waivers.

The Board is asked to determine whether it is inclined to consider the required waivers to the Agency's Debt Management Policy for this project. If the Board is not willing to consider such waivers, staff will cease processing the application. If the Board is willing to consider the waivers, staff would work with Dominium to prepare a presentation of the project application. At the time of such future presentation,

the Board would be asked to consider approval or denial of the waivers and to consider approval or denial of a conditional commitment of bonding authority from the Agency's entitlement allocation.

Policy 1 – Debt Management

Adopted: 02/22/ 1996
Amended 07/24/2003; 12/05/2008; 07/23/2009; 05/22/2014; 05/28/2015; 07/23/2015

The goal of Minnesota Housing (the "Agency") is to raise capital for its programs at the lowest overall cost. The Agency will take into consideration desired mortgage rates and the need to maintain asset and debt management flexibility while carefully managing risk.

To achieve this, the Agency will:

1. Establish long-range financial objectives as set forth in Section 1.01. These objectives may change in response to economic and other factors.
2. Establish an Affordable Housing Plan that sets forth specific financing objectives for a one to two year period. This plan may be adjusted due to economic and other factors.
3. Maintain a debt management policy that provides for optimum access to capital markets and broad distribution capabilities, both horizontally (geographically) and vertically (both institutional and retail investors).

Agency staff will monitor these plans and the policy and recommend changes when appropriate based on results of the Risk Based Capital Study and other circumstances.

1.01 Long Range Financial Objectives

The long-range financial objectives are as follows:

- Maximize the spread between loan rates and cost of capital, where possible, in order to maximize future capital available for the Housing Investment and Housing Affordability Funds.
- Maintain program flexibility.
- Effectively manage risk so as to minimize the potential of calling upon the Agency's general obligation or the State's moral obligation pledge.
- Maintain the Agency's Aa1/AA+ general obligation credit ratings.
- Maintain the current level of credit ratings for each bond resolution.

1.02 Finance Team

The Agency will maintain a team of finance professionals consisting of internal and external experts for the purpose of managing its borrowing activities. The team will include investment bankers, bond counsel, underwriter's counsel, in-house counsel, a financial advisor, and Agency finance staff. Staff may recommend to the Board the addition of finance team members based on needs of specific financings.

1.03 Planning and Structuring Bond Issues

When capital is needed for program funding or for debt management purposes, the finance team will review the financing alternatives in accordance with this policy and determine whether bonds should be issued or other sources of external capital raised. Any proposed financing will be reviewed to determine the best method of accessing the financial markets to achieve the goal of issuing debt at the lowest overall interest rates and costs.

1.04 Annual Capital Needs Planning

The finance team will meet annually to review proposed capital needs and timing for the calendar year. The timing of bond sales will be based primarily upon housing program needs, but other market and tax compliance factors will also be taken into consideration. Staff will communicate the results of the planning session to the Board.

1.05 Procedures for Each Bond Issue

The finance team will recommend to the board a financing approach best suited to the current set of circumstances and consistent with the Agency's desire to issue debt at the lowest overall possible interest rates and costs while managing risks and maintaining the maximum flexibility for asset and debt management. Staff will decide how to proceed from among the recommended approaches. The rationale underlying any financing decision will be included in staff's comments to the Board at the time the Board's approval for a specific bond sale is requested.

Before each financing, the finance team will review the immediate capital and/or refunding needs, market conditions, proposed bond structure(s), merits of a negotiated, competitive or privately placed bond issue and expense guidelines. Gross spread will be finalized prior to the commencement of the order period.

Before pricing a debt offering, the financial advisor will provide the Agency with summary information and its recommendations with regard to all pertinent aspects of the financing. For negotiated issues, the pricing will generally be handled by a conference call including Agency staff, the financial advisor and the underwriters. The Chief Financial Officer, in consultation with the Commissioner, will have primary responsibility for making pricing determinations. A formal post-sale analysis will be prepared by the financial advisor and reviewed with the Board within approximately 45 days of the Board's approval of the bond issue. The post-sale analysis should include sufficient information to permit the Board to judge the performance of the investment bankers. If an offering is marketed by negotiated sale, the management fee paid should reflect reimbursement for services rendered on the particular issue in progress and for uncompensated services rendered since the last issue, if any.

1.06 Short-Term Financing Needs

From time to time, depending on conditions in the bond market and the availability of liquid funds to the Agency, it may be necessary for the Agency to borrow money on a short-term basis from a bank or other financial institution or corporation to provide sufficient liquidity for

Agency program and other operational needs. Staff is authorized to determine the need and feasibility of such short-term borrowing, in consultation with the Agency's financial advisor. The Chief Financial Officer is authorized to cause the Agency to enter into any such short-term borrowing arrangement upon consultation with the Commissioner, the Finance Director and the Agency's financial advisor, in a principal amount, at an interest rate and for a term (not exceeding 18 months) that the Chief Financial Officer determines is sufficient for the Agency's needs and financially feasible.

Any such borrowing may be secured by collateral comprising mortgage loans or other assets of the Agency to be specifically pledged thereto, but may not be secured by the general obligation of the Agency or be evidenced by a bond or note, unless approved by resolution of the Board. The Chief Financial Officer is authorized, upon consultation with the Commissioner, the Finance Director and the Agency's financial advisor, to cause the Agency to renew or extend any such short-term borrowing if circumstances then warrant. No more than $150,000,000 in principal amount of such borrowings may be outstanding at any one time, unless approved by resolution of the Board. The Agency shall count the outstanding principal amount of any such borrowings against the debt limit set forth in Minnesota Statutes, Section 462A.22, as amended.

1.07 Debt Issuance Review

The results of the Agency's debt issuance and the performance of the investment bankers will be reviewed by the Board on no less than a biannual basis. The Agency's financial advisor will prepare the report in cooperation with Agency staff.

1.08 Variable Rate Debt and Interest Rate Swap Management

The Agency may elect to issue variable-rate debt when issuing fixed-rate debt results in a cost of capital that would result in mortgage interest rates, which could not be effectively lent to borrowers of low and moderate incomes or to developers of rental properties for low and moderate-income renters. The Agency generally lends at fixed rates, which creates the potential for a mismatch between its cost of capital and its revenues. In order to manage the mismatch, interest rate swaps may be utilized. An interest rate swap is a financial agreement in which two parties agree over a fixed period of time on a stated notional principal amount to exchange interest payments, one based on a variable interest rate and the other a fixed rate. Interest rate swaps will be structured to synthetically achieve a fixed-rate cost of capital that is less than can be achieved by issuing traditional fixed-rate debt.

Authorization. For purposes of authorization, all swap transactions shall go through the same process as bond financings including review by the Agency's finance team, which includes at a minimum bond counsel and appropriate external financial advisors and formal approval by the Agency's Board. Minnesota Statutes Section 462A.105 authorizes the Agency to enter into interest rate swaps, referred to in statute as interest rate exchange agreements. The Agency's Board approved a resolution in April 2003 authorizing staff to enter into interest rate swaps and in May 2003 approved a resolution amending the Residential Housing Finance Bonds Resolution to allow for the effective administration of interest rate swaps. Interest rate swaps will be utilized in connection with a bond resolution and will be approved with the bond series

resolution to which the swap applies. When and if replacement swaps are needed, they will be approved by a resolution of the Agency's Board.

Goals for Swap Transactions. Swap transactions will be used as part of a strategy to use variable-rate debt to reduce the Agency's overall cost of funds. Swap transactions will not be used for speculative purposes. The Agency acknowledges that synthetically fixing the cost of funds by use of interest rate swaps mitigates, but does not eliminate, interest rate risk due to risks factors described in the Risk Analysis section of Board Policy 1.08.

Relationship to Assets. Swap transactions will be entered into based on analysis that staff determines is adequate to indicate an expected positive impact on the Agency's ability to manage its underlying assets and liabilities. The term and structure of any swap agreement should bear a logical relationship to a specific pool of assets and the underlying liabilities financing the assets.

Risk Analysis. Before making a final decision to proceed with a swap transaction, the Agency shall analyze the risks, costs, and benefits associated with interest rate swaps to ensure that a proper and well-informed decision is being made. Specific risks that should be analyzed and understood are:

- Amortization. Amortization risk represents the cost to the Agency of paying interest on debt or making swap payments due to a mismatch between the amounts outstanding of the variable rate liabilities and the notional amount of the swap.
- Basis. Basis risk represents the potential difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract.
- Tax. Tax risk represents a risk that may arise due to a change in the tax code which creates or exacerbates a difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract
- Counterparty. Counterparty risk is the risk that the swap transaction provider will not fulfill its obligations as specified in the swap contract.
- Termination. Termination risk represents the risk that the swap contract could be terminated by the counterparty due to various events including downgrade, covenant defaults, payment defaults or other default events specified by the contract or Resolution.
- Rollover. Rollover risk is the risk that the swap contract is not coterminous with the variable rate liabilities creating the possibility that a replacement contract will be either unavailable or at terms disadvantageous to the Agency.
- Liquidity. Liquidity risk is the risk that the back-up liquidity facilities required by certain types of variable rate debt will not available or financially viable in the future resulting in the need to call the debt or refund it into fixed rate debt thus creating an un-hedged swap position. Liquidity risk exists with the form of variable rate debt known as Variable Rate Demand Obligations (VRDOs). VRDOs are remarketed regularly and the

risk exists that there may be an insufficient market to purchase all or some of the bonds on any given remarketing date. To mitigate this risk, a liquidity provider is engaged to purchase unremarketed bonds at a higher rate than could be achieved under a remarketing and with the expectation that the bonds will be repaid on an accelerated timetable. Additional risk exists in that the term of the VRDOs is generally longer than the term of any related liquidity facility agreement, which requires that the issuer periodically engage replacement liquidity providers during the term of the debt. Potential exists for there being available no entity willing to provide the service at an acceptable cost.

- Rating Agency Criteria Risk. This risk exists because the credit rating agencies may periodically change their criteria for maintaining credit ratings over the term of the variable rate debt, which may impact the cost of the variable rate debt or impose additional duties or restrictions on the Agency to maintain ratings.

Risk Mitigation. In addition to utilizing interest rate swaps to mitigate the interest rate risk associated with issuing variable-rate debt, the Agency will seek to employ other risk mitigation techniques, either from the outset of a variable rate bond issue or at any stress point during the life of the issue, and will seek to incorporate relevant optionality in any agreements entered into in connection with the debt. Examples of such techniques include but are not limited to: the option to modify the interest rate mode among variable rate alternatives or from variable to fixed; options to terminate the swap at par and at market under certain scenarios acceptable to the Agency; selection of the type of variable rate debt issued and its ability to be called at par; maintaining appropriate levels of liquidity to exercise available options; appropriate managerial oversight of the performance of the variable-rate bond issues and their related swaps; diversification among counterparties and liquidity providers.

Credit Quality. Any swap transaction entered into by the Agency shall be with a swap provider whose long term debt obligations, or whose obligations under a swap are fully covered by a swap facility whose long term debt obligations are (1) rated at least "Aa3" in the case of Moody's Investors Service, "AA-" in the case of Standard & Poor's Corporation, or the equivalent thereto in the case of any other rating agency and sufficient to maintain any existing rating of the Agency's long term debt and/or (2) secured by a pledge of investment obligations with the ratings and in amounts sufficient to achieve the ratings levels described in this section.

Appropriate Review. Swap transactions will be submitted to the rating agencies for their review along with all appropriate supporting documents prior to the Agency entering into any agreements. There will be procedures established for the ongoing review and management of swap transactions including regular reporting to the Board. In addition to this general Plan, rating agencies will be provided with a summary of each swap transaction in accord with their respective policies.

1.09 Conduit Debt

For purposes of this section, a "conduit bond issue" is a bond issue in which the obligation of the Agency as issuer to pay principal of and interest on the bonds is limited to the payments it

receives from a private third-party borrower under a loan or lease agreement relating to revenues derived from the facilities financed or other assets of the third-party borrower.

Tax-exempt bonding authority is a valuable means of producing revenue because it enables the Agency to operate lending programs of a size far in excess of its own resources. It is therefore acknowledged that the use of bonding authority for conduit debt issuance is generally not in the best financial interest of the Agency. From time to time and under certain conditions, use of tax-exempt bonding authority for conduit issuance may be desirable to meet state housing needs and may be considered. The following threshold conditions should be present in order for staff to recommend a conduit bond issue:

- Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency.
- The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan.
- Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult.
- The Agency has determined not to issue bonds secured by the Agency's general or limited obligation for the project to be financed.
- The Agency assumes no initial or continuing disclosure obligations in connection with the conduit issue.
- The Agency assumes no financial obligation in connection with the conduit issue.
- If publicly offered, the debt is expected to be rated in one of the two highest long-term rating categories by at least one nationally recognized rating agency acceptable to the Agency and, if applicable, the highest short-term rating category by at least one nationally recognized rating agency.
- If privately placed, repayment of the debt must, in the judgment of the Agency and based on information from the Agency's financial consultant, be financially feasible.
- The Agency's bond counsel must be utilized.
- All costs of issuance, maintenance and payment of the bond issue, including all Agency out-of-pocket expenses and fees and disbursements of bond counsel and the Agency's financial consultant, if any, must be paid by the borrower or, if available therefore, may be paid from proceeds of the bonds.
- Administrative fees to be paid to the Agency as issuer will not be less than, subject to arbitrage restrictions, the sum of (1) an upfront fee of 50 basis points times the original principal amount of the bonds, plus (2) an on-going fee payable semiannually equal to the greater of (a) one-half of 10 basis points applied to the then outstanding principal amount of the bonds or (b) a minimum amount to be established for the bond issue.

Additional Guidelines. Investment bankers and/or placement agents other than the Agency's bankers and financial advisors may be utilized without implying any appointment to the Agency's board-selected banking and financial advisory team. The Agency's investment bankers or financial advisors may act as financial consultant to the Agency or perform other functions for the Agency in connection with the conduit bond issue.

Results of marketing conduit bond issues are not subject to Sections 1.03, 1.04 or 1.05 of this Debt Management Policy, including requirements for formal post-sale analysis by the Agency's financial advisor, nor are they includable in the biannual investment banker review required in Section VII even if the conduit issue's investment banker is currently appointed to the Agency's banking team.

1.10 Policy on Request for Proposals

A request for proposal will be issued every four years for the Agency's financial advisor and investment bankers. Requests for proposal for financial advisor will be solicited in different years than those for investment bankers unless an early contract termination occurs.

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Board Agenda Item: 8.A
Date: 3/23/2017

Item: Discussion Regarding Requested Conduit Bond Issuance for Upper Post Flats, D7976

Staff Contact(s):
Mary Tingerthal, 651.296.5738, mary.tingerthal@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☒ Information

Summary of Request:
Agency staff has reviewed a partially complete application for the proposed issuance of conduit bonds by the Agency from its entitlement bond volume cap allocation. Staff requests feedback from the Board regarding several items that would need to be considered by the Board if a complete application for this project was processed.

Fiscal Impact:
Issuance of tax-exempt bonds from the Agency's entitlement bond volume cap is a critically important resource in providing capital to finance the Agency's affordable housing programs.

Meeting Agency Priorities:

☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background
- Development Summary

Background

In September, 2016 Minnesota Housing staff received a request for the Agency to issue tax-exempt private activity bonds, using the Agency's entitlement authority, for this development. Upper Post Flats is a $100 million redevelopment proposal by Dominium to restore 26 historic buildings, located on the Fort Snelling Upper Post, into 176 rental apartments. The rental units would be affordable to households at 60% of the area median income. The Fort Snelling Upper Post is currently owned by the Minnesota Department of Natural Resources (DNR), which has sought proposals for redevelopment of the site on two occasions. In 2015 following the second such request for proposals (RFP), the DNR selected Dominium as the potential developer of the site based on their proposal to convert all of the buildings on the site to affordable housing through the use of tax exempt bonds, 4% housing tax credits and both state and federal historic tax credits. Minnesota Housing was unaware of the RFP and of the selection of Dominium to develop housing on the site until the selection was publicly announced.

Dominium has requested that the Agency issue a total of approximately $58 million in bonds ($18,000,000 in long term tax-exempt and $40,000,000 in short term tax exempt bonds) which would be used to fund mortgages provided by a third party mortgage lender. The use of tax exempt bonds would make the development eligible to apply for 4% Low Income Housing Tax Credits. The application indicates that these credits are anticipated to generate approximately $44,500,000 in syndication proceeds. The total amount of bonds needed for the project would depend on the final costs of the project.

In addition to the bond funded loans and proceeds from the tax credits requested from Minnesota Housing, the project proposes to apply for federal and state historic tax credits, which are anticipated to generate approximately $33,000,000 in syndication proceeds.

Staff initially processed this application as a full request for conduit bond issuance and requested that the developer submit items that are required for such a request. During the review it became apparent that staff had significant concerns regarding the project. The DNR and the developer requested that Minnesota Housing staff discuss these concerns about the proposed project with the Board before requiring the developer to incur significant costs for items necessary to process a complete application, such as an appraisal and completion of environmental studies. Staff has determined that the project does not meet several threshold conditions of the Agency's debt management policy that are required for staff to recommend a conduit bond issue. These threshold conditions are as follows:

- Threshold Condition: "The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan."
  This project proposes the adaptive reuse of historic buildings that have been vacant for an extended period of time. Therefore, because there is no federal rental assistance at risk if this project is not pursued, the project does not meet the criteria of being a preservation project.

- Threshold Condition: "Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult."
  Staff knows of no reason that the developer could not request that Hennepin County submit application for an allocation of private activity bonds from the state housing pool at MMB. The project is located in an unincorporated area of Hennepin County. Because of the current

competitive environment for allocations from the State housing pool, it is uncertain whether such an application would result in an allocation of bonding authority.

- Threshold Condition: "Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency." In the current competitive environment for the Agency's entitlement bond volume cap, using approximately $58 million of this volume cap for a single project may constrain the Agency's ability to finance and fund other programs from all areas of the Agency.

In addition to these three specific items contained in the debt management policy, staff is concerned that the estimated Total Development Cost (TDC) per unit for this project is $593,273 per unit. The predictive model estimate for this project is $208,201 per unit. This comparatively low amount reflects the fact that there is no land cost or acquisition cost included in the estimates because the Minnesota Department of Natural Resources (DNR) anticipates conveying the property to the developer under a long-term lease at no cost to the project.

It is important to note that the issues outlined here are based on information provided for a partial application. Agency staff is particularly cautious about the fact that environmental assessments and historic preservation requirements for state and federal approval have not yet been completed, and that these, as well as other items, could increase costs further.

Staff requests that the Board discuss both the items that relate to potential waivers from the Agency's debt management policy and also concerns regarding project costs, and provide feedback on these matters that would need to be considered by the Board if a complete application for this project was processed.

DEVELOPMENT SUMMARY

DEVELOPMENT:

D7976

Name: Upper Post Flats App#: M17519
Address: 67 Taylor Avenue, Fort Snelling, MN 55111
City: Fort Snelling County: Hennepin Region: Metro

MORTGAGOR:

Ownership Entity: Fort Snelling Leased Housing Associates I, LLLP
General Partner/Principals: Fort Snelling Leased Housing Associates I, LLC

DEVELOPMENT TEAM:

General Contractor: TBD
Architect: BKV Group
Attorney: Winthrop & Weinstine, Minneapolis
Management Company: Dominium Management Services, LLC
Service Provider: NA

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORD-ABILITY*
1BR	58	900	$ 966	$ 966	$ 38,640
1BR	2	1,100	$ 966	$ 966	$ 38,640
2BR	75	1,100	$ 1,159	$ 1,159	$ 46,360
2BR	2	1,300	$ 1,159	$ 1,159	$ 46,360
3BR	1	1,100	$ 1,338	$ 1,338	$ 53,520
3BR	13	1,100	$ 1,338	$ 1,338	$ 53,520
3BR	1	1,300	$ 1,338	$ 1,338	$ 53,520
4BR	1	1,400	$ 1,494	$ 1,494	$ 59,760
4BR	23	1,300	$ 1,494	$ 1,494	$ 59,760
TOTAL	176				

*The 3 & 4 bedroom units are above payment standards.

Target Population:
The project is a general-occupancy property and will serve families earning 60% or less of the Area Median Income. There will be a priority preference given to military veterans who apply to live at the property in the form of moving veteran's applications to the top of the list for prospective residents.

Physical and Technical Review:
Upper Post Flats is for the historic preservation and adaptive reuse of the 26 historic buildings known as the Upper Post in Fort Snelling, MN. The State of Minnesota deeded the land to the Minnesota Department of Natural Resources in 1971, and through the use of a long term land lease, Dominium intends to gain effective ownership to construct the proposed project.

The development includes a mix of one-, two-, three-, and four-bedroom units in 26 buildings, which vary from one to three stories, and include walkup, duplex, elevator and one building that contains a single unit. Proposed gross rents range from $966 for a one-bedroom unit to $1,494 for a four-bedroom unit.

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	$ 104,416,062	$ 593,273
Acquisition or Refinance Cost	$ 0	$ 0
Gross Construction Cost	$ 75,978,784	$ 431,698
Soft Costs (excluding Reserves)	$ 27,482,170	$ 156,148
Reserves	$ 955,108	$ 5,427
Non-Agency Sources		
Freddie Mac Tax Exempt Loan	$ 18,080,000	$ 102,727
Housing Tax Credit Syndication Proceeds	$ 44,569,826	$ 253,238
Federal Historic TC Syndication Proceeds	$ 16,954,362	$ 96,332
State Historic TC Syndication Proceeds	$ 16,718,884	$ 94,994
Imputed Interest on Equity	$ 236,498	$ 1,344
Deferred Developer Fee	$ 7,856,492	$ 44,639
Total Non-Agency Sources	$ 104,416,062	$ 593,273

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, March 23, 2017
1:00 p.m.
State Street Conference Room – First Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
Chair John DeCramer called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:03 p.m.

2. **Roll Call.**
Members present: John DeCramer, Joe Johnson, Craig Klausing, Rebecca Otto, Stephanie Klinzing, and Terri Thao.
Minnesota Housing staff present: Gene Aho, Ryan Baumtrog, Dan Boomhower, Wes Butler, Kevin Carpenter, Erin Coons, Jessica Deegan, Rachel Franco, Anne Heitlinger, Darryl Henchen, Krissi Hoffmann, Margaret Kaplan, Kasey Kier, Tresa Larkin, Diana Lund, Nira Ly, Paul Marzynski, Eric Mattson, Kim McAfee, Tom O'Hern, John Patterson, Lauren Phillippi, Devon Pohlman, Caryn Polito, Ester Robards, Irene Ruiz-Briseno, Megan Ryan, Danielle Salus, Joel Salzer, Becky Schack, Terry Schwartz, Nancy Slattsveen, Barb Sporlein, Mike Thomas, Susan Thompson, Will Thompson, Mary Tingerthal, LeAnne Tomera, Katie Topinka, Ted Tulashie, Elaine Vollbrecht, Karin Wilbricht, Jennifer Wille.
Others present: John Anfinson, National Park Service; Owen Metz, Eric Omdahl, Mark Moorhouse, Paul Sween, Dominium; Mary Lu Seidel, National Trust for Historic Preservation; Laura Janke, RBC Capital Markets; Paul Rebholz, Wells Fargo; Chip Halbach, Minnesota Housing Partnership; John Rocker, Deb Flannery, Greater Minnesota Housing Fund; Chris Flannery, Melanie Lien, Piper Jaffray; David Kelliher, Minnesota Historical Society; John Herman, Herman Advisors; Erik Berg, Preservation Alliance of Minnesota; Tom Landwehr, Minnesota Department of Revenue; Cara Letofsky, Met Council and Hennepin Historic Trust; Kyle Markarios, Carpenters Union; Ramona Advani, Office of the State Auditor.

3. **Agenda Review**
Chair DeCramer announced there were no changes to the agenda.

4. **Approval of the Minutes.**
A. Regular Meeting of February 23, 2017
Stephanie Klinzing moved approval of the minutes as written. Terri Thao seconded the motion. Motion carries 6-0.

5. **Reports**
A. Chair
Chair DeCramer announced that a number of people had requested to speak to the board. In keeping with the board policies, that needs to be approved by the board. Members have been provided information regarding these requests. Auditor Otto moved to allow the members of the public to address the board. Joe Johnson seconded the motion. Chair DeCramer stated his intent was to provide two minutes per person or 24 minutes of time total for members of the public to

address the board. Chair DeCramer clarified that time spent answering questions from the board would not be counted in the allotment for speaking.

B. Commissioner

Commissioner Tingerthal reported the following:

- The legislative session continues to be a work in progress.
- The date of the May meeting has been changed to Wednesday, May 24 and there would also be a committee meeting that day to meet with the auditors.
- The Agency has executed a lease on new office space. The current lease expires on August 31. A dual track process to explore renovation in place as well as alternate sites was explored. This process was in partnership with the Department of Administration. Four proposals were received and the fourth floor of the former Macy's building has been selected. The August board meeting will be not be at the Agency offices due to the move.

The following employee introductions were made:

- Darlene Zangara introduced Diane Doolittle. Ms. Doolittle joined the Olmstead Implementation Office as a project manager. Ms. Doolittle was previously employed with Minneapolis Public Schools and General Mills working in project management.
- Wes Butler introduced Lauren Phillippi. Ms. Phillippi joined the Multifamily Division as an administrative assistant and was previously a listing and sales coordinator with a real estate sales company.

C. Committee

None.

6. Consent Agenda

A. New Initiative, Community Fix Up Loan (CFUL) Program, Lake Elmo Bank

B. Proposed Revisions to the 2017 Single Family Request for Proposals Scoring Criteria

MOTION: Joe Johnson moved approval of the consent agenda. Terri Thao seconded the motion. Motion carries 6-0.

7. Action Items

A. Approval, Bridges Program Guide Changes

Elaine Vollbrecht requested approval of changes to the Bridges program guide. Elaine Vollbrecht described the Bridges program, which supports persons with mental illness to live in integrated settings within the community through housing subsidies. Priority for the subsidies are given to those who are exiting institutions or who are experiencing homelessness. Agency staff worked collaboratively with staff from the Department of Human Services on the requested changes, which have a minor fiscal impact. Major changes included the following: Priority given to recipients referred through coordinated entry; application fees are now eligible uses of fund, and the incorporation of Bridges RTC guidelines.

Stephanie Klinzing inquired about the waiting list priorities and how homelessness is defined for the program. Elaine Vollbrecht responded that the assessment conducted through Coordinated Entry would be used to assess homelessness, adding that Coordinated Entry uses a score to determine the housing needs of an individual. Commissioner Tingerthal added that Coordinated Entry is a more comprehensive tool which takes in to account factors beyond whether someone has experienced homelessness in the past year. Commissioner Tingerthal added that the supportive piece of

permanent supportive housing serves varying levels of need and resources for supportive housing are very scare. The assessment tool helps to target those scarce resources in order to both help those most in need of supportive services and housing assistance and to ensure the right level of services and assistance is provided.

Stephanie Klinzing responded that she believed this assessment would do a better job of honing in on the combination of issues faced. Elaine Vollbrecht added that local housing agencies will also have some latitude in the referral list and other factors to be considered.

John DeCramer requested more information about the replacement of the Ending Long Term Homelessness Initiative Fund (ELHIF) resources. Commissioner Tingerthal responded that the board had in the early 2000s established an initiative that was funded by Pool 3. Since that time, state appropriations to the Bridges program have increased, allowing a consistent level of funding for the Bridges program while Pool 3 resources have grown scarce. Commissioner Tingerthal added that part of the reason for the increase in state appropriations was because the Bridges program is critical to the state's Olmstead Plan because the Bridges program targets people with serious mental illness who are leaving institutions. **MOTION:** Auditor Otto moved approval of the changes to the Bridges program guide. Joe Johnson seconded the motion. Motion carries 6-0.

8. Discussion Items

A. Discussion Regarding Requested Conduit Bond Issuance for Upper Post Flats, D7976

Chair DeCramer reminded the board that this was a discussion item only and not a decision-making point. The board would hear information from the public and an allotment of time is being provided for presentations and questions. The following individuals addressed the board:

Commissioner Tom Landwehr, Minnesota Department of Natural Resources

Commissioner Landwehr provided a handout and shared the history of the Upper Post site. Commissioner Landwehr stated that the Dominium housing proposal was the received during a second RFP for uses of the site, whose redevelopment presents a unique opportunity to create a neighborhood that is close to many natural amenities as well as jobs. Commissioner Landwehr stated that failure to redevelop the site would be a loss of historic significance and black mark on the state and asked that the Board consider approving bonds to fund the development.

Auditor Otto stated the property was extraordinary, and added that bonding is a very constrained resource for which there is a lot of demand. Auditor Otto inquired if the state legislature or the Federal delegation has been approached for resources. Commissioner Landwehr responded that DNR in the past requested $4 million in bonding to make infrastructure improvements to the site and it has been a struggle. Commissioner Landwehr also stated that, because the site was conveyed by the Federal government, obtaining financial resources for its redevelopment may also be a struggle. Auditor Otto stated the congressional delegation should be excited about the project and should be able to get support if the site is considered a national treasure that should be preserved and suggested that Commissioner Landwehr approach the congressional delegation. Commissioner Landwehr responded that the delegation has been approached about a particular funding stream and to inform them of the project and its potential use of tax credits, but they had received no responses.

John Anfinson, National Park Service
John Anfinson described the National Park Service and stated that Fort Snelling is a national treasure and is the most important historic site in Minnesota. John Anfinson described some of the history of the site as well as the conveyance of the site and struggles with obtaining the financial resources to protect the site and the buildings on the site. John Anfinson stated that the decision to provide resources is important because it will allow the use of historic preservation credits and will save a national treasure.

Peter McLaughlin, Hennepin County Commissioner
Commissioner McLaughlin stated that Hennepin County is the local government of record of the unincorporated territory in with the Upper Post is located. Commissioner McLaughlin described partnerships that had been formed to help stabilize some of the buildings on the site and the investments needed to get the buildings back to a proper use. Commissioner McLaughlin described the Dominium proposal as very viable, stating Hennepin County feels this is an important development and urged the Board to work with partners to bring affordable housing to the site.

Terri Thao inquired if a land use study had been completed and housing was found to be the only choice for land use. Commissioner McLaughlin stated other uses considered included a charter school and air guard museum. The study was open to many uses, and people had many ideas but without money. Commissioner McLaughlin stated the Dominium proposal was the only solid proposal received.
Stephanie Klinzing inquired what would happen if nothing was done with the site. Commissioner McLaughlin responded that money would need to be found to invest in stabilization to keep the buildings from falling down. Commissioner McLaughlin added that the combination of federal and state historic tax credits are very lucrative and there is a danger that those credits may go away, resulting in a higher cost to redevelop the site.

Cara Letofsky, Metropolitan Council and Hennepin History Museum
Cara Letofsky stated she knew the importance of affordable housing and how people having a place to call home helps them to meet the needs in the other parts of their lives, stating the multiple bedroom units in the proposal provide a needed housing resource. Cara Letofksy stated the site is historically significant both in the state and nationally and is in bad straights. Local jurisdictions have worked together and determined the Dominium proposal to be the best project to save the site and bring the buildings to modern use.

David Kelliher, Minnesota Historical Society
David Kelliher provided a letter to the Board and stated that state agencies have a responsibility under statute to protect the physical features and characteristics of places on the register of historic places. David Kelliher added that, through the provision of state and federal tax credits, there is participation from governments in recognition of the importance of the structures on the site and the public contribution to preserve them recognizes a public good for community identity.

Kyle Markarios, Carpenters Union
Kyle Markarios stated the tax credits will not last forever and stated there are not many buildings around where the work lasts for centuries, stating that the buildings on the site are a memorial to predecessors. Kyle Markarois stated that an investment would honor the

legacy of those who built the site and it would be an honor for tradespersons to do the work that would allow the buildings to be back in use.

Mary Lu Seidel, National Trust for Historic Preservation
Mary Lu Seidel stated the site was made a National Treasure in April, 2016, and is considered one of the 11 most-endangered historic sites, and has had significant government resources invested to prevent further decay. Mary Lu Seidel complimented the DNR for their stewardship of the site and said that seasonal changes will continue to have a negative impact on the buildings until they are occupied and regulated. Mary Lu Seidel stated she had seen Dominium's work around the region and encouraged funding of the proposal to create quality affordable housing on a site that is unique and nationally significant.

Paul Sween and Owen Metz, Dominium
Owen Metz spoke to the Board about the cost per unit of the proposal, stating the Upper Post costs should not be compared with the SRO housing that is also located on the historic site. Owen Metz stated the cost per square foot for the Dominium proposal and funding the project would be a good policy investment deserving of a waiver. Owen Metz also stated the project is very low density with access to large amounts of open space. Owen Metz acknowledged that bonding is a scarce resource, but stated that, with the leveraging, Dominium feels allocating bonds is a smart move.
Paul Sween stated that Dominium was requesting an allocation of bonds that historically had gone unused and the scarcity is a new situation. Paul Sween stated the Upper Post project is more affordable than a project on the historic site previously funded. Paul Sween invited the Board to tour the site, stating that, when completed, will be park-like and provide access to jobs.

John Herman, Herman Advisors
John Herman stated that he had spent his career working on matters related to housing and has been consulting with DNR on the Dominium proposal. John Herman described the work to date on the site, including emergency bonding for repairs, legislative approval of a long-term lease, and working with the federal government and others to allow the site to be used for a purpose other than a park. John Herman stated he recognized a significant amount of bond cap would be needed in order to receive low-income housing tax credits, but would also leverage an unusually large amount of those tax credits, as well as historic credits from both the state and federal government. John Herman also addressed project costs, stating the family housing intended for the site results in higher per-unit costs. John Herman stated the project's public and recreational opportunity is of significant value and there were no known impediments in proceeding with the project.

John DeCramer made comments to the board, stating this was a discussion and, based on general procedures for the board, a very unique situation to have allowed the group to speak. John DeCramer added that the typical process is for an application to be submitted for staff review and the board is given a recommendation regarding funding by staff. At this point, a completed application has not been received, which is in part why the discussion is taking place; there are significant development costs that need to be spent in order to submit a complete application. John DeCramer reiterated that the board may ask questions for clarification, but would not be making a decision, in part because there are other parties who may have a different point of view from whom

the board has not heard. Any decision regarding moving the proposal forward would occur at a future meeting.

Commissioner Tingerthal provided a clarification regarding bonding authority, stating that Minnesota Housing must be the issuer of its entitlement bonding authority and the only action the board can take regarding the Dominium proposal is to vote to issue conduit bonds; there is not authority that Minnesota Housing can allocate to the project. Commissioner Tingerthal acknowledged that it sounds like a technicality, but felt it was necessary for all parties to understand Minnesota Housing has been put in an unprecedented position where it is being asked to think about a project that is not yet before it and the project has unusually large pre-development costs that must be absorbed somewhere.

Discussion item. No action.

9. Informational Items

A. Post-Sale Report, Homeownership Finance Bonds 2017 Series AB

B. Report of Complaints Received by Agency or Chief Risk Office

Informational items. No action.

10. Other Business

None.

11. Adjournment.

The meeting was adjourned at 1:38 p.m.

John DeCramer
Chair

Special Board Agenda Item: 3
Date: 4/5/2017

Item: Debt Management Policy

Staff Contact(s):
Tom O'Hern, 651.296.9796, tom.o'hern@state.mn.us

Request Type:

☐ Approval
☐ Motion
☐ Resolution

☒ No Action Needed
☒ Discussion
☐ Information

Summary of Request:
Staff would like to discuss with the Board the requirements of the Agency's Debt Management Policy regarding the issuance of conduit bonds by the Agency.

Fiscal Impact:
None.

Meeting Agency Priorities:

☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background

The overall purpose of the Agency's Debt Management Policy is stated on page one of that policy as follows:

> The goal of Minnesota Housing (the "Agency") is to raise capital for its programs at the lowest overall cost. The Agency will take into consideration desired mortgage rates and the need to maintain asset and debt management flexibility while carefully managing risk.
>
> To achieve this, the Agency will:
>
> 1. Establish long-range financial objectives as set forth in Section 1.01. These objectives may change in response to economic and other factors.
> 2. Establish an Affordable Housing Plan that sets forth specific financing objectives for a one to two year period. This plan may be adjusted due to economic and other factors.
> 3. Maintain a debt management policy that provides for optimum access to capital markets and broad distribution capabilities, both horizontally (geographically) and vertically (both institutional and retail investors).
>
> Agency staff will monitor these plans and the policy and recommend changes when appropriate based on results of the Risk Based Capital Study and other circumstances.

Under the Agency's Debt Management Policy, tax-exempt bonding authority is a valuable resource that should be used for conduit bond issuances only if certain conditions are met (emphasis added):

> <u>1.09 Conduit Debt</u>
>
> For purposes of this section, a "conduit bond issue" is a bond issue in which the obligation of the Agency as issuer to pay principal of and interest on the bonds is limited to the payments it receives from a private third-party borrower under a loan or lease agreement relating to revenues derived from the facilities financed or other assets of the third-party borrower.
>
> Tax-exempt bonding authority is a valuable means of producing revenue because it enables the Agency to operate lending programs of a size far in excess of its own resources. It is therefore acknowledged that the use of bonding authority for conduit debt issuance is generally not in the best financial interest of the Agency. From time to time and under certain conditions, use of tax-exempt bonding authority for conduit issuance may be desirable to meet state housing needs and may be considered. The following threshold conditions should be present in order for staff to recommend a conduit bond issue:
>
> - Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency.
> - The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan.
> - Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult.
> - The Agency has determined not to issue bonds secured by the Agency's general or limited obligation for the project to be financed.

- The Agency assumes no initial or continuing disclosure obligations in connection with the conduit issue.
- The Agency assumes no financial obligation in connection with the conduit issue.
- If publicly offered, the debt is expected to be rated in one of the two highest long-term rating categories by at least one nationally recognized rating agency acceptable to the Agency and, if applicable, the highest short-term rating category by at least one nationally recognized rating agency.
- If privately placed, repayment of the debt must, in the judgment of the Agency and based on information from the Agency's financial consultant, be financially feasible.
- The Agency's bond counsel must be utilized.
- All costs of issuance, maintenance and payment of the bond issue, including all Agency out-of-pocket expenses and fees and disbursements of bond counsel and the Agency's financial consultant, if any, must be paid by the borrower or, if available therefore, may be paid from proceeds of the bonds.
- Administrative fees to be paid to the Agency as issuer will not be less than, subject to arbitrage restrictions, the sum of (1) an upfront fee of 50 basis points times the original principal amount of the bonds, plus (2) an on-going fee payable semiannually equal to the greater of (a) one-half of 10 basis points applied to the then outstanding principal amount of the bonds or (b) a minimum amount to be established for the bond issue.

As stated above, given that conduit debt issuance is generally not in the best financial interest of the Agency, the Debt Management Policy has limited its use by imposing certain threshold conditions, one of which is that the issuance is for affordable rental units determined to be important units to preserve under the Agency's strategic plan. This requirement reflects the directive of Minn. Stat. section 462A.05, subd. 13 that the Agency "shall prefer those housing projects which are federally subsidized and those loans which are federally insured or guaranteed, to the extent that the agency finds such projects and loans to be available at the times and in the amounts needed to meet the shortage of residential housing for persons and families of low and moderate income."

This requirement also echoes the preference for preservation projects set forth in the bonding allocation statute (Minn. Stat. sec. 474A.061, subd. 2a). That statute requires Minnesota Management and Budget (MMB) to give first priority to awards of bonding authority from the Housing Pool for eligible residential rental projects to projects that preserve existing federally subsidized housing.

As Commissioner Tingerthal informed the Board at its December 2016 board meeting, it was possible that non-preservation projects applying for bonding authority from MMB in 2017 would not receive sufficient bonding authority to enable them to move forward. Because of that possibility, and given the Agency's mission to help meet the need for affordable housing, the Commissioner asked the Board if it would be willing to consider using a portion of the Agency's annual entitlement allocation of private activity bonding authority for issuance by the Agency of conduit bonds. The Board indicated it would be willing to consider the matter.

Commissioner Tingerthal's prediction was correct. In the first round of applications for bonding authority from the Housing Pool by MMB in January 2017, the total request for non-preservation

projects was for $157,000,000. After allocation of $48,400,000 of bonding authority to preservation projects (pursuant to statutory requirements) only $77,602,000 remained available for allocation to non-preservation projects. Given the inadequacy of the remaining amount to fulfill all requests, MMB ultimately allocated a pro-rata portion to each of the five applicants, so that each project received 49.43% of the amount requested. Those partial allocations appear to be insufficient to qualify one or more of those projects for the 4% low income housing tax credits necessary for the projects to be financially feasible and rendering the projects unable to move forward.

Before developing a process and criteria for evaluating whether any of those non-preservation projects should be recommended to the Board for Agency funding with conduit bonds, staff concluded it was prudent to engage the Board in a discussion of the requirements of the Agency's Debt Management Policy regarding the issuance of conduit bonds.

This discussion will assist staff in deciding whether to evaluate that would benefit from the issuance of conduit bonds by the Agency even though those projects do not meet the threshold condition of the preservation of affordable rental units.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY SPECIAL BOARD MEETING
Wednesday, April 5, 2017
1:30 p.m.
Boardwalk Conference Room – Fourth Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
Chair John DeCramer called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:31 p.m.

2. **Roll Call.**
Members present (by phone): John DeCramer, Joe Johnson, Rebecca Otto, and Stephanie Klinzing. Terri Thao joined at 1:43 p.m.
Minnesota Housing staff present: Mary Tingerthal, Tom O'Hern, John Patterson, Barb Sporlein, Ryan Baumtrog, Will Thompson, Kevin Carpenter, Tresa Larkin, Susan Thompson, Anne Heitlinger, Becky Schack, Wes Butler.
Others present: Paul Rebholz, Wells Fargo; Ramona Advani, Office of the State Auditor.

3. **Discussion, Debt Management Policy**
Tom O'Hern described the debt management policy, which was included in the meeting materials, stating the purpose of the policy is to raise capital at the lowest cost while reflecting the priorities of the Agency. Tom O'Hern stated the following:

- A section was added to the debt management policy pertaining to conduit bond issuance in 2009. That portion of the policy allows staff to seek board approval for the issuance of conduit bonds in circumstances where 11 threshold conditions have been met.
- One of the policy thresholds is that the bond proceeds are used to preserve housing that currently receives federal rent subsidies.
- Staff felt it would be useful for the board to discuss the debt management policy and the considerations involved if the board were asked to approve a conduit bond issuance and any waivers to the policy.
- Conduit bonding is a circumstance in which a governmental entity issues bonds that are paid by another entity and conduit bond financing is not a transaction that is favored by the Agency.
- The portion of the debt management policy related to conduit issuances was added in 2009, and, at that time, the Agency had issued conduit bonds only once, in 2005, for a project that preserved 17 properties.
- Conduit bonding is not favored because it is not in the Agency's best financial interests because it provides for a one-time fee rather than a continuing income stream as is typical with other bond issuances.

Tom O'Hern reviewed the 11 thresholds that must be met under the debt management policy for staff to request approval of a conduit bond issuance. One such condition is that the project must

preserve existing affordable housing, which reflects the Agency's strategic plan and the directive of the Agency's authorizing statute that projects with federal rental subsidy, or federal insured or guaranteed loans be preferred. This priority is also reflected in the bonding allocation statute that is administered by Minnesota Management and Budget, which requires the first priority of awards from the bonding pool to be issued to projects that preserve existing federally subsidized housing.

Tom O'Hern stated that, since the adoption of the conduit issuance thresholds, the Agency has issued conduit bonds once, in January of 2016 for the Grainwood project, for which a local issuer had missed the deadline to issue bonds and the project was unable to wait for more authority. At that time, there was excess bond cap that flowed from the MMB pool to Minnesota Housing. Tom O'Hern added that the Agency is not against funding non-preservation projects, but it is preferred to not use conduit bonding to fund them; normally a long-term first mortgage is provided for a non-preservation project and this financing provides the Agency with capital to be used in the future.

Tom O'Hern acknowledged that there may be times where it is appropriate for the board to entertain certain requests for waivers under certain circumstances. Tom O'Hern added that it was important for the board to give due consideration to precedent when determining if waivers should be granted.

Joe Johnson inquired if the Agency has declined other waiver requests. Commissioner Tingerthal responded that one written request had been received for a senior development the previous fall. The requester was informed the application would not be processed based on the debt management policy.

John DeCramer requested clarification regarding that application. Commissioner Tingerthal responded that staff did not receive an application for the project, only an inquiry, adding that an unsolicited application had been received for Dominium's Fort Snelling project.

Auditor Otto stated the statutory authority of the board is tied to the Agency's mission and strategic plan that outlines priorities. Auditor Otto stated when resources are scarce; there is a need to ensure future financial security, adding that, when conduit bonds are issued it may impact the Agency's availability to support other affordable housing. Auditor Otto stated that, while conduit bonds have been issued in the past, bonding is now a scarce resource and that scarcity can impact the board's desire to waive policies.

Stephanie Klinzing stated her agreement with Auditor Otto and expressed her concerns with granting waivers for projects that fail to meet multiple thresholds and the precedent that action may create. Stephanie Klinzing also mentioned that she had concerns about the Fort Snelling project, stating it was her understanding the project may need several waivers.

Tom O'Hern reiterated that the issuance of conduit bonds themselves are an exception under the debt management policy and is not a tool the Agency likes to use. A project requesting conduit bonds that also requires waivers under that portion of the debt management policy makes it an even larger exception to the debt management policy.

Stephanie Klinzing stated that granting waivers for non-preservation projects would not be an action she would in most circumstances support and such a project would need to meet all other thresholds of the policy.

Joe Johnson stated his agreement with Stephanie Klinzing, adding that you can't definitively say a waiver would never be granted, but it was important that other conditions be met. Tom O'Hern stated there are ten thresholds in addition to the preservation requirement that must be met for a conduit issuance to be considered. Stephanie Klinzing stated she believed it was necessary for the board to indicate how high the bar is for meeting those threshold conditions and she felt the bar was quite high.

Commissioner Tingerthal added that it was important to keep in mind that bonding authority is not the Agency's only scarce resource, stating the Consolidated RFP was in part developed in order to get a wide variety of proposals seeking a wide variety of resources. Through the RFP, staff is able to evaluate all proposals on a ranked basis and assess which projects should receive those scarce resources. Commissioner Tingerthal added that requests for conduit issuances avoid being evaluated competitively to receive Agency resources. Commissioner Tingerthal added that is part of the rationale for the preservation threshold in the conduit bond policy; it allows projects that have changed ownership during the course of a year and a new owner may not have the resources to maintain the affordable status of that housing. Commissioner Tingerthal added that the consideration must evaluate if a project fits within Agency criteria but also if meets the highest set of criteria of the opportunities that are available.

John DeCramer added that it is clear when looking at the statutory authority of the Agency that preference must be given to preservation and any issuance of conduit bonding for a non-preservation project must happen only when there is an excess of bonding authority available. John DeCramer added that, when the conduit issuance for the Grainwood non-preservation project was approved in January of 2016, it did not put other projects at risk to receive funding and bonding was not a scarce resource at that time. Tom O'Hern acknowledged that there is impact to other Agency programs, so the magnitude of the request is also a consideration. Tom O'Hern also acknowledged that the landscape for bonding is different now than it was in early 2016.

Auditor Otto stated that the board should look to the current resource availability and the Board's authority and priorities to guide its decision making. Joe Johnson stated his agreement. Terri Thao stated her agreement.

John DeCramer inquired if any member wished to speak on behalf of making a change to the preservation requirement in the conduit bond issuance policy. Stephanie Klinzing stated she would like that threshold to remain in place, and clarified that her comments were not seeking change to the policy or an ability to seek waivers, but to stress that there must be solid footing on why the board would say "no," and, with the scarcity of bond cap and other waivers, she would not vote in favor to waive the preservation requirement.. Joe Johnson also stated the preservation threshold should remain.

Tom O'Hern stated there is pending legislation that may materially affect the financial operations of the agency, adding that staff would appreciate guidance on what to take in to account in considering whether to bring a waiver request to the board. Joe Johnson stated the board would not consider never granting a waiver, but the bar for doing so would be very high.

John DeCramer reiterated that this was a discussion, not an action item, but asked for board members to indicate if they were in favor of retaining the first conduit bond issuance threshold for preservation projects. Rebecca Otto stated it should be left in place. Terri Thao stated it should be left in place. Joe Johnson stated it should be left in place. Stephanie Klinzing stated it should be left in place. Chair DeCramer stated it should be left in place.

Discussion item. No action.

4. **Approval of Any Related Administrative Matters that May be Necessary**
   None.

5. **Adjournment.**
   The meeting was adjourned at 2:07 p.m.

John DeCramer
Chair

STATE OF MINNESOTA

Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

July 12, 2017

Chair John DeCramer
Minnesota Housing Finance Agency Board
400 Sibley Street, Suite 300
St. Paul, MN 55101

Commissioner Mary Tingerthal
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, MN 55101

Dear Chair DeCramer and Commissioner Tingerthal:

I understand that the Minnesota Housing Finance Agency Board of Directors will meet this month to consider, among other agenda items, an application submitted by Dominium to secure financing needed to redevelop 26 historic buildings at Fort Snelling into affordable housing units. I respectfully urge the Board to reserve $58 million in tax-exempt bonding authority for this project, and to grant the waivers necessary to approve this allocation.

Dominium's proposal offers the only hope to save the historic buildings at Fort Snelling's Upper Post and put them on a permanently sustainable path. All of us share the responsibility to preserve this iconic Minnesota landmark. I am told that Dominium's proposal includes redevelopment of all the buildings, and that it will include complete preservation to ensure the buildings are maintained at National Register levels.

I realize that it is extremely difficult for you to commit such a large amount of your entitlement allocation to a single project. However, this redevelopment presents our only existing opportunity to save this priceless state asset and to build units of affordable housing there.

A do-nothing alternative for the site is not a cost-free option. One major building has already collapsed, and emergency stabilization funding will likely be needed to prevent the loss of more buildings. Finding another developer for the site could take years and would likely then be even more costly.

While I respect that there are concerns about the per-unit costs of this redevelopment, it is also understandable that redevelopment for historic buildings, which have been vacant and deteriorating for over 30 years, would be costly. Dominium states that, when comparing construction costs on a square foot basis, the Upper Post Flats redevelopment has equal or lower costs than the Common Bond project, which the MHFA Board approved in 2014. I believe that, as part of the agreement, Dominium should be asked to commit to keep rents affordable for at least twenty years. Furthermore, the allocation could occur over two years instead of a single year, if necessary.

As you know, Dominium's proposal has the support of Hennepin County and the Minnesota Department of Natural Resources, along with other state and local partners. A tax-exempt bond allocation would enable the project to secure federal and state historic tax credits and leverage low-income housing tax credits. By receiving a commitment of tax-exempt bonding authority, Dominium would be able to complete a historic preservation assessment, archaeological studies, structural reports, and environmental studies.

I believe it would be tragic to miss this opportunity to provide approximately 180 affordable housing units with a preference for veterans and their families. Please act affirmatively to save our State's only designated National Treasure.

Sincerely,

Mark Dayton
Governor

cc: Damaris Hollingsworth, MHFA Board Member
Joe Johnson, MHFA Board Member
Craig Klausing, MHFA Board Member
Stephanie Klinzing, MHFA Board Member
Terri Thao, MHFA Board Member
The Honorable Rebecca Otto, State Auditor and MHFA Board Member

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Minnesota Housing Finance Agency

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

Written Comments for Upper Post Landing

1. BKV Group, Mike Krych, Partner and John Stark, Managing Architect
2. Board of Hennepin County Commissioners, Peter McLaughlin, Hennepin County Commissioner
3. Minneapolis Building and Construction Trades Council, Dan McConnell
4. Minneapolis Building and Construction Trades Council, Harry Melander
5. Minnesota Historical Society ,Historic Fort Snelling: Tom Pfannenstiel, Site Manager
6. Minnesota Historical Society, David Kelliher
7. National Trust for Historic Preservation: Mary Lu Seidel, Field Direction

BKV
GROUP

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Interior Design
Engineering

Boarman
Kroos
Vogel
Group
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222 North Second Street
Minneapolis, MN 55401
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EOE

July 26, 2017

John DeCramer - Chair
Minnesota Housing
400 Sibley Street, Suite 300
St. Paul, MN 55101

Re: Ft. Snelling Upper Post Flats

Dear Mr. John DeCramer,

I am writing to respectfully request support of the redevelopment and tax-exempt bond request of MHFA by Dominium, LLC for the Fort Snelling Upper Post Flats D7976.

Fort Snelling is one of the most historical sites in the State of Minnesota. In 2016 the National Trust for Historic Preservation named Fort Snelling as a National Treasure. The only site in Minnesota to be designated. This recognizes the fort's connections to American Indian history, its role as a military post in the two previous centuries and its connection to several significant events in American history.

The 26 remaining buildings at Fort Snelling Upper Post are a key part of this site. For many years, the DNR has been looking for an appropriate reuse for these building. Dominium's proposal to preserve, restore, and reuse Fort Snelling Upper Post is one of the best and most compatible uses, and probably one of the few remaining options to prevent further deterioration. It is very appropriate to have these former army barracks, houses, hospital, and support buildings that once housed Minnesota's soldiers to be used for workforce affordable family housing with a preference for veterans and their families.

BKV Group recently performed a site assessment for all 26 buildings. The structures were found to be solid and generally in fair to good condition. However, time and weather are taking a toll. Roofs once repaired to save the structures are needing repair once again. Vandals are active on site. Water and rot in vulnerable locations continue to grow. Something needs to be done now to save these Nation Treasures. It is a big task that will not be easy. A very good team has been assembled to tackle it. A key portion of the funding to make it possible depends upon MHFA. Please consider the importance of this project and give your support.

Sincerely,

Mike Krych, AIA
Partner

John H. Stark, AIA, LEED AP
Managing Architect

cc: Owen Metz Dominium LLC

PETER MCLAUGHLIN
COMMISSIONER

PHONE: 612-348-7884
FAX: 612-317-6094

BOARD OF HENNEPIN COUNTY COMMISSIONERS
A-2400 GOVERNMENT CENTER
MINNEAPOLIS, MINNESOTA 55487-0240

July 25, 2017

John DeCramer, Chair
Minnesota Housing Finance Agency Board
400 Sibley Street, Suite 300
St. Paul, MN 55101

Mary Tingerthal, Commissioner
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, MN 55101

Dear Chair DeCramer and Commissioner Tingerthal:

I am writing to renew my request given orally at a Minnesota Housing Finance Agency (MHFA) Board meeting earlier in the year that the Board reserve $58 million in tax-exempt bonding authority and grant the waivers necessary to approve this allocation for Dominium's Fort Snelling Upper Post project.

I write as the Hennepin County Commissioner who represents Fort Snelling on the Hennepin County Board. I have done so for over 15 years.

My strong support arises for two primary reasons, both of which I have tried to address in my role as Commissioner for many years:

- As you well know, the need for affordable housing, particularly for veterans, is extremely high. We should not pass up a sound opportunity to add approximately 180 affordable units with a preference for veterans and families. Dominium is a developer with a proven track record of delivering complex projects in this state. I am confident Dominium will successfully add these units to the State's inventory of affordable units. It is my understanding that the possibility of lengthening the guaranteed period of affordability of the units in the project has been raised. I would wholeheartedly support such a requirement.
- This project would fulfill a longstanding vision for the restoration of the historic Upper Post. Hennepin County has been involved in the preservation of these historic structures for over a decade. I personally participated in a meeting with Richard Moe, then the Director of the National Trust for Historic Preservation. The National Trust was about to declare the Upper Post one of the 11 Most Endangered Historic Sites in the United States. Hennepin County led a broad-based planning process that created this vision. The Dominium proposal is the only project that has been offered by a sponsor with the wherewithal to rehabilitate all of the historic structures. We should not miss this opportunity.

I know there have been questions raised about the per-unit cost of the project. Very robust federal and state historic tax credits have been made available to encourage the rehabilitation of historic structures here in Minnesota and across the country. As I indicated in my earlier testimony, I believe it is appropriate to separate the costs of historic restoration from the costs of housing construction. We are pursuing two goals with this project; the costs of these two functions should not be lumped together and then subjected to the usual cost tests of affordable housing. These buildings cannot be rehabilitated without doing the restoration. By combining the two goals and the funding streams created for each, Dominium can successful achieve both priority policy goals.

Hennepin County has invested time and money in both the stabilization of the historic buildings on the Upper Post and the creation of affordable housing. I believe we should not pass up this well-conceived opportunity to restore this important property in the history of Minnesota and provide additional affordable housing opportunities, particularly for veterans and families.

Sincerely,

Peter McLaughlin

Hennepin County Commissioner

Cc: The Hon. Mark Dayton, Governor

The Hon. Rebecca Otto, State Auditor and MHFA Board Member

Terry Thao, MHFA Board Member

Stephanie Klinzing, MHFA Board member

Craig Klausing, MHFA Board member

Joe Johnson, MHFA Board member

Damaris Hollingsworth, MHFA Board member

From: Dan McConnell [mailto:dan@mplsbctc.org]
Sent: Wednesday, July 26, 2017 5:33 PM
To: jdecramer@bhelectronics.com; rebecca.otto@osa.state.mn.us; craigklausing@comcast.net; jjohnson@banknorthshore.com; tthao@nexuscp.org; MN_MHFA MN Housing, . (MHFA) <mn.housing@state.mn.us>; Butler, Wes (MHFA) <wes.butler@state.mn.us>; Owen Metz <ometz@dominiuminc.com>; Tingerthal, Mary (MHFA) <mary.tingerthal@state.mn.us>; mayorer@charter.net; dhollingsworth@thorcon.net
Cc: Doug Schroeder <dschroeder@bac1mn-nd.org>
Subject: Requesting support for Fort Snelling Upper Post

Dear Chair DeCramer, Commissioner Tingerthal, and members of the Minnesota Housing Finance Agency Board,

Due to a previous commitment I am unable to attend your meeting on Thursday. Instead please accept this letter into the public comments. I have also asked Doug Schroeder from the Bricklayers Union to attend and testify in support on behalf of the Building Trades.

I write to express the Minneapolis Building and Construction Trades Council's strong support of Dominium's proposal to re-develop the Historic Upper Post area of Fort Snelling.

As a lifelong resident of the area, who used to attend Boy Scout Meetings in one of these buildings. I have watched these historic buildings literally crumble in front of my eyes.

If not for the heroic efforts of Hennepin County who hired our members to lead sentence to serve crews in stabilizing these buildings many if not all of these 26 historic structures would not be standing today.

Hennepin County hasn't been alone in this effort. Many other organizations both government and private have stepped up and found a way to contribute to preserving the Upper Post.

Dominium's proposal is likely our last best hope at finding a sustainable future for these buildings and on behalf of our 14,000 members and 25 affiliated local union's I urge you to join with those of us who have stepped up and respectfully ask you to find a way to approve their application.

Thank you for your consideration,

Dan McConnell
Business Manager
Minneapolis Building and Construction Trades Council
(o) 612.379.4234
(c) 612.209.7915
dan@mplsbctc.org

From: Harry Melander [mailto:hmelander@mnbctd.org]
Sent: Wednesday, July 26, 2017 9:32 AM
To: J Cramer MHFA <jdecramer@bhelectronics.com>; Tingerthal, Mary (MHFA) <mary.tingerthal@state.mn.us>
Subject: Fort Snelling

Chair Cramer and Commissioner Tingerhal

Tomorrow your agency will once again review the proposed Fort Snelling Upper Post housing project. The MBCTC has weighed in on this project before and continues to be encouraged by the thought of providing housing options for our veterans . As the Father of a Special Forces Team leader moving throughout he Middle East I know first hand what these and other veterans face as they return home from a conflict. This type of house is just another example of what is needed and should be provided to those that serve our country.

Now to the local benefit ...! This project like other historic preservation effort are a great source of employment for the MBCTC community . The project is especially unique from a preservation stand point due to the deteriorating state of the Buildings. This comment is reflected in the letter sent by Governor Dayton early this month.

Projects like this quickly disappear unless they are preserved to function as a reminder of our past or a new use in the future. I believe this project does both "preserves our history and support those that served our country".

Please consider this unique opportunity to save a part of our state's history and provide a hand to those that made a large sacrifice to our nation.

As always thanks for all the good work you and Mary do providing housing for individuals and families that need a helping hand .

Harry Melander
President
Minnesota Building and Construction Trades Council
353 W 7th St
St Paul MN 55102
651 287 9999 0
612 865 3585 C
Hmelander@mnbctd.org

From: Tom Pfannenstiel [mailto:tom.pfannenstiel@mnhs.org]
Sent: Wednesday, July 26, 2017 8:34 AM
To: Tingerthal, Mary (MHFA) <mary.tingerthal@state.mn.us>; jdecramer@bhelectronics.com; rebecca.otto@osa.state.mn.us; craigklausing@comcast.net; jjohnson@banknorthshore.com; tthao@nexuscp.org; mayorer@charter.net; dhollingsworth@thorcon.net
Cc: Butler, Wes (MHFA) <wes.butler@state.mn.us>; ramona.advani@osa.state.mn.us
Subject: Support of the Fort Snelling Upper Post Flats proposal

Dear Commissioner Tingerthal, Chair DeCramer, and Members of the MHFA Board,

Thank you for your consideration of the request for tax exempt bonds for the Fort Snelling Upper Post Flats project. I am urging support for one of the most important historic preservation projects in Minnesota.

Fort Snelling was named Minnesota's first National Historic Landmark in 1960 and deserves consideration for resources through both historic tax credits and other funding sources to make this project a model of success. As "front door" to the Twin Cities, Upper Post Flats is arguably one of the largest tracts of historic buildings and land waiting for restoration/rehabilitation. It is easy to image a place that will provide jobs, housing, recreation, etc. for veterans and families alike much the same way Fort Snelling had done for generations.

Thanks for your consideration of what may be the most important request in years to your agency.

Tom Pfannenstiel
Site Manager
Historic Fort Snelling
Minnesota Historical Society
tom.pfannenstiel@mnhs.org

From: David Kelliher [mailto:david.kelliher@mnhs.org]
Sent: Tuesday, July 25, 2017 7:33 PM
To: jdecramer@bhelectronics.com; Tingerthal, Mary (MHFA) <mary.tingerthal@state.mn.us>; Rebecca Otto <rebecca.otto@osa.state.mn.us>; craigklausing@comcast.net; jjohnson@banknorthshore.com; tthao@nexuscp.org; mayorer@charter.net; dhollingsworth@thorcon.net
Cc: Butler, Wes (MHFA) <wes.butler@state.mn.us>; ramona.advani@osa.state.mn.us
Subject: Please support the Fort Snelling Upper Post Flats proposal

Dear Chair DeCramer, Commissioner Tingerthal and Members of the MHFA Board:

Thank you for your consideration of the request for tax exempt bonds for the Fort Snelling Upper Post Flats project.

Unfortunately, I am unable to attend this week's board meeting since I am out of the country in Canada. At the MHFA Board's March meeting, I provided testimony on behalf of the Minnesota Historical Society urging support for this important historic preservation project.
While we understand that you have many challenges in allocating limited resources, this important project would fulfill many state goals and statutory mandates, both in the historic preservation area and beyond.

As part of a National Historic Landmark, the highest historic designation provided by the federal government, this historic property requires extra care and consideration by the State of Minnesota and its state agencies and boards.

Significantly, for your agency's mission, this project would provide quality workforce housing, in an area that is close to good paying jobs, while serving veterans and their families.

The state and federal historic rehabilitation tax credits would work in conjunction with other funding sources to help this project be completed. Both levels of government have recognized the importance of providing resources to help accomplish this preservation work.
This funding source would provide a significant share of the project cost and it would be beneficial for resources from other sectors to contribute as well.

As you have heard, one of the unique challenges of this project is that it is in an area that is not part of a municipality, the level of government that typically would assist with a project like this. The member agencies of the Fort Snelling Joint Powers Agreement have worked to overcome this challenge, and having other agencies work towards a common solution would be very much appreciated.

Again, thanks for your consideration of this request.

David Kelliher
Minnesota Historical Society
david.kelliher@mnhs.org

National Trust *for* Historic Preservation
Save the past. Enrich the future.

July 26, 2017

Chairman John Decramer
Commissioner Mary Tingerthal
Minnesota Housing Finance Agency
400 N. Sibley St., Suite 300
St. Paul, MN 55101-1998

RE: Dominium Fort Snelling Redevelopment

Dear Chairman Decramer and Commissioner Tingerthal:

We reaffirm our hearty support for the Dominium proposal to redevelop 26 buildings on the Upper Post at Fort Snelling.

The Trust's commitment to this site was demonstrated when we named it a National Treasure in April 2016. We have continued to work with landowners and stakeholders toward a goal of seeing the area redeveloped and preserved.

Earlier this month I was able to tour Fort Vancouver in Vancouver, Washington. It filled me with hope for Ft. Snelling to see this former military base alive and thriving – with residents, shops and businesses bringing to life historic structures. With a Dominium redevelopment -- combined with improvements to the VA-owned properties in the West District, the Boy Scout Leadership facility and base camp and the Common Bond housing -- Fort Snelling's Upper Post will be on its way to becoming a unique and extraordinary community again. Access to transportation, jobs, history and recreation abound in the area, and future Dominium tenants deserve to live in a well-developed place that provides all that.

Affordable housing, working families, historic preservation and economic development will all win with MHFA voting affirmatively on the Dominium proposal.

Chicago Field Office
53 West Jackson Boulevard, Suite 350 Chicago, IL 60604
www.savingplaces.org

Dominium has a track record of extraordinary work converting historic buildings into housing. They are the best hope to see affordable housing units secured and an historic site brought back to life in Minnesota.

Thank you for your consideration of this issue.

Sincerely,

Mary Lu Seidel
Field Director

cc: MHFA Board
Governor Mark Dayton

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

The subsequent attachments were submitted by the following entities for inclusion with the August 31, 2017 Board report.

1. August 23, 2017 Materials and Cover Memorandum from Dominium
2. August 23, 2017 Letter from Commissioner Franz, MMB, to Board Members
3. August 21, 2017 Letter from Commissioner Shellito, MDVA, to Board Members
4. August 1, 2017 Letter from Charles D. Liddy, Miller Dunwiddie

To: Commissioner Mary Tingerthal, Minnesota Housing
Chair John DeCramer, Minnesota Housing Board

From: Paul Sween, Dominium
Mark Moorhouse, Dominium

Re: Fort Snelling Upper Post Private Activity Bond Reservation

Date: August 23, 2017

Thank you for taking the time to fully understand the proposed development of the Upper Post at Fort Snelling. In particular, we appreciate each of you taking the time to tour the vast site and a few of the 26 historic buildings and see the tremendous opportunity that it holds to provide housing at this historic location.

The proposed redevelopment of the Upper Post at Fort Snelling presents an opportunity to create new affordable housing while simultaneously preserving 26 of the most treasured buildings in the state of Minnesota. As a recent *Star Tribune* article points out that affordable workforce housing is critical and Minnesota is falling short of providing it. With easy access to more than 30,000 jobs for low and moderate income households, Fort Snelling is ideal.

By voting to support this proposal, we are asking you to say 'yes' to;

1. 176 units of affordable housing for working families just a short transit ride away from more than 30,000 jobs at the Mall of America and the Minneapolis-St. Paul Airport. When completed this will save these families over $1 million every year in reduced rent. All of this is accomplished with no loss of resources to Minnesota Housing.
2. Supporting veterans find safe, quality, affordable housing in Minnesota.
3. Agreeing with Governor Dayton, five members of Minnesota's congressional district, three members of Governor Dayton's cabinet, and many other government leaders and interested parties.
4. Leveraging more than $80 million of federal investments through the Low-Income Housing Tax Credit, Historic Tax Credit and other contributions.
5. Joining 42 other states, representing over 300 million citizens, who have the same responsibilities that housing with the exactly same cost structure is worth creating for affordable families across the United States.

The Minnesota Housing Finance Agency is faced with a decision that represents a defining moment. Voting in favor of this proposal will preserve the rich history of Minnesota, honor the legacy of the countless military personnel who served their State and Country, and impact the lives of thousands of future residents. It's a vote that will represent a net positive fiscal impact to the Agency, to the State and to the Community. A vote that will serve the Mission of the Agency to create affordable housing, the foundation for success, through the collaboration with individuals, communities and partners. A vote that is being pleaded for on a bi-partisan basis by the Governor, State and Federal members of both the House and Congress, Commissioners of MMB, DBR, and VA; supporters of both housing and preservation, and the overall community, who the Board is commissioned to represent.

We strongly urge the board to use this defining moment to vote in support of the redevelopment of the Fort Snelling Upper Post, and to become a part of the public/private partnership that is working to both preserve, and create history at the exact same time.

Enclosed behind this cover letter is an in-depth analysis addressing and resolving concerns raised by the MHFA Board members in your July board meeting. Thank you for your time and commitment to providing housing for the people of Minnesota.

To: **MHFA Commissioner Mary Tingerthal**
MHFA Board Chair DeCramer and Board Members

From: **Dominium**

Date: **August 23, 2017**

Subject: **Upper Post Flats Bond Reservation Request**

Project Overview:
The redevelopment of the Upper Post if approved by MHFA would redevelop 26 buildings across 40 acres in to almost 200 units of affordable housing for U.S. Veterans and their families. The State of Minnesota would save money from no longer being responsible for ongoing maintenance and would benefit from new sales, income and property taxes. Minnesota Housing would financially benefit to the tune of over $1.5 million in issuer fees, compliance fees, and 4% tax-credit allocation fees, which would more than offset any lost interest rate savings for MHFA. This is a win-win for all parties involved that builds new affordable housing while preserving history.

Put simply, we are asking you to fulfill the request of Governor Dayton, members of Congress, cabinet members, and others (see Exhibit 1) to approve our bond request in order to:

1. Provide new housing for low-income veterans and their families with nearby access to tens-of-thousands of jobs
2. Save the Upper Post, Minnesota's first National Historic Landmark and only National Treasure

The above can be done at no cost to Minnesota Housing if it approves this fiscally prudent request.

Summary of Request:
As described in our March memo provided to the MHFA Board, Dominium has applied to Minnesota Housing for a future reservation of up to $58 million in tax-exempt bond allocation for 2019 or 2020. As further described in that March memo, Dominium cannot invest the roughly $5 million in pre-development costs without the requested certainty of the future reservation. Dominium further proposes to pay issuer fees to Minnesota Housing in excess of the Debt Management Policy required amounts so the allocation of bonds is revenue neutral to MHFA (see Exhibit 4).

Concerns of MHFA Board from July Meeting:
MHFA Board Members expressed concerns at their July board meeting about the proposed redevelopment. The concerns ranged from development costs to not being important enough housing to the request being too 'heavy of a lift' for MHFA. This memo is to help answer those questions and provide information that refutes the concerns raised by MHFA staff and the Board.

1. **Affordable Veterans Housing:**
   According to the United State Census Bureau there are over 350,000 U.S. veterans living in Minnesota with most located in the Twin Cities metro (See Exhibit 5). Further, over 30% of those veterans report using VA healthcare and approximately 40% of the households have an annual household income below $50,000. The proposed development is one stop on the light rail away from the VA Hospital and is close to over 10,000 jobs at the Mall of America and

roughly 20,000 jobs at the MSP Airport. Further, the density of the site is comparable to single family housing developments. The site is set in a parklike setting with access to hundreds of miles of bike and pedestrian trails and the numerous amenities of the adjacent state and national park. The combination of a quality housing development along with the rich history of the site and bike/car/pedestrian connections while having access to tens of thousands of jobs is reason enough to approve this request.

2. **Leveraging Federal Resources:**
Despite concerns the request was 'too heavy of a lift' for Minnesota Housing to approve, the reality is Minnesota Housing is not being asked for a single dollar of subsidy. Federal resources through tax-exempt bonds, historic tax credits and low-income housing tax credits comprise 76% of the project sources of funds (see below chart).

Further, we were challenged by the Board to engage with our federal representatives to see if there is any more resources available for the proposed redevelopment. We have subsequently discussed that request with staff for each Rep. Ellison, Paulsen, Emmer, Walz, Lewis and McCollum. There was consensus that any additional earmarking on top of the $80 million of federal resources that are being proposed would require an act of Congress and is unlikely to be approved.

Sources of Funds Summary			**% of Total**
Federal Tax-Exempt Bonds - Freddie TEL	$	18,080,000	17%
Federal 4% LIHTC Equity Proceeds		44,569,826	43%
Federal Historic Tax Credit Equity Proceeds		16,954,362	16%
State Historic Tax Credit Equity Proceeds		16,718,884	16%
Developer Deferred Fee Note		7,856,492	8%
TOTAL	**$**	**104,179,564**	**100%**
Total Federal Investment	***$***	***79,604,188***	***76%***

As you can see above if you approve this request the development will leverage over $60 million of federal tax credit equity in to Minnesota, or over $1 of tax credits of each $1 of bonds requested.

3. **MHFA Use of Private Activity Bonds:**
Over the past 5-years MHFA has allocated 85% or $1.138 billion of federal volume limited private activity bonds it has received to purchasing single family mortgage backed securities. As recently as January of 2017, when MHFA had to decide how to allocate $123 million of unused bonds, 80% or almost $100 million was allocated to single family. Concurrently MHFA allocated only $25 million towards multifamily despite MHFA having a pending application from Dominium for up to $58 million of bonds for Fort Snelling and knowing the demand for multifamily bonds from the Housing and Unified Pools significantly exceed the amounts available.

As you can see in the below chart, MHFA's commitment to multifamily rental over the past 10-years has made less than 10% of the federal resources it receives in the form of volume limited private activity bonds. The $1.1 billion dedicated towards single family in the past 5-years alone could have built almost **10,000** new affordable housing units.

Bond Year	Carryforward as Single Family	Carryforward as Multifamily	Total Carryforward
2007	105,525,794	-	105,525,794
2008	289,046,600	-	289,046,600
2009	339,927,720	-	339,927,720
2010	150,573,700	-	150,573,700
2011	256,526,877	-	256,526,877
2012	239,402,769	90,000,000	329,402,769
2013	284,253,493	-	284,253,493
2014	373,325,842	-	373,325,842
2015	143,789,695	80,000,000	223,789,695
2016	97,543,751	25,000,000	122,543,751
Total	**$ 2,279,916,241**	**$ 195,000,000**	**$ 2,474,916,241**
	92%	8%	

4. **Choice Between Single Family and Multifamily:**
Federal private activity bonds can be used by MHFA for housing one of two ways—single family or rental housing.

When MHFA decides to use private activity bonds for single family the **only** direct benefit is a slightly lower interest rate—nothing else. This interest rate savings to MHFA have averaged only 0.35% as compared to taxable bonds over the past two years (see Exhibit 3). To put that in context, for each $1 million of volume limited private activity bonds used by MHFA it saves $3,500 per year of interest, or less than $300 per month.

If MHFA instead chose to use bonds for residential rental it could build new affordable rental housing and receive fees for the use of its' bonds and corresponding 4% tax credits that more than offsets the 0.35% interest rate savings.

As you'll see on Exhibit 4, the proposed fees by Dominium for the Upper Post redevelopment would more than offset the 0.35% of interest rate savings MHFA would be foregoing. In order to make sure MHFA is fiscally neutral Dominium is proposing to pay higher issuer fees to MHFA than the Debt Management Policy requires. Accordingly, we are proposing to pay MHFA (i)

upfront issuer fees of 1.0% instead of 0.5% and (ii) ongoing issuer fees of 0.25% instead of 0.1% for short term bonds. MHFA would also receive compliance and 4% allocation fees of over $350,000. The net result is MHFA would receive fees from the Upper Post development that more than offset the interest rate savings MHFA could realize.

In addition to the above fees payable to MHFA the proposed development would leverage over $60 million of federal tax credits that would support nearly 200 new affordable units for veterans and their families, with the added benefit of saving the Upper Post at Fort Snelling. This would also generate new property taxes, sales taxes, and income taxes while saving the State of Minnesota from having to pay ongoing costs to maintain the historic resource.

5. **Use of MHFA Volume Limited Bonds:**
As shown in the following chart, Minnesota Housing began 2017 with over $415 million of unused volume limited private activity bonds. In the next three years Minnesota Housing will receive another $375 million of bond authority—for a total of nearly $900 million of bonds. Our request for a reservation of up to $58 million of bonds requires less than 7% of the bonds available to Minnesota Housing during this time period.

MHFA Tax-Exempt Bond Summary as of 4/24/2017

	Single Family	Multifamily	Total
MHFA Carryforward Balance as of 4/24/2017	$ 263,235,894	$ 25,000,001	$ 288,235,895
2017 MHFA Entitlement	91%	9%	127,077,340
Estimated 2017 Unused Small Issue Setaside			20,000,000
Estimated 2018 MHFA Authority			127,773,154
Estimated 2018 Unused Small Issue Setaside			20,000,000
Estimated 2019 MHFA Authority			128,472,779
Estimated 2018 Unused Small Issue Setaside			20,000,000
Estimated 2020 MHFA Authority			129,176,234
Estimated 2020 Unused Small Issue Setaside			20,000,000
Total Estimated MHFA Bonds 2017 through 2020			$ 880,735,402
Fort Snelling Upper Post Request			**$ 58,000,000**
As % of MHFA Bonds Through 2020			***6.6%***

6. **Too Big & Too Expensive:**
There is no "predictive model" for saving and redeveloping 26 historic buildings military buildings, comprising over 350,000 gross square feet, that are spread across 40+ acres and that have sat vacant and deteriorating for over 30 years. The anticipated total development and construction costs reflect the complexity of the redevelopment. If it were easy and inexpensive, we would not be here today asking for your help. These buildings would have already been saved.

The bond request and waivers needed are similar to ones the MHFA Board approved in 2014 for the Upper Post Veterans Community that was developed by Common Bond. That is a great example of leveraging various resources and provides a great parallel to our request. While the

per-unit costs are significantly higher than what we are proposing, that is not a reasonable metric for comparison.

When comparing the development cost or construction cost on a square foot basis, a much more relevant figure, the Upper Post Flats redevelopment has equal or lower costs than the Common Bond project (see Exhibit 6). Per square foot costs are more relevant because the Common Bond redevelopment was primarily SRO units, which averaged 590 square feet per unit. The Upper Post Flats is large-family housing with units expected to average over 1,060 square feet—or almost double the size. This additional square footage needed to serve veterans and their families comes at a cost.

When comparing total development costs, the Upper Post Flats is the same per rentable square foot, 35% less per gross square foot, and 13% less per bedroom. When comparing hard construction costs, the Upper Post Flats is 4% less per rentable square foot, 37% less per gross square foot, and 16% less per bedroom.

Finally, when the historic costs, and corresponding sources of funds, are isolated from the typical costs related to a new construction low-income housing tax credit development, this looks very much like many of the developments the MHFA Board has approved and granted similar waivers on in the past. The state and federal historic tax credits were approved by our policy makers for a reason—to provide public resources to save historic buildings just like this.

Debt Management Policy Waivers:
It is time to save history and house low-income veterans and their families, but this will require the MHFA board have flexibility—a flexibility that has been used in the past.

The "Debt Management Policy" of Minnesota Housing was implemented in 1996, over 20-years ago, and remains largely unchanged. While it may have been a fiscally responsible policy then, it is currently wasting an historic market opportunity to help build thousands of units of affordable housing in Minnesota.

The Debt Management Policy requires a waiver for any conduit bond issuance that creates new affordable housing—including new construction and historic adaptive-reuse. Because we are creating new affordable housing, it is clear that particular waiver of the Debt Management Policy will be required. However, we will meet or exceed all other required conditions of the Debt Management Policy, including specifically the following two for the reasons stated below.

- **Threshold Condition: "Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult."**
  On numerous occasions, Dominium has made very clear to Commissioner Tingerthal and MHFA staff that these "significant barriers" do in fact exist and explained why applying to MMB for bonds from the housing pool was not a feasible option. This is why Dominium applied to MHFA for a conduit bond issuance in the first place. This has been communicated to MHFA staff several times. Given the over subscription it is not likely for Dominium to receive the necessary bonds to provide comfort to trigger the roughly $5 million of predevelopment investment

needed to get to an ultimately closing.

Fort Snelling does not have an entitlement issuer and needs Minnesota Housing to reserve future bond entitlement to allow the redevelopment to proceed. This is ample evidence to meet this requirement of the Debt Management Policy.

- **Threshold Condition: "Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency."** As described above we are requesting less than 7% of the almost $900 million of private activity bonds that will be available to MHFA in the next 3 years. Further, Minnesota Housing has utilized over 90% of the volume limited private activity bonds it receives for single family bonds over the past 10-years, a percentage that continues to stand above 80% as recently as January of 2017. The only benefit to MHFA in doing so is a slight interest rate advantage.

  However, Minnesota Housing could utilize all taxable bonds (without limit) for their single family program and as shown on Exhibit 4, which would 'cost' MHFA about 0.35% per year for roughly 8 years. If MHFA were to instead issue bonds to the Upper Post, the fees the project would pay to MHFA for bonds and 4% tax credits would more than offset the 0.35% interest rate savings it would forego. Minnesota Housing is held harmless and financially would be the same or better off.

  Minnesota Housing should make the financially prudent decision and use this opportunity to keep Minnesota Housing financially strong while also building new affordable rental housing.

Pairing of Low-Income and Historic Credits:

Across the United States low income and historic tax credits have been successfully paired together to create over 150,000 of affordable units. According to the most recent statistics published by HUD and the National Park Service, approximately 20% of all affordable units placed in service in 2015 were paired with the federal Historic Tax Credit. In the State of Minnesota alone, there have been 23 developments (see Exhibit 9), generating or preserving over 3,200 units of affordable housing. The State of Minnesota, realizing the power of these two programs, created a Minnesota historic tax credit in 2010, resulting in over 70% of the 3,200 paired units being a direct result. In fact, since the creation of the State Historic Credit, each of the three largest affordable housing developments in that state were made possible due to the pairing of the two programs, generating or preserving over 1,800 units. Unfortunately, the Minnesota State Credit is scheduled to sunset in 2021.

The pairing of these two programs has become so wide spread, that including D.C., 42 states agencies, representing over 300 million people and over 95% of the U.S. population, have participated in leveraging the historic credits to create affordable housing. Since 2002 the only states that have not participated are HI, ID, MT, NM, NV, SD, VT, WV and WY representing less than 5% of the population (see Exhibit 10). Attached as Exhibit 8 is a list of all developments completed since 2002 with qualified rehab costs in excess of $10 million that successfully paired LIHTC and historic credits. Most recently, just to the South in Iowa, the State recently celebrated the groundbreaking of "Fort Des Moines," a project which is pairing LIHTC and HTC to preserve 10 military barracks and stables to create 142 units of

affordable housing, which was made possible through the allocation of tax-exempt bonds and 4% credits from the Iowa Finance Authority.

It is clear that the pairing of these two programs is a well-worn path and one of which the vast majority of jurisdictions are currently using. With the Minnesota State Historic Tax Credit sun-setting, the time is now. The pairing of the two credits is an incredible resource to create new affordable housing, which otherwise would simply not be possible.

Please see Exhibit 7 for additional information on the pairing of federal low-income and historic credits.

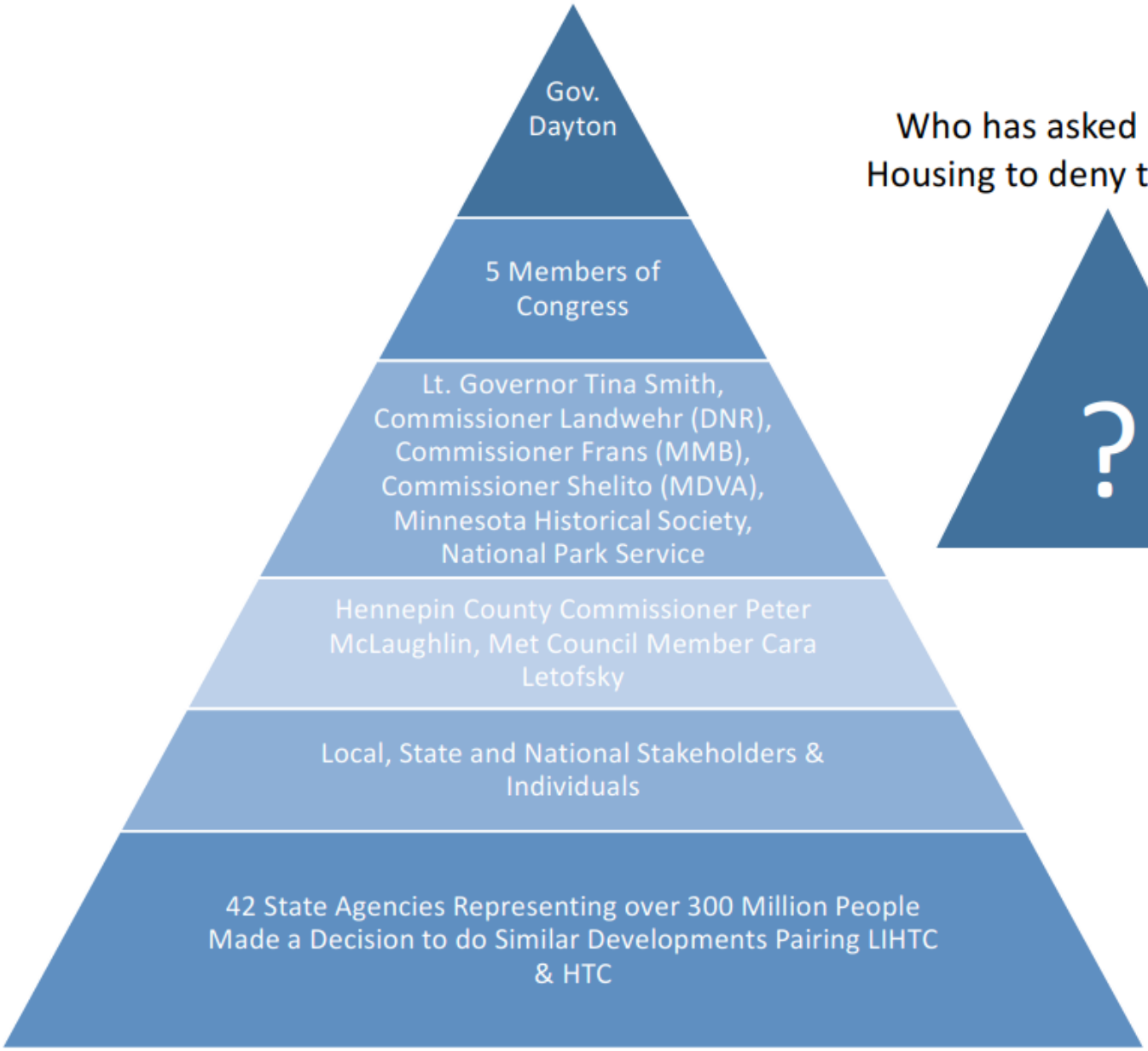
Conclusion:
Please help save the Upper Post at Fort Snelling, Minnesota's first National Historic Landmark and only National Treasure. These 26 vacant, boarded-up buildings deserve your careful consideration and we urge you to join the partnership between the DNR, Hennepin County, National Park Service, Minnesota Historical Society and Dominium. With your help we will ensure no more buildings are lost to further deterioration. Please help write a new history by accomplishing all of the following at **no financial cost** to Minnesota Housing:

1. Build almost 200 new affordable housing units
2. Save the Upper Post, Minnesota's first National Historic Landmark and only National Treasure
3. Provide a unique and much needed housing option for low-income veterans and their families
4. Connect the veterans and their families to the VA Hospital one light-rail stop away
5. Leverage private activity bonds in a fiscally neutral way by offsetting lost interest rate savings with issuer, compliance and 4% allocation fees paid by Dominium
6. Bring $80 million of federal investment to Minnesota
7. Save the state of Minnesota tens of millions of dollars of ongoing maintenance and stabilization costs
8. Bringing new property taxes, sales taxes, and income taxes to local, county and state government
9. Save each of the almost 200 households at the Upper Post $300 to $400 per month, or nearly $1 million total annually, in rent
10. Connect households to the rich amenities of the Upper Post—light rail, green space, highway connections, access to jobs at MSP Airport and Mall of America, State Parks, bike and pedestrian trails, swimming ponds, to name a few
11. The Minnesota historic tax credit is set to expire in 2021—it may literally be now or never

Exhibit 1

Supporters of Upper Post

Who has asked Minnesota Housing to support the Upper Post request?



Who has asked Minnesota Housing to deny this request?

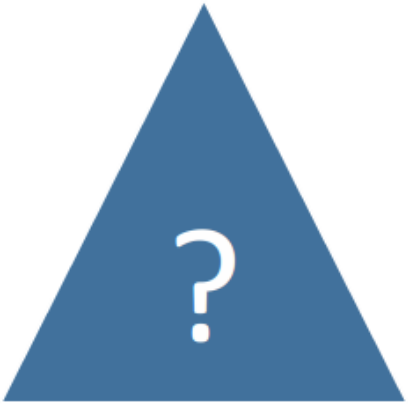


Exhibit 2

Access to Jobs

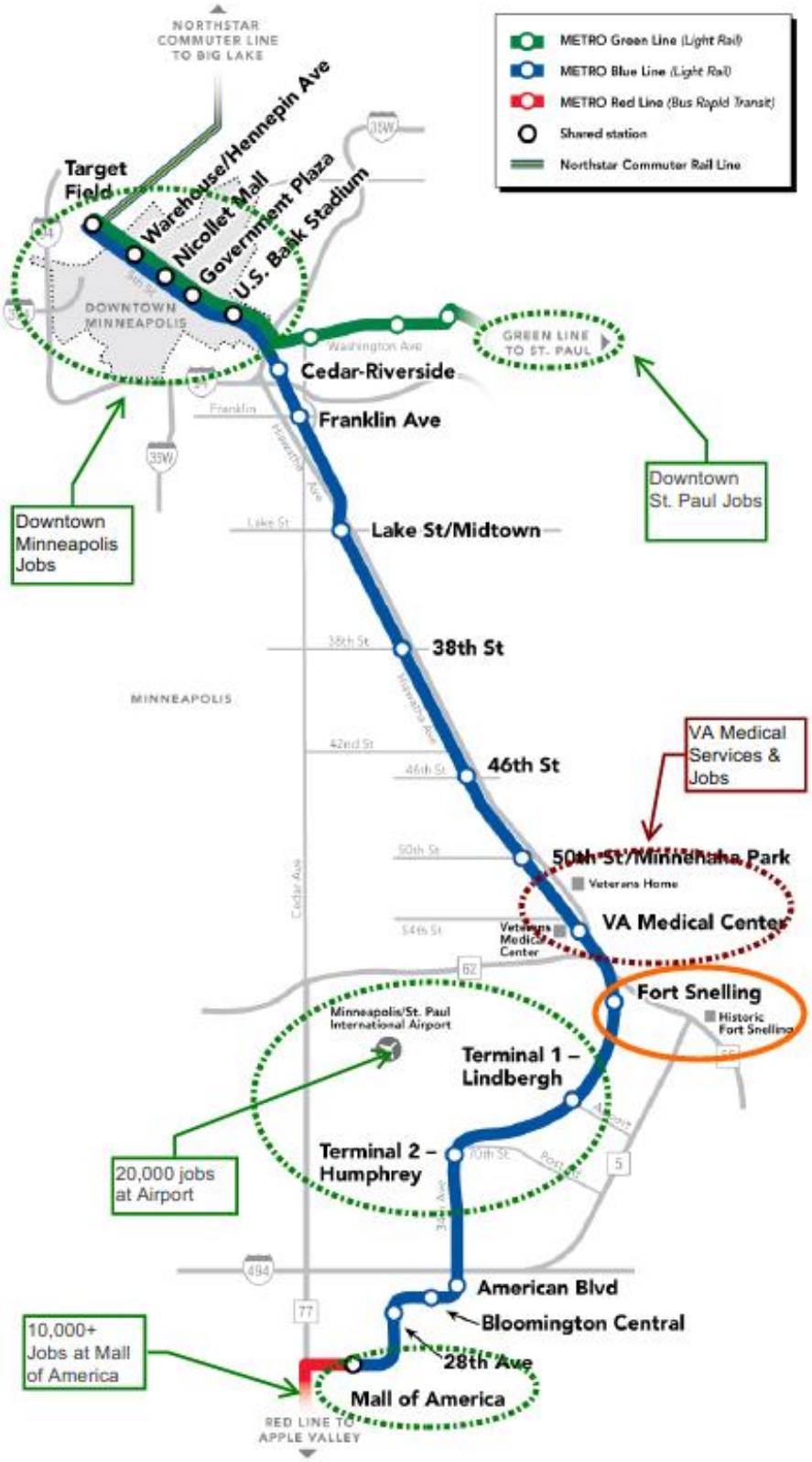


Exhibit 3

MHFA Single Family Taxable Rates vs Tax-Exempt Rates (2016 & 2017)

2017							
Dated Date	**Issuance Name**	**Maturity**	**Coupon Rate**	**Spread Compared to Taxable**	**Link to OS**	**Issuance Amount**	
2/9/2017	Residential Finance Bonds 2017A (Non AMT)	3/1/2047	2.93%	0.32%	link	$ 24,966,329	$ 49,932,656
2/9/2017	Residential Finance Bonds 2017B **(Taxable)**	3/1/2047	3.25%			$ 24,966,327	
3/13/2017	Residential Finance Bonds 2017C (Non AMT)	4/1/2047	3.08%	0.35%	link	$ 23,903,940	$ 47,807,881
3/13/2017	Residential Finance Bonds 2017D **(Taxable)**	4/1/2047	3.43%			$ 23,903,941	
5/10/2017	Residential Finance Bonds 2017E (Non AMT)	6/1/2047	2.85%	0.35%	link	$ 39,283,268	$ 58,631,742
5/10/2017	Residential Finance Bonds 2017F **(Taxable)**	6/1/2047	3.20%			$ 19,348,474	
6/20/2017	Residential Housing Finance Bonds 2016D (AMT)				link	$ 43,455,000	$ 120,845,000
6/20/2017	Residential Housing Finance Bonds 2016E (NonAMT)					$ 37,390,000	
6/20/2017	Residential Housing Finance Bonds 2016F (AMT)					$ 40,000,000	

2016							
Dated Date	**Issuance Name**	**Maturity**	**Coupon Rate**	**Spread Compared to Taxable**	**Link to OS**	**Issuance Amount**	
5/25/2016	2016A (AMT) Residential Housing Finance				link	$ 63,135,000	$ 153,710,000
5/25/2016	2016B (Non-AMT) Residential Housing Finance					$ 74,985,000	
5/25/2016	2016C **(Taxable)** Residential Housing Finance					$ 15,590,000	
7/14/2016	Homeownership Finance Bonds 2016C (Non AMT)	8/1/2046	2.33%	0.40%	link	$ 35,389,598	$ 70,779,199
7/14/2016	Homeownership Finance Bonds 2016D **(Taxable)**	8/1/2046	2.73%			$ 35,389,601	
9/12/2016	Homeownership Finance Bonds 2016E (Non AMT)	10/1/2046	2.35%	0.33%	link	$ 35,494,509	$ 101,412,886
9/12/2016	Homeownership Finance Bonds 2016F **(Taxable)**	10/1/2046	2.68%			$ 65,918,377	
10/20/2016	Homeownership Finance Bonds 2016G (Non AMT)	11/1/2046	2.30%	0.35%	link	$ 20,445,117	$ 51,112,791
10/20/2016	Homeownership Finance Bonds 2016H **(Taxable)**	11/1/2046	2.65%			$ 30,667,674	
12/13/2016	Residential Housing Finance Bonds 2016D (AMT)				link	$ 11,340,000	$ 136,345,000
12/13/2016	Residential Housing Finance Bonds 2016E (NonAMT)					$ 75,005,000	
12/13/2016	Residential Housing Finance Bonds 2016F (AMT)					$ 50,000,000	

Exhibit 4

Single Family Rate Savings vs. Multifamily Fees on Fort Snelling

Single Family Bonds		
$	55,000,000	
	0.35%	Interest Rate Savings*
	8.00	Years**
$	1,540,000	Total Interest Savings

* Based on recent single family bond issuances by MHFA taxable bonds result in approximately 0.35% more in interest annually as compared to tax-exempt bonds.

** Average time single family mortgage is outstanding before it is sold or refinanced.

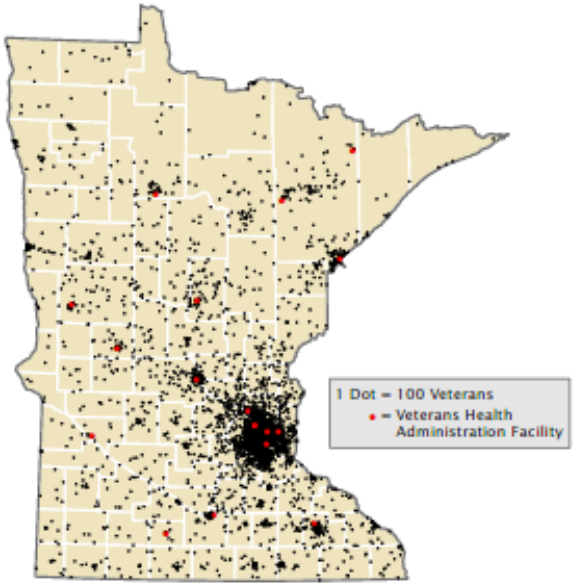
Multifamily Bonds (Fort Snelling)		
$	20,500,000	Long-Term Bonds
	0.100%	Issuer Fee %
	18.00	Years
$	369,000	Total Long-Term Issuer Fees
$	34,500,000	Short-Term Bonds
	0.25%	Issuer Fee %
	3.00	Years
$	258,750	Total Short-Term Issuer Fees
	1.00%	Upfront Issuer Fee %
$	550,000	Issuer Fee Paid at Closing
$	88,000	Compliance Fees ($25/u/yr)
$	280,000	4% Tax Credit Allocation Fees

Total	$	1,540,000	<	$	1,545,750
PV @ 7%	$	1,149,475	<	$	1,309,172
			Additional Revenue to MHFA	**$**	**5,750**
			Additional Revenue at 7% PV	**$**	**159,697**

Exhibit 5

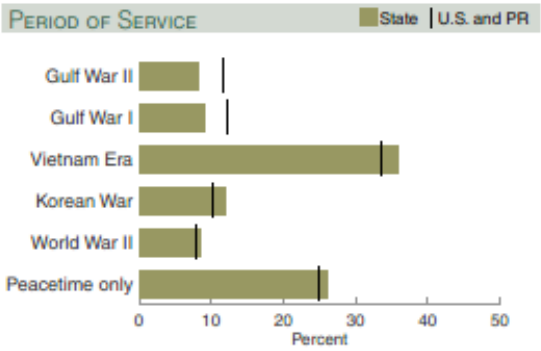
Minnesota Veterans Statistics from U.S. Census Bureau

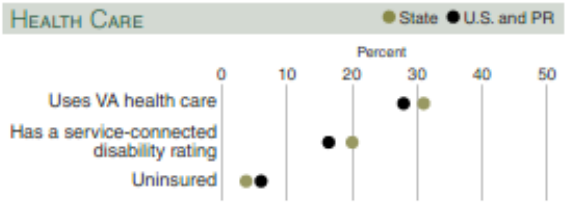
Veteran Statistics | Minnesota

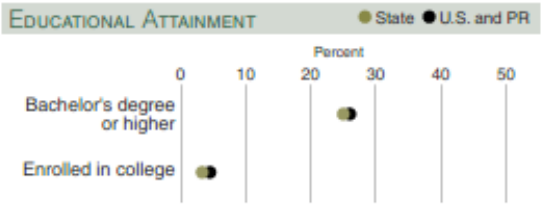


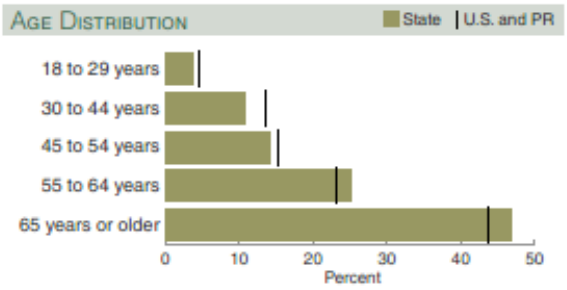
	Minnesota	United States
Veteran Population	**366,990**	**21,369,602**
Percent female	5.5	7.3
Unemployment rate for veterans	4.9	5.3
Number of homeless veterans	317	49,865
Median household income (In 2014 inflation-adjusted dollars)	$61,793	$61,884
Number of VA* facilities	18	1,356
Number of veteran-owned businesses	45,939	2,540,706

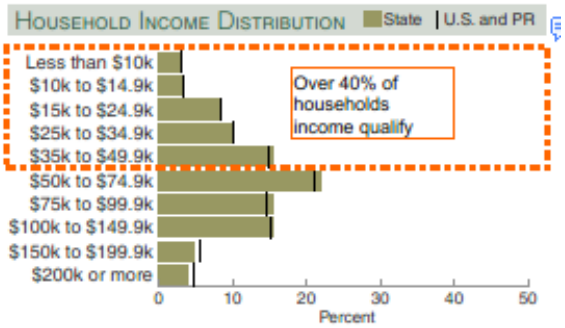
* VA = Department of Veterans Affairs











United States Census Bureau | U.S. Department of Commerce
Economics and Statistics Administration
U.S. CENSUS BUREAU
census.gov

Sources: U.S. Census Bureau, 2009–2013 American Community Survey and 2012 Survey of Business Owners; Bureau of Labor Statistics, 2014 Current Population Survey; U.S. Department of Housing and Urban Development, 2014 Annual Homeless Assessment Report to Congress; and Department of Veteran Affairs.
www.census.gov/library/infographics/veterans-statistics.html

Exhibit 6

Comparison to Common Bond Veterans Housing

	Upper Post - Cost Comparison		
	CommonBond	Dominium	% Difference
Closing Date	2014	2018	
Total Units	58	176	
Total Rentable SF	34,300	187,500	
Per Unit	*591*	*1,065*	80.1%
Total Acres	5.76	42.8	
Units Per Acre	*10.1*	*4.1*	-59.2%
Total Buildings	5	26	
Units Per Building	*11.6*	*6.8*	-41.6%
Total Gross SF - Above Grade	44,136	240,998	
Total Gross SF - Including Basements	-	368,553	
Total Bedrooms	57	355	
Total Development Cost	$ 19,168,454	$ 104,416,062	-
Per Unit	330,491	593,273	79.5%
Per Rentable SF	559	557	-0.4%
Per Gross SF - Above Grade	434	433	-0.2%
Per Gross SF - Including Basement	434	283	-34.8%
Per Bedroom	337,770	294,130	-12.9%
Total Development Cost - Less Deferred Fee	$ 19,168,454	$ 96,559,570	
Per Unit	330,491	548,634	66.0%
Per Rentable SF	559	515	-7.8%
Per Gross SF - Above Grade	434	401	-7.7%
Per Gross SF - Including Basement	434	262	-39.7%
Per Bedroom	337,770	271,999	-19.5%
Hard Construction Costs	$ 14,452,554	$ 75,978,754	-
Per Unit	249,182	431,697	73.2%
Per Rentable SF	421	405	-3.8%
Per Gross SF - Above Grade	327	315	-3.7%
Per Gross SF - Including Basement	327	206	-37.0%
Per Bedroom	254,671	214,025	-16.0%
Minnesota Housing Agency Sources			
Total Deferred Loan Sources	$ 6,019,692	$ -	
% of Total Development Cost	31.4%	0.0%	

Exhibit 7

Pairing Low Income Housing Tax Credits with Historic Tax Credits

The Fort Snelling Upper Post re-development creates an exciting opportunity to accomplish two of Minnesota's strategic priorities, create affordable housing to offset the growing need, and to preserve 26 buildings that have been identified as the most historically significant in the State. While the physical re-development of the Upper Post, like all developments, will be unique, the financing tool of combining Low Income Housing Tax Credits (LIHTC) with State and/or Federal Historic Tax Credits (HTCs) certainly is not. Pairing the LIHTC with the HTCs creates an infusion of Capital, backed by a Federal resource, that is critical to bring new life to vacant and underutilized buildings in a manner, which serves the most fundamental needs of the community, quality housing that is affordable to the hard working families within the community.

According to the Rutgers University Center for Urban Policy Research, from 1978 through 2016, the Historic Tax Credit Program was used to generate 549,005 housing units. Of those total units, 153,255 were affordable to low and moderate income families, representing 28 percent. Further, the 2016 report indicates that of the roughly 21,139 housing units created using HTCs, 7,181 units, or 34 percent, were affordable. This information is important because it illustrates the frequency in which the overall Historic Tax Credit program is being used to generate affordable housing.

Perhaps even more telling, according to most recent report published by the US Department of Housing and Urban Redevelopment, there were 41,347 affordable housing units placed in service in the year 2015, 22,741 of which were new construction. According to National Park Service data, there were 8,096 units of affordable housing generated through the use of the Historic Tax Credit during the same period, indicating that 19.6% of all affordable units placed in service in 2015 (or 35.6% when comparing to new construction) were a result of the use of Historic Tax Credits. With nearly 1/5th of all affordable units having a historic component in 2015, the Historic Tax Credit has become instrumental to the creation and preservation of affordable housing.

In an effort to illustrate the wide use of the pairing of the LIHTC and HTC, and to better understand typical project costs, research was done on over 550 historic re-developments that utilized the HTC and had Qualified Rehabilitation Expenditures (QRE's) in excess of $10 million. The findings indicated that of the 549 housing projects, 210 of them, or 38% utilized the Low Income Housing Tax Credit, a list of which is attached as Exhibit 8. It is important to note that these redevelopments were found across 42 separate states including D.C., generating or preserving over 21,000 units of affordable housing, each requiring the use of tax exempt bonds and a partnership with the state housing agencies. The wide participation of these representative state agencies represents over $309 million citizens, or 96% of the state population. The only states that have not participated in the combining LIHTC and HTCs are HI, ID, MT, NM, NV, SD, VT, WV and WY, of which populations represent less than 5% of the population (see Exhibit 10).

While the pairing of Low Income and Historic Tax Credits has become a well-worn path, it is also important to note that the adaptive-reuse of historic military forts into housing is an aspect of the proposed project that has precedence throughout the county. In fact, a military Fort lends itself to

housing more so than many other redevelopments including factories, mills, office buildings, etc. in that the original use for much of the Fort was housing to begin with.

The most recent example of a historic Fort being redeveloped through the combined use of LIHTC and HTCs is Fort Des Moines, located in Des Moines, Iowa. Fort Des Moines is utilizing this common financing tool to generate 142 units of affordable housing across 10 buildings covering 13 acres of land, rent and income restricted to residents earning 60% of the area median income. This adaptive re-use is being completed in partnership with the Iowa Finance Authority (IFA) who is issuing both the 4% LIHTC and approximately $35 million in tax-exempt bond authority, in addition to an Enterprise Zone Credit. This is in comparison to approximately $55 million tax-exempt bonding being requested for the redevelopment of 26 buildings across approximately 43 acres at the Fort Snelling Upper Post. While the Upper Post is 176 units, due to the large bedroom counts, there will be approximately 355 bedrooms compared to the approximately 204 bedrooms at Fort Des Moines. The result is that the Fort Des Moines project utilizes approximately $172,000 in tax-exempt bonds per bedroom compared to the request of approximately $155,000 per bedroom for the Fort Snelling Upper Post.

The pairing of the Low Income Housing and Historic Tax Credit has played an important role in preserving the history of our country while providing housing for the future. The ability to combine these two federal resources has been crucial in the creation of over 150,000 units of affordable housing across the United States, and is currently an important contributor to the production of affordable housing in recent years. In the state of Minnesota alone, there have been 25 developments which have utilized HTCs to create over 3,200 affordable housing units for the community (see Exhibit 9). While each of these projects are unique due to their storied histories, they are all connected through the leveraging of federal resources, which has gained wide industry support.

Through the continued use of these two programs, we are hopeful that we can continue to see the production of more affordable units, with the benefit of preserving important pieces of our history. The state of Minnesota has made an additional commitment to this mission through the current availability of the State Historic Tax Credit, which is set to sunset in 2021. While this incentive is available, Minnesota stakeholders should maximize the opportunity to bring in these federal resources to create housing for their communities and ensure that the stories of their past are not forgotten. We strongly urge Minnesota Housing to take advantage of the State and Federal Historic Tax Credit program, as the readily available resource that it is, to create 176 new affordable housing units for Minnesota.

Exhibit 8

List of Projects with Paired LIHTC and HTC (QRE's $10m+)

Project Name	Address	City	STATE
Mckinley Tower Apartments	337 E. 4Th Avenue	Anchorage	AK
Hotel Westward Ho/Westward Ho Apartments	618 North Central Avenue	Phoenix	AZ
Sacred Heart Home for the Aged	1110 N. 16th Street	Phoenix	AZ
San Francisco Central Ymca	220 Golden Gate Avenue	San Francisco	CA
Security Building (Central Fireproof Building)	510 South Spring Street	Los Angeles	CA
Santa Fe Coast Lines Hospital	610-30 South St. Louis Street	Los Angeles	CA
San Diego Athletic Club	1250 Sixth Avenue	San Diego	CA
Veteran'S Commons	150 Otis Street	San Francisco	CA
The Altenheim	1720 Macarthur Boulevard	Oakland	CA
Hotel Stockton	133 East Weber Avenue	Stockton	CA
CADA Warehouse	1108 R Street	Sacramento	CA
Van Nuys Building	210 W. 7Th St.	Los Angeles	CA
Hamilton Air Field Nco Barracks	420-422-424 S. Palm Drive, Hamilton	Novato	CA
Downtown Denver Central Ymca	25 East Sixteenth Ave.	Denver	CO
Hartford National Bank and Trust Company	777 Main Street & 33 Asylum Street	Hartford	CT
Winchester Repeating Arms Complex, Buildings 1-5 & 28	275 Winchester Avenue	New Haven	CT
Hotel America	5 Constitution Place	Hartford	CT
Citytrust Main Office Building	955-967 Main Street	Bridgeport	CT
Capitol Building	402-418 Asylum Street	Hartford	CT

Wauregan Hotel	192-196 Main Street	Norwich	CT
Cheney Mill Yarn Dye House	190 Pine Street Or 31 Cooper Hill Street	Manchester	CT
Judd & Root Building (aka Professional Building)	179 Allyn Street	Hartford	CT
Washington Street School	461 Washington Street	Hartford	CT
Mayfair Mansions Apartments; Buildings 1-17	3819 Jay Street, Ne	Washington	DC
The Cavalier Apartment Building / Hilltop Manor	3500 14Th Street, Nw	Washington	DC
Roosevelt Hotel	2101 16Th Street, Nw	Washington	DC
Clifton Terrace	1308 Clifton Street, Nw	Washington	DC
M.M. Washington Vocational High School	27 O St., NW	Washington	DC
Olympia Apartments (Olympia Flats)	1368 Euclid Street, Nw	Washington	DC
New Castle Leather Raw Stock Warehouse	1320 Clifford Brown Walk (14th & Poplar Steets)	Wilmington	DE
Columbus Manufacturing Co.	3201 First Avenue	Columbus	GA
Briarcliff "The 750"	1050 Ponce de Leon Avenue	Atlanta	GA
Imperial Hotel	355 Peachtree Center Avenue	Atlanta	GA
General Eclectric Company Warehouse (Sexton Toby Tire Buildings)	488 Glenn Street Sw	Atlanta	GA
Maxwell House Apartments	1002 Greene Street	Augusta	GA
Des Moines Building	405 Sixth Avenue	Des Moines	IA
Carr,Ryder,& Adams Company Building	900 Jackson Street	Dubuque	IA
Rumely-Des Moines Drug Company Building	110 Southwest Fourth Street	Des Moines	IA

Russell-Lamson Building (Hotel Russell-Lamson)	209 West Fifth Street	Waterloo	IA
Hawkeye Transfer Company	340 Southwest 5Th Street	Des Moines	IA
Plymouth Place	4111 Ingersoll Avenue	Des Moines	IA
Steuben Club Building/ Randolph Tower	188 West Randolph Street	Chicago	IL
Old Moline High School	1001 16Th Street	Moline	IL
Parkway Garden Homes	6330-6546 South Martin Luther King Drive	Chicago	IL
Raymond M. Hillard Center	2030 S. State Street	Chicago	IL
Raymond M. Hillard Center	2031 S. Clark Street	Chicago	IL
Somerset Hotel	5009 Sheridan Road	Chicago	IL
Pullman - Packard Auto Body Plant	901 East 104th Street	Chicago	IL
Surf Apartments Hotel	501 W. Surf Street	Chicago	IL
Raymond M. Hillard Center	30 W. 22Nd Street	Chicago	IL
Sutherland Hotel	4659 South Drexel Boulevard	Chicago	IL
Joliet Ymca	215 N. Ottawa Street	Joilet	IL
Raymond M. Hilliard Center	2111 S. Clark Street	Chicago	IL
Peoria Ymca	301 Ne Jefferson	Peoria	IL
Karcher Hotel	405 Washington Street	Waukegan	IL
George Rogers Clark School & Vincennes (Adams) Coliseum	300 North 6th Street	Vincennes	IN
The Warren Building	717-723 Franklin Street	Michigan City	IN
Saint Margaret's Hospital	759 Vermont Avenue	Kansas City	KS
Linwood Place	2002 S. Hydraulic Street	Wichita	KS
Rorabaugh-Wiley Building (aka Wiley Building)	100-102 N. Main	Hutchinson	KS
Historic Building	233 West Broadway	Louisville	KY

The National American Bank Building	200 Carondelet Street	New Orleans	LA
Hibernia Bank Building	313 Carondelet Street	New Orleans	LA
Falstaff Brewery Complex	2600 Gravier St.	New Orleans	LA
Maritime Building (Hennen Building)	203 Carondelet/ 800 Common Street	New Orleans	LA
Blue Plate Building	1315 S. Jefferson Davis Parkway	New Orleans	LA
Ogilvie Hardware Company Building	217 Jones Street	Shreveport	LA
Flint Goodridge	2425 Louisiana Avenue	New Orleans	LA
	141 Desiard Street (Bernhardt Building)	Monroe	LA
Abbot Worsted Mill	Pleasant Street	Westford	MA
Oliver Ames & Sons Shovel Works	26, 28 & 34 Main Street & 13 Oliver Street	Easton	MA
Boott Mills - Mill Nos 3,4,5 West and Picker House	Foot of John House	Lowell	MA
Hamilton Manufacturing Company, Mill #7	27 Jackson Street	Lowell	MA
Haverhill Board Of Trade Building	16 - 38 Walnut Street	Haverhill	MA
Boott Cotton Mills East, Mills 1 & 2, Mills 1-2 Connector, Mill 5 East, Mill 7, Powerhouse	Foot Of John Street	Lowell	MA
Building #29 And Bldg #36	600 Broadway (Bldg. #29) & 602 Broadway (Bldg #36)	Lawrence	MA
Kunhardt Mills - Building #9	50 Island Street	Lawrence	MA
Boston Finishing Works	160 Water Street	Williamstown	MA
Midway Studios	24-29 Midway Street	Boston	MA
Manomet Mills - Mill No. 1 (Bays 1-31)	194 Riverside Avenue	New Bedford	MA
Mill No. 1 Whitman Mills	90 Riverside Avenue	New Bedford	MA

Wampanoag Mill No. 1, Picker House No. 1, Engine House No. 1	420 Quequechan Street	Fall River	MA
Building No. 10 & Part Of Building No.10/11 Annex (Heywood Wakefield 3)	206 Central Street	Gardner	MA
Nazing Court Apartments	224-236 Seaver St. 1-8 Nazing Ct.	Dorchester	MA
Malden Mills - Buildings 24, 27, 28, and 29	520, 540, 542, 600 Broadway	Lawrence	MA
Parkhill Mill, Building 1 And Boiler House	One Oak Hill Road	Fitchburg	MA
Sitkowski School	29 Negus Street	Webster	MA
Hill Envelope Company Factory	48 Water Street	Worcester	MA
Crucible Steel Company of America Storehouse; Boston Wharf Company	381 Congress Street	Suffolk	MA
East Boston High School / Joseph H. Barnes School	127 Marion Street	Boston	MA
Charles Hayes Building	14-44 Granite Street	Haverhill	MA
Highland Spring / Croft Brewery & Oliver Ditson Co. Bldg.	31 New Heath & 158-168 Terrace Streets	Boston	MA
Appleton Manufacturing Company	217 Jackson Street	Lowell	MA
Heywood Wakefield 4: Buildings 11-A, 11-B. and 10/11 Annex	206 Central Street	Gardner	MA
A. H. Hammond Organ Reed Factory	9 May Street	Worcester	MA
Hadley Furniture Company	651-659 Main Street	Worcester	MA
Linwood Mill	666 Linwood Avenue	Northbridge	MA
Coolidge School	319 Arlington Street	Watertown	MA
Whitney Building	142 Water Street	Leominster	MA
Whitman Mill No. 1, Pipe House, Pump House, Engine House No. 1	90 Riverside Avenue	New Bedford	MA

French Shriner & Urner Shoe Factory	63 Melcher Street	Boston	MA
Russell Box Factory	100-104 Library Street & 88 Gerrish Avenue	Chelsea	MA
Foxborough State Hospital, Wards B,C,D,E	Chestnut Street	Foxborough	MA
Athol High School / Athol Regional Junior High School	494 School Street	Athol	MA
Charles R. Wilber School	75-85 South Main Street	Sharon	MA
Clark Biscuit Co.	171-191 Ashland Street	North Adams	MA
Sacred Heart Parish (1899 School, Church, Convent, Rectory & New School)	321 South Broadway	Lawrence	MA
Watertown High School	341 Mount Auburn Street	Watertown	MA
National Park Seminary - Main Building	North Side Of 1600 Block Of Linden Lane	Silver Spring	MD
Mount Vernon Mill No. 1	3000 Falls Road	Baltimore	MD
Cannery Square At Charles Village (Miller'S Court)	2601 North Howard Street	Baltimore	MD
Druid Mill	1500 Union Avenue	Baltimore	MD
The Wiley H. Bates Junior-Senior High School Property	1029 Smithville Street	Annapolis	MD
Michigan Bell & Western Electric Warehouse	882 Oakman Boulevard (Aka 14300 Woodrow Wilson)	Detroit	MI
The Durant	607 E. Second Avenue	Flint	MI
Strathmore Apartments	70 West Alexandrine	Detroit	MI
The Whittier Hotel	415 Burns Street	Detroit	MI
Ferguson Hospital	72 Sheldon Blvd., Se	Grand Rapids	MI
Amazon Building	550 West Western Avenue	Muskegon	MI

Rickman House	345 North Burdick	Kalamazoo	MI
Pillsbury A. Mill	301 Main Street, SE	Minneapolis	MN
Midtown Exchange (Sears, Roebuck And Company)	2929 Chicago Avenue South	Minneapolis	MN
Cedar Square-West/Riverside Plaza	1600 South Sixth Street	Minneapolis	MN
Twin City Wholesale Grocer Company Buildings	2285 And 2295 University Avenue West	St. Paul	MN
Jacob Schmidt Brewing Company Main Brewery Complex & Bottling Plant	405-421 & 396-440 Oneida Street	St. Paul	MN
Buzza Company Building	1006 W. Lake Street	Minneapolis	MN
Minnesota Building	46 East Fourth Street	St. Paul	MN
Abbott Hospital	110 East Eighteenth Street	Minneapolis	MN
Commerce Building	10 East 4Th Street	St. Paul	MN
Buildings 210, 211, 214, 227, 229 (Common Bond VA)	Bloomington Road	Fort Snelling	MN
Lincoln Bank Building	730 Hennepin Avenue	Minneapolis	MN
St. Louis Stamping Company Buildings (Bldg 1)	101-217 Cass	St. Louis	MO
Paul Brown Bldg.	818 Olive Street	St. Louis	MO
Liggett And Myers (Rice-Stix) Bldg.	1000 Washington Avenue	St. Louis	MO
Homer G. Phillips Hospital	2601 Whittier Street	St. Louis	MO
Council Plaza Tower East	310 S. Grand	St. Louis	MO
Kansas City Cold Storage Building	500 East 3Rd Street	Kansas City	MO
Cupples Warehouse District (Building 1 & 2)	1015-1033 Spruce Street	St. Louis	MO
Home Savings Association Building	1000-1006 Grand Boulevard	Kansas City	MO
Wrought Iron Range Building	1901-37 Washington	St. Louis	MO
Professional Building	1101-1107 Grand Avenue	Kansas City	MO

Leavitt Box Building	2019 Lucas Street	St. Louis	MO
Leather Trades Building	1600 Locust Street	St. Louis	MO
Metropolitan Building	500N. Grand Boulevard	St. Louis	MO
Winston Churchill Apartments	5475 Cabanne Ave	St. Louis	MO
Robert E. Lee Hotel	205 N. 18Th St.	St. Louis	MO
Liggett & Meyers Tobacco Co. Building	1900-12 Pine St.	St. Louis	MO
Valentine Apartments	3724 Broadway	Kansas City	MO
George Washington Inn (Washington Apartments)	600 N. Kings Highway	St. Louis	MO
Bainbridge Apartments	900-908 East Armour Blvd	Kansas City	MO
Georgian Court Apartments	400 East Armour Blvd	Kansas City	MO
Franklin School	814 North 18Th Street	St. Louis	MO
Castle Park Apartments/St. Vincents Hospital	1600 Castle Park Drive	Normandy	MO
Christian Church Hospital/Robinson Neurological Hospital	2625 West Paseo Boulevard	Kansas City	MO
Ely & Walker Shirt Factory No. 5	221 S. Main Street	Kennett	MO
Graphic Arts Building	934 Wyandotte Street	Kansas City	MO
Pascagoula High School Complex	2903 Pascagoula Street	Pascagoula	MS
Durham Hosiery Mill No. 15	301 West Washington Street	Mebane	NC
Mecklenburg Mill	3327 North Davidson Street	Charlotte	NC
Livestock Exchange Building	4920 South 30Th Street	Omaha	NE
Nashua Manufacturing Company North Cotton Store House	30 & 36 Front Street	Nashua	NH
Congdon Mill	13 1/2 Van Houten Street	Paterson	NJ
Garden Building / Passaic Elks Club	29-31 Howe Avenue	Passaic	NJ
Jersey City Ymca	654 Bergen Avenue	Jersey City	NJ

The Octagon	875 Main Street	Roosevelt Island	NY
Philip Livingston Middle School (formerly Philip Livingston Junior High School)	315 Northern Boulevard	Albany	NY
Leavenworth Apartments	615 James Street	Syracuse	NY
Van Zandt, Jacobs & Co., Collar and Cuff Factory	621 River Street	Troy	NY
Monument Square Apartments	2 First Street	Troy	NY
Mott Mill	11-23 St. Casimir Avenue	Yonkers	NY
Watkins Glen High School	900 N. Decatur Street	Watkins Glen	NY
Clifton Springs Sanitarium	11 E. Main Street	Clifton Springs	NY
St. Joseph's School	56 Second Street / 70 North Swan	Albany	NY
West Technical High School	2201 West 93Rd Street	Cleveland	OH
Goodyear Hall	1201 East Market Street	Akron	OH
Commodore Perry Hotel	505 Jefferson Ave.	Toledo	OH
Winton Hotel	1012 Prospect Avenue	Cleveland	OH
Shawnee Hotel	102 East Main Street	Springfield	OH
Alexandra Apartments	921 E. William H. Taft Road	Cincinnati	OH
Phillis Wheatley Association	4450 Cedar Avenue	Cleveland	OH
Heathman Hotel	723 SW Salmon Street	Portland	OR
Erickson's Saloon & Fritz Hotel	5-23 NW Avenue/ 4-10 NW 3rd Avenue	Portland	OR
The Bell Telephone Company Of Pa Western Headquarters Building	201 Stanwix Street	Pittsburgh	PA
Acme Warehouse	3000 Master Street	Philadelphia	PA
North Scranton Junior High School	1539 North Main Avenue	Scranton	PA
Steelton Educational Campus	4Th & Walnut Streets	Steelton	PA
Suffolk Manor	1414-1450 Clearview Street	Philadelphia	PA

Walnut Park Place	6232-6250 Walnut Street	Philadelphia	PA
Warburton Hotel/Lucy Eaton Smith	1929 Sansom Street	Philadelphia	PA
Century Building	130 Seventh Street	Pittsburgh	PA
Slatersville River Properties (Weaving Building)	1 Railroad Street	Slaterville	RI
Bourne Mill	844 State Avenue	Tiverton	RI
The Peerless Building	229-239 Westminister Street	Providence	RI
Stillwater Worsted Mill (Harrisville Mill Complex)	5-7 Main Street	Harrisville	RI
Highland Park Mfg. Plant No.2	869 Standard Street	Rock Hill	SC
Lauderdale Courts Public Housing Pr	252 Lauderdale	Memphis	TN
Republic Center Tower 1	300 N. Ervay Street	Dallas	TX
Smith Apartments,North	228 South East	Salt Lake City	UT
Richmond Cold Storage Co. Complex	E. Clay, N 19Th, E. Marshall & N 17Th Streets	Ricmond	VA
Gates Of Arlington	North Glebe Road, North Thomas Street, North Henderson Road And Second Road North	Arlington	VA
Seaboard Building	3410-3610 West Broad Street	Richmond	VA
Roanoke Apartments	1402 Maiden Lane	Roanoke	VA
New Richmond Hotel	308 4th Avenue South	Seattle	WA
Hillyard High School Apartments	5313 North Regal Street	Spokane	WA
Schuster Department Store	1020-1030 West Historic Mitchell Street	Milwaukee	WI
Mitchell Lewis Motor Company Building (Body Plant)	815 Eight Street	Racine	WI
Majestic Building	231 W. Wisconsin Avenue	Milwaukee	WI
Milwaukee Hospital	2200 W. Kilbourn Avenue	Milwaukee	WI
Lindsay Brothers Bldg.	133 W. Oregon Street	Milwaukee	WI

Van Dyke Kniting Co./Milwaukee Goodwill Industries Buildng	2102 W. Pierce Street	Milwaukee	WI

Exhibit 9

Minnesota Pairing of LIHTC & HTC (2002 to 2016)

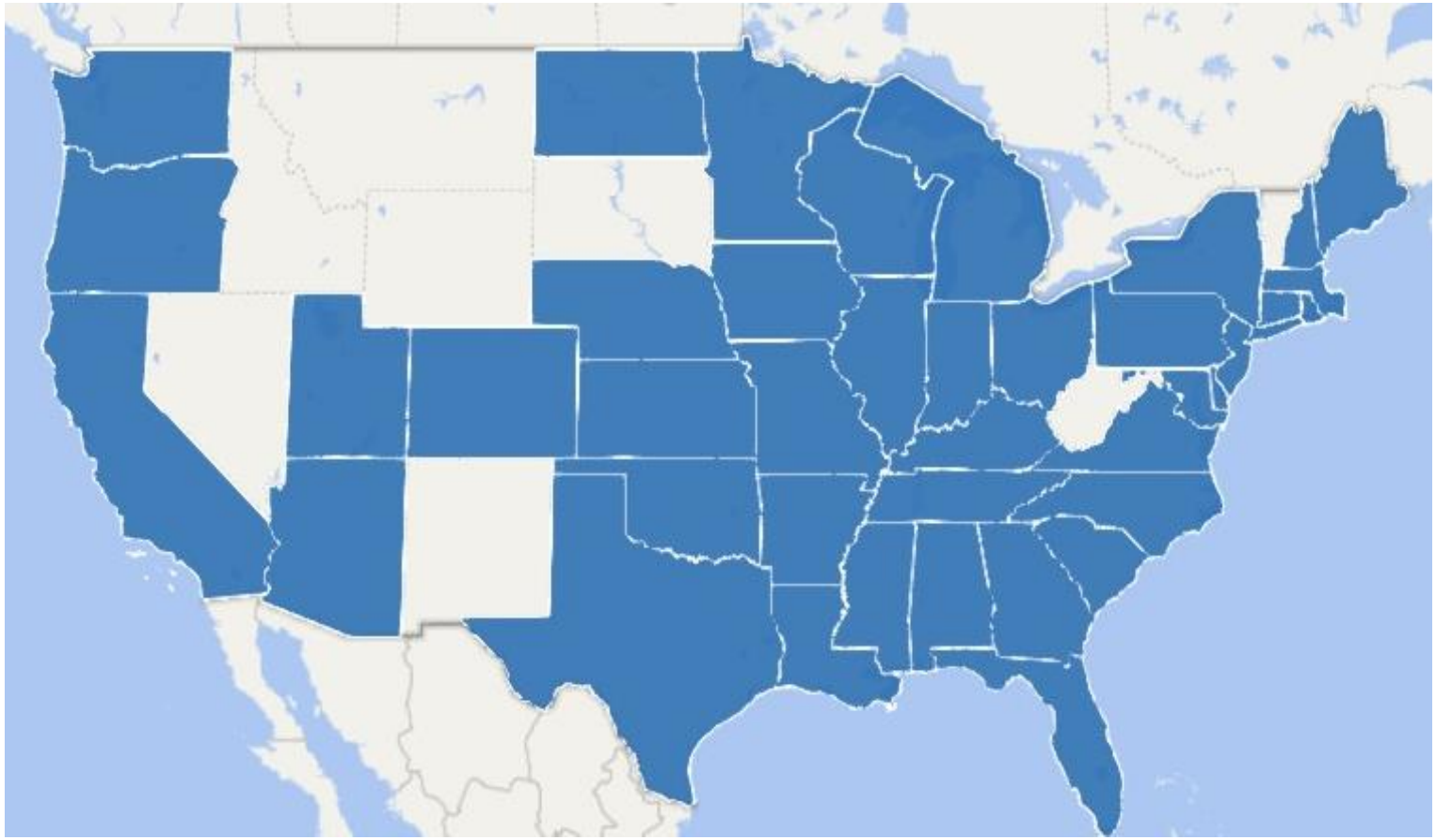
List of Minnesota Paired LIHTC and HTC				
Project/Building Name	Address	City	State	Part 3 Approv
Pillsbury 'A' Mill	301 Main Street, SE	Minneapolis	MN	2016
Jacob Schmidt Brewing Company Main Brewery Complex & Bottling Plant	405-421 & 396-440 Oneida Street	St. Paul	MN	2015
Midtown Exchange (Sears, Roebuck And Company)	2929 Chicago Avenue South	Minneapolis	MN	2006
Cedar Square-West/Riverside Plaza	1600 South Sixth Street	Minneapolis	MN	2012
Commerce Building	10 East 4Th Street	St. Paul	MN	2012
Twin City Wholesale Grocer Company Buildings (Carleton Artist Lofts)	2285 And 2295 University Avenue	St. Paul	MN	2007
Buzza Company Building	1006 W. Lake Street	Minneapolis	MN	2013
Minnesota Building	46 East Fourth Street	St. Paul	MN	2011
Buildings 210, 211, 214, 227, 229 (Common Bond - VA)	Bloomington Road	Fort Snelling	MN	2016
Abbott Hospital		Minneapolis	MN	2014
Lincoln Bank Building (City Place Lofts)	730 Hennepin Avenue	Minneapolis	MN	2014
Crane Building	281-287 East Fifth Street	St. Paul	MN	2006
O'Donnell Shoe Company Building (Renaissancce Box)	509 Sibley Street	St. Paul	MN	2011
North East Neighborhood House (Bottineau Lofts)	1929 Second Street Northeast	Minneapolis	MN	2004
Winona High School And Junior High School (Washington Crossing)	166 And 218 West Broadway	Winona	MN	2005
Munger Terrace	405 Mesaba Avenue	Duluth	MN	2014
Gaar, Scott & Company Implement War	614 N. 1St Street	Hennepin	MN	2003
Our Lady Of The Angels Academy (Riverwood Pines)	18795 Riverwood Drive	Little Falls	MN	2007
The Champion Building (creamette Historic Lofts)	420 1St Street North	Minneapolis	MN	2003
Greysolon Plaza (Hotel Duluth)	231 East Superior Street	Duluth	MN	2007
Engine House No.1	101 East Third Street	Duluth	MN	2014
Reichert Hotel	20 North 3Rd Street	Long Prairie	MN	2002
Graystone Hotel	119 Pioneer Street	Detroit	MN	2003
Hotel Kaddatz	111 W. Lincoln Avenue	Fergus Falls	MN	2005
Alicia'S Place	315 North 2Nd Avenue West	Duluth	MN	2006

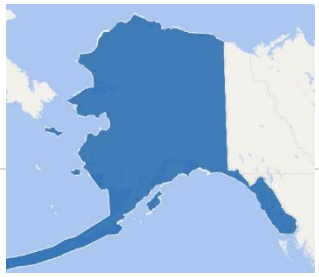
US State:	Population
Alaska	737,732
Alabama	4,849,377
Arkansas	2,994,079
Arizona	6,745,408
California	39,250,017
Colorado	5,540,545
Connecticut	3,596,677
District of	681,170
Delaware	935,614
Florida	20,612,439
Georgia	10,310,371
Hawaii	1,419,561
Iowa	3,107,126
Idaho	1,634,464
Illinois	12,801,539
Indiana	6,596,855
Kansas	2,904,021
Kentucky	4,413,457
Louisiana	4,649,676
Massachusetts	6,811,779
Maryland	6,016,447
Maine	1,330,089
Michigan	9,928,301
Minnesota	5,519,952
Missouri	6,093,000
Mississippi	2,984,926
Montana	1,023,579
North Carolina	10,146,788
North Dakota	739,482
Nebraska	1,881,503
New Hampshire	1,326,813
New Jersey	8,944,469
New Mexico	2,085,572
Nevada	2,839,099
New York	19,745,289
Ohio	11,614,373
Oklahoma	3,878,051
Oregon	3,970,239
Pennsylvania	12,784,227
Rhode Island	1,055,173
South Carolina	4,832,482
South Dakota	853,175
Tennessee	6,651,194
Texas	27,862,596
Utah	2,942,902
Virginia	8,411,808
Vermont	626,011
Washington	7,288,000
Wisconsin	5,778,708
West Virginia	1,850,326
Wyoming	584,153
Total	**322,180,634**

Exhibit 10

Map of Participating States that have Paired LIHTC and HTC

(Developments with QRE's $10 million and greater since 2002)





MANAGEMENT AND BUDGET

August 23, 2017

Commissioner Mary Tingerthal
Chair John DeCramer and Members of the Board
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RE: Upper Post at Fort Snelling Housing Revenue Bond Allocation

Dear Commissioner Tingerthal, Chair DeCramer and Members of the Board:

Thank you for your continuing consideration of Dominium's housing redevelopment proposal at the Upper Post at Fort Snelling (Upper Post), including the requested reservation of a portion of Minnesota Housing Finance Agency's (Agency) tax-exempt bonding authority and the necessary waivers to the Agency's conduit bond policy. I write to you as both the State's Chief Financial Officer and on behalf of the Governor to strongly urge the Board to approve this unique request. Dominium's proposed redevelopment is the best solution that has come forward to preserve the historic Upper Post, is likely the only development solution that will be viable at the Upper Post in the near future, and will generate a number of economic and environmental benefits to the State.

The Upper Post redevelopment proposal is one-of-a-kind. The site is owned by the State, so its long-term value will accrue to the public. It will offer family housing near jobs and transit. A particular appeal is its proposed veteran's preference in a location with significant military history and proximity to the VA Hospital and VA service center. It is a unique property of immense cultural and historic value to the State,[1] identified as Minnesota's only National Treasure by the National Trust for Historic Preservation. It is available for development because of the cooperative efforts of the Department of Natural Resources (DNR), National Park Service (NPS), the State Historic Preservation Office (SHPO) and the General Services Administration (GSA), as well as our legislature, which have all approved new authority to allow a revenue producing reuse and a streamlined historical review process. Finally, Dominium has the financial and organizational capability to undertake this complex transaction at a moment when the economics of the project are workable.

Housing Benefits. The Upper Post will provide approximately 176 units of affordable family housing with veteran's preference at a site appealing to veterans and in a unique environment.

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[1] The Agency, like all state agencies, is subject to the Minnesota Environmental Policy Act (MEPA), Minn. Stat. Ch. 116D, in all its actions. Section 116D.02, subd. 2 makes it the responsibility of state government to "use all practicable means . . . to improve and coordinate state plans, functions, programs and resources" so that the State may "preserve important historic, cultural, and natural aspects of our national heritage."

- Many veterans struggle to find affordable, high quality housing. This housing user group is a state priority. The Upper Post project has strong support from veterans' groups, and is a very appealing venue due to its military history and the adjacency of the VA offices, the federal building, and the VA Hospital one light rail stop away. Further, the Board is familiar with the success of the adjacent CommonBond project (previously approved by the Agency).
- Dominium's proposal includes a diverse unit mix and diverse unit sizes that will be appealing to veterans and families. This includes 116 large family units, specifically 24 4-BR units and 15 3-BR units of ample square footage. The remaining 1-BR units also have relatively large square footage for today's market.
- The unique setting is also appealing for the following reasons:
    - Two extremely large job clusters (Minneapolis-St. Paul International Airport and Mall of America) are nearby, and the site has access to multiple bike trail connections, transit and highway connections; and
    - A State Park setting with extensive active outdoor amenities—golf course, tennis complex, soccer and baseball fields and park amenities, including the region's premier swimming lake.

The State's consulting architect, Charles Liddy, FAIA, a respected preservation architect, has provided assurances that planned noise attenuation in the units will meet all applicable standards. This issue is no different at the Upper Post than at the nearby CommonBond project, which similarly met these standards and has been fully occupied since completion.

Collectively, this site has many factors that make it a uniquely appealing housing site, in addition to preserving a cultural and historic State asset.

Investments by Other Stakeholders. Several comments at the recent Board meeting focused on investment by other stakeholders—the Federal Government, DNR and the State. The reality is that this project is receiving extensive support from other sources.

- In the proposed financing for this project, *federal resources (tax-exempt bonds, 4% LIHTC and State Historic Tax Credits) account for **76%** of the funding, or about $75 Million.*
- *The Federal Government gave this site to the State at no cost*. This was a multi-million-dollar land write-down, and included not just the Upper Post, but what is now the Historic Fort, the golf course, soccer/baseball and tennis complexes, the State Park and the Boy Scout base.
- *The site has become a liability to the State, costing the DNR millions of dollars to maintain.* This is a constant strain on the DNR's fiscal budget.
- *The DNR will directly invest over $5 Million in infrastructure* to support the Upper Post redevelopment for walking and bike trails, and road and sewer, in addition to the thousands of hours of project development engagement with GSA, NPS, SHPO and other stakeholder and reviewing agencies.
- *The Minnesota historic tax credit program, created by our legislature in 2010, is currently set to expire in 2021.* There is no guarantee the legislature will extend this financing tool. There is a limited window to take advantage of this incentive, which is proposed to leverage $15 Million for the Upper Post project.

No other local government jurisdiction is well situated to issue tax-exempt conduit revenue bonds in the amount sought by Dominium. MMB is responsible for administering Minnesota Statutes, Ch. 474A, which entails allocating the annual federal volume cap for private activity tax-exempt bonding authority. I can attest to how competitive this process has become in the last two years. Even if Dominium secured the support of another local government issuer, the Upper Post project would likely only receive a portion of the amount it is seeking through a competitive pool.

The request to issue conduit housing revenue bonds carries no Agency financial risk. Dominium's financing proposal does not seek any Agency subsidy. No other funding, other than the approval for the use of the conduit housing revenue bonds is needed.

Statewide Economic Benefits and Costs. I have already noted the strong governmental investment in this project. But let me point out other public costs and lost benefits if this redevelopment does not proceed.

- Doing nothing is not cost and risk free for the State. Over the last ten years, the State has expended an estimated $10 Million of general fund and general obligation bond funds for building stabilization, road repair and replacement, utility work, policing and property maintenance, stabilization and management. Despite these investments, the Upper Post remains mothballed and is at risk of further degradation and loss. Doing nothing will continue these costs and they will increase due to continued building deterioration.
- The project budget will repay approximately $800,000 of outstanding State general obligation bonds. While a minor benefit, this would increase the State's overall debt capacity.
- The risks of this large complex sitting vacant are also quite material. There is a very strong State benefit in having an active use of the area for liability and casualty reasons.
- Finally, Dominium's proposal to develop housing at the Upper Post will generate additional benefits to the State and surrounding communities, including additional sales tax, income tax and property tax revenues, and employment effects through construction jobs, service and material provider jobs and other ancillary jobs in the local community.

Dominium's proposed redevelopment provides a timely solution for mitigating these costs and realizing these benefits, and should be weighed carefully in the Board's ultimate decision.

Dominium Proposes a Financing Structure that Would Make the Agency Financially Neutral. Dominium has indicated that its financing proposal would make the Agency whole in the event the Board granted the necessary waivers and approved the issuance of conduit bonds to finance the Upper Post development. The Agency has a finite amount of tax-exempt bonding authority. If the Board approved the issuance of tax-exempt conduit housing revenue bonds, and instead increased its issuance of taxable bonds for single family mortgage purchases by a like amount, Dominium is proposing a fee structure designed to make the requested approval financially neutral. Specifically, Dominium's proposal includes $1,300,000 (present value, or PV) in issuer fees to the Agency (combined up front and annual). Based on the Agency's bond issuances in 2016 and 2017, Dominium estimates that the Agency's trade-off for issuing taxable bonds for single family mortgage purchases in an amount equal to what Dominium is requesting in tax-exempt bonding authority would be $1,150,000 (PV), in which case the proposed issuer fees would put the Agency ahead. Attached you will find some supporting materials prepared by

Dominium that show how granting the appropriate waivers and issuing tax-exempt bonds could be financially neutral for the Agency.

Conclusion. This is a one-of-a-kind case where the Board is in the final position to help save one of the State's most important cultural and historical resources. Dominium proposes a financing structure that would be revenue neutral for the Agency. MMB supports Dominium's request of the Agency, and strongly urges the Board to grant the needed waivers and allocate tax-exempt bonding authority for the Upper Post project.

My staff and I will be available to the Agency and any of you between now and the Board meeting to answer any questions. Thank you for your positive consideration. Please call me with any questions.

Sincerely,

Myron Frans, Commissioner

cc: Governor Mark Dayton
Commissioner Tom Landwehr
Owen Metz, Vice President & Project Partner, Dominium

Attachments: MHFA Single Family Allocation History
Present Value Analysis of Taxable HRB vs. Dominium Issuance Fees
MHFA Recent Single Family Bond Interest Rate Spread Analysis

MHFA Carryforward Elections Made in Past 10-Years

Bond Year	Date Election Made	Total MHFA Volume Cap	Bonds Issued	Carryforward as Single Family	Carryforward as Multifamily	Total Carryforward
2007	1.9.2008	166,707,631	61,181,837	105,525,794	-	105,525,794
2008	10.13.2009	335,600,806	46,554,206	289,046,600	-	289,046,600
2009	1.6.2010	339,927,720	-	339,927,720	-	339,927,720
2010	1.19.2011	179,808,700	29,235,000	150,573,700	-	150,573,700
2011	1.23.2012	265,416,877	8,890,000	256,526,877	-	256,526,877
2012	1.31.2013	338,367,769	8,965,000	239,402,769	90,000,000	329,402,769
2013	1.28.2014	284,253,492	-	284,253,493	-	284,253,493
2014	2.4.2015	373,325,842	-	373,325,842	-	373,325,842
2015	1.27.2016	290,453,763	66,664,068	143,789,695	80,000,000	223,789,695
2016	1.18.2017	146,381,707	23,837,956	97,543,751	25,000,000	122,543,751
2017		-	-	-	-	-
Total		**$ 2,720,244,307**	**$ 245,328,067**	**$ 2,279,916,241**	**$ 195,000,000**	**$ 2,474,916,241**
				92%	8%	
			Last 5-Years	**1,138,315,550**	**195,000,000**	**1,333,315,550**
				85%	15%	

2017							
Dated Date	**Issuance Name**	**Maturity**	**Coupon Rate**	**Spread Compared to Taxable**	**Link to OS**	**Issuance Amount**	
2/9/2017	Residential Finance Bonds 2017A (Non AMT)	3/1/2047	2.93%	0.32%	link	$ 24,966,329	
2/9/2017	Residential Finance Bonds 2017B **(Taxable)**	3/1/2047	3.25%			$ 24,966,327	$ 49,932,656
3/13/2017	Residential Finance Bonds 2017C (Non AMT)	4/1/2047	3.08%	0.35%	link	$ 23,903,940	
3/13/2017	Residential Finance Bonds 2017D **(Taxable)**	4/1/2047	3.43%			$ 23,903,941	$ 47,807,881
5/10/2017	Residential Finance Bonds 2017E (Non AMT)	6/1/2047	2.85%	0.35%	link	$ 39,283,268	
5/10/2017	Residential Finance Bonds 2017F **(Taxable)**	6/1/2047	3.20%			$ 19,348,474	$ 58,631,742
6/20/2017	Residential Housing Finance Bonds 2016D (AMT)				link	$ 43,455,000	
6/20/2017	Residential Housing Finance Bonds 2016E (NonAMT)					$ 37,390,000	
6/20/2017	Residential Housing Finance Bonds 2016F (AMT)					$ 40,000,000	$ 120,845,000

2016							
Dated Date	**Issuance Name**	**Maturity**	**Coupon Rate**	**Spread Compared to Taxable**	**Link to OS**	**Issuance Amount**	
5/25/2016	2016A (AMT) Residential Housing Finance				link	$ 63,135,000	
5/25/2016	2016B (Non-AMT) Residential Housing Finance					$ 74,985,000	
5/25/2016	2016C (**Taxable**) Residential Housing Finance					$ 15,590,000	$ 153,710,000
7/14/2016	Homeownership Finance Bonds 2016C (Non AMT)	8/1/2046	2.33%	0.40%	link	$ 35,389,598	
7/14/2016	Homeownership Finance Bonds 2016D **(Taxable)**	8/1/2046	2.73%			$ 35,389,601	$ 70,779,199
9/12/2016	Homeownership Finance Bonds 2016E (Non AMT)	10/1/2046	2.35%	0.33%	link	$ 35,494,509	
9/12/2016	Homeownership Finance Bonds 2016F **(Taxable)**	10/1/2046	2.68%			$ 65,918,377	$ 101,412,886
10/20/2016	Homeownership Finance Bonds 2016G (Non AMT)	11/1/2046	2.30%	0.35%	link	$ 20,445,117	
10/20/2016	Homeownership Finance Bonds 2016H **(Taxable)**	11/1/2046	2.65%			$ 30,667,674	$ 51,112,791
12/13/2016	Residential Housing Finance Bonds 2016D (AMT)				link	$ 11,340,000	
12/13/2016	Residential Housing Finance Bonds 2016E (NonAMT)					$ 75,005,000	
12/13/2016	Residential Housing Finance Bonds 2016F (AMT)					$ 50,000,000	$ 136,345,000

Single Family Bonds		
$	55,000,000	
	0.35%	Interest Rate Savings*
	8.00	Years**
$	1,540,000	Total Interest Savings

* Based on recent single family bond issuances by MHFA taxable bonds result in approximately 0.35% more in interest annually as compared to tax-exempt bonds.

** Average time single family mortgage is outstanding before it is sold or refinanced.

Multifamily Bonds (Fort Snelling)		
$	20,500,000	Long-Term Bonds
	0.100%	Issuer Fee %
	18.00	Years
$	369,000	Total Long-Term Issuer Fees
$	34,500,000	Short-Term Bonds
	0.25%	Issuer Fee %
	3.00	Years
$	258,750	Total Short-Term Issuer Fees
	1.00%	Upfront Issuer Fee %
$	550,000	Issuer Fee Paid at Closing
$	88,000	Compliance Fees ($25/u/yr)
$	280,000	4% Tax Credit Allocation Fees

Total	$	1,540,000	<	$	1,545,750
PV @ 7%	$	1,149,475	<	$	1,309,172

Additional Revenue to MHFA	**$**	**5,750**
Additional Revenue at 7% PV	**$**	**159,697**

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STATE OF MINNESOTA DEPARTMENT OF VETERANS AFFAIRS

★ ★ ★

20 West 12th Street, 2nd Floor • St. Paul, MN 55155 • Phone 651-296-2562 • Fax 651-296-3954
www.mdva.state.mn.us • 1-888-LinkVet

August 21, 2017

Dear Commissioner Tingerthal and Board Chair DeCramer,

I am writing you with the hope that you will consider the request of Governor Dayton and support the proposed redevelopment of the Upper Post at Fort Snelling in to affordable housing with a preference for veterans. Minnesota has over 350,000 veterans with many of them living in the Twin Cities metro who would be well-served by the proposed redevelopment. I respectfully request you provide the necessary waivers and reservation of tax-exempt bonds to allow this important redevelopment to proceed.

The rich cultural, historic, and military history of Fort Snelling and the buildings at the Upper Post alone make them worth unique action and consideration by Minnesota Housing. I understand Dominium's proposal would save all 26 historic buildings at the Upper Post so they would be preserved for another 100+ years. All residents of the state of Minnesota would benefit with the preservation of the buildings, but in particular our veterans would have a needed affordable housing option available to them.

Affordable veterans housing is something that is sorely needed in Minnesota and in the metro, especially when it is designed to accommodate large families. Finding affordable housing for young veterans and their families is always a struggle and in particular for single mothers and their children. Further, over 30% of our Minnesota veterans utilize VA health care and this development is located one light rail stop away from the VA hospital. Easy access to jobs at both the Mall of America and MSP Airport will further provide opportunities for the residents.

While there are always opportunity costs when making difficult decisions, it is hard to imagine any proposed housing option being presented to Minnesota Housing that accomplishes more for the entire state of Minnesota. With your leadership Minnesota will benefit with nearly 200 new affordable homes for veterans while saving 26 extremely important historic buildings that will serve large families on a serene housing setting with access to hundreds of miles of trails and paths along with hundreds of acres of green space and parks.

Please act now to preserve the Upper Post at Fort Snelling and provide a unique housing opportunity for veterans and their families. Your leadership is needed to save this important Minnesota asset.

Sincerely,

Larry Shellito
Commissioner, Minnesota Department of Veterans Affairs

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From: Liddy, Charles D. [mailto:cliddy@millerdunwiddie.com]
Sent: Tuesday, August 01, 2017 2:00 PM
To: Tingerthal, Mary (MHFA) <mary.tingerthal@state.mn.us>; jdecramer@bhelectronics.com
Cc: Metz, Owen <ometz@Dominiuminc.com>; Condas, Russ (rcondas@Dominiuminc.com) <rcondas@Dominiuminc.com>
Subject: Ft. Snelling Upper Post Flats: MHFA Board Meeting

Dear Commissioner Tingerthal and Chair DeCramer:

As a Principal and Preservation Architect at Miller Dunwiddie (MD), a Minneapolis Architecture and Interior Design firm that has a specialty practice in historic preservation, I have led all of the work we have done at Fort Snelling since the early 1990s. With this letter, I hope to speak for the buildings at the Upper Post and the legacy they represent for the thousands of men and women from Minnesota and the Upper Midwest who served in the Armed Forces of the United States.

FORT SNELLING BACKGROUND

Fort Snelling has often called the "Birthplace of Minnesota" and the "Gateway to the Northwest." It housed the first school, the first library, and the first hospital in what was to become Minnesota. Originally built between 1820 and 1825, Fort Snelling served as one of several Army outposts during Euro-American settlement of the nation's western frontier up through the Civil War. After the war, the fort became headquarters for the Department of. That role launched an extensive construction campaign at the Upper Post, also sometimes called the Upper Bluff, producing dozens of new buildings.

Fort Snelling grew during the late 19th and early 20th centuries to meet U. S. military needs. After World War I, Army life was more leisurely, and officers played polo on one end of the parade grounds and golfed on the other, giving the fort its reputation as "the country club of the army." During World War II, the fort's induction center again filled with over 300,000 men who were processed by a permanent staff of 1,000. The fort also housed the Military Intelligence Service Language School, which graduated some 6,000 linguists, mostly Japanese-Americans. After the war, the Army found the fort of little strategic value. It was decommissioned and turned over to the Veterans Administration in 1946.

In 1998, a study was prepared for the DNR to identify possible reuses for the Upper Post buildings and site. The effort to save the Fort Snelling Upper Post then began in earnest in 2006 when the DNR determined that redevelopment and reuse of the Upper Post was not consistent with its parks, recreation, and natural resources mission and would instead be best accomplished by another agency with more urban redevelopment capabilities. In addition to $1.7 million in State GO Bond Funds allocated in 2008 and 2010, the work at the Upper Post has been funded by numerous grants from multiple sources, thus showing the interest and importance attributed to the site. These have totaled over $500,000, making the total expenditure since 2006 over $2.5 million. Those funds were used to mothball the buildings, do masonry restoration on two of them, Building 65 (Prison) and 67 (Headquarters or Clocktower Building), restore the clock in Building 67, and restore the slate roof on Building 55 (Hospital).

FORT SNELLING UPPER POST FLATS AND THE FORT'S LEGACY

Since the 1998 DNR study, there have been a number of proposals for reuse of the buildings at the Upper Post, from an Olympic Training Village to a motocross and drag racing venue. In historic preservation, the best approach in preserving buildings is to use them for their original purposes. In the Dominium proposal, 19 of the 26 buildings were originally used for housing soldiers that served at the fort. The project therefore represents the highest and best use for those buildings. Additionally because of that, the resources needed to rehabilitate them are reduced, since they are being rehabilitated to an original function rather than being repurposed into something completely different. This has been an important aspect of many other former military bases across the country that have been rehabilitated, from Fort Vancouver in Washington to Fort Des Moines in Iowa, to name just two. Reusing the buildings of the Upper Post for housing would allow the families living there to literally wake up in history every day to appreciate their surroundings and buildings and lead to a higher quality of life.

What's more important, the Dominium project provides the most viable opportunity for preserving the legacy of Fort Snelling. From 1820 until 1997, with the exception of a few years prior to the Civil War, it was the headquarters for the men and women who served the United States in the Army, Veterans Administration, National Guard, and military Reserve units that were located there. The Upper Post is the largest remaining assemblage of buildings from the fort's heyday--1879 through World War II; and virtually all of them were built and maintained by those who served there. It, together with the Historical Society's buildings across the highway and the National Cemetery on the other side of the airport, represent the best way of honoring the legacy of those who served the country. I understand the MHFA concern with the costs involved in the proposed project, but with the time, energy, and public resources that have been expended over the last 11 years to keep the buildings standing at the Upper Post, having the Dominium project die may be the final nail in the coffin that will tip many of the buildings into not being able to be reasonably rehabilitated. If the Upper Post buildings are then demolished, the legacy of those who served will be lost.

I strongly urge the MHFA to approve the funding for the Fort Snelling Upper Flats project, and I would be happy to attend the August 31st Board meeting to answer any questions.

Thank you,

Chuck

CHARLES D. LIDDY | FAIA
Principal | Architect – MN, WI

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Map + Directions

Minnesota Housing Finance Agency

Board Agenda Item: 7.B
Date: 8/31/2017

Item: Approval, Resolution authorizing Homeownership Finance Bonds (HFB), and approving the execution and delivery of related documents.

Staff Contact(s):
Kevin Carpenter, 651-297-4009, kevin.carpenter@state.mn.us
Terry Schwartz, 651-296-2404, terry.schwartz@state.mn.us
Paula Rindels, 651-296-2293, paula.rindels@state.mn.us

Request Type:

☒ Approval
☐ Motion
☒ Resolution

☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Agency staff is preparing to issue bonds for the acquisition of newly originated mortgage-backed securities. Kutak Rock LLP, the Agency's bond counsel, has prepared a resolution authorizing the terms of one or more bond issues, not-to-exceed $300 million and to be issued prior to the end of 2018. Bond Counsel and Agency staff have also prepared a Preliminary Official Statement for an offering of approximately $125 million in Homeownership Finance Bonds, 2017 Series G and H, which is anticipated to price in mid-September of 2017.

Fiscal Impact:
Minnesota Housing earns a spread (generally more than 1%) between the rate on the mortgage loans/securities and the interest rate on the bonds used to finance the acquisition of those securities.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Preliminary Official Statement (provided under separate cover)
- Resolution (provided under separate cover)

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 31, 2017

NEW ISSUE

RATING: Moody's: "____"
(See "Rating" herein.)

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

MINNESOTA HOUSING

$125,000,000*
Minnesota Housing Finance Agency
$75,000,000* Homeownership Finance Bonds, 2017 Series G (Non-AMT)†
$50,000,000* Homeownership Finance Bonds, 2017 Series H (Taxable)
(Mortgage-Backed Securities Pass-Through Program)

Dated Date: Date of Delivery **Due: as shown below**

Tax Exemption Interest on the 2017 Series G Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein) *Interest on the 2017 Series H Bonds is includable in gross income for purposes of federal income taxation and is includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes.*

Redemption On each monthly interest payment date, a portion of the Series Bonds equal to principal received during the prior month on the 2017GH Program Securities will be redeemed, without premium. On or after January 1, 2027,* all or a portion of the Series Bonds may be redeemed at the option of the Agency prior to maturity, without premium. (See "The Series Bonds—Mandatory Redemption" and "—Optional Redemption" herein.)

Security Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by the Agency's pledge of all Program Obligations, Investment Obligations, Revenues and other assets held under the Bond Resolution, except as otherwise expressly provided in the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. *The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Series Bonds and the Series Bonds are not a debt of the State.* (See "Security for the Bonds" herein.)

Interest Payment Dates The first day of each month, commencing November 1, 2017,* and, in respect of a Series Bond to be redeemed, the redemption date.

Denominations $1.00 or any multiple thereof.

Closing/Settlement September 26, 2017* through the facilities of DTC in New York, New York.

Bond Counsel Kutak Rock LLP.

Underwriters' Counsel Dorsey & Whitney LLP.

Trustee Wells Fargo Bank, National Association, in Minneapolis, Minnesota.

Book-Entry-Only System The Depository Trust Company. (See Appendix D hereto.)

$75,000,000* _____% 2017 Series G Bonds due October 1, 2047* at ___% (CUSIP _____)**
$50,000,000* _____% 2017 Series H Bonds due October 1, 2047* at ___% (CUSIP _____)**

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and the tax exemption of interest on, the Series Bonds.

RBC Capital Markets **Piper Jaffray & Co.** **Wells Fargo Securities**

The date of this Official Statement is September __, 2017.

*Preliminary; subject to change.

†Interest not included in the calculation of adjusted current earnings of corporations for purposes of the federal alternative minimum tax. (See "Tax Exemption and Related Considerations" herein.)

**CUSIP numbers have been assigned by an organization not affiliated with the Agency and are included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of the CUSIP numbers, nor is any representation made as to their correctness on the Series Bonds or as indicated above. A CUSIP number may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The issuer has deemed this Preliminary Official Statement final, as of its date, except for information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission.

Neither Minnesota Housing Finance Agency nor the Underwriters have authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, its Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
relating to
$125,000,000*
Minnesota Housing Finance Agency
$75,000,000* Homeownership Finance Bonds, 2017 Series G
$50,000,000* Homeownership Finance Bonds, 2017 Series H (Taxable)
(Mortgage-Backed Securities Pass-Through Program)

This Official Statement (which includes the Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the "Agency") and its Homeownership Finance Bonds, 2017 Series G (Mortgage-Backed Securities Pass-Through Program) (the "2017 Series G Bonds") and its Homeownership Finance Bonds, 2017 Series H (Taxable) (Mortgage-Backed Securities Pass-Through Program) (the "2017 Series H Bonds;" collectively, the "Series Bonds") for the information of prospective investors. The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the "Act"), a resolution of the Agency adopted December 11, 2009 (as amended and supplemented in accordance with its terms, the "Bond Resolution"), and series resolutions of the Agency adopted October 19, 2016 and _____, 2017 (the "2016/2017 Series Resolutions"). (The Bond Resolution and the 2016/2017 Series Resolutions are herein sometimes referred to as the "Resolutions.")

The Homeownership Finance Bonds Outstanding in the aggregate principal amount of $1,145,817,000 as of August 31, 2017, the Series Bonds and any additional Homeownership Finance Bonds issued pursuant to the Bond Resolution (collectively referred to as the "Bonds"), are and will be equally and ratably secured under the Bond Resolution (except as otherwise expressly provided therein).

The Resolutions include the definitions of capitalized terms used in this Official Statement, some of which are reproduced in Appendix C. The summaries and references in this Official Statement to the Act, the Resolutions, and other documents are only outlines of certain provisions and do not summarize or describe all the provisions thereof. All references in this Official Statement to the Act and the Resolutions are qualified in their entirety by the complete text of the Act and the Resolutions, copies of which are available from the Agency. All references to the Series Bonds are qualified in their entirety by the complete form thereof and the provisions in the Resolutions establishing the terms of the Series Bonds.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of purchasing, making or otherwise participating in the making of long-term mortgage loans to persons and families of low and moderate income for the purchase of residential housing upon the determination by the Agency that those loans are not otherwise available from private lenders upon equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix A to this Official Statement at pages 60 and 61 under the heading "Net Position — Restricted by Covenant."

Prior to the fall of 2009, the Agency implemented its single-family mortgage lending program by purchasing "whole loans" from lenders and financing purchases of the loans with proceeds of its bonds. In September 2009, the Agency began acquiring mortgage-backed securities guaranteed as to timely payment of principal and interest by a Federal Mortgage Agency (as defined in the Resolutions, "Program Securities") instead of directly acquiring mortgage loans from lenders. (See "The Homeownership Finance Program—History and Transition to 'MBS' Model.") To date, only Program Securities have been acquired with Bonds issued pursuant to the Bond Resolution. (See "Security for the Bonds—Program Securities Pledged under the Bond Resolution.")

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*Preliminary; subject to change.

The Agency is issuing the Series Bonds to provide money, from proceeds of the Series Bonds and from certain outstanding single family mortgage bonds refunded by the Series Bonds, to be used, along with certain contributed funds of the Agency, to continue its Program by purchasing Program Securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA Securities"), the Federal National Mortgage Association ("Fannie Mae Securities") or the Federal Home Loan Mortgage Corporation ("Freddie Mac Securities"), and backed by pools of mortgage loans ("Program Loans") that certain mortgage lending institutions (the "Lenders") have made to qualified persons or families of low and moderate income to finance the purchase of single-family residences in Minnesota. Each Program Loan must be (i) insured by the Federal Housing Administration (the "FHA") of the United States Department of Housing and Urban Development ("HUD") pursuant to the National Housing Act of 1934, as amended (the "Housing Act"), (ii) guaranteed by the Veterans Administration ("VA") pursuant to the Servicemen's Readjustment Act of 1944, as amended, (iii) guaranteed by USDA Rural Development (formerly Rural Economic and Community Development) ("USDA Rural Development"), under its Guaranteed Rural Housing Loan Program, or (iv) insured by private mortgage insurance issued by an entity acceptable to the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac") or having certain loan-to-value ratios or other characteristics acceptable to Fannie Mae or Freddie Mac.

The Program Securities (or participations therein) to be funded with proceeds of the Series Bonds will be GNMA Securities, Fannie Mae Securities or Freddie Mac Securities (the "2017GH Program Securities"). The Agency will apply proceeds of the Series Bonds to acquire the 2017GH Program Securities (or reimburse itself for previous acquisition) on the date of issuance of the Series Bonds. The 2017GH Program Securities are expected to consist of __* GNMA Securities in approximately $___ million* in outstanding principal amount with an average weighted pass-through interest rate of ____ percent*, _* Fannie Mae Securities in approximately $___ million* in outstanding principal amount with an average weighted pass-through interest rate of ___ percent* and __* Freddie Mac Securities in approximately $___ million* in outstanding principal amount with an average weighted pass-through interest rate of percent* and are further identified in Appendix F to this Official Statement. Repayments and prepayments of principal of Program Loans backing 2017GH Program Securities, which are to be credited to the subaccount in the Revenue Fund related to the Series Bonds, will be applied to the mandatory redemption of the Series Bonds as described under "The Series Bonds—Mandatory Redemption."

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution (except as otherwise expressly provided therein), by the Agency's pledge of all Program Obligations, Investment Obligations, Revenues and other assets held and received by the Agency pursuant to the Bond Resolution. Under the Bond Resolution, the Agency is authorized to acquire Program Obligations which consist of (i) Program Securities backed by Program Loans or (ii) Program Loans. (See "Security for the Bonds" and "Appendix C – Summary of Certain Provisions of the Bond Resolution.") Because the Agency has changed its Program to an MBS model, it currently expects to use proceeds of Bonds issued under the Bond Resolution to finance the acquisition of Program Securities and not Program Loans.

The Series Bonds are also general obligations of the Agency payable from any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or bonds, or State or federal laws or restrictions that provide that particular funds must be applied for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund is legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (See "The Agency—Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund.") (For purposes of the Resolutions, the General Reserve is designated as the "General Reserve Account.")

Although the State has appropriated amounts to the Agency for various specific purposes (see "The Agency —State Appropriations"), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs from those appropriations only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

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*Preliminary; subject to change.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of or interest on the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chairman — Term expires January 2020, Marshall, Minnesota – Magnetics Engineer

The Honorable *Rebecca Otto — Ex officio*, St. Paul, Minnesota – State Auditor

Damaris Hollingsworth, Member – Term expires January, 2018, Minneapolis, Minnesota – Architect

Joseph Johnson III, Vice Chairman — Term expires January 2021, Duluth, Minnesota – Banker

Craig Klausing, Member – Term expires January 2019, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member – Term expires January 2019, Elk River, Minnesota – Writer and Publisher

Terri Thao, Member — Term expires January 2020, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 250 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Mary Tingerthal — Commissioner. Ms. Tingerthal was appointed Commissioner effective February 2011. Before her appointment, Ms. Tingerthal was President of Capital Markets Companies for the Housing Partnership Network where she coordinated the work of the Housing Partnership Fund, which provides acquisition and

predevelopment financing; Housing Partnership Ventures, which serves as the Network's investment vehicle; the Charter School Financing Partnership, a new conduit for charter school loans; and the Network's housing counseling intermediary and neighborhood stabilization programs. In 2008, she was instrumental in establishing the National Community Stabilization Trust -- a nationwide company dedicated to helping local organizations put vacant and foreclosed properties back into productive reuse. Prior to that, Ms. Tingerthal held senior management positions with the National Equity Fund, GMAC Residential Funding, the City of Saint Paul, and the Community Reinvestment Fund. She worked for the Agency beginning in the late 1970s when she spent 10 years working with the Agency's home improvement division. Ms. Tingerthal holds a Master's Degree in Business from Stanford Graduate School of Business, and a Bachelor of Arts Degree from the University of Minnesota. She serves as the vice chair of the Consumer Advisory Council to the Federal Reserve Board and serves on the Boards of the National Housing Trust, the National Community Investment Fund, and the National Council of State Housing Agencies.

Barbara Sporlein — Deputy Commissioner, appointed effective November 2011. Her primary responsibilities are talent management, agency-wide planning, inter-agency collaboration, operations, Indian Housing, and credit risk management. Prior to this position, Ms. Sporlein was the Director of Planning for the City of Minneapolis between 2004 and 2011. As Planning Director she was responsible for the City's long range planning, transportation planning, development consultation and review, heritage preservation, environmental review, public art program, and zoning administration and enforcement. Prior to that position, Ms. Sporlein served as the Deputy Director of the Saint Paul Public Housing Agency between 1994 and 2004, and as a City Planner for the City of Saint Paul from 1990 to 1994. Ms. Sporlein has a Bachelor of Science Degree in Geography from the University of Wisconsin-Madison, a Master of Planning Degree from the Humphrey School of Public Affairs at the University of Minnesota, and a Certificate in Advanced Studies in Public Administration from Hamline University. Ms. Sporlein serves on the Board of Directors for the Daniel Rose Center for Public Leadership, and is a member of the Citizens League, the Urban Land Institute, the Minnesota Chapter of National Association of Housing and Redevelopment Officials, and the American Planning Association. Ms. Sporlein is a Certified Public Housing Manager and Housing Finance Professional.

Kevin Carpenter — Chief Financial Officer, appointed effective March 2016. In this position, Mr. Carpenter leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position, Mr. Carpenter was the Chief Financial Officer at the City of Minneapolis from May 2011 to November 2015, and also had significant tenure in various senior financial and operating positions at RBC Capital Markets, LLC. He previously was an investment banker at RBC Capital Markets, LLC and at Lehman Brothers. Mr. Carpenter earned a Master's Degree in Business Administration from Harvard University Business School and a Bachelor of Arts degree in Government from Dartmouth College.

Terrance Schwartz — Director of Finance, appointed effective June 2015. Mr. Schwartz is also the Director of Operations since August 2011. Mr. Schwartz was Controller for the Agency from September 2007 to June 2015. Previous to that he held various accounting positions of increasing responsibility with the Agency. Mr. Schwartz served four years in the United States Marine Corps. He holds a Bachelor of Science Degree with a concentration in Accounting from the University of St. Thomas, St. Paul, Minnesota.

Thomas O'Hern — General Counsel, appointed effective November 2015. Prior to becoming General Counsel, Mr. O'Hern was employed by the Minnesota Attorney General's Office for 32 years as an Assistant Attorney General representing many state agencies and boards. Mr. O'Hern has represented the Agency since 2003. Mr. O'Hern earned his law degree from American University and holds a Bachelor of Arts degree from George Washington University in Washington D.C.

Kasey Kier — Assistant Commissioner, Single Family Division, appointed effective December 2014. Ms. Kier's previous experience with the Agency includes Single Family Business Operations Manager from August 2012 to December 2014, Low Income Housing Tax Credit Program Manager from 2005 to 2012, Multifamily Housing Program Professional from 2000 to 2005 and various positions in the Single Family Division with increasing responsibility from 1994 to 2000. Prior to that, Ms. Kier held positions at Prudential Home Mortgage and ITT Financial Corporation. Ms. Kier holds a Bachelor of Arts Degree in Business Management and Management Information Systems from Augsburg College, Minneapolis, Minnesota. Ms. Kier is a graduate of the Mortgage Bankers Association School of Mortgage Banking and holds the Accredited Mortgage Professional (AMP) specialist designation. Ms. Kier also holds Project Management Professional (PMP) certification through the Project Management Institute and Housing Development Finance Professional certification through the National Development Council.

The Agency's offices are located at 400 Wabash Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is http://www.mnhousing.gov. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2017, included in this Official Statement as Appendix A, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2017. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix A as of and for the fiscal year ended June 30, 2017 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board ("GASB").

Information regarding the Minnesota State Retirement System ("MSRS"), to which the Agency contributes, is included in Appendix A in the Notes to Financial Statements at pages 61 through 65 under the heading "Defined Benefit Pension Plan." The Agency's allocable portion of unfunded pension plan liability reported at June 30, 2017 with respect to MSRS is $76.077 million.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix B hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the "Agency Annual Report") and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2018, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See "Appendix B — Summary of Continuing Disclosure Undertaking.")

The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2015 with EMMA; however, until March 14, 2016, that Agency Annual Report was not specifically linked to the CUSIP for the Agency's Homeownership Finance Bonds, 2015 Series C (CUSIP 60416QGE8) and one CUSIP for the Agency's Residential Housing Finance Bonds, 2015 Series C (CUSIP 60416SKL3).

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in "Appendix B — Summary of Continuing Disclosure Undertaking." The Agency has made these covenants to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a quarterly disclosure report for each of its single family bond resolutions (including the Bond Resolution) and a semiannual disclosure report for its rental housing bond resolution. Recent reports are available at the Agency's website at http://www.mnhousing.gov (click on tab "Investors"), but no information on the Agency's website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency's request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as "Pool 1") and the Agency's net investment in capital assets. The Alternative Loan Fund,

which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as "Pool 2") and the Housing Affordability Fund (also referred to as "Pool 3"). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency's bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is $767.91 million, representing the combined net position of these funds so calculated as of June 30, 2017. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2017 appears in the Notes to Financial Statements of the Agency included in Appendix A to this Official Statement at pages 60 and 61 under the heading "Net Position — Restricted by Covenant."

The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency (in thousands):

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
Revenues		
Fees earned and other income[1]	$11,077	$11,252
Interest earned on investments	254	161
Unrealized gain (loss) on investments	--	--
Administrative reimbursement[2], [3]	22,482	21,523
Total revenues	33,813	32,936
Expenses		
Salaries and benefits	36,311	21,258
Other general operating expenses	7,690	6,010
Total expenses	44,001	27,268
Revenues over expenses	(10,188)	5,668
Non-operating transfer of assets between funds[4]	9,624	(6,682)
Change in net position	(564)	(1,014)
Net position beginning of period	14,280	15,294
Net position end of period	$13,716	$14,280

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.

(2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.

(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix A to this Official Statement for additional information.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2011, 2013, 2015 and 2017, the total appropriations to the Agency aggregated approximately $366.5 million. This total amount of appropriations includes budget reductions of approximately $4.9 million in the biennial period ended June 30, 2011. Reductions in appropriations during that period did not adversely affect the Agency's ability to operate its programs. For the biennium ending June 30, 2019, the Legislature appropriated approximately $107.6 million to the Agency, including an increase of approximately 3.9 percent to the Agency's base budget for state appropriations in order to fund a program previously administered by another state agency.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to $5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of August 31, 2017:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	9	2049	$ 45,565	$ 42,925
Residential Housing Finance Bonds	37	2048	1,628,860	1,064,415
Homeownership Finance Bonds	38	2047	1,618,632	1,145,817
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	13,920
Totals	85		$3,308,057	$2,267,077

*Does not include series of bonds or the original principal amount of any bonds that had been, as of August 31, 2017, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See "Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund" above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate and are subject to optional and mandatory tender. Certain information related to those variable rate bonds and swap agreements is included in the Notes to Financial Statements contained in Appendix A to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

In 2009, the Agency issued $13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued $21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the "Housing Infrastructure Bonds") for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is $175,000,000. The Agency has issued ten series of its State Appropriation Bonds (Housing Infrastructure) in 2013, 2014, 2015 and 2016 in an aggregate principal amount of $117,290,000 under a separate indenture of trust.

In 2016 the Agency issued its Drawdown Index Bonds, Series 2016, Subseries A-1 (AMT), and Drawdown Index Bonds, Subseries B-1 (Non AMT/Non ACE), in a cumulative principal amount not to exceed $300,000,000

(collectively, the "2016 Drawdown Bonds"), pursuant to a separate indenture of trust (the "2016 Drawdown Bonds Indenture"). The Agency issued the 2016 Drawdown Bonds for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Bonds and Residential Housing Finance Bonds previously issued by the Agency (the "Refunded Bonds"). Funds representing prepayments and repayments of mortgage loans financed with Refunded Bonds, and other amounts available under the applicable bond resolution for the payment of those Refunded Bonds, will be deposited into a cash collateral fund established under the 2016 Drawdown Bonds Indenture as security for the repayment of the principal amount of the 2016 Drawdown Bonds drawn by the Agency. The amount of the draws on the 2016 Drawdown Bonds outstanding and not repaid may not exceed $80,000,000 at any time. The Agency has made draws in the aggregate principal amount of $202,660,000, $33,855,000 of which is outstanding. The obligation of the Agency to pay the interest on, but not the principal of, the 2016 Drawdown Bonds is a general obligation of the Agency. A portion of the proceeds of the 2017 Series G Bonds will be used to repay a portion of the 2016 Drawdown Bonds and the equivalent amount released from the cash collateral fund under the 2016 Drawdown Bonds Indenture will be deposited in the 2017 Series GH subaccount in the Acquisition Account.

Disruptions in Mortgage and Financial Markets

Beginning in 2008 and continuing thereafter, significant dislocations in the housing and mortgage markets negatively affected general capital markets conditions, including the municipal bond market. During 2008 market dislocations led to the failure of the auction rate securities market, widening of municipal bond spreads and failed remarketings of variable rate demand obligations as a result of credit downgrades among liquidity providers and lack of market liquidity. While conditions have improved, market uncertainty still remains in the current economic environment.

As a state housing finance agency, the Agency has relied on municipal bond markets operating efficiently to fund its Program. Since the last half of 2008, these markets have not performed well, based on historical market relationships. The responses by the federal government and the Federal Reserve to address the housing market crisis and to lower long-term interest rates made it very difficult for state housing finance agencies, such as the Agency, to fund their operations profitably through the housing bond market. The Agency was able under the Bond Resolution to issue $260,490,000 in aggregate principal amount of bonds under the Single Family New Issue Bond Program announced by the United States Department of the Treasury, Fannie Mae and Freddie Mac in late 2009, together with $289,185,000 in aggregate principal amount of related market bonds. The Agency used all its authority under the Single Family New Issue Bond Program and must again rely on the housing bond market. Unfortunately, the dislocation of historical market relationships has continued and without subsidy of some kind (such as from an economic refunding or overcollateralization) generally the Agency cannot effectively issue bonds utilizing traditional bond structures to finance single family mortgage loans at competitive interest rates and has to turn to other structures and funding sources. In the last three years, the Agency has successfully issued economic refunding bonds and bonds secured by excess collateral under its Residential Housing Bond Resolution, and bonds structured as monthly principal pass-through payments from an identified portfolio of GNMA Securities, Fannie Mae Securities and Freddie Mac Securities under the Bond Resolution, to fund current single family mortgage production by purchasing approximately $1,270 million of Program Securities.

In addition to funding its single family mortgage production by issuing bonds, the Agency has from time to time sold Program Securities in the secondary market. Since 2009 the Agency has sold approximately $[578] million of Program Securities in the open market as of August 28, 2017, $281 million of which would have been eligible to be financed with tax-exempt bonds. The Agency has also issued and sold three series of its Home Ownership Mortgage-Backed Exempt Securities Certificates in the aggregate principal amount of $32.5 million, each of which is a special, limited obligation of the Agency payable from, and secured solely by, all principal and interest payments made on a single Program Security.

In recent years, both the government and private lending institutions have undertaken programs to assist borrowers in refinancing their outstanding mortgage loans. For example, the Federal Housing Administration, effective June 11, 2012, reduced its upfront and annual mortgage insurance premiums for refinancings of FHA-insured loans originated before June 1, 2009 and on which the borrower is current. The upfront premium dropped from 1 percent to 0.01 percent of the loan amount and the annual premium dropped from 1.15 percent to 0.55 percent.

These measures, and additional measures and legislation that the federal government or the Minnesota Legislature may consider, may affect the Program, the Program Loans, the Program Securities or the Bonds. While some of these measures may benefit the Program, they may affect the Program, the Bonds, the Program Securities or the Program Loans or the Owners of the Bonds adversely. In addition, because of market conditions, the Agency may choose not to issue Additional Bonds under the Bond Resolution.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the Series Bonds are as follows:

Sources

Principal amount of Series Bonds .....
Agency funds .....
Total Sources of Funds

Uses

Deposit to 2017 Series GH Acquisition Account .....
Deposit to Bond Fund Interest Account .....
Costs of Issuance .....
Underwriters' Compensation .....
Total Uses of Funds

The Agency will apply the proceeds of the Series Bonds deposited in the 2017 Series GH subaccount in the Acquisition Account, with related Agency funds, to purchase the 2017GH Program Securities on the date of issuance of the Series Bonds.

THE SERIES BONDS

General

The Series Bonds will be fully registered bonds issued in denominations of $1.00 or any multiple thereof. The Series Bonds will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Bond Resolution. Interest on the Series Bonds will be paid by funds wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, which interest is to be redistributed by DTC. Principal of the Series Bonds will be paid at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. (See "Appendix D — Book-Entry-Only System.")

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer. The Series Bonds mature on the date and in the amount set forth on the front cover hereof, subject to prior redemption as described below.

Interest

Interest on the Series Bonds will be paid on the first day of each month, commencing November 1, 2017* (each a "Regular Interest Payment Date"), and, in respect of any Series Bonds then to be redeemed, on the redemption date. Interest on the outstanding principal amount of the Series Bonds at the annual rate set forth on the front cover hereof initially will accrue from the dated date of the Series Bonds to, but excluding, November 1,

*Preliminary; subject to change.

2017,* and subsequently will accrue from the first calendar day of each month to, but excluding, the first calendar day of the immediately succeeding month, until payment of the principal or redemption price of the Series Bonds. Interest on the Series Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months and will be paid to the Owners of record in the bond registration books maintained by the Trustee as of the 15th day of the month preceding the regularly scheduled interest payment date, whether or not a business day (the "Record Date" for the Series Bonds).

Mandatory Redemption

The Series Bonds of each series are required to be redeemed, in whole or in part, on each Regular Interest Payment Date, at a redemption price equal to the principal amount of the Series Bonds redeemed plus accrued interest to the redemption date, without premium, in a principal amount equal to all repayments and prepayments of mortgage principal from Program Loans backing 2017GH Program Securities (including participations in those 2017GH Program Securities as set forth in Appendix F) received by or on behalf of the Agency in the immediately preceding calendar month, as that amount is reasonably determined by the Trustee. The percentages of the amounts of repayments and prepayments to be applied to the redemption of the 2017 Series G Bonds and 2017 Series H Bonds, respectively, is set forth in Appendix F. In the event that on certain dates set forth on Appendix G to this Official Statement (the "Cumulative Redemption Dates"), the cumulative principal amount of the Series Bonds redeemed prior to and on that Cumulative Redemption Date will be less than the amount set forth for that Cumulative Redemption Date in Appendix G (the "Minimum Cumulative Redemption Amount"), the Agency is required to redeem an additional principal amount of Series Bonds, up to the Minimum Cumulative Redemption Amount, from any available funds under the Bond Resolution.

If the Series Bonds are to be redeemed in part upon any mandatory redemption, each series of the Series Bonds then outstanding will be redeemed in part, pro rata, in proportion to the outstanding principal amount of the Series Bonds to be redeemed to the aggregate outstanding principal amounts of all outstanding Series Bonds. To accomplish this pro rata redemption while a series of the Series Bonds are held in the DTC book-entry-only system, mandatory redemptions of that series will be made as a "Pro-Rata Pass-Through Distribution of Principal" by DTC. This redemption procedure, if effected by DTC, will cause a pro rata redemption of Series Bonds of that series among DTC Participants upon a mandatory redemption, but may not ensure a pro rata redemption of the Series Bonds among all Beneficial Owners thereof. (See Appendix D to this Official Statement for a general description of the DTC book-entry-only system.)

No notice of redemption will be given to any Bondowner or Beneficial Owner of the date or amount of the mandatory redemption of any Series Bond.

Optional Redemption

The Agency may redeem the Series Bonds, or a series thereof, prior to their stated maturity date at its option, in whole or in part, in the amounts the Agency designates, on January 1, 2027* or any subsequent date, from any amounts available to the Agency for that purpose, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date of redemption, without premium.

General Provisions

If a payment of interest, principal or the redemption price of a Series Bond is to be made on a day that is not a Business Day, it will be made on the next succeeding Business Day with the same force and effect as if made on the date of payment, and no interest will accrue thereon for the period after that date.

Except as otherwise provided in the 2016/2017 Series Resolutions, any Series Bonds to be optionally redeemed are to be redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Agency and stating the principal amount of the Series Bonds to be redeemed; provided that optional redemption will be made in such a manner that Revenues and other amounts expected to be on deposit in the applicable Funds and Accounts will be at least equal to all amounts required to be on deposit in order to pay the Debt Service on Outstanding Bonds when due in accordance with a Cash Flow Certificate filed with the Trustee.

If less than all Series Bonds of a series are to be redeemed pursuant to optional redemption and the Series Bonds are not held in the DTC book-entry-only system, the principal amount of each outstanding Series Bond will

be redeemed, pro rata, in the proportion that the outstanding principal amount of that outstanding Series Bond bears to the outstanding principal amount of all outstanding Series Bonds. An optional redemption occurring when a series of the Series Bonds are held in the DTC book-entry-only system, will be made as DTC determines under DTC's then current practice. (See Appendix D to this Official Statement.)

The Trustee must mail a copy of the notice of optional redemption by first class mail, to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date; that registered owner to be determined from the bond registration books maintained by the Trustee determined as of the 15th day preceding the date that notice is mailed. (See "Appendix D — Book-Entry-Only System.")

SECURITY FOR THE BONDS

The Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge of (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds or other obligations and proceeds required by a Series Resolution to be deposited in escrow pending the conditions for the release of those proceeds from escrow being satisfied, which proceeds (and Investment Obligations purchased from those proceeds) are pledged solely to the payment of the Series of Bonds specified), (b) all Program Obligations and Investment Obligations made or purchased from the proceeds, (c) all Revenues, (d) any other loans, funds, securities, Cash Equivalents or other property of the Agency otherwise pledged as security for Outstanding Bonds or Other Obligations pursuant to a Series Resolution; (e) all right, title and interest of the Agency in and to all Participation Agreements and all Servicing Agreements entered into pursuant to a Series Resolution (including all extensions and renewals of their terms, if any) (exclusive of the Agency's rights to receive and enforce payment of money directly and for its own purposes under a Participation Agreement or a Servicing Agreement, exclusive of indemnification rights of the Agency, and exclusive of rights of the Agency to give consents and receive notices), including, but without limitation, the present and continuing right to make claim for, collect and receive any income, revenues, receipts, issues, profits, insurance proceeds and other sums of money payable to or receivable by the Agency under the Participation Agreements or Servicing Agreements with respect to Program Obligations made or purchased from proceeds of the Bonds, whether payable pursuant to the Participation Agreements, the Servicing Agreements or otherwise; the right to bring actions and proceedings under the Servicing Agreements or for the enforcement thereof; and the right to do any and all things which the Agency is or may become entitled to do under the Servicing Agreements; and (f) all money, Investment Obligations and other assets and income held in and receivable by Funds and Accounts established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or bonds, or State or federal laws or restrictions that particular funds be applied for a specified purpose. The pledge granted by the Bond Resolution is for the equal benefit, protection and security of Owners of all Outstanding Bonds, except as otherwise expressly provided therein or in the Program Series Resolution.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, and the Bonds are not a debt of the State.

Cash Flow Certificate

The Bond Resolution requires that the Agency file a Cash Flow Certificate with the Trustee (i) at least once within a 12-month period and as otherwise required under the Bond Resolution or a Series Resolution, (ii) upon the proposed application of funds in the Revenue Fund to acquire Program Obligations or to pay Program Expenses, if not contemplated by a prior Cash Flow Certificate, or (iii) to release funds to the Agency from the Revenue Fund or to transfer funds to the Alternative Loan Fund. The Bond Resolution also permits a revised Cash Flow Certificate to be filed at any time directed by the Agency. The Cash Flow Certificate is to give effect to the action proposed to be taken and to demonstrate that in the current and in each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that Revenues and other amounts expected to be on deposit in the Funds and Accounts established under the Bond Resolution or any Series Resolution (excluding, except to the extent otherwise provided in a Series Resolution, the Single Family Housing Fund) will be at least equal to all amounts required to be on deposit in order to pay the Debt Service on the Bonds and to maintain the balance in the Mortgage Reserve Fund at the Mortgage Reserve Requirement, if any; provided that, to the extent specified in a Series Resolution, a Fund or Account (other than those excluded above) will not be taken into account when preparing the Cash Flow Certificate. The Cash Flow

Certificate is to set forth the assumptions upon which the estimates therein are based, which assumptions will be based upon the Agency's reasonable expectations at the time the Cash Flow Certificate is filed. As set forth more fully in "Appendix C — Summary of Certain Provisions of the Bond Resolution — Revenue Fund," the Agency may withdraw from the Revenue Fund funds to be released to the Agency free and clear of the lien of the Bond Resolution, for deposit in the Agency's General Reserve Account or in the Alternative Loan Fund, in each case upon the filing with the Trustee a Cash Flow Certificate and a Parity Certificate.

Investment Obligations

The Agency may invest bond proceeds and other funds held in the Acquisition Account, the Mortgage Reserve Fund, the Revenue Fund, the Bond Fund, and the Bond Redemption Fund under the Bond Resolution in Investment Obligations as defined in the Bond Resolution (see "Appendix C – Summary of Certain Provisions of the Bond Resolution – Certain Defined Terms").

Revenues

When Revenues are greater than the amount necessary to pay principal and interest due with respect to the Bonds, the excess may be used, to the extent permitted by applicable federal tax law and the applicable Series Resolution, to make or purchase additional Program Obligations or to redeem Bonds. If Revenues are less than the amount necessary to pay principal of and interest due with respect to the Bonds, then, unless the Agency at its option provides the amount necessary for that payment from the General Reserve Account of the Agency or any other lawful source other than funds and accounts pledged pursuant to the Bond Resolution, the Trustee is to withdraw the necessary amount from the following funds in order of priority: (i) the Bond Redemption Fund, but only to the extent that amounts therein are in excess of amounts required for the redemption of Bonds for which any required notice of redemption has been given, (ii) the Revenue Fund, and (iii) the Mortgage Reserve Fund.

The 2016/2017 Series Resolutions provides that repayments and prepayments of mortgage principal received from the Program Loans backing the 2017GH Program Securities are to be applied to the mandatory redemption of the Series Bonds as described under "The Series Bonds—Mandatory Redemption." The Agency will not use excess Revenues to redeem the Series Bonds, except upon an optional redemption as described under "The Series Bonds—Optional Redemption."

Program Securities Pledged under the Bond Resolution

As of June 30, 2017, the following Program Securities (comprised of GNMA Securities, Fannie Mae Securities and Freddie Mac Securities) were pledged to secure Outstanding Bonds under the Bond Resolution:

	Principal Amount Outstanding	Percentage
GNMA II	$636,479,000	55.00%
GNMA I	174,230,000	15.06
FNMA	338,772,000	29.28
FHLMC	7,586,000	0.66
Total	$1,157,067,000	100.00%

Mortgage Reserve Fund

Although a Mortgage Reserve Fund has been established under the Bond Resolution, there is no Mortgage Reserve Requirement in respect of any Outstanding Bonds or the Series Bonds.

Additional Bonds

The Bond Resolution and the Program Series Resolution permit the issuance of additional Bonds, upon the adoption of a Series Resolution, without limitation as to amount, to provide funds for the purpose of financing Program Obligations and, in addition, to refund outstanding Bonds or other obligations of the Agency. No additional Series of Bonds may be issued except upon receipt by the Trustee of (1) an Agency Certificate certifying (a) that an amount equal to the Mortgage Reserve Requirement, if any, effective upon issuance of the Bonds will be on deposit in the Mortgage Reserve Fund, and (b) that the estimated Revenues set forth in an Agency Certificate are in excess of required fund transfers and debt service on the Bonds in each Fiscal Year as set forth in the Agency Certificate,

(2) a Cash Flow Certificate, giving effect to the issuance of the additional Bonds, and (3) written confirmation that the then existing ratings of the Bonds will not be impaired.

Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and all other Outstanding Bonds and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements in the Bond Resolution, except as otherwise expressly provided in the Resolutions or the Program Series Resolution.

State Pledge against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondowners that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondowners until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondowners, are fully met and discharged.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION MORTGAGE-BACKED SECURITIES

This summary does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Mortgage-Backed Securities Guide and to the documents referred to herein for full and complete statements of their provisions. Additional information is available at www.ginniemae.gov.

The Government National Mortgage Association is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development with its principal office in Washington, D.C. The documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

Each GNMA Security is to be issued under either the GNMA I Program or the GNMA II Program. Although there are a number of differences between GNMA I Securities and GNMA II-Custom Pool Securities, those differences do not adversely affect the availability of Revenues with which to pay principal of and interest on Outstanding Bonds. Each GNMA Security is to be backed by a pool of mortgage loans in a minimum aggregate amount of $25,000 and multiples of $1 in excess of $25,000. The Master Servicer is required to pay to the Trustee (in the case of a GNMA I Security) or to the Central Paying and Transfer Agent (in the case of a GNMA II-Custom Pool Security), and the Central Paying and Transfer Agent is required to pay to the Trustee, as the owner of the GNMA Security, the regular monthly installments of principal and interest on the mortgage loans backing the GNMA Security (less the Master Servicer's servicing fee, which includes the GNMA guaranty fee), whether or not the Master Servicer receives those installments, plus any mortgage prepayments received by the Master Servicer in the previous month. The Government National Mortgage Association guarantees the timely payment of the principal of and interest on the GNMA Security.

In order to issue GNMA Securities, the Master Servicer must first apply to and receive from the Government National Mortgage Association a commitment to guarantee securities. Such a commitment authorizes the Master Servicer to issue GNMA Securities up to a stated amount during a one-year period following the date of the commitment. The Master Servicer is required to pay the application fee to the Government National Mortgage Association for the commitments. The amount of commitments to guarantee GNMA Securities that the Government National Mortgage Association can approve in any federal fiscal year is limited by statute and administrative procedures. The total annual amount of available commitments is established in appropriation acts and related administrative procedures.

The issuance of each GNMA Security by the Master Servicer is subject to the following conditions, among others: (i) the purchase by the Master Servicer of mortgage loans in a minimum aggregate principal amount at least equal to the minimum size permitted by the Government National Mortgage Association for each GNMA Security (the origination being subject, among other conditions, to the availability of FHA mortgage insurance and VA guarantees), (ii) the submission by the Master Servicer to the Government National Mortgage Association of certain documents required by the Government National Mortgage Association in form and substance satisfactory to the

Government National Mortgage Association, (iii) the Master Servicer's continued compliance, on the date of issuance of the GNMA Security, with all of the Government National Mortgage Association's eligibility requirements, specifically including, but not limited to, certain net worth requirements, (iv) the Master Servicer's continued approval by the Government National Mortgage Association to issue GNMA Securities, and (v) the Master Servicer's continued ability to issue, execute and deliver the GNMA Security, as that ability may be affected by the Master Servicer's bankruptcy, insolvency or reorganization. In addition, the issuance of a GNMA Security by the Master Servicer is subject to the condition that the Government National Mortgage Association must have entered into a guaranty agreement with the Master Servicer. The conditions to the Government National Mortgage Association entering into such an agreement may change from time to time, and there can be no assurance that the Master Servicer will be able to satisfy all the requirements in effect at the time a GNMA Security is to be issued. Moreover, there can be no assurance that all of the above conditions will be satisfied at the time a GNMA Security is to be issued by the Master Servicer for purchase by the Trustee.

GNMA Security

The Government National Mortgage Association is authorized by Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act") to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by a pool composed of, among other things, mortgage loans insured by FHA under the Housing Act or guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended. Section 306(g) further provides that "[T]he full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion dated December 9, 1969, of an Assistant Attorney General of the United States, states that guarantees under Section 306(g) of mortgage-backed securities of the type to be delivered to the Trustee by the Lenders are authorized to be made by the Government National Mortgage Association and "would constitute general obligations of the United States backed by its full faith and credit."

Government National Mortgage Association Borrowing Authority

In order to meet its obligations under the guaranty, the Government National Mortgage Association, in its corporate capacity under Section 306(d) of Title III of the Housing Act, may issue its general obligations to the United States Treasury (the "Treasury") in an amount outstanding at any one time sufficient to enable the Government National Mortgage Association, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Securities. The Treasury is authorized to purchase any obligations so issued by the Government National Mortgage Association and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of Housing and Urban Development ("HUD") that the Treasury will make loans to the Government National Mortgage Association, if needed, to implement the aforementioned guaranty.

The Government National Mortgage Association is to warrant to the Trustee, as the owner of the GNMA Securities, that, in the event it is called upon at any time to honor its guaranty of the payment of principal and interest on any GNMA Security, it shall, if necessary, in accordance with Section 306(d), apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make the payment.

Servicing of the Mortgage Loans

Under contractual arrangements that will be entered into by and between the Master Servicer and the Government National Mortgage Association, and pursuant to the Program Documents, the Master Servicer is responsible for servicing and otherwise administering the mortgage loans in accordance with generally accepted practices of the mortgage lending industry and the Government National Mortgage Association Servicer's Guide.

The monthly remuneration of the Master Servicer, for its servicing and administrative functions, and the guaranty fee charged by the Government National Mortgage Association, are based on the unpaid principal amount of each GNMA Security outstanding on the last day of the month preceding the calculation. Each GNMA Security carries an interest rate that is fixed below the lowest interest rate on the underlying mortgage loans because the servicing and guaranty fees are deducted from payments on the mortgage loans before the payments are forwarded to the Trustee.

It is expected that interest and principal payments on the mortgage loans received by the Master Servicer will be the source of money for payments on the GNMA Securities. If those payments are less than the amount then due, the Master Servicer is obligated to advance its own funds to ensure timely payment of all scheduled payments of principal and interest due on the GNMA Securities. The Government National Mortgage Association guarantees the timely payment in the event of the failure of the Master Servicer to pass through an amount equal to the scheduled payments (whether or not made by the mortgagors).

The Master Servicer is required to advise the Government National Mortgage Association in advance of any impending default on scheduled payments so that the Government National Mortgage Association, as guarantor, will be able to continue the payments as scheduled on the third business day after the twentieth day of each month. However, if the payments are not received as scheduled, the Trustee has recourse directly to the Government National Mortgage Association.

Guaranty Agreement

The Government National Mortgage Association guaranty agreement to be entered into by the Government National Mortgage Association and the Master Servicer upon issuance of a GNMA Security, pursuant to which the Government National Mortgage Association guarantees the payment of principal of and interest on that GNMA Security (the "GNMA Guaranty Agreement"), provides that, in the event of a default by the Master Servicer, including (i) a failure to make any payment due under the GNMA Security, (ii) a request to the Government National Mortgage Association to make a payment of principal or interest on a GNMA Security and the utilization thereof by the Master Servicer, (iii) insolvency of the Master Servicer, or (iv) default by the Master Servicer under any other terms of the GNMA Guaranty Agreement, the Government National Mortgage Association has the right, by letter to the Master Servicer, to effect and complete the extinguishment of the Master Servicer's interest in the mortgage loans, and the mortgage loans will thereupon become the absolute property of the Government National Mortgage Association, subject only to the unsatisfied rights of the owner of the GNMA Security. In that event, the GNMA Guaranty Agreement provides that on and after the time the Government National Mortgage Association directs a letter of extinguishment to the Master Servicer, the Government National Mortgage Association will be the successor in all respects to the Master Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and will be subject to all responsibilities, duties, and liabilities (except the Master Servicer's indemnification of the Government National Mortgage Association), theretofore placed on the Master Servicer by the terms and provisions of the GNMA Guaranty Agreement, provided that at any time the Government National Mortgage Association may enter into an agreement with any other eligible issuer of GNMA Securities under which the latter undertakes and agrees to assume any part or all responsibilities, duties or liabilities theretofore placed on the Master Servicer, and provided that no agreement is to detract from or diminish the responsibilities, duties or liabilities of the Government National Mortgage Association in its capacity as guarantor of the GNMA Security, or otherwise adversely affect the rights of the owner thereof.

Payment of Principal of and Interest on the GNMA Securities

Regular monthly installment payments on each GNMA Security are required to begin on the fifteenth day (in the case of a GNMA I Security) and on the twentieth day (in the case of a GNMA II-Custom Pool Security) (or in each case if that day is not a business day then the next business day), of the first month following the date of issuance of the GNMA Security and will be equal to the aggregate amount of the scheduled monthly principal and interest payments on each mortgage loan in the mortgage pool backing the GNMA Security, less the monthly servicing and guaranty fees. In addition, each payment is required to include any mortgage prepayments on mortgage loans underlying the GNMA Security.

FANNIE MAE MORTGAGE-BACKED SECURITIES

General

The following summary of the Fannie Mae MBS Program (as defined below), the Fannie Mae Securities, Fannie Mae's mortgage purchase and servicing standards and other documents referred to herein does not purport to be complete and is qualified in its entirety by reference to Fannie Mae's Prospectus, as defined below, the Fannie Mae Single Family Selling and Servicing Guides and the other documents referred to herein.

Fannie Mae is subject to the supervision and regulation of the Federal Housing Finance Agency to the extent provided in the Housing and Economic Recovery Act of 2008. The FHFA has placed Fannie Mae into conservatorship.

Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the Securities and Exchange Commission (the "SEC"). Fannie Mae files reports, proxy statements and other information with the SEC. Materials that it files with the SEC are also available from the SEC's website, "www.sec.gov." In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's website at http://www.fanniemae.com/ir/sec or from Fannie Mae at the Office of Investor Relations at 202-752-7115. The documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

Fannie Mae

Fannie Mae is a government-sponsored enterprise that was chartered by the U.S. Congress in 1938, organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. (the "Charter"). Fannie Mae has a public mission to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. Fannie Mae securitizes mortgage loans originated by lenders in the primary mortgage market into mortgage-backed securities ("Fannie Mae MBS"), which can then be bought and sold in the secondary mortgage market. Fannie Mae also participates in the secondary mortgage market by purchasing mortgage loans (often referred to as "whole loans") and mortgage-related securities, including Fannie Mae MBS, for Fannie Mae's mortgage portfolio. In addition, Fannie Mae makes other investments to increase the supply of affordable housing, however, pursuant to the Charter, Fannie Mae may not lend money directly to consumers in the primary mortgage market. *Although Fannie Mae is a corporation chartered by the U.S. Congress, the conservator of Fannie Mae is a U.S. Government agency, and the United States Department of Treasury ("Treasury") owns senior preferred stock and a warrant to purchase common stock of Fannie Mae, the U.S. Government (including Treasury) does not guarantee, directly or indirectly, the securities or other obligations of Fannie Mae.*

On September 6, 2008, the Director of the Federal Housing Finance Agency ("FHFA"), the safety, soundness and mission regulator of Fannie Mae, placed Fannie Mae into conservatorship and appointed FHFA as the conservator. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer or director of Fannie Mae with respect to Fannie Mae and the assets of Fannie Mae. As such, FHFA has the authority to conduct all business of Fannie Mae. Pursuant to the Housing and Economic Recovery Act of 2008, FHFA, as conservator, may take "such action as may be necessary to put the regulated entity in a sound and solvent condition." Fannie Mae has no control over FHFA's actions or the actions it may direct Fannie Mae to take. The conservatorship has no specified termination date; Fannie Mae does not know when or how the conservatorship will be terminated. In addition, the Board of Directors of Fannie Mae does not have any fiduciary duties to any person or entity except to FHFA, as conservator. Accordingly, the Board of Directors is not obligated to consider the interests of Fannie Mae or the stockholders of Fannie Mae unless specifically directed to do so by FHFA, as conservator. The United States Department of Housing and Urban Development, however, remains Fannie Mae's regulator with respect to fair lending matters.

Mortgage-Backed Security Program

Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (the "MBS Program"). **The obligations of Fannie Mae, including its obligations under the Fannie Mae Securities, are obligations solely of Fannie Mae and are not guaranteed by the United States Government (including Treasury) and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof, including Treasury and FHFA, other than Fannie Mae.**

The terms of the MBS Program are governed by the Fannie Mae Selling and Servicing Guides (the "Fannie Mae Guides"), as modified by the Pool Purchase Contract, and, in the case of mortgage loans such as the Program Loans exchanged with Fannie Mae, a Trust Indenture dated as of November 1, 1981, as amended (the "Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The MBS Program is further described in a prospectus issued by Fannie Mae (the "Fannie Mae Prospectus"). The Fannie Mae Prospectus is updated from time to time.

Copies of the Fannie Mae Prospectus and Fannie Mae's most recent annual and quarterly reports and proxy statements are available without charge from Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016, Attention: Vice President for Investor Relations, (telephone: (202) 752-6724).

Pool Purchase Contract

It is expected that Fannie Mae and the Master Servicer will enter into a Pool Purchase Contract, pursuant to which the Master Servicer will be permitted to deliver, and Fannie Mae will agree to purchase mortgage loans in exchange for, Fannie Mae Securities. The purpose of the Pool Purchase Contract is to provide for certain additions, deletions and changes to the Fannie Mae Guides relating to the purchase of mortgage loans. In the event of a conflict between the Pool Purchase Contract and the Fannie Mae Guides, the Pool Purchase Contract will control. The description set forth below assumes that the Pool Purchase Contract will be executed substantially in the form presented by Fannie Mae to the Master Servicer as of the date hereof.

Under the Pool Purchase Contract, Fannie Mae will purchase both mortgage loans eligible under the guidelines set forth in the Fannie Mae Guides and mortgage loans insured under the Community Home Buyer's Program that conform to the conditions set forth in the Pool Purchase Contract.

Pursuant to the requirements of the Fannie Mae Guides, as amended, the original principal balance of each mortgage loan to be sold to Fannie Mae may not exceed the amount established from time to time by Fannie Mae. The mortgage loans must be mortgage loans with loan-to-value ratios not in excess of 100 percent; mortgage loans with loan-to-value ratios exceeding 80 percent must have the principal amount of the indebtedness in excess of 75 percent of the appraised value of the home insured by a policy of primary mortgage insurance. The provider of the mortgage insurance must be acceptable to Fannie Mae.

Under the Pool Purchase Contract, the 100 percent loan-to-value limitation for mortgage loans will be based upon the lower of (1) the acquisition cost plus rehabilitation cost, if any, of a home, or (2) the appraised value of a home after completion of any rehabilitation. The maximum combined loan-to-value ratio is also 100 percent where subordinate financing is provided, so long as the mortgage loan does not exceed a 75 percent loan-to-value ratio. The Pool Purchase Contract also provides that, in underwriting mortgage loans for the Community Home Buyer's Program, certain exceptions will be made from the Fannie Mae Guides for down payment requirements and for determining whether a household's income satisfies the requirements for purchase by Fannie Mae.

The Pool Purchase Contract obligates the Master Servicer to service the mortgage loans in accordance with the requirements of the Fannie Mae Guides and the Pool Purchase Contract.

Fannie Mae Securities

Each Fannie Mae Security will represent the entire interest in a specified pool of mortgage loans purchased by Fannie Mae from the Master Servicer and identified in records maintained by Fannie Mae. The Pool Contract requires that each Fannie Mae Security be in a minimum amount of $250,000 (or, in each case, the lesser amounts as may be approved by Fannie Mae). The mortgage loans backing each Fannie Mae Security are to bear interest at a rate higher than each Fannie Mae Security (the "pass-through rate"). The difference between the interest rate on the

mortgage loans and the pass-through rate on the Fannie Mae Security is to be collected by the Master Servicer and used to pay the Master Servicer's servicing fee and Fannie Mae's guaranty fee.

Fannie Mae will guarantee to the registered holder of the Fannie Mae Securities that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the mortgage loans in the pools represented by the Fannie Mae Securities, whether or not received, and the full principal balance of any foreclosed or other finally liquidated mortgage loan, whether or not that principal balance is actually received. **The obligations of Fannie Mae under these guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to the faith and credit of the United States. If Fannie Mae were unable to satisfy these obligations, distributions to the Trustee, as the registered holder of the Fannie Mae Securities, would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, monthly distributions to the Trustee, as the holder of the Fannie Mae Securities, and payments on Outstanding Bonds would be affected by delinquent payments and defaults on those mortgage loans**.

Payments on the Mortgage Loans; Distributions on the Fannie Mae Securities

Payments on a Fannie Mae Security will be made on the 25th day of each month (beginning with the month following the month the Fannie Mae Security is issued), or, if the 25th day is not a business day, on the first business day next succeeding the 25th day. With respect to each Fannie Mae Security, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the mortgage loans in the related pool underlying the Fannie Mae Security during the period beginning on the second day of the month prior to the month of the distribution and ending on the first day of the month of distribution, (ii) the stated principal balance of any mortgage loan that was prepaid in full during the second month next preceding the month of the distribution (including as prepaid for this purpose at Fannie Mae's election any mortgage loan repurchased by Fannie Mae because of Fannie Mae's election to repurchase the mortgage loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest; or because of Fannie Mae's election to repurchase that mortgage loan under certain other circumstances), (iii) the amount of any partial prepayment of a mortgage loan received in the second month next preceding the month of distribution, and (iv) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Security as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Security on its issue date).

For purposes of distributions, a mortgage loan will be considered to have been prepaid in full if, in Fannie Mae's reasonable judgment, the full amount finally recoverable on account of that mortgage loan has been received, whether or not that full amount is equal to the stated principal balance of the mortgage loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution but is under no obligation to do so.

FREDDIE MAC MORTGAGE-BACKED SECURITIES

General

The following summary of the Freddie Mac Guarantor Program, the Freddie Mac Securities, Freddie Mac's mortgage purchase and servicing standards and other documents referred to herein does not purport to be complete and is qualified in its entirety by reference to Freddie Mac's Mortgage Participation Certificates Offering Circular, applicable Offering Circular Supplements, Freddie Mac's Information Statement, any Information Statement Supplements, the Freddie Mac Securities and any other documents made available by Freddie Mac. Copies of the Offering Circular, Information Statement and any supplements to those documents and other information can be obtained by calling Freddie Mac's Investor Inquiry Department (telephone (800) 336-3672) or by accessing Freddie Mac's World Wide Web site.

Freddie Mac is subject to the supervision and regulation of the FHFA to the extent provided in the federal Housing and Economic Recovery Act of 2008. The FHFA has placed Freddie Mac into conservatorship.

Freddie Mac is a publicly traded company listed on the New York Stock Exchange (symbol: FRE). Information on Freddie Mac and its financial condition is contained in annual, quarterly and current reports, proxy statements and other information that Freddie Mac files with the SEC. You may read and copy any document

Freddie Mac files with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC's website at http://www.sec.gov. The documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

Freddie Mac

Freddie Mac is a shareholder-owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459 (the "Freddie Mac Act"). Freddie Mac's statutory mission is (i) to provide stability in the secondary market for residential mortgages; (ii) to respond appropriately to the private capital market; (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities); and (iv) to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac or to guarantee Freddie Mac's securities or obligations.

Freddie Mac's principal business consists of the purchase of (i) first-lien, conventional residential mortgages subject to certain maximum loan limits and other underwriting requirements under the Freddie Mac Act and (ii) securities backed by those mortgages. Freddie Mac finances its mortgage purchases and mortgage-backed securities purchases through the issuance of a variety of securities, primarily pass-through mortgage participation certificates and unsecured debt, as well as with cash and equity capital.

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the "Reform Act") and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury ("Treasury") entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: http://www.OFHEO.gov and http://www.Treasury.gov.

Freddie Mac Guarantor Program

Freddie Mac has established a mortgage purchase program pursuant to which Freddie Mac purchases a group of mortgages from a single seller in exchange for a Freddie Mac certificate representing an undivided interest in a pool consisting of the same mortgages (the "Guarantor Program"). Freddie Mac approves the institutions that may sell and service mortgages under the Guarantor Program on an individual basis after consideration of factors such as financial condition, operational capability and mortgage origination and/or servicing experience. Most sellers and servicers are HUD-approved mortgagees or FDIC-insured financial institutions.

Freddie Mac Securities

Freddie Mac Securities will be mortgage pass-through securities issued and guaranteed by Freddie Mac under its Guarantor Program. Freddie Mac Securities are issued only in book-entry form through the Federal Reserve Banks' book-entry system. Each Freddie Mac Security represents an undivided interest in a pool of mortgage loans. Payments by borrowers on the mortgage loans in the pool are passed through monthly by Freddie Mac to record holders of the Freddie Mac Securities representing interests in that pool.

Payments on Freddie Mac Securities begin on or about the fifteenth day of the first month following issuance. Each month, Freddie Mac passes through to record holders of Freddie Mac Securities their proportionate share of principal payments on the mortgage loans in the related pool and one month's interest at the applicable pass-through rate. The pass-through rate for a Freddie Mac Security is determined by subtracting from the lowest interest rate on any of the mortgage loans in the pool the applicable servicing fee and Freddie Mac's management and guarantee fee, if any. The interest rates on the mortgages in a pool formed under Freddie Mac's Guarantor Program must fall within a range from the pass-through rate on the Freddie Mac Securities plus the minimum servicing fee through the pass-through rate plus 250 basis points.

Freddie Mac guarantees to each record holder of a Freddie Mac Security the timely payment of interest at the applicable pass-through rate on the principal balance of the holder's Freddie Mac Security. Freddie Mac also guarantees to each holder of a Freddie Mac Security (i) the timely payment of the holder's proportionate share of monthly principal due on the related mortgage loans, as calculated by Freddie Mac, and (ii) the ultimate collection of the holder's proportionate share of all principal of the related mortgage loans, without offset or reduction, no later than the payment date that occurs in the month by which the last monthly payment on the Freddie Mac Security is scheduled to be made.

Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal on a mortgage at any time after default, but not later than 30 days following (i) the foreclosure sale of the mortgaged property, (ii) if applicable, the payment of an insurance or guaranty claim by the mortgage insurer or guarantor or (iii) the expiration of any right of redemption that the borrower may have, whichever is the last to occur. In no event, however, will Freddie Mac make payments on account of this guarantee later than one year after an outstanding demand has been made on the borrower for accelerated payment of principal or for payment of the principal due at maturity.

The obligations of Freddie Mac under its guarantees of the Freddie Mac Securities are obligations of Freddie Mac only. The Freddie Mac Securities, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. If Freddie Mac were unable to satisfy its obligations under its guarantees, distributions on the Freddie Mac Securities would consist solely of payments and other recoveries on the related mortgages; accordingly, delinquencies and defaults on the mortgage loans would affect distributions on the Freddie Mac Securities and could adversely affect payments on Outstanding Bonds.

Mortgage Purchase and Servicing Standards

All mortgage loans purchased by Freddie Mac must meet certain standards established by the Freddie Mac Act. In addition, Freddie Mac has established its own set of mortgage purchase standards, including credit, appraisal and underwriting guidelines. These guidelines are designed to determine the value of the real property securing a mortgage loan and the creditworthiness of the borrower. Freddie Mac's administration of its guidelines may vary based on its evaluation of and experience with the seller of the mortgage loans, the loan-to-value ratio and age of the mortgage loans, the type of property securing the mortgage loans and other factors.

Freddie Mac has also established servicing policies and procedures to support the efficient and uniform servicing of the mortgage loans it purchases. Each servicer must perform diligently all services and duties customary to the servicing of mortgage loans in a manner consistent with prudent servicing standards. The duties performed by a servicer include collection and remittance of principal and interest to Freddie Mac; administration of escrow accounts; collection of insurance or guaranty claims; property inspections; and, if necessary, foreclosure. Freddie Mac monitors servicers' performance through periodic and special reports and inspections.

In the event of an existing or impending delinquency or other default on a mortgage loan, Freddie Mac may attempt to resolve the default through a variety of measures. In determining which measures to pursue with respect to a given mortgage loan and when to initiate those measures, Freddie Mac seeks to minimize the costs that may be incurred in servicing the mortgage, as well as Freddie Mac's possible exposure under its guarantees. However, the measures that Freddie Mac may choose to pursue to resolve a default will not affect Freddie Mac's guarantees. In any event, Freddie Mac generally repurchases from a pool any mortgage loan that has remained delinquent for at least 120 consecutive days and makes payment of principal to record holders pursuant to Freddie Mac's guarantee of ultimate collection of principal.

THE MASTER SERVICER

U.S. Bank National Association currently serves as Master Servicer for the Agency's MBS Program, including the Program Securities to be financed with proceeds of the Series Bonds. The Agency has entered into a Servicing Agreement, dated as of October 17, 2013 (the "Servicing Agreement"), with U.S. Bank National Association, as master servicer (the "Master Servicer"), for an indefinite term (subject to termination rights), which replaces the previous servicing agreement executed by the Agency and the Master Servicer. The Program Securities acquired with proceeds of the Series Bonds are expected to be serviced by the Master Servicer.

THE FOLLOWING INFORMATION ABOUT THE MASTER SERVICER RELATES TO AND WAS SUPPLIED BY U.S. BANK NATIONAL ASSOCIATION. NONE OF THE AGENCY, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL HAS VERIFIED THIS INFORMATION OR GUARANTEES IT AS TO COMPLETENESS OR ACCURACY. POTENTIAL INVESTORS SHOULD NOT CONSTRUE THIS INFORMATION AS A REPRESENTATION OF ANY OF THE AGENCY, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL.

As of June 30, 2017, the Master Servicer serviced 307,073 single-family mortgage loans purchased through its U.S. Bank Home Mortgage Division, with an aggregate principal balance of approximately $38.0 billion. The Master Servicer currently services single-family mortgage loans for State and Local Housing Finance Authorities, mutual savings banks, life insurance companies, savings and loan associations, commercial banks, as well as Fannie Mae, GNMA and Freddie Mac.

As of June 30, 2017, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately $463.8 billion and a net worth of $48.3 billion. For the six months ended June 30, 2017, the Master Servicer, through its U.S. Bank Home Mortgage Division, originated and purchased single-family mortgage loans in the total principal amount of approximately $5.5 billion.

The Master Servicer is (i) an FHA- and VA-approved lender in good standing. (ii) a GNMA-approved seller and servicer of mortgage loans and an issuer of mortgage-backed securities guaranteed by GNMA, (iii) a Fannie Mae approved seller and servicer of Fannie Mae Securities, and (iv) a Freddie Mac approved seller and servicer of Freddie Mac securities.

The Master Servicer is not liable for the payment of the principal of Outstanding Bonds or the interest or redemption premium, if any, thereon.

The holding company for U.S. Bank National Association is U.S. Bancorp, the fifth largest financial services holding company in the United States.

THE HOMEOWNERSHIP FINANCE PROGRAM

General

The following provides a general description of the Agency's Program in respect of the Program Securities backed by Program Loans to be purchased with proceeds of the Series Bonds, which is subject to change from time to time as provided in the Resolutions and is also subject to applicable federal and state law.

Under the Bond Resolution, the Agency may issue Bonds to finance Program Obligations to provide financing for single family, owner-occupied housing. All Series of Bonds issued under the Bond Resolution are secured on an equal basis, except as otherwise expressly provided in the Bond Resolution. The Agency will use proceeds of the Series Bonds to purchase Program Securities backed by Program Loans. The Agency does not currently anticipate that future Series of Bonds issued under the Bond Resolution will finance Program Obligations other than Program Securities, but the Bond Resolution permits Additional Bonds to be issued to finance Program Loans directly if the conditions for issuance of the Additional Bonds are met. (See "Security for the Bonds—Additional Bonds.")

History and Transition to "MBS" Model

Effective for commitments made on or after September 1, 2009, the Agency changed the Program from a "whole loan" model to an "MBS" (mortgage-backed securities) model. The Agency has entered into the Servicing Agreement with the Master Servicer, for an indefinite term (subject to termination rights). Pursuant to the Servicing Agreement, the Master Servicer is to acquire single family mortgage loans meeting Program requirements and pool these Program Loans into Program Securities to be purchased by the Trustee on behalf of the Agency. (See "Procedures for Origination, Purchase and Pooling" below.) For additional information regarding the Master Servicer, see "The Master Servicer."

The Agency has acquired the 2017GH Program Securities pursuant to the Servicing Agreement from the Master Servicer for an amount equal to between 101.5 percent and 103.5 percent of the principal amount of each 2017GH Program Security, plus accrued interest, if any, and any applicable fees or charges payable to a Federal Mortgage Agency and not paid by the mortgagor. The Trustee will disburse moneys from the 2017 Series GH Acquisition Account to reimburse the Agency for the amount paid by the Agency to acquire the 2017GH Program Securities.

Recent Program Developments

The Agency implemented changes effective December 18, 2012 to its first mortgage and down payment and closing cost assistance programs. The Agency streamlined its single-family first mortgage program by combining its Minnesota Mortgage Program and its Community Activity Set Aside Program under the new name Start Up. The Agency retained modified versions of its two down payment and closing cost assistance programs, which provide assistance through interest-free and deferred repayment loans to lower-income borrowers, and it added a third option, an interest-bearing, fully-amortizing down payment and closing cost assistance loan, as further described below under the caption "Other Programs."

Procedures for Origination, Purchase and Pooling

Application

The Agency has published, and revises from time to time, its Start Up Program Procedural Manual (the "Manual") which sets forth the guidelines and procedures for participation in the Program and certain requirements for origination of mortgage loans, including provisions for compliance with the requirements of applicable federal tax law. The Master Servicer has also published its lending manual for the Program establishing additional origination, documentation and processing requirements. The Agency responds to inquiries by interested lenders by directing them to the Master Servicer and the appropriate page on the Master Servicer's website delineating information regarding the requirements a lender must satisfy to be eligible to participate in the Program. Lenders must complete an application process with the Master Servicer, including the payment of an application fee. Each Lender that satisfies the requirements of the Master Servicer and participates in the Program must execute a participation agreement with the Agency, which incorporates the Manual, and a participating lender agreement with the Master Servicer, which incorporates the Master Servicer's lending manual by reference. Generally, Lenders that participate in the Program receive no advance commitment of funds. Rather, Lenders may request an individual commitment of loan funds via the internet by entering loan information in the Agency's online loan purchase approval system (HDS SF Web Application). Each commitment request is subject to a review of the Agency's eligibility rules that are a part of the HDS SF Web Application. If the information entered by the Lender meets the eligibility rules, the loan funds are then committed for each specific loan for a specific period. Should a specific loan ultimately be rejected or cancelled, the funds are available for use by another eligible borrower and Lender. There is no prescribed limit on the amount of funds that may be used by an individual participating Lender, subject to availability of funds.

Lenders are not required to pay a reservation fee upon obtaining a commitment of funds through the HDS SF Web Application. If the Master Servicer has not received a loan package pursuant to an individual commitment after 60 days, the Agency, at its option, may charge, and, if so charged, the Lender must agree to pay, an extension fee to maintain the individual commitment for a specified, extended period of time. Extension fees, if charged and not refunded, are deposited into the funds from which the loans or the Program Securities are purchased, either the Alternative Loan Fund or the Revenue Fund under the Bond Resolution.

Qualified Borrowers

The Agency has established the maximum gross income for eligible borrowers under the Program based upon applicable federal law and Agency policy objectives. The maximum gross income of an eligible borrower under the Program is currently as follows:

Household Size	**11-County Twin Cities Metropolitan Area***	**Dodge and Olmsted Counties**	**Balance of State**
1 or 2 Persons	$90,400	$88,600	$80,400
3 or more Persons	$103,900	$101,800	$92,400

*As used in this table, the "Twin Cities Metropolitan Area" comprises the following 11 counties: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright Counties.

The Agency will apply the income limitations set forth in Section 143(f) of the Code to applicants for loans financed with proceeds of the Series Bonds. The Agency may revise the income limits for the loans from time to time to conform to State and federal law and Agency policy objectives.

At the time a loan is made, the borrower must certify his or her intention to occupy the mortgaged property as his or her principal residence.

Lenders must underwrite the borrower's credit in compliance with the underwriting standards of FHA, VA, USDA Rural Development (formerly the Rural Housing and Community Development Service), Fannie Mae, Freddie Mac or the insuring private mortgage insurance company, as applicable, and of the Master Servicer.

Certain borrowers may be eligible for down payment and closing cost assistance if needed for borrower qualification. (See "Deferred Payment Loans" and "Monthly Payment Loans" under "Other Programs" below.)

Certain Fannie Mae Loan Products

In August 2010, the Agency began offering the Fannie Mae Housing Finance Agency Affordable Advantage loan product under the Minnesota Mortgage Program for borrowers with a qualifying credit score. The Affordable Advantage loan product enabled eligible state housing finance agencies to deliver loans with up to 100 percent loan-to-value ratios without mortgage insurance, although borrowers were required to contribute at least $1,000 of their own funds. The loan product carried a higher Fannie Mae guarantee fee and the Agency agreed to repurchase the loan in the first six months if the loan became four months consecutively delinquent or if the loan was delinquent at the sixth month, did not become current and became four months consecutively delinquent thereafter. The Affordable Advantage Program terminated effective March 31, 2011. Before termination, the Agency had purchased with proceeds of Bonds Program Securities backed by Affordable Advantage loans in the approximate principal amount of $12.97 million. These Program Securities have the same Fannie Mae guarantee as other Fannie Mae Securities. The Agency no longer has a repurchase obligation in respect of any of these loans.

In May 2012, the Agency began offering the Fannie Mae HFA Preferred Risk Sharing™ loan product for borrowers who meet the qualifying guidelines. The HFA Preferred Risk Sharing™ loan product enables eligible state housing finance agencies to deliver loans with up to 97 percent loan-to-value ratios without mortgage insurance. The loan product carries a higher Fannie Mae guarantee fee and the Agency must agree to repurchase the loan if it becomes delinquent in the first six months (12 months for loans backing a Fannie Mae Security issued on or after February 1, 2014) and remains delinquent for four consecutive months thereafter, or if the loan is delinquent at the sixth month (the 12th month for loans backing a Fannie Mae Security issued on or after February 1, 2014), does not become current and remains delinquent for four consecutive months thereafter. To date, Fannie Mae has requested that the Agency repurchase eight loans. Currently, the Agency has authority to purchase HFA Preferred Risk Sharing loans during the contract year beginning May 1, 2017. If those loans are Program Loans and are pooled into Program Securities acquired with proceeds of Bonds, the Program Securities will have the same Fannie Mae guaranty as other Fannie Mae Securities.

Qualified Real Property

Program Loans may finance the purchase of residential property in Minnesota on which is located an owner-occupied one or two-family dwelling, or an owner-occupied residential unit in a condominium, townhouse or planned unit development.

The Agency has established maximum purchase prices under the Program pursuant to the requirements of applicable federal law. The maximum purchase prices for both one and two-family homes currently are as follows:

If the property to be mortgaged is located in:	
Twin Cities Metropolitan Area	$306,000
Balance of State	$253,800

The Agency may revise the maximum purchase prices from time to time to conform to applicable State and federal law and Agency policy objectives.

Targeted Areas

Pursuant to applicable federal tax law, targeted areas have been established for the Program. Targeted areas consist of certain census tracts in the State in which 70 percent of the families have an annual income of 80 percent or less of the statewide median income or areas determined by the State and approved by the Secretary of the Treasury of the United States and the Secretary of the United States Department of Housing and Urban Development to be areas of chronic economic distress (the "Targeted Areas"). The Agency will make available for one year the required amount of the proceeds of the Series Bonds, or an equivalent amount of funds of the Agency, for the financing of loans for the purchase of residences located in Targeted Areas and will advertise the availability of those funds for loans in Targeted Areas. The Agency is also required to exercise reasonable diligence in seeking to finance residences in Targeted Areas. Absent any determination by the Agency that further availability of the proceeds of the Series Bonds or other Agency funds is required by federal law, any moneys remaining unused may be made available to finance the purchase of residences located anywhere within the State.

Servicing of Program Securities

A servicer of mortgage loans backing a Program Security must be a GNMA, Fannie Mae and Freddie Mac approved servicer experienced in servicing pools of mortgage loans for GNMA, Fannie Mae and Freddie Mac under their respective guaranteed mortgage-backed securities programs and be subject to the standards set forth in the GNMA Servicer's Guide, the Fannie Mae Single Family Selling and Servicing Guide and the Freddie Mac guidelines.

The Agency has entered into the Servicing Agreement with the Master Servicer to service mortgage loans backing Program Securities. For additional information regarding the Master Servicer, see "The Master Servicer" in this Official Statement. The Bond Resolution provides that in the event the Servicing Agreement is cancelled or terminated for any reason, the Agency must proceed with due diligence to procure a successor Master Servicer, subject to the provisions of the Servicing Agreement and the requirements of each applicable Federal Mortgage Agency. During the period necessary to obtain that successor, the Trustee will, subject to the approval of the applicable Federal Mortgage Agency, cause to be performed the duties and responsibilities of the Master Servicer, under the Servicing Agreement and will be compensated therefor, in addition to the compensation payable to it under the Resolutions or any other instrument, in the same manner and amounts as provided under the Servicing Agreement.

Applicable Federal Law Mortgage Eligibility Requirements

Applicable federal tax law imposes significant limitations on the financing of mortgage loans on owner occupied one- to four-family residences with the proceeds of a qualified mortgage bond issue such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency offers other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the Notes to the Financial Statements in Appendix A to this Official Statement.

For example, as of June 30, 2017, the Residential Housing Finance Bond Fund (excluding Pool 2 and Pool 3) had outstanding loans receivable of $553,671,000 gross and $502,359,000 in outstanding principal amount of mortgage-backed securities, which were financed from the proceeds of the Agency's residential housing finance bonds. As of June 30, 2017, the Agency had outstanding home improvement loans receivable of $72,622,000 gross. *None of these loans secure or are available for the payment of principal of or interest on the Bonds*.

Step Up Program

The Agency initiated its Step Up program in 2012 under which the Agency purchases mortgages made by mortgagors who generally are not first-time homebuyers or for refinancings. Down payment and closing cost assistance is available under the Step Up Program as described under "Monthly Payment Loans" below. The Agency causes Step Up mortgage loans to be securitized and then sold on the secondary market or retained in the Agency's portfolio.

Deferred Payment Loans

The Agency has established The Deferred Payment Loan Program, a Homeownership Assistance Fund program funded by state appropriations. Under The Deferred Payment Loan Program there are two options: the Deferred Payment Loan and the Deferred Payment Loan Plus. The Alternative Loan Fund within the Residential Housing Finance Bond Resolution is also a source of funding for these loans. A loan originated under either of these options is a junior lien loan from the Agency to the mortgagor.

Mortgagors who meet program income and liquid asset limits, and who do not have sufficient cash for down payment and closing costs, are eligible for a Deferred Payment Loan in an amount of up to $8,000.

Mortgagors who meet the requirements for a Deferred Payment Loan and additional targeting criteria are eligible for a Deferred Payment Loan Plus in an amount of up to $10,000. In addition to down payments and closing costs, mortgagors may use the funds to write down the senior lien loan principal.

Down payment and closing cost assistance under either of these options is an interest-free, deferred loan that is due on sale or transfer or when the property is no longer occupied by the mortgagor.

Program Loans backing Program Securities made or purchased from the proceeds of a Series of Bonds may or may not be accompanied by either of The Deferred Payment Loan Program options. The Agency has not pledged the Homeownership Assistance Fund to the payment of principal or interest on Outstanding Bonds and it is not available for that purpose. Amounts on deposit in the Alternative Loan Fund are available for the payment of principal of or interest on the Bonds and other debt of the Agency, but are not pledged to payment of Outstanding Bonds or other debt.

Monthly Payment Loans

In connection with the introduction of the Start Up program and the Step Up program, the Agency added another down payment and closing cost loan option, the Monthly Payment Loan. A Monthly Payment Loan is a junior lien loan made by the Agency. The interest-bearing, amortizing loan has a ten-year term with an interest rate equal to the interest rate of the applicable first mortgage. Borrowers can receive a Monthly Payment Loan in an amount up to $12,000.

Mortgage Credit Certificates

The Agency established a mortgage credit certificate program that was implemented in June 2013. That initial program provided assistance with respect to approximately $40 million in aggregate principal amount of single family mortgage loans by the program end date of December 31, 2014. The Agency then established an additional mortgage credit certificate program with a total credit authority of $23 million, which provided assistance with respect to approximately $65.3 million in aggregate principal amount of single family mortgage loans by its program end date of December 31, 2016. In January 2016, the Agency established an additional mortgage credit certificate program with a total credit authority of $12.5 million, which is expected to provide assistance with respect to approximately $50 million in aggregate principal amount of single family mortgage loans closing in calendar years 2016 and 2017. That third program provided assistance with respect to approximately $39 million in aggregate principal amount of single family mortgage loans as of June 30, 2017. To be eligible for a mortgage credit certificate under the third program, the mortgage loan must close on or before December 31, 2017, and may not be funded with proceeds of qualified mortgage bonds, such as the Series Bonds. Because the eligibility requirements for mortgage credit certificates and for mortgage loans financed with qualified mortgage bonds are substantially similar, it is likely that the availability of the mortgage credit certificate program will reduce demand for the Agency's Start Up Program. The Agency is not planning to implement another mortgage credit certificate program at this time.

TAX EXEMPTION AND RELATED CONSIDERATIONS

The 2017 Series G Bonds

The Code establishes certain requirements that must be met subsequent to the issuance of the 2017 Series G Bonds in order that interest thereon be and remain excludable from gross income for federal income tax purposes. Failure to comply with those requirements could cause the interest on the 2017 Series G Bonds to be includable in gross income retroactive to their date of original issuance. The requirements of the Code include provisions that restrict the yield and set forth other limitations within which the proceeds made available upon the issuance of the 2017 Series G Bonds are to be invested, including mortgage eligibility requirements, and require that certain investment earnings be rebated on a periodic basis to the United States Treasury.

Section 143 of the Code imposes significant limitations on the financing of single-family mortgage loans that are applicable to the 2017 Series G Bonds. The Agency will covenant, as described below, that the Program Loans financed by the proceeds made available upon the issuance of the 2017 Series G Bonds will satisfy these requirements, including, but not limited to, the borrower income and purchase price limitations of Section 143 of the Code.

Under the Code, the following requirements must be met with respect to each Program Loan financed, in whole or in part, with proceeds of the 2017 Series G Bonds: (a) the residence being financed must reasonably be expected by the Agency to become the principal residence of the mortgagor within a reasonable time after the financing is provided, must not be intended primarily or expected to be used in a trade or business and may not be used as an investment property or as a recreational home; (b) subject to certain exceptions, at least 95 percent of the lendable proceeds of an issue must be used to finance residences of borrowers who have not had a present ownership interest in a principal residence during the three-year period prior to the date on which the mortgage is executed; (c) the acquisition cost of the residence must not exceed certain limitations; (d) all mortgages must be made to borrowers whose income does not exceed certain limitations; (e) except in certain limited circumstances, proceeds may not be applied to acquire or replace an existing mortgage; and (f) if assumable in accordance with its terms, a mortgage may not be assumed unless requirements (a) through (d) above are met.

An issue of bonds is treated as meeting the mortgage eligibility requirements of the Code only if the issuer in good faith attempts to meet all of the mortgage eligibility requirements before the mortgages are executed and any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after that failure is first discovered. This good faith requirement will be deemed satisfied if the Agency used good faith efforts to comply with the mortgage eligibility requirements for all mortgage loans being financed with proceeds of the 2017 Series G Bonds, at least 95 percent of the proceeds of the 2017 Series G Bonds is used to make mortgage loans that actually meet the mortgage eligibility requirements, and any failure to satisfy such mortgage eligibility requirements for the balance of the mortgage loans is corrected within a reasonable period of time. In determining whether 95

percent of the proceeds have been so used, the issuer is entitled to rely on an affidavit of the mortgagor and of the seller and on the mortgagor's income tax returns filed with the Internal Revenue Service for the three years preceding the date the mortgage is executed even though the relevant information in those affidavits and returns should ultimately prove to be untrue, unless the issuer or its agent knows or has reason to believe that the information is false. If the relevant information in the affidavits obtained in connection with any loan is discovered to be untrue, however, the correction still must be made within a reasonable period.

The Agency has included provisions in the Resolutions, its procedural manuals (including the Manual) (collectively, the "Manuals") and other relevant documents, and has established procedures (including receipt of certain affidavits and representations from Lenders, mortgagors and others respecting the mortgage eligibility requirements) in order to ensure compliance with the mortgage eligibility requirements and other requirements of the Code relating to nonmortgage investments that must be met subsequent to the date of issuance of the 2017 Series G Bonds. The Agency has covenanted in the Resolutions to do all things necessary to assure that interest paid on the 2017 Series G Bonds shall be excludable from gross income for federal tax purposes under current law. Under the Code, certain requirements must be met subsequent to the delivery of the 2017 Series G Bonds to ensure that interest on the 2017 Series G Bonds is not included in gross income. The Agency believes that the procedures and documentation requirements established for the purpose of fulfilling its covenant are sufficient to ensure that the proceeds of the 2017 Series G Bonds will be applied in accordance with the Code.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the 2017 Series G Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information, including an accurate taxpayer identification number, to any person required to collect that information pursuant to Section 6049 of the Code. The new reporting requirement does not, in and of itself, affect or alter the excludability of interest on the 2017 Series G Bonds from gross income for federal tax purposes or any other federal tax consequences of purchasing, holding or selling tax-exempt obligations.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the 2017 Series G Bonds, on the date of issuance of the 2017 Series G Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency with certain covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the 2017 Series G Bonds is not includable in gross income of the owners thereof for federal income tax purposes, except as hereafter described. Bond Counsel is of the opinion that interest on the 2017 Series G Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and will not be included in the calculation of adjusted current earnings for purposes of calculating the federal minimum alternative tax imposed on corporations.

In addition, in the opinion of Bond Counsel, interest on the 2017 Series G Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the 2017 Series G Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the 2017 Series G Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

A form of the Bond Counsel opinion with respect to the 2017 Series G Bonds is attached hereto as Appendix E.

Although Bond Counsel is rendering an opinion that the interest on the 2017 Series G Bonds, as described above, is not included in gross income for federal, and in some cases, Minnesota, income tax purposes, the accrual or receipt of interest on the 2017 Series G Bonds may otherwise affect the federal and state income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any of those consequences. Purchasers of the 2017 Series G Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks thrifts or other financial institutions or recipients of Social Security or railroad retirement benefits, taxpayers otherwise entitled to claim earned income credit and taxpayers who may be deemed to have incurred (or continued)

indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the 2017 Series G Bonds.

Certain State Tax Legislation

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of "so-called 'private-activity,' 'industrial-revenue,' or 'conduit' bonds . . . used to finance projects by private entities" violate the Commerce Clause, adding that "we cannot tell with certainty what the consequences would be of holding that Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally."

The 2017 Series G Bonds are "private activity bonds" even though they finance individual residential mortgages, not projects by private entities. Since the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota's treatment of those bonds were held to unlawfully discriminate against interstate commerce, the court making the finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the 2017 Series G Bonds to become taxable by Minnesota and the market value of the 2017 Series G Bonds to decline.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the 2017 Series G Bonds from realizing the full current benefit of the tax treatment of the 2017 Series G Bonds or adversely affect the market value of the 2017 Series G Bonds. It cannot be predicted whether or in what form any proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2017 Series G Bonds. It cannot be predicted whether any regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2017 Series G Bonds or the market value thereof would be impacted thereby. Purchasers of the 2017 Series G Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2017 Series G Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

The 2017 Series H Bonds

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the 2017 Series H Bonds for the investors described below and is based on the advice of Bond Counsel. This summary is based upon laws, regulations, rulings and decisions currently in

effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are "U.S. holders" (as defined below) who will hold the 2017 Series H Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of 2017 Series H Bonds. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a 2017 Series H Bond. A "non U.S. holder" is a holder (or beneficial owner) of a 2017 Series H Bond that is not a U.S. person. For these purposes, a "U.S. Person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

Interest on the 2017 Series H Bonds (including original issue discount treated as interest) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the 2017 Series H Bonds (including original issue discount treated as interest) will be fully subject to federal income taxation. Thus, owners of the 2017 Series H Bonds generally must include interest (including original issue discount treated as interest) on the 2017 Series H Bonds in gross income for federal income tax purposes.

Characterization as Indebtedness

The Agency intends for applicable tax purposes that the 2017 Series H Bonds will be indebtedness of the Agency secured by the pledged Program Obligations and other assets. The owners of the 2017 Series H Bonds, by accepting such 2017 Series H Bonds, have agreed to treat the 2017 Series H Bonds as indebtedness of the Agency for federal income tax purposes. The Agency intends to treat this transaction as a financing reflecting the 2017 Series H Bonds as its indebtedness for tax and financial accounting purposes. Bond Counsel is of the opinion that the 2017 Series H Bonds should be treated as indebtedness of the Agency for federal income tax purposes.

In general, the characterization of a transaction as a sale of property rather than a secured loan, for federal income tax purposes, is a question of fact, the resolution of which is based upon the economic substance of the transaction, rather than its form or the manner in which it is characterized. While the IRS and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or a secured indebtedness, the primary factor in making this determination is whether the transferee has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefits of ownership thereof. Notwithstanding the foregoing, in some instances, courts have held that a taxpayer is bound by the particular form it has chosen for a transaction, even if the substance of the transaction does not accord with its form. The Agency believes that it has retained the preponderance of the benefits and burdens associated with the pledged Program Obligations and other assets. Therefore, the Agency believes that it should be treated as the owner of the pledged Program Obligations and other assets for federal income tax purposes, and the 2017 Series H Bonds should be treated as its indebtedness for federal income tax purposes. If, however, the IRS were to successfully assert that this transaction should not be treated as a loan secured by the pledged Program Obligations and other assets, the IRS could further assert that the Resolutions created a separate entity for federal income tax purposes which would be the owner of the pledged Program Obligations and other assets and would be deemed engaged in a business. Such entity, the IRS could assert, should be characterized as an association or publicly traded partnership taxable as a corporation. In such event, the separate entity would be subject to corporate tax on income from the pledged Program Obligations and other assets, reduced by interest on the 2017 Series H Bonds. Any such tax could materially reduce cash available to make payment on the 2017 Series H Bonds.

Taxation of Interest Income of the 2017 Series H Bonds

Payments of interest with regard to the 2017 Series H Bonds will be includable as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code. If the 2017 Series H Bonds are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest (as defined in the Code) allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. Section 1272(a)(6) of the Code applies a specific method for accruing original issue discount on a debt instrument the principal payments of which may be accelerated by virtue of the prepayment of other debt instruments (such as the 2017 Series H Bonds which are subject to acceleration by virtue of prepayment of the Program Obligations). Holders of the 2017 Series H Bonds should consult their tax advisor as to the proper method of applying this provision of the Code for purposes of accruing original issue discount and the prepayment assumption to be applied to such calculation.

Payments of interest received with respect to the 2017 Series H Bonds will also constitute investment income for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders of the 2017 Series H Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the 2017 Series H Bonds.

Individuals, estates or trusts owning the 2017 Series H Bonds may be subject to the unearned income Medicare contribution tax under Section 1411 of the Code (the "Medicare Tax") with respect to interest received or accrued on the 2017 Series H Bonds, gain realized from a sale or other disposition of the 2017 Series H Bonds and other income realized from owning, holding or disposing of the 2017 Series H Bonds. The Medicare Tax is imposed on individuals beginning January 1, 2013. The Medicare Tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Holders of the 2017 Series H Bonds should consult with their tax advisor concerning this Medicare Tax as it may apply to interest earned on the 2017 Series H Bonds as well as gain on the sale of a 2017 Series H Bond.

A purchaser (other than a person who purchases a 2017 Series H Bond upon issuance at the issue price) who buys a 2017 Series H Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the 2017 Series H Bonds.

Sale or Exchange of the 2017 Series H Bonds

If a holder sells a 2017 Series H Bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the holder's basis in such 2017 Series H Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss. However, if a 2017 Series H Bond was originally issued at a discount or was subsequently purchased at a market discount, a portion of such gain will be recharacterized as ordinary income.

If the terms of a 2017 Series H Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential holder of a 2017 Series H Bond should consult its own tax advisor concerning the circumstances in which the 2017 Series H Bonds would be deemed reissued and the likely effects, if any, of such reissuance.

The legal defeasance of the 2017 Series H Bonds may result in a deemed sale or exchange of such 2017 Series H Bonds under certain circumstances. Holders of such 2017 Series H Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding

Certain purchasers may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the 2017 Series H Bonds, if the purchasers, upon issuance, fail to supply the Trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the Trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding.

Tax Treatment of Original Issue Discount

2017 Series H Bonds that have an original yield above their interest rate constitute "Discounted Obligations." The difference between the initial public offering prices of Discounted Obligations and their stated amounts to be paid at maturity, constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

In the case of an owner of a Discounted Obligation, the amount of original issue discount which is treated as having accrued with respect to such Discounted Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of a Discounted Obligation which are attributable to accrued original issue discount will be treated as taxable interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Obligation, on days which are determined by reference to the maturity date of such Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Obligation the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If a Discounted Obligation is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase such Discounted Obligations after the initial offering. Holders of Discounted Obligations including purchasers of Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

Tax Treatment of Bond Premium

2017 Series H Bonds that have an original yield (or are subsequently purchased at a price that yields) below their interest rate constitute "Premium Obligations". An amount equal to the excess of the purchase price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. A purchaser of such Premium Obligation has the option to amortize any premium over such Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser's basis in such Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition

of such Premium Obligation prior to its maturity. Purchasers of Premium Obligations should consult with their own tax advisors with respect to the election to amortize bond premium and the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Premium Obligations.

State, Local or Foreign Taxation

No representations are made regarding the tax consequences of purchase, ownership or disposition of the 2017 Series H Bonds under the tax laws of any state, locality or foreign jurisdiction (except as provided in "State Law Considerations" below). Investors considering an investment in the 2017 Series H Bonds should consult their own tax advisors regarding such tax consequences.

Tax-Exempt Investors

In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any holder of a 2017 Series H Bond incurs acquisition indebtedness with respect to a 2017 Series H Bond, interest paid or accrued with respect to such holder may be excluded by such tax exempt holder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a 2017 Series H Bond is urged to consult its own tax advisor regarding the application of these provisions.

Certain ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the 2017 Series H Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the 2017 Series H Bonds could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the Agency or any Underwriter of the 2017 Series H Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the 2017 Series H Bonds are acquired by such plans or arrangements with respect to which the Agency or any Underwriter is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the 2017 Series H Bonds. The sale of the 2017 Series H Bonds to a plan is in no respect a representation by the Agency or any Underwriter that such an investment meets the relevant legal

requirements with respect to benefit plans generally or any particular plan. **Any plan proposing to invest in the 2017 Series H Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.**

State Law Considerations

Interest on the 2017 Series H Bonds is includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Such interest is also includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds, or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigations arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of, and the tax exemption of interest on, the Series Bonds are subject to the opinion of Kutak Rock LLP, Bond Counsel. The opinion of Bond Counsel will be provided in substantially the form set forth in Appendix E attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Dorsey & Whitney LLP.

RATING

The Series Bonds are rated "____" by Moody's Investors Service, Inc. ("Moody's"). The rating and any associated outlook reflect only the views of Moody's, and an explanation of the significance of the rating and outlook may be obtained only from Moody's and its published materials. The rating described above is not a recommendation to buy, sell or hold the Series Bonds. There can be no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of Moody's, circumstances so warrant. Therefore, after the date hereof, investors should not assume that the rating is still in effect. A downward revision or withdrawal of the rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of the rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix B to this Official Statement), or to contest any revision or withdrawal.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series Bonds and provided other advice to the Agency. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

UNDERWRITING

RBC Capital Markets, LLC, Piper Jaffray & Co. and Wells Fargo Bank, National Association (collectively, the "Underwriters") will purchase the Series Bonds. The Underwriters are to be paid a fee of $_____ with respect to their purchase of the Series Bonds. The Underwriters may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the front cover hereof.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed, and may in the future perform, various investment banking services for the Agency, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of Agency.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the Series Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name Wells Fargo Advisors) ("WFA"), for the distribution of certain municipal securities offerings, including the Series Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing compensation, as applicable with respect to the Series Bonds with WFA. WFBNA also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate, Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association is serving both as one of the Underwriters, and as Trustee under the Resolutions, for the Series Bonds. It will be compensated separately for serving in each capacity.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements made or incorporated in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as opinion or estimates and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Series Bonds.

The Agency has authorized the execution and delivery of this Official Statement.

MINNESOTA HOUSING FINANCE AGENCY

By _____
Commissioner

Dated: September __, 2017.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2017

APPENDIX B

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the "Bondowners" or "Owners") and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" means the following financial information and operating data (in addition to Audited Financial Statements): information about the outstanding principal amounts and types of Program Securities pledged to the payment of Bonds outstanding under the Bond Resolution as the end of such fiscal year of a type substantially similar to that under the heading "Security for the Bonds—Program Securities Pledged under the Bond Resolution" in the Official Statement.

"*Annual Financial Information Disclosure*" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under "Annual Financial Information Disclosure" herein.

"*Audited Financial Statements*" means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption "Annual Financial Information Disclosure."

"*Beneficial Owners*" means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

"*Commission*" means the Securities and Exchange Commission.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Listed Event*" means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);

13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

"*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as described under the heading "Listed Events Disclosure" in this Appendix B.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Participating Underwriter*" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

"*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

"*Rule*" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"*Undertaking*" means the obligations of the Agency described under the headings "Annual Financial Information Disclosure" and "Listed Events Disclosure" in this Appendix B.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ending June 30, 2018, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency's fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of

the Agency's fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency shall deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency shall disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents that have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency shall disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution. In addition, notice of the mandatory redemption of the Series Bonds is not required to be given as a Listed Event.

Consequences of Failure of the Agency to Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondowner or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondowners of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondowners of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

This Disclosure Undertaking shall terminate when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if the Undertaking is so terminated before the final stated maturity of the Series Bonds.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondowners and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following statements are brief summaries of certain provisions of the Bond Resolution and particular provisions of the 2016/2017 Series Resolutions. Terms defined herein are identical in all material respects with the definitions in the Bond Resolution and the 2016/2017 Series Resolutions.

CERTAIN DEFINED TERMS

Business Day: Any day (a) on which banks in the cities in which the Corporate Trust Office of the Trustee and the principal office of any applicable Paying Agent are located are not required or authorized by law to be closed and (b) on which the New York Stock Exchange is open.

Cash Flow Certificate: A certificate from an Authorized Officer giving effect to the action proposed to be taken and demonstrating that in the current and in each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that Revenues and other amounts expected to be on deposit in the Funds and Accounts established hereunder or under any Series Resolution (excluding, except to the extent otherwise provided in a Series Resolution, the Single Family Housing Fund) will be at least equal to all amounts required to be on deposit in order to pay the Debt Service on the Bonds and to maintain the balance in the Mortgage Reserve Fund at the Mortgage Reserve Requirement; provided that, to the extent specified in a Series Resolution, a Fund or Account (other than the Single Family Housing Fund as excluded above) shall not be taken into account when preparing such Cash Flow Certificate. The Cash Flow Certificate shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon the Agency's reasonable expectations at the time such Cash Flow Certificate is filed.

Code: The Internal Revenue Code of 1986, as amended, and the applicable temporary, proposed and final Treasury regulations promulgated thereunder or applicable thereto.

Counterparty Hedge Payment: A payment due to or received by the Agency from a Hedge Counterparty pursuant to a Hedge Agreement (including, but not limited to, payments in respect of any early termination of such Hedge Agreement) and amounts in respect thereof received by the Agency under any related Hedge Counterparty Guarantee.

Debt Service: As of the date of calculation and with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on all Outstanding Bonds during such Fiscal Year, plus (ii) any Principal Installment with respect to all Outstanding Bonds during such Fiscal Year; provided, that, if any Bonds bear interest at a rate that is not, as of the date of calculation, determinable for all or any portion of a Fiscal Year, the Agency may make reasonable assumptions regarding the interest rate borne by such Bonds during such period.

Fannie Mae: The Federal National Mortgage Association, a federally-chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et seq., or any successor thereto.

Fannie Mae Security: A single pool, guaranteed mortgage pass-through Fannie Mae Program Security, guaranteed as to timely payment of principal and interest by Fannie Mae and backed by Conventional Mortgage Loans, or FHA Insured or VA Guaranteed Program Loans, in the related mortgage pool.

Federal Mortgage Agency: GNMA, Fannie Mae, Freddie Mac and such other public or private agencies or corporations as the United States Congress may create for the purpose of housing finance and which are an agency or instrumentality of the United States or sponsored thereby.

FHA: The Federal Housing Administration of the Department of Housing and Urban Development or any agency or instrumentality of the United States of America succeeding to the mortgage insurance functions thereof.

Finance or finance: When used with reference to a Program Obligation, shall be construed to include (i) the making or purchase of such Program Obligation, (ii) the participation by the Agency, either with itself or with others, in the making or purchase thereof, or (iii) the permanent financing of a Program Obligation which has been temporarily financed by the Agency through the issuance of notes or other obligations or otherwise.

Fiscal Year: The period of 12 calendar months commencing on July 1 in any calendar year and ending on June 30 in the following year, or such other 12-month period as may be designated by the Agency by Agency Certificate delivered to the Trustee.

Freddie Mac: The Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, created pursuant to the Federal Home Loan Mortgage Act (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459), and any successor to its functions.

Freddie Mac Security: A single pool, guaranteed mortgage pass-through Freddie Mac program security, guaranteed as to timely payment of principal and interest by Freddie Mac and backed by Conventional Mortgage Loans, or FHA Insured or VA Guaranteed Program Loans, in the related mortgage pool.

GNMA: The Government National Mortgage Association, a government-sponsored enterprise organized and existing under the laws of the United States within HUD, and any successor to its functions. Its powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C., §1716 et seq.).

GNMA Security: The GNMA I Mortgage Pass-Through Certificate or a GNMA II Mortgage Pass-Through Certificate issued by the Servicer in the name of the Trustee in exchange for Mortgage Loans and guaranteed as to timely payment of principal and interest by GNMA pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and the regulations promulgated thereunder, and in the form of Appendix 39 "Single Family Mortgage-Backed Certificate" of the GNMA Guide.

GSE: Either Fannie Mae or Freddie Mac or both, collectively, as the context may require.

Hedge Agreement: with respect to any Bonds, a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the Bond Resolution.

Hedge Counterparty: any Person with whom the Agency has from time to time entered into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Requirement: With respect to Outstanding Bonds and as of any particular date of calculation, except as otherwise required in a Series Resolution with respect to a Series of Bonds, the amount equal to unpaid interest then due, plus an amount equal to the interest to become due on each Outstanding Bond of all Series on the next respective Interest Payment Date or Dates within the next succeeding six months and, if any Bonds bear interest at a rate which is not determinable to and including the day preceding the next Interest Payment Date thereon, the Interest Requirement shall be calculated as if such Bonds continue to bear interest to, but not including, the next Interest Payment Date at the interest rate in effect on the Bonds on the date of calculation.

Investment Obligations: Any of the following securities and other investments (other than Program Securities), if and to the extent the same are at the time legal for the investment of the Agency's moneys:

(a) Direct obligations of, or obligations the timely payment of principal and interest on which are insured or guaranteed by, the United States of America, which obligations include, but are not limited to, the following: (i) United States Treasury obligations which are direct or fully guaranteed obligations, and (ii) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by GNMA;

(b) Obligations (i) which are backed by the full faith and credit of any state of the United States of America, (ii) of any agency of the United States of America, or (iii) of any public corporation sponsored by the United States of America, provided that, at the time of purchase, such obligations shall not impair the Rating of any Outstanding Bonds;

(c) Federal Home Loan Mortgage Corporation participation certificates guaranteed by Freddie Mac as to timely payment of principal and interest and senior debt obligations;

(d) Fannie Mae's mortgage-backed securities and senior debt obligations, excluding interest-only stripped securities;

(e) Interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including any Fiduciary) whose outstanding unsecured short-term debt obligations are rated by Moody's not less than P-1 (or such comparable rating from each Rating Agency then providing a rating on the Bonds); provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or guaranteed by the State, the proceeds of which insurance are timely available, or (ii) such Depository has combined capital and surplus of at least $75,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clause (a) or (b) of this definition, or a combination thereof, at such levels and valuation frequency as shall not impair the Rating of any Outstanding Bonds, or (iii) the deposit of funds with such Depository will not impair the Rating of any Outstanding Bonds;

(f) Any repurchase agreement and reverse repurchase agreement with banks which are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreement is secured by obligations described in the preceding clauses (a) and (b) of this definition, as long as such agreement, as of the date of its execution and delivery, does not impair the Rating of any Outstanding Bonds;

(g) Shares of (i) an investment company registered under the federal investment company act of 1940, whose shares are registered under the federal securities act of 1933, whose only investments are in securities described in subparagraphs (a), (b) or (f) above, or (ii) a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $75,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, whose only investments are in securities described in subparagraphs (a), (b) or (f) above, and, in the case of both (i) and (ii), which are not rated less than "Aaa" by Moody's (or such comparable rating from each Rating Agency then providing a Rating on the Bonds);

(h) Any investment contract with any provider as long as such investment contract, as of the date of its execution and delivery, does not impair the Rating of any Outstanding Bonds; and

(i) Any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Lender: Unless otherwise provided in a Series Resolution, a Person executing a Participation Agreement and which is: (i) a bank, savings bank, credit union, mortgage company or nonprofit corporation organized or licensed under the laws of the State or the United States, or a mortgagee or lender approved or certified by the Secretary of Housing and Urban Development or by the Administrator of Veteran Affairs; or (ii) an agency or instrumentality of the United States or the State, or a political subdivision of the State.

Master Servicer: The Person designated as servicer under the Servicing Agreement, and its successors or assigns, or any substitute servicer designated by the Agency in accordance with the Servicing Agreement.

Mortgage Reserve Requirement: As of any particular date of computation, the sum of amounts, if any, established for each Series of Bonds by each Series Resolution.

Other Obligations: a Hedge Agreement or, if and to the extent provided in a Series Resolution or other resolution of the Agency, with respect to Bonds of one or more Series, an insurance policy insuring, or a letter of credit, line of credit, surety bond or standby bond purchase agreement providing a direct or indirect source of funds for, the timely payment of principal of or interest on such Bonds (but not necessarily principal due upon the acceleration thereof), or any or all of the remarketing agreements, depository agreements, credit facilities, reimbursement agreements, standby bond purchase agreements and the like pertaining to Bonds with a tender right granted to or tender obligation imposed on the Owner thereof.

Outstanding: When used with respect to Bonds, as of any date, all Bonds theretofore authenticated and delivered under the Resolution except:

(a) any Bond cancelled or delivered to the Trustee for cancellation on or before such date;

(b) any Bond (or any portion of any Bond) (i) for the payment or redemption of which there shall be held in trust under the Resolution and set aside for such payment or redemption, moneys and/or Government Obligations maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Government Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any Bond (or any portion of any Bond) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Resolution or irrevocably provided for in a manner satisfactory to the Trustee;

(c) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to the Resolution; or

(d) any Bond deemed to have been paid as provided in the Resolution.

Parity Certificate: An Agency Certificate, giving effect to the action proposed to be taken in connection with the filing thereof, showing that (A) the sum of (i) the moneys, Investment Obligations and Cash Equivalents then credited to the Acquisition Accounts, the Revenue Fund, the Bond Fund Principal Account, the Bond Fund Interest Account and the Mortgage Reserve Fund, (ii) the unpaid principal amount of all Program Obligations credited to the Acquisition Accounts, and (iii) any other moneys, Investment Obligations and Cash Equivalents and the unpaid principal amount of all Program Obligations otherwise specifically pledged to the payment of Outstanding Bonds by a Series Resolution, exceeds (B) an amount equal to 103% of the principal amount of Outstanding Bonds of all Series. If, however, on the date the Agency Certificate is to be delivered, the aggregate outstanding principal amount of all Program Securities held by the Trustee is equal to or greater than the aggregate principal amount of all Bonds then Outstanding, as certified in the Agency Certificate, then the percentage in clause (B) of the immediately preceding sentence shall be 100%.

Participation Agreements: One or more of the Participation Agreements, as amended, relating to the origination of Program Loans under the Program, between the Agency or the Master Servicer and a Lender.

Private Mortgage Insurer: Any private mortgage insurance company that is licensed to do business in the State and that is approved by the applicable Federal Mortgage Agency and the Agency and providing private mortgage guaranty insurance on Conventional Mortgage Loans.

Principal Requirement: As of any particular date of calculation with respect to Bonds Outstanding on that date, the amount of money equal to any unpaid Principal Installment then due plus the Principal Installment to become due on each Series of Bonds on the next respective Principal Installment Date within the next succeeding six months.

Private Mortgage Insurer: Any private mortgage insurance company approved by the applicable Federal Mortgage Agency and the Agency and providing private mortgage guaranty insurance on Conventional Mortgage Loans.

Program: The program for the financing of Program Obligations for Housing established by the Agency pursuant to the Act, as the same may be amended from time to time, and the Bond Resolution and for financing Other Obligations.

Program Loan: A loan for Housing secured by a mortgage, made by a Lender in accordance with the Act and the Program.

Program Obligation: Any Program Loan or Program Security acquired by the Agency by the expenditure of amounts in an Acquisition Account.

Program Security: An obligation representing an undivided interest in a pool of Program Loans issued and acquired pursuant to the Program, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

Program Series Resolution: The Series Resolution adopted December 11, 2009 with respect to the Homeownership Finance Bonds, 2009 Series A (Mortgage-Backed Securities Program) (Treasury HFA Initiative).

Rating: With respect to any Series of Outstanding Bonds, the rating issued by a Rating Agency in force immediately prior to the proposed action to be taken by the Agency hereunder, and an action that does not "impair" the Rating with respect to any Series of Outstanding Bonds shall be an action which will not cause the Rating Agency to lower, withdraw or suspend the rating it has assigned to the Series of Outstanding Bonds.

Rating Agency: Any nationally recognized entity that, upon the request of the Agency, has issued a credit rating on any Series of Bonds issued pursuant to the Resolution.

Revenues: With respect to the Outstanding Bonds, (i) all payments, proceeds, rents, premiums, penalties, charges and other cash income received by the Agency from or on account of any Program Obligation (including any payments received from a Federal Mortgage Agency, scheduled, delinquent and advance payments of, and any net insurance or guaranty proceeds with respect to, principal of and interest on any Program Obligation or the net operating income or net proceeds of sale of any property acquired thereunder), (ii) all income received by the Trustee from or in connection with any Servicing Agreement or by the Trustee or the Agency from or in connection with any Participation Agreement, unless otherwise provided in a Series Resolution with respect to all or a part thereof (but exclusive of indemnification rights of the Agency), (iii) any Counterparty Hedge Payments received from any Hedge Counterparty pursuant to a Hedge Agreement or any payments received from another Beneficiary to be applied to the payment of principal of, interest on, or the purchase price with respect to any Bonds, (iv) any amounts deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Single Family Housing Fund, except as otherwise provided in a Series Resolution) from sources not subject to the lien of the Bond Resolution, and (v) all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund or Account established under the Bond Resolution (other than the Single Family Housing Fund, except as otherwise provided in a Series Resolution), but excluding: (a) any amount retained by a servicer (including the Agency) of any Program Obligation as compensation for services rendered in connection with such Program Obligation, (b) any payments for the guaranty or insurance of any Program Obligation, (c) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by or in connection with any Program Obligation, (d) amounts payable with respect to a Program Obligation that represent a return on amounts financed by the Agency or by other Persons pursuant to a participation, forbearance or other arrangement from sources other than proceeds of Bonds or other amounts held hereunder, and (e) to the extent such items do not exceed the income derived therefrom, payments or charges constituting expenses of managing and maintaining property acquired pursuant to a Program Loan.

Series: All Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Bond Resolution.

Series Program Determinations: Determinations by the Agency relating to Program Obligations and certain other matters in connection with a Series of Bonds under the Program to be set forth (or provided to be determined at certain specified times in the future) in a Series Resolution and shall include, to the extent determined by the Agency to be relevant, the following: (i) the terms of the Program Securities or the Program Loans, including such

matters as interest rates, payment dates, maturity dates, loan insurance provisions, and similar provisions; (ii) the requirements of the Code applicable to the Program Loans, if any; (iii) provisions relating to sale of Program Obligations and prepayments of Program Obligations, including application thereof for redemption of Bonds or financing new Program Obligations and provisions relating to the investment of funds relating to the Series of Bonds; (iv) the Mortgage Reserve Requirement, if any, and (v) any other provision deemed advisable by the Agency not in conflict with the Bond Resolution; provided that, pursuant to an Agency Certificate delivered to the Trustee, the Agency may amend or revise any of the above determinations with respect to any portion of the proceeds of the Series of Bonds prior to the date that such proceeds are applied to the financing of Program Obligations to the extent that such revisions do not impair the Rating on the Series of Bonds and do not affect the excludability of interest on such Series of Bonds from gross income for federal income tax purposes.

Series Resolution: A resolution of the Agency authorizing the issuance and delivery of Bonds of one or more Series pursuant to the Bond Resolution.

Servicing Agreement: The Servicing Agreement, dated as of July 9, 2009, between the Agency, the Trustee and U.S. Bank, National Association, as Master Servicer, as the same has been or may be amended from time to time or any agreement executed by the Agency replacing such agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

Series Accounts

Unless otherwise provided in a Series Resolution, the Trustee shall establish within each Fund under the Bond Resolution (other than the Single Family Housing Fund), a separate Series Account for each Series of Bonds. The proceeds of a particular Series of Bonds, other amounts made available by the Agency in the Series Resolution or otherwise relating to a particular Series of Bonds and the Revenues relating to a particular Series of Bonds (including the payments on Program Obligations acquired with the proceeds of a particular Series of Bonds or the payments on any other collateral pledged to a particular Series of Bonds and the earnings on investments of any of said proceeds, funds and amounts) shall be deposited or credited to the separate Series Accounts established for that particular Series of Bonds. Where required to assure compliance with the covenants of the Bond Resolution and any Series Resolution, withdrawals from Series Accounts established in connection with a particular Series of Bonds may be made and used (including for purposes of redemption) for any other Series of Bonds. For purposes of investment, the Trustee, may, or shall at the direction of the Agency, consolidate the Series Accounts required to be established in a particular Fund so long as adequate records are maintained as to the amounts held in each such Fund allocable to each Series of Bonds. In addition to the Funds and Accounts established under the Bond Resolution, the Trustee may from time to time, establish, maintain, close and reestablish such accounts and subaccounts as may be requested by the Agency for convenience of administration of the Program and as shall not be inconsistent with the provisions of the Bond Resolution.

Cost of Issuance Accounts

Each Series Resolution authorizing the issuance of a Series of Bonds may, but is not required to, provide for a separate Cost of Issuance Account to be held by the Trustee. Moneys in each such Cost of Issuance Account shall be expended for Costs of Issuance of such Series of Bonds and for no other purpose upon receipt by the Trustee of a requisition signed by an Authorized Officer stating the amount and purpose of any such payment. Any amounts in a Cost of Issuance Account remaining therein upon payment of all Costs of Issuance for such Series of Bonds shall (i) if not proceeds of Bonds, be transferred to the Revenue Fund and (ii) if sale proceeds, investment proceeds or transferred proceeds of Bonds, be transferred to any one or more of the Acquisition Accounts or the Bond Redemption Fund, upon receipt by the Trustee of a Certificate of the Agency stating that such moneys are no longer needed for the payment of Costs of Issuance whereupon such Account shall be closed. Interest and other income derived from the investment or deposit of each such Cost of Issuance Account shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

Acquisition Accounts

Each Series Resolution authorizing the issuance of a Series of Bonds shall establish a separate Acquisition Account to be held by the Trustee. There shall be deposited from time to time in an Acquisition Account (i) any

proceeds of Bonds or other amounts required to be deposited therein pursuant to the Bond Resolution or the applicable Series Resolution and (ii) any other amounts determined by the Agency to be deposited therein from time to time.

Except as otherwise permitted or required to be transferred to other Funds and Accounts, amounts in an Acquisition Account shall be expended only to Finance Program Obligations. All Program Obligations Financed by application of amounts in an Acquisition Account shall be credited to such Acquisition Account. No Program Loan shall be Financed unless the requirements of the applicable Series Resolution have been met, and no Program Security shall be Financed unless the Program Security represents a pass through or participation interest in a pool of Program Loans and provides for a guaranty of all payments to be made to the Agency thereunder by a Federal Mortgage Agency.

Amounts in an Acquisition Account for a Series of Bonds may be expended for the acquisition of a Program Security, or portion thereof, only if (1) the principal amount of the Program Security is less than or equal to the principal amount of the Program Loans backing the Program Security; (2) the Program Security bears interest at a rate equal to the rate of interest on the Program Loans backing the Program Security minus the applicable servicing and guaranty fees; (3) upon such purchase, the sum of (a) amounts held in all Accounts relating to the Series of Bonds and (b) the aggregate outstanding principal amount at time of purchase by the Trustee of all Program Securities held by the Trustee is equal to or greater than (c) the aggregate principal amount of all Bonds then Outstanding, or if conditions (a), (b) and (c) of this paragraph are not met, such disbursement alone shall not result in a reduction of the Rating on the Series of Bonds following notice by the Trustee to the Rating Agencies; and (4) the Trustee (i) has physical possession of the Program Security and the Program Security is registered in the name of the Trustee, (ii) the Program Security is credited to the account of the Trustee at a clearing corporation, as defined under and pursuant to the Uniform Commercial Code applicable to the clearing corporation, and the clearing corporation is registered as a clearing agency under the Securities Exchange Act of 1934, (iii) for a Program Security issued in book-entry form through a book-entry system operated by the Federal Reserve System, the Program Security shall have been registered on the books of the Federal Reserve Bank in the name of the Trustee (acting as a "depositary" within the meaning of 24 C.F.R. Section 81.44(b)), and the Trustee shall have received confirmation in writing that the depositary is holding the Program Security on behalf of, and has identified the Program Security on its records as belonging to, the Trustee, or (iv) any other arrangement so that, in Counsel's Opinion (with customary exceptions and qualifications), the Trustee has a first perfected security interest in the Program Security.

The Trustee shall pay out and permit the withdrawal of amounts on deposit in any Acquisition Account at any time for the purpose of making payments pursuant to the Bond Resolution, but only upon receipt of the following documents prior to any proposed withdrawal:

(1) an Agency Certificate setting forth the amount to be paid, the Person or Persons to whom such payment is to be made (which may be or include the Agency) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(2) an Agency Certificate stating that the amount to be withdrawn from the Acquisition Account pursuant to the requisition is a proper charge thereon and, if such requisition is made to Finance the acquisition of Program Obligations, that (i) the terms of the Program Obligations conform to the description of the Program Obligations to be Financed from such amount as provided to the Trustee pursuant to the terms of the Bond Resolution, and (ii) the Program Obligations otherwise comply with the provisions of the Bond Resolution.

At any time the Agency, by Agency Certificate, may direct the Trustee to transfer amounts in an Acquisition Account into the Bond Fund Principal Account or Bond Fund Interest Account, as appropriate, to pay principal or Sinking Fund Installments of and interest on the related Series of Bonds, or into the appropriate account in the Mortgage Reserve Fund, which request shall state that such transfer is appropriate to meet the requirements of the Fund.

The interest earned and other income derived from the investment or deposit of each Acquisition Account may be transferred to the appropriate account in the Revenue Fund for the related Series of Bonds by the Trustee upon receipt thereof to the extent that such amounts exceed any losses realized by investment of deposits in such

Acquisition Account or may be retained in the Acquisition Account for the Financing of additional Program Obligations, as directed by Agency Certificate.

All amounts deposited into an Acquisition Account shall be disbursed in the manner provided in the Bond Resolution or the Agency may, by Agency Certificate, direct the Trustee to transfer any amounts from the Acquisition Account to the Bond Redemption Fund to be used for the redemption of Bonds of the related Series; provided, however, that (i) the Agency Certificate shall specify the maturities, the principal amounts of each maturity, and the Series of Bonds to be redeemed (including any credits against Sinking Fund Installments on any Term Bonds to be redeemed) and (ii) in the case of any selection method of Bonds for an optional or special redemption different from the selection method assumed in the most recently filed Cash Flow Certificate, the Agency shall file an updated Cash Flow Certificate with the Trustee.

The Agency may establish temporary subaccounts within an Acquisition Account for the collection and custody of fees paid by Lenders or other Persons in connection with the reservation or holding of funds in the Acquisition Account for use in Financing Program Obligations to be originated by such Lenders or other persons. To the extent that the Agency's agreements with such Lenders or other persons provide for the refund of any such fees (or portions thereof), amounts may be withdrawn from any such subaccount or the Acquisition Account in accordance with such agreements, and any amounts not required to be so applied may, pursuant to an Agency Certificate, be applied to any other purpose of the Acquisition Account as provided in the Bond Resolution.

Any moneys deposited in an Acquisition Account which are not used or to be used to purchase Program Securities by the end of the Delivery Period specified in such Series Resolution, or by such earlier date as may be required by the Code and specified in such Series Resolution, shall be transferred by the Trustee to the Bond Redemption Fund in accordance with the provisions of the applicable Series Resolution, and applied to redeem Bonds.

Revenue Fund

The Agency shall cause all Revenues to be deposited promptly with a Depository and to be transmitted regularly to the Trustee. Unless otherwise provided in the Bond Resolution, all such amounts shall be deposited in the Revenue Fund. There shall also be deposited in the Revenue Fund any other amounts required to be deposited therein pursuant to the Bond Resolution or the Series Resolution or other resolution of the Agency.

The Trustee shall withdraw from any money in the Revenue Fund and credit to each of the following Funds and Accounts, or pay to the Person specified, the amount indicated in the following tabulation, at the times indicated in the following tabulation:

(1) on or before the applicable Interest Payment Date, to the Bond Fund Interest Account the amount needed, taking into account any balance then on deposit therein, to increase the balance therein to the Interest Requirement;

(2) on or before the applicable Principal Installment Date, to the Bond Fund Principal Account the amount, needed, taking into account any balance then on deposit therein, to increase the amount therein to the Principal Requirement;

(3) on any date, assuming any prior transfers required pursuant to subsections (1) and (2) above have been made, to the Mortgage Reserve Fund, the amount, if any, needed to increase the amount therein to the Mortgage Reserve Requirement;

(4) if expressly provided in the Series Resolution in respect of a series of Bonds to which a Hedge Agreement relates in whole or in part, on or before the applicable due dates, but only to the extent any prior transfers required pursuant to subsections (1), (2) and (3) above have been made, to any Hedge Counterparty, the Agency Hedge Payments due from time to time pursuant to a Hedge Agreement; provided, however, that if the Series Resolution provides that Agency Hedge Payments exclusive of amounts payable upon any early termination of the Hedge Agreement are to be made on a parity with payment of principal of and interest on Outstanding Bonds, then to the Hedge Counterparty, such portion of Agency Hedge Payments when due, and if the balance in the Revenue Fund is not sufficient to make the

transfers then required under subsections (1), (2) and (3) and this payment, then the balance shall be applied, pro rata, to such transfers and this payment;

(5) at any time upon the purchase of Program Obligations from the moneys on deposit in an Acquisition Account, withdraw from the Revenue Fund and pay to the applicable Servicer or other Person the accrued and unpaid interest on the Program Obligations as of the date of purchase; and

(6) to the extent not transferred pursuant to the preceding subsections, the balance shall be held in the Revenue Fund until and unless directed by Agency Certificate to be transferred and utilized as set forth elsewhere.

At such periodic intervals as the Agency, by Agency Certificate, shall direct, the Trustee shall withdraw from the Revenue Fund and transfer to the United States of America such amounts as are necessary to comply with the Code, including particularly the arbitrage rebate requirements of Section 148 thereof.

Amounts credited to the Revenue Fund shall be transferred to the Bond Redemption Fund on or before the designated Redemption Date to be used for the purchase or redemption of Bonds pursuant to the Bond Resolution and the terms of any related Series Resolution upon the filing with the Trustee of (i) an Agency Certificate specifying the maturities, the principal amounts of each maturity, and the Series of Bonds to be redeemed or purchased (including any credits against Sinking Fund Installments on any Term Bonds to be redeemed) and (ii) in the case of any selection method of Bonds for an optional or special redemption different from the selection method assumed in the most recently filed Cash Flow Certificate, a Cash Flow Certificate.

Amounts credited to the Revenue Fund may be transferred to an existing Acquisition Account or a new Acquisition Account to be established to be used to acquire Program Obligations upon filing with the Trustee of (i) an Agency Certificate specifying the amount to be so transferred and either specifying the existing Acquisition Account to which the funds are to be deposited or directing the establishment of a new Acquisition Account for the deposit of the funds and providing the information relating to the new Acquisition Account required by the Bond Resolution and (ii) a Cash Flow Certificate.

Amounts credited to the Revenue Fund, as directed by an Agency Certificate, shall be released to the Agency for the payment of Program Expenses or the establishment of reserves therefor in an amount needed or required to pay reasonable and necessary Program Expenses; provided that if the amount to be released exceeds the amount assumed in the most recently filed Cash Flow Certificate, the Agency shall file a new Cash Flow Certificate with the Trustee.

Amounts credited to the Revenue Fund, except Program Expenses, may be released to the Agency free and clear of the lien of the Bond Resolution, for deposit in the Agency's General Reserve Account or the Single Family Housing Fund, upon the filing with the Trustee of (i) an Agency Certificate directing the same, (ii) a Cash Flow Certificate, and (iii) a Parity Certificate.

Any investment earnings on moneys held in the Revenue Fund shall be retained therein.

Bond Fund Interest Account and Bond Fund Principal Account

The Trustee shall withdraw from the Bond Fund Interest Account, on or immediately prior to each Interest Payment Date of the Bonds, an amount equal to the unpaid interest due on the Bonds on such Interest Payment Date, and shall cause the same to be applied to the payment of said interest when due and is authorized to transmit the same to any Paying Agents which shall apply the same to such payment.

If the withdrawals required with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Bond Fund Principal Account, on or immediately prior to each Principal Installment Date, an amount equal to the Principal Installments of the Outstanding Bonds, if any, payable on the Principal Installment Date and shall cause the same to be applied to the payment of the Principal Installments when due and is authorized to transmit the same to any Paying Agents which shall apply the same to such payment.

Any amount at any time held in the Bond Fund Interest Account or Bond Fund Principal Account in excess of the Interest Requirement or Principal Requirement may be transferred by the Trustee to the Revenue Fund, if so

directed by Agency Certificate, and otherwise shall be retained in the Bond Fund Interest Account or Bond Fund Principal Account, as the case may be.

The interest earned or other income derived from the investment of moneys in the Bond Fund Interest Account and Bond Fund Principal Account shall be transferred by the Trustee to the Revenue Fund (unless the Trustee is directed by Agency Certificate to retain such amounts in the Bond Fund Interest Account or Bond Fund Principal Account, as the case may be).

Upon the purchase of Program Obligations from the moneys on deposit in the applicable Acquisition Account, the Trustee shall, in accordance with the provisions of the applicable Series Resolution, withdraw from the Revenue Fund or, if funds available in the Revenue Fund are not sufficient, from the applicable Bond Fund Interest Account, and pay to the applicable Servicer the then accrued and unpaid interest on such Program Obligations.

Bond Redemption Fund

Subject to the provisions of the respective Series of Bonds and to the provisions of the respective Series Resolutions authorizing the issuance thereof, all amounts deposited in the Bond Redemption Fund shall be applied to the purchase or redemption of Bonds (other than the Single Family Housing Fund), including payment of any redemption premium, on the applicable Redemption Date; provided, however, that in the event the Agency has issued refunding obligations for the purpose of redeeming Bonds of a Series in accordance with the Bond Resolution, upon receipt of an Agency Certificate directing such transfer and confirmation by the Trustee that provisions have been made for wiring proceeds of such refunding obligations to the Trustee, the Trustee, immediately on the date of such confirmation, shall transfer moneys in the Bond Redemption Fund in an amount equal to the amount of refunding proceeds received by the Trustee to the funds or accounts specified in the refunding resolution as specified in the Agency Certificate. The Redemption Price of Bonds subject to redemption by operation of the Bond Redemption Fund in the Bond Fund shall be the price set forth in the applicable Series Resolution. Upon receipt of an Agency Certificate directing the same, the Trustee shall transfer at the time of purchase or no more than 45 calendar days prior to such redemption to the Bond Redemption Fund in the Bond Fund from the Mortgage Reserve Fund the amount stated in such direction, which amount shall be no greater than the amount by which the Mortgage Reserve Requirement will decrease due to the purchase or redemption of Bonds. Subject to the provisions of the Bond Resolution or of any Series Resolution authorizing the issuance of Bonds, requiring the application thereof to the purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Bond Redemption Fund to the purchase or redemption of Bonds at the times and in the manner provided in the Bond Resolution. Amounts on deposit in the Bond Redemption Fund for the payment, purchase or redemption of any particular Bonds in accordance with the provisions of any Series Resolution authorizing the issuance of Refunding Bonds shall be segregated and shall be identified as such on the records of the Trustee.

Any earnings derived from the investment of amounts deposited in the Bond Redemption Fund pursuant to the issuance and delivery of Refunding Bonds, to the extent required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds set forth in the Resolution, be deposited in the Bond Redemption Fund. All other interest earned or other income derived from the investment of moneys in the Bond Redemption Fund shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

Mortgage Reserve Fund

There shall be deposited in the Mortgage Reserve Fund all amounts required to be deposited therein by the Bond Resolution or any Series Resolution and any other amounts available therefor and determined by the Agency to be deposited therein.

If on any Bond Payment Date the amount in the Bond Fund Interest Account, Bond Fund Principal Account or Bond Redemption Fund, as appropriate, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Mortgage Reserve Fund to the extent required pursuant to the Bond Resolution.

If, concurrently with any allocation from the Revenue Fund pursuant to the Bond Resolution, or, on any date upon which a Series Resolution shall be delivered to the Trustee, the amount on deposit in the Mortgage

Reserve Fund shall be in excess of the Mortgage Reserve Requirement, the Trustee shall, if so directed in writing pursuant to an Agency Certificate, (1) transfer the amount of such excess which is Revenues to any one or more of the Acquisition Accounts, the Bond Fund Interest Account, the Bond Fund Principal Account, the Bond Redemption Fund or the Revenue Fund as so directed and (2) transfer the amount of such excess which is sale proceeds, investment proceeds or transferred proceeds of Bonds to any one or more of the Acquisition Accounts or the Bond Redemption Fund.

Subject to any limitation provided in the Act, a Series Resolution may provide that the Mortgage Reserve Requirement may be funded through Cash Equivalents. For purposes of determining whether such Requirement has been met, the amount in the Mortgage Reserve Fund so funded shall be deemed to include any amount payable under such Cash Equivalents on the demand of the Trustee.

Any earnings derived from the investment of amounts deposited in the Mortgage Reserve Fund shall, to the extent the balance therein is less than the Mortgage Reserve Requirement, be retained in the Mortgage Reserve Fund and otherwise shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

Single Family Housing Fund

The Trustee shall deposit in the Single Family Housing Fund any amounts authorized by an Agency Certificate to be withdrawn from the Revenue Fund and deposited therein and any other amounts provided by the Agency for deposit therein. Amounts on deposit in the Single Family Housing Fund, except as may be otherwise provided in a Series Resolution, shall be free and clear of any restrictions on the investment of funds set forth in the Bond Resolution. Amounts deposited in the Single Family Housing Fund may be used for any lawful purpose for which the Agency may from time to time use funds on deposit in its General Reserve Account in connection with (i) the Program and (ii) other programs of the Agency that facilitate the development and maintenance of a sufficient supply of safe and affordable single family residential housing in the State, including but not limited to Agency programs that finance the acquisition, construction, rehabilitation, improvement and betterment of single family residential property, upon such terms as the Agency may determine. Pending such use, such amounts may be invested in any securities or investments permissible generally for the investment of funds of the Agency as specified by Agency Certificate, subject, however, to any covenants or agreements made by the Agency in a Series Resolution. By Agency Certificate furnished to the Trustee, the Agency may at any time appropriate any funds and investments on deposit in the Single Family Housing Fund to any other Account or Fund created pursuant to the Bond Resolution or may direct that such funds and investments be transferred to the Agency's General Reserve Account or to any other fund or account established pursuant to resolution of the Agency, subject, however, to any covenants or agreements made by the Agency in a Series Resolution.

Subject to the uses permitted by the Bond Resolution, funds, securities and other investments, loans and other property held from time to time in the Single Family Housing Fund are available for, and pledged to, the payment of Debt Service on the Bonds when due and the payment of any other amounts required to be paid from time to time from the Funds and Accounts established pursuant to the Bond Resolution or any Series Resolution, including Agency Hedge Payments; provided that the Agency may from time to time pledge all or any of the assets of the Single Family Housing Fund to any other Person or Persons in connection with the programmatic uses permitted by the Bond Resolution upon such terms as the Agency may determine, which pledge may be superior to, on a parity with, or subordinate to the pledge made under the Bond Resolution to the Bondowners or any Beneficiaries, except as otherwise provided in a Series Resolution or resolution authorizing an Other Obligation. Available cash and cash equivalent funds on deposit in the Single Family Housing Fund may be used to make up deficiencies in the Bond Fund Interest Account or the Bond Fund Principal Account for such purposes and, if directed by an Authorized Officer, shall be transferred to the Bond Fund Interest Account or the Bond Fund Principal Account when required on any Bond Payment Date or other payment date. Unless otherwise specified in a Series Resolution or other resolution of the Agency, the Agency shall not be required to maintain any minimum balance in the Single Family Housing Fund and the Agency makes no covenant to Bondowners or any other Person that funds or other assets will be available in the Single Family Housing Fund in the event of a deficiency in the Bond Fund Interest Account or the Bond Fund Principal Account on a Bond Payment Date or other payment date.

The Agency, by Agency Certificate, may request the Trustee to establish one or more subaccounts in the Single Family Housing Fund to be restricted to such uses, and used in accordance with such terms, as are specified in the Agency Certificate.

Any earnings derived from the investment of amounts deposited in the Single Family Housing Fund shall be retained therein unless otherwise directed by Agency Certificate.

Investment of Moneys Held by the Trustee

Moneys held by the Trustee for the credit of any Account or Fund established under the Bond Resolution (other than the Single Family Housing Fund) shall be invested by the Trustee as directed by the Agency to the fullest extent practicable and reasonable in Investment Obligations which shall mature or be redeemable at the option of the Owner prior to the respective dates when the moneys held for the credit of such Fund or Account will be required for the purposes intended.

The Investment Obligations purchased shall be held by the Trustee and shall be deemed at all times to be part of the Fund or Account or combination thereof, and the Trustee shall inform the Agency of the detail of all such investments. The Trustee shall sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary to provide moneys to meet any payment from a Fund or Account. The Trustee shall not be liable for any depreciation of the value of any investment on the redemption, sale or maturity thereof, and, in the absence of any direction from the Agency, the Trustee shall not be required to invest such funds.

The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, any Investment Obligations. The Trustee shall advise the Agency in writing monthly, unless otherwise directed by Agency Certificate, of all investments held for the credit of each Fund and Account in its custody under the provisions of the Bond Resolution as of the end of the preceding month.

In computing the amount in any Fund or Account, (i) Investment Obligations shall be valued at par or, if purchased at a price other than par, at their Amortized Value, in either event exclusive of accrued interest and (ii) Program Obligations shall be valued at 100% of the outstanding principal balance thereof, plus accrued interest.

Except as otherwise specifically provided in the Bond Resolution or in a Series Resolution, the income or interest earned, or gain, shall be transferred by the Trustee upon receipt thereof to the appropriate subaccount in the Revenue Account.

The Trustee shall not be liable or responsible for the making of any investment authorized by the Bond Resolution in the manner provided in the Bond Resolution or for any loss resulting from any such investment so made, except for its own negligence.

Covenants Relating to Servicing Agreement and Participation Agreements

The Agency agrees that the Trustee in its name or (to the extent required by law) in the name of the Agency may enforce all rights of the Agency and all obligations of a Servicer under and pursuant to a Servicing Agreement for and on behalf of the Bondowners whether or not an Event of Default under the Bond Resolution or the Series Resolutions has occurred or is continuing. The Agency shall supervise, or cause to be supervised, each Lender's compliance with the Participation Agreements. In the event the Servicing Agreement shall be terminated for any reason, the Agency shall proceed with due diligence to appoint a successor Master Servicer, subject to the provisions of the Servicing Agreement and the Participation Agreements and the requirements of each applicable Federal Mortgage Agency. During the period necessary to obtain such successors, the Trustee shall, subject to the approval of the applicable Federal Mortgage Agency, cause to be performed the duties and responsibilities of the Master Servicer under the Servicing Agreement and shall be compensated therefor, in addition to the compensation payable to it under the Bond Resolution or any other instrument, in the same manner and amounts as provided under the Servicing Agreement.

Sale of Program Obligations

The Agency may at any time sell, assign or otherwise dispose of one or more Program Obligations:

(i) in order to obtain funds to provide for the redemption (whether optional or special, to the extent permitted by the terms of any applicable Series Resolution) or purchase of an amount of Bonds having a value less than or equal to the value of the Program Obligation as reasonably estimated by the Agency; or

(ii) in the event that an Agency Certificate shall be filed with the Trustee and each Rating Agency, which gives effect to the proposed sale, assignment, transfer or other disposition and the application of the proceeds thereof and states that such sale, assignment, transfer or other disposition would not have a material adverse effect on the ability of the Agency to pay the Debt Service on the Outstanding Bonds when due and reasonable and necessary Program Expenses.

Enforcement of Program Securities

The Program Securities acquired by the Trustee on behalf of the Agency shall be held at all times by the Trustee in trust and subject to the pledge of the Bond Resolution. If the Trustee does not receive a payment on a GNMA I Security when due by the close of business on the 17th day of each month, or if the Trustee does not receive a payment on a GNMA II-Custom Pool Security when due by the close of business on the 22nd day of each month, the Trustee shall immediately notify, and demand payment from GNMA. If the Trustee does not receive payment or advice from the depository of payment, with respect to a Fannie Mae Security when due by the close of business on the 25th day of any month (or the next Business Day if the 25th is not a Business Day), the Trustee shall immediately demand payment from Fannie Mae in connection with the guaranty of timely payments of principal and interest by Fannie Mae. If the Trustee does not receive payment on a Freddie Mac Security when due by the close of business on the 18th day of each month (or the next Business Day if the 18th day is not a Business Day), the Trustee shall immediately demand payment from Freddie Mac.

Modifications of Program Securities

The Agency shall not consent to the modification of the rate or rates of interest, or the amount or time of payment of any installment of interest or principal, or the security for or any of the terms or provisions of any Program Security in any manner that would result in the failure of the Program Securities, in the aggregate, to have scheduled payments of principal and interest at least sufficient, together with other expected Revenues, to pay all Debt Service when due with respect to the Bonds and Program Expenses or which would materially impair the security of the Outstanding Bonds. The Agency may otherwise consent to the modification of the security for, or any terms or provisions of, one or more Program Securities but only if the Agency reasonably determines that the modification will not be materially adverse to the security or other interests of Owners of Outstanding Bonds.

Cash Flow Certificates

The Agency is required to file a Cash Flow Certificate (i) at least once within any 12-month period and (ii) at such other times as may be required pursuant to the provisions of the Bond Resolution or of any Series Resolution authorizing the issuance of Bonds of a Series then Outstanding.

Creation of Liens

Except as permitted for Hedge Agreements, the Agency shall not issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of Revenues or of the moneys, securities, rights and interests pledged or held or set aside by the Agency or by any Fiduciary under the Bond Resolution and shall not create or cause to be created any lien or charge on any pledged Revenues or such moneys, securities, rights or interests: provided, however, that nothing in the Bond Resolution shall prevent the Agency from issuing (i) evidences of indebtedness secured by a pledge of Revenues to be derived after any pledge of Revenues provided in the Bond Resolution shall be discharged and satisfied as provided in the Bond Resolution, or (ii) notes or bonds of the Agency not secured under the Bond Resolution; and provided, further, that, to secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement or to secure the obligations of the Agency under a different Other Obligation, the Agency may grant to the Hedge Counterparty or other Beneficiary a pledge, on a parity with, or junior and subordinate to, the pledge granted to the Trustee to secure payment of Outstanding Bonds, in all or any of the revenues, assets or other collateral pledged to the payment of the Bonds under the Bond Resolution; provided, however, that any Agency Hedge Payments payable upon early termination of a Hedge Agreement may be secured only by a pledge junior and subordinate to the pledge granted to the Trustee.

Defeasance of Bonds

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or any one or more of the alternate Paying Agents (through deposit by the Agency of moneys for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Bond Resolution. All Outstanding Bonds of any Series shall be deemed prior to the maturity or Redemption Date thereof to have been paid within the meaning and with the effect expressed in the Bond Resolution if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Agency shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail notice of redemption of such Bonds on said date; (ii) there shall have been deposited with the Trustee either moneys in an amount sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys in an amount that, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be. Neither Government Obligations nor moneys deposited with the Trustee pursuant to this section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds.

Events of Default

Each of the following events shall constitute an event of default under the Bond Resolution: (1) the Agency shall fail to pay any Principal Installment or the Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise, or shall fail to pay the purchase price of any Bond tendered or deemed tendered for purchase on the date established therefor; or (2) the Agency shall fail to pay any installment of interest on any Bond when and as the same shall become due and payable; or (3) the Agency shall fail to perform or observe any other covenant, agreement or condition on its part contained in the Bond Resolution or in the Bonds, and such failure shall continue for a period of 60 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the Bondowners of not less than a majority in principal amount of the Bonds Outstanding; or (4) the Agency shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; or (5) the State limits or alters the rights of the Agency pursuant to the Act, as in force on the date of adoption of the Bond Resolution, to fulfill the terms of any agreements made with the Owners of the Bonds or in any way materially impaired the rights and remedies of Owners of Bonds while any Bonds are Outstanding.

Acceleration; Annulment of Acceleration

Upon the occurrence of an Event of Default, the Trustee may and, upon the written request of the Bondowners of not less than a majority in aggregate principal amount of Bonds Outstanding shall, give 30 days' notice in writing to the Agency of its intention to declare all Bonds Outstanding immediately due and payable; provided, however, that the Trustee may not make any such declaration with respect to an Event of Default under clause (3) above unless (1) the Trustee has received a written request to do so from 100% of the Owners of all Outstanding Bonds or (2) there are sufficient moneys available in the Funds and Accounts to pay the principal and interest on the Outstanding Bonds upon such declaration. At the end of such 30 day period the Trustee may, and upon such written request of Bondowners of not less than a majority in aggregate principal amount of Bonds Outstanding shall, by notice in writing to the Agency, declare all Bonds Outstanding immediately due and payable and such Bonds shall become and be immediately due and payable, anything in the Bonds or in the Bond Resolution to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment.

At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Bond Resolution, the Trustee may annul such declaration and its consequences with respect to any Bonds not then due by their terms if (1) moneys shall have been deposited in the Bond Fund Interest Account and the Bond Fund Principal Account sufficient to pay all matured installments of interest and principal or Redemption Price or purchase price (other than principal then due only

because of such declaration) of all Outstanding Bonds; (2) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agents; (3) all other amounts then payable by the Agency under the Bond Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (4) every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

If the Agency shall fail to pay any Principal Installment, the Redemption Price, the purchase price or any installment of interest on any Bond when and as the same shall become due and payable, the Trustee shall, within 30 days, give written notice thereof by first class mail to the Bondowners, shown by the registry of Bondowners required to be maintained at the office of the Trustee.

Additional Remedies and Enforcement of Remedies

Upon the occurrence and continuation of any Event of Default, the Trustee may, and upon the written request of the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondowners under the Act, the Bonds and the Bond Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to: (1) suit upon all or any part of the Bonds; (2) suit to require the Agency to account as if it were the trustee of an express trust for the Bondowners; (3) suit to enjoin any acts or things that may be unlawful or in violation of the rights of the Bondowners; (4) enforcement of any other right of the Bondowners conferred by law or by the Bond Resolution; and (5) in the event that all Outstanding Bonds are declared due and payable, by selling Program Obligations.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Bond Resolution by any acts that may be unlawful or in violation of the Bond Resolution, or (ii) to preserve or protect the interests of the Bondowners, provided that such request is in accordance with law and the provisions of the Bond Resolution.

Application of Revenues Following an Event of Default

The Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee (1) forthwith, all moneys and securities then held by the Agency in any Fund or Account under the Bond Resolution, and (2) as promptly as practicable after receipt thereof, any Revenues and other payments or receipts pledged under the Bond Resolution.

During the continuation of an Event of Default the Trustee shall apply such moneys, securities, Revenues, payments and receipts and the income therefrom as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Bond Resolution;

(2) To the payment of the interest and Principal Installments or Redemption Price then due and payable on the Bonds, as follows:

(a) Unless the principal of all of Outstanding Bonds shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due and payable in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to

the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid Principal Installments or Redemption Price of any Outstanding Bonds that shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Outstanding Bonds due and payable on any date, then to the payment thereof ratably, according to the amounts of Principal Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of Outstanding Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Outstanding Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference;

(3) To the payment of the amounts required for reasonable and necessary Program Expenses.

Whenever all principal amounts of and interest on all Outstanding Bonds have been paid under these provisions and all fees, expenses and charges of the Trustee and any Paying Agent have been paid, any balance remaining under the Bond Resolution not segregated for the payment of Bonds shall be paid to the Agency.

The Trustee

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Bond Resolution or any Series Resolution authorizing the issuance of a Series of Bonds then Outstanding. In case an Event of Default has occurred and has not been cured, the Trustee shall exercise such of the rights and powers vested in it by the Bond Resolution and use the same degree of care and skill in their exercise as a prudent trustee would exercise or use under the circumstances.

The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Bond Resolution, shall examine such instrument to determine whether it conforms to the requirements of the Bond Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel to the Agency, and any Counsel's Opinion shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Bond Resolution in good faith and in accordance therewith.

The Agency shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Bond Resolution and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Bond Resolution, and each Fiduciary shall have a lien therefor on any and all Revenues, Program Obligations and Investment Obligations at any time held or received by it under the Bond Resolution (excluding money or Governmental Obligations segregated to pay outstanding Bonds).

The Trustee may resign at any time and be discharged of the duties and obligations created by the Bond Resolution by giving not less than 60 days' written notice to the Agency and mailing notice thereof, at its own expense and without reimbursement therefor, to each Bondowner and Rating Agency, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Agency or the Bondowners as provided in the Bond Resolution, in which event such resignation shall take effect immediately on the appointment of such successor. In no event, however, shall such a resignation take effect until a successor Trustee has been appointed pursuant to the Bond Resolution.

The Trustee may be removed (i) at any time by an instrument or concurrent instruments in writing, filed with the Trustee and each Rating Agency, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency and (ii) by the Agency at any time except during the continuation of an Event of Default for such cause as shall be determined in the sole discretion of the Agency by filing with the Trustee and each Rating Agency notice of removal in the form of an Agency Certificate. In no event, however, shall such removal take effect until a successor Trustee has been appointed pursuant to the Bond Resolution.

No successor Trustee may be appointed under the Bond Resolution without the prior written consent of the GSEs, which consent is not to be unreasonably withheld.

Amendments

Amendments of the Resolutions may be made by a Supplemental Resolution.

For any one or more of the following purposes, and at any time or from time to time, a Supplemental Resolution of the Agency may be adopted, which, upon the filing with the Trustee of a copy thereof, shall be fully effective in accordance with its terms, subject, however, to the rights of the GSEs to consent thereto (see "Summary of Certain Provisions of the Program Series Resolution—Covenants Regarding Administration of Bond Resolution and the Series Bonds"):

(1) To close the Bond Resolution or any Series Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution or any Series Resolution on, the delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Agency in the Bond Resolution or any Series Resolution, other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the Bond Resolution or the applicable Series Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Bond Resolution or any Series Resolution, other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the Bond Resolution or the applicable Series Resolution as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the Bond Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Bond Resolution;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution or any Series Resolution, of Revenues or of any other securities or funds;

(6) To modify any of the provisions of the Bond Resolution or any Series Resolution in any respect whatever, provided that (a) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, or (b) the modification, in the sole judgment of the Agency, is reasonably necessary to assure that the interest on any related Series of Outstanding Bonds remains, or on any Series of Bonds thereafter issued will be, exempt from income taxation under the Code;

(7) To authorize the issuance of additional Series of Bonds in accordance with the provisions of Article II of the Bond Resolution;

(8) To amend the Bond Resolution by creating and establishing additional accounts;

(9) To amend the provisions described under "Enforcement of Program Securities" above to provide different days on which payments on the applicable Program Security are now payable;

(10) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution or any Series Resolution;

(11) To insert such provisions clarifying matters or questions arising under the Bond Resolution or any Series Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution or the applicable Series Resolution theretofore in effect; and

(12) To waive any right reserved to the Agency, provided that the loss of such right shall not adversely impair any Revenues available to pay the Outstanding Bonds of any Series.

Supplemental Resolutions become effective upon consent of the Trustee to make any other change as shall not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondowners. With respect to the foregoing, the Trustee may rely upon the opinion of the Rating Agency with respect to whether the Rating of the Bonds has been adversely affected as conclusively establishing whether the change is materially adverse to the security or other interests of the Bondowners.

Other Supplemental Resolutions may become effective only with consent (i) of the Bondowners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Bondowners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given.

However, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price or purchase price thereof or in the rate of interest thereon (except as otherwise provided in a Series Resolution) without the consent of the Bondowners of all such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Bondowners of which is required to effect any such modification or amendment or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Any amendment may be made with unanimous consent of the Bondowners, except that no amendment shall change any of the rights or obligations of any fiduciary without the consent of the Fiduciary.

Certain Rights of GSEs

The Agency in the Program Series Resolution has made certain covenants for the sole benefit of the GSEs so long as any Homeownership Finance Bonds, 2009 Series A (Mortgage-Backed Securities Program) (Treasury HFA Initiative) are Outstanding, including covenants not to amend or supplement the Bond Resolution without the prior written consent of the GSEs (exclusive of amendments solely to provide for the issuance of Additional Bonds), not to issue variable rate Bonds, not to enter into any Hedge Agreement under the Bond Resolution, and not to exercise its right to make voluntary withdrawals of cash or other assets from the lien of the Bond Resolution except upon certain conditions. Only the GSEs may enforce, or cause the Trustee to enforce, these covenants and either or both GSEs may waive such covenants in their sole discretion.

APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York ("DTC"), is to act as securities depository for the Series Bonds. The ownership of one fully registered Series Bond will be registered in the name of Cede & Co., DTC's partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds of a series, references herein to the Bondowners, Owners or registered owners of the Series Bonds means Cede & Co. or any other nominee and not the Beneficial Owners (as hereinafter defined) of those Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC's records. The ownership interest of each Beneficial Owner (as defined in Appendix B) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or any other name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or that other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts those Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series are being redeemed, unless the "Pro-Rata Pass-Through Distribution of Principal" method is employed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal and redemption price of, and interest on, the Series Bonds will be made to Cede & Co., or any other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of that Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of those payments to Direct Participants will be the responsibility of DTC, and disbursement of those payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the 2016/2017 Series Resolutions, payments made by or on behalf of the Agency to DTC or its nominee will satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriters as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriters nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (2) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (3) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Owners of Series Bonds; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (5) any consent given or other action taken by DTC as a Bondowner.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds are required to be delivered as described in the 2016/2017 Series Resolutions. The Beneficial Owner, upon registration of those Series Bonds held in the Beneficial Owner's name, will become the Bondowner.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for the Series Bonds. In that event, the Series Bonds are to be delivered as described in the 2016/2017 Series Resolutions.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[to be dated the date of issuance of the Series Bonds]

_____, 2017

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency
Homeownership Finance Bonds
2017 Series G
2017 Series H (Taxable)
(Mortgage-Backed Securities Pass-Through Program)

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Homeownership Finance Bonds, 2017 Series G (Mortgage-Backed Securities Pass-Through Program), in the aggregate principal amount of $_____ (the "2017 Series G Bonds"), and its Homeownership Finance Bonds, 2017 Series H (Taxable) (Mortgage-Backed Securities Pass-Through Program), in the aggregate principal amount of $_____ (the "2017 Series H Bonds" and, together with the 2017 Series G Bonds, the "2017 Series GH Bonds"), each series of which are issuable only as fully registered bonds.

The 2017 Series GH Bonds are dated, mature on the date, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2017 Series GH Bonds are subject to optional and mandatory redemption prior to maturity, including redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certificates as to facts, estimates and circumstances and certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Bond Resolution adopted December 11, 2009, as amended and supplemented (the "Bond Resolution"), and Series Resolution relating to the 2017 Series GH Bonds adopted on October 19, 2016 and August __, 2017 (the "Series Resolution"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Applicable federal tax law, including certain provisions of Sections 143 and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the 2017 Series G Bonds in order that interest on the 2017 Series G Bonds may be excluded from gross income for federal income tax purposes. The Agency has covenanted in the Bond Resolution and Series Resolution to comply with the requirements of applicable federal tax law and for such purpose to adopt and maintain appropriate procedures. In rendering this opinion, we have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Bond Resolution and Series Resolution.

From such examination it is our opinion that, under state and federal laws, regulations, rulings and decisions in effect on the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Program Obligations, Investment Obligations, Revenues, moneys and other assets held and to be set aside under

the Bond Resolution and Series Resolution; (3) the 2017 Series GH Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are further secured by the pledge of the full faith and credit of the Agency, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, or state laws appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2017 Series GH Bonds are not a debt of the State; (4) the interest payable on the 2017 Series G Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and (5) the interest payable on the 2017 Series H Bonds is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax.

Interest on the 2017 Series G Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and will not be included in the calculation of adjusted current earnings for purposes of calculating the federal alternative minimum tax imposed on corporations. Interest on the 2017 Series G Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2017 Series GH Bonds. All owners of 2017 Series GH Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2017 Series GH Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2017 Series GH Bonds and the Bond Resolution and Series Resolution are subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

APPENDIX F

IDENTIFICATION OF 2017GH PROGRAM SECURITIES

[*] Preliminary; subject to change.

APPENDIX G

MINIMUM CUMULATIVE REDEMPTION OF SERIES BONDS

[*]Preliminary; subject to change.

Note: Amounts are based on the assumption that there are no prepayments of principal of the Program Loans backing the 2017GH Program Securities for the life of those Program Loans.

RESOLUTION NO. MHFA 17-023

RESOLUTION AUTHORIZING ISSUANCE AND SALE OF MINNESOTA HOUSING FINANCE AGENCY HOMEOWNERSHIP FINANCE BONDS, 2017/2018 SERIES (MORTGAGE-BACKED SECURITIES PASS-THROUGH PROGRAM)

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Authorization.

(A) General Provisions. By Resolution No. MHFA 09-71, adopted December 11, 2009 (together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein, the "Bond Resolution"), the Agency has provided the terms and conditions for the issuance and has established covenants and agreements for the security of its Homeownership Finance Bonds to be issued for the purpose of facilitating the Program, including, among other things, the financing of Homes for persons of low and moderate income through the purchase of Program Securities backed by pools of Program Loans made to qualified persons and families by qualified lending institutions pursuant to the Act. Terms used but not defined in this resolution shall have the meanings given such terms in the Bond Resolution.

This resolution (this "Series Resolution") is adopted pursuant to Section 2.5 of the Bond Resolution to authorize the issuance and sale and establish the terms and provisions of one or more Series of Bonds of the Agency in the aggregate principal amount to be determined pursuant to the terms of Section 2(D) of this Series Resolution. The first two Series of Bonds may be designated as "Homeownership Finance Bonds, 2017 Series G (Mortgage-Backed Securities Pass-Through Program)" (the "2017 Series G Bonds") and "Homeownership Finance Bonds, 2017 Series H (Mortgage-Backed Securities Pass-Through Program) (Taxable)" (the "2017 Series H Bonds" and, together with the 2017 Series G Bonds, the "2017 Series GH Bonds"); an Authorized Officer may revise such designations as may be applicable to the final terms of the 2017 Series GH Bonds. Additional Series of Bonds issued pursuant to this Series Resolution shall be designated "Homeownership Finance Bonds, [2017][2018] Series (_)," adding "(Mortgage-Backed Securities Pass-Through Program)" and "(Taxable)" as applicable and completing the blank with an uppercase letter as appropriate for the order of such issuance. The maximum aggregate principal amount of all Series of Bonds issued pursuant to this Series Resolution shall not exceed $300,000,000; the number of Series of Bonds and their corresponding principal amounts shall be as determined by an Authorized Officer pursuant to Section 12 of this Series Resolution, and as set out in the Agency Certificate, or Agency Certificates, as the case may be, delivered pursuant to Section 8(A) of this Series Resolution. All such Series of Bonds issued pursuant to this Series Resolution are the "Series Bonds"; Series Bonds may not be issued pursuant to this Series Resolution after December 31, 2018.

(B) Certain Definitions. In addition to terms otherwise defined in the Bond Resolution or elsewhere in this Series Resolution, for purposes of this Series Resolution, unless a different meaning clearly appears from the context, the following terms have the following respective meanings:

"*Business Day*" means any day other than a Saturday, Sunday or legal holiday in the State (a) on which banks in the City of New York, New York and in the cities in which the respective principal offices of the Trustee and any Paying Agent are located are not required or authorized by law to be closed, (b) on which the New York Stock

Exchange is open, and (c) on which DTC or any successor Bond Depository for the Series Bonds is open.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*DTC*" means The Depository Trust Company, of New York, New York.

"*New Money Tax-Exempt Series Bonds*" means any Tax-Exempt Series Bonds the sale proceeds of which are intended for the purpose of purchasing Program Securities.

"*Regulations*" means the Income Tax Regulations of the United States Department of Treasury.

"*Tax-Exempt Series Bonds*" means any Series Bonds intended to be bonds the interest on which is excludable from gross income for federal income tax purposes.

Section 2. Authorization of Series Bonds.

(A) Purposes. It is determined to be in the best interests of the Agency to issue the Series Bonds for the purpose of providing funds to be used, along with certain additional funds of the Agency, for the purpose of (i) the purchase of Program Securities, or participations therein, backed by pools of Program Loans that constitute qualified Program Loans in accordance with the provisions of Sections 10 and 11 of this Series Resolution, the Series Program Determinations made for the Series Bonds in Section 7 of this Series Resolution, and, in the case of any Series Bond Program Securities relating to Tax-Exempt Series Bonds, Section 143 of the Code and (ii) refunding, on the date or dates to be determined by the Agency, certain outstanding obligations of the Agency to be listed in the Agency Certificate delivered pursuant to Section 8(A) of this Series Resolution (the "Refunded Bonds"), and the deposit of certain transferred assets and transferred Program Securities (or participations therein) (the "Transferred Program Securities"), and certain "transferred," "replacement" and sale proceeds, that will become allocable to the Series Bonds upon the refunding of the Refunded Bonds, together with certain contributed funds of the Agency, if any, into the Funds and Accounts set forth in Section 9 of this Series Resolution to be expended for the Program.

(B) Single Issue. Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the "Regulations"), the Agency will treat any Tax-Exempt Series Bonds sold by the Agency less than fifteen days apart from the sale date of any other Tax-Exempt Series Bonds as a single issue of bonds.

(C) Pledge. The pledge made in the Bond Resolution with respect to all Revenues, Program Obligations, money, securities and Funds and Accounts therein defined and created, and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Owners of all Bonds issued and to be issued thereunder, including the Series Bonds, without preference, priority or distinction of one Bond over any other of any Series, as fully as though set out at length and resolved herein, except as otherwise expressly provided therein or in a Series Resolution.

(D) Approval of Contract of Purchase. The Agency will negotiate for the sale of each Series of the Series Bonds to RBC Capital Markets, LLC, Piper Jaffray & Co. and Wells Fargo Bank, National Association (collectively, the "Underwriters"). Any Authorized Officer is

hereby authorized to approve the final terms of each Series of the Series Bonds, subject to the following parameters:

(i) the principal amount of each Series of the Series Bonds; provided that the aggregate principal amount of the Series Bonds is not in excess of $300,000,000;

(ii) the date of issuance and the maturity schedule of each Series of the Series Bonds (including any Sinking Fund Installment schedule); provided that each Series of the Series Bonds (a) are issued by December 31, 2018 and (b) mature at any time or times in such amount or amounts not later than 32 years from the date of issuance thereof;

(iii) the interest rates borne by each Series of the Series Bonds; provided that the yield on each Series of the Series Bonds does not exceed 5.50% per annum; and

(iv) the fee or other compensation payable to the Underwriters; provided that the fee or other compensation for each Series of the Series Bonds does not exceed 1.00% of the principal amount of that Series of Series Bonds.

Such approval shall be conclusively evidenced by the execution of one or more contracts of purchase (each a "Purchase Contract") with the Underwriters by an Authorized Officer. The Agency has received and examined the general form of the Purchase Contract which will set forth the terms and conditions upon which the Underwriters will purchase the Series Bonds from the Agency. The Purchase Contract is hereby approved substantially in the form submitted and an Authorized Officer is authorized and directed to execute Purchase Contracts on behalf of the Agency with such revisions, consistent with the foregoing parameters, as may be required or approved by counsel for the Agency and the Authorized Officer of the Agency executing the same. The final terms of the related Series of the Series Bonds, including any redemption provisions and the purchase price of that Series of the Series Bonds, will be set forth in the Agency Certificate(s) delivered pursuant to Section 8(A)(5) of this Series Resolution.

(E) Official Statement. The Agency has also received and examined the Preliminary Official Statement relating to the 2017 Series GH Bonds, dated the date of distribution thereof, containing information relating to the Agency and the 2017 Series GH Bonds, and hereby approves and ratifies the use thereof by the Underwriters. An Authorized Officer is hereby authorized to approve any Preliminary Official Statements in substantially similar form to be used by the Underwriters in connection with any additional Series of the Series Bonds authorized by this Series Resolution. Final Official Statements, substantially in the form of the related Preliminary Official Statement except for revisions required or approved by counsel for the Agency and an Authorized Officer, and insertion of the terms of the related Series Bonds as provided in the related Purchase Contract, are approved and authorized to be signed by an Authorized Officer, and furnished to the Underwriters for distribution to investors.

(F) Approval of Continuing Disclosure Undertaking. The Agency has also received and examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the Owners and the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and a Continuing Disclosure Undertaking is authorized to be signed on behalf of the Agency by an Authorized

Officer for each Series of Series Bonds, with such revisions as may be required or approved by counsel for the Agency and the Authorized Officer of the Agency executing the same.

Section 3. Form of Series Bonds. Each Series of the Series Bonds will be prepared in substantially the form appearing as Exhibit A hereto (which is hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution.

Section 4. Terms.

(A) Issue and Interest Payment Dates; Denominations; Manner of Payment; Execution and Delivery. The Series Bonds shall be dated, as originally issued, as of the date of original delivery thereof. The Series Bonds shall be issued as fully registered Bonds in denominations as set forth in the related Agency Certificate delivered pursuant to Section 8(A)(5) of this Series Resolution. Interest shall accrue on the outstanding principal amount of the Series Bonds in the manner as set forth in the related Agency Certificate delivered pursuant to Section 8(A)(5) of this Series Resolution, and be paid on the dates as set forth in such Agency Certificate (the Interest Payment Dates for such Series Bonds). Interest will be computed on the basis of a 360-day year composed of twelve 30-day months. Interest on the Series Bonds shall be paid by check or draft mailed to the Owners as shown on the registration books of the Agency maintained by the Trustee on the 15th day of the calendar month immediately preceding the Interest Payment Date (the "Record Date") or, upon the written request of an Owner of Series Bonds of a Series in an aggregate principal amount of at least $100,000, in form satisfactory to the Trustee, by wire transfer on each Interest Payment Date from the Trustee to a domestic bank or trust company designated by the Owner; provided, however, that so long as all of the outstanding Series Bonds are registered in the name of DTC or its designee, or other Bond Depository, payment shall be made in accordance with the operational arrangements of DTC or its designee, or other Bond Depository, as agreed to by the Agency. The principal of and any redemption premium on the Series Bonds will be payable at the Corporate Trust Office of the Trustee upon presentation and surrender of the Series Bonds on or after the date of maturity or redemption thereof; provided, however, that so long as all outstanding Series Bonds are registered in the name of DTC or its designee, or other Bond Depository, DTC or such other Bond Depository may, in its discretion, make a notation on any Series Bond indicating the date and amount of any reduction of principal except in the case of final maturity or payment in full, in which case the Series Bonds shall be surrendered to the Trustee for payment. The Series Bonds shall be executed in the manner provided in Article III of the Bond Resolution by the facsimile signatures of the Chair and Commissioner of the Agency. Each Series Bond shall be authenticated by the Trustee by the manual signature of its authorized representative on the Trustee's Certificate of Authentication on each Series Bond, attesting that it is delivered pursuant to the Bond Resolution and this Series Resolution, and shall be delivered to the Underwriters upon compliance with the conditions set forth in Section 8 of this Series Resolution.

(B) Maturities, Interest Rates and Redemption. The Series Bonds shall mature on the date or dates and in the principal amounts and shall bear interest at the rate or rates per annum as set forth in the Agency Certificate(s) delivered pursuant to Section 8(A)(5) of this Series Resolution, all subject to the limitations in Section 2(D) of this Series Resolution.

The Series Bonds may be subject to mandatory and optional redemption, if any, as set forth in the Agency Certificate(s) delivered pursuant to Section 8(A)(5) of this Series Resolution.

(C) Manner of Redemption.

(i) Mandatory Redemption. Notice of the date or amount of any mandatory redemption of any Series Bond redemption shall be given to any Bondowner as set forth in the related Agency Certificate delivered pursuant to Section 8(A)(5) of this Series Resolution.

If Series Bonds are to be redeemed in part upon any mandatory redemption, each of the Series Bonds then outstanding shall be redeemed as set forth in the related Agency Certificate delivered pursuant to Section 8(A)(5) of this Series Resolution.

(ii) Optional Redemption. Notice of any optional redemption of Series Bonds will be mailed, by first class mail, postage prepaid, to the last address on the registry books of the Owners of such Series Bonds, or, if all Outstanding Series Bonds are registered in the name of DTC or its designee, or other Bond Depository, the Trustee shall give notice to the Bond Depository in accordance with its operational arrangements, in each case not less than 30 days before the optional redemption date. Upon an optional redemption of the Series Bonds, the principal amount of the Series Bonds to be redeemed will be selected by an Authorized Officer and certified to the Trustee on behalf of the Agency in accordance with the provisions of Article V of the Bond Resolution and this Series Resolution.

If less than all Series Bonds are to be optionally redeemed, the Series Bonds to be optionally redeemed will be selected (i) as DTC determines under DTC's current operational arrangements, or (ii) if the Series Bonds are held under the name of another Bond Depository, under the operational arrangements of such Bond Depository. All actions of the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article V of the Bond Resolution and this Series Resolution.

Section 5. [Reserved].

Section 6. Bond Depository.

(A) Definitions. For purposes of this Section 6, the following terms have the following meanings:

"*Beneficial Owner*" means, whenever used with respect to a Series Bond, the Person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such Person's subrogee.

"*Cede & Co.*" means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

"*Participant*" means any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as Bond Depository.

(B) General Provisions. The Series Bonds of each Series will be initially issued as separately authenticated fully registered bonds, and one Series Bond will be issued in the principal amount of each Series and stated maturity of such Series Bonds. Upon initial issuance, the ownership of such Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to Owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other Person which is not shown on the bond register as being an Owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any Person to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as Owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect thereto to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with Subsection (D) of this Section 6.

(C) Discontinuation of Book-Entry System. In the event the Agency determines to discontinue the book-entry system for the Series Bonds or any Series thereof, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of Series Bonds in the form of certificates. In such event, unless a new Bond Depository is appointed by the Agency, the Series Bonds of such Series will be transferable in accordance with Subsection (D) of this Section 6. DTC may determine to discontinue providing its services with respect to the Series Bonds or one or more Series thereof at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, unless a new Bond Depository is appointed by the Agency, the Series Bonds of such Series will be transferable in accordance with Subsection (D) of this Section 6.

(D) Transfer and Exchange. In the event that any transfer or exchange of Series Bonds is permitted under Subsection (B) or (C) of this Section 6, such transfer or exchange will be accomplished upon receipt by the Trustee of the Series Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event Series Bonds of a Series in the form of certificates are issued to Owners other than Cede & Co., its successor as nominee for DTC as Owner of all such Series Bonds, or another Bond Depository as Owner of all such Series Bonds, the provisions of the Bond Resolution and this Series Resolution will apply to all matters relating thereto, including, without limitation, the preparation of such Series Bonds in

the form of bond certificates, the method of payment of principal of, redemption premium, if any, and interest on such Series Bonds and the method of giving notice of redemption and other events.

Section 7. Series Program Determinations for the Series Bonds; Covenants.

(A) Definitions. As used in this Section 7 and in Sections 9 and 11 of this Series Resolution, the following terms have the following respective meanings:

Master Servicer: The Person designated as servicer under the Master Servicing Agreement, and its successors or assigns, or any substitute servicer designated by the Agency in accordance with the Master Servicing Agreement.

Master Servicing Agreement: The Servicing Agreement, dated as of October 17, 2013, between the Agency and U.S. Bank National Association, as Master Servicer, as the same has been or may be amended from time to time, or any agreement executed by the Agency replacing such agreement.

Mortgagor: The obligor or joint obligors on a Program Loan backing a Transferred Program Security or a Series Bond Program Security.

Participation Agreements: One or more of the Participation Agreements, as amended or supplemented from time to time, applicable to the origination of Program Loans under the Program between the Lender and the Agency or the Master Servicer.

Series Bond Program Security: Program Securities, or a participation interest in a Program Security, financed by and relating to a particular Series of Series Bonds.

Transferred Program Security: A Program Security, or participation interest in a Program Security, allocable to a particular Series of Series Bonds after the refunding of certain Refunded Bonds financed with amounts on deposit in the related Acquisition Account, and bearing interest at a rate equal to the stated interest rate on the corresponding pooled Program Loans less the applicable servicing fee and guaranty fee.

(B) Requirements for Transferred Program Securities and Series Bond Program Securities. The Series Bonds that are not Tax-Exempt Series Bonds are not intended to be bonds the interest on which is excludable from gross income for federal income tax purposes.

The Agency represents that the Transferred Program Securities, or the participations therein, relating to any Series Bonds (l) are backed by Program Loans that are in compliance with the Act and the Program, (2) comply with the requirements set forth in the Master Servicing Agreement as in effect at the time the Transferred Program Securities were purchased by the Agency, which provisions shall constitute the Series Program Determinations with respect to such Transferred Program Securities, and (3) in the case of Transferred Program Securities allocated to Tax-Exempt Series Bonds, are backed by Program Loans that are in compliance with the Code.

The Agency further represents that the Series Bond Program Securities, or the participations therein, (l) are backed by Program Loans that are in compliance with the Act and the Program, (2) comply with the requirements of the Agency's Mortgage Loan Program Procedural Manual: MBS, the Participation Agreements and the Master Servicing Agreement, (3) in the case of Series Bond Program Securities relating to Tax-Exempt Series Bonds, meet the

requirements set forth in Sections 10(B) and 11(B-J and L) hereof and (4) are backed by Program Loans that are in compliance with the Code.

A Transferred Program Security or a Series Bond Program Security may include a participation in a Program Security financed from different sources of funds of the Agency, so long as the interest of each has equal priority as to lien in proportion to the amount of the Transferred Program Security or Series Bond Program Security secured, but such interests need not be equal as to interest rate.

(C) Acquisition of Series Bond Program Securities. Prior to the issuance of any Series Bonds the proceeds of which are intended to fund the acquisition of Series Bond Program Securities, the Master Servicer shall have acquired Program Loans from Lenders and pooled the Program Loans into Series Bond Program Securities as provided in the Master Servicing Agreement. The Trustee shall disburse moneys from the related Series Bond Acquisition Account on the date of issuance of such Series Bonds for the acquisition of Series Bond Program Securities pursuant to the Master Servicing Agreement and this Subsection (C). The Trustee shall pay the Master Servicer an amount equal to the percentage of the principal amount of each Series Bond Program Security acquired from the Master Servicer that is approved by an Authorized Officer, plus applicable fees or charges payable to a Federal Mortgage Agency and not paid by the Mortgagor, plus accrued interest, if any.

(D) Information To Be Furnished. The Trustee shall furnish information concerning the Series Bonds and the Program to each Rating Agency upon reasonable request thereof.

Section 8. Conditions Precedent to Issuance.

(A) Documents Furnished to Trustee. Prior to each delivery of Series Bonds an Authorized Officer shall cause to be furnished to the Trustee, unless previously furnished, the following items as required by Section 2.5 of the Bond Resolution:

(1) Certified copies of the Bond Resolution and this Series Resolution.

(2) An Opinion of Counsel to the Agency required by Section 2.5(3) of the Bond Resolution.

(3) The Opinion of Bond Counsel required by Section 2.5(2) of the Bond Resolution.

(4) The Counsel's Opinion required by Section 2.5(4) of the Bond Resolution.

(5) An Agency Certificate (i) setting forth the final terms of such Series Bonds not expressly specified herein, including maturity dates, interest rates, Sinking Fund Installments, if any, other redemption provisions, the initial interest payment date and volume cap allocation, (ii) requesting the Trustee to authenticate such Series Bonds, and deliver them to the Underwriters upon payment of the purchase price set forth in the Certificate, (iii) certifying that the Agency is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Bond Resolution, (iv) setting forth the amount of the proceeds of such Series Bonds and other funds to be deposited with the Trustee pursuant to Section 4.1 of the Bond Resolution and the Funds and Accounts into which deposits should be made, and (v) stating that the issuance of

such Series Bonds will have no adverse material effect on the ability of the Agency to pay the Debt Service on the Bonds then Outstanding.

(6) An Agency Certificate, including a Cash Flow Certificate, as required by Section 2.5(6) of the Bond Resolution and any information required to be filed with the Trustee upon deposit of amounts in an Acquisition Account pursuant to Section 4.4 of the Bond Resolution.

(7) Written confirmation from each Rating Agency then rating the Bonds that the issuance of such Series Bonds will not impair the then-existing Rating on the Bonds.

(8) Evidence that the Agency has given irrevocable instructions of the redemption of all the Refunded Bonds and the redemption dates, if any, upon which such Refunded Bonds are to be redeemed, to the Trustee or to the owners of such Refunded Bonds, or the trustee for such owners, as applicable.

(9) Evidence that money in an amount sufficient to effect payment of the applicable redemption price of the Refunded Bonds has been deposited with the Trustee in accordance with the Bond Resolution, or has been received by the owners of such Refunded Bonds, or the trustee for such owners, in accordance with the resolution of the Agency whereby such Refunded Bonds were issued, as applicable.

(10) An Opinion of Bond Counsel to the effect that issuance of such Series Bonds will not result in interest on the Refunded Bonds being included in gross income for federal income tax purposes.

(B) Certification by Trustee. Prior to each delivery of Series Bonds, the Agency shall also receive from the Trustee a certificate stating that it has received the documents listed in Subsection (A).

(C) Program Securities. Prior to each delivery of Series Bonds, Transferred Program Securities and/or Series Bond Program Securities in an aggregate principal amount equal to or greater than the aggregate principal amount of such Series Bonds and to constitute the Transferred Program Securities or Series Bond Program Securities, as applicable, for such Series of Bonds shall be identified by the Agency in a manner acceptable to the Trustee.

(D) Documents Required by the Purchase Contract. Prior to each delivery of Series Bonds, an Authorized Officer is authorized to furnish to the Underwriters each of the certificates, opinions and other documents required by the related Purchase Contract.

(E) Certification Under Applicable Federal Tax Law. In connection with the issuance of any Tax-Exempt Series Bonds, an Authorized Officer is also authorized and directed, on the date of delivery of such Tax-Exempt Series Bonds, to prepare and execute a certificate on behalf of the Agency, setting forth in brief and summary terms the facts, estimates and circumstances on the basis of which the Agency reasonably expects that the proceeds of such Tax-Exempt Series Bonds will be used in a manner that would not cause such Tax-Exempt Series Bonds to be arbitrage bonds under applicable federal tax law, and on the basis of which such Tax-Exempt Series Bonds will be “qualified mortgage bonds” under the provisions of applicable federal tax law.

(F) Delivery. Upon fulfillment of the above conditions an Authorized Officer shall direct the Trustee to authenticate and deliver such Series Bonds as provided in the related Purchase Contract upon receipt by the Trustee of the purchase price to be paid by the Underwriters under such Purchase Contract.

Section 9. Deposit of Bond Proceeds and Other Funds; Investment Obligations.

(A) Series Bond Accounts. Within the Acquisition Account, the Revenue Fund, the Bond Fund Interest Account, the Bond Fund Principal Account and the Bond Redemption Fund, as applicable, the Trustee shall maintain Accounts for each Series of Series Bonds, as directed in the related Agency Certificate delivered pursuant to Section 8(A)(5) of this Series Resolution, for the purpose of receiving the proceeds of the related Series Bonds and other amounts directed by this Series Resolution to be deposited therein and the related Transferred Program Securities, Series Bond Program Securities or Investment Obligations purchased therefrom or allocated thereto and the prepayments and other receipts from such Transferred Program Securities, Series Bond Program Securities and Investment Obligations, and the Revenues received with respect thereto. In addition, the Trustee shall establish Cost of Issuance Accounts for the Series Bonds.

(B) Deposits of Funds. The proceeds of the Series Bonds and the funds of the Agency shall be deposited by the Trustee into the Accounts established pursuant to Section 9(A), as set forth in the related Agency Certificate delivered pursuant to Section 8(A)(5) of this Series Resolution.

(C) Investment Agreements. If deemed advantageous, an Authorized Officer is authorized to negotiate and execute one or more investment agreements for the investment of all or a portion of the proceeds of the Series Bonds and other funds of the Agency related thereto.

(D) Application of Series Bond Accounts in the Bond Fund Interest Account. Moneys on deposit in the Account for each Series of the Series Bonds in the Bond Fund Interest Account shall be applied to pay interest on the related Series Bonds on the initial Interest Payment Date for such Series Bonds to the extent sufficient moneys are not available in the Account for such Series Bonds in the Revenue Fund to enable the Trustee to make the transfers from the Account for such Series of Series Bonds in the Revenue Fund as provided in Sections 4.5(B) of the Bond Resolution and, if necessary, to pay accrued interest on the related Series Bond Program Securities.

Any amounts remaining in the Account in the Bond Fund Interest Account relating to a particular Series of Series Bonds after the payment of interest on the related Series Bonds on the related initial Interest Payment Date shall be transferred as provided in the related Agency Certificate delivered pursuant to Section 8(A)(5) of this Series Resolution.

Section 10. Tax Covenant and Restrictions Relating to Tax-Exempt Series Bonds.

(A) General Tax Covenant. The Agency covenants that it will at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Agency on any Tax-Exempt Series Bonds will remain excludable from gross income for purposes of federal income taxation, and that no part of the proceeds of such Tax-Exempt Series Bonds will at any time be used directly or indirectly to acquire securities or obligations the acquisition of which, from the funds used for that purpose, if reasonably anticipated on the date of issuance of such Tax-Exempt Series Bonds, would have caused such Tax-Exempt Series Bonds to be arbitrage bonds, unless such acquisition is at such time permitted

by applicable federal tax law and the Treasury Regulations thereunder, as then in effect. The Agency shall at all times do and perform all acts and things permitted by law and the Bond Resolution and necessary or desirable in order to assure that the proceeds of such Tax-Exempt Series Bonds and the Revenues attributable thereto, will be used in a manner consistent with the provisions of applicable federal tax law so that the interest on such Tax-Exempt Series Bonds will be excludable from gross income for federal income tax purposes.

(B) Qualified Program Loans. The covenants and restrictions set forth in Section 11 of this Series Resolution will apply to each Program Loan purchased by the Master Servicer for inclusion in a Series Bond Program Security financed in whole or in part from the proceeds of any Tax-Exempt Series Bonds. The Agency retains the right to impose covenants with respect to Program Loans, Homes and Mortgagors more restrictive than those imposed by applicable federal tax law.

(C) Amendments. Any particular covenant or restriction set forth in Sections 10 and 11 of this Series Resolution, other than the covenant in Subsection (A) of this Section 10, will apply only to the extent that the same is necessary to implement the provisions of applicable federal tax law to assure that the interest to be paid on the Tax-Exempt Series Bonds will be and remain excluded from gross income for purposes of federal income taxation. If and to the extent that applicable federal tax law is amended or supplemented, and the Agency determines on the advice of counsel that the effect thereof is to add to, delete from or change the restrictions and limitations contained in applicable federal tax law or the Agency's interpretation thereof, any provision of Section 10 and 11 of this Series Resolution may be amended or supplemented to conform to applicable federal tax law as then in effect, without the consent of the Trustee or Bondowners, as contemplated in Section 9.1(B)(6) of the Bond Resolution.

Section 11. Compliance with Applicable Federal Tax Law Relating to Tax-Exempt Series Bonds.

(A) Code Provisions. The Agency determines that Section 143 of the Code is applicable to any Tax-Exempt Series Bonds as a "qualified mortgage issue." Under Section 143(a), a "qualified mortgage bond" is one issued as part of a qualified mortgage issue, all proceeds of which, exclusive of issuance costs and a reasonably required reserve, are to be used to finance owner-occupied residences, and which meets the requirements of subsections (c) through (i), inclusive, and (m)(7), of Section 143.

(B) Mortgage Eligibility Requirements; Good Faith and Corrective Action. Actions to assure compliance with the requirements of applicable federal tax law relating to the Tax-Exempt Series Bonds are set forth in Subsections (C) through (L) of this Section 11. As to the mortgage eligibility requirements of applicable federal tax law as set forth in subsections (c) through (f), and (i), of Section 143 of the Code, the Agency and its staff have attempted, and shall in good faith attempt, to meet, or cause the Master Servicer to meet, all of them before each Mortgage is executed, and to assure that 95% or more of the proceeds of any Tax-Exempt Series Bonds devoted, directly or indirectly, to owner financing are devoted to residences with respect to which, at the time the Mortgages were or are executed, all such requirements were or are met, and that any failure to meet such requirements will be corrected within a reasonable period after the failure is first discovered, if necessary by accelerating or selling the Program Loan or replacing it with a qualifying Program Loan. Certifications and warranties of Mortgagors, Lenders and the Master Servicer and provisions of the Mortgages and related promissory notes designed for this purpose are set forth in the Agency's Mortgage Loan Program Procedural Manual: MBS, the Participation Agreements and the Master Servicing Agreement. As to the arbitrage and recapture requirements of Sections 143 and 148 of the Code, the Agency and its staff shall in good faith

attempt to meet all such requirements for any Tax-Exempt Series Bonds and shall take all reasonable steps to avoid failure due to inadvertent error.

(C) Residence. As provided in the Participation Agreements and the Master Servicing Agreement, each Program Loan purchased by the Master Servicer for inclusion in a Program Security to be financed in whole or in part from the proceeds of, or allocated to, any Tax-Exempt Series Bonds will have been made or will be made to finance the cost of construction of a new Home, or to finance the cost of acquisition, with or without rehabilitation or improvement, of an existing Home, or to finance the cost of rehabilitation or improvement of an existing Home owned by the Mortgagor located in Minnesota and containing not more than four dwelling units, which is or can reasonably be expected to become the principal residence of the Mortgagor as established by an affidavit secured by the Lender from the Mortgagor stating his or her intent so to occupy the Home not later than 60 days after final closing and thereafter to maintain it as his or her principal residence, and that no use will be made of the Home (or of the area occupied by the Mortgagor in the case of a two to four family Home) which would cause any Tax-Exempt Series Bond to meet the private business use tests of Section 141(b) of the Code, and that the Home is not to be used as an investment property or a recreational home.

(D) Three Year Prior Ownership. No Program Loan to be pooled in a Series Bond Program Security to be financed in whole or in part from the proceeds of, or allocated to, any Tax-Exempt Series Bonds will be purchased by the Master Servicer unless the originating Lender secures, or has secured, and retains an affidavit of the Mortgagor stating that he or she has not had a present ownership interest in a principal residence at any time during the three year period ending on the date when the Mortgage is executed, unless the Program Loan is made for a residence within a "targeted area," as defined in Section 143(h) of the Code and Section 6a.103A 2(b)(3) of the Regulations, or the Program Loan is made to a "veteran" borrower (as defined in 38 U.S.C. Section 101) who has not previously obtained mortgage loans financed by single family mortgage revenue bonds utilizing the veteran exception. In addition, except for Program Loans in targeted areas or to "veteran" borrowers, the Lender shall secure, or shall have secured, from the Mortgagor copies of the Mortgagor's federal tax returns which were filed with the Internal Revenue Service for the preceding three years (if due for these years), in order to ascertain and certify to the Agency whether the Mortgagor has claimed a deduction for taxes on property which was the Mortgagor's principal residence or for interest on a mortgage secured by such property. The Program Loan shall not be purchased if either the Lender or the Master Servicer has reason to believe the affidavit to be false. Notwithstanding the preceding provisions of this Subsection (D) of Section 11, a Program Loan may be made or purchased from the proceeds of, or allocated to, any Tax-Exempt Series Bonds, including by the Master Servicer to be pooled in a Series Bond Program Security, financing the rehabilitation of a Home owned by the Mortgagor, or the purchase of a Home rehabilitated by the seller, of which the Mortgagor is the first resident after the rehabilitation work is completed, provided that the Program Loan is or has been provided in connection with a "qualified rehabilitation" as defined in Section 143(k)(5) of the Code.

(E) Purchase Price. No Program Loan to be pooled in a Series Bond Program Security financed in whole or in part from the proceeds of, or allocated to, any Tax-Exempt Series Bonds will be purchased by the Master Servicer if the acquisition cost of the Home for which it is made exceeds 90%, or 110% if located in a targeted area as defined in Subsection (D) above, of the average area purchase price applicable to the Home as of the date of purchase or the date of financing commitment by the Lender, whichever is earlier, as established by average area purchase price limitations published by the Treasury Department for the statistical area in which the Home is located, or as established by the Agency pursuant to more accurate and comprehensive data available to the Agency. Acquisition cost will be determined in accordance

with Section 6a.103A 2(b)(8) of the Regulations, including all cash and non-cash items deemed therein to be included under particular circumstances as a cost of acquiring a residence from the seller as a completed residential unit. The Lender shall secure and retain, or file with the Master Servicer, affidavits from both the seller and the Mortgagor, establishing facts showing that the acquisition cost requirement has been met.

(F) Income Requirements. All Program Loans purchased by the Master Servicer to be pooled in a Series Bond Program Security financed in whole or in part from the proceeds of any Tax-Exempt Series Bonds shall be made, or shall have been made, to Mortgagors whose family income is 115 percent or less of the applicable median family income, except as otherwise permitted for targeted areas pursuant to Section 143(f)(3) of the Code or high housing cost areas pursuant to Section 143(f)(5) of the Code. The Lender shall secure, or shall have secured, and retain, or file with the Master Servicer, income information from available loan documents, as specified in Rev. Rul. 86-124, and an affidavit of the Mortgagor that the family income restrictions have been met. The family income limits will be adjusted for families of fewer than three individuals in accordance with Section 143(f)(6) of the Code.

(G) Volume Cap. The unused volume cap of the Agency for the issuance of qualified mortgage bonds is in excess of the principal amount of any New Money Tax-Exempt Series Bonds, together with the amount, if any, by which the issue price of such New Money Tax-Exempt Series Bonds exceeds the principal amount thereof. The Agency shall apply the principal amount, and such portion of the issue price, of any New Money Tax-Exempt Series Bonds against such unused volume cap as set forth in the Agency Certificate delivered pursuant to Section 8(A)(5) of this Series Resolution.

(H) Placement in Targeted Areas. To the extent that at least 20% of the principal amount of the Series Bond Program Securities delivered on the date of issuance of and relating to any New Money Tax-Exempt Series Bonds does not represent Program Loans for Homes located in the "targeted areas" (as defined in Section 143(j) of the Code), the Agency shall make available other funds of the Agency for the purchase of Program Loans in targeted areas upon substantially the same terms as the Program Loans backing the Series Bond Program Securities for a period of one year subsequent to the date of issuance of any New Money Tax-Exempt Series Bonds.

(I) Recapture of Federal Subsidy. The Agency will take all action necessary to comply with the requirements of Section 143(m) applicable to it, including particularly the requirements of Section 143(m)(7) and applicable Regulations, as well as the provisions of Rev. Rul. 91-3 and Revenue Procedure 91-8.

(J) Arbitrage. The Agency shall take all actions as may be prescribed in the future by Regulations or rulings of the Internal Revenue Service applicable to any Tax Exempt Series Bonds to assure that the Tax Exempt Series Bonds will meet the requirements of Section 143(g) of the Code and Section 148 of the Code relating to arbitrage, to wit:

(1) The effective rate of interest on the portions of the Transferred Program Securities and Series Bond Program Securities allocated to the proceeds of any Tax Exempt Series Bonds may not exceed the yield of the related Tax Exempt Series Bonds, computed in accordance with Section 143(g)(2) of the Code and the Regulations, by more than one and one eighth percentage points.

(2) The Agency shall pay or cause to be paid the rebate amount required by Section 148(f) of the Code and applicable Regulations, as provided in the Arbitrage Rebate Certificate to be executed by the Trustee and the Agency in conjunction with the issuance and delivery of any Tax Exempt Series Bonds.

(K) Special Requirements Relating to Use of Certain Amounts on Deposit in the Related Tax Exempt Series Bond Account in the Revenue Fund. The Agency shall take all necessary action pursuant to Section 143(a)(2)(A) of the Code to ensure that scheduled repayments and prepayments of principal of Transferred Program Securities and Series Bond Program Securities relating to Tax Exempt Series Bonds are used to pay and redeem such Series Bonds in the amounts and within the time periods mandated by said Section 143(a)(2)(A); provided that the provisions of this Subsection (K) will not generally be applicable if (i) there is a change in the Code or Regulations, or notice or other announcement from the Treasury Department or Internal Revenue Service, which has the effect of removing the requirement for such redemptions of Tax Exempt Series Bonds or (ii) there is delivered to the Trustee an opinion of nationally recognized bond or tax counsel that failure to make such redemptions will not adversely affect the exclusion from federal gross income of interest on such Tax Exempt Series Bonds.

(L) New Mortgage and Assumption Requirements. None of the proceeds of any Tax-Exempt Series Bonds will be used to acquire or replace an existing mortgage, and all of the lendable proceeds of any Tax-Exempt Series Bonds will be used to purchase Series Bond Program Securities backed by Program Loans made to persons who did not have a mortgage (whether or not paid off) on the Home securing the Program Loan at any time prior to the execution of the Mortgage, except in the cases of (i) a mortgage securing a construction period loan, (ii) a mortgage securing a bridge loan, or similar initial temporary financing having a term of 24 months or less, (iii) an existing mortgage in the case of a Program Loan for a qualified rehabilitation as described in Section 143(k)(5) of the Code and (iv) certain contract for deed arrangements as set forth in Section 143(i)(1) of the Code. The relevant instruments relating to each Program Loan and Mortgage purchased in whole or in part from the proceeds of any Tax-Exempt Series Bonds will contain a clause to the effect that the Program Loan will be due on sale of the Home unless assumption by the purchaser is consented to by the Agency, which consent will be given only if the Agency has determined that the requirements of Subsections (C), (D), (E) and (F) of this Section 11 are met with respect to such assumption. In the event that such requirements are not met, notwithstanding such determination, the error will be corrected as provided in Subsection (B).

Section 12. Discretion of Authorized Officer. An Authorized Officer shall determine the number and aggregate principal amount of each Series of the Series Bonds, subject to the limitations in Section 2(D) of this Series Resolution. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of Bond Counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell any of the Series Bonds authorized pursuant to this Series Resolution (subject to any applicable provisions of any purchase contract theretofore executed), then such Series Bonds will not be issued or sold in accordance with this Series Resolution.

Adopted by the Minnesota Housing Finance Agency this 31st day of August, 2017.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 17-023]

EXHIBIT A

FORM OF SERIES BONDS

No. $

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

HOMEOWNERSHIP FINANCE BOND, [2017][2018] SERIES [G][H][___]

(MORTGAGE-BACKED SECURITIES PASS-THROUGH PROGRAM)
[(TAXABLE)]

Rate	Maturity Date	Date of Original Issue	CUSIP

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of

DOLLARS

on the maturity date specified above, with interest thereon from the Date of Original Issue set forth above at the annual rate specified above, computed on the basis of a 360-day year composed of twelve 30-day months, payable on the first calendar day of each calendar month, commencing [_____ ____, ____] (the "Interest Payment Dates") to the registered owner hereof as shown on the Bond Register maintained by the Trustee (as hereinafter defined) on the 15th day (whether or not a business day) of the immediately preceding month, subject to the provisions referred to herein with respect to the redemption of principal before maturity. Interest initially shall accrue from the Date of Original Issue set forth above to, but excluding, the first calendar day of the immediately succeeding month and thereafter shall accrue from the first calendar day of each month to but excluding, the first calendar day of the immediately succeeding month. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series Bond are payable in lawful money of the United States by check or draft, or other agreed means of payment, by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, Trustee under the Bond Resolution referred to below, or its successor (the "Trustee"). For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, or state or federal laws appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series Bond is not a debt of the State.

This Series Bond is one of a duly authorized Series of Homeownership Finance Bonds, [2017][2018] Series [G][H][__] (Mortgage-Backed Securities Pass-Through Program) [(Taxable)], in the

original principal amount of $[_____] (the "Series Bonds"), issued to provide funds needed for the Agency's Program of making or purchasing Program Securities, or participations therein (the "[2017][2018] [G][H][__] Program Securities"), to facilitate the purchase, development or rehabilitation of a sufficient supply of residential housing in Minnesota at prices that persons and families of low and moderate income can afford. The Series Bonds are issued under and pursuant to the Agency's Homeownership Finance Bond Resolution, adopted December 11, 2009, as heretofore or hereafter amended and supplemented (the "Bond Resolution"), and the Agency's Series Resolution, adopted August 31, 2017 (the "Series Resolution"), to which Bond Resolution and Series Resolution, including all supplemental resolutions which have been or may be adopted pursuant to the provisions thereof, reference is made for a description of the revenues, moneys, securities, funds and accounts pledged to the Trustee for the security of the Owners of the Series Bonds, the respective rights thereunder of the Agency, the Trustee and other Fiduciaries and the Owners of the Series Bonds, and the terms upon which the Series Bonds are issued, delivered and secured. [The Series Bonds are being issued contemporaneously with the Agency's Homeownership Finance Bonds, [2017][2018] Series [__] (Mortgage-Backed Securities Pass-Through Program).] Capitalized terms not defined herein have the meaning given to such terms in the Series Resolution.

The Series Bonds are issuable in fully registered form. The Series Bonds are issued in denominations of $[____] principal amount or any integral multiple thereof [not exceeding the principal amount maturing on any Principal Installment Date].

All Series Bonds are subject to mandatory redemption on each Interest Payment Date, in whole or in part, at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium, in a principal amount equal to all principal repayments, including Prepayments, on the [2017][2018] [G][H][__] Program Securities purchased with proceeds of the Series Bonds on deposit in the Revenue Fund received during the immediately preceding calendar month, as further provided in the Series Resolution.

All Series Bonds are also subject to redemption at the option of the Agency, in whole or in part, from any amounts available to the Agency for that purpose, on _____ and any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest, if any, to the date of redemption, without premium.

If less than all Series Bonds are to be redeemed, the Trustee shall select Series Bonds to be redeemed in accordance with the Series Resolution.

Notice of any optional redemption of Series Bonds will be mailed, by first class mail, postage prepaid, to the last address on the registry books of the registered owner of any such Series Bond, not less than 30 days before the redemption date. Notice having been so given, the Series Bonds or portions of Series Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution. Any failure to give such mailed notice, or defect therein, will not impair the validity of redemption of any Series Bond not affected by such defect or failure.

The Agency has issued other Series of Bonds and the Bond Resolution authorizes additional Series of Bonds to be issued (collectively with the Series Bonds, the "Bonds"), all of which will be secured by the pledge made, regardless of the times of issue or maturity, are of equal rank without preference, priority or distinction of any Bond of any Series over any other except as expressly provided or permitted in the Bond Resolution and the Series Resolution; subject to conditions specified in the Bond

Resolution, including conditions that upon the issuance of each Series of Bonds (a) the amount held by the Trustee in the Mortgage Reserve Fund, if any, will be increased to an amount not less than its requirement effective after the issuance of the Bonds, and (b) each Rating Agency will confirm that issuance of a Series of Bonds will not impair the then existing rating on the Outstanding Bonds.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Owners of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Owners of at least a majority in principal amount of the Bonds Outstanding or affected by the amendment at the time the consent is given. Any such resolution will be binding upon the Agency and all Fiduciaries and Owners of Bonds at the expiration of thirty days after filing with the Trustee of proof of the mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency; authorizing additional Bonds, making provisions affecting only Bonds not yet issued or reasonably necessary to assure that interest on an applicable Series of Bonds will be, or remains, excludable from gross income under the Code; curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with, the Bond Resolution or clarifying matters or questions arising under it, and may also be adopted for any other purpose as will not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondowners. Every Owner hereof is deemed by its purchase and retention of this Series Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Owner of any Series Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein affects or impairs the right of any Owner to enforce the payment of the principal of and interest on any Series Bonds held by such Owner, or the obligation of the Agency to pay the same at the time and place expressed in the Series Bonds.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required and that the issuance of the Series Bonds does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series Bond is transferable upon the books of the Agency at the designated corporate trust office of the Trustee, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney and may also be surrendered in exchange for Series Bonds of other authorized denominations. Upon such transfer or exchange the Agency will cause to be issued in the name of the transferee or owner a new Series Bond or Series Bonds of the same aggregate principal amount, maturity, interest rate and terms as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

Notwithstanding any other provisions of this Series Bond, so long as this Series Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other Bond Depository, the Trustee shall pay all

principal of, premium, if any, and interest on this Series Bond, and shall give all notices with respect to this Series Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other Bond Depository as agreed to by the Agency.

The Agency and the Trustee may deem and treat the person in whose name this Series Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Unless the Trustee's Certificate hereon has been manually executed on behalf of the Trustee, this Series Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Agency has caused this Series Bond to be executed by the facsimile signatures of its Chairperson and Commissioner, the Agency having no corporate seal.

Date of Authentication: _____

Trustee's Certificate

This is one of the Series Bonds delivered pursuant to the Bond Resolution and Series Resolution mentioned within.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By _____
Authorized Representative

MINNESOTA HOUSING FINANCE AGENCY

_____
By: (Facsimile Signature)
Chairperson

_____
Attest: (Facsimile signature)
Commissioner

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

_____

(please print or type name and address of transferee)

the within Series Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Series Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

_____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Series Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

_____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

_____

Minnesota Housing Finance Agency

Board Agenda Item: 7.C
Date: 8/31/2017

Item: **Approval,** Resolution authorizing State Appropriation Bonds (Housing Infrastructure), and approving the execution and delivery of related documents.

Staff Contact(s):
Kevin Carpenter, 651-297-4009; kevin.carpenter@state.mn.us
Terry Schwartz, 651-296-2404; terry.schwartz@state.mn.us
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Request Type:

☒ Approval
☐ Motion
☒ Resolution

☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Agency staff is preparing to issue State Appropriation Bonds (Housing Infrastructure), the proceeds of which will be used to finance eligible housing infrastructure projects. It is anticipated that the next issuance will include the financing of a portion of the costs of the Dorothy Day Phase II project. Kutak Rock, the Agency's bond counsel, has prepared the attached resolution, and a draft Preliminary Official Statement describing the issuance is also attached. The resolution approves additional issuance of State Appropriation Bonds (Housing Infrastructure) in an amount not-to-exceed $15 million, and provides the authority to issue the full amount of bonds authorized by the State Legislature in 2014, as supplemented by additional authority provided by the Legislature in 2017 that increased the authority granted in 2014. The Legislature in 2017 also increased the authority provided in 2015 by $5 million, and provided "new" authority for State Appropriation Bonds (Housing Infrastructure), in the amount of $35 million. Authority to issue bonds under those Legislative actions will be subject to new authorizing resolutions to be presented to the Board at a later date.

Fiscal Impact:
The debt service on these State Appropriation Bonds will be paid by annual appropriations from the State of Minnesota. Therefore, the bonds are not a debt or liability of the Minnesota Housing Finance Agency. The Agency will earn certain fees from the issuance of the underlying loan(s) to be financed by the issuance of these State Appropriation Bonds, but does not earn spread income from the financing as the loan(s) will have a 0% interest rate.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Preliminary Official Statement (provided under separate cover)
- Resolution (provided under separate cover)

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2017

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The issuer has deemed this Preliminary Official Statement final, as of its date, except for information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission.

NEW ISSUE

RATINGS: Moody's: "___"
S&P: "__"
(See "Ratings" herein.)

This Official Statement has been prepared by the Minnesota Housing Finance Agency (the "Agency") to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, terms used with initial capital letters on this cover page have the meanings given in this Official Statement.

MINNESOTA HOUSING

$15,000,000*
Minnesota Housing Finance Agency
State Appropriation Bonds (Housing Infrastructure), 2017 Series A (Non-AMT)†

Dated Date: Date of Delivery **Due: As shown on inside front cover**

Tax Exemption	Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, estates and trusts for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations.")
Redemption	The Agency may redeem all or a portion of the Series Bonds by optional redemption as described under "The Series Bonds."
Security	THE SERIES BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY, AND EQUALLY AND RATABLY, FROM SPECIFIED TRANSFERS EXPECTED TO BE MADE BY THE STATE OF MINNESOTA (THE "STATE") PURSUANT TO LEGISLATION PROVIDING FOR THE APPROPRIATION OF THOSE TRANSFERS FROM THE GENERAL FUND OF THE STATE TO THE AGENCY (THE "HOUSING INFRASTRUCTURE STATE APPROPRIATIONS"), AND MONEYS AND SECURITIES HELD FROM TIME TO TIME IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE (AS HEREIN DEFINED) AND PLEDGED TO THAT PAYMENT. THE AGENCY HAS NOT PLEDGED ANY OTHER REVENUES OR ASSETS, NOR THE FULL FAITH AND CREDIT OF THE AGENCY, TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES BONDS. THE AGENCY HAS NO TAXING POWER. THE SERIES BONDS ARE NOT INDEBTEDNESS OR ANOTHER OBLIGATION OF THE STATE AND ARE NOT PUBLIC DEBT OF THE STATE. THE STATE HAS NOT PLEDGED ITS FULL FAITH AND CREDIT AND TAXING POWER TO PAYMENT OF THE SERIES BONDS OR TO TRANSFERS TO THE AGENCY OF THE HOUSING INFRASTRUCTURE STATE APPROPRIATIONS. PURSUANT TO MINNESOTA LAW, THE MINNESOTA LEGISLATURE MAY REDUCE OR REPEAL THE HOUSING INFRASTRUCTURE STATE APPROPRIATIONS IN THEIR ENTIRETY. THE HOUSING INFRASTRUCTURE APPROPRIATIONS ARE ALSO SUBJECT TO REDUCTION THROUGH UNALLOTMENT. See "Nature of Obligation and Source of Payment."
Interest Payment Dates	February 1 and August 1, commencing February 1, 2018, and, for any Series Bonds to be redeemed, the redemption date.
Denominations	$5,000 or any multiple thereof.
Closing/Settlement	October __, 2017* through the facilities of DTC in New York, New York.
Bond Counsel	Kutak Rock LLP.
Underwriters' Counsel	Cozen O'Connor.
Trustee	Wells Fargo Bank, National Association, in Minneapolis, Minnesota.
Book-Entry-Only System	The Depository Trust Company. See Appendix B hereto.

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets **Piper Jaffray & Co.** **Wells Fargo Securities**

The date of this Official Statement is _____, 2017.

*Preliminary; subject to change.

†Interest not included in the calculation of adjusted current earnings of corporations for purposes of the federal alternative minimum tax. (See "Tax Exemption and Related Considerations" herein.)

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS*

2017 Series A Bonds (Non-AMT)†

Due (August 1)*	Principal Amount*	Interest Rate	Price	Yield	CUSIP**
2018	,000				
2019	,000				
2020	,000				
2021	,000				
2022	,000				
2023	,000				
2024	,000				
2025	,000				
2026	,000				
2027	,000				
2028	,000				
2029	,000				
2030	,000				
2031	,000				
2032	,000				
2033	,000				
2034	,000				
2035	,000				
2036	,000				
2037	,000				

*Preliminary, subject to change.

†Interest not included in the calculation of adjusted current earnings of corporations for purposes of the federal alternative minimum tax. (See "Tax Exemption and Related Considerations" herein.)

**CUSIP numbers have been assigned by an organization not affiliated with the Agency and are included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

None of the Minnesota Housing Finance Agency, the State of Minnesota or the Underwriters have authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the State and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
relating to
$15,000,000*
MINNESOTA HOUSING FINANCE AGENCY
STATE APPROPRIATION BONDS (HOUSING INFRASTRUCTURE)
2017 SERIES A

This Official Statement (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the "Agency"), created by Minnesota Statutes, Chapter 462A, as amended (the "Act"), the State of Minnesota (the "State"), and the State Appropriation Bonds (Housing Infrastructure), 2017 Series A (the "Series Bonds"), in connection with the offering and sale of the Series Bonds by the Agency and for the information of all who may become initial Owners of the Series Bonds.

The Agency is issuing the Series Bonds pursuant to the Act, an Indenture of Trust, dated as of August 1, 2013, as supplemented by a Sixth Supplemental Indenture of Trust, to be dated as of October 1, 2017 (as so supplemented, and as amended and supplemented from time to time in accordance with its terms, the "Indenture"), each between the Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Agency has issued ten series of its State Appropriation Bonds (Housing Infrastructure), 2013 Series A and 2013 Series B (the "Series 2013 Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2014 Series A and 2014 Series B (the "Series 2014 Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2015 Series A, 2015 Series B and 2015 Series C (the "Series 2015 Bonds") and its State Appropriation Bonds (Housing Infrastructure), 2016 Series A and 2016 Series B (the "Series 2016AB Bonds") and 2016 Series C (the "Series 2016C Bonds," and collectively with the Series 2013 Bonds, the Series 2014 Bonds, the Series 2015 Bonds and the Series 2016AB Bonds, the "Prior Series Bonds") under the Indenture in the original aggregate principal amount of $117,290,000, of which $84,870,000 are outstanding. The Series Bonds, the Prior Series Bonds and any additional bonds (the "Additional Bonds") issued pursuant to the Indenture are equally and ratably secured thereunder and are herein called the "Bonds."

The Indenture includes definitions of capitalized terms used in this Official Statement, some of which are reproduced in Appendix A. The summaries and references in this Official Statement to the Act and the Indenture and other documents are only outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references in this Official Statement to the Act and the Indenture are qualified in their entirety by reference to the Act and Indenture, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Indenture.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota, established in 1971 pursuant to the Act. Section 462A.37 of the Act authorizes the Agency to issue its bonds to fund loans ("Housing Infrastructure Loans") to pay for all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families, all or a portion of the costs of the acquisition and rehabilitation of abandoned or foreclosed property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed, that portion of the costs of the acquisition of abandoned or foreclosed property that is attributable to the land to be leased by community land trusts to low and moderate income homebuyers, all or a portion of the costs of the acquisition and rehabilitation or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit and all or a portion of the costs of the construction, acquisition, and rehabilitation of supportive housing for girls and women to provide them protection from and the means to escape exploitation and trafficking.

* Preliminary; subject to change.

The Agency is issuing the Series Bonds to provide money to fund Housing Infrastructure Loans and to pay costs of issuance of the Series Bonds. (See "Estimated Sources and Uses of Funds.") For a description of the developments expected to be financed with proceeds of the Series Bonds, see "The Developments" herein. The Series Bonds are secured, on parity with the Prior Series Bonds and Additional Bonds, if any, hereafter issued under the Indenture, by a pledge made by the Agency under the Indenture of all amounts appropriated to the Agency by the State pursuant to Section 462A.37 of the Act (the "Housing Infrastructure State Appropriations"). Section 462A.37 of the Act provides that amounts necessary to pay principal of and premium, if any, and interest on housing infrastructure bonds issued pursuant to Section 462A.37 of the Act, and the fees, charges and expenses related thereto, are appropriated annually from the State general fund (the "General Fund") to the Commissioner of Management and Budget for transfer to the Agency. The amount appropriated with respect to the Series 2013 Bonds and the Series 2014 Bonds, collectively, will not exceed $2,200,000 annually for transfer to the Agency through July 15, 2035. The amount appropriated with respect to Series 2015 Bonds, the Series 2016AB Bonds and Additional Bonds (including the Series Bonds), collectively, in an aggregate principal amount up to $95,000,000, will not exceed $6,400,000 annually for transfer to the Agency through July 15, 2037. The amount appropriated with respect to the Series 2016C Bonds and Additional Bonds not included in the principal amount described in the preceding sentence, collectively, in an aggregate principal amount up to $15,000,000, will not exceed $800,000 annually for transfer to the Agency through July 15, 2038. The amount appropriated with respect to Additional Bonds not included in the principal amounts described in the preceding sentences, in an aggregate principal amount up to $35,000,000, will not exceed $2,800,000 annually for transfer to the Agency beginning July 15, 2018 through July 15, 2039. Upon the issuance of the Series Bonds, there will be $42,710,000* of authorized but unissued debt supported by the Housing Infrastructure State Appropriations.

The Series Bonds are special, limited obligations of the Agency. The Series Bonds are not general obligations of the Agency and the Agency has not pledged its general funds to the payment of the Series Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Series Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of the Housing Infrastructure State Appropriations. In no event will the Agency pay principal of, premium, if any, or interest on the Series Bonds from the general revenues or assets of the Agency. The Act provides that the Bonds are not public debt of the State. The State has not pledged its full faith and credit and taxing powers to payment of the Series Bonds or to payment of the Housing Infrastructure State Appropriations. Pursuant to Minnesota law, the Minnesota Legislature (the "Legislature") may reduce or repeal the Housing Infrastructure State Appropriations in their entirety. The Housing Infrastructure State Appropriations are also subject to unallotment under Minnesota Statutes, Section 16A.152. See "Nature of Obligation and Source of Payment" and "Appendix A – Summary of Certain Provisions of the Indenture."

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may

* Preliminary; subject to change.

delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chairman — Term expires January 2020, Marshall, Minnesota – Magnetics Engineer

The Honorable *Rebecca Otto — Ex officio*, St. Paul, Minnesota – State Auditor

Damaris Hollingsworth, Member – Term expires January, 2018, Minneapolis, Minnesota – Architect

Joseph Johnson III, Vice Chairman — Term expires January 2021, Duluth, Minnesota – Banker

Craig Klausing, Member – Term expires January 2019, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member – Term expires January 2019, Elk River, Minnesota – Writer and Publisher

Terri Thao, Member — Term expires January 2020, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 250 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the programs associated with the developments to be funded with Housing Infrastructure Loans are as follows:

Mary Tingerthal — Commissioner. Ms. Tingerthal was appointed Commissioner effective February 2011. Before her appointment, Ms. Tingerthal was President of Capital Markets Companies for the Housing Partnership Network where she coordinated the work of the Housing Partnership Fund, which provides acquisition and predevelopment financing; Housing Partnership Ventures, which serves as the Network's investment vehicle; the Charter School Financing Partnership, a new conduit for charter school loans; and the Network's housing counseling intermediary and neighborhood stabilization programs. In 2008, she was instrumental in establishing the National Community Stabilization Trust -- a nationwide company dedicated to helping local organizations put vacant and foreclosed properties back into productive reuse. Prior to that, Ms. Tingerthal held senior management positions with the National Equity Fund, GMAC Residential Funding, the City of Saint Paul, and the Community Reinvestment Fund. She worked for the Agency beginning in the late 1970s when she spent 10 years working with the Agency's home improvement division. Ms. Tingerthal holds a Master's Degree in Business from Stanford Graduate School of Business, and a Bachelor of Arts Degree from the University of Minnesota. She serves as the vice chair of the Consumer Advisory Council to the Federal Reserve Board and serves on the Boards of the National Housing Trust, the National Community Investment Fund, and the National Council of State Housing Agencies.

Barbara Sporlein — Deputy Commissioner, appointed effective November 2011. Her primary responsibilities are talent management, agency-wide planning, inter-agency collaboration, operations, Indian Housing, and credit risk management. Prior to this position, Ms. Sporlein was the Director of Planning for the City of Minneapolis between 2004 and 2011. As Planning Director she was responsible for the City's long range planning, transportation planning, development consultation and review, heritage preservation, environmental review, public art program, and zoning administration and enforcement. Prior to that position, Ms. Sporlein served as the Deputy Director of the Saint Paul Public Housing Agency between 1994 and 2004, and as a City Planner for the City of Saint Paul from 1990 to 1994. Ms. Sporlein has a Bachelor of Science Degree in Geography from the

University of Wisconsin-Madison, a Master of Planning Degree from the Humphrey School of Public Affairs at the University of Minnesota, and a Certificate in Advanced Studies in Public Administration from Hamline University. Ms. Sporlein serves on the Board of Directors for the Daniel Rose Center for Public Leadership, and is a member of the Citizens League, the Urban Land Institute, the Minnesota Chapter of National Association of Housing and Redevelopment Officials, and the American Planning Association. Ms. Sporlein is a Certified Public Housing Manager and Housing Finance Professional.

Kevin Carpenter — Chief Financial Officer, appointed effective March 2016. In this position, Mr. Carpenter leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position, Mr. Carpenter was the Chief Financial Officer at the City of Minneapolis from May 2011 to November 2015, and also had significant tenure in various senior financial and operating positions at RBC Capital Markets, LLC. He previously was an investment banker at RBC Capital Markets, LLC and at Lehman Brothers. Mr. Carpenter earned a Master's Degree in Business Administration from Harvard University Business School and a Bachelor of Arts degree in Government from Dartmouth College.

Terrance Schwartz — Director of Finance appointed effective June 2015. Mr. Schwartz is also the Director of Operations since August 2011. Mr. Schwartz was Controller for the Agency from September 2007 to June 2015. Previous to that he held various accounting positions of increasing responsibility with the Agency. Mr. Schwartz served four years in the United States Marine Corps. He holds a Bachelor of Science Degree with a concentration in Accounting from the University of St. Thomas, St. Paul, Minnesota.

Thomas O'Hern — General Counsel, appointed effective November 2015. Prior to becoming General Counsel, Mr. O'Hern was employed by the Minnesota Attorney General's Office for 32 years as an Assistant Attorney General representing many state agencies and boards. Mr. O'Hern has represented the Agency since 2003. Mr. O'Hern earned his law degree from American University and holds a Bachelor of Arts degree from George Washington University in Washington D.C.

Wes Butler — Assistant Commissioner, Multifamily, appointed effective January 2015. Previously, Mr. Butler was Manager of Residential Finance for the City of Minneapolis Department of Community Planning and Economic Development from 2008 to 2014 where he managed a staff responsible for the redevelopment of over 6,000 units of housing, and managed an annual budget in excess of $14 million per year. Prior to serving in that position, Mr. Butler held positions as development finance analyst for the City of Minneapolis and as deputy director for the Washington County Housing and Redevelopment Authority. Mr. Butler holds a Master's degree in Business Administration from the University of St. Thomas and a Bachelor of Arts degree in Geography and Urban Planning from the University of Colorado.

The Agency's offices are located at 400 Wabasha Street North, Saint Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is http://www.mnhousing.gov. No portion of the Agency's website is incorporated into this Official Statement.

THE SERIES BONDS

General

The Series Bonds will be fully registered bonds issued in the denominations of $5,000 or any integral multiple thereof of single maturities. The Series Bonds will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for each series of the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Indenture. Interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, which interest is to be redistributed by DTC. Principal of the Series Bonds will be paid at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. (See "Appendix B — Book-Entry-Only System.")

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with

respect to that exchange or transfer. The Series Bonds mature on the dates and in the amounts set forth on the inside front cover hereof, subject to prior redemption as hereinafter described.

The Series Bonds will bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2018, and, for any Series Bonds then to be redeemed, on any redemption date, at the respective annual rates set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. Interest on the Series Bonds is calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to the Owners of record in the bond registration books maintained by the Trustee as of the Record Date.

Optional Redemption

The Agency may redeem Series Bonds maturing on or after August 1, 2027,* at its option, in whole or in part, on any date on or after August 1, 2026,* from the stated maturities and in the principal amounts selected by the Agency, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

The Trustee must mail notice of redemption, first-class postage prepaid, not less than 30 days before the Redemption Date, to each Owner of Series Bonds to be redeemed; but neither the failure to mail notice to the Owner of any particular Series Bond nor any defect in any notice so mailed will affect the validity of the proceedings for redemption of any Series Bond not affected by that failure or defect.

If notice of redemption has been given and funds sufficient to pay the redemption price are on deposit with the Trustee, on the Redemption Date the Series Bonds to be redeemed become due and payable at the Redemption Price specified and on and after that date (unless the Agency defaults in the payment of the Redemption Price) those Bonds will cease to bear interest.

NATURE OF OBLIGATION AND SOURCE OF PAYMENT

General

The Bonds (including the Series Bonds) are special, limited obligations of the Agency. The Agency expects that the Housing Infrastructure State Appropriations will be transferred on July 15 of each year from the General Fund of the State to the Agency by the Commissioner of Management and Budget pursuant to Section 462A.37 of the Act and has pledged the Housing Infrastructure State Appropriations pursuant to the Indenture to the payment of the Bonds. The Bonds are not general obligations of the Agency and the Agency has not pledged its general revenues or assets to the payment of the Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of the Housing Infrastructure State Appropriations. In no event will the Agency make payments with respect to the Bonds from the general revenues or assets of the Agency, which include appropriations from the State other than the Housing Infrastructure State Appropriations pursuant to Section 462A.37 of the Act. The Bonds will not constitute indebtedness or another obligation of the State and are not public debt of the State. The State will not pledge its full faith, credit and taxing power to payment of the Bonds or the interest thereon or to annual transfers of Housing Infrastructure State Appropriations to the Agency. The Agency does not expect that any revenues from the Housing Infrastructure Loans will be available to pay debt service on the Bonds, and has not pledged payments on the Housing Infrastructure Loans, if any, to pay principal of or interest on the Bonds.

* Preliminary; subject to change.

In the opinion of Bond Counsel, Housing Infrastructure State Appropriations from the General Fund to the Agency do not require further State or other approval except as expressly provided in the Act. See "—The Housing Infrastructure State Appropriations" and "—Certain Risks With Respect to Payment of Housing Infrastructure State Appropriations" hereunder.

The Indenture provides that, as received each year, all Housing Infrastructure State Appropriations paid by the State to the Agency will be remitted by the Agency to the Trustee for deposit into the Bond Fund held under the Indenture and that amounts in the Bond Fund are irrevocably pledged to and must be used for the payment of principal of and premium (if any) and interest on the Bonds, as and when principal, premium and interest become due and payable. The Trustee may also use moneys in the Bond Fund in excess of the amount necessary to pay the principal of and interest on Outstanding Bonds in the current Fiscal Year to pay fees, charges and expenses with respect to the Bonds, except as otherwise required under the Indenture upon occurrence of Event of Default and with respect to advances, counsel fees and other expenses reasonably made or incurred by the Trustee (see "Appendix A — Summary of Certain Provisions of the Indenture — Application of Revenues and Other Moneys After Event of Default" and "—Compensation of Trustee"). Upon written direction of the Agency, the Trustee may use moneys in the Bond Fund to purchase Bonds maturing or subject to redemption on a sinking fund payment date on either of the next two interest payment dates after that purchase, provided that the Bonds are delivered to the Trustee for cancellation upon purchase.

The Indenture further provides that proceeds of the Series Bonds will be deposited by the Agency in the Program Fund (the "Program Fund"). The money in the Program Fund will be held in trust by the Trustee and applied to the funding of certain Housing Infrastructure Loans and payment of costs of issuance of the Series Bonds. The Trustee is to create specific accounts within the Program Fund, upon receipt of an Agency Certificate, to fund specific Housing Infrastructure Loans. See "Appendix A — Summary of Certain Provisions of the Indenture."

The Housing Infrastructure State Appropriations

Section 462A.37 of the Act provides that the Agency may issue up to $175 million of housing infrastructure bonds in one or more series to which Housing Infrastructure State Appropriations may be pledged. To qualify as housing infrastructure bonds, the Bonds must be "qualified 501(c)(3) bonds" (within the meaning of Section 145(a) of the Internal Revenue Code of 1986, as amended (the "Code")), finance qualified residential rental projects within the meaning of Section 142(d) of the Code or not be "private activity bonds" (within the meaning of Section 141(a) of the Code). The Bonds may be issued for the purpose of making loans, on terms and conditions the Agency deems appropriate, to finance all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families, all or a portion of the costs of the acquisition and rehabilitation of abandoned or foreclosed property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed, that portion of the costs of the acquisition of abandoned or foreclosed property that is attributable to the land to be leased by community land trusts to low and moderate income homebuyers, and all or a portion of the costs of the acquisition and rehabilitation or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit, and for other authorized purposes under the Act. For a description of the developments expected to be financed with proceeds of the Series Bonds, see "The Developments" herein.

Section 462A.37 of the Act requires the Agency to annually certify to the Commissioner of Management and Budget the actual amount of principal of and premium, if any, and interest on each series of Bonds issued pursuant to the Act payable in that year and the fees, charges and expenses related to the Bonds. The amount so certified with respect to the Series 2013 Bonds and the Series 2014 Bonds, collectively, may not exceed $2,200,000 annually for appropriation on July 15 of each year until July 15, 2035. The amount so certified with respect to the Series 2015 Bonds, the Series 2016AB Bonds and Additional Bonds (including the Series Bonds), collectively, in an aggregate principal amount up to $95,000,000, may not exceed $6,400,000 annually, for appropriation on July 15 of each year until July 15, 2037. The amount so certified with respect to the Series 2016C Bonds and Additional Bonds not included in the principal amount described in the preceding sentence, collectively, in an aggregate principal amount up to $15,000,000, may not exceed $800,000 annually for appropriation on July 15 of each year until July 15, 2038. The amount so certified with respect to Additional Bonds not included in the principal amounts described in the preceding sentences, in an aggregate principal amount up to $35,000,000, will not exceed $2,800,000 annually for appropriation on July 15 of each year beginning July 15, 2018 until July 15, 2039. Appropriations will be made

from the General Fund to fund transfers by the Commissioner of Management and Budget to the Agency to pay debt service on the Outstanding Bonds and related fees, charges and expenses. The amounts appropriated to the Agency pursuant to Section 462A.37 of the Act are the "Housing Infrastructure State Appropriations."

Under the Indenture, the Agency has covenanted to annually certify to the Commissioner of Management and Budget the actual amount of principal of and premium, if any, and interest on each series of Bonds issued pursuant to the Act payable in that year and the fees, charges and expenses related to the Bonds.

The Act contains no provision establishing any right of Owners of Outstanding Bonds to require the Commissioner of Management and Budget to make the specified Housing Infrastructure State Appropriations or limiting the ability of the State to amend or repeal Section 462A.37 of the Act or, by other legislative, executive or judicial action, to adversely affect the amount or timely transfer of Housing Infrastructure State Appropriations.

Certain Risks With Respect to Payment of Housing Infrastructure State Appropriations

Section 462A.37 of the Act provides for annual Housing Infrastructure State Appropriations of funds from the General Fund to the Agency for payment of Outstanding Bonds, conditioned upon certification by the Agency to the Commissioner of Management and Budget of the actual amount of annual debt service on each series of Outstanding Bonds. The Housing Infrastructure State Appropriations constitute an appropriation for future years that does not require any further action by the Legislature. However, pursuant to Minnesota law, the Legislature may reduce or repeal a standing appropriation in its entirety. The Legislature is prohibited from acting to bind any future Legislature. **Any of: (i) a legislative reduction or repeal of the Housing Infrastructure State Appropriations established by Section 462A.37 of the Act; (ii) an unallotment of, or other executive action affecting, the Housing Infrastructure State Appropriations established by Section 462A.37 of the Act; or (iii) a partial government shutdown affecting the practical ability of the Commissioner of Management and Budget to make transfers of Housing Infrastructure State Appropriations to the Agency could prevent the anticipated full and timely payment of interest and principal then due on the Series Bonds. In addition, prospective secondary market purchaser concerns that such an event might occur could materially and adversely affect the market price of the Outstanding Series Bonds even if the event does not in fact occur.**

Reduction or Repeal of Appropriation.

Housing Infrastructure State Appropriations. The Housing Infrastructure State Appropriations constitute a standing appropriation that does not require any further action by the Legislature for payments to be made in future years. However, as provided by Minnesota law, the Legislature may reduce or repeal a standing appropriation entirely. The State cannot give any assurance that the Legislature will not reduce or repeal the Housing Infrastructure State Appropriations.

Appropriations Other Than Housing Infrastructure State Appropriations. Certain State appropriations (other than the Housing Infrastructure State Appropriations) for limited payment obligations of the State are not standing appropriations and, thus, require action by the Legislature on an annual or biennial basis. The State's obligation to make payments on these State or other obligations is not a general or moral obligation indebtedness of the State; rather the State is obligated to make payments only to the extent moneys are appropriated from time to time for that purpose. In the past, the Legislature has failed to make appropriations as necessary to pay in full debt service on State or other obligations, including in 1980 and 1981, when an appropriation to the Minnesota State Zoological Board (the "Zoo Board") of net revenues of a zoo ride facility were insufficient to allow the Zoo Board to make payments pursuant to an installment purchase agreement, which payments had been assigned to holders of certificates of participation in that agreement. In 1989, the Legislature declined to appropriate funds to St. Cloud State University as necessary to make certain payments under an energy services agreement, which payments had been assigned to an indenture trustee as security for the payment of principal of and interest on industrial development revenue bonds issued by the City of St. Cloud, Minnesota. As previously stated, the limited payments obligations of the State described in this paragraph were not standing appropriations and, unlike the Series Bonds, required affirmative action by the Legislature on an annual or biennial basis for State payments to be made in respect of said obligations.

Unallotment. The Housing Infrastructure State Appropriations are subject to executive unallotment, in whole or in part, under Minnesota Statutes, Section 16A.152. Article XI, Section 6 of the Minnesota Constitution requires a balanced budget for the State. Pursuant to that requirement, Minnesota law requires the Governor to submit a proposed State budget to the Legislature by the end of January of each odd-numbered year for that year and the ensuing even-numbered year (those years together, the "biennium"). On July 1 of each odd-numbered year, the Commissioner of Management and Budget transfers to the Budget Reserve Account within the General Fund (the "Budget Reserve") any amounts specifically appropriated by law to the Budget Reserve. Pursuant to Minnesota Statutes, Section 16A.152, if the Commissioner of Management and Budget determines that probable receipts for the General Fund will be less than anticipated, and that the amount available for the remainder of the biennium will be less than needed, the Commissioner of Management and Budget, with the approval of the Governor, may use amounts in the Budget Reserve to balance the State budget. Section 16A.152 further permits the Commissioner of Management and Budget, with the approval of the Governor, to "unallot" funds as follows:

> (a) An additional deficit shall, with the approval of the Governor, and after consulting the Legislative Advisory Commission, be made up by reducing unexpended allotments of any prior appropriation or transfer. Notwithstanding any other law to the contrary, the Commissioner of Management and Budget is empowered to defer or suspend prior statutorily created obligations which would prevent effecting such reductions.
>
> (b) If the Commissioner of Management and Budget determines that probable receipts for any other fund, appropriation, or item will be less than anticipated, and that the amount available for the remainder of the term of the appropriation or for any allotment period will be less than needed, the Commissioner of Management and Budget shall notify the agency concerned and then reduce the amount allotted or to be allotted so as to prevent a deficit.
>
> (c) In reducing allotments, the Commissioner of Management and Budget may consider other sources of revenue available to recipients of State appropriations and may apply allotment reductions based on all sources of revenue available.

During and after the legislative sessions, revenues are updated to reflect legislative actions that have a direct impact on State revenues and changes in economic conditions that may materially affect the results of previous revenue forecasts. If, during the course of the fiscal year, the Commissioner of Management and Budget discovers that probable revenues will be less than anticipated, the Commissioner, with the approval of the Governor, is required to reduce allotments as necessary to balance expenditures and revenues forecast for the then current biennium. The Governor also has the authority to request legislative actions to provide additional sources of revenue, but those requests do not relieve the Commissioner of Management and Budget of his obligation to reduce allotments to State agencies.

The executive branch has imposed unallotments in prior fiscal years, but not with respect to the payment of debt service. Over the past thirty years, the unallotment procedure has been used as follows: $195 million of unallotments in 1980; in 1981 local government aid payments were unallotted in November and December but were reallotted and paid by February 26, 1982; $109 million of unallotments in 1986; $281 million of unallotments in 2003; $271 million of unallotments in 2008; and $2.68 billion of unallotments in 2009. The 2009 unallotment was unique in that it resulted from the passage of appropriation bills for the fiscal biennium, but the then-Governor vetoed a tax bill that would have balanced the biennial budget by raising revenues and shifting payments. In litigation challenging the 2009 unallotments, the Minnesota Supreme Court concluded that unallotment could not be used to balance the budget for an entire biennium when balanced spending and revenue has not been agreed upon by the legislature and the Governor. The legislature and Governor subsequently agreed to a balanced budget for the biennium. While appropriations from the General Fund for payment of debt service have not previously been unallotted, the State cannot give any assurance that unallotment of the Housing Infrastructure State Appropriations will not be imposed in any future year.

Other Risks. There can be no assurance that other events outside the control of the Commissioner of Management and Budget, such as a temporary State government shutdown, will not affect the ability of the Commissioner of Management and Budget to make timely payments of principal of and interest on the Series Bonds.

The Bonds are not general obligations of the Agency and the Agency has not pledged its general funds or assets to the payment of the Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of Housing Infrastructure State Appropriations. In no event will the Agency make payments with respect to the Bonds from its general revenues, which include appropriations from the State other than the Housing Infrastructure State Appropriations pursuant to Section 462A.37 of the Act. The Bonds will not constitute indebtedness or another obligation of the State and are not public debt of the State. The State will not pledge its full faith, credit and taxing power to payment of the Bonds or the interest thereon or to the annual transfers of Housing Infrastructure State Appropriations to the Agency.

Additional Bonds

In addition to the Series Bonds described herein, the Agency may in its discretion issue up to $42,710,000* in principal amount of Additional Bonds to provide funds to make additional Housing Infrastructure Loans and pay costs of issuance of such Additional Bonds and other purposes authorized by Section 462A.37 of the Act. Any Additional Bonds are to be authorized by a resolution of the Agency and prescribed in a supplemental indenture (a "Supplemental Indenture") executed by the Agency and the Trustee and which, when so issued, authorized and prescribed, will be secured by the Indenture and the Trust Estate, consisting primarily of Housing Infrastructure State Appropriations, on a parity with the Bonds then Outstanding under the Indenture; provided that no Additional Bonds are to be issued under the Indenture or secured by the Trust Estate on a parity with the Outstanding Bonds unless there is delivered to the Trustee the following: (a) An Agency resolution authorizing the issuance of the Additional Bonds and the sale thereof to the purchaser or purchasers named therein; (b) an Agency order directing the authentication of a specified principal amount of Additional Bonds of a specified series and the delivery thereof to or upon the order of the purchaser or purchasers named therein upon payment of the purchase price set forth therein; (c) an Agency Certificate to the effect that the principal and interest required to be paid on the Outstanding Bonds, including the Additional Bonds to be issued, in the current and any future Fiscal Year, does not exceed the maximum amount of Housing Infrastructure State Appropriations authorized by the Act in any Fiscal Year; (d) an opinion of Bond Counsel (i) stating that all conditions precedent provided in the Indenture relating to the authentication and delivery of the Additional Bonds have been complied with, and (ii) stating that the Additional Bonds whose authentication and delivery are then applied for, when issued and executed by the Agency and authenticated and delivered by the Trustee, will be the valid and binding special, limited obligations of the Agency in accordance with their terms and entitled to the benefits of and secured by the lien of the Indenture, subject to customary qualifications and assumptions; (e) an executed counterpart of the Supplemental Indenture creating the Additional Bonds; and (f) written confirmation from each Rating Agency that issuance of the Additional Bonds will not impair the then existing rating on Outstanding Bonds.

* Preliminary; subject to change.

DEBT SERVICE REQUIREMENTS ON OUTSTANDING BONDS

The following table sets forth, for each Fiscal Year of the State ending June 30, the amounts to be required for payment of interest on (net of capitalized interest) and principal at maturity or mandatory sinking fund redemption of the Prior Series Bonds and the Series Bonds (assuming no optional redemption of such Bonds) and which are required to be paid from the Housing Infrastructure State Appropriations of up to $9,400,000 expected to be received on July 15 of each fiscal year through fiscal year 2036, $7,200,000 in fiscal years 2037 and 2038 and $800,000 in fiscal year 2039:

Fiscal Year	Prior Series Bonds		Series Bonds		
Ending June 30	Principal	Interest	Principal*	Interest*	Total*
2018	$,000	$	$ ---	$ ---	$
2019	,000		,000		
2020	,000		,000		
2021	,000		,000		
2022	,000		,000		
2023	000		,000		
2024	,000		,000		
2025	,000		,000		
2026	,000		,000		
2027	,000		,000		
2028	,000		,000		
2029	,000		,000		
2030	,000		,000		
2031	,000		,000		
2032	,000		,000		
2033	,000		,000		
2034	,000		,000		
2035	,000		,000		
2036	,000		,000		
2037	,000		,000		
2038	,000		,000		
2039	---	---	,000		

Under the Indenture, Housing Infrastructure State Appropriations are to be credited to the Bond Fund and applied to the payment of principal of and interest on Outstanding Bonds before being applied to the payment of fees, charges and expenses with respect to the Bonds. (See "Appendix A—Summary of Certain Provisions of the Indenture—Bond Fund.")

STATE FINANCIAL INFORMATION

The Bonds (including the Series Bonds) are special, limited obligations of the Agency. Specified transfers expected to be made by the State pursuant to Section 462A.37 of the Act are pledged pursuant to the Indenture for the payment of the Outstanding Bonds. (See "Nature of Obligation and Source of Payment.") Potential purchasers and Owners of the Series Bonds are advised to consider the likelihood of their full and timely receipt of principal and interest payments on the Series Bonds when due on the basis of the financial condition of the State, rather than that of the Agency.

Basic financial statements for the State for the Fiscal Year ended June 30, 2016, as well as certain additional information concerning the State, are included in the [Preliminary] Official Statement of the State of Minnesota dated [September ___,] 2017 (the "[September ___,] 2017 State [Preliminary] Official Statement") with

* Preliminary; subject to change. Assumes the Series Bonds mature as described herein and bear interest at an average annual interest rate of ___%.

respect to its $_____,000 General Obligation State Bonds, which is attached hereto as Appendix E. The State most recently released certain revenue and expenditure forecasts prepared by the Department of Management and Budget in February 2017. Information concerning this forecast is included in the [September ___,] 2017 State [Preliminary] Official Statement in Appendix B thereto under the caption "Biennium Budgets – February 2016 Forecast – Current Biennium." The next official forecast of revenue and expenditures will be prepared in November 2017 and will be released in early December 2017.

The November 2017 forecast of revenue and expenditures will be available on the Minnesota Management and Budget website (www.mn.gov/mmb/) and on the Municipal Securities Rulemaking Board's internet repository named "Electronic Municipal Market Access" ("EMMA") filed with respect to the Series Bonds. Any amendment or supplement to the basic financial statements of the State, and any subsequent financial statements published by the State and made publicly available in a State official statement or revenue and expenditure forecast required by statute or an official quarterly economic update published by the State on the Minnesota Management and Budget website and also filed on EMMA with respect to the Series Bonds, to and including a date 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12 of the Securities and Exchange Commission) applicable to the Series Bonds offered hereby, will be deemed to be incorporated by reference in this Official Statement from the date made publicly available. No other information on the Minnesota Management and Budget website or on EMMA is incorporated into this Official Statement. Any statement contained in any document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently publicly available document that also is, or is deemed to be, incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

THE DEVELOPMENT

The Series Bonds are being issued to provide money for the Agency to fund one or more Housing Infrastructure Loans for the purposes permitted to be funded pursuant to Section 462A.37 of the Act.

A Housing Infrastructure Loan is expected to finance a portion of the cost of the construction of a multifamily permanent supportive housing development, known as Dorothy Day Residence. The development will consist of the top four floors of a one-building multi-story supportive housing development in Saint Paul, Minnesota. The development will have 177 residential units, with support services provided by Catholic Charities of Saint Paul and Minneapolis. The development will be acquired and constructed by Dorothy Day Residence Limited Partnership, a Minnesota limited partnership, or an affiliate thereof or successor thereto, as its initial owner, operator or manager; one of the managing partners of which will be Catholic Charities of Saint Paul and Minneapolis, or another entity of Catholic Charities of Saint Paul and Minneapolis.

The Housing Infrastructure Loan described above will be a 0% interest, non-amortizing, nonrecourse deferred loan. Certain of the Housing Infrastructure Loans may also be forgivable if the conditions for use are met. No revenues from the Housing Infrastructure Loans are expected to be available to pay debt service on the Series Bonds, and payments on the Housing Infrastructure Loans, if any, are not pledged to pay principal of or interest on the Series Bonds. Consequently, Owners of the Series Bonds should not regard the Housing Infrastructure Loans or the developments financed thereby as providing security for the Series Bonds.

If this development does not proceed for any reason, to the extent permitted by the Code, the Agency may use moneys in the Program Fund to make loans for other developments eligible for funding under Section 462A.37 of the Act.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the Series Bonds are as follows:

Sources:

Principal Amount of Series Bonds.....
Net Original Issue Premium.....
Total Sources of Funds

Uses:

Deposit to Program Fund for Housing Infrastructure Loans
Capitalized Interest .....
Costs of Issuance .....
Underwriters' Compensation.....
Total Uses of Funds

The Agency may reimburse itself from proceeds of the Series Bonds for Agency funds advanced to fund Housing Infrastructure Loans and related costs authorized by the Act before the date of issuance of the Series Bonds.

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which that noncompliance is ascertained or occurs.

The Indenture and the Bond Compliance Agreements and the Tax Exemption Agreements described in the Indenture contain provisions (the "Tax Covenants") pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency and, where applicable, the recipients of the Housing Infrastructure Loans with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to that exclusion of interest on any Series Bond for any period during which that Series Bond is held by a person who is a "substantial user" of a facility financed with the proceeds of the Series Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax and that interest on the Series Bonds is not included in the calculation of adjusted current earnings of corporations for purposes of the federal alternative minimum tax.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax.

Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix D.

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. The extent of these collateral tax consequences will depend upon that owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds.

The foregoing is a brief discussion of certain collateral federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series Bonds.

Certain Ongoing Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which the noncompliance occurs or is discovered. The Agency will covenant that it shall do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing federal tax requirements with the issuance of the Series Bonds which will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require recipients of the Housing Infrastructure Loans to make certain covenants relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for federal income tax purposes.

Certain Considerations With Respect to Series Bonds

Low Income Set-Aside Requirements under the Code. The Series Bonds are "exempt facility bonds" that are subject to certain low income set-aside requirements of the Code. This section includes brief summaries of the low income set-aside requirements and certain other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with

separate and complete facilities for living, sleeping, eating, cooking, and sanitation, or containing single room occupancy units, that are available to the general public (subject to preferences for homeless, disabled and similar classes of tenants that do not violate United States Department of Housing and Urban Development policies respecting non-discrimination and applicable Fair Housing requirements) and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20% of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50% of the area median income (with adjustments for family size), or (ii) at least 40% of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60% of the area median income (with adjustments for family size). The Agency will make elections on the applicable low income set-aside requirements with respect to each development expected to be financed with the proceeds of the Series Bonds. In addition, all of the units in a development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10% of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50% of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140% of the applicable income limitation. Generally, upon an increase of a tenant's income over 140% of the applicable income limitation, the next available unit of comparable or smaller size in the applicable development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140% of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made by the operator of the development to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Expenditures for Rehabilitation. The Code requires that the owner of an existing development spend a minimum sum of money for rehabilitation expenditures with regard to the development. The minimum amount of rehabilitation expenditures that must be incurred is equal to 15% of the amount of Series Bond proceeds, if any, applied to pay for the cost of acquiring an existing building (including the building fixtures and equipment within, but not including the cost of land). That minimum amount of rehabilitation expenditures must be incurred no later than 2 years after the later of the date of issuance of those Series Bonds or the date that the building is acquired by the owner. The Code also requires that less than 25% of the net proceeds of the Series Bonds be used to acquire land.

Certain State Tax Legislation. Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in Department of Revenue of Kentucky v. Davis that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of "so called 'private activity,' 'industrial revenue,' or 'conduit' bonds . . . used to finance projects by private entities" violate the Commerce Clause, adding that "we cannot tell with certainty what the consequences would be of holding that Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and

leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally."

Since the Series Bonds are "private activity bonds" and the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota's treatment of those bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series Bonds to become taxable by Minnesota and the market value of the Series Bonds to decline.

Bond Premium

Certain of the Series Bonds may be sold at a premium. An amount equal to the excess of the issue price of a Series Bond over its stated redemption price at maturity constitutes premium on that Series Bond. An initial purchaser of a Series Bond must amortize any premium over that Series Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Series Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in that Series Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes, upon a sale or disposition of that Series Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series Bond.

Original Issue Discount

Any Series Bonds that are sold at an initial public offering price that is less than the stated amount to be paid at maturity will constitute "Discount Bonds." The difference between the initial public offering prices of any such Discount Bond and the stated amount to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on such Discount Bond.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE

The Agency will covenant in a continuing disclosure undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the State and to provide notices of the occurrence of certain enumerated events. That information and notices are to be filed by the Agency with the Municipal Securities Rulemaking Board through its internet repository named "Electronic Municipal Market Access" (EMMA). (See "Appendix C — Summary of Continuing Disclosure Undertakings.") The Agency and the State will enter into a separate agreement pursuant to which the State will agree to provide to the Agency the information needed for the Annual Report described in Appendix C. (See "Appendix C — Summary of Continuing Disclosure Undertakings.")

These covenants have been made in order to assist the Underwriters in complying with the Rule (as defined in Appendix C hereto). Breach of the covenants will not constitute a default or an "Event of Default" under the Series Bonds or the Indenture. A broker or dealer is to consider a known breach of the covenants, however, before recommending the purchase or sale of the Series Bonds in the secondary market. Thus, a failure on the part of the Agency or the State to observe the covenants may adversely affect the marketability and liquidity of the Series Bonds and their market price. In undertakings where the State is the obligated person, the Agency cannot provide annual financial information and operating data of the State until received from the State. For information on the State's record of compliance with its continuing disclosure obligations, its submission of a report to the Securities and Exchange Commission (the "SEC") in response to its Municipal Continuing Disclosure Cooperation Initiative (the "MCDC"), and its delivery of an Offer of Settlement (the "Offer") to the SEC under the MCDC describing certain misstatements, contained in several of the State's final official statements, with regard to the State's compliance with its continuing disclosure undertakings, see the disclosure under the section heading "CONTINUING DISCLOSURE" in the [September ___,] 2017 State [Preliminary] Official Statement included as Appendix E hereto.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency or the State, overtly threatened any litigation against the Agency or the State seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds, or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

While at any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State's expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 19 to the State Financial Statements for Fiscal Year Ended June 30, 2016, set forth in Appendix F of the [September ____,] 2017 State

[Preliminary] Official Statement included as Appendix E hereto, and additional actions, if any, discussed in the section entitled "LITIGATION" in the [September ____,] 2017 State [Preliminary] Official Statement, no pending actions are likely to have a material adverse effect in excess of $15 million on the State's expenditures or revenues during the current biennium.

CERTAIN LEGAL MATTERS

The validity of, and the tax exemption of interest on, the Series Bonds are subject to the opinion of Kutak Rock LLP, Bond Counsel. The opinion of Bond Counsel will be provided in substantially the form set forth in Appendix D attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Cozen O'Connor.

RATINGS

The Series Bonds are rated "___" by Moody's Investors Service, Inc. and "____" by Standard & Poor's Ratings Services. The ratings reflect only the views of these rating agencies. For an explanation of the ratings as described by those rating agencies, please contact the rating agencies. The ratings are subject to change or withdrawal by either of the rating agencies at any time. Therefore, after the date hereof, investors should not assume that those ratings are still in effect. A downward revision or withdrawal or suspension of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series Bonds and provided other advice to the Agency. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

UNDERWRITING

RBC Capital Markets, LLC, Piper Jaffray & Co. and Wells Fargo Bank, National Association (collectively, the "Underwriters") will purchase the Series Bonds at an aggregate purchase price of $_____ (which price reflects an underwriting discount of $_____ and net original issue premium of $_____). The Underwriters may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of Agency.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the Series Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings,

including the Series Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series Bonds with WFA. WFBNA also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association is serving as one of the Underwriters for the Bonds. Wells Fargo Bank, National Association is also serving as Trustee under the Indenture.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purposes. Any statement made or incorporated in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By _____
Commissioner

Dated: _____, 2017.

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture contains various definitions, covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Indenture for a full and complete statement of its provisions.

Certain Defined Terms

Agency Certificate: As the case may be, a document signed by an Authorized Officer either (i) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth, (ii) setting forth matters to be determined by the Agency or an Authorized Officer pursuant to the Indenture, or (iii) requesting or directing the Trustee or other party to take action pursuant to the Indenture.

Agency Resolution: A copy of a resolution certified by an Authorized Officer to have been duly adopted by the members of the Agency and to be in full force and effect on the date of such certification, and delivered to the Trustee.

Authorized Officer: The Chairperson, Vice Chairperson, Commissioner or Deputy Commissioner of the Agency or any other person authorized by resolution of the Agency to perform an act or sign a document.

Bond Compliance Agreement: A Bond Compliance Agreement, if any, entered into by the Agency and a borrower with respect to a loan funded with proceeds of Bonds deemed to be "private activity bonds" under the Code.

Bond Counsel: Any attorney or firm of attorneys of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds selected by the Agency.

Bond Fund: The Bond Fund created under the Indenture within the Agency's Housing Development Fund.

Bondowner: A Person in whose name a Bond is registered in the Bond Register.

Business Day: Any day (a) other than a Saturday, Sunday or other day that is a legal holiday in the State, and (b) on which banks in the city in which the designated principal corporate trust office of the Trustee are located are not required or authorized by law to be closed.

Code: The Internal Revenue Code of 1986, as amended and the applicable temporary, proposed and final Treasury regulations promulgated thereunder or applicable thereto.

Default: An Event of Default and an event or condition, the occurrence of which would, with the lapse of time or the giving of notice or both, became an Event of Default.

Fiscal Year: The 12-month period commencing July 1 and concluding on June 30 in the next succeeding calendar year, or any other 12-month period designated by the State as its fiscal year.

Government Obligations: Direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury).

Interest Payment Date: The date on which interest is payable on any Bonds (other than upon redemption of a Bond on a date other than a regularly schedule interest payment date).

Investment Obligations: Any of the following securities and other investments, if and to the extent the same are at the time legal for the investment of the Agency's moneys:

(a) Government Obligations;

(b) Obligations (i) that are backed by the full faith and credit of any state of the United States of America, (ii) of any agency of the United States of America, or (iii) of any public corporation sponsored by the United States of America, provided that, at the time of purchase, such obligations shall not adversely affect the Rating of the Bonds;

(c) Interest bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including the Trustee) provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or guaranteed by the State, the proceeds of which insurance are timely available, or (ii) such depository has combined capital and surplus of at least $75,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clause (a) or (b) of this definition, or a combination thereof, at such levels and valuation frequency as shall not adversely affect the Rating of the Bonds or (iii) the deposit of funds with such depository will not adversely affect the Rating of the Bonds;

(d) Repurchase agreements and reverse repurchase agreements with banks that are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (a) and (b) of this definition;

(e) Shares of (i) an investment company registered under the federal investment company act of 1940, whose shares are registered under the federal securities act of 1933, whose only investments are in securities described in clause (a), (b) or (d) above, or (ii) a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $75,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, whose only investments are in securities described in clause (a), (b) or (d) above;

(f) Any investment contract with any provider as long as such investment contract does not adversely affect the Rating of the Bonds; and

(g) Any other investment that will not adversely affect the Rating of the Outstanding Bonds.

Opinion of Counsel: A written opinion of counsel selected by the Agency and acceptable to the Trustee or selected by the Trustee.

Outstanding: When used with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture *except*:

(i) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Owners of such Bonds; *provided* that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Bonds which have been defeased within the meaning of the Indenture; and

(iv) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture;

provided, however, that in determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the Agency shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded.

Owner: With respect to any Bond, the Bondowner.

Person: Any individual, corporation, limited liability company, partnership, limited liability partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Program Fund: The Program Fund created under the Indenture.

Rating: With respect to any Bonds, the rating issued by a Rating Agency in force immediately prior to the proposed action to be taken by the Agency under the Indenture, and an action that does not "impair" the Rating with respect to any Bonds shall be an action that will not cause the Rating Agency to lower, suspend or withdraw the rating it has assigned to the Bonds.

Rating Agency: Any nationally recognized entity that, upon the request of the Agency, has issued a credit rating on any Bonds issued pursuant to the Indenture.

Rebate Fund: The Rebate Fund created under the Indenture.

Record Date: The 15th day, whether or not a Business Day, of the month immediately preceding the month in which each Interest Payment Date, or any Redemption Date, occurs.

Redemption Date: When used with respect to any Bond to be redeemed, the date fixed for such redemption by or pursuant to the Indenture.

Redemption Price: When used with respect to any Bond to be redeemed, the price at which it is to be redeemed pursuant to the Indenture.

Sinking Fund Payment Date: A date set forth in any applicable provision of the Indenture or a Supplemental Indenture for the making of a mandatory principal payment for the redemption of a Term Bond.

Special Record Date: A date fixed by the Trustee pursuant to the Indenture for the payment of any interest not paid at its Stated Maturity.

Stated Maturity: When used with respect to any Bond or any installment of interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

Tax Exemption Agreement: A Tax Exemption Agreement, if any, entered into by the Agency and a borrower with respect to a Loan funded with proceeds of Bonds not deemed to be "private activity bonds" under the Code.

Term Bonds: Any Bond for the payment of the principal of which mandatory payments are required by a Supplemental Indenture to be made at times and in amounts sufficient to redeem all or a portion of such Bond prior to its Stated Maturity.

Trust Estate: The assets, revenues and other property pledged pursuant to the Granting Clauses of the Indenture.

Program Fund

The Agency by the Indenture establishes an account with the Trustee to be designated the "Program Fund," as a subaccount of the housing infrastructure bond account established by the Act, and is required to deposit with the Trustee to the credit thereof proceeds of the Series Bonds as provided in the Indenture. Income and profit from the investment of moneys in the Program Fund shall be credited to such Fund. The moneys in the Program Fund shall be held in trust by the Trustee and applied to the funding of the Housing Infrastructure Loans and payment of costs of issuance of the Series Bonds. The Trustee shall create specific accounts within the Program Fund, upon receipt of an Agency Certificate, to fund specific Housing Infrastructure Loans. The Trustee shall pay each item payable from the applicable account in the Program Fund to the Agency or at the Agency's direction, or shall make arrangements for the transfer and deposit of the amount for such payment, as the Agency shall request. Upon receipt by the Trustee of an Agency Certificate stating that all amounts to be paid with respect to Housing Infrastructure Loans financed by

Bonds of such series has been paid, any balance remaining in the Program Fund with respect to such Bonds shall be transferred to the Bond Fund.

Bond Fund

The Agency by the Indenture establishes, and is required to maintain, so long as any of the Bonds are outstanding, with the Trustee, a separate account within the Agency's Housing Development Fund to be designated the "Housing Infrastructure State Appropriation Bond Fund," as a subaccount of the housing infrastructure bond account established by the Act, into which the Agency and Trustee shall make certain deposits pursuant to the Indenture, including, as received each year, all Housing Infrastructure State Appropriations paid by the State. The moneys and investments in the Bond Fund are irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of, premium (if any) on and interest on the Bonds, as and when such principal, premium and interest shall become due and payable. Except as otherwise provided in the Indenture (see "Compensation of Trustee" and "Application of Revenues and Other Moneys After Event of Default" hereinafter), so long as all principal, premium and interest on the Bonds have been paid when due, and the amount in the Bond Fund is sufficient to pay the principal of and interest on Outstanding Bonds in the current Fiscal Year, upon the written direction of the Agency pursuant to an Agency Certificate, the Trustee may use moneys in the Bond Fund in excess of such amount to pay fees, charges and expenses with respect to the Bonds. Upon the written direction of the Agency, the Trustee may use moneys in the Bond Fund to purchase Bonds maturing or subject to redemption on a Sinking Fund Payment Date on either of the next two Interest Payment Dates after such purchase, provided that such Bonds are delivered to the Trustee for cancellation upon such purchase.

Investment of Moneys in Program Fund and Bond Fund

The Trustee shall invest the moneys on deposit in the Program Fund or held as a part of the Bond Fund, respectively, at the written request and direction of an Authorized Officer in Investment Obligations. The type, amount and maturity of Investment Obligations shall conform to any instructions of the Authorized Officer. The Trustee may, from time to time, cause any such investments to be sold or otherwise be converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to the respective Fund. Any interest or profit derived from investments shall be credited to the respective Fund. Investments permitted under the Indenture may be purchased from the Trustee or from any of its affiliates. No portion of the Program Fund or the Bond Fund representing proceeds of the Bonds shall be invested or used in such manner that no part of a series of Bonds would be "arbitrage bonds" under the Code; the Trustee may conclusively rely on the written direction of an Authorized Officer as to compliance with the Code. The Trustee shall be entitled to assume that any investment that at the time of purchase is an Investment Obligation remains an Investment Obligation thereafter, absent receipt of written notice or information to the contrary. If no investment direction is received for a Fund, the funds shall be held uninvested. The Trustee shall have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investment for a Fund made in accordance with the Indenture.

Rebate Fund

The Trustee shall establish a special fund designated as the "Rebate Fund." The Rebate Fund is not a trust fund, is not part of the Trust Estate and is not subject to the lien of the Indenture. For each series of Bonds that is subject to the rebate requirements of Section 148(f) of the Code, or its equivalent, a separate account shall be established in the Rebate Fund. The Trustee shall make information regarding the investments thereunder available to the Agency and shall make deposits in and disbursements from the Rebate Fund in accordance with written instructions in an Agency Certificate delivered from time to time, shall invest the Rebate Fund pursuant to said written instructions, and shall deposit income from such investments immediately upon receipt thereof in the Rebate Fund. The Trustee shall upon receipt of an Agency Certificate transfer moneys from the Bond Fund or moneys representing interest income from the Program Fund, as directed by the Agency Certificate, to the Rebate Fund in the amount of any required deposit. Records of transactions with respect to the separate account within the Rebate Fund for a series of Bonds shall be retained by the Trustee until six years after the Bonds of such series are no longer outstanding.

Payment of Bonds

The Agency covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture and in each and every Bond executed, authenticated and delivered thereunder; will pay or cause to be paid, solely from the Trust Estate, including Housing Infrastructure State Appropriations, the principal of, premium (if any) on and interest on every Bond issued thereunder on the dates, at the places and in the manner prescribed in the Bonds in any coin or currency that, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts; and will cause such amounts received to be deposited with the Trustee prior to the due date of each installment of principal and interest and prior to the maturity of any Bond in amounts sufficient to pay such installment; provided, however, that the principal of and interest on any Bond are not and shall not be an indebtedness or other obligation of the State and the Bonds are not public debt of the State, and the full faith and credit of the State are not pledged to their payment or for any annual transfers of Housing Infrastructure State Appropriations to the Agency. The Agency covenants that it will take all actions required by the Act to cause the Housing Infrastructure State Appropriations to be received on or prior to the dates such amounts are required to pay, with other amounts available in the Bond Fund, principal of and interest of Outstanding Bonds and will deposit all Housing Infrastructure State Appropriations as received in the Bond Fund.

Covenant to Request Housing Infrastructure State Appropriations

On or prior to each June 30 while any Bonds remain Outstanding, the Agency covenants that it will certify to the Commissioner of Management and Budget of the State the amount of principal, premium, if any, and interest on each series of the Bonds, and the fees, charges, and expenses related to each series of the Bonds, payable in the next succeeding Fiscal Year, less the amount on hand in the Bond Fund and available to pay such amounts.

Covenants Relating to Housing Infrastructure Loans

The Agency covenants that the proceeds of the Bonds will be used solely to pay costs of issuance of the Bonds, to pay interest on the Bonds prior to the first date Housing Infrastructure State Appropriations are received and to fund Housing Infrastructure Loans meeting such criteria for Housing Infrastructure State Appropriations as shall be set forth in Section 462A.37 of the Act. Proceeds of the Bonds may also be used for other purposes authorized by the Act as amended from time to time.

Tax Covenants with Respect to Series Bonds

The Agency shall not take any action or fail to take any action or permit any action to be taken on its behalf or cause, or permit any circumstance within its control to arise or continue, if such action or inaction would adversely affect the exclusion from gross income for federal income purposes of the interest on the Series Bonds. These covenants will survive the payment of the Series Bonds.

The Agency shall not use or permit the use of any proceeds of the Series Bonds or any other funds of the Agency, directly or indirectly, to acquire any securities, obligations, or other investment property, and shall not use or permit the use of any amounts received by the Agency or the Trustee with respect to the Series Bonds in any manner, and shall not take or permit to be taken any other action or actions, that would cause the Series Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

The Agency shall not use or permit the use of any proceeds of the Series Bonds or any other funds of the Agency, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, that would result in any Development financed with proceeds of the Series Bonds not being treated as a "qualified residential rental project" as such phrase is used in Sections 147(a)(7) and 142(d) of the Code. In furtherance of this covenant the Agency will enter into a Bond Compliance Agreement with respect to each Housing Infrastructure

Loan to be funded with the proceeds of the Series Bonds in order for the interest on the Series Bonds to be excluded from gross income of the owners for purposes of federal income taxation.

Events of Default

Each of the following events is defined as, and is declared to be and to constitute, an "Event of Default" under the Indenture:

(a) If payment of the principal of, or premium, if any, on any of the Bonds, when the same shall become due and payable, whether at Stated Maturity or upon a Sinking Fund Payment Date, or otherwise, shall not be made.

(b) If payment of any interest on the Bonds when the same shall become due and payable shall not be made.

(c) If default shall be made in the performance or observance of any other of the covenants, agreement or conditions on the part of the Agency in the Indenture, or in the Bonds contained, and such failure shall continue for a period of 60 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the Bondowners of not less than 10% in principal amount of the Bonds Outstanding, provided that if (i) the Agency is proceeding with due diligence to remedy the same, (ii) the default is able to be remedied, and (iii) the Agency has commenced action during the 60-day period necessary to remedy such default, such 60-day period shall be increased to such extent, but not more than an additional 180 days, as shall be necessary to enable the Agency to cure the default through the exercise of due diligence.

(d) The Agency shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

(e) The State has limited or altered the rights of the Agency pursuant to the Act, as in force on the date of adoption of the Indenture, to fulfill the terms of any agreements made with the Owners of the Bonds or in any way impaired the rights and remedies of Owners of Bonds while any Bonds are Outstanding.

Remedies

Upon the occurrence and continuation of any Event of Default, the Trustee may, and upon the written request of the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondowners under the Act, the Bonds and the Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(a) Suit upon all or any part of the Bonds;

(b) Suit to require the Agency to account as if it were the trustee of an express trust for the Bondowners;

(c) Suit to enjoin any acts or things that may be unlawful or in violation of the rights of the Bondowners; and

(d) Enforcement of any other right of the Bondowners conferred by law or by the Indenture.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts that may be unlawful or in violation of the Indenture, or (ii) to preserve or protect the interests of the Bondowners, provided that such request is in accordance with law and the provisions of the Indenture.

Application of Revenues and Other Moneys After Event of Default

The Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee, as promptly as practicable after receipt thereof, any Housing Infrastructure State Appropriations and other payments or receipts pledged under the Indenture. During the continuation of an Event of Default the Trustee shall apply such moneys, securities, revenues, payments and receipts and the income therefrom as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of duties under the Indenture;

(b) To the payment of the interest and principal or Redemption Price then due and payable on Outstanding Bonds, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due and payable in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Outstanding Bonds that shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Outstanding Bonds due and payable on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

Whenever all principal amounts of and interest on all Bonds have been paid under the above provisions, and any required arbitrage rebate and all fees, expenses and charges of the Trustee have been paid, any balance remaining under the Indenture shall be paid to the Agency.

Majority of Bondowners Control Proceedings

If an Event of Default shall have occurred and be continuing, notwithstanding anything in the Indenture to the contrary, the Bondowners of at least a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or any other proceedings under the Indenture, provided that such direction is in accordance with law and the provisions of the Indenture and provided that nothing in the Indenture shall impair the right of the Trustee in its discretion to take any other action under the Indenture that it may deem proper.

Individual Bondowner Action Restricted

No Bondowner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for any remedy under the Indenture unless:

(1) an Event of Default has occurred (a) under section (a) or (b) of the Events of Default subheading above, (b) as to which the Trustee has actual notice, or (c) as to which the Trustee has been notified in writing, and

(2) the Bondowners of at least a majority in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, and

(3) such Bondowners shall have offered the Trustee indemnity, and

(4) the Trustee shall have failed or refused to exercise the powers in the Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

No one or more Bondowners shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture or to enforce any right under the Indenture except in the manner in the Indenture provided and for the equal benefit of the Bondowners of all Bonds Outstanding appertaining thereto.

Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of a Bondowner (i) to receive payment of the principal of or interest on such Bond, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Bondowner may institute or prosecute any such suit or enter judgment therein, if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein, under applicable law, would result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, accounts and properties pledged under the Indenture for the equal and ratable benefit of all Bondowners.

Waiver and Non-Waiver of Event of Default

No delay or omission of the Trustee or of any Bondowner to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein. Every power and remedy given by the Indenture with respect to remedies to the Trustee and the Bondowners, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may waive any Event of Default that in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

Notwithstanding anything contained in the Indenture to the contrary, the Trustee, upon the written request of the Bondowners of at least a majority of the aggregate principal amount of Bonds then Outstanding (including, if more than one series of Bonds shall at the time be Outstanding, the Bondowners of a majority in principal amount of the Bonds of each such Series), shall waive any Event of Default under the Indenture and its consequences; provided, however, that except under the circumstances set forth in the paragraph above, a default in the payment of the principal, or Redemption Price, if any, of or interest on any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Owner of such Bond.

In case of any waiver by the Trustee of an Event of Default under the Indenture, the Agency, the Trustee and the Bondowners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with these provisions.

Notices of Defaults

Within 10 Business Days after the receipt of notice of an Event of Default or the occurrence of an Event of Default of which the Trustee has actual notice or is deemed to have notice, the Trustee, unless such Event of Default shall have theretofore been cured, shall give written notice thereof by first class mail to each Owner of Bonds then Outstanding, provided that, except in the case of a default in the payment of principal or the Redemption Price of or interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondowners. The Trustee shall immediately notify the Agency of any Default or Event of Default known to the Trustee.

Trustee May Rely Upon Certain Documents and Opinions

Except as otherwise specifically provided in the Indenture, the Trustee may rely and shall be protected in acting upon certain resolutions, certificates, statements, instruments, opinions, reports, notices, requests, consents,

orders, bonds or other papers or documents and may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance with the opinion of such counsel. Before being required to take any remedial action, the Trustee may require an opinion of counsel reasonably acceptable to it, which opinion of counsel shall be made available to the other parties to the Indenture upon request, or a verified certificate of any such party, or both concerning proposed actions.

Compensation of Trustee

All advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trust created by the Indenture and reasonable compensation to the Trustee for its services in the premises, including extraordinary fees such as default fees, if any, shall be paid by the Agency from the Trust Estate. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of trustees of an express trust. The Trustee shall have a first lien, with right of payment prior to payment on account of interest or principal of any Bond issued under the Indenture, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created thereby and exercise and performance of the powers and duties of the Trustee thereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Trustee's right to receive compensation, reimbursement, indemnification of money due and owing under the Indenture shall survive the Trustee's resignation or removal.

Resignation or Removal of Trustee

The Trustee may resign and be discharged from the trusts created by the Indenture by giving to the Agency 30 days' notice in writing, and to the Bondowners 30 days' notice by certified mail at its or his address as set forth on the registration books of such resignation, specifying a date when such resignation shall take effect. Such resignation shall take effect on the day specified in such notice, if a successor Trustee has been appointed, or upon such later date as a successor is appointed. If no successor Trustee shall have been appointed and have accepted appointment within 90 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition a court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee may be removed at any time by an instrument or instruments in writing, appointing a successor to the Trustee so removed, filed with the Trustee and executed by either (i) the Agency, if it is not then in Default under the Indenture; or (ii) the Owners of a majority in principal amount of the Bonds secured by the Indenture and then Outstanding.

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee, and a successor may be appointed by either (i) the Agency, if it is not then in Default under the Indenture; or (ii) the Owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or instruments in writing filed with the Trustee and notification thereof being given to the Agency. In the event the Trustee has been removed by action of the Bondowners, until a new Trustee shall be appointed by the Bondowners as authorized in the Indenture, the Agency may, subject to the provisions thereof, appoint a Trustee to fill such vacancy. After any such appointment by the Agency, the Trustee so appointed shall cause notice of its appointment to be mailed within 30 days of such appointment to the Owners of the Bonds, and any new Trustee so appointed by the Agency shall immediately and without further act be superseded by a Trustee appointed in the manner above provided by the Owners of a majority in principal amount of said Bonds whenever such appointment by said Bondowners shall be made.

If, in a proper case, no timely appointment of a successor Trustee shall be made pursuant to the foregoing provisions the Owner of any Bond may apply to any court of competent jurisdiction to appoint a successor trustee. The court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor trustee.

Payment and Discharge of Indenture

If the Agency, its successors or assigns, shall

(a) pay or cause to be paid the principal of and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) provide for the payment of principal and premium, if any, of the Bonds and interest thereon by depositing with the Trustee at or at any time before maturity amounts sufficient in cash and/or in Government Obligations (the principal and interest on which when due and payable or redeemable at the option of the holder thereof) and without consideration of any reinvestment thereof shall be sufficient to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds Outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of the Outstanding Bonds to be called for redemption not surrendered or to be surrendered to it for cancellation has been given or waived as provided in the Indenture, or that arrangements satisfactory to the Trustee have been made ensuring that such notice will be given or waived, or (2) a written instrument executed by the Agency and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Agency, or (3) file with the Trustee a waiver of such notice of redemption signed by the Owners of all of such Outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as provided in the Indenture, the entire amount of the Redemption Price, in cash and/or Government Obligation (which do not permit the redemption thereof at the option of the issuer) in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of such Redemption Price on the date such Bonds are to be redeemed, and on such prior dates when principal of and interest on the Outstanding Bonds is due and payable, or

(d) surrender to the Trustee for cancellation all Outstanding Bonds for which payment is not so provided, and shall also pay all other sums due and payable under the Indenture by the Agency,

then and in that case, if all required arbitrage rebate has been paid in respect of the Bonds, all the Trust Estate shall revert to the Agency, and the entire estate, right, title and interest of the Trustee and of the Owners of the Bonds shall thereupon cease, determine and become void; and the Trustee in such case, upon the cancellation of all Bonds for the payment of which cash or securities shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Agency, and at its cost and expense, execute to the Agency, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Agency all cash and deposited securities, if any (other than cash or securities for the payment of the Bonds and interest thereon), which shall then be held under the Indenture as a part of the Trust Estate.

In case of any discharge of the lien of the Indenture pursuant to paragraphs (b) or (c) above, there shall be submitted to the Trustee an opinion of Bond Counsel to the effect that the interest on the Bonds being discharged will not become includable in gross income for federal income tax purposes.

Bonds Deemed Not Outstanding After Deposits

When there shall have been deposited at any time with the Trustee in trust for the purpose, cash or Government Obligations the principal and interest on which shall be sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due dates for such interest or to the date fixed for redemption, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be Outstanding thereunder; and it shall be the duty of the Trustee to hold the cash and securities so deposited for the benefit of the Owners of such Bonds.

Purposes for Which Supplemental Indentures May be Executed

The Agency, by Agency Resolution, and the Trustee from time to time and at any time, subject to the conditions and restrictions contained in the Indenture, may enter into such indentures supplemental thereto as the

Agency may or shall deem necessary or desirable without notice to or consent of any Bondowner for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Agency in the Indenture or any Supplemental Indenture other covenants and agreements to be observed by the Agency that are not contrary to or inconsistent with the Indenture or the applicable Supplemental Indenture as theretofore in effect;

(b) To add to the limitations and restrictions in the Indenture or any Supplemental Indenture other limitations and restrictions to be observed by the Agency that are not contrary to or inconsistent with the Indenture or the applicable Supplemental Indenture as theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Indenture;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture or any Supplemental Indenture, of the Housing Infrastructure State Appropriations or of any other part of the Trust Estate;

(e) To cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any Supplemental Indentures that may be defective or inconsistent with any other provision contained in the Indenture or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Indenture or any Supplemental Indenture as the Agency may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any Supplemental Indenture and which shall not impair the security of the same;

(f) To modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, excluding, however, the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939;

(g) To provide for the issuance of Bonds pursuant to the Indenture;

(h) To make any other change in the Indenture as shall not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondowners. With respect to the foregoing, the Trustee may rely upon the opinion of the Rating Agency with respect to whether the Rating of the Bonds has been adversely affected as conclusively establishing whether the change is materially adverse to the security or other interests of the Bondowners.

The Trustee shall not enter into a Supplemental Indenture under these provisions unless it obtains an Opinion of Counsel stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of the Indenture and is authorized or permitted by the Indenture.

Modification of Indenture with Consent of Bondowners

Subject to the terms and provisions below, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Agency and the Trustee of such indenture or indentures supplemental thereto as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or deleting in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that, notwithstanding any other provision of the Indenture, nothing therein contained shall permit or be construed as permitting, without the consent of the Owners of all Outstanding Bonds affected thereby, (i) an extension of the maturity of any Bond issued under the Indenture, or (ii) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (iii) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (iv) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount of

the Bonds required to consent to Supplemental Indentures, or (vi) a reduction in the aggregate principal amount of the Bonds required to waive an Event of Default.

If the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Agency from executing the same or from taking any action pursuant to the provisions thereof.

APPENDIX B

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York ("DTC"), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond for each maturity in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., DTC's partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondowners, Owners or registered owners of the Series Bonds mean Cede & Co. or such other nominee and do not mean the Beneficial Owners(as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts those Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds of the maturity to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal and redemption price of and interest on the Series Bonds will be made to Cede & Co., or other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of the payments to Direct Participants will be the responsibility of DTC, and disbursement of the payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Indenture, payments made by or on behalf of the Agency to DTC or its nominee will satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this Appendix B is based solely on information provided by DTC. No representation is made by the Agency, the State or the Underwriters as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the State, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the State, the Underwriters nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of, or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to Owners of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondowner.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, that series of Series Bonds are required to be delivered as described in the Indenture. The Beneficial Owner, upon registration of those Series Bonds held in the Beneficial Owner's name, will become the Bondowner.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for the Series Bonds. In that event, the Series Bonds are to be delivered as described in the Indenture.

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

The following statements are extracted provisions of the Continuing Disclosure Undertaking (the "Disclosure Undertaking") to be executed by the Agency in connection with the issuance of the Series Bonds. The Agency and the Minnesota Department of Management and Budget ("MMB") have entered into a separate Continuing Disclosure Agreement (the "State Agreement") under which MMB has agreed to undertake the Annual Financial Information Disclosure in order that the Agency can satisfy the Annual Financial Information Disclosure obligation described below.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the "Bondowners") and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

(a) "*Annual Financial Information*" means the following financial information and operating data (to the extent not included in Audited Financial Statements): the information in Appendix B to the State of Minnesota Official Statement dated September ___, 2017 included as Appendix E to the Official Statement of the Agency relating to the Series Bonds, Appendix C to such State Official Statement and Appendix F to such State Official Statement.

(b) "*Annual Financial Information Disclosure*" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under "Annual Financial Information Disclosure" herein.

(c) "*Annual Financial Information Disclosure Date"* means December 31 of each year, beginning December 31, 2017.

(d) "*Audited Financial Statements*" means the audited financial statements of the State, prepared pursuant to the standards and as described under the caption "Annual Financial Information Disclosure."

(e) "*Beneficial Owners*" means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

(f) "*Commission*" means the Securities and Exchange Commission.

(g) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

(h) "*Listed Event*" means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);

13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(i) "*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as described under the heading "Listed Events Disclosure" in this Appendix C.

(j) "*MSRB*" means the Municipal Securities Rulemaking Board.

(k) "*Participating Underwriter*" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

(l) "*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

(m) "*Rule*" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

(n) "*Undertaking*" means the obligations of the Agency described under the headings "Annual Financial Information Disclosure" and "Listed Events Disclosure" in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below), on or before each Annual Financial Information Disclosure Date, to the MSRB.

The Agency shall deliver such information in Prescribed Form and by such time so that the MSRB receives the information by the Annual Financial Information Disclosure Date.

If any part of the Annual Financial Information can no longer be generated because the operations of the State to which it is related have been materially changed or discontinued, the Agency shall disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents, including official statements of debt issues of the State or related public entities, which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB by the Annual Financial Information Disclosure Date. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the State, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency shall disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Indenture.

Consequences of Failure of the Agency to Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondowner or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Series Bonds or the Indenture or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance. None of the agreements or obligations of the Agency or of the State shall be construed to constitute a waiver of the State's sovereign immunity

or a waiver of any of the limitations contained in Minnesota Statutes, Section 3.736, except as provided under the laws of the State. Neither a default by the Agency under the Disclosure Undertaking nor a default by the State under the State Agreement shall constitute a default or an Event of Default under the Series Bonds or the Indenture.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondowners of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondowners of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

This Disclosure Undertaking shall terminate when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if the Undertaking is so terminated before the final stated maturity of the Series Bonds.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondowners and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

The State Agreement

Under the State Agreement the State agrees to provide the information needed for the Annual Financial Information which the Agency is required to provide under the Disclosure Undertaking. The State may satisfy this obligation either by providing the Annual Financial Information to the Agency or by identifying any other disclosure document which may be included or incorporated by reference in order to satisfy the Annual Financial Information requirement.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[To be dated the date of issuance of the Series Bonds]

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency
State Appropriation Bonds (Housing Infrastructure), 2017 Series A

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its State Appropriation Bonds (Housing Infrastructure), 2016 Series A, in the aggregate principal amount of $_____ (the "Series Bonds"). The Series Bonds are being issued in accordance with Minnesota Statutes, Chapter 462A, as amended (the "Act"), an Indenture of Trust, dated as of August 1, 2013, as heretofore and hereafter amended and supplemented (the "General Indenture"), by and between the Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and a Sixth Supplemental Indenture of Trust, dated as of October 1, 2017 (the "Supplemental Indenture"), by and between the Agency and the Trustee. The General Indenture and the Supplemental Indenture are referred to herein, collectively, as the "Indenture."

The Series Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Indenture. The Series Bonds are subject to redemption prior to maturity, as provided in the Indenture.

The Series Bonds are being issued to make loans to certain recipients (the "Housing Infrastructure Loans") to pay for all or a portion of the costs of acquisition, construction, rehabilitation and equipping, as applicable, of related developments, including facilities related and subordinate thereto, with respect to abandoned or foreclosed properties or for supportive housing, all as defined in the Act, or to finance or refinance the costs of acquisition and rehabilitation of federally assisted rental housing, and other authorized purposes under the Act.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Resolution No. MHFA _____, adopted _____ (the "Bond Resolution"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the recipients of the Housing Infrastructure Loans with the covenants contained in the Indenture and the loan documentation relating to each development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution has been duly and validly adopted by the Agency; (3) the Indenture has been duly authorized and executed and is valid and binding upon the Agency in accordance with its terms, and creates the valid pledge and security interest it purports to create with respect to the Revenues, moneys, securities and other Funds held and to be set aside under the Indenture; (4) the Series Bonds are duly and lawfully authorized to be issued and are valid and binding special, limited obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Indenture, and are payable solely, and equally and ratably, from specified transfers expected to be made by the State of Minnesota (the "State") pursuant to legislation providing for the appropriation of such transfers from the general fund of the State to the Agency and moneys and securities held from time to time in the funds and accounts established and pledged thereto under the Indenture; and (5) the interest payable on the Series Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, that we express no opinion as to the exclusion from federal gross income and Minnesota taxable net income of interest on any Series Bond for any period during which such Series Bond is held by a person who is a "substantial user" of a development financed by the Series Bonds or a "related person" thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code").

Interest on the Series Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and interest on the Series Bonds will not be included in the calculation of adjusted current earnings for purposes of calculating the federal minimum alternative tax imposed on corporations. Interest on the Series Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the Series Bonds. All owners of Series Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the Series Bonds.

Noncompliance by the Agency or the recipient of a Housing Infrastructure Loan financed by the Series Bonds with their covenants in the Indenture or applicable loan documentation relating to a development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the Series Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the Series Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Dated: ___, 2017.

Respectfully yours

APPENDIX E

[PRELIMINARY] OFFICIAL STATEMENT OF THE STATE OF MINNESOTA DATED SEPTEMBER __, 2017

RESOLUTION NO. MHFA 17-024

RESOLUTION RELATING TO STATE APPROPRIATION BONDS (HOUSING INFRASTRUCTURE); AUTHORIZING THE ISSUANCE AND SALE OF ADDITIONAL SERIES AND APPROVING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY (the "Agency"), as follows:

Section 1. Recitals.

1.01. State Appropriation Bonds; Authority; Purpose. The Agency is authorized under Minnesota Statutes, Chapter 462A, including, without limitation, Section 462A.37 thereof, as amended (the "Act") to issue bonds from time to time (the "State Appropriation Bonds") secured by standing appropriations of the State of Minnesota (the "State") for the purpose of financing loans to borrowers (the "Borrowers") to pay for all or a portion of the costs of acquisition, construction, rehabilitation and equipping, as applicable, of related developments, including facilities related and subordinate thereto (the "Developments"), with respect to abandoned or foreclosed properties or for supportive housing, all as defined in the Act, or to finance or refinance the costs of acquisition and rehabilitation of federally assisted rental housing, and other purposes authorized by the Act. Such State Appropriation Bonds shall be equally and ratably secured solely by the pledge of certain appropriations expected to be made by the State pursuant to the Act and other available funds under the Indenture (as hereinafter defined). The State Appropriation Bonds will not constitute or give rise to a pecuniary liability of the Agency, except to the extent of appropriations from the State made pursuant to the Act and received by the Agency and other funds held under the Indenture (as hereinafter defined), or of the State or any political subdivision thereof, or be a general obligation of the Agency or constitute an indebtedness or other obligation of the State or public debt of the State. The full faith and credit and taxing powers of the State are not pledged to the payment of the State Appropriation Bonds.

1.02. Authority; Purpose. The Agency desires to issue its State Appropriation Bonds under Section 462A.37 of the Act for the purpose of financing loans to the Borrower, who shall be the owner ("Owner") of the Development listed in Exhibit A hereto (or such other entities designated by such Owner which entities agree to make, directly or through intermediaries, corresponding loans to the Borrower); provided, however, that loans may be made to different or additional Owners with respect to different or additional Developments upon the adoption of a resolution supplemental hereto. The amount of each loan shall be in such amount approved by the Agency and any loan may be forgivable upon such terms as shall be determined by an Authorized Officer of the Agency. The bonds herein authorized shall consist of one or more series of State Appropriation Bonds of the Agency, the first of which is to be designated as "State Appropriation Bonds (Housing Infrastructure), 2017 Series A," in the aggregate principal amount to be determined pursuant to the terms of Section 2.02 of this resolution. Additional series of State Appropriation Bonds issued pursuant to this resolution shall be designated "State Appropriation Bonds (Housing Infrastructure), _____ Series _____" and completing the first blank with the calendar year of issuance and the second blank with an uppercase letter as

appropriate for the order of such issuance. The maximum collective aggregate principal amount of all series of State Appropriation Bonds issued pursuant to this resolution shall not exceed $15,000,000; the number of series of State Appropriation Bonds and their corresponding principal amounts shall be as determined by the Authorized Officer (as defined herein) pursuant to Section 8 of this resolution, and as set out in the Supplemental Indenture delivered pursuant to this resolution. All such series of State Appropriation Bonds issued pursuant to this resolution are the "Series Bonds."

The Series Bonds will be secured solely, and equally and ratably with the Agency's State Appropriation Bonds hereafter authorized, by the pledge of certain appropriations expected to be made by the State pursuant to the Act and other available funds under the Indenture. The Series Bonds will not constitute or give rise to a pecuniary liability of the Agency, except to the extent of appropriations from the State made pursuant to the Act and received by the Agency and other funds held and pledged thereto under the Indenture, or of the State or any political subdivision thereof, or be a general obligation of the Agency or constitute an indebtedness or other obligation of the State or public debt of the State. The full faith and credit and taxing powers of the State are not pledged to the payment of the Series Bonds.

1.03. Sale of Series Bonds. The Agency will negotiate for the sale of the Series Bonds to RBC Capital Markets, LLC, Piper Jaffray & Co. and Wells Fargo Bank, National Association (collectively, the "Purchasers"). The Agency will issue and sell the Series Bonds to the Purchasers pursuant to one or more Contracts of Purchase to be entered into between the Agency and the Purchasers (the "Purchase Contract"), subject to the parameters set forth in Section 2.02 hereof.

1.04. Documentation. The Series Bonds will be issued pursuant to the Indenture of Trust dated as of August 1, 2013, by and between the Agency and the Trustee (hereinafter defined) and relating to State Appropriations Bonds (Housing Infrastructure) (as amended and supplemented, the "Master Indenture"). Draft forms of the following documents (collectively and together with the Master Indenture, the "Bond Documents") relating to the State Appropriation Bonds and the Series Bonds have been prepared and submitted to the Agency and are hereby directed to be filed with the Agency:

(a) A proposed form of a Supplemental Indenture of Trust (the "Supplemental Indenture"), to be entered into between the Agency and the Trustee, to establish the form and terms of one or more series of the Series Bonds (the Master Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture");

(b) A proposed form of the Purchase Contract between the Agency and the Purchasers relating to the sale and purchase of one or more series of the Series Bonds;

(c) A proposed form of a Continuing Disclosure Agreement to be entered into by the Agency and the Trustee; and

(d) A proposed form of Agreement to be entered into between the Agency and the State regarding the State's agreement to provide annual updates of financial

information and operating data of the State contained in or incorporated in the Official Statement (as hereinafter defined).

Section 2. Authorization of the Series Bonds and Approval of the Bond Documents.

2.01. Authorization. To provide sufficient funds to be used and expended for the purposes set forth in Section 1.02, the Agency is hereby authorized to issue the Series Bonds in an aggregate principal amount not to exceed $15,000,000. The Agency is hereby authorized to sell the Series Bonds to the Purchasers to provide funds to be used to make a loan to or for the benefit of each of the Owners to finance the Developments and pay costs of issuance of the Series Bonds.

2.02. Terms of Series Bonds. The Series Bonds shall be initially dated the date of delivery to the Purchasers and shall be in the form prescribed by the Indenture. The final terms of the Series Bonds have not been established as of the date of adoption of this resolution. Any of the Chair, the Commissioner or the Chief Financial Officer of the Agency (each an "Authorized Officer") is hereby authorized to approve the final terms of the Series Bonds, including the redemption provisions of the Series Bonds, subject to the following parameters:

(i) the principal amount of each series of the Series Bonds; provided that the aggregate principal amount of the Series Bonds is not in excess of $15,000,000;

(ii) the maturity schedule of each series of the Series Bonds (including any mandatory sinking fund redemption schedule); provided that the Series Bonds mature at any time or times in such amount or amounts not later than August 1, 2037;

(iii) the interest rates borne by each series of the Series Bonds; provided that the net interest cost on a series of the Series Bonds does not exceed 5.00% per annum and the aggregate maximum annual debt service of the Series Bonds, together with the Agency's State Appropriation Bonds authorized pursuant to Resolution No. MHFA 15-001, shall not exceed $6,400,000; and

(iv) the fee or other compensation payable to the Purchasers of the Series Bonds; provided that the fee or other compensation does not exceed 1.00% of the principal amount of the applicable series of Series Bonds.

Such approval shall be conclusively evidenced by the execution of the applicable Purchase Contract with the Purchasers by an Authorized Officer.

2.03. Approval of Bond Documents. The forms of the Bond Documents are hereby approved, subject to such modifications as are deemed appropriate and approved by an Authorized Officer, subject to the limitations contained in Section 2.02, which approval shall be conclusively evidenced by execution of the Bond Documents by an Authorized Officer. Copies of all the documents shall be delivered or filed as provided therein. An Authorized Officer is also authorized and directed to execute such other documents and certificates as may be required to give effect to the transactions herein contemplated.

2.04. Preliminary Official Statement; Official Statement. The Agency has also received and examined a draft Preliminary Official Statement containing information relating to the Agency, the State and the Series Bonds. An Authorized Officer is hereby authorized to approve a final version of the Preliminary Official Statement and the use thereof by the Purchasers in the public offering of the Series Bonds is hereby approved. A final Official Statement, substantially in the form of the Preliminary Official Statement except for revisions required or approved by counsel for the Agency and an Authorized Officer and insertion of the terms of the Series Bonds as provided in the Purchase Contract, is approved and authorized to be signed by an Authorized Officer, and furnished to the Purchasers for distribution to investors.

Section 3. Appointment of Trustee. Wells Fargo Bank, National Association serves as Trustee under the Indenture and is vested with all the property, rights, powers and duties granted, pledged and assigned to it by the Indenture, in trust for the owners of the State Appropriation Bonds, including the Series Bonds and any additional bonds issued and to be issued thereunder.

Section 4. General Tax Covenant. The Agency covenants to not take, or permit or cause to be taken, any action that would adversely affect the exclusion of interest on the Series Bonds from federal income taxation, and to take or cause to be taken any action within its control necessary to maintain such exclusion.

Section 5. Authentication of Proceedings. The Chair, Commissioner or Chief Financial Officer and other officers of the Agency are authorized and directed to furnish to the Purchasers and bond counsel certified copies of all proceedings and records of the Agency relating to the Series Bonds, and such other affidavits and certificates as may be required to show the facts relating to the legality and validity of the Series Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Agency as to the truth of all statements of fact contained therein.

Section 6. Limitations of the Agency's Obligations. Notwithstanding anything contained in the State Appropriation Bonds, the Series Bonds or the Bond Documents, the State Appropriation Bonds, including without limitation, the Series Bonds, shall not constitute general obligations of the Agency and shall not be payable from nor constitute a charge, lien or encumbrance, legal or equitable, upon any funds or any property of the Agency other than the appropriations of the State specifically pledged to the payment thereof pursuant to the Bond Documents and the Act and any other funds held under the Indenture expressly pledged thereunder to such payment, and no holder of the State Appropriation Bonds, including without limitation, the Series Bonds, shall ever have the right to enforce payment thereof against any property of the Agency other than those rights and interests of the Agency which have been pledged to the payment thereof pursuant to the Indenture.

Section 7. Advance of Agency Funds. If the Agency desires to fund loans before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund such loans in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 8. Discretion of Authorized Officer. An Authorized Officer shall determine the number and aggregate principal amount of each series of the Series Bonds, subject to the limitations in Section 2.02 of this resolution. Notwithstanding anything contained in the foregoing sections of this resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of Bond Counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell any of the Series Bonds authorized pursuant to this resolution (subject to any applicable provisions of any purchase contract theretofore executed), then such Series Bonds will not be issued or sold in accordance with this resolution.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing Financing Agency this 31st day of August, 2017.

By_____
Chairman

Attest: _____
Commissioner

[Resolution No. MHFA 17-024]

EXHIBIT A

DEVELOPMENT AND OWNER

Development	Owner[1]	Location	Type of Development
Dorothy Day Residence	Dorothy Day Residence Limited Partnership	Saint Paul, MN	Supportive Multifamily; New Construction

[1] Or an affiliate thereof or successor thereto.

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Item: Approval/Selections, Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity)

Staff Contact(s):
Ruth DuBose, 651.297.3128, ruth.dubose@state.mn.us
Tal Anderson, 651.296.2198, tal.anderson@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
The Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity) pilot is designed to expand the efforts of organizations that currently provide intensive financial empowerment education and coaching to those with the goal of homeownership. The goal of this initiative is to increase the probability of successful homeownership, especially among households of color or Hispanic ethnicity and low-income individuals, and to address the homeownership gap between white/non-Hispanic and households of color or Hispanic ethnicity. Staff is hereby requesting board approval of $750,000 in funding recommendations for the fourth year of the pilot program in the following three categories:

- $632,540 Program funding for 13 applicants
- $25,000 Two intensive topic-specific trainings
- $92,460 Homeownership Capacity Incentive fund

Staff is also recommending the Board adopt the attached resolution delegating to the Commissioner the authority to approve modifications of grantee awards.

Fiscal Impact:
The Homeownership Capacity Program uses Pool 3 funds budgeted in the 2017 Affordable Housing Plan.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Proposed Homeownership Capacity Provider Coverage Map
- Resolution

Background:
The Homeownership Capacity program concept was approved at the April 2014 Board meeting. As noted in the Program Concept, organizations will provide financial empowerment services that include, but are not limited to:

- Asset building (i.e. savings, retirement plans, home ownership, higher education, etc.)
- Credit report education, repair and re-building
- Development of spending plans, including discussion of financial best practices
- Consumer protection training and education (i.e. banks, credit unions, insurance companies, predatory financial scams, and identity theft)
- Filing taxes

Since the program began August 1, 2014, 1,853 households have committed to receiving the services offered through Homeownership Capacity. Of those 1,853 households, 333 (18%) have stopped communication and 333 (18%) have reached program completion, of which 175 (53%) reported home purchase as an outcome. In the fourth phase of the pilot, evaluation of the program will continue to be both quantitative and qualitative. A standard set of data collection items used to demonstrate client progress towards goal and post-goal achievement outcomes will be defined and required for reporting under Homeownership Capacity.

In May 2015, the Board approved additional funding in the amount of $650,000 for 10 agencies under the second year of the pilot. In July 2016, the Board approved funding in the amount of $600,630 for 13 agencies under the third year of the pilot. An additional $60,825 was approved for two NeighborWorks America certification trainings and $88,545 in a Homeownership Capacity Incentive Fund.

In late March 2017, a Request for Proposals (RFP) was released and applications were submitted for funding under the fourth year of the pilot. In their proposals, applicants were asked to address the following:

- The target service area and target demographic the applicant will serve as well as the approach to securing client participation
- The number of clients that will be served and the capacity of the applicant to meet the demand
- The role of the coach and client
- The anticipated average length of time the applicant will work with clients
- How homebuyer education will be integrated into the program design
- Training of those providing Homeownership Capacity services
- Outreach efforts to ensure applicants are attracting potential clients that fall within the program parameters

Each proposal was reviewed and evaluated by Single Family program staff and scored pursuant to the criteria summarized above by a selection committee made up of staff from throughout the Agency.

Program Funding Recommendations
Agency staff is recommending the top 13 applicants be selected for the funding amounts listed below.

Organizations Funded in 2014, 2015, and/or 2016 and Recommended for Funding in 2017	
Organization	**Funding Amount**
African Development Center	$ 40,000
Community Action Duluth	$ 52,000
Community Action Partnership of Hennepin County (CAPHC)	$ 60,000
Comunidades Latinas Unidas En Servicio (CLUES)	$ 52,800
Hmong American Partnership (HAP)	$ 36,000
Minneapolis Urban League	$ 24,000
Neighborhood Development Alliance (NeDA)	$ 85,000
NeighborWorks Home Partners	$ 24,000
PRG, Inc.	$ 30,000
Project for Pride in Living, Inc. (PPL)	$ 49,980
Southwest Minnesota Housing Partnership (SWMHP)	$ 28,000
Three Rivers Community Action, Inc.	$ 100,760
TOTAL	**$ 582,540**

New Organizations Recommended for Funding in 2017	
Organization	**Funding Amount**
Lutheran Social Service	$ 50,000
TOTAL	**$ 50,000**

GRAND TOTAL	**$ 632,540**

The Agency also received non-recommended applications from the following organizations: African Economic Development Solutions (AEDS), Bii Gii Winn, One Roof and Washington County CDA. Bii Gii Winn is currently under review for an extension of their Homeownership Capacity grant from the 2016/2017 program year.

Additionally, Build Wealth was an applicant under the 2017/2018 competitive RFP and, since applying, was specified to receive a direct legislative appropriation to the Agency in the amount of $500,000 to provide similar services to that of the Homeownership Capacity program. Therefore, Build Wealth was not considered for additional Homeownership Capacity funding in this round.

With this funding, the 13 recommended organizations expect to serve 637 diverse low-income renters and households of color or Hispanic ethnicity statewide. Funds will be made available for a period of 12 months from October 1, 2017 through September 30, 2018.

Topic-Specific Trainings
Minnesota Housing has brought three NeighborWorks America place-based trainings to Minnesota including two Financial Capability Certification trainings (May/June 2015 and October 2016) and one Post-Purchase Certification training (January 2016). These trainings were well attended by Homeownership Capacity-funded organizations as well as other organizations in the state working to build their financial capability services or enhance their existing services. We received feedback that other intensive topic-specific trainings (i.e. student loan debt, credit counseling, etc.) would be helpful

to remain current on the issues faced by their clients and meet the continuing education requirements of these certifications.

In an analysis of local trainers offering customized training, we found that $25,000 would be sufficient to provide at least two such trainings that would include at least four hours of training on each topic and supplemental materials. Therefore, staff recommends funding in the amount of $25,000 to provide a minimum of two topic-specific trainings. The topics will be determined through the input of Homeownership Capacity providers and other stakeholders on their training needs. These trainings will be offered to the Homeownership Capacity grantees first. If any spots remain, they will be made available to other stakeholders throughout Minnesota with an interest in expanding into financial capability services or enhancing their already existing program.

Homeownership Capacity Incentive Fund
The Homeownership Capacity Incentive Fund will allow grantees access to additional funds if they have met their original goals for number of households served under the grant agreement before the end of the grant period. A short application process is established for grantees to request those additional funds. The total available funds requested for approval is $92,460. Staff proposes the following parameters for grantees to access the Homeownership Capacity Incentive Fund subject to funding availability on a first-come first-served basis.

1. The amount of Homeownership Capacity Incentive Fund awards is limited to up to 25% of the original funding commitment per request, not to exceed $25,000 per grantee and, in addition, up to a maximum of $1,200 per household.
2. Funding for Incentive Fund Awards is available only during the current 12 month grant agreement term and grantee requests must be submitted by August 15 of the program year.
3. The grantee must have met its original goals for number of households served for the grant period and have no outstanding reporting or monitoring issues and may not be out of compliance with its required follow up activities.
4. Incentive Fund Awards are subject to the terms and conditions of the original award and the Agency reserves the right to ask for additional documentation.

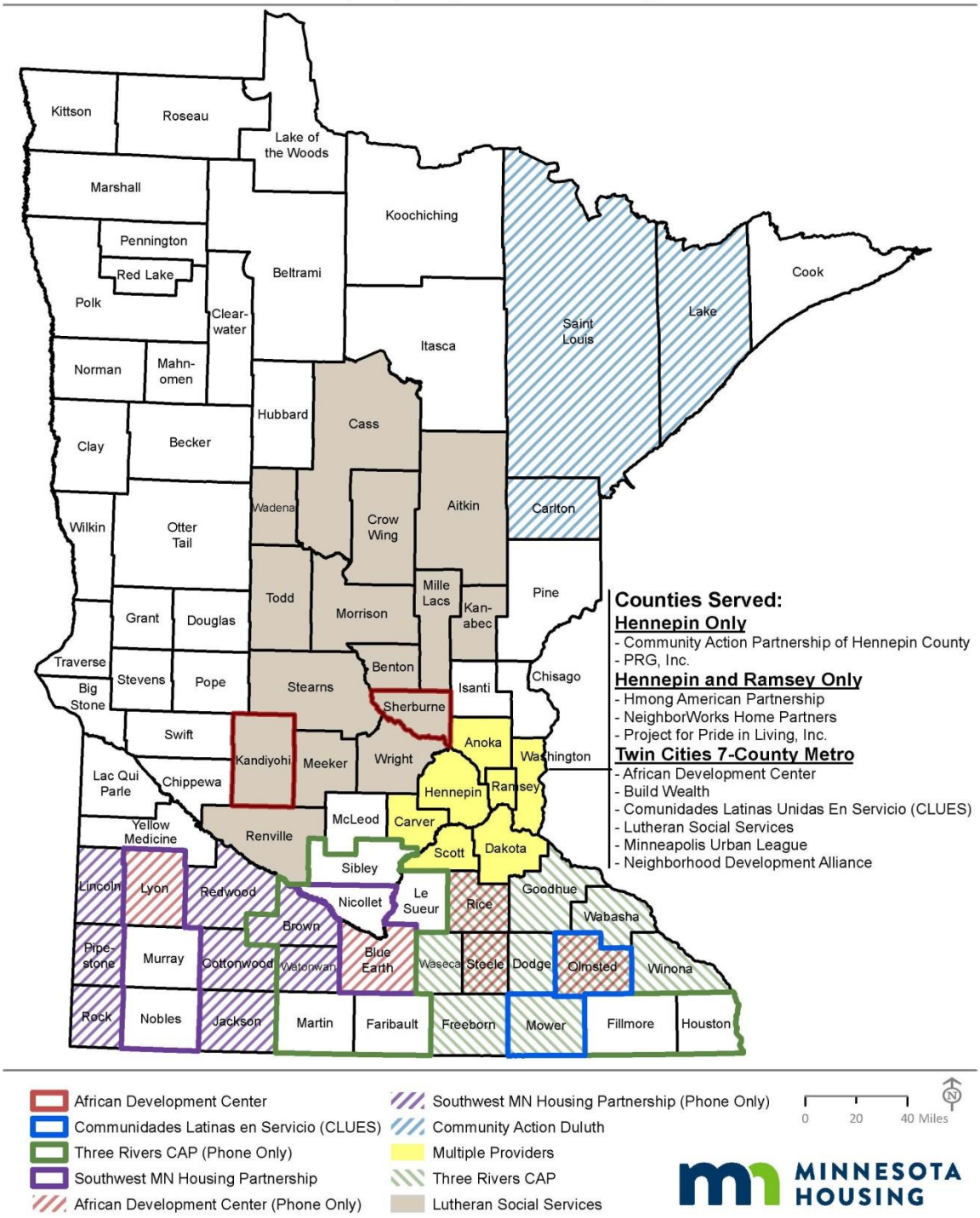
Request for Approval:
Staff is hereby requesting board approval by motion of $750,000 in funding recommendations in the following three categories as set out in this board report:

- $632,540 Program funding for 13 applicants
- $25,000 Two intensive topic-specific trainings
- $92,460 Homeownership Capacity Incentive fund

Staff also requests board approval of the following resolution delegating authority to the Commissioner regarding award modifications utilizing the Homeownership Capacity Incentive Fund.

Proposed Homeownership Capacity Provider Coverage Map

Recommended Homeownership Capacity Provider Coverage



Source: Minnesota Housing Date: 08/17/2017

Agenda Item: 7.D
Resolution

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

RESOLUTION NO. MHFA
BOARD DELEGATION NO. 17-XXX

RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING AWARD MODIFICATIONS UTILIZING THE HOMEOWNERSHIP CAPACITY INCENTIVE FUND

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 grants in order to improve the efficiency of the Agency's 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, herein called "Incentive Fund Awards," under the Homeownership Capacity Program ("The Program").

PARAMETERS OF DELEGATED AUTHORITY

1. The amount of Homeownership Capacity Incentive Fund awards is limited to up to 25% of the original funding commitment per request, not to exceed $25,000 per grantee and, in addition, up to a maximum of $1,200 per household.

2. Funding for Incentive Fund Awards is available only during the current 12 month grant agreement term and grantee requests must be submitted by August 15 of the program year.

3. The grantee must have met its original goal for number of households served for the current grant period, have no outstanding reporting or monitoring issues, and may not be out of compliance with its required follow up activities.

4. Incentive Funds Awards are subject to the terms and conditions of the original award.

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.

Adopted this 31st day of August, 2017

_____

CHAIRMAN

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Board Agenda Item: 8.A
Date: 8/31/2017

Item: Draft 2018 Affordable Housing Plan

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
Staff is providing a draft of the 2018 Affordable Housing Plan (AHP) for your review and discussion. We seek your feedback and comments as we develop the final document. We are also holding a public comment period from August 22 through September 5, and we will provide you with a summary of those comments at the Program Committee meeting scheduled for September 11. We will bring the final 2018 AHP to the September Board meeting for your approval.

Fiscal Impact:
None.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- 2018 Affordable Housing Plan: Draft for Public Comment

2018 Affordable Housing Plan

Draft for Public Comment
August 22, 2017

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Summary – 2018 at a Glance

In our 2016-19 Strategic Plan, we committed to creating a world where:

All Minnesotans can live in a safe, stable home they can afford in a community of their choice

For this "big, audacious goal" to become a reality, we will have to overcome very significant challenges. Since 2000, the number of households who are burdened by their housing costs has increased 63 percent. Currently, the limited supply of available housing is driving up rents and home prices, many Minnesotans confront systemic and institutional barriers to housing choice, and we have limited resources to address these issues.

To move forward, we must work at our very best, and we will:

- Be flexible and responsive,
- Develop effective partnerships,
- Remove barriers and provide equitable access to programs and opportunity,
- Solve problems through innovation and creativity, and
- Leverage our strong financial and operational capacity.

Through effective financial and program management and strong support from the Governor and Legislature, we are also making available over $1.1 billion in housing assistance in 2018, which is a $46 million increase from 2017.

Table 1: Funding by Activity

Program Category	Funding
Homebuyer Financing and Home Refinancing	$662,000,000
Homebuyer/Owner Education and Counseling	$2,802,000
Home Improvement Lending	$24,794,000
Rental Production - New Construction and Rehabilitation	$124,837,882
Rental Assistance Contract Administration	$189,555,000
Housing Stability for Vulnerable Populations	$31,963,095
Rental Portfolio Management	$2,482,043
Multiple Use Resources	$70,659,118
Other	$1,973,638
Total	**1,111,066,776**

Highlights include:

- Making available $630 million for our Home Mortgage Loan program, which has a strong record of increasing homeownership for households of color or Hispanic ethnicity.

- Improving our rural delivery network across all our programs. Because we depend on robust networks of partners to carry out the programs and services that we finance, we are only as effective as our partners. Smaller organizations with limited resources in rural areas face significant challenges.

- Releasing a new analysis of impediments to fair housing choice. The analysis will evaluate factors across Minnesota that restrict housing choice based on race, color, religion, gender, disability, familial status, or national origin and include an action plan to address them.

- Pursuing a larger request for Housing Infrastructure Bonds (HIBs) and General Obligation (GO) bonds in 2018, and include senior rental housing as a use of HIBs. Through effective management, we have funded the development or rehabilitation of 2,125 units of affordable housing throughout the state using a little more than $130 million of the HIB proceeds that we have received since the 2012 bonding bill. With the $25.5 million we received in 2012 and 2014 from GO bonds, we also have funded the rehabilitation of 3,361 units of public housing.

To take additional steps in creating a world where all Minnesotans have a safe, stable home they can afford in a community of their choice, this Affordable Housing Plan (AHP) will guide our work for the next year.

Chapter 1 – The Need

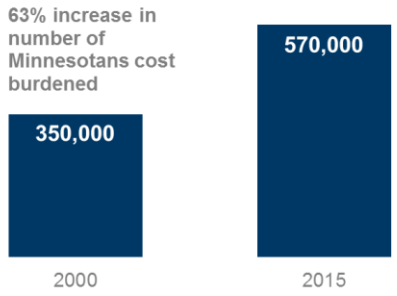
Housing is the foundation for success, providing individuals and families the stability to thrive. However, too many Minnesota lack safe, stable, affordable housing

Minnesota Needs More Affordable Housing

There are many factors that contribute to the lack of affordable housing, including insufficient incomes, rising housing costs, a limited supply of available housing, and systemic and institutional barriers that can shut people out. Our task is to counteract these forces.

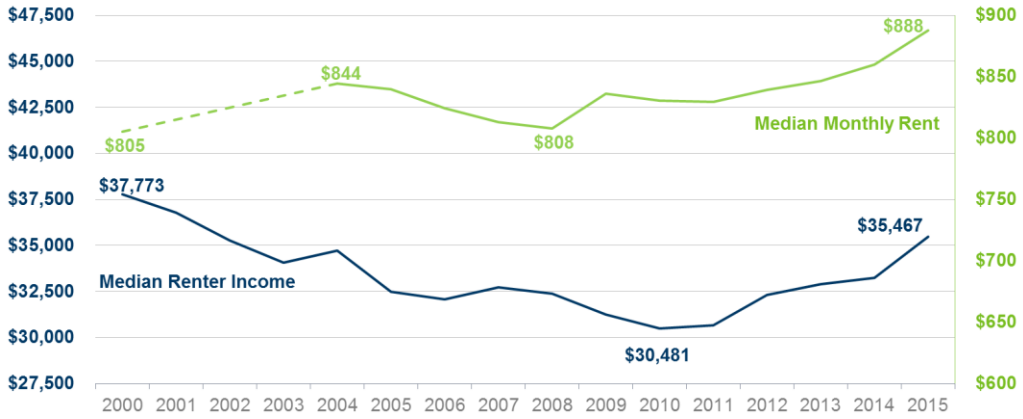
We face significant challenges. Between 2000 and 2015, the number of Minnesota households burdened by their housing costs increased 63 percent from 350,000 to 570,000. Renters are particularly strained, with nearly half paying more than 30 percent of their income on housing.[1]

Figure 1: Number of Cost Burdened Households, 2000 and 2015 [2]



The number of cost burdened households has increased because incomes are not keeping pace with rising housing costs. The trend is most pronounced for renters. As shown in Figure 2, median monthly rents increased 10 percent from $805 in 2000 to $888 in 2015 while median annual incomes decreased 6 percent from $37,773 to $35,467. Renter incomes increased after 2010, which slightly narrowed the gap.

Figure 2: Inflation Adjusted Rents and Income, 2000- 2015 [3]



Going forward, we will need robust income growth for lower-income households to keep pace with rising rents. A rental vacancy rate below 5 percent generally reflects a shortage of housing and rising rents. As shown in Figure 3, the current rental vacancy rate is 4.3 percent statewide and just 3.8 percent in the Twin Cities metro area.[4] In 2016, average rents in the metro area increased by 6.6 percent from $1,053 to $1,123.[5] While the vacancy rate across Greater Minnesota is just above 5 percent, it is well below that level in many communities.[6]

Figure 3: Vacancy Rates, July 2017 [7]

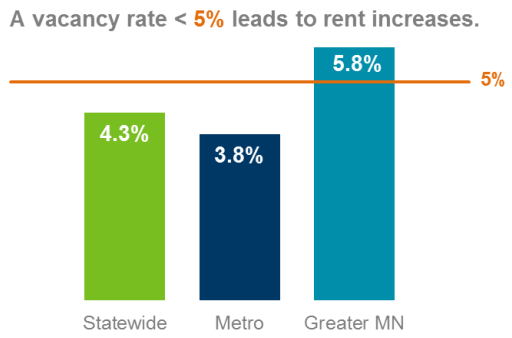
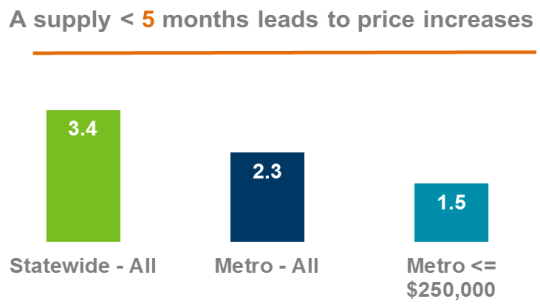


Figure 4: Month-Supply of Homes for Sale, June 2017 [8]

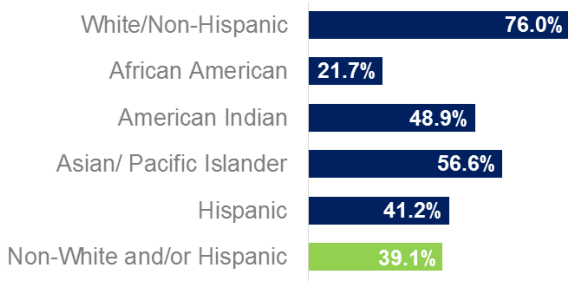


We expect home prices to continue to increase with the limited supply for sale. As shown in Figure 4, the months-supply of homes for sale in June 2017 is 3.4 months statewide and 2.3 months in the Twin Cities metro area. The supply of homes on the market for $250,000 or less is just 1.6 months in the metro area. These numbers reflect how long it would take to clear the current inventory at the current sales pace, and indicate a tight market with rising prices when the supply is less than 5 months. In the last year, home prices have increased by 6.4 percent statewide and 5.5 percent in the Twin Cities metro area.[9]

Some Minnesotans Face Significant Barriers to Affordable Housing

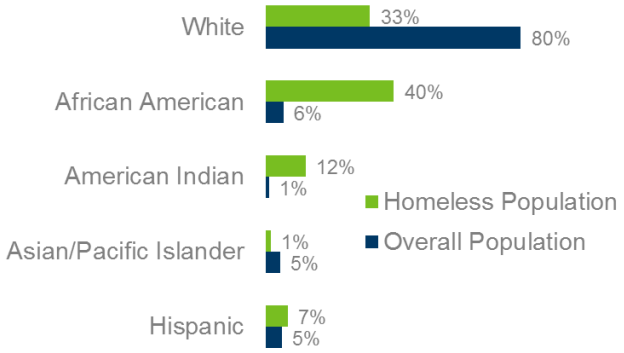
- **Homeownership:** In Minnesota, only 39.1 percent of households of color or Hispanic ethnicity own their home, compared with 76.0 percent of white households. Minnesota's disparity is the largest in the country.

Figure 5: Homeownership Rates, 2015 [10]



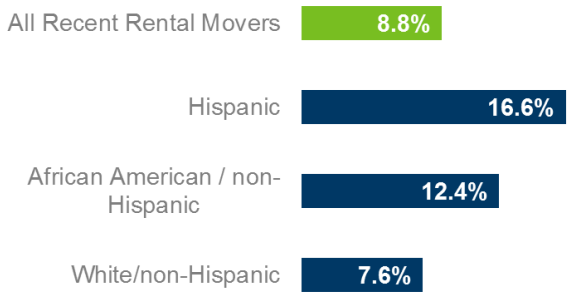
- **Homelessness:** People of color and Hispanic ethnicity are far more likely to experience homelessness. For example, while African Americans account for just 6 percent of Minnesota's overall population, they account for 40 percent of people experiencing homelessness.

Figure 6: Share of Overall and Homeless Population in Minnesota, by Race and Ethnicity [11]



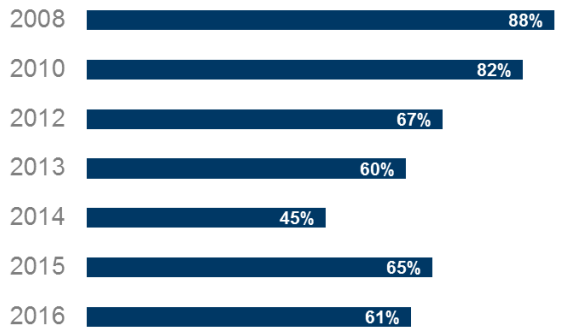
- **Evictions:** According to a recent study by the Federal Reserve Bank, 8.8 percent of renters in the U.S. who moved in the previous two years did so because they were evicted or faced the threat of eviction.[12] Being evicted is not only extremely disruptive but also makes it far more difficult to access housing in the future. Landlords use rental histories to screen potential tenants, and renters of color are more likely to confront this barrier. For example, 16.6 percent of Hispanic renters who recently moved did so because they were evicted or faced the threat of eviction.

Figure 7: Share of Recent Rental Movers Who Were Evicted or Faced the Threat of Eviction, National [13]



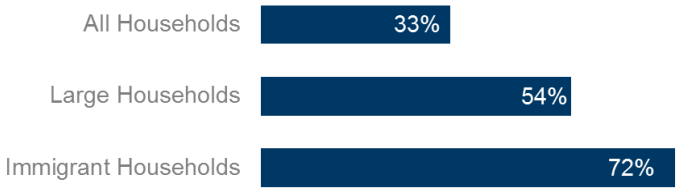
- **Holders of Housing Vouchers:** The Housing Choice Voucher program provides voucher holders with rent subsidies that allow them to pay no more than 30 percent of their income for rent, but they must find a rental unit on the open market to use the voucher. In 2016, almost 40 percent of the households moving off the Metro Housing and Redevelopment Authority's waiting list were unable to find housing where they could use their newly acquired Housing Choice Voucher. Finding housing that meets both the program's quality standards and rent limits can be challenging. In addition, some landlords with qualifying units refuse to rent to people using rental vouchers. In contrast, only 12 percent of voucher holders were unable to find housing in 2008. (The success rate improved in 2015 when the Metro HRA updated its waiting list. The previous list was eight years old.)

Figure 8: Share of New Housing Choice Voucher Holders who Successfully Found Housing with the Voucher, Metro HRA, by Year [14]



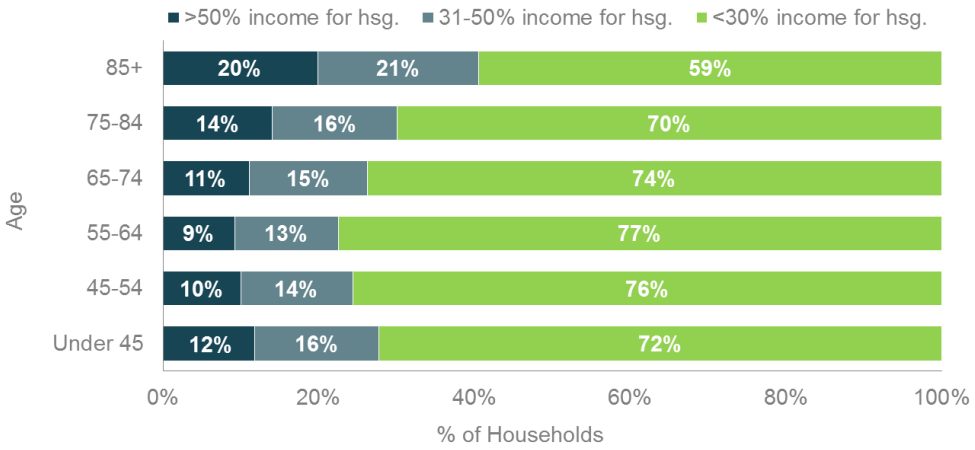
- **Large Families and Immigrants:** In 2015, 39,600 households in the Twin Cities metro area were large families (households with 6 or more people). Of these large families, 44 percent were immigrant families (with the head of household or spouse born outside of the U.S.). Finding affordable housing with at least three or four bedrooms is very challenging. In 2015, 54 percent of large households (21,400 households) were overcrowded or cost-burdened, while 72 percent of immigrant households were.

Figure 9: Percent Households Overcrowded and/or Cost Burdened, Twin Cities Metro Area [15]



- **Seniors:** During the retirement years, more households become burdened by their housing costs. While 26 percent of households age 65 to74 are cost burdened, 41 percent age 85 and older are burdened.

Figure 10: Cost-Burden Percentages by Age of Head of Household, Minnesota, 2015 [16]



Chapter 2 – Our Approach

At Minnesota Housing, we passionately pursue our mission.

> ***Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing***

We are more than a financial institution that invests in affordable housing; we strive to build stronger communities and create better places for families and individuals to live and thrive.

Our core activities are:

- Promote and support successful homeownership,
- Finance new affordable rental opportunities,
- Preserve the existing housing stock,
- Provide housing resources to support community and economic development,
- Lead, collaborate and take action on critical housing issues, and
- Strengthen our financial and organizational capacity.

Within these activities, we have five strategic priorities:

- Reduce Minnesota's racial and ethnic homeownership disparity,
- Preserve housing with federal project-based rent assistance,
- Prevent and end homelessness,
- Finance housing responsive to Minnesota's changing demographics, and
- Address specific and critical local housing needs.

This AHP allocates more than $1.1 billion of housing assistance in 2018. To achieve our mission and fulfill our priorities with these resources, we will be thoughtful and deliberate about how we work. We will:

- Be flexible and responsive,
- Develop effective partnerships,
- Remove barriers and provide equitable access to programs and opportunity,
- Solve problems through innovation and creativity, and
- Leverage our strong financial and operational capacity.

By focusing on how we work, we optimize our programs to effectively address the housing needs outlined in Chapter 1. In the following sections, we outline key actions that we will take during 2018 in each of these five focus areas and provide examples of our current or past work.

Be Flexible and Responsive

We live in an era of change and uncertainty. The economy, housing and financial markets, political environment, and demographics are very different today than they were ten, or even five years ago. For example, mortgage interest rates are currently near historic lows and about half of what they were a decade ago (3.9 percent in 2017 versus 6.7 percent in 2007).[17] Housing needs also vary from community to community. The needs in Minneapolis, Woodbury, Mankato, and Perham are all very different. To effectively work in this environment and take advantage of the opportunities that arise, we must be flexible and responsive. In 2006, we provided $718 million of housing assistance, and over the following ten years, a period of significant change and uncertainty, we increased our assistance by 52 percent to $1.09 billion in 2016. We created this growth by identifying and leveraging funding opportunities and keeping our programs relevant in an ever-changing world.

Example of Being Responsive: Adjusting Downpayment and Closing-Cost Loans
In the fall of 2016, we noticed that our home mortgage lending was less than expected. After a careful analysis, we determined that the amount of assistance provided through our downpayment and closing-cost loans was insufficient in a market where home prices were rising, fewer sellers were offering to pay closing costs, and interest rates were expected to rise. In response, we increased the maximum loan amount offered under our downpayment and closing-cost loan programs and increased the income limit to qualify for one of them. The adjustments were successful. We are now expecting to reach up to $650 million in mortgage lending for the year, surpassing the original $600 million goal. With an average mortgage of $165,000, the changes will help move roughly 300 additional families into homeownership.

Our Commitment to Action in 2018

- **Implement revised multifamily underwriting standards and program guidelines to respond to customer needs.** To make our multifamily first mortgages more flexible and responsive, we have started offering:
    - Interest rates that are more competitive,
    - Longer loan terms and amortization periods,
    - Lower debt-coverage ratios, and
    - Higher loan-to-value ratios.

  We know that the need for financing does not always coincide with the annual consolidated RFP timeline, so we have changed our business model to more consistently offer first mortgages, as well as deferred funds, outside of the Request for Proposals (RFP) cycle.

- **Assess the loss of naturally-occurring affordable housing, identify Minnesota Housing's role in addressing the issue, and build partnerships.** Minnesota has recently been losing a significant amount of unsubsidized "naturally-occurring" affordable rental housing. Typically, these are older,

dated units with modest rents. With the state's low vacancy rates and rapidly rising rents, investors are buying these properties, updating them, and raising the rents so that they are no longer affordable. Minnesota has roughly 300,000 rental units that are affordable to households with incomes at or below 50 percent of the area median income. While 100,000 of these units are affordable through rent and income restrictions, 200,000 are naturally occurring. In 2017, we invested $5 million in an effort of the Greater Minnesota Housing Fund that will finance the acquisition and prevent the loss of this housing. We need to strategically think about next steps, including working with partners on local policy changes.

- **Investigate strategies for preserving and improving manufactured home parks.** Failing infrastructure (sewer, water, roads, etc.) and market pressures (demand for land) are leading to the loss of manufactured home communities. In 2017, using a one-time appropriation from the Legislature, we funded two infrastructure projects in Rochester and Fridley. In 2018, we will work with partners and stakeholders to identify a larger scale strategy and have budgeted $250,000 for a potential pilot program in this area.

- **Address workforce housing needs.** In some communities, employers struggle to recruit a skilled workforce because employees cannot find housing. This is a significant issue in economically-vibrant Greater Minnesota communities with limited new construction. Through our Economic Development and Housing/Challenge program, we have added 900 units of workforce housing since 2012 for renters with incomes no higher than $64,000 and homeowners with incomes no higher than $92,500.[18] In 2018, we will continue financing new affordable workforce housing and assume responsibility for the Greater Minnesota Workforce Housing Development Program, a $2 million program previously run by the Department of Employment and Economic Development that funds rental housing developments without income restrictions.

- **Evaluate and refine our Home Improvement Loan Program.** This program includes both the Fix-Up and Community Fix-Up programs, which provide fully-amortizing loans. In recent years, lending has been limited, due to the greater availability of alternative sources of financing, including home-equity lines of credit and cash-out refinancing. Nevertheless, our program has served some market niches very well, including people who need an unsecured loan or a loan with a higher loan-to-value ratio. It is also effective at financing projects that only involve energy conservation or accessibility improvements. The program has also experienced a declining number of organizations that originate these loans. To more effectively serve the target market statewide, we will identify and implement product refinements and stabilize the lender network.

Develop Effective Partnerships

We depend on robust networks of partners to run programs, shape policies, serve vulnerable populations, and develop great places for people to call home. We work with other state agencies, community-based organizations, developers, realtors, lenders, social service agencies, businesses, and

philanthropy to make Minnesota a better place for low- and moderate-income individuals and families to live and thrive.

Example of Developing Effective Partnerships: Leading Interagency Collaboration
Minnesota Housing is home to both the Interagency Council on Homelessness and the Olmstead Subcabinet. In addition, Commissioner Tingerthal is the chair of both these statewide interagency efforts. The Council is a collaboration of 11 state agencies with the goal of preventing and ending homelessness. Since the Council's Plan to Prevent and End Homelessness was launched in December of 2013, homelessness has dropped 8.5 percent in Minnesota. In the fall of 2017, the Council will update the statewide plan. The Olmstead Subcabinet is a similarly structured eight-agency collaboration with the goal of providing people with disabilities the choice and opportunity to live, learn, work, and enjoy life in integrated settings in the community. Since the Olmstead Plan was adopted in 2015, more than 5,100 Minnesotans with disabilities have moved from a segregated setting to integrated housing in the community.

Our Commitment to Action in 2018

- **Strengthen our partnership networks and increase equitable access to housing opportunities for people with the fewest housing choices.** By strengthening our networks, we hope to improve the lives of under-represented populations and people living in areas of the state with limited access to resources.

- **Create an agency-wide team to assess Minnesota's rural delivery networks and work with partners to support and improve these networks.** In a recent analysis, we found that 445 different organizations administer our community-based programs, including home improvement and rehabilitation loans, homebuyer education, rent assistance, homeless prevention, and community improvement programs. In many cases, the 334 organizations operating in Greater Minnesota are small organizations that administer multiple programs for us and provide other critical services. For example, Community Action Agencies frequently administer several of our programs in addition to energy assistance, weatherization, job training, food shelves, Head Start, child care, and WIC. Besides these community administrators, our network of rural home mortgage lenders is also critical.

- **Launch Homework Starts with Home.** We are working with the Department of Education, Office to Prevent and End Homelessness, Department of Human Services, and Heading Home Funders Collaborative (a coalition of philanthropic organizations) to support community partnerships that will create targeted responses to end homelessness for students and their families. To maximize its effectiveness, the initiative will combine and leverage $2 million of our rental assistance and homeless prevention resources, $300,000 of philanthropic support for local capacity building, and the resources and expertise of local education, housing, and service providers. The initiative will

assist about 200 families and 400 students, with the goal of achieving housing stability and improved school attendance and educational achievement.

- **Build stronger connections with the Minnesota Department of Human Services (DHS) with respect to serving seniors.** To adequately serve the growing number of seniors, we must develop effective strategies for aging in place by coordinating housing with in-home services. Last year, we awarded funds to two senior rental developments with a services component under a pilot that was supported by DHS in both the design of the pilot and selection of the developments. We also co-sponsored with DHS a study by Wilder Research on the home rehabilitation and in-home services needs of extremely low-income senior homeowners. These two initial efforts have laid the ground work for an effective partnership. The Minnesota Board on Aging and DHS' Aging Services Division recently launched a joint strategic planning process and invited us to participate.

- **Continue supporting and strengthening the Homeownership Opportunity Alliance – an industry-wide collaborative to reduce the homeownership disparity in Minnesota.** Minnesota Housing is making significant strides to address the disparity, with 32 percent of our first-time homebuyer mortgages going to households of color or Hispanic ethnicity. However, we only account for roughly 5 percent of the overall mortgage market. In the broader Minnesota market, loans to households of color or Hispanic ethnicity only account for 12 percent of the lending. For the coming year, the Alliance plans to focus on two strategies: (1) providing borrowers and stakeholders with a resource outlining available products and services, and (2) launching a messaging campaign to encourage potential homebuyers to pursue homeownership.

Remove Barriers and Provide Equitable Access to Programs and Opportunity

All Minnesotans need access to a place to call home in a community of their choice. Our investments in Minnesota communities are part of the larger effort to ensure that housing choices are not limited by systemic and institutional barriers.

Example of Removing Barriers: Adding Accessibility Information and Functionality to HousingLink's Search Tool
Each month more than 45,000 people use HousingLink to search for affordable rental housing. In 2015, we provided HousingLink $180,000 to improve the search information and functionality of their website for people with disabilities, and to increase marketing and outreach. As of March 2017, HousingLink listed 1,100 rental units with accessibility features, and 4,000 searches were conducted with accessible functionality. HousingLink also hosts a Fair Housing page on their website, which is offered in four languages.

Our Commitment to Action in 2018

- **Release a new Analysis of Impediments to Fair Housing Choice.** The analysis will evaluate factors across Minnesota that restrict housing choice based on race, color, religion, gender, disability, familial status, or national origin and include an action plan to address them.

- **Address homeownership program gaps in specific communities**. We have identified gaps in our homebuyer education and lending activities in specific communities with respect to serving households of color and Hispanic ethnicity. The nature of and reasons for the gaps vary by community. In 2018, we will continue to collaborate with local partners to further assess and address the gaps.

- **Add financial wellness to the services provided under the Homebuyer Education, Counseling, and Training (HECAT) program.** HECAT offers homebuyer education and counseling, foreclosure counseling, and reverse mortgage counseling. To enhance the program and increase access to homeownership, we are adding financial wellness services, which help people create a budget and savings plan, reduce their debt, improve their credit scores, and better protect themselves. In addition to HECAT funding, NeighborWorks has awarded the Homeownership Center (one of our HECAT funding partners) $400,000 to support the financial wellness work.

Solve Problems through Innovation and Creativity

Being nimble and responsive in a changing and uncertain world requires being innovative and creative, particularly when addressing complex problems. New and evolving situations require new solutions.

Example of Innovation: Launching Landlord Risk Mitigation Fund
In recent years, the vacancy rate has been 3 percent and even lower in many Minnesota communities. As a result, landlords have multiple applicants seeking a single vacancy, allowing them to be very selective. Applicants with criminal records, evictions, poor credit histories, and other issues cannot find housing, forcing them to face the prospect of homelessness. In response, we pursued and received a $250,000 appropriation from the Legislature in 2016 to run a Landlord Risk Mitigation Fund pilot. Landlords that choose to participate in the pilot and rent to tenants with these housing barriers will have access to funds for lost rent and damages if they exceed a tenant's security deposit. Under the pilot, we are also providing nearly $160,000 for other supports, including housing location services for potential tenants, landlord recruitment, and tenant-landlord mediation. In July 2017, we selected three community organizations to administer local programs in the Brainerd area, St. Louis County, and the suburbs of the Twin Cities. Each grantee will operate a slightly different program, and we will evaluate each. The goal is to identify successful strategies that can be brought to a larger scale.

Our Commitment to Action in 2018

- **Continue supporting creative approaches through our Capacity Building Grants.** The grants support new strategies that address community challenges across the state, including the following examples.

    - Dayton's Bluff is striving to create lower-cost, high-quality, single-family homes with minimal subsidies, using modular construction techniques to develop affordable Energy STAR homes. Ecolibrium3 is using a different strategy to address the same issue by partnering with the University of Minnesota Duluth to create a small-scale manufacturing facility in Northeast Minnesota to build components for energy-efficient, single-family homes.

    - Another critical housing issue is evictions. One Family One Community will use listening sessions, focus groups, and tenant education to create solutions for families facing evictions. Meanwhile, the Volunteer Lawyers Network is developing strategies for the legal community to connect people facing eviction with needed resources earlier in the process to prevent evictions.

    - Twin Cities LISC and Noor development will identify and evaluate mortgage products that are acceptable to people who cannot participate in interest-bearing loans for religious reasons. The two organizations are working with community-based organizations and government institutions and will: (1) carry out surveys and focus groups to better understand and explain the need, (2) work with a local lender to pilot a product that would work in the Minnesota market, and (3) negotiate with banks to see if they can offer products that are more acceptable to local communities.

- **Refine our energy conservation work.** Our Energy Efficiency Fellow, hired in 2016 with support from the Energy Foundation, is leading this work, which will:

    - Strengthen connections between affordable-housing and energy-efficiency organizations;

    - Leverage energy rebates offered by utility companies and increase the energy efficiency of affordable rental housing by requiring all tax credit and deferred loan applicants to provide an energy rebate analysis; and

    - Launch a new energy benchmarking pilot, giving 30 energy-inefficient properties in our rental portfolio access to: (1) a benchmarking tool that will track and evaluate their energy and water usage, (2) energy audits, and (3) grant funds for energy and water retrofits.

Leverage Our Strong Financial and Operational Capacity

With disciplined, risk-based financial management, we have built a strong balance sheet capable of producing earnings and providing some continuity of funding and services into the future. We can often be responsive and innovative with Agency-generated funds.

Example of Leveraging Financial Capacity: Creating Monthly Payment Loans
In December 2012, we launched Monthly Payment Loans (MPLs), which are amortizing loans that provide downpayment and closing-cost assistance. Prior to creating MPLs, we only offered Deferred Payment Loans (DPLs), which are zero-interest, deferred loans. Because DPLs use very scarce state appropriations and Pool 3 funds, we limit their use to the lowest-income households who are ready for successful homeownership. However, we found that households with slightly higher incomes also needed assistance but could afford a small monthly loan repayment. Using less scarce Pool 2 funds, which must generate earnings, we created the MPLs. With this product, we now reach a previously underserved market segment, which contributed to our recent high levels of mortgage lending. Through 2016, more than 4,880 homebuyers have used MPLs. With a strong balance sheet and different pools of Agency-generated funds, we can tailor specific loan products to best meet the needs of different borrowers. (See Appendix A-1 for descriptions of Pools 2 and 3 and how they can be used.)

Through proactive and strategic investments in our staff and information technology, we have also built strong internal operations that can be leveraged as we focus on our mission.

Example of Leveraging Operational Capacity: Implementing an Online Tool for Submitting Funding Applications
Prior to the 2017 RFP, multifamily developers had to submit paper applications for competitive RFP funding. This was inefficient for both the developers and our staff. In 2017, we launched our new online application submission tool. The tool not only eliminates paper applications but also provides staff, funding partners, and applicants with current information at their fingertips. The tool creates customized checklists and tracks the completeness of applications. It will also help owners and our staff track milestones as projects move toward loan closing. This year, 55 projects submitted applications through the tool, and all required documents were electronically uploaded. No more paper!

Our Commitment to Action in 2018

- **Pursue continuous improvement for our programs and operations.** While our staff are always looking for ways to improve operations and program outcomes, the Publicly-Owned Housing Program (POHP), the Rental Rehabilitation Deferred Loan (RRDL) program, and Home Improvement Loan Programs will go through more formal evaluations this year. For POHP, we will streamline the

Request for Proposal (RFP) process to make it easier for both the applicants and our staff. RRDL addresses the rehabilitation needs of small rental properties in Greater Minnesota, especially those with one to four units. We will continue to refine the program to effectively meet this challenging need. The evaluation of the Home Improvement Loan Program is described earlier.

- **Pursue a larger request for Housing Infrastructure Bonds (HIBs) and General Obligation (GO) bonds in 2018, and include senior rental housing as a use of the HIBs.** With the resources that we have already received, we have effectively leveraged our strong financial and operational capacity.

    - We have funded the development or rehabilitation of 2,125 units of affordable housing throughout the state using a little more than $130 million of the HIB proceeds that we have received since the 2012 bonding bill. When HIBs are issued as private-activity bonds, the projects qualify for federal 4% housing tax credits. With this track record, we have requested $100 million in HIBs in the 2018 bonding bill. This is our largest request ever because we would like HIBs to also finance rental housing for low-income seniors in addition to the supportive housing, rental preservation, and community land trust activities that are currently eligible.

    - With the $25.5 million we received from GO bonds in 2012 and 2014, we have funded the rehabilitation of 3,361 units of public housing. For 2018, we are requesting $30 million in GO bond proceeds, which is again our largest request ever.

Overarching Issues for 2018

There are several overriding issues that we will confront in 2018 that will require us to work at our very best – being flexible, responsive, creative, innovative, and collaborative.

- **Serving extremely-low-income families and individuals, who have the greatest need for affordable housing.** There are far more households in this category (incomes at or below 30 percent of area median income) than there is housing available that they can afford. High costs and insufficient incomes are the primary barriers, and developing or rehabilitating housing for the lowest-income households requires larger subsidies. Consequently, with limited resources, we face the tradeoff between financing fewer housing units for extremely low-income households or more units for households with slightly higher incomes, who also lack affordable housing.

- **Addressing the tight rental and homebuyer market.** With the rental vacancy rate below 5 percent and the inventory of homes for sale below a five-month supply, housing costs will continue to rise.

- **Preserving the state's existing affordable housing.** As we developed this plan, our partners and stakeholders repeatedly raised the issue of preservation in multiple contexts. Preserving housing with federal project-based rent assistance is one of our strategic priorities, and this chapter highlighted a few other specific needs, including preventing the loss of naturally-occurring

affordable housing, rehabilitating small rental properties in Greater Minnesota, and preserving manufactured home parks. However, the need goes well beyond these four issues and applies to all types of existing multifamily and single-family affordable housing.

- **Allocating scarce resources.** The amount of resources available to finance affordable housing does not meet the requests we receive each year. This includes tax-exempt bonding authority. We will continue to look for ways to finance the growing need for affordable housing and balance homeownership and rental options. With so many demands, we will manage tax-exempt bonding authority and all resources strategically.

- **Monitoring the Impact of Policy Changes.** While we must always be attentive to policy changes at the national level, the level of changes may be heightened in the coming year. We will be proactive as policy changes are contemplated and flexible and responsive as changes are implemented.

Chapter 3 – Resources for Our Work

The need for affordable housing is growing in Minnesota. Fortunately, through effective financial and program management and strong support from the Governor and Legislature, we are planning to provide over $1.1 billion in housing assistance in 2018, which is a $46 million increase from 2017. This chapter provides an overview of our 2018 programs and budget. Appendices A and B provide details about our funding and include descriptions of each program.

Budget and Program Overview

We provide a wide continuum of options for financing affordable housing, ranging from grants for homelessness prevention and rent assistance to mortgages for home purchase and improvements. As shown in Table 2, three programs account for a majority of the 2018 budget.

- **Home Mortgage Loans** (line 1) will provide $630 million of lending and support to an estimated 3,663 homebuyers in 2018.
- **Rental Assistance Contract Administration** (line 20 and 21) will provide nearly $190 million of federal project-based rent assistance for more than 30,000 of the state's lowest income households. With this assistance, households spend no more than 30 percent of their income on rent.
- **Low-Income Housing Tax Credits** (line 13) is our primary program for developing and rehabilitating affordable rental housing. The nearly $9.6 million of credits will generate an estimated $84 million in private equity and leverage other financial resources to construct or rehabilitate about 550 units of affordable rental housing.

Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2016, which ranged from less than $9,000 to more than $65,000. The statewide median family income in 2016 was $77,100.

Program	Median Income
• Supportive housing financed with Housing Infrastructure Bonds (line 31)	$8,796
• Rent assistance programs (lines 20 to 25)	$9,186 to $12,636
• Home Rehabilitation Loan Program (line 9)	$14,336
• Low-Income Housing Tax Credits (line 13)	$21,619
• Habitat for Humanity Initiative (line 5)	$37,896
• Home Mortgage Loans (line 1)	$52,728
• Home Improvement Loan Program (line 8)	$65,666

Table 2: 2017 and 2018 Program and Budget Overview

		2017 Original Funding Level	2018 Funding Level	Activity	Median Income Served (2016)	Percentage Served from Communities of Color (2016)
	Homebuyer Financing and Home Refinancing	**$634,700,000**	**$662,000,000**			
1	Home Mortgage Loans	$600,000,000	$630,000,000	First Mortgage	$52,728	30.0%
2	Mortgage Credit Certificates (MCC)	$5,700,000	$0	Tax Credit on Home Mortgage Interest	$59,777	21.7%
3	Deferred Payment Loans	$15,500,000	$18,500,000	Downpayment and Closing Cost Loans	$44,000	34.3%
4	Monthly Payment Loans	$11,000,000	$11,000,000	Downpayment and Closing Cost Loans	$66,142	29.0%
5	Habitat for Humanity Initiative	$2,500,000	$2,500,000	Homebuyer Financing	$37,896	80.9%
	Homebuyer/Owner Education and Counseling	**$2,767,000**	**$2,802,000**			
6	Homebuyer Education, Counseling & Training (HECAT)	$1,517,000	$1,552,000	Education & Counseling	$35,940	44.0%
7	Enhanced Homeownership Capacity Initiative	$1,250,000	$1,250,000	Education & Counseling	$34,992	87.9%
	Home Improvement Lending	**$22,600,000**	**$24,794,000**			
8	Home Improvement Loan Program	$14,000,000	$15,300,000	Home Improvement Loan	$65,666	9.4%
9	Rehabilitation Loan Program (RLP)	$8,600,000	$9,494,000	Home Improvement Loan	$14,336	10.8%
	Rental Production- New Construction and Rehabilitation	**$125,107,255**	**$124,837,882**			
10	Multifamily First Mortgages	$80,000,000	$70,000,000	Amortizing Loan	$23,667	56.8%
11	Flexible Financing for Capital Costs (FFCC)	$0	$0	Deferred Loan	N/A	N/A
12	Multifamily Flexible Capital Account	$4,500,000	$8,500,000	Deferred Loan	N/A	N/A
13	Low-Income Housing Tax Credits (LIHTC)	$9,546,045	$9,598,835	Investment Tax Credit	$21,619	44.6%
14	National Housing Trust Fund	$3,000,000	$3,118,428	Deferred Loans and Operating Grants	N/A	N/A
15	Preservation - Affordable Rental Investment Fund (PARIF)	$13,900,580	$8,914,008	Primarily Deferred Loan	$13,704	48.3%
16	HOME	$11,518,166	$1,600,000	Deferred Loan	$18,000	35.9%
17	Preservation - Publicly Owned Housing Program (POHP) - GO Bonds	$1,687,858	$12,405,024	Deferred Loan	$11,267	25.2%
18	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$954,606	$8,701,587	Deferred Loan	$14,255	24.0%
19	Greater MN Workforce Housing	$0	$2,000,000	Deferred Loans and Grants	N/A	N/A
	Rental Assistance Contract Administration	**$187,079,695**	**$189,555,000**			
20	Section 8 - Performance Based Contract Administration	$135,000,000	$138,500,000	Rent Assistance	$12,083	37.8%
21	Section 8 - Traditional Contract Administration	$52,000,000	$51,055,000	Rent Assistance	$12,636	28.4%
22	Section 236	$79,695	$0	Interest Rate Reduction	N/A	N/A
	Housing Stability for Vulnerable Populations	**$33,601,038**	**$31,963,095**			
23	Housing Trust Fund (HTF) – Net Activity	$17,963,789	$17,778,911	Rent Assistance and Operating Support	$9,186	65.0%
23a	Funding for new contracts	$33,332,578	$7,372,821			
23b	Adj. to spread contracts over two years	-$15,368,789	$10,406,090			
24	Bridges – Net Activity	$6,339,507	$4,640,000	Rent Assistance	$9,768	32.2%
24a	Funding for new contracts	$9,471,799	$0			
24b	Adj. to spread contracts over two years	-$3,132,292	$4,640,000			
25	Section 811 Supportive Housing Program	$500,000	$600,000	Rent Assistance	N/A	N/A
26	Family Homeless Prevention and Assistance Program (FHPAP) – Net Activity	$8,644,000	$8,769,000	Grants	$12,000	55.8%
26a	Funding for new contracts	$17,288,000	$250,000			
26b	Adj. to spread contracts over two years	-$8,644,000	$8,519,000			
27	Housing Opportunities for Persons with AIDS (HOPWA)	$153,742	$175,184	Grants	$17,344	42.4%
	Rental Portfolio Management	**$2,000,000**	**$2,482,043**			
28	Asset Management	$2,000,000	$2,482,043	Loans & Grants	N/A	N/A
	Multiple Use Resources	**$34,434,779**	**$70,659,118**			
29	Economic Development and Housing/Challenge (EDHC) - Regular	$24,279,779	$16,149,955	Loans and Grants	MF = $19,760 SF = $38,950	MF= 68.7% SF = 45.2%
30	Single Family Interim Lending	$1,000,000	$3,000,000	Construction Loan	N/A	N/A
31	Housing Infrastructure Bonds (HIB)	$3,000,000	$45,234,163	Primarily Deferred Loans	SH = $8,796 Pres = $26,069	SH = 53.6% Pres = 94.5%
32	Community-Owned Manufactured Home Parks	$2,000,000	$2,250,000	Amortizing Loans	N/A	N/A
33	Technical Assistance and Operating Support	$2,655,000	$2,525,000	Grants	N/A	N/A
34	Strategic Priority Contingency Fund	$1,500,000	$1,500,000	Loans & Grants	N/A	N/A

		2017 Original Funding Level	2018 Funding Level	Activity	Median Income Served (2016)	Percentage Served from Communities of Color (2016)
	Other	**$23,089,629**	**$1,973,638**			
35	Manufactured Home Relocation Trust Fund	$1,163,695	$538,230	Grants	N/A	N/A
36	Organizational Investments / Loans	$10,000,000	$0	Loans	N/A	N/A
37	Naturally Occurring Affordable Housing Investment / Loan	$10,000,000	$0	Loans	N/A	N/A
38	Disaster Relief Contingency Fund	$1,925,934	$1,435,408	Loans & Grants	N/A	N/A
	Total	**$1,065,379,396**	**$1,111,066,776**			

NOTE: The section of the table addressing "Housing Stability for Vulnerable Populations" has adjustments to reflect the two-year contracts for these programs. (See lines 23-26.) All funds are committed in the first year of the contract, but activities are carried out over the two years of the contract. The "a" part of the program line shows all the funds that will be committed to execute the contract, while the "b" part is an adjustment to spread out the activities over the two years of the contract. The "Net Activity" line (the part without a letter) shows the net level of activity in a year after the adjustment. The Family Homeless Prevention and Assistance Program (line 26) is the simplest example. In 2017, we committed $17,288,000 for the two-year contracts (line 26a). To reflect program activity, half of those funds ($8,644,000) will be shifted out of 2017 (the negative number in line 26b) and into 2018. The net effect is the $8,644,000 million of program activity in both 2017 and 2018 (top part of line 29), but 2018 also has $250,000 for Homework Starts with Home, which is also split over 2018 and 2019. While displaying both funding and program activity adds a level of complexity, it is necessary. The "a" line is needed from a budgeting perspective to show the funds that are needed to enter into a contract, while the "Net Activity" line more accurately reflects annual program activity.

There are three primary funding changes between the 2017 and 2018 AHPs.

- **In 2018, we expect home mortgage lending to be $30 million higher than originally forecasted in 2017 (line 1).** In 2017, we originally forecasted $600 million for lending, which was the level we achieved in 2016. Since then, we have adjusted our downpayment and closing-cost loan programs (Deferred Payments Loans and Monthly Payment Loans) to be better aligned with market needs and have provided strong outreach and marketing for our mortgages. As a result, production has increased, and we now expect to reach up to $650 million in 2017. However, reaching that level again in 2018 will be challenging due to the limited supply of affordable homes for sale and the prospect of rising interest rates. In the Twin Cities metro area, the months-supply of homes for sale that cost less than $250,000 is just 1.6 months.[19] For comparison, a five-month supply is considered a balanced market.

- **We are budgeting $53 million more from state bond proceeds (lines 17 and 31).** The 2017 Legislature authorized another $10 million in General Obligation Bond proceeds for Public Housing and $55 million in Housing Infrastructure Bond (HIB) proceeds. Through an early award process, we allocated $13.5 of the HIB proceeds in 2017, leaving $41.5 million of the new HIB resources for 2018. We combined these new bond resources with several million dollars of unused proceeds from previous years and repayments from previous awards.

- **Last year, we budgeted $20 million to address two housing issues – community development and preserving naturally-occurring affordable housing – which are not included in the 2018 AHP (lines 36 and 37).** In 2017, we planned to make a one-time $10 million loan to support foreclosure remediation and strategic land acquisition for housing development. We also budgeted up to $10 million for an investment in naturally-occurring affordable housing through the Greater Minnesota Housing Fund; and on June 1, 2017, we formally committed an amount not to exceed $5 million. We are currently evaluating what our ongoing role should be in preventing the loss of naturally-occurring affordable housing and will make decisions about next steps, including funding options, at a later date.

There are a few other notable changes that will not have a significant impact on the overall direction that we will take in 2018, but they are important for people interested in these specific programs.

- **With the scarcity of tax-exempt bonding authority, we have ended the Mortgage Credit Certificate program (line 2).** The program used tax-exempt bonding authority that would otherwise have been lost to provide eligible first-time homebuyers a special tax credit on a portion of their mortgage interest payments.

- **The Multifamily First Mortgage budget is $10 million lower than last year (line 10).** In recent years, we have fallen short of committing the full Multifamily First Mortgage budget; thus, we are "right-sizing" the budget to align with actual expectations. However, with a more deliberate business development model, our goal is to commit all the funds in 2018 and increase actual activity above previous years.

- **HOME funding appears to be $10 million lower than last year (line 16)**. Traditionally, we budget new HOME funds ($6 million) at the start of the AHP, which is before the federal appropriation is finalized. However, this year, we will wait to budget the 2018 HOME funds until there is more certainty about the amount we will receive. In 2018, we also have a much smaller balance of unused funds from previous years.

- **The budget for the Rental Rehabilitation Deferred Loan (RRDL) program is nearly $8 million higher in 2018 (line 18).** Because we run the Request for Proposal (RFP) process for this program every other year, funding has a two-year cycle – about $8 million in the first year of the biennium and less than $1 million in the second year.

- **We have assumed responsibility for the Greater Minnesota Workforce Housing Development program from the Department of Employment and Economic Development (line 19).** The annual appropriation is $2 million.

- **We are budgeting $8 million less under the Economic Development and Housing/Challenge program (line 29).** The $16 million available in 2018 is a more typical funding level. The $24 million available in 2017 was larger than normal because we achieved a one-time boost by starting the practice of forward budgeting $6 million of the following year's funding (e.g. budgeting $6 million of 2018 funds in 2017, $6 million of 2019 funds in 2018, etc.).

Household and Unit Projections

We expect to assist over 68,000 households in 2018.

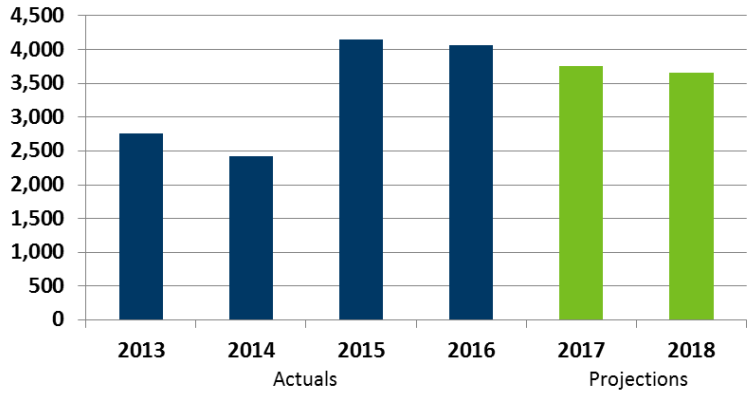
Table 3: 2018 Forecast of Assisted Households or Housing Units, by Program

	Program	Households or Units
	Homebuyer Financing and Home Refinancing	**3,692**
1	Home Mortgage Loans	3,663
2	Mortgage Credit Certificates (MCC)	Included in First Mortgage Count
3	Deferred Payment Loans	
4	Monthly Payment Loans	
5	Habitat for Humanity Initiative	29
	Homebuyer/Owner Education & Counseling	**16,776**
6	Homebuyer Education, Counseling & Training (HECAT)	15,850
7	Enhanced Homeownership Capacity Initiative	926
	Home Improvement Lending	**1,207**
8	Home Improvement Loan Program	827
9	Rehabilitation Loan Program (RLP)	380
	Rental Production- New Construction and Rehabilitation	**4,068**
10	Multifamily RFP/HTC/Pipeline Production	1,681
11	First Mortgage - Low and Moderate Income Rental (LMIR)	Part of RFP/ HTC/ Pipeline Total
12	First-Mortgage - MAP Lending (Multifamily Accelerated Processing)	
13	Flexible Financing for Capital Costs (FFCC)	
14	Multifamily Flexible Capital Account	
15	Low-Income Housing Tax Credits (LIHTC)	
16	National Housing Trust Fund	
17	Housing Infrastructure Bonds (HIB) - Multifamily RFP	
18	Economic Development and Housing/Challenge (EDHC)	
19	Preservation - Affordable Rental Investment Fund (PARIF)	
20	HOME	
21	Preservation - Publicly Owned Housing Program (POHP)	1,551
22	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	757
23	Greater MN Workforce Housing	80
	Rental Assistance Contract Administration	**30,300**
24	Section 8 - Performance Based Contract Administration	21,390
25	Section 8 - Traditional Contract Administration	8,910
	Housing Stability for Vulnerable Populations	**11,615**
26	Housing Trust Fund (HTF)	3,410
27	Bridges	901
28	Section 811 Supportive Housing Program	105
29	Family Homeless Prevention and Assistance Program (FHPAP)	7,015
30	Housing Opportunities for Persons with AIDS (HOPWA)	184
	Rental Portfolio Management	**364**
31	Asset Management	364
	Multiple Use Resources	**388**
32	EDHC - Single Family RFP	219
33	Single Family Interim Lending	Part of EDHC RFP
34	Housing Infrastructure Bonds (HIB) - Community Land Trusts	19
35	Community-Owned Manufactured Home Parks	150
36	Technical Assistance and Operating Support	N/A
37	Strategic Priority Contingency Fund	TBD
	Other	**0**
38	Manufactured Home Relocation Trust Fund	TBD
39	Disaster Relief Contingency Fund	TBD
	Total	**68,409**

Homebuyer Financing and Refinancing

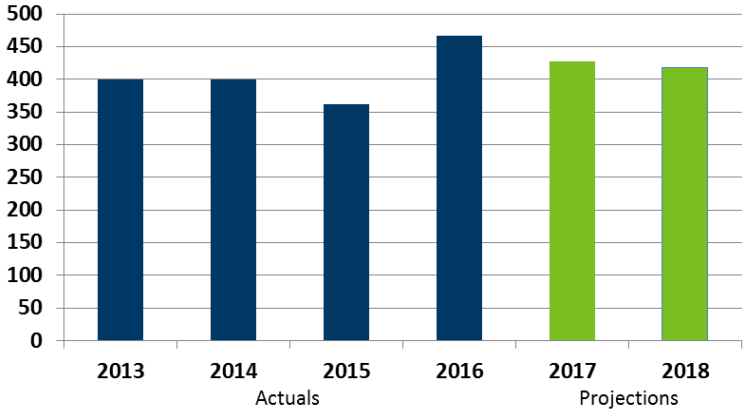
Figure 11 shows our historical production for home mortgage loans, which was about 2,500 mortgages in 2013 and 2014. Our lending then took off in 2015, reaching 4,000 mortgages, and has declined slightly since then. A tight supply of homes, rising prices, and regulatory changes have constrained lending activity.

Figure 11: Households/Home Assisted – Home Mortgage Loans



In 2018, we expect the number of households served under "other homeownership opportunities" to achieve the historical baseline of about 400 households. (Figure 12 includes the Habitat for Humanity Initiative, the single-family portion of the Economic Development and Housing/Challenge program, Housing Infrastructure Bond proceeds going to community land trusts, Single Family Interim Lending, and Community-Owned Manufactured Home Parks.)

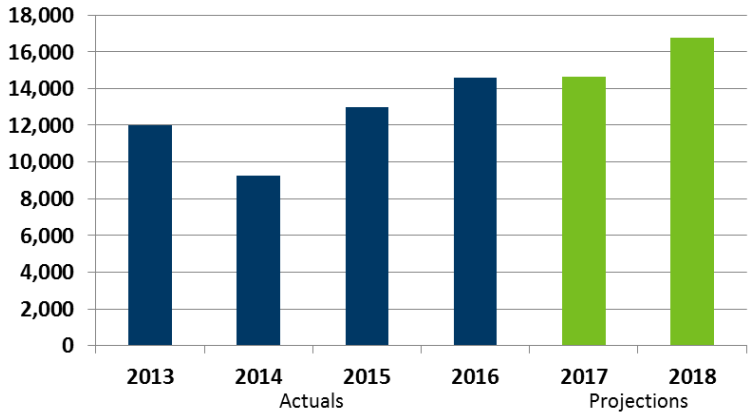
Figure 12: Households/Homes Assisted – Other Homeownership Opportunities



Homebuyer/Owner Education, Counseling, and Coaching

As shown in Figure 13, the decline in households served in 2013 and 2014 reflects the declining need for foreclosure counseling, while the need for homebuyer education continues. The number of households assisted increased in 2015 with the addition of the Homeownership Center's online course called Framework, which is an alternative to traditional classroom training. (Figure 13 includes Homebuyer Education, Counseling & Training (HECAT) and the Enhanced Homeownership Capacity Initiative.)

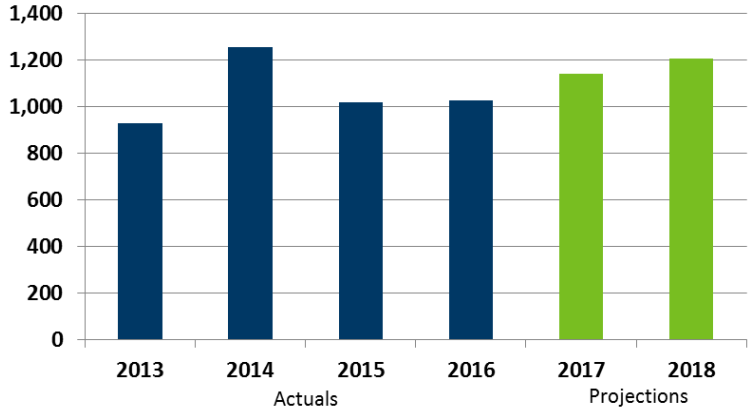
Figure 13: Households Assisted – Homebuyer/Owner Education and Counseling



Home Improvement Lending

Home improvement production (Figure 14) was limited after the recession. Since then, production has increased, but the availability of home equity lines of credit and cash from mortgage refinancing has limited demand for our installment loans. Activity in 2014 was particularly strong because of a special program offering that our largest lender ran at the State Fair. (Figure 14 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

Figure 14: Households/Homes Assisted – Home Improvement Programs

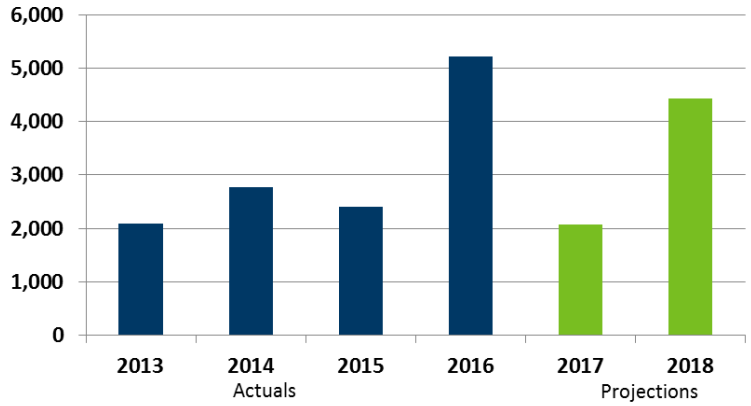


Rental Production and Portfolio Management

In a typical year, rental unit production varies between 2,000 and 3,000 units, but we expect production to reach over 4,000 in 2018 with the availability of $45 million in Housing Infrastructure Bond (HIB) proceeds and $12 million in General Obligation Bond proceeds. Activity in 2016 was also particularly high with the completion of developments that received the last major round of bond proceeds ($100 million). Production in 2018 will be tempered a little because we will likely fund more new construction projects than we did a few years ago. New construction projects require more funding per unit, which limits the number of assisted units. (Figure 15 captures all the programs in the rental production area,

the multifamily portion of the Economic Development and Housing/Challenge and Housing Infrastructure Bond programs, and all the activity in the rental portfolio management category.)

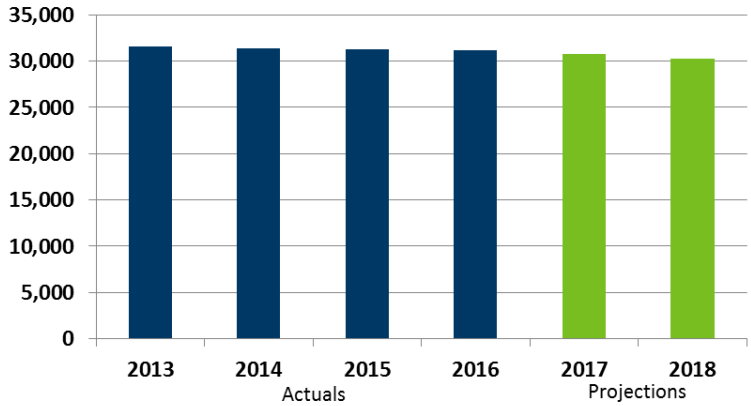
Figure 15: Units Assisted - Rental Production and Portfolio Management



Rent Assistance Contact Administration

Activity in the Section 8 and Section 236 contract administration has been very steady (Figure 16). These are ongoing contracts that we administer, and the number of households served does not vary significantly from year to year. With the last Section 236 mortgages maturing last year, that program has now closed out. It became a small program in recent years as it wound down.

Figure 16: Households Assisted – Rental Assistance Contract Administration

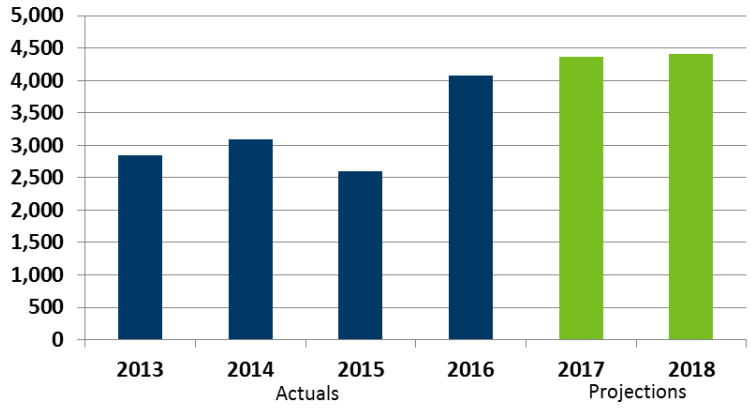


Housing Stability for Vulnerable Populations

Since 2012, there has been an increase in activity for state- and Agency-funded rent assistance and operating subsidies (Figure 17). Starting with the 2016-17 biennium, we have received an additional $2.5 million for the Bridges program (rent assistance for people with very low incomes and a serious mental illness). We have also increased activity under Housing Trust Fund rent assistance, with most of the new activity focused on pilot programs that test new approaches. Finally, we have added the Section 811

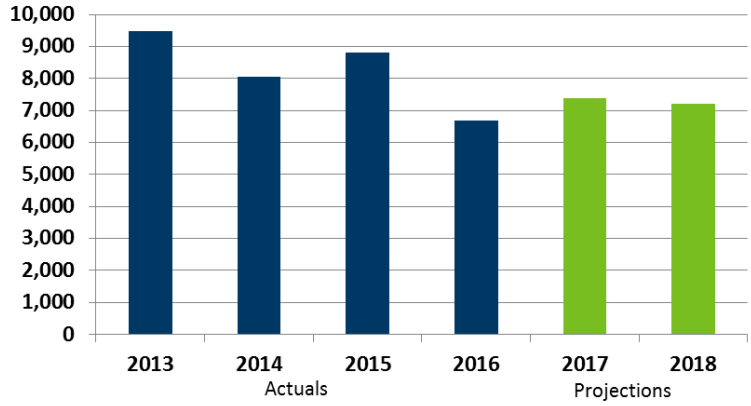
program that serves people with disabilities. (Figure 17 includes those three programs and Housing Trust Fund operating subsidies.)

Figure 17: Households/Units Assisted – Agency Rental and Operating Assistance



The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities for Persons with AIDS (HOPWA) (Figure 18) has declined in recent years because FHPAP has targeted harder-to-serve clients, which requires more funding per household.

Figure 18: Household Assisted – Targeted Assistance – FHPAP and HOPWA



Notes

[1] Minnesota Housing analysis of the U.S. Census Bureau's American Community Survey (2015, one-year sample).

[2] Minnesota Housing and analysis of U.S. Census Bureau's Decennial Census (2000) and American Community Survey (2015, one-year sample).

[3] Minnesota Housing analysis of Census Bureau's Decennial Census (2000) and American Community Survey (2001 to 2015, one-year samples).

[4] Minnesota Housing analysis of data from CoStar; accessed July 15, 2017.

[5] Marquette Advisors, Apartment Trends (4th Quarter 2016). The data compares the 4th quarters of 2015 and 2016.

[6] Minnesota Housing analysis of data from CoStar; accessed July 15, 2017.

[7] Minnesota Housing analysis of Costar data.

[8] Minnesota REALTORS, *June 2017 Housing Report*; and Minneapolis Area Association of REALTORS, *June 2017 Monthly Indicators* and correspondence. The figure for homes that are $250,000 or less is not seasonally adjusted.

[9] Minnesota REALTORS, June 2017 Housing Report; and Minneapolis Area Association of REALTORS, June 2017 Monthly Indicators and correspondence.

[10] Minnesota Housing analysis of the U.S. Census Bureau's American Community Survey (2015, one-year sample).

[11] Minnesota Housing analysis of the U.S. Census Bureau's American Community Survey (2015, one-year sample); and Minnesota's 2017 Homeless Point-in-Time Count for the U.S. Department of Housing and Urban Development.

[12] Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being if U.S. Households in 2016*, (Washington, D.C., 2017), p. 40.

[13] Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being if U.S. Households in 2016*, (Washington, D.C., 2017), p. 40.

[14] Correspondence with the Metro Housing and Redevelopment Authority, April 7, 2017.

[15] Minnesota Housing analysis of U.S. Census Bureau, American Community Survey (2015, one-year sample), IPUMS-USA, University of Minnesota.

[16] Minnesota Housing analysis of U.S. Census Bureau, American Community Survey (2015, one-year sample), IPUMS-USA, University of Minnesota.

[17] Freddie Mac, 30-Year Fixed-Rate Mortgages Since 1971; http://www.freddiemac.com/pmms/pmms30.html; accessed July 28, 2017. The rates apply to June 2017 and June 2007.

[18] The limits apply to rural Minnesota. Metropolitan areas have higher limits.

[19] Minneapolis Areas Association of Realtors, email from David Arbit, July 27, 2017. The figures are from June of each year and not seasonally adjusted.

Appendix A-1
Overview of Funding Sources

Appendix A-1: Overview of Funding Sources

Our strong balance sheet and financial resources are a key strength. This Appendix describes each of our funding sources and outlines how we will use them in 2018. Table 4 shows the 2018 AHP budget by funding source and compares it with the original 2017 AHP. Appendix A-2 is a crosswalk that shows how we are allocating resources from each source to each program.

Table 4: 2018 AHP Budget by Funding Source

Program Category	Original 2017 AHP	Proposed 2018 AHP
Federal Resources	$213,797,648	$207,129,490
State Appropriated Resources	$84,694,391	$79,584,599
State Capital Investments (GO & Housing Infrastructure Bonds)	$4,687,858	$57,639,187
Agency Bond Proceeds and Other Mortgage Capital	$660,700,000	$675,000,000
Housing Investment Fund (Pool 2)	$74,227,500	$57,800,000
Housing Affordability Fund (Pool 3)	$27,272,000	$33,913,500
Total	**$1,065,379,397**	**$1,111,066,776**

Key Changes by Source

- **Federal Resources** are $6.7 million lower in 2018, primarily because we will not budget new 2018 HOME funds until there is more certainty with the appropriation level.

- **State Appropriated Resources** are $5.1 million lower, primarily because we created a one-time boost last year by starting the practice of forward budgeting $6 million of the following year's Economic Development and Housing/Challenge appropriation (e.g. budgeting $6 million of 2018 funds in the 2017 AHP, $6 million of 2019 funds in 2018 AHP, etc.).

- **State Capital Investments (General Obligation and Housing Infrastructure Bonds)** will increase by about $53.0 million with the bonding bill passed by the 2017 Legislature. A portion of the funds from the bonding bill was committed in 2017 to a project qualified for an early start.

- **Agency Bond Proceeds & Other Mortgage Capital** are projected to increase by about $14.3 million. As discussed earlier, we are forecasting home mortgage lending to be $30 million higher than we originally forecasted last year and our multifamily first mortgage activity to be $10 million lower. We ended the Mortgage Credit Certificate program, which converted tax-exempt bonding authority that would have otherwise been lost into income tax credits for a portion of the mortgage interest paid by eligible first-time homebuyers. It had a $5.7 million budget in 2017.

- **Housing Investment Fund (Pool 2)** investments will decrease by $16.4 million. Last year, we budgeted $20 million for two one-time investments that we do not plan to replicate in 2018. However, as other investment opportunities that advance our mission arise, we can increase the use of Pool 2 funding. The implementation of our business development plan for multifamily first mortgage lending and the refinement our Home Improvement Loan Program are two of many potential examples that may ultimately lead to the use of additional resources from Pool 2.

- **Housing Affordability Fund (Pool 3)** investments will increase by $6.6 million, which includes $1.9 million more for downpayment and closing-cost loans to support home mortgage lending and $4.0 million more for the Multifamily Flexible Capital Account to support multifamily production and asset management.

The six funding sources operate as described below. The precise amount of some resources is known at the time this plan is developed, while others (such as loan repayments) are estimates of resources that will become available during the year. Staff uses various analytical approaches (including fund cash flow analysis) to project the amount of resources available for housing programs.

Funding Source Descriptions

Federal Resources: There are various types of federal resources, including appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing and Low-Income Housing Tax Credits from the Internal Revenue Service (IRS). For planning purposes, we generally assume that 2018 funding will remain at its 2017 level; however, as described earlier, we will not budget the 2018 HOME funds until there is more certainty with the appropriation level. The amount of federal housing tax credits is based on a per capita formula and may vary slightly each year.

State Appropriations: The amount of funding is based on the 2018-19 general fund budget adopted by the 2017 Minnesota Legislature. We generally split the appropriations evenly between state fiscal years 2018 and 2019, unless otherwise noted. Repayments of loans from previous year appropriations are also a funding source.

State Capital Investments: These funds come from the state capital budget (bonding bill) and include General Obligation (GO) Bond and Housing Infrastructure Bond (HIB) proceeds. We are budgeting all the available authority for the 2018 program year.

Agency Bond Proceeds and Other Mortgage Capital: Bond proceeds are generated by the issuance of tax-exempt and taxable bonds. Certain tax-exempt bonding activity is limited statewide by IRS rules, which cap the amount of new issuance. In the recent past, market conditions made it difficult to use all the available bonding authority. However, conditions have changed dramatically, and tax-exempt bonding authority is once again a limited resource. We can also sell our mortgage-backed securities on the secondary market. Finally, we are a MAP (Multifamily Accelerated Processing) lender, which allows us to originate FHA-insured multifamily mortgages that are financed through a third-party investor.

Agency Resources: We generate earnings from our lending and investment activities and make them available for use in wide variety of housing programs. Agency resources are currently categorized as follows:

Housing Investment Fund (Pool 2): Most of our investment-earning assets are carried in the Housing Investment Fund, and most assets in Pool 2 produce revenue that support our operations and programs. We can transfer Pool 2 earnings to Pool 3 only to the extent that we project that our aggregate net position will satisfy our Board policy and rating agency stress tests. The earning assets that use Pool 2 are required to be investment grade quality. Accordingly, the planned allocation of Pool 2 funds in a given AHP is primarily determined by the expected market opportunities that meet those loan and investment quality considerations and the projected earnings and net asset requirements for the future.

Housing Affordability Fund (Pool 3): Pool 3 resources come from: (1) transfers from Pool 2 that capture a portion of the Agency's earnings, and (2) repayments or prepayments from loans previously funded under Pool 3. Because Pool 3 has no earnings requirements, it is more flexible than Pool 2 and can be used for deferred loans and grants, making it a resource in high demand. However, Pool 3 is a more limited resource than Pool 2 because it is dependent on the transfer of earnings from Pool 2.

With Pool 3's flexibility, we address statewide rental and homeownership needs that outpace the state and federal resources that are available. For example, in this AHP, 19 percent of resources from state appropriations support homeownership programs and 81 percent support rental programs.[1] To help address this difference, we are budgeting 71 percent of Pool 3 resources to homeownership activities, primarily downpayment and closing-cost loans, which are critical for addressing Minnesota's homeownership disparity.[2]

In Table 5, we present the original 2017 Pool 3 budget, the amount of those funds that we now expect to commit in 2017, and the 2018 Pool 3 budget.

Table 5: Pool 3 Budget and Activity

	2017 Original AHP	Current Forecast for 2017 Commitments*	2018 AHP
Homebuyer Financing and Home Refinancing			
Deferred Payment Loans	$12,215,000	$14,423,188	$14,115,000
Habitat for Humanity Initiative	$1,000,000	$0	$1,000,000
Homebuyer/Owner Education & Counseling			
Enhanced Homeownership Capacity Initiative	$750,000	$705,000	$750,000
Home Improvement Lending			
Home Improvement Loan Program	$272,500	$272,500	$0
Rehabilitation Loan Program	$4,828,000	$4,828,000	$5,722,000
Rental Production- New Construction and Rehabilitation			
Multifamily Flexible Capital Account	$4,500,000	$4,238,496	$8,500,000
Housing Stability for Vulnerable Populations			
Bridges	$226,500	$226,500	$226,500
Family Homeless Prevention and Assistance Program	$0	$56,641	$0
Multiple Use Resources			
Community-Owned Manufactured Home Parks	$0	$0	$250,000
Technical Assistance and Operating Support	$1,980,000	$1,727,500	$1,850,000
Strategic Priority Contingency Fund	$1,500,000	$0	$1,500,000
Total	**$27,272,000**	**$26,421,184**	**$33,913,500**

*Within the 2017 budget, we recently transferred Pool 3 funds that would have otherwise gone unused by other programs to Deferred Payment Loans and the Family Homeless Prevent and Assistance Program, allowing those two programs to commit more than their original budget.

[1] These percentages exclude funding for Technical Assistance and Operating Support, Manufactured Home Relocation Trust Fund, and Disaster Relief Contingency Fund, which do not clearly fall into the homeownership and renter split.

[2] These percentages exclude funding for Technical Assistance and Operating Support and the Strategic Priority Contingency Funds, which do not clearly fall into the homeownership and renter split.

Appendix A-2
2018 Program Funding by Source

Appendix A-2: 2018 Program Budget by Source

		2018 Total	Federal Resources	State Appropriations	State Capital Investment (GO & Housing Infrastructure Bonds)	Agency Bond Proceeds and Other Mortgage Capital	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3)
	Homebuyer Financing and Home Refinancing	**$662,000,000**	**$0**	**$4,385,000**	**$0**	**$630,000,000**	**$12,500,000**	**$15,115,000**
1	Home Mortgage Loans	$630,000,000				$630,000,000		
2	Mortgage Credit Certificates (MCC)	$0				$0		
3	Deferred Payment Loans	$18,500,000		$4,385,000				$14,115,000
4	Monthly Payment Loans	$11,000,000					$11,000,000	
5	Habitat for Humanity Initiative	$2,500,000					$1,500,000	$1,000,000
	Homebuyer/Owner Education & Counseling	**$2,802,000**	**$0**	**$2,052,000**	**$0**	**$0**	**$0**	**$750,000**
6	Homebuyer Education, Counseling & Training (HECAT)	$1,552,000		$1,552,000				
7	Enhanced Homeownership Capacity Initiative	$1,250,000		$500,000				$750,000
	Home Improvement Lending	**$24,794,000**	**$0**	**$3,772,000**	**$0**	**$0**	**$15,300,000**	**$5,722,000**
8	Home Improvement Loan Program	$15,300,000					$15,300,000	
9	Rehabilitation Loan Program (RLP)	$9,494,000		$3,772,000				$5,722,000
	Rental Production- New Construction and Rehabilitation	**$124,837,882**	**$14,317,263**	**$19,615,595**	**$12,405,024**	**$45,000,000**	**$25,000,000**	**$8,500,000**
10	Multifamily First Mortgage	$70,000,000				$45,000,000	$25,000,000	
11	Flexible Financing for Capital Costs (FFCC)	$0						$0
12	Multifamily Flexible Capital Account	$8,500,000						$8,500,000
13	Low-Income Housing Tax Credits (LIHTC)	$9,598,835	$9,598,835					
14	National Housing Trust Fund	$3,118,428	$3,118,428					
15	Preservation Affordable Rental Investment Fund (PARIF)	$8,914,008		$8,914,008				
16	HOME	$1,600,000	$1,600,000					
17	Preservation - Publicly Owned Housing Program (POHP)	$12,405,024			$12,405,024			
18	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$8,701,587		$8,701,587				
19	Greater MN Workforce Housing	$2,000,000		$2,000,000				
	Rental Assistance Contract Administration	**$189,555,000**	**$189,555,000**	**$0**	**$0**	**$0**	**$0**	**$0**
20	Section 8 - Performance Based Contract Administration	$138,500,000	$138,500,000					
21	Section 8 - Traditional Contract Administration	$51,055,000	$51,055,000					
	Housing Stability for Vulnerable Populations	**$31,963,095**	**$775,184**	**$30,961,411**	**$0**	**$0**	**$0**	**$226,500**
22	Housing Trust Fund (HTF) - **Net Activity**	$17,778,911		$17,778,911				$0
22a	Funding for new contracts	$7,372,821		$7,372,821				
22b	Adj. to spread two-year contracts over two years	$10,406,090		$10,406,090				
23	Bridges - **Net Activity**	$4,640,000		$4,413,500				$226,500
23a	Funding for new contracts	$0		$0				
23b	Adj. to spread two-year contracts over two years	$4,640,000		$4,413,500				$226,500
24	Section 811 Supportive Housing Program	$600,000	$600,000					
25	Family Homeless Prevention and Assistance Program (FHPAP) - **Net Activity**	$8,769,000		$8,769,000				
25a	Funding for new contracts	$250,000		$250,000				
25b	Adj. to spread two-year contracts over two years	$8,519,000		$8,519,000				
26	Housing Opportunities for Persons with AIDS (HOPWA)	$175,184	$175,184					

Appendix A-2: 2018 Program Budget by Source

		2018 Total	Federal Resources	State Appropriations	State Capital Investment (GO & Housing Infrastructure Bonds)	Agency Bond Proceeds and Other Mortgage Capital	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3)
	Rental Portfolio Management	**$2,482,043**	**$2,482,043**	**$0**	**$0**	**$0**	**$0**	**$0**
27	Asset Management	$2,482,043	$2,482,043					$0
	Multiple Use Resources	**$70,659,118**	**$0**	**$16,824,955**	**$45,234,163**	**$0**	**$5,000,000**	**$3,600,000**
28	Economic Development and Housing/Challenge (EDHC) - Regular	$16,149,955		$16,149,955				
29	Single Family Interim Lending	$3,000,000					$3,000,000	
30	Housing Infrastructure Bonds	$45,234,163			$45,234,163			
31	Community-Owned Manufactured Home Parks	$2,250,000					$2,000,000	$250,000
32	Technical Assistance and Operating Support	$2,525,000		$675,000				$1,850,000
33	Strategic Priority Contingency Fund	$1,500,000						$1,500,000
	Other	**$1,973,638**	**$0**	**$1,973,638**	**$0**	**$0**	**$0**	**$0**
34	Manufactured Home Relocation Trust Fund	$538,230		$538,230				
35	Disaster Relief Contingency Fund	$1,435,408		$1,435,408				
	2016 Proposed AHP Total	**$1,111,066,776**	**$207,129,490**	**$79,584,599**	**$57,639,187**	**$675,000,000**	**$57,800,000**	**$33,913,500**

Appendix B
Program Descriptions

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Notes on reading the program descriptions:

- "Housing Investment Fund" and "Pool 2" refer to the same resource.
- "Housing Affordability Fund" and "Pool 3" refer to the same resource.
- The sum of the projections for the number of housing units or households assisted by individual programs during the plan period exceed the total number of households projected to be served across all programs. This occurs because some households or housing units will receive assistance from multiple programs to achieve needed affordability levels.
- The projections for the number of households or units assisted generally are based on the average assistance per unit or per household for the last five years, by program, adjusted for inflation and program trends.
- Several programs have multiple funding sources, which may necessitate some differences in program rules depending on the funding sources.
- The tables in the narratives show funds available for commitment in 2018.

Home Mortgage Loans

We offer three home mortgage programs. The first two (Start Up and MCC with first mortgage programs[1]) serve first-time homebuyers; the third (Step Up) assists current homeowners refinancing or purchasing homes. Under the programs, participating lenders originate fully-amortizing first mortgages throughout the state. To support home mortgage borrowers, we also offer downpayment and closing-cost loans that are structured to meet the needs of low- and moderate-income homeowners.

In our current business model for homeownership, we access capital to finance the purchase of mortgage-backed securities containing program mortgages by selling bonds and/or selling our mortgage-backed securities on the secondary market.

We remain committed through our programs to serve households of color or Hispanic ethnicity and households with incomes below 80 percent of area median income.

Current household income limits for first-time buyers:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul (11-county area)	$90,400	$103,900
Dodge & Olmstead	$88,600	$101,800
Balance of State	$80,400	$92,400

Current income limits for repeat and refinance buyers:

Property Location	Maximum
Minneapolis/Saint Paul (11-county area)	$135,100
Dodge & Olmstead	$135,100
Balance of State	$120,200

Purchase price limits:

Property Location	Maximum
Minneapolis/Saint Paul (11-county area)	$306,000
Balance of State	$253,800

[1] We anticipate a limited amount of funds may be available through the Mortgage Credit Certificates Program (MCC) until funding is exhausted or December 31, 2017, whichever occurs first. See the MCC Program write-up.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, we financed:

- 4,063 loans
- $625,852,927 total loan amount
- $154,037 average loan amount
- Median household income of borrowers was $52,728 or 68 percent of the statewide median income
- 30 percent were households of color or Hispanic ethnicity

Our home mortgage programs are experiencing high production, which is heavily supported by downpayment and closing-cost loans. Ninety-two percent of home mortgage borrowers use some type of downpayment and closing-cost loan, which is comparable with other top-producing housing finance agencies nationally.

Proposal for 2018

With the amount of funds requested to support downpayment and closing-cost loans, the 2018 home mortgage production forecast is $630 million. This would be a similar level of production as we expect to achieve in 2017, which increased from an original forecast of $600 million to no more than $650 million. If production strengthens, we will need additional funds in 2018 or program changes for downpayment and closing-cost loans.

Based on resources available for new activity in 2018, we expect to finance loans for 3,663 households. Reducing the homeownership disparity for households of color or Hispanic ethnicity with these resources will continue to be a priority in 2018.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$630,000,000
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$630,000,000**
2017 Original Total	**$600,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 3; Minn. Stat. §462A.073; Minn. Rules, Parts 4900.3200-3290; IRC §143

Mortgage Credit Certificates (MCCs)

The Internal Revenue Service permits state housing finance agencies to convert mortgage revenue bond (MRB) authority into Mortgage Credit Certificates (MCCs) for first-time homebuyers. MCCs make homeownership more affordable by allowing eligible homebuyers to claim a nonrefundable tax credit for a percentage of their mortgage interest up to $2,000 annually. Eligibility requirements for the Mortgage Revenue Bond (MRB) programs, such as first-time homebuyer status, also apply to MCCs.

Between November 2012 and January 2016 we converted a total of $277 million of unused bonding authority:

- $135 million in 2012,
- $92 million in December 2014, and
- $50 million in January 2016.

The total amount of bonding authority converted to approximately $69 million in MCC authority (with 25 percent rate for converting bonding authority into MCC authority).

The following table shows an example of how the tax credit works.

Mortgage amount	$170,000
Mortgage interest rate	3.5%
Annual mortgage interest payment	$5,952
Credit rate	25%
Annual tax credit	$1,488

Program Performance and Trends

MCCs support additional lending by the Agency and advance our business model. Ninety-seven percent of MCC borrowers have used our first mortgages to purchase their home.

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing allocated MCCs for:

- 318 borrowers
- Median household income of borrowers was $59,777 or 77.5 percent of the statewide median income
- 22 percent were households of color or Hispanic ethnicity

Proposal for 2018

The MCC program is ending with a hard stop on December 31, 2017, when the current authority will expire. No new funds or authority will be requested. The Program will no longer be available when the existing authority is exhausted or expires.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$0
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$0**
2017 Original Total	**$5,700,000**

Legal Authority: Minn. Stat. §462A.05; IRC §143, Section 25

Deferred Payment Loans

We offer two downpayment and closing-cost loans—Deferred Payment Loans and Monthly Payment Loans—that support homeowners receiving Start Up, Step Up, or MCC first mortgage loans[2]. Historically, the percentage of our borrowers receiving one of the two types of downpayment and closing-cost loans has been significant, ranging from 60 percent to 90 percent of all borrowers.

The Deferred Payment Loan (DPL) provides an interest-free, deferred loan for downpayment and closing costs to income-eligible first-time homebuyers purchasing a home under the Start Up program. Borrowers that receive DPL lack the necessary funds for standard mortgage downpayment and closing costs. The maximum loan amount is $10,000. The program serves lower income households than the amortizing Monthly Payment Loan (MPL) and is funded through a combination of state appropriations and Pool 3 funds.

To ensure that funds support successful homeownership, DPL requires borrowers to contribute a minimum cash investment of the lesser of one percent of the purchase price or $1,000 and have a credit score of at least 640. DPL also requires at least one borrower per household to complete homebuyer education.

Current income limits are adjusted by household size. Limits for households of one to two members are:

Property Location	Maximum
Minneapolis/Saint Paul metro area (11-county)	$69,000
Dodge & Olmstead	$69,000
Balance of State	$62,000

Current purchase price limits are:

Property Location	Maximum
Minneapolis/Saint Paul metro area (11-county)	$306,000
Balance of State	$253,800

[2] We anticipate a limited amount of funds may be available through the MCC Program until funding is exhausted or December 31, 2017, whichever occurs first. See the MCC Program write-up.

Program Performance and Trends

The availability of DPL is a driver of overall home mortgage production, particularly among lower-income and more targeted borrowers. In 2016, we increased the maximum DPL loan amounts slightly to reflect higher downpayment and closing costs resulting from higher home prices and sellers who are no longer willing to pay a sale's transaction costs. The changes went into effective on June 29, 2016.

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing financed:

- 2,023 loans
- $11,359,907 in total loan amount
- $5,920 average loan
- Median household income of borrowers was $44,000 or 57 percent of the statewide median income

- 34 percent were households of color or Hispanic ethnicity

Proposal for 2018

The 2018 budget includes $18.5 million for DPL. If home mortgage demand remains very strong, additional resources may be needed to support DPL, or we will have to make program changes.

Based on resources available for new activity in 2018, we expect to support 2,298 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	$885,000
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	$3,500,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$0
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	$14,115,000
2018 Total	**$18,500,000**
2017 Original Total	**$15,500,000**

Legal Authority: Minn. Stat. §462A.21, Subd. 8; Minn. Rules, Parts 4900.1300-1359

Monthly Payment Loans

Monthly Payment Loans (MPLs) are interest-bearing, amortizing loans that provide downpayment and closing-cost funds. MPLs support our home mortgage loan programs, including Start Up, Step Up, and the first mortgage loans originated under the Mortgage Credit Certificate program. Borrowers who qualify for MPLs receive up to $12,000. MPLs have a 10-year term with an interest rate equal to that of the first mortgage.

To ensure that funds support successful homeownership, MPL requires borrowers to contribute a minimum cash investment of the lesser of one percent of the purchase price or $1,000 and have a credit score of at least 640. MPL also requires at least one borrower in each household receiving a Start Up loan to complete homebuyer education.

Current household income limits are:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul (11-county area)	$90,400	$103,900
Dodge & Olmstead	$88,600	$101,800
Balance of State	$80,400	$92,400

Current purchase price limits are:

Property Location	Maximum
Minneapolis/Saint Paul (11-county area)	$306,000
Balance of State	$253,800

Program Performance and Trends

Demand for this program has remained strong since its introduction in late 2012.

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

- 1,658 loans
- $12,105,855 in total loan amount
- $7,301 average loan
- Median household income of borrowers was $66,142 or 89 percent of the statewide median income
- 29 percent were households of color or Hispanic ethnicity

Proposal for 2018

For 2018, we anticipate over one-fourth of general home mortgage production will involve MPL, which would require $11 million for MPL. MPL production is subject to overall home mortgage production trends, the interest rate environment, the overall percentage of our borrowers who need a downpayment and closing-cost loan, and program design changes. Given that MPL is the only downpayment and closing-cost loan available with all home mortgage options, the demand for MPL depends upon the demand for Start Up, Step Up, and MCC first mortgage loans. If home mortgage

demand remains very strong, additional resources may be needed to support MPL, or we will have to make program changes.

Based on resources available for new activity in 2018, we expect to fund loans for 1,209 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$11,000,000
Housing Affordability Fund (Pool 3)	
2018 Total	
2017 Original Total	**$11,000,000**

Legal Authority: Minn. Stat. §462A.05

Habitat for Humanity Initiative

For more than a decade, the Habitat for Humanity Initiative has supported a statewide secondary market loan pool for Habitat for Humanity loans.

Program Performance and Trends

For the last Program Assessment period (October 1, 2015 – September 30, 2016) under the former program model, we funded:

- 27 loans
- $2,000,016 in total funding
- $72,039 average Minnesota Housing funding per household
- Median household income was $37,896 or 49 percent of the statewide median income
- 96 percent were households of color or Hispanic ethnicity

Proposal for 2018

We are continuing our revised program investment strategy that started last year. The Agency continues working with Twin Cities Habitat for Humanity by deploying up to $10 million over a four year period to assist in the development and implementation of a new lending model in the Twin Cities metropolitan area. In 2018, we are making $2.5 million available, which will support about 29 homebuyers

Existing investments made through 2016 will continue to revolve and enable Habitat for Humanity Minnesota to provide statewide coverage.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$1,500,000
Housing Affordability Fund (Pool 3)	$1,000,000
2018 Total	**$2,500,000**
2017 Original Total	**$2,500,000**

Legal Authority: Minn. Stat. §462A.21, Subd. 5; Minn. Stat. §462.33; Minn. Rules, Parts 4900.3600-3652; and Board adopted Investment Policy, which in relevant part is consistent with Minn. Stat. §11a.24

Homeownership Education, Counseling & Training (HECAT)

The Homeownership Education, Counseling and Training (HECAT) program supports comprehensive homebuyer education and counseling, including: in-person homebuyer education, one-on-one homebuyer services (financial wellness or homebuyer counseling), home equity conversion counseling, and foreclosure prevention counseling. We and our funding partners (the Minnesota Homeownership Center, the Family Housing Fund, and the Greater Minnesota Housing Fund) accept funding proposals annually from administrators through a competitive Request for Proposals process.

Program Performance and Trends

Of the households assisted in the 2016 program year, 47 percent participated in homebuyer education classroom courses, 24 percent received one-on-one pre-purchase counseling services, 20 percent received foreclosure counseling and 9 percent received home equity conversion mortgage counseling. An additional 5,629 households participated in Framework, an online homebuyer education option. Thirty-one percent of these clients were in Greater Minnesota and 69 percent in the Twin Cities Metropolitan Area.

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

- 8,353 households (including federal funding received through the National Foreclosure Mitigation Counseling Program). An additional 5,629 households participated online through Framework
- $1,694,271 in total funding
- $203 average Minnesota Housing assistance per household
- Median household income of participants was $35,940 or 47 percent of the statewide median income
- 44 percent were households of color or Hispanic ethnicity

A review of mortgage delinquency and foreclosure in Minnesota shows that some troubled loans remain in the system; however, rates have declined from the highs of 2008-2010, and the need for foreclosure counseling continues to diminish.

Proposal for 2018

We have received an $857,000 state appropriation. Historically, the Greater Minnesota Housing Fund and the Homeownership Center have also annually contributed $250,000 to the program, and the Family Housing Fund has contributed $150,000.

Based on resources available for new activity in 2018, we expect to fund assistance for 15,850 households under HECAT (including online Framework training).

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	$857,000
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	$45,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	$650,000
Carry Forward of Unobligated Balances from Previous Plans	$0
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$1,552,000**
2017 Original Total	**$1,517,000**

Legal Authority: Minn. Stat. §462A.209

Enhanced Homeownership Capacity Initiative

Households of color or Hispanic ethnicity are an increasing share of the state's population, yet Minnesota's homeownership disparity (the homeownership rate differential between white/non-Hispanic households and households of color or Hispanic ethnicity) is the highest in the nation. These households often struggle to access the mortgage market, and their homeownership rate declined between 2008 and 2012, and leveled off since then.

The Enhanced Homeownership Capacity Initiative, a pilot program, provides intensive financial education, comprehensive homebuyer/owner training, and case management services to prepare families for sustainable homeownership. It serves a range of households but has targeted efforts to reach households of color or Hispanic ethnicity and low-to-moderate income households to increase their probability of successful homeownership.

In the most recent round of funding, fifteen organizations will provide services – nine in the Twin Cities metro, four in Greater Minnesota, and two in both areas.

Program Performance and Trends

This initiative supports new and expanded homeowner training efforts through existing organizations, which leverage funds from a number of sources.

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

- 626 households served
- $650,000 total grant amount
- $1,038 average Minnesota Housing funding per household
- Median household income of borrowers was $34,992 or 45 percent of the statewide median income
- 88 percent were households of color or Hispanic ethnicity

Proposal for 2018

For 2018, we will allocate $1,250,000 for the pilot, including a $500,000 direct appropriation to one provider by the Legislature and $750,000 of Pool 3 funds that we will distribute through a competitive RFP.

Based on resources available for new activity in 2018, we anticipate serving approximately 926 households under this pilot program.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	$500,000
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$0
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	$750,000
2018 Total	**$1,250,000**
2017 Original Total	**$1,250,000**

Legal Authority: Minn. Stat. §462A.209

Home Improvement Loan Program

The Home Improvement Loan Program, including the Fix Up Fund and Community Fix Up Fund, provides fully-amortizing home improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes. It is a key tool for addressing the state's stock of aging housing.

The program serves a broad range of incomes and promotes economic diversity in lending. With higher loan-to-value limits than traditional loan products and an unsecured loan option, borrowers are able to improve and preserve their homes when other financing options may be not available to them. This is an important product when home values in some markets are still recovering from the housing crisis, and traditional lender loan products are capped at an 80 percent loan-to-value ratio.

Current income limit: $104,000 for secured and unsecured loans (no limit for unsecured energy incentive and secured energy/accessibility loans).

Maximum loan amount: $50,000 for secured loans; $15,000 for unsecured loans and secured energy/accessibility loans.

Program Performance and Trends

For the Program Assessment period of October 1, 2015—September 30, 2016, Minnesota Housing financed:

- 746 loans
- $13,536,240 total loan amount
- $18,145 average loan
- Median household income of borrowers was $65,666 or 85 percent of the statewide median income
- 9 percent were households of color or Hispanic ethnicity

Coming out of the recession, lending in this program initially increased with the stronger economy; however, over the last couple of years, production has been limited. Lenders have told us that renewed home equity lines of credit and cash-out first mortgage refinances are pulling market share from fixed-term products.

Proposal for 2018

With recent trends in home improvement lending, we are forecasting $15.3 million for this program and we expect to finance loans for 827 households.

Staff has started a program evaluation to identify program changes that will better serve eligible homeowner needs and stabilize the lender network. Staff will support our Olmstead initiative with continued outreach to disability service organizations to increase awareness of loan resources and increase program usage by households with accessibility needs. We will also continue to promote Community Fix Up initiatives with an interest-rate write down that reaches lower income households than those served under regular program options.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$15,300,000
Housing Affordability Fund (Pool 3)	
2018 Total	**$15,300,000**
2017 Original Total	**$14,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 14; Minn. Rules, Parts 4900.0610-0700

Rehabilitation Loan Program (RLP)

The Rehabilitation Loan Program (RLP) provides deferred loan financing to low-income homeowners needing home rehabilitation to improve its safety, livability, or energy efficiency. The housing is rehabilitated to the greatest extent practicable to meet the rehabilitation standard adopted by the Agency in 2010. Homeowners who need emergency assistance or have an essential accessibility need are referred to the Emergency & Accessibility Loan (ELP) component of the program.

Local entities, such as community action agencies, administer RLP. The maximum loan term is 15 years for properties taxed as real property and 10 years for manufactured homes taxed as personal property and located in a manufactured home park. All loans are forgiven after the loan term if the borrower does not sell, transfer title, or cease to occupy the property during the loan term. Other borrower assets cannot exceed $25,000.

Current income limits are adjusted by household size, from $19,000 for a single person household to $27,100 for a four-person household.

Maximum loan amount: $15,000 for an emergency or accessibility loan and $27,000 for a rehabilitation loan.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

- 278 loans
- $6,274,706 total loan amount
- $22,571 average loan
- Median household income of borrowers was $14,336 or 19 percent of statewide median income
- 11 percent were households of color or Hispanic ethnicity

In the past year, staff has worked to: 1) improve program delivery and the capacity of local administrators, 2) analyze the program to increase efficiencies and work with lenders to improve program processes, and 3) improve training resources by developing accessible and instructional training tutorials.

Proposal for 2018

In 2018, we will continue to work with administrators to identify program changes that will both improve client services and make program administration easier. We will continue working to ensure statewide program coverage in urban, suburban and rural markets, as well as coverage to core demographics who often receive assistance, including seniors and households with a disabled member.

Based on resources available for the program in 2018, we expect to fund rehabilitation loans for 380 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	$2,772,000
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	$1,000,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$0
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	$5,722,000
2018 Total	**$9,494,000**
2017 Original Total	**$8,600,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 14a; Minn. Rules, Parts 4900.0610-0700

Multifamily First Mortgages

We make available Multifamily First Mortgages through our Low and Moderate Income Rental (LMIR) program and MAP (Multifamily Accelerated Processing) lending.

Low and Moderate Income Rental (LMIR)

We have the ability to finance and insure amortizing first mortgages. Traditionally, we have made direct loans through our Low and Moderate Income Rental Program (LMIR) using either
Pool 2 resources or proceeds from the issuance of tax-exempt bonds. Direct loans are now made under LMIR in combination with HUD's Risk Sharing Program.

The LMIR Program makes interest-bearing, amortizing first mortgages available for the refinance, acquisition, rehabilitation, or new construction/conversion of rental developments that house low- and moderate-income Minnesotans. We also finance construction (bridge) loans and streamlined refinance loans under this program. Financing is available to housing sponsors both through the Request for Proposals (RFP) process and on a year-round pipeline basis. To enhance LMIR loans, we may also offer a companion, low- or no-interest deferred loan under the Flexible Financing for Capital Cost (FFCC) program, resulting in a lower overall interest rate on a blended basis.

Current rent restrictions: a minimum of 40 percent of units must be affordable to households with incomes at 60 percent of the area median income; or 20 percent of units must be at affordable to households with incomes at 50 percent area median income; and the balance of units may have rents at the Minnesota Housing determined "market rate".

Current tenant income restrictions: 40 percent of units must be occupied by households with incomes at 60 percent or less of the area median income; or 20 percent of units must be occupied by households with incomes at 50 percent or less of area median income; and 25 percent of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100 percent of the area median income.

There are no set minimum or maximum loan amounts; however, due to financing costs, loans are generally not feasible with loan amounts less than $2 million on tax-exempt bond loans and $350,000 on all others.

For the past several years, the bond market has not produced attractive interest rates for long-term bonds; as a result, we have issued short-term tax-exempt bonds to finance LMIR construction (bridge) loans. Bridge loans may be paid off by permanent LMIR loans funded from Pool 2 resources, a structure that allows developments to qualify for 4 percent housing tax credits and realize the benefit of very low short-term interest rates while not being subject to interest rate risk on the permanent mortgages. This structure is subject to change as directed by our finance staff (as the bond market changes).

MAP Lending

The HUD Multifamily Accelerated Processing (MAP) program provides mortgage insurance through HUD's Federal Housing Administration to facilitate new construction, rehabilitation, acquisition, and refinance of multifamily rental housing. MAP transactions are fully-insured, fully-amortizing loan

products. Through a partnership with Dougherty Mortgage, we complete the loan underwriting and then assign HUD's commitment to a third party for rate lock, closing, funding, and servicing. These loans may be paired with our other loan programs.

Eligibility requirements: The development must meet the underwriting standards as prescribed by HUD, including loan-to-value requirements and debt-service-coverage ratio. The development team must also meet HUD requirements regarding experience and financial strength.

There are no set minimum or maximum loan amounts; however, due to financing costs, loans are generally not feasible in amounts of less than $1 million.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, under LMIR, Minnesota Housing financed:

- 6 loans for developments with 554 units
- $24,684,250 total loan amount
- $44,556 average assistance per unit
- Median household income of tenants was $23,667 or 31 percent of the statewide median income
- 57 percent of households were of color or Hispanic ethnicity

One MAP loan for a development with 75 units closed October 1, 2015 – September 30, 2016. In the current interest rate environment, MAP loan volume is expected to increase, both through the RFP and on a pipeline basis.

- 1 loan for a development with 75 units
- $2,427,000 total loan amount
- $32,360 average loan

Proposal for 2018

To broaden the benefit and flexibility of our first mortgage programs, over the past year we made modifications to the program to make it more competitive in the market and began exploring ways to streamline our application submission and review process. Additionally, we developed a year-round funding approach to enhance the marketing and benefit of our mortgage products. We expect to pair deferred funding sources (including FFCC, PARIF, Assets Management loans, and possibly HOME) with amortizing mortgages to support this year-round approach.

We review funding applications to determine if they would be better served LMIR or MAP loans. Staff anticipates 2018 LMIR loans will be processed under the Federal Financing Bank Risk Sharing Program. For 2018, we will continue to explore and implement additional mortgage products.

We are budgeting $80 million for LMIR and MAP lending. We anticipate that roughly 75 percent of the permanent financing will be awarded through the RFP process and 25 percent will be awarded through year-round funding.

Based on resources available in 2018, we expect to assist up to 1,143 units under permanent LMIR financing (excluding bridge loans) and MAP lending.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$45,000,000
Housing Investment Fund (Pool 2)	$25,000,000
Housing Affordability Fund (Pool 3)	
2018 Total	**$70,000,000**
2017 Original Total	**$80,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 3

Flexible Financing for Capital Costs (FFCC)

We provide Flexible Financing for Capital Costs (FFCC) deferred loans at low or no interest. FFCC is available only in conjunction with Agency-originated first mortgage loans for the refinance, acquisition, rehabilitation, or new construction/conversion of rental developments that house low- and moderate-income Minnesotans.

We allocate FFCC funds through the Request for Proposals (RFP) process and on a year-round pipeline basis, allowing us to act more quickly to meet the immediate needs of developments that would be unnecessarily delayed if required to wait for the next RFP.

Current rent restrictions: a minimum of 40 percent of units must be affordable to households with incomes at 60 percent of the area median income; or 20 percent of units must be at affordable to households with incomes at 50 percent area median income; and the balance of units may have rents at the Minnesota Housing determined "market rate".

Current tenant income restrictions: 40 percent of units must be occupied by households with incomes at 60 percent or less of the area median income; or 20 percent of units must be occupied by households with incomes at 50 percent or less of area median income; and 25 percent of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100 percent of the area median income.

Maximum loan amount: no set limit, subject to funding availability.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing financed:

- One FFCC loan for a development with 173 units
- $1,560,000 total loan amount
- $9,017 average FFCC assistance per unit

Proposal for 2018

Because the need for FFCC is largely dependent on which develops ask for and receive a first mortgage from us and need gap financing, demand for FFCC is very uncertain. Thus, we are not allocating funds to FFCC at this time. As RFP selections are made, we will transfer funds from the Multifamily Flexible Capital Account to FFCC. (The next program description outlines this account.)

Of the FFCC funds that will eventually be made available, we anticipate that approximately 75 percent of the funds will be awarded through the 2017 RFP and up to 25 percent will be awarded through year round pipeline.

Until we determine the amount of funds needed for FFCC, we cannot estimate the number of units that would be assisted.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	TBD
2018 Total	**TBD**
2017 Original Total	**TBD**

Legal Authority: Minn. Stat. §462A.05, Subd.3, and - Minn. Stat. §462A.21, Subd.8a.

Multifamily Flexible Capital Account

Our multifamily underwriting team has the difficult challenge of funding as many high-quality rental developments each year as possible with available funds and varying program restrictions. Matching the right funds to the right development to maximize the number of affordable housing opportunities is a complex process. The Multifamily Flexible Capital Account, which uses resources from our Housing Affordability Fund (Pool 3), allows us to fill the last funding gaps in projects to maximize production. We will use this account to fund FFCC after we determine the amount that is needed, asset management loans, and other gaps.

Program Performance and Trends

This was a new account for 2017, from which resources were transferred to regular programs as needed.

Proposal for 2018

Based on the resources available, we expect to fund the development or rehabilitation of about 441 units.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	$8,500,000
2018 Total	**$8,500,000**
2017 Original Total	**$4,500,000**

Low-Income Housing Tax Credits (LIHTC)

Low-Income Housing Tax Credits (LIHTCs) provide federal income tax credits to owners and investors in the construction or acquisition/substantial rehabilitation of eligible rental housing. The housing must meet income and rent restrictions for a minimum of 30 years. The U. S. Department of Treasury (IRS) allocates tax credits based upon state population and a per capita amount that increases each year with the cost of living. Syndication proceeds are the amounts of private equity invested in developments as a result of federal housing tax credits awarded and then sold to investors. The award of LIHTCs is a highly competitive process, with requests far exceeding available credits.

The Minnesota Legislature designated us as the primary allocating agency of LIHTC in Minnesota and qualified local cities and counties as suballocators.

We award tax credits in two rounds of a competitive allocation process held each year. Round 1 is held concurrent with our Request for Proposals, and a smaller Round 2 is traditionally held early in the next calendar year. We establish a waiting list of unfunded or partially funded applications at the conclusion of Round 2.

Section 42 of the Internal Revenue Code requires that tax credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency. Our Qualified Allocation Plan (QAP) combines state and federally legislated priorities with other priorities established by us based on input from the public, partners, and stakeholders. The QAP sets forth selection criteria that are appropriate to local conditions and support our mission and strategic priorities.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing financed or allocated:

- 515 LIHTC units
- $62,020,774 in syndication proceeds
- $120,429 average syndication amount per unit
- Median household income of tenants in LIHTC units financed by Minnesota Housing was $21,619 or 28 percent of the statewide median income
- 45 percent of households were of color or Hispanic ethnicity

Proposal for 2018

Based on the available LIHTC credit ceiling, we expect to allocate tax credits to support 554 units in 2018.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	$9,598,835
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	$0
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$9,598,835**
2017 Original Total	**$9,546,045**

Legal Authority: Minn. Stat. §462A.221-225; IRC §42

National Housing Trust Fund

The National Housing Trust Fund (NHTF) is an affordable housing production program that complements existing Federal, State, and local efforts to increase and preserve the supply of safe, affordable housing for extremely low-income households, including families experiencing homelessness. The Fund is capitalized through contributions from the government sponsored enterprises Fannie Mae and Freddie Mac and administered by U.S. Department of Housing and Urban Development.

Current Income Restrictions: NHTF-assisted units must be occupied by households with incomes at or below 30% of the area median income (AMI).

Current Rent Restrictions: Rents of an extremely low-income tenant shall not exceed affordability at the greater of 30 percent of the federal poverty line or 30 percent of area median income. HUD will publish the HTF rent limits on an annual basis.

Program Performance and Trends

This was a new program in 2017. Funds were awarded for new construction of 30 permanent Supportive Housing Units in a development with an estimated December 2017 closing date.

Proposal for 2018

Our program will provide financing for one to two developments that are:

- New construction,
- Acquisition with rehabilitation,
- Rehabilitation without acquisition, or
- Operating subsidies for one of the above developments that produces new units meeting the permanent supportive housing strategic priority (up to 30% of the grant)

Based on the available resources, funds are expected to support 26 units in 2018.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	$3,000,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	$118,428
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2018 Total	**$3,118,428**
2017 Original Total	**$3,000,000**

Legal Authority: Housing and Economic Recovery Act of 2008, Section 1131; 12 U.S.C 4501 et seq; 24 C.F.R Part 93.

Preservation Affordable Rental Investment Fund (PARIF)

PARIF provides deferred loans to fund the preservation of: 1) permanent affordable rental housing with project-based federal subsidies that are in jeopardy of being lost, and 2) existing at-risk supportive housing developments. Eligible activities under PARIF include rehabilitation, acquisition and rehabilitation, debt restructuring, and equity take-out.

We allocate PARIF funds through the Request for Proposals (RFP) process and on a year-round pipeline basis, allowing us to act more quickly to meet the immediate needs of developments that would be adversely impacted if required to wait for the next RFP.

Tenant income limit: PARIF is subject to the federal guidelines for the units being preserved.

Maximum assistance amount: None

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

- Three developments with 199 units
- $5,201,339 total loan amount
- $23,137 average PARIF assistance per unit
- Median household income of tenants was $13,704 or 18 percent of the statewide median income
- 48 percent were households of color or Hispanic ethnicity

This program is a critical tool in the long-term preservation of expiring project-based Section 8 contracts as well as other project-based federally assisted housing.

Proposal for 2018

We anticipate that approximately 80 percent of the funds will be awarded through the 2017 RFP and up to 20 percent will be awarded through the year-round pipeline. Pipeline requests will be considered if a project faces one of the following risks which preclude it from applying through the RFP: 1) the proposal has existing funding commitments that cannot be extended and will be otherwise lost; 2) the proposal involves immediate emergency repairs threatening the health and safety of existing tenants; 3) the current owner delivered an opt-out notice and the federal subsidy would be lost without an incentive or transfer; or 4) the proposal documents a unique housing opportunity that would be lost and that advances our strategic priorities as outlined in the RFP Guide.

Based on resources available for new activity in 2018, we expect to fund 297 units.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	$4,218,000
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	$2,000,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$2,696,008
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$8,914,008**
2017 Original Total	**$13,900,580**

Legal Authority: Minn. Stat. §462A.21, Subd. 8b and 14a; Minn. Stat. §462A.05, Subd. 3b; Laws of Minnesota 2009, Chap. 17, Art. 1, Sec. 6; Minn. Rules, Parts 4900.3500-3550, 2700-2707, 4900.0610-0700

HOME

HOME provides deferred loans for new construction, rehabilitation or acquisition/rehabilitation of permanent affordable rental housing, including housing with state or federal project-based rental subsidies.

We allocate HOME funds through the Request for Proposals (RFP) process and on a year-round pipeline basis, allowing us to act more quickly to meet the immediate needs of developments that would be adversely impacted if required to wait for the next RFP.

Tenant income limit: The U.S. Department of Housing and Urban Development (HUD) annually sets limits for the HOME program.

Rent limits: HUD annually sets limits for the HOME program.

Maximum assistance amount: HUD annually sets the maximum per-unit subsidy limits.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

- Two developments with 694 units
- $5,660,603 total loan amount
- $8,156 average HOME assistance per unit
- Median household income of tenants was $18,000 or 23 percent of the statewide median income
- 36 percent were households of color or Hispanic ethnicity

This program is a critical tool in the long-term preservation of expiring project-based Section 8 contracts as well as other project-based assisted housing.

Proposal for 2018

In 2018 HOME funds will be used to support either new construction or rehabilitation needs. Less funding is available in 2018 because we are not budgeting new 2018 resources until the funding is more certain. Until then, recycled HOME program income and unused funds from prior years will be used to support 2018 housing activity.

Based on resources available for new activity in 2018, we expect to fund 46 units. The number will increase once 2018 funding is made available.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	$0
Repayments/Program Income	$1,490,835
Carry Forward of Unobligated Balances from Previous Plans	$109,165
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$1,600,000**
2017 Original Total	**$11,518,166**

Legal Authority: Minn. Stat. §462A.21, Subd. 8b and 14a; Minn. Stat. §462A.05, Subd. 3b; Laws of Minnesota 2009, Chap. 17, Art. 1, Sec. 6; Minn. Rules, Parts 4900.3500-3550, 2700-2707, 4900.0610-0700 and Title 11 of the Cranston-Gonzales National Affordable Housing Act; 42 U.S.C. §12701 et seq; 24 CFR Part 92

Preservation – Publicly Owned Housing Program (POHP)

Under the Publicly Owned Housing Program (POHP), we provide deferred, forgivable loans at no interest to eligible public housing authorities or housing and redevelopment authorities to preserve/rehabilitate properties that they own and operate under HUD's Public Housing program. Past legislation also has authorized the acquisition, construction, or rehabilitation of publicly-owned permanent supportive or transitional rental housing. Funds are from the proceeds of state General Obligation Bonds and can be used only for eligible capital costs of a non-recurring nature that add value or life to the buildings.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

- 21 loans for 1,448 units
- $10,920,077 total loan amount
- $7,541 average assistance per unit
- Median household income of tenants was $11,267 or 15 percent of the statewide median
- 25 percent were households of color or Hispanic ethnicity

Proposal for 2018

The tentative RFP schedule for PHOP has applications due in November or December of 2017, and funding recommendations presented at the March 2018 Board meeting. Based on resources available for new activity in 2018, we expect to rehabilitate 1,551 units.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2018	
New Appropriations 2017	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	$10,000,000
Carry Forward of Unobligated Balances from Previous Plans	$2,405,024
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$12,405,024**
2017 Original Total	**$1,687,858**

Legal Authority: Minn. Stat. §462A.202; Minn. Rules, Parts 4900.3100-3130

Rental Rehabilitation Deferred Loan Pilot Program (RRDL)

RRDL provides deferred loans at no interest to individuals, developers, nonprofits, units of government, and tribal housing corporations for the moderate rehabilitation of existing affordable rental housing throughout Greater Minnesota. The program is designed to serve owners of smaller federally assisted properties or naturally affordable properties that do not apply or would not be competitive in our regular Consolidated Request for Proposals process.

Program funds are available through a network of local administrators. For developments located in areas of the state that are not represented by a local program administrator, owners may apply directly to us for RRDL funds as a project-specific applicant. Loan terms range from 10 to 30 years depending on the loan amount. Building that contain 1-4 units may apply for loans up to $ 100,000, these loans are 100% Forgivable. Properties containing 5 or more units, may apply for loans where 10 percent of the loan amount is forgiven after the loan term has been met.

Current tenant income limit: 80 percent of the greater of the statewide or area median income, not adjusted for family size.

Maximum loan amount: $35,000 per unit for 1-2 units or $25,000 per unit up to a maximum loan of $300,000.

Program Performance and Trends

In 2015, we completed an evaluation of the first four years of this pilot. RRDL has been most successful in rehabilitating 20 to 36 unit properties; and 1 to 4 unit properties remain underrepresented in the current portfolio of RRDL assisted units. A survey of administrators and potential borrowers indicated that owners of small properties were interested in the program, but frequently unable to complete the required application and due diligence materials. We implemented the evaluation recommendation that loans to properties with one to four units be fully forgivable to encourage rehabilitation of these properties. Even with these changes, the program is not effectively reaching these small properties. Thus, in 2018, we will carry another evaluation and further refine the program. We will also continue to market the program to owners and recruit additional administrators with the skills necessary to assist owners in preparing funding applications.

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

- 25 loans for developments with 509 units
- $5,585,863 total loan amount
- $10,974 average RRDL assistance per unit
- Median household income of tenants was $14,255 or 19 percent of the statewide median income
- 24 percent were households of color or Hispanic ethnicity

Proposal for 2018

We run the Request for Proposal (RFP) process for RRDL every other year. We ran it in 2016 with $8.1 million, which left $954,606 for projects in 2017. In 2018, we will run the next RFP with the new biennial appropriations and unused funds from prior years.

Based on resources available and current production trends, we expect to finance 757 units.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	$3,743,000
New Appropriations 2018	$3,743,000
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$1,215,587
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$8,701,587**
2017 Original Total	**$954,606**

Legal Authority: Minn. Stat. §462A.05 sub.14 and §462A.33; Minn. Rules, Parts 4900.3600-3652

Greater Minnesota Workforce Housing Development Program

The Greater Minnesota Workforce Housing Development Program will fund rental housing development in Greater Minnesota communities. The program gives funding priority to communities with 30,000 or fewer residents and developments with the greatest proportion of housing units without income restricts.

The program was formerly run by the Department of Employment and Economic Development and was moved to Minnesota Housing by the Legislature in the 2018 Legislative Session.

Program Performance and Trends

This will be Minnesota Housing's first year managing this program so we do not have past performance and trends.

Proposal for 2018

In the first year, we plan to run the program in a similar manner to the DEED program. Funding will be awarded through a Request for Proposal process that is separate from the agency's Consolidated RFP. Funds may be awarded as grants or deferred loans.

Based on resources available for 2018, we expect our funds to support the development of approximately 80 units of housing in Greater Minnesota.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	$2,000,000
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$0
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$2,000,000**
2017 Original Total	**N/A**

Legal Authority: Minn. Stat. §462A.39

Section 8 – Performance Based Contract Administration (PBCA)

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing and Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80 percent of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts, tenants pay no more than 30 percent of adjusted household income for rent. HUD pays the difference between tenant rent payments and the fair market rent of assisted units.

Under an agreement with HUD that has been extended several times, we administer existing Section 8 contracts for affordable rental units that were not part of our Section 8 Traditional Contract Administration (TCA) first mortgage portfolio. Our primary responsibilities under PBCA are performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. These activities assist in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends

Our current agreement with HUD extends through December 31, 2017; we expect a new invitation to bid or an additional contract extension by year's end. We currently manage 409 PBCA contracts under this agreement. Since 2007, about 100 TCA contracts have transitioned to PBCA. PBCA revenue earned through administration of the contracts pays 100 percent of the cost of administering the program.

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing reported:

- 21,443 households assisted
- $134,716,487 in Housing Assistance Payments
- $6,283 average assistance per household
- Median household income of tenants was $12,083 or 17 percent of the statewide median income
- 38 percent were households of color or Hispanic ethnicity

Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between PBCA and TCA. A greater proportion of PBCA units are located in the Twin Cities Metropolitan Area than TCA units.

Proposal for 2018

Funding levels will continue to change as Section 8 contracts transition from the TCA portfolio to PBCA, per HUD's instruction. Because PBCA outlays are based in part on the number of assisted units in the portfolio, outlays will increase as the portfolio increases.

We expect to assist an estimated 21,390 units in 2018 under PBCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	$138,500,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$138,500,000**
2017 Original Total	**$135,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)

Section 8 – Traditional Contract Administration (TCA)

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing and Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80 percent of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts, tenants pay no more than 30 percent of adjusted household income for rent. HUD pays the difference between tenant rent payments and the fair market rent of assisted units.

We provided permanent mortgage financing for more than 235 Section 8 Traditional Contract Administration (TCA) properties developed from 1975 to the mid-1980s. We currently manage 135 of these TCA contracts. Our primary responsibilities under Section 8 TCA are to perform asset management functions, management and occupancy reviews, process contract renewals and annual rent adjustments, process monthly payment vouchers, and respond to tenant concerns. These activities assist us in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, we reported:

- 8,948 households assisted
- $49,956,499 in Housing Assistance Payments
- $5,583 average assistance per household
- Median household income of tenants was $12,636 or 16 percent of the statewide median income
- 28 percent were households of color or Hispanic ethnicity

Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between PBCA and TCA. A greater proportion of PBCA units are located in the Twin Cities Metropolitan Area than TCA units.

Proposal for 2018

Funding levels will change as Section 8 contracts transition from the TCA portfolio to PBCA, per HUD's instruction. We expect to assist an estimated 8,910 units in 2018 under TCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	$51,055,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$51,055,000**
2017 Original Total	**$52,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)

Housing Trust Fund (HTF)

Historically, funding for the HTF has come from state appropriations and been used to fund capital, rental assistance, and operating subsidy expenses. In recent years, we have used HTF appropriations primarily for rental assistance and some operating subsidies. HTF serves low-income families and individuals (including unaccompanied youth) who are near-homeless, homeless, or long-term homeless.

Current tenant income limit: 60 percent of the Minneapolis/Saint Paul Metropolitan Statistical Area median income (AMI), with priority for proposals at 30 percent of AMI and proposals to serve the long-term homeless.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

- 1,772 households
- $9,544,658 in total disbursements
- $7,248 average assistance per household
- Median household income of tenants was $9,186 or 12 percent of the statewide median income
- 65 percent were households of color or Hispanic ethnicity

Proposal for 2018

Minnesota Housing provides HTF rental assistance and operating subsidies under two-year contracts with local assistance administrators. The most recent contracts were funded in the 2017 AHP and cover activity during the 2018 AHP; new funding is not needed for core contracts.

Besides the regular HTF contracts and pilot programs, 2018 will include an additional $1.75 million for the Homework Starts with Home pilot, which will allow us to continue providing rent assistance and working with homeless and highly mobile families with school-aged children. The program has some unused funds from prior AHPs that could be used for pilot and/or capital projects.

Based on resources available in 2018, we expect to provide rental assistance for an estimated 1,909 households under this program through the core contracts and the pilots and assist 1,501 units through operating subsidies.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	$1,750,000
Revolving	
Repayments, Receipts, Prior Commitment Fallout	
Unused Funds from Previous Contracts	$2,000,000
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$3,622,821
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Funding for New Contracts	**$7,372,821**
Adjustment to Spread Contracts Over Two Years	**$10,406,090**
2018 Net Total	**$17,778,911**
2017 Original Net Total	**$17,963,789**

Legal Authority: Minn. Stat. §462A.201; Minn. Rules, Parts 4900.3700-3769

Bridges

Bridges is a state-funded rental assistance program for people with a serious mental illness. The goal of Bridges is to assist individuals to live in integrated settings in their communities until a permanent housing subsidy is available. Bridges operates in selected counties throughout the state. Local housing organizations administer these grants, which provide temporary rental assistance and security deposits on behalf of participants. The Minnesota Department of Human Services and Minnesota Housing collaborate in the administration of this program.

Tenants are responsible for a portion of the rent, which is generally equal to 30 percent of their income. Participants are required to be on a waiting list or eligible for a permanent rent subsidy, such as a Section 8 Housing Choice Voucher.

Bridges is a major component of our contribution to achieving Minnesota's Olmstead Plan goals as well as a significant part of the state's Plan to Prevent and End Homelessness. In 2015, the program implemented priorities to target resources to these goals. Bridges' priorities for serving households are:

- Persons residing in an institution or other segregated setting who will be homeless upon discharge.
- Persons experiencing homelessness for one year or more, or multiple times in the last three years.
- People experiencing or at imminent risk of homelessness.

Current tenant income limit: 50 percent of area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

- 754 households
- $3,118,158 in total disbursements
- $6,036 average assistance per household
- Median household income of tenants was $9,768 or 13 percent of the statewide median income
- 32 percent were households of color or Hispanic ethnicity

Proposal for 2018

Bridges funds rent assistance under two-year contracts with local assistance administrators. Minnesota Housing funded the most recent contracts in the 2017 AHP. These contracts cover activity during the 2018 AHP, in which no new funding is needed.

Based on the resources available in 2018, we expect to assist an estimated 901 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	$0
New Appropriations 2018	$0
Revolving	
Repayments, Receipts, and Prior Year Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$0
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Funding for New Contracts	**$0**
Adjustment to Spread Contracts Over Two Years	**$4,640,000**
2018 Net Total	**$4,640,000**
2017 Original Net Total	**$6,339,508**

Legal Authority: Minn. Stat. §462A.2097; Minn. Rules, Parts 4900.3000-3050

Section 811 Supportive Housing Program

Section 811 is a federal program under which the U.S. Department of Housing and Urban Development (HUD) has provided funding to states for project-based rental assistance to create integrated, cost-effective supportive housing units for people with disabilities. The goals of the program are to:

- Increase housing opportunities for people with disabilities;
- Transition people with disabilities from institutions to community-based settings;
- Reduce public costs of homelessness and institutional care;
- Create a centralized outreach and referral system; and
- Develop new service linkages.

We implement the program in partnership with the Minnesota Department of Human Services (DHS). DHS staff coordinates all outreach, screening, and referrals for 811 units and works with property owners to ensure support services are offered to tenants.

Eligible applicants for Minnesota's allocation of 811 funding include private and public owners of multifamily housing. The project-based rent assistance covers the difference between the tenant's payment and the approved gross rent.

Eligible tenants include extremely low-income households with one or more disabled members, who are either participating in the Minnesota Department of Human Services' Money Follows the Person demonstration program or are experiencing long-term homelessness.

The Section 811 program is a key tool for achieving the goals of the Olmstead Plan to provide integrated housing options for people with disabilities. It is a unique opportunity to expand supportive housing for people with disabilities and leverage Medicaid resources for services.

The state will enter into contracts with selected owners for a minimum of 20 years, with initial funding for a period of five years. Funding beyond the first five years is subject to federal appropriations. A small portion of the grant is used to pay for administrative expenses.

Program Performance and Trends

HUD initially awarded Minnesota $3 million for up to 85 units of project-based rental assistance. We have awarded all of this funding for 84 project-based rental assistance subsidies (one unit less than the original goal of 85 units). Lease up of 811 units began in early 2016 with 71 households in housing by the end of June 2017.

In 2015, we received a second round of funding for an additional 75 units, which are awarded to existing or new properties through the Multifamily Consolidated RFP process. We selected nine properties with 48 units for the 811 program in the 2015 and 2016 RFPs, and will offer the remaining 27 units in the 2017 funding rounds.

Proposal for 2018

The Section 811 funds spread over five years will support $1.2 million of annual activity. Because we are still in the ramp-up period, we expect to disburse about $600,000 in 2018 and support about 105 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$600,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2018	
New Appropriations 2017	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2018 Total	**$600,000**
2017 Original Total	**$500,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 6, 11, and 12; Minn. Stat. §462A.06, Subd. 6

Family Homeless Prevention and Assistance Program (FHPAP)

Under FHPAP, we assist families with children, unaccompanied youth, and single adults who are homeless or are at imminent risk of homelessness. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency shelters, eliminating repeat episodes of homelessness, and assisting individuals and families experiencing homelessness to secure permanent affordable housing.

FHPAP assists extremely low-income people primarily through short-term rent assistance (limited to 24 months but typically less than three months), security deposits, utilities and transportation assistance, and case management services. FHPAP grants also encourage and support innovations at the county, region, or local level for a more seamless and comprehensive homelessness response system.

Grant funds are awarded through a competitive Request for Proposals process. In the seven-county Twin Cities Metropolitan Area, only counties are eligible to apply for funding. In Greater Minnesota, eligible applicants include counties, groups of contiguous counties acting together, or community-based nonprofit organizations or tribal nations.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing reported:

- 6,495 households
- $7,500,963 assistance disbursed
- $1,155 per household average assistance amount
- Median household income was $12,000 or 16 percent of the statewide median income
- 56 percent were households of color or Hispanic ethnicity

As of the end of state fiscal year 2017, 44 percent of funds allocated to providers were used for direct cash assistance including rent and mortgage assistance, security deposits, and transportation and utility assistance; 48 percent of funds were used for support services; and 8 percent of funds were used for program administration.

Available data, collected through Minnesota's Homeless Management Information System (HMIS), indicate that only 6 percent of assisted households returned to shelter within one year of exiting this program. HMIS also tracks the percentage of households stably housed at program exit.

Percentage of FHPAP Households Stably Housed At Exit

Biennium	% Stably Housed at Exit
2016-17	80%
2014-15	77%
2012-13	78%
2010-11	78%

Proposal for 2018

Under the 2017 AHP, we awarded funds to twenty grantees across the state of Minnesota for the biennium which began July 1, 2017 and ends June 30, 2019 and covers the 2018 AHP. The Minnesota Tribal Collaborative, which represents five of the northern tribal nations, was a new grantee.

Based on resources available in 2018, we expect to assist an estimated 7,015 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	$0
New Appropriations 2018	$250,000
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$0
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Funding for New Contracts	**$250,000**
Adjustment to Spread Contracts Over Two Years	**$8,519,000**
2018 Net Total	**$8,769,000**
2017 Original Net Total	**$8,644,000**

Legal Authority: Minn. Stat. §462A.204

Housing Opportunities for Persons with AIDS (HOPWA)

The Housing Opportunities for Persons with AIDS (HOPWA) program provides grants for housing assistance and services (including short-term rent, mortgage, and utility assistance) for people with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status, or related diseases and their families. The U.S. Department of Housing and Urban Development allocates funds to local jurisdictions. The City of Minneapolis receives and administers a direct award for the 13-county Minneapolis/Saint Paul Metropolitan Statistical Area. We receive a direct award for the portion of the state not covered by the City of Minneapolis grant and contract with the Minnesota AIDS Project to administer these funds.

Current tenant income limit: 80 percent of area median income, adjusted for family size.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing assisted households in 50 counties, as follows:

- 177 households
- $127,787 of assistance disbursed
- $722 average assistance per household
- Median household income was $17,344 or 23 percent of the statewide median income
- 42 percent were households of color or Hispanic ethnicity

Proposal for 2018

Based on resources available for new activity in 2018, we expect to assist an estimated 184 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	$175,184
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$175,184**
2017 Original Total	**$153,742**

Legal Authority: Cranston-Gonzales National Affordable Housing Act 1990; 42 U.S.C. §12901-12921; 24 C.F.R. Part 574

Asset Management

Under the Asset Management program, we can provide a range of loan options, including interest-bearing, non-interest bearing, amortizing, and/or deferred. The loans fund deferred maintenance, capital improvements, and operating subsidies, as well as rent subsidy grants, which protect Agency assets and ensure that developments are decent, safe, and sanitary. Funds also may be used for acquisition, to stabilize troubled developments, or to buy out partners.

In 2015 and 2017, we expanded Asset Management eligibility beyond properties with our amortizing loans to include those with any Agency funding, a Section 8 contract, or other federal assistance. The eligible uses have also been broadened.

Resources are available on a pipeline basis when reserves are inadequate to fund needed capital improvements. Owners receiving funding under this program must agree to extend affordability restrictions for a minimum of ten years beyond the current commitment.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing provided asset management assistance for three developments with 83 units.

Proposal for 2018

Multifamily staff will continue to focus on evaluating unmet needs within the portfolio as well as identifying new opportunities and processes for using and leveraging Asset Management funds.

In 2018, we will fund Asset Management loans from the Financing Adjustment/Financing Adjustment Factor (FA/FAF) pool. Based on resources available for new activity in 2018, we expect to assist about 165 units. If additional funds are needed, we will transfer funds from the Multifamily Flexible Capital Account.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	$2,482,043
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$2,482,043**
2017 Original Total	**$2,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 3

Economic Development and Housing/Challenge (EDHC) – Regular

Under the Economic Development and Housing/Challenge Program (EDHC), we provide grants or deferred loans for construction, acquisition, rehabilitation, interest rate reduction, interim or permanent financing, refinancing, and gap funding. Funds are used to support economic development or job creation activities within an area by meeting locally identified housing needs for either renter or owner-occupied housing.

Our Multifamily and Single Family divisions allocate these resources to competitive proposals submitted through the Request for Proposals (RFP) process. Staff evaluates proposals according to EDHC selection standards and our strategic priorities. RFP funding for single family housing is available under the Community Homeownership Impact Fund ("Impact Fund"). This fund is the umbrella program for EDHC and interim construction financing for homeownership activities.

We make EDHC loans to cities, private developers, tribal and urban Indian housing authorities, nonprofit organizations, or owners of housing (including individuals) for both multifamily (minimum of four units) and single family projects. EDHC requires that 50 percent of the funds be used for projects that have leveraged funds from non-state resources. Preference is given to proposals with the greatest portion of costs covered by non-state resources.

Current income limit: 115 percent of the state median income for owner-occupied housing and 80 percent of the greater of area or state median income for rental housing.

Maximum loan amount: None beyond funding availability.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded:

Multifamily EDHC

- 5 loans to developments with 234 units
- $6,435,140 total loan amount
- $27,501 average EDHC assistance per unit
- Median household income of $19,760 or 26 percent of the statewide median income
- 69 percent were households of color or Hispanic ethnicity

Single Family EDHC – Impact Fund

- 294 loans
- $6,111,974 total loan amount
- $20,796 average loan
- Median household income was $38,950 or 51 percent of statewide median income
- 51 percent were households of color or Hispanic ethnicity

Proposal for 2018

In the October 2017 Request for Proposals (RFP) process, we will allocate funds for Impact Fund projects and to affordable rental housing through our RFPs, with any other remaining funds made available on a pipeline basis in multifamily and through the Incentive Fund in Single Family.

Based on resources available for new activity in 2018, we expect to fund an estimated 535 units.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	$6,000,000
New Appropriations 2018	$6,925,000
Revolving	
Repayments, Receipts, Prior Commitment Fallout	$2,000,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$1,224,955
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$16,149,955**
2017 Original Total	**$24,279,779**

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652

Single Family Interim Lending

Single Family interim loans are used to acquire, rehabilitate, demolish, or construct owner-occupied housing under the Community Homeownership Impact Fund program. Interim loans are financed with Pool 2 funds and have a term of 20 months. Funds are awarded annually through the Single Family Request for Proposals process in accordance with our mission and priorities. While two-thirds of the units supported in the past year have been affordable to households with incomes at or below 80 percent of the area median income, the ongoing need for workforce housing may mean that a greater portion of units supported in the coming year will serve households with incomes between 80 percent and 115 percent of the area median income.

Program Performance and Trends

Performance data on interim lending are reported under the Community Homeownership Impact Fund in the EDHC program. The Impact Fund is the umbrella program under which we deliver the Economic Development and Housing/Challenge Program and interim construction financing, primarily for single family owner-occupied housing.

Proposal for 2018

It is difficult to project the demand for interim financing in any given annual funding round because of the flexible nature of the funding source, which allows for rehabilitation as well as new construction. The 2018 AHP forecast reflects a continued market interest in new construction.

Based on resources available for new activity in 2018, we anticipate making interim or construction loans to administrators for approximately 30 housing units.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$3,000,000
Housing Affordability Fund (Pool 3)	
2018 Total	**$3,000,000**
2017 Original Total	**$1,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 2 and Minn. Stat. §462A.05, Subd. 18; Minn. Rules, Parts 4900.1200-1210

Housing Infrastructure Bonds (HIBs)

We allocate Housing Infrastructure Bond (HIB) proceeds through the Request for Proposal (RFP) process under both Housing Trust Fund (HTF) and Economic Development and Housing/Challenge (EDHC) rules. If the bonds are issued as private activity bonds, applicants also may access 4 percent housing tax credits

HTF HIB

We provide capital assistance in the form of deferred loans with no or low interest for the acquisition, construction, or rehabilitation of affordable permanent supportive housing. Funding priority is given to housing proposals that serve veterans and their families, households experiencing long-term homelessness, and households at risk of becoming homeless.

Current HTF tenant income limit: 60 percent of Minneapolis/Saint Paul Metropolitan Statistical Area median income with priority for proposals serving households at 30 percent of Minneapolis/Saint Paul Metropolitan Statistical Area median income.

Maximum HTF loan amount: no set limit, subject to funding availability

EDHC HIB

HIB proceeds provided under EDHC rules are deferred loans and may be used to:

- Preserve existing federally subsidized rental housing by funding acquisition, rehabilitation, and refinancing;
- Acquire land to be held in trust by community land trusts and used for affordable single family homeownership opportunities; and
- In certain circumstances, finance the cost of construction, acquisition, and rehabilitation of supportive housing for individuals and families who are without a permanent residence.

Current EDHC income limit: 115 percent of the state median income for owner-occupied housing and 80 percent of the greater of area or state median income for rental housing.

Maximum EDHC loan amount: None beyond funding availability.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing financed through HTF rules:

- Loans to five developments with 403 units
- $42,216,554 total loan amount
- $104,756 average assistance per unit
- Median household income of tenants was $8,796 or 11 percent of the statewide median income
- 54 percent of households were of color or Hispanic ethnicity

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing financed under EDHC rules:

- Three developments assisted with 755 units
- $20,313,737 total loan amount
- $26,906 average assistance per unit
- Median household income of tenants was $26,069 or 34 percent of the statewide median income
- 95 percent of households were of color or Hispanic ethnicity

Proposal for 2018

For 2018, we are budgeting $45.2 million of HIB resources, which we estimate will finance about 524 housing units. From the available funding, we expect approximately 95% to be allocated through the RFP, with the remaining amount available for funding modifications.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	$37,710,000
Repayments	$1,000,000
Carry Forward of Unobligated Balances from Previous Plans	$6,524,163
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$45,234,163**
2017 Original Total	**$3,000,000**

Legal Authority: Minn. Stat. §462A.201; Minn. Rules, Parts 4900.3700-3769 for HTF; and Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652 for EDHC

Community Owned Manufactured Home Parks

We are a participating lender investing in loans made by Resident Owned Capital, LLC (ROC-USA), a national nonprofit. ROC-USA lends to resident manufactured home cooperatives to enable them to purchase, own, and manage the parks that they occupy. ROC-USA acts as a lead lender and is responsible for loan servicing and loan origination and takes a lead role in due diligence review. In addition, ROC-USA contracts with Northcountry Cooperative Foundation (NCF), a local nonprofit, to engage cooperatives in development activities, such as organizing the cooperative entity and contracting for third party reports. NCF is retained after closing to provide ongoing technical assistance to the cooperative.

Program Performance and Trends

ROC-USA and NCF are marketing this program. For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing closed one Community Owned Manufactured Home Park loan:

- 125 households
- $1,705,000 loan
- $13,640 average assistance per household

Proposal for 2018

We are funding this program again with $2 million of Pool 2 resources but also examining other ways to serve this market, which includes budgeting $250,000 of Pool 3 resources for a possible pilot.

Based on resources available for this program in 2018, we estimate being able to fund up to 150 units.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Repayments , Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$2,000,000
Housing Affordability Fund (Pool 3)	$250,000
2018 Total	**$2,250,000**
2017 Original Total	**$2,000,000**

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652

Technical Assistance and Operating Support

The goal of Technical Assistance and Operating Support is to enhance the ability of housing and community development organizations to meet Minnesota's affordable housing needs. The programs is used for activities that support every element of our strategic priorities by supporting Community Housing Development Organizations (CHDOs) in Greater Minnesota, helping end homelessness through our support of the Continuums of Care and the Homeless Management Information System (HMIS), and building the strength of organizations working to meet specific needs in communities across the state though the Capacity Building Initiative.

Program Performance and Trends

For the Program Assessment period of October 1, 2015 – September 30, 2016, Minnesota Housing funded $2,579,348 under this program. Past allocations have funded: 1) the Home Ownership Center's statewide counseling network, 2) the maintenance of HousingLink's affordable rental housing information system, 3) the state's HMIS, 4) regional Continuum of Care homelessness assistance planning, and 5) supporting community based organizations across the state though the Capacity Building Initiative.

Proposal for 2018

We will continue funding the core activities. We are also currently examining our approach to supporting multifamily developers, which includes identifying gaps in the information and resources available to organizations that are currently struggling to build their capacity to become engaged in development activities. Over the course of the next year, we will work with stakeholders to identify the next steps for integrating education and training opportunities with grant resources to help grow the field of development with a focus on underserved community needs.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	$645,000
Revolving	
Repayments, Receipts, and Prior Commitment Fallout	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	$30,000
Carry Forward of Unobligated Balances from Previous Plans	$0
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	$1,850,000
2018 Total	**$2,525,000**
2017 Original Total	**$2,655,000**

Legal Authority: Minn. Stat. §462A.07, Subd. 6; Minn. Stat. §462A.21, Subd. 3b; Minn. Rules, Parts 4900.1931-1937; 42 U.S.C. §12701 et seq.; 24 C.F.R. Part 92

Strategic Priority Contingency Fund

During any given year, we anticipate that some programs are likely to need additional resources. To be nimbler and more responsive, we set aside contingency funds to meet unexpected needs.

Proposal for 2018

For 2018, we are providing $1.5 million for the Strategic Priority Contingency Fund.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	$1,500,000
2018 Total	**$1,500,000**
2017 Original Total	**$1,500,000**

Manufactured Home Relocation Trust Fund

The Manufactured Home Relocation Trust Fund requires owners of manufactured home parks to pay $15 per licensed lot into a trust fund each year. The park owner is authorized to collect funds from each manufactured homeowner either monthly or in a lump sum that is paid to Minnesota Management and Budget for deposit into the trust fund. The fund is available to homeowners who must relocate because the park they occupy is being closed.

The statute sets out a process for determining the amount of money for which a homeowner is eligible. Only those homeowners who paid into the trust fund may receive payment. We make payments to homeowners, as directed by a neutral third party, for eligible relocation costs.

Program Performance and Trends

State law suspends collection of the fee if the balance in the account is equal to or exceeds $1 million. Due to significant payments from the trust fund in 2017, the balance in the fund is below the $1 million required to trigger collection of fees.

Proposal for 2018

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2019	
New Appropriations 2018	
Revolving	
Payments	$400,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$138,230
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$538,230**
2017 Original Total	**$1,163,695**

Legal Authority: Minn. Stat. §327C.095

Flood Disaster

Disaster response programs provide funding for the repair or replacement of renter or owner-occupied housing damaged by natural disasters such as flood or tornado. We distribute these funds through the Quick Start Disaster Recovery program for single family properties and also assist in repairing damaged rental buildings, providing relocation services to renters displaced or homeless due to disasters, building organizational capacity to respond to disasters, and covering administrative costs related to disaster outreach.

Funds are typically delivered through administrators under contract to deliver ongoing Agency programs for the areas impacted by a disaster. These include administrators for the Single Family Rehabilitation Loan Program, the Multifamily Rental Rehabilitation Deferred Loan Program (RRDL), and the Family Homeless Prevention and Assistance Program (FHPAP).

Quick Start provides homeowners and smaller rental property owners with deferred loans at no interest for repair costs that are not covered by federal assistance or insurance proceeds. The loan is forgiven if the homeowner remains in the property for 10 years, or for rental properties, if property owners keep rents affordable for 10 years. There are no income limits under Quick Start.

Program Performance and Trends

Typically, activities have been funded by special appropriations from the Minnesota Legislature following a federal disaster declaration and determination of the level of available federal funding from the Federal Emergency Management Agency and the Small Business Administration. State appropriations have ranged from $1,000,000 for the May 2011 Minneapolis tornado to $12,720,000 for the August 2012 flooding in northeast Minnesota. Over the past six years, Minnesota has seen significant disasters that have required activation of Quick Start and other Agency disaster assistance approximately every 14 months.

For the program assessment period October 1, 2015 – September 30, 2016, Minnesota Housing did not fund any loans under this program.

Proposal for 2018

Typically, the Minnesota Legislature appropriates funds following the declaration of a disaster. Thus, we have not budgeted funds for this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2018	$0
New Appropriations 2017	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2018 Total	**$0**
2017 Original Total	**$0**

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652 and Minn. Stat. §12A.09

Disaster Relief Contingency Fund

The Minnesota Legislature established this fund in 2001 as the account into which we deposit all repayments of previously made disaster relief loans or grants. Funds deposited in this account are used to assist with rehabilitation or replacement of housing that is damaged by a natural disaster in areas covered by a presidential declaration of disaster. Funding also may be used for capacity building grants for disaster response and flood insurance payments.

The terms and conditions under which the funds are made available are at the sole discretion of Minnesota Housing.

Program Performance and Trends

Eligible uses of funds have included writing down the interest rate on Home Improvement Loans and activating the Quick Start Disaster Recovery program.

Most recently, for last year's flood event in Southern Minnesota, we have closed 12 loans for $176,823 and currently have 19 loans in process for a total of $ 307,667.

Proposal for 2018

The resources in the table below reflect the funds currently available in the fund.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2018	
New Appropriations 2017	
Revolving	
Repayments and Receipts	$100,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$1,335,408
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
2018 Total	**$1,435,408**
2017 Original Total	**$1,925,934**

Legal Authority: Minn. Stat. §462A.21, Subd. 29; Laws of Minnesota 2003, Chap. 128, Art. 10, Sec. 4, Subd. 2

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Board Agenda Item: 8.B
Date: 8/31/2017

Item: Revisions to the Publicly Owned Housing Program (POHP) Request For Proposals (RFP) and Post-Selection Process

Staff Contact(s):
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Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☒ Information

Summary of Request:
The information outlined below is to notify the board of a revised process for applications, selection, and post-selection processing for POHP.

Fiscal Impact:
None

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Proposed Solution

POHP provides deferred loans to housing and redevelopment authorities for improvements to their public housing units. These funds are a critical supplement to the capital funding provided by the U.S. Department of Housing and Urban Development (HUD) to maintain housing that serves extremely low-income households throughout Minnesota.

With each funding round, POHP program staff seeks to achieve the appropriate balance between application requirements and the limited expertise of many POHP applicants. While the four large public housing authorities in the state have a high capacity to complete an application and borrow Agency funds, the remaining 117 organizations have extremely small staffs and, in some instances, their staff consists of only one person. In past RFP rounds, many applicants have been challenged by various elements of the application process, including substantive and technological elements. In response to these challenges, the POHP program staff reduced the number of submission items in the 2012 and 2014 application rounds. Additionally in 2014, external processing agents offered technical assistance. Despite such improvements, POHP program staff continues to extensively supplement applicant capacity, and a recent survey of housing authorities reflected that they continue to find the application process onerous.

Proposed Solution- Revisions to the Application and Selection Process
Based upon the experience of current and former POHP staff, HUD Public and Indian Housing staff, and the survey results, Agency staff propose revising the application and developing a selection process that has two components: initial application and post-selection processing.

Initial Application
For the initial application, staff proposes that the applicant submit a general scope of work concept for improvements to their property. Applicants would not be required to pay for third-party property inspections or assessments of the property. Applicants would also not be required to commission reports on environmental hazards, nor would they be required to complete a detailed development budget. If the applicant moves beyond the initial application phase, those elements would be completed with assistance of POHP staff during post-selection processing.
Application submissions will focus upon three elements:

1. Scope of work, specifying work addressing the following POHP priorities:
    a. Health and safety/critical physical needs;
    b. Energy efficiency; and
    c. Accessibility

    NOTE: The applicant would provide preliminary cost estimates based upon their own assessment.
2. A description of the consequences of not completing the scope of work;
3. Leverage provided by federal funds or other state and local funds.

Applicants will also submit their Public Housing Assessment Score they received from HUD, two years of audited financials, information on any known environmental issues, any property assessments completed by the housing authority, HUD-required Real Estate Assessment Center (REAC) inspections reports, and their Five-Year Capital Fund Program Action Plan.

Scoring Criteria
Staff will review and recommend applications for selection based upon:

- The percentage of the construction budget that will be spent upon health and safety issues/critical physical needs, and secondarily, on resource conservation and accessibility
- The consequences for not completing the work (e.g., the structure will deteriorate to the point where it might become inhabitable)
- Anticipated operational or utility cost savings that will be realized after the work is completed
- The geographic distribution of applicants, taking into account which applicants have been funded in previous rounds
- The ability of the applicant to leverage POHP funds with federal funds, energy rebates, or local sources
- Applicant capacity to implement the project

Preliminary selections for further processing will be approved by the Minnesota Housing board. Staff will recommend selections for only a portion of the available funding. This is to accommodate project

budgets that are likely to increase once full property assessments are completed and other costs such as architectural fees, environmental remediation and relocation are finalized. Staff will identify additional potential applicants for selection if there are sufficient POHP proceeds left to allocate after the initially selected project budgets are further refined.

Post-Selection Processing
Following selection, POHP staff and Minnesota Housing architects will work closely with the smaller number of selected HRAs to determine:

- A detailed scope of work, including any required environmental remediation as informed by third party assessments and design/engineering professionals
- Architecture and design requirements and the appropriate level of design expertise needed to successfully complete the project
- A final project budget with detailed sources and uses

Those receiving a POHP award will be required to maintain leverage levels of non-POHP funds within an acceptable range, based upon the final project budget.

The final project scope and project budget will be approved by Minnesota Housing's Mortgage Credit Committee, an internal committee that reviews selected projects for funding. Per delegated authority (authority #005), any adjustments of more than 15 percent or $300,000 over the initial selection award amount would return to the board for approval.

Technical assistance will be provided to applicants in a variety of formats: one-on-one consultations with POHP staff, group training sessions, live webinars and recorded tutorials. These formats will expand on what has been previously available for POHP participants.

It is anticipated that the proposed changes will greatly benefit applicants by simplifying the process and reducing the cost of applying for Agency funds. It will also benefit POHP staff by allowing them to provide more in-depth technical assistance to the smaller number of selected borrowers.

At the September board meeting, staff will present the revised POHP Program Manual for approval. This manual will reflect the changes outlined in this memo.

Board Agenda Item: 9.A
Date: 8/31/2017

Item: 2017 Affordable Housing Plan and 2016-19 Strategic Plan: Third Quarter Progress Report

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☐ Approval
☐ Motion
☐ Resolution

☒ No Action Needed
☐ Discussion
☒ Information

Summary of Request:
Staff has attached for your review the third quarter progress report for the 2017 Affordable Housing Plan and the 2016-19 Strategic Plan.

Fiscal Impact:
None.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- 2017 Affordable Housing Plan and 2016-19 Strategic Plan: Third Quarter Progress Report

2017 Affordable Housing Plan and 2016-19 Strategic Plan Third Quarter Progress Report

(October 1, 2016 – September 30, 2017)

August 24, 2017

Overview

Implementation of the 2017 AHP has been strong with overall production and program activity occurring as expected. The trends have not changed since the second quarter report. Key highlights include:

- Home mortgage lending continues to be strong, and we have increased the budget from $600 million to $650 million.
- The number of homes assisted under the Community Homeownership Impact Fund RFP is higher than expected.
- Under the multifamily RFP, we selected for funding a higher share of new construction units than we have in earlier years. Because new construction requires more funding per unit than rehabilitation, the overall number of assisted units will be less than originally projected. In addition, we have done less first mortgage lending than forecasted.

Tables 1 through 3 present key program activity through the third quarter and are followed by notes that provide details and discussion for each line item in the tables.

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

Quarter 3 of 2017 AHP (75% through AHP)

	Original AHP Forecast	Actual For Year	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. Home First Mortgages (Net Commitments)	3,750	2,811	75%
2. Other Opportunities*	237	249	105%
3. Owner-Occupied Home Improvement/Rehabilitation	1,248	860	69%
4. Total	5,235	3,920	75%
Homebuyer Education, Counseling and Training - Households			
5. Homebuyer Education*	14,643	12,711	87%
Multifamily Production – Rental Units			
6. New Rental Construction	895	789	88%
7. Rental Rehabilitation	1,071	719	67%
8. Asset Management	100	0	0%
9. Total	2,066	1,508	73%
Rental Assistance and Operating Subsidies - Households			
10. State Funded Rental Assistance*	2,872	2,534	88%
11. Operating Subsidies*	1,486	1,113	75%
12. Section 8 and 236 Contracts	30,727	30,701	100%
13. Total	35,085	34,348	98%
Homeless Prevention			
14. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	7,374	5,908	80%
Build Sustainable Housing			
15. Percentage of New Construction or Rehabilitation Units that Meet Standard of Green Communities Certification or B3:			
a. Single Family	50%	45%	**
b. Multifamily	95%	94%	**
Increase Homeownership for Households of Color			
16. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity	35%	33%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
17. Revenues in Excess of Expenses – State Fiscal Year 2017****	***	TBD	**
18. Annualized Return on Net Assets (%) – State Fiscal Year 2017****	***	TBD	**

* Funds for Habitat for Humanity, homebuyer education, state funded rent assistance, operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2016 AHP (in July-September 2016) fund program activity in 2017 (October 1, 2016 to September 30, 2017). To reflect 2017 program activity for these programs, this table shows the households supported in 2017 with 2016 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2017 AHP.

** Not Applicable.

*** Minnesota Housing does not forecast return on net assets.

**** Sustainable Core only

Table 2: Distribution of Resources

Quarter 3 of 2017 AHP (75% through AHP)

	AHP Forecast	Actual for Year
19. Percentage of Originally Budgeted Funds that are Committed Under the AHP	>95% by end of the year	74%

Table 3: Management of Loan Assets

Quarter 3 of 2017 AHP (75% through AHP)

	AHP Forecast/ Benchmark	Actual
20. Share of Home Mortgages Purchased in Previous 24 Months that are 30+ Days Past Due or In Foreclosure (6/30/17)	3.45%*	3.31%**
22. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	7.1%
23. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	3.8%

* This is a benchmark, rather than a forecast, and it is based on the performance of other housing finance agencies from across the country that have their mortgages serviced by US Bank.
**The information presented is based on MBS loans purchased in the previous 24 months. 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:** Home mortgage lending is on track. We now expect to commit up to $650 million in 2017, rather than the original budget of $600 million. However, the average loan amount is also higher than expected. In the end, we will likely exceed the original forecast of 3,750 home mortgages.

- **Line 2:** Through the Community Homeownership Impact Fund, we have already reached our goal for other homeownership opportunities. The number of households assisted will increase as Habitat for Humanity families receive assistance.

- **Line 3:** Overall, production for owner-occupied home improvement and rehabilitation is generally on track. Lending under the Fix-Up Fund is slower than forecasted.

- **Line 4:** Overall, home buying and improvement activities are performing as expected.

- **Line 5:** Homebuyer education is ahead of schedule with active participation in the Homeownership Center's online education program called Framework.

- **Line 6**: On June 30, rental new construction was at 88% of the year-end forecast, and the Multifamily Consolidated RFP has already occurred, which accounts for most of the production. With the Board's selection of The Dorothy Day Residence for funding in July (after the third quarter reporting closed out), the number of new construction units increases from 789 to 966 and surpasses the forecast of 895.

- **Line 7:** With production at 67% of the year-end forecast, activity is lower than expected. We have already completed the Multifamily Consolidated RFP for the year. Similar to the previous year's selections, given the low rental vacany rates across the state, we awarded a higher share of the RFP funding to new construction (rather than to rehabilitation)..

- **Line 8:** There was no new production under Asset Management. We have reoriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the RFP process for longer-term and permanent needs. By targeting the program on shorter-term and immediate needs, forecasting the amount and timing of program demand is more uncertain.

- **Line 9:** Overall, rental production will fall short of the original forecast. As already explained, we allocated more funding to new construction, which requires more funding per unit than rehabilitation and supports fewer units with the same amount of funding. In addition, we did less first mortgage lending than forecasted.

- **Line 10:** Production for rental assistance is on track - serving 88% of the forecasted households. With normal turnover in voucher holders, the number of households assisted will increase during the last quarter.

- **Line 11:** Operating subsidies are right on track at 75% of the year-end forecast.

- **Line 12:** The administration of Section 8 contracts is performing as expected. This is a very stable program with consistent funding and households served.

- **Line 13:** Overall, rent assistance and operating subsidy production (federal and state) is performing as expected.

- **Line 14:** Homeless prevention activity is at 80% of the annual goal three-quarters of the way through the year.

- **Line 15:** The majority of Minnesota Housing's production meets sustainable design criteria.

  On the single-family side, all of the homes receiving funds under the Community Homeownership Impact Fund for new construction or acquisition-rehabilitation meet the standard. However, the Fix-Up home improvement program is market driven, and borrowers are not required to follow sustainable design criteria in their home improvement efforts. Thus, the single-family percentage is below 100%.

Typically, the multifamily percentage is close to 100%. In a given year, a few projects may have circumstances that make them exempt from the sustainable design criteria.

- **Line 16:** The Agency continues to effectively serve communities of color or Hispanic ethnicity through homeownership. The Agency estimates that a little over 25% of renter households that are income eligible for Minnesota Housing first mortgages are of color or Hispanic ethnicity. For homeownership, while we are slightly below the goal of 35% lending to households of color or Hispanic ethnicity, the achievement of 33% indicates that the Agency is reaching these households.

- **Lines 17 and 18:** Financial information for State Fiscal Year 2017 will be provided with the Financial Audit information.

- **Line 19:** After the second quarter, we have committed 74% of the funds originally budgeted in the 2017 AHP. While we have already committed funds under the Agency's primary RFP programs, it is worth keeping in mind that our two largest programs from a funding perspective (Home Mortgages and Section 8) operate on a pipeline basis distributing funds throughout the year, and July through September sees a large share of our home mortgage activity.

- **Lines 20-21:** Our 30+ day delinquency rate for loans purchased in the last 24 months (including loans in foreclosure) was 3.31% in June 2017, which is better than our "peer" benchmark of 3.45%. This data comes from US Bank, which services MBS loans for us and many other housing finance agencies.

- **Line 22-23**: The Agency is meeting its goal for minimizing the number and share of loans on its multifamily watch list.

Changes to 2017 AHP Funding Levels

Table 4 shows changes 2017 AHP budget. The delegated changes are generally small (roughly a million or less) and reflect revisions to our estimates of uncommitted funds and changes to federal and state funding. The largest change is the addition of $10.5 million of Housing Infrastructure Bond (HIB) proceeds to the Housing Trust Fund Capital program (line 16). These funds came from the $55 million of additional HIB authority provided in the 2017 bonding bill. We added the $10.5 million with the $3.0 million of existing authority to fund the Dorothy Day Residence, through an early award process, which the Board approved in July. The remaining HIB funds will be budgeted in the 2018 AHP.

The Board amendments reflect other actions taken by the Board in July, which included increasing the Home Mortgage budget by $50 million, transferring $2.5 million of previously budgeted but unused Pool 3 resources to the Deferred Payment Loan program, and $56,641 of unused Pool 3 resources to the Family Homeless Prevention and Assistance Program to support a Landlord Risk Mitigation Fund.

Table 4: 2017 AHP Changes

		Original 2017 Budget	Delegated Changes	Board Amendments	Revised 2017 Budget
	Homebuyer Financing and Home Refinancing				
1	Home Mortgage Loans	$600,000,000	$0	$50,000,000	$650,000,000
2	Mortgage Credit Certificates (MCC)	$5,700,000	$0		$5,700,000
3	Deferred Payment Loans	$15,500,000	$1,010,700	$2,500,000	$19,010,700
4	Monthly Payment Loans	$11,000,000	$0		$11,000,000
5	Habitat for Humanity Initiative	$2,500,000	$0	-$1,000,000	$1,500,000
	Homebuyer/Owner Education and Counseling				
6	Homebuyer Education, Counseling & Training (HECAT)	$1,517,000	$35,947		$1,552,947
7	Enhanced Homeownership Capacity Initiative	$1,250,000	$0		$1,250,000
	Home Improvement Lending				
8	Home Improvement Loan Program	$14,000,000	$0		$14,000,000
9	Rehabilitation Loan Program (RLP)	$8,600,000	-$672,496		$7,927,504
	Rental Production- New Construction and Rehabilitation				
10	First Mortgage - Low and Moderate Income Rental (LMIR)	$60,000,000	$0		$60,000,000
11	First-Mortgage - MAP (Multifamily Accelerated Processing)	$20,000,000	$0		$20,000,000
12	Flexible Financing for Capital Costs (FFCC)	$0	$1,135,988		$1,135,988
13	Multifamily Flexible Capital Account	$4,500,000	-$1,135,988		$3,364,012
14	Low-Income Housing Tax Credits (LIHTC)	$9,546,045	$187,122		$9,733,167
15	National Housing Trust Fund	$3,000,000	$118,428		$3,118,428
16	Housing Trust Fund - Capital (Housing Infrastructure Bonds)	$3,000,000	$10,475,837		$13,475,837
17	Preservation - Affordable Rental Investment Fund (PARIF)	$13,900,580	-$3,982,246		$9,918,334
18	HOME	$11,518,166	-$545,531		$10,972,635
19	Preservation - Publicly Owned Housing Program (POHP)	$1,687,858	$717,166		$2,405,024
20	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$954,606	$1,160,981		$2,115,587
	Rental Assistance Contract Administration				
21	Section 8 - Performance Based Contract Administration	$135,000,000	$1,500,000		$136,500,000
22	Section 8 - Traditional Contract Administration	$52,000,000	-$1,500,000		$50,500,000
23	Section 236	$79,695	-$4,621		$75,074
	Housing Stability for Vulnerable Populations				
24	Housing Trust Fund (HTF)	$17,963,789	-$762,379		$17,201,411
25	Bridges	$6,339,508	$44,040		$6,383,548
26	Section 811 Supportive Housing Program	$500,000	$0		$500,000
27	Family Homeless Prevention and Assistance Program (FHPAP)	$8,644,000	$98,665	$56,641	$8,799,306
28	Housing Opportunities for Persons with AIDS (HOPWA)	$153,742	$21,442		$175,184
	Rental Portfolio Management				
29	Asset Management	$2,000,000	$0		$2,000,000
	Multiple Use Resources				
30	Economic Dev. and Housing/Challenge (EDHC) - Regular	$24,279,779	$1,138,658		$25,418,437
31	EDHC - Housing Infrastructure Bonds (HIB)	$0	$0		$0
32	Community-Owned Manufactured Home Parks	$2,000,000	$0		$2,000,000
33	Single Family Interim Lending	$1,000,000	$0		$1,000,000
34	Technical Assistance and Operating Support	$2,655,000	-$240,000	-$56,641	$2,358,359
35	Strategic Priority Contingency Fund	$1,500,000	$0	-$1,500,000	$0
	Other				
36	Manufactured Home Relocation Trust Fund	$1,163,695	$248,486		$1,412,181
37	Organizational Investments / Loans	$10,000,000	$0		$10,000,000
38	Naturally Occurring Affordable Housing Investment / Loan	$10,000,000	$0		$10,000,000
39	Disaster Relief Contingency Fund	$1,925,934	$99,474		$2,025,408
	TOTAL	**$1,065,379,397**	**$9,149,674**	**$50,000,000**	**$1,124,529,071**

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Board Agenda Item: 9.B
Date: 8/31/2017

Item: Report of Participant Suspension

Staff Contact(s):
Will Thompson, 651.296.9813, will.thompson@state.mn.us

Request Type:

☐ Approval
☐ Motion
☐ Resolution

☒ No Action Needed
☐ Discussion
☒ Information

Summary of Request:
Pursuant to the Board's Participant Suspension Policy, the names and circumstances of all suspended individuals and organizations are to be provided to the Board. Roberta Barnes has been suspended.

Meeting Agency Priorities:

☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background

Background:

Section 10.09 of the Board's Participant Suspension Policy requires staff to report to the Board the names and circumstances of individuals or organizations that have been suspended from doing business with Minnesota Housing.

Minnesota Housing provided a $90,000 grant to Sierra Young Family Institute, Inc. in 2008, of which $61,337 was disbursed. Roberta Barnes was the Executive Director in that organization. The organization is no longer in business.

Ms. Barnes was charged in federal court with mail fraud, based on allegations that she engaged in fraud on the Minnesota Department of Health and Minnesota Housing. On December 15, 2014, Ms. Barnes pled guilty to mail fraud. In August 2016, the Court sentenced Ms. Barnes to 12 months and 1 day of incarceration and left open the determination of restitution. In February 2017 the Court ordered Ms. Barnes to pay a total of $484,220 in restitution to the state, $61,337 of which is to be paid to Minnesota Housing.

Section 10.02 of the Board's Participant Suspension Policy provides that an individual or an organization may be suspended from doing business with the Agency if one or more of the following has occurred:

> The individual or organization (1) is in default under a contract or agreement with the Agency; (2) has provided false or misleading documentation to the Agency; (3) has made material misrepresentations to the Agency; or (4) has engaged in activities that have either financially damaged or exposed the Agency to substantially increased financial risk.

Ms. Barnes' conviction satisfies one or more of the above conditions.

After reviewing the information, the Minnesota Housing Participant Suspension Committee suspended Ms. Barnes, as a principle of any organization or entity, from doing business with Minnesota Housing for the maximum period of three years.