MINNESOTA HOUSING

MEETINGS SCHEDULED FOR FEBRUARY

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, FEBRUARY 21, 2019

Regular Board Meeting
Lake Superior Conference 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, February 21, 2019.

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

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

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MINNESOTA HOUSING

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AGENDA
Minnesota Housing Board Meeting
Thursday February 21, 2019
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. Regular Meeting of January 21, 2019
   B. Special Meeting of February 4, 2019
5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**
6. **Consent Agenda**
   A. Housing Trust Fund (HTF) Operating Subsidy (OS) Grant Extensions
   B. Approval, Reinstatement of the City of Thief River Falls Community Homeownership Impact Fund Award
7. **Action Items**
   A. Approval, Home Investment Partnership (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide Policy Change
   B. Approval, Waiver from the Predictive Cost Model 25% Threshold, Unity Place Townhomes, D0232, Brooklyn Center
   C. Approval, Selection and Commitment, Low and Moderate Income Rental Loan (LMIR), Rolling Ridge Townhomes, D3133, Rochester
   D. Approval, Community Homeownership Impact Fund Program Procedural Manual
   E. Approval, Community Homeownership Impact Fund Scoring Revisions for the 2019 Single Family Request for Proposals
   F. Amendment to Resolution authorizing the issuance and sale of fixed rate Minnesota Housing Finance Agency, Residential Housing Finance Bonds
   G. Resolution authorizing the issuance and sale of variable rate Minnesota Housing Finance Agency, Residential Housing Finance Bonds, 2019 Series D
8. **Discussion Items**
   A. Developing Minnesota Housing's 2020-23 Strategic Plan
9. **Information Items**
   A. 2018 Annual Conflict of Interest Disclosure Reporting
   B. Semi-annual Variable Rate Debt and Swap Performance Report, as of January 1, 2019
   C. 2019 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report

10. **Other Business**

    None.

11. **Adjournment**

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday January 24, 2019
1:00 p.m.

1. **Call to Order.**
   Chair John DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance agency at 1:04 p.m.
2. **Roll Call.**
   Members Present: John DeCramer, Craig Klausing, Stephanie Klinzing, Joe Johnson (via phone), Damaris Hollingsworth, Julie Blaha and Terri Thao.
   Minnesota Housing Staff present:, Tal Anderson, Ryan Baumtrog, Wes Butler, Kevin Carpenter, Matt Dieveney, Diane Elias, Rachel Franco, Brian Haefner, Zahra Hassan, Anne Heitlinger, Darryl Henchen, Jennifer Ho, Aaron Keniski, Kasey Kier, Tresa Larkin, Debbi Larson, Eric Mattson, Katie Moore, Tom O'Hern, Ashley Oliver, John Patterson, Tony Peleska, Kirby Pittman, Devon Pohlman, Paula Rindels, Gayle Rusco, Megan Ryan, Todd Sauder, Anne Smetak, Barb Sporlein, Maggie Strugala, Jodell Swenson, Mike Thone, Nicola Viana and Jennifer Wille.
   Others present: Ramona Advani, Office of the State of Minnesota Auditor; Cory Hoeppner, RBC Capital Market; Bryan Klitzke, JLL; Jean Lee, APAHC/CHI/RRFC; Melanie Lien, Piper Jaffray; Anne Mavity, Minnesota Housing Partnership;
3. **Agenda Review**
   None.
4. **Approval of Minutes**
   A. **Regular Meeting of December 20, 2018**
   Motion: Stephanie Klinizing moved to approve the minutes with an edit. Seconded by Terri Thao. Roll Call was taken, all were in favor. Motion carries 7-0.
5. **Reports**
   A. **Chair**
   None.
   B. **Commissioner**
   Commissioner Ho shared the following with the board:
   - On Wednesday January 24 she participated in the Point in Time count with Commissioner Lourey (DHS), Commissioner Harrington (DPS) and Chair Slawik (Met Council).
   - Earlier today, Governor Walz and Lt. Governor Flanagan hosted a roundtable with local leaders to highlight the impact of the shutdown on the people of Minnesota.
   - Priorities:
     - getting to know Senior Leadership Team
     - meeting division staff in small settings
     - learning the ins and outs of each division and standing committees
     - meeting with Legislature and fellow Commissioners
   - Productive meeting with Office of Legislative Auditor. We are close to receiving the final report, which we will share when it is public
   - We are moving out the BOSS launch date to allow for more testing. We will keep the board informed of the process.
   - Will be meeting with Governor Walz and MMB to discuss the Governor's Budget.
   - Potential for a special board meeting prior to the February board meeting.

   On behalf of the Multifamily and Single Family staff, Commissioner Ho made a request to move the October 17 board meeting to October 31.
   <u>New Employee Introductions:</u>

Devon Pohlman introduced Aaron Keniski, Policy and Compliance Analyst, Multifamily division.
Ryan Baumtrog introduced Alyssa Wetzel-Moore, Community Development Director.
Tony Peleska introduced Todd Sauder, Information Technology Specialist 4, BTS Division
Tony Peleska introduced Kristy Zack, Technology Communications Specialist, BTS Division
Gayle Rusco introduced Zahra Hassan, Asset Manager in Multifamily division

C. **Committee**

None.

6. Consent Agenda

None.

7. Action Items

A. **Approval, Family Homeless Prevention and Assistance Program Guide – July 1, 2019 – September 30, 2021**

Diane Elias presented to the board a request for approval of the Family Homeless Prevention and Assistance Program (FHPAP) Guide.
Chair DeCramer opened up the discussion. The board asked a series of questions and staff provided answers. **Motion:** Craig Klausing moved to approve Family Homeless Prevention and Assistance Program Guide – July 1, 2019 – September 30, 2021. Seconded by Stephanie Klinzing. Roll Call was taken, all were in favor. Motion carries 7-0.

B. **Approval, Minnesota City Participation Program**

Nicola Viana presented to the board a request for approval of cities for participation in the Minnesota City Participation Program (MCPP).
Chair DeCramer opened up the discussion. The board asked a series of questions and staff provided answers**. Motion:** Terri Thao moved Approval, Minnesota City Participation Program. Seconded by Julie Blaha. Roll call was taken, all were in favor. Motion carries 7-0.

C. **Approval, Resolution authorizing the issuance and sale of Rental Housing Bonds, 2019 Series B for a multi-family development in Rochester, Minnesota (Hylands)**

Kevin Carpenter presented to the board a request for approval and authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond resolution. The bonds will be issued in an amount not to exceed $4,090,000, and will be used to finance the acquisition and rehabilitation of a 100 unit rental housing development in Rochester, Minnesota. Dave Amsden, Kutak Rock joined the meeting via conference call to review the resolution.

Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Joe Johnson moved Approval, Resolution authorizing the issuance and sale of Rental Housing Bonds, 2019 Series B for a multi-family development in Rochester, Minnesota (Hylands). Seconded by Stephanie Klinzing. Roll call was taken, all were in favor. Motion carries 7-0.

8. Discussion Items

A. 2019 Division Work Plan Summary

Barb Sporlein reviewed the 2019 Division Work Plan Summary.

9. Information Items

A. Post-sale Report, Homeownership Finance Bonds (HFB) 2018 Series IJ

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:34 p.m.

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John DeCramer, Chair

DRAFT Minutes
Minnesota Housing Special Board Meeting
Tuesday February 4, 2019
3:00 p.m.

1. **Call to Order.**
   Chair John DeCramer called to order the special meeting of the Board of Minnesota Housing Finance agency at 3:03 p.m.
2. **Roll Call.**
   Members Present Via Conference Call: John DeCramer, Craig Klausing, Stephanie Klinzing, Joe Johnson, Damaris Hollingsworth, Julie Blaha and Terri Thao.
   Minnesota Housing Staff Present: Wes Butler, Kevin Carpenter, Jessica Deegan, Rachel Franco, Brian Haefner, Anne Heitlinger, Jennifer Ho, Kasey Kier, Barbara Kovechar, Paul Marzynski, Tom O'Hern, Ashley Oliver, John Patterson, Dani Salus, Anne Smetak, Jodell Swenson, Susan Thompson, and Ted Tulashie.
   Others Present Via Conference Call: Ramona Advani, Office of the State Auditor.
3. A. **Commitment Modification, Economic Development and Housing Challenge (EDHC) – White Pine Apartments, Cloquet, D7974** Ted Tulashie and Susan Thompson presented to the board a request for the adoption of a resolution authorizing a modification to increase the Economic Development and Housing Challenge (EDHC) loan commitment by up to $1,850,000, to a revised EDHC commitment amount of up to $2,650,000. Tom O'Hern provided context of the request before the board.

   Chair DeCramer opened up the discussion. The board asked a series of questions and staff provided answers. **Motion:** Stephanie Klinzing moved to approve Commitment Modification, Economic Development and Housing Challenge (EDHC)– White Pine Apartments, Cloquet, D7974. Seconded by Terri Thao. Roll call vote was taken, all were in favor. Motion carries 7-0.

4. **Discussion Items**
   A. Federal Shutdown Implications
   Jessica Deegan and Ashley Oliver shared with the board the implications of the Federal Government shutdown.
5. **Information Items**
6. **Other Business**
   None.
7. **Adjournment**
   The meeting was adjourned at 3:37 p.m.

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John DeCramer, Chair

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MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 2/21/2019

Item: Housing Trust Fund (HTF) Operating Subsidy (OS) Grant Extensions

Staff Contact(s):
Vicki Farden, 651.296.8125, vicki.farden@state.mn.us
Joel Salzer, 651.296.9828, joel.salzer@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests approval of the attached Resolution authorizing new commitments of $1,572,156 from the Housing Trust Fund (HTF) and extending certain current Operating Subsidy (OS) grant agreements for one year. This action will affect operating subsidy grant agreements at 29 existing supportive housing developments that collectively have 789 supportive housing units.

Fiscal Impact:
HTF funds are state appropriated dollars, and as grants, the agency earns no income from these operating subsidy arrangements. The funding recommended is budgeted and available in the current 2019 Affordable Housing Plan (AHP) and has not been identified for any other purpose.

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
- Attachment A – 2019 Operating Subsidy Grant Extensions

Background:
The Operating Subsidy (OS) Program provides funds for revenue shortfalls and unique costs associated with operating certain low-income supportive housing developments. Minnesota Housing provided the initial OS funding for these properties in conjunction with capital funding provided via the Multifamily Consolidated Request for Proposals (RFP). These properties were funded over a seven year period beginning with the 2005 RFP and ending with the 2012 RFP.

OS funding is only available to current grantees that demonstrate the need for the subsidy and provide evidence that all other possible funding sources and cost saving measures have been investigated and implemented where available. These developments leverage many other funding sources for operations and unique costs such as Housing Support, HUD Continuum of Care, Section 8 Rental Assistance, Medicaid, philanthropy and other state program grants. The OS funding is critical to preserve these affordable supportive housing units for very low-income households with long histories of homelessness. The average cost per unit, per year paid by OS funding is $1,993.

For the past 10 years, the Department of Human Services (DHS)-Behavioral Health Division has partnered with Minnesota Housing to provide funding to support this activity. Funds come to the Agency through an Interagency Agreement and are administered by Minnesota Housing under HTF Program rules and in accordance with the OS Program Guide. DHS has provided up to $1,000,000 in operating subsidy annually to support existing Agency-financed supportive housing developments that serve adults with a serious mental illness (SMI). Due to new grants management requirements at DHS, beginning with state fiscal year 2019, DHS will provide the grant funding through their own process and the Agency will no longer administer their grant funds. The 17 OS grantees with DHS funding will have to apply to DHS for continued funding.

The transfer of the administration of the 17 OS grantees to DHS reduces Minnesota Housing's financial liabilities for the OS Program by more than $1M annually. Because there is one other long-term OS grant which is not expiring this year, Minnesota Housing will be administering 30 OS grants going forward, (the 29 that are the subject of this request plus the one other that doesn't expire this year),down from 47.

Minnesota Housing would normally issue an RFP in 2019 to renew the current expiring OS grants for a two year period. With the change of the 17 grantees moving to DHS, staff is investigating new efficiencies for managing the program. Additionally, for administrative purposes, staff proposes moving the OS RFP to an even-numbered year (i.e. 2020-2022). This would allow the program managers to stagger the work flow so that all of our housing stability team grant program RFPs are not on the same two-year cycle and leads to the staff proposal to extend and amend the current 27 OS grants with two-year terms that expire in 2019 for a period of one year.

Additionally, there are two other OS grants expiring in 2019 with original grant terms of 8-10 years. Under the Office of Grants Management's policies, a grant can only be issued and/or renewed for a total of five years. This policy was unknown to Minnesota Housing at the time it issued these initial grants; therefore, staff will use the Sole Source Contract process to issue a one-year grant to these two properties. These two grants will be brought into the renewal cycle in 2020 along with one remaining long-term OS grant that will expire in 2020.

Background

The Agency's 2019 Affordable Housing Plan set aside Housing Trust Fund (HTF) funds for the OS grant renewals. Staff recommends extending and amending the 27 expiring 2-year grant contracts, ,and renewing the two long-term expiring grants as outlined in Attachment A for a period of up to one year, for a total of $1,572,156 in OS commitments.

Agenda Item: 6.A
Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA XXXX

RESOLUTION APPROVING HOUSING TRUST FUND OPERATING SUBSIDY GRANT EXTENSIONS

WHEREAS, the Minnesota Housing Finance Agency (Agency) staff has proposed to extend and amend with additional funding current Operating Subsidy grants for supportive housing properties serving families and individuals who are low income, homeless or long-term homeless.

WHEREAS, Agency staff has determined that the grant extensions are in compliance with 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 grant extensions will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend and amend with additional funding 27 expiring grant agreement, and renew, with additional funding, 2 long-term expiring grantagreements, and enter into grant agreements using state resources as set forth below, subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

1. Agency staff shall review and approve the recommended grantees for up to the total recommended amount for up to one (1) year;

D#	Property Name	City	1 YR Award
D0430	2001 W 3rd St. LLC	Duluth	$ 12,539
D3173	2011 Pillsbury Residence	Minneapolis	$ 12,000
D6350	3631 Penn Avenue Apts	Minneapolis	$ 16,600
D3845	Alicia's Place	Duluth	$ 16,580
D5905	Alliance Scattered Site Rehab	Minneapolis	$ 16,050
D3192	American House Apts	Saint Paul	$ 82,500
D3866	Belle Haven Townhomes	Princeton	$ 20,000
D4076	Booth Brown House	St. Paul	$ 91,000
D3912	Cedar View Apartments	Minneapolis	$ 55,031
D3871	Country View	Willmar	$ 30,000
D3890	DreamCatcher Homes	Ogema	$ 33,000
D5954	Fond du Lac Supportive Housing	Cloquet	$ 36,000
D6730	Fond du Lac Veterans Supportive Housing	Cloquet	$ 27,000
D7535	Giwanakimin	Naytahwaush	$ 36,556
D5957	Higher Ground – Mpls	Minneapolis	$ 130,000
D4056	HOPE on Ninth	St. Cloud	$ 15,000
D2475	Kimball Court	Saint Paul	$ 62,159

D5886	Lincoln Place	Eagan	$	150,000
D1504	Louisiana Court Apts	St. Louis Park	$	60,000
D5216	LSS Park Avenue Apts	Minneapolis	$	37,000
D0447	Memorial Park	Duluth	$	65,000
D6357	New Moon	Tower	$	76,918
D5909	Nicollet Square	Minneapolis	$	182,038
D5197	North Shore Horizons	Two Harbors	$	4,500
D5200	River Crest Apartments	St. Cloud	$	71,133
D5225	Sankofa Apartments	Saint Paul	$	55,000
D6347	Silver Creek Corner	Rochester	$	56,500
D6723	Steve O'Neil Apartments	Duluth	$	87,000
D5894	Youth Foyer Project	Virginia	$	35,052
			$	**1,572,156**

2. The issuance of grant agreements and grant extension amendments in form and substance acceptable to Agency staff and the closing of the individual grants shall occur no later than twelve months from the adoption date of this Resolution; and

3. The sponsors and such other parties shall execute all such documents relating to said grant, to the security therefore, as the Agency, in its sole discretion, deems necessary.

Adopted this 21st day of February 2019

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CHAIR

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ATTACHMENT A: Operating Subsidy Grant Extensions

Region	D#	MOS #	Property Name	Owner	City	County	HH Type	Total Supp Hsg Units	LTH Units	Rdcmd One Year Ext	Subsidy Purpose
CENTRAL	D3866	17575	Belle Haven Townhomes	Belle Haven LP	Princeton	Mille Lacs	Families	17	4	$ 20,000	Revenue Shortfall
CENTRAL	D4056	17607	HOPE on Ninth	St. Cloud Hope on Ninth	St. Cloud	Stearns	Families	31	10	$ 15,000	Tenant Service Coordinator
CENTRAL	D5200	17582	River Crest Apartments	Center City Housing	St. Cloud	Sherburne	Singles	40	30	$ 71,133	Front Desk
METRO	D3173	17570	2011 Pillsbury Residence	Alliance Housing Inc.	Minneapolis	Hennepin	Singles	27	14	$ 12,000	Tenant Service Coordinator
METRO	D6350	17577	3631 Penn Avenue Apts	Alliance Housing Inc.	Minneapolis	Hennepin	Families	6	2	$ 16,600	Revenue Shortfall
METRO	D3192	17600	American House Apts	352 Wacouta LLC	Saint Paul	Ramsey	Singles	70	10	$ 82,500	Revenue Shortfall
METRO	D4076	17585	Booth Brown House	The Salvation Army	St. Paul	Ramsey	Youth-singles	25	8	$ 91,000	Front Desk
METRO	D3912	17601	Cedar View Apartments	Anpa Waste LLC	Minneapolis	Hennepin	Youth-families	10	10	$ 55,031	Revenue Shortfall
METRO	D5957	17574	Higher Ground -Mpls	CHDC Boxleitner LLC	Minneapolis	Hennepin	Singles	85	85	$ 130,000	Front Desk
METRO	D2475	17599	Kimball Court	545 Snelling LLC	Saint Paul	Ramsey	Singles	76	10	$ 62,159	Revenue Shortfall
METRO	D5886	17593	Lincoln Place	Dakota County CDA	Eagan	Dakota	Youth-singles	24	5	$ 150,000	Revenue Shortfall and Front Desk
METRO	D1504	17595	Louisiana Court Apts	Vail Place	St. Louis Park	Hennepin	Singles	18	18	$ 60,000	Tenant Service Coordinator
METRO	D5216	17586	LSS Park Avenue Apts	Hennepin County/LSS	Minneapolis	Hennepin	Families	10	5	$ 37,000	Revenue Shortfall
METRO	D5909	17608	Nicollet Square	PCNF Nicollet Housing	Minneapolis	Hennepin	Youth-singles	42	22	$ 182,038	Revenue Shortfall and Front Desk
METRO	D5225	17611	Sankofa Apartments	Model Cities	Saint Paul	Ramsey	Youth-families	15	11	$ 55,000	Revenue Shortfall
NE	D0430	17576	2001 W 3rd St. LLC	Center City Housing	Duluth	St. Louis	Youth-singles	12	0	$ 12,539	Revenue Shortfall
NE	D3845	17612	Alicias Place	Center City Housing	Duluth	St. Louis	Singles	10	5	$ 16,580	Revenue Shortfall
NE	D5954	17603	Fond du Lac Supportive Housing	Fond du Lac Band	Cloquet	Carlton	Families	24	24	$ 36,000	Revenue Shortfall
NE	D6730	17604	Fond du Lac Veterans Supportive Housing	Fond du Lac Band	Cloquet	Carlton	Singles	10	10	$ 27,000	Revenue Shortfall
NE	D6723	17580	Hillside/SteveO'Neil Apartments	Hillside Apartments	Duluth	St. Louis	Families	44	22	$ 87,000	Revenue Shortfall and Front Desk
NE	D0447	17581	Memorial Park	Center City Housing	Duluth	St. Louis	Singles	39	8	$ 65,000	Revenue Shortfall and Tenant Service Coordinator
NE	D6357	17597	New Moon	Bois Forte Band	Tower	Saint Louis	Families	19	19	$ 76,918	Revenue Shortfall and Tenant Service Coordinator
NE	D5197	17572	North Shore Horizons	North Shore Horizons	Two Harbors	Lake	Families	6	3	$ 4,500	Tenant Service Coordinator
NW	D7535	17606	Giwanakimin	Naytahwaush LLC	Naytahwaush	Mahnomen	Families	20	6	$ 36,556	Revenue Shortfall
SE	D6347	17583	Silver Creek Corner	Center City Housing	Rochester	Olmsted	Singles	40	30	$ 56,500	Front Desk
SW	D3871	17588	Country View	Kandiyohi County HRA	Willmar	Kandiyohi	Families	6	6	$ 30,000	Revenue Shortfall
WC	D3890	17602	DreamCatcher Homes	White Earth	Ogema	Becker	Families	20	4	$ 33,000	Revenue Shortfall
								746	381	**$ 1,521,054**	**TOTAL for Extensions**

2/21/19

ATTACHMENT A: Operating Subsidy Grant Extensions

New Grants for Expiring Long Term OS Grants

Region	D#	MOS #	Property Name	Owner	City	County	HH Type	Total Supp Hsg Units	LTH Units	Rdcmd One Year Grant	Subsidy Purpose
NE	D5894	13543	Youth Foyer Project	AEOA Foyer LP	Virginia	St.Louis	Youth-Singles	15	4	$ 35,052	Front Desk and Tenant Service Coordinator
METRO	D5905	13623	Alliance Scattered Site Rehab	Alliance Housing, Inc	Minneapolis	Hennepin	Families and Singles	28	4	$ 16,050	Revenue Shortfall
								43	8	**$ 51,102**	**TOTAL - Renewal Grants**
								789	389	**$ 1,572,156**	**TOTAL -Extensions and Renewal Grants**

MINNESOTA HOUSING

Board Agenda Item: 6.B
Date: 2/21/2019

Item: Approval, Reinstatement of the City of Thief River Falls Community Homeownership Impact Fund Award.

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 requests reinstatement of a portion of the Impact Fund deferred loan commitment to the City of Thief River Falls.

Fiscal Impact:
Economic Development Housing Challenge (Challenge) funds were previously committed to the City of Thief River Falls. The Challenge funds were released upon expiration of the award. Reinstatement will recommit $43,400 in Challenge funds to the City of Thief River Falls. The funding to the City does not earn interest for Minnesota Housing.

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
- Request Details

Background
The Community Homeownership Impact Fund (Impact Fund) provides funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals. On October 22, 2015, the Board approved $217,000 in Challenge deferred loan funds to the City of Thief River Falls (the City) to provide affordability gap assistance to ten households. Affordability gap is downpayment and closing cost assistance to households purchasing single family homes. The City partnered with the Midwest Minnesota Community Development Corporation (MMCDC), who was to develop the homes in a new subdivision that would increase affordable workforce housing in the area.

The City's contract with Minnesota Housing expired on January 1, 2019 without deployment of the funds. Due to miscommunication between the City and MMCDC, they believed there were no households eligible to purchase the homes. As a result, the City did not reach out to Minnesota Housing to request an extension to its award.

Request Details
Staff requests reinstatement of a portion of Minnesota Housing's award to the City to enable two households to access the City's affordability gap funds. MMCDC has two homebuyers eligible to purchase homes. One homebuyer is prepared to close on the purchase of the home in April 2019. The other homebuyer will close on the purchase of the home in late summer. The homebuyers cannot purchase the homes without the City's Impact Fund affordability gap assistance. Each household will require $21,700 in affordability gap assistance. In light of this, staff recommends recommitting only $43,400 of the $217,000 to enable the two households to purchase the homes.

The new expiration date of the award will be September 30, 2019 to allow the homebuyers to close on the purchases and the City to report to Minnesota Housing on the households served.

MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 2/21/2019

Item: Approval**,** Home Investment Partnership (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide policy change.

Staff Contact(s):
Jennifer Wille, 651.296.9821, jennifer.wille@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests a motion to approve the Home Investment Partnerships (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide. This will replace the current version of the program guide and will provide updated policies that govern the two programs.

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
- Summary and Rationale of Changes
- HOME Investment Partnerships Program (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide (red-lined version)

Background:
The HOME and National Housing Trust Fund are both federally funded programs focusing on providing affordable housing for low- and very-low income families, including homeless families. Funds are used for new construction and acquisition with rehabilitation and awarded as gap funding through the annual Multifamily Consolidated Request for Proposals (RFP) or on a pipeline basis.

Both programs have extensive regulatory requirements for administering funding and ongoing monitoring throughout the affordability period, which can range from five to 30 years, depending on the level of federal funding investment.

Minnesota Housing staff recommends administrative changes to the HOME and NHTF Combined Program Guide as summarized below. Upon approval, the program guide will be published in advance of the 2019 Consolidated Multifamily RFP release. All projects awarded HOME and NHTF funds that enter into a Written Agreement after February 21, 2019 must follow the policies set forth in the updated program guide.

Summary of Changes:

1. Added the clause, "For projects using HOME and/or NHTF for new construction, Minnesota Housing will withhold the final draw until all federally assisted units are occupied by income-eligible tenants and all federal due diligence has been reviewed and approved."

2. Increase the minimum withholding amount of the final draw from the lesser of $20,000 or one percent up to the lesser of $50,000 or five percent of the HOME and/or NHTF loan proceeds.

Rationale for Changes:
The HOME 2013 Final Rule added two specific deadlines for initial lease-up and occupancy of HOME rental units:

1. Within six months of the date of project completion, every HOME-assisted unit must be occupied by income-eligible tenants. If the unit is not leased up, the Participating Jurisdiction must submit marketing information to the Department of Housing and Urban Development (HUD), and if appropriate, submit a new marketing plan.

2. Within 18 months of the date of project completion, if any housing unit is not yet rented to an income-eligible tenant, the Participating Jurisdiction must repay HOME funds invested in the unoccupied HOME units.

To avoid the potential for HOME repayment and recapture, staff has determined that Minnesota Housing will retain the final draw of all HOME and NHTF funds until all of the federally assisted units are occupied. This will negate having to track vacant units throughout the six to18 month timeline and avoid additional required HUD follow-up on updated marketing plans.

Increasing the amount of retainage on the final draw will also deter owners from attempting to close-out a federally funded project without completing the required due diligence, which includes closing the project out in the federal disbursement system and beginning the project affordability period.

Home Investment Partnerships (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide

February 2019

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Regulations

Program specific federal statutes and rules referenced in this guide can be found at the links below:

- HOME Program
- National Housing Trust Fund Program
- Minnesota Statutes and Rules - Office of the Revisor of Statutes

Federal Cross-cutting Requirements

HOME and NHTF are federal funds that require compliance with various cross-cutting requirements, which impact the entire project. The Initiation of Negotiations (ION) for the cross-cutting requirements is triggered differently for each of the funding sources and type.

- NHTF Operating Cost Assistance
  - Completing the Intent to Apply (ITA) for NHTF Operating Cost Assistance triggers the ION for all applicable cross-cutting requirements. The NHTF Funding Application Certifications (NHTF 1) is signed and submitted along with the ITA.
- The pool of deferred funds (HOME and NHTF)
  - The signing of the NHTF Funding Acceptance Agreement and/or the HOME Funding Acceptance Agreement triggers the ION for all applicable cross-cutting requirements. The certification form is signed after the project has been selected for funding.

The owner/developer is required to comply with all applicable cross-cutting requirements. No choice limiting actions can be taken after the ION has been triggered for these specific funds. In order to be compliant, an owner/developer is prohibited from expending funds or taking any action that would preclude the selection of alternative choices until the environmental review process is complete.

The following chart helps identify some, but not all, of the major federal cross-cutting requirements, their trigger points and the term of compliance with the requirement. More detailed explanations of these requirements can be found throughout relevant guides required as part of Minnesota Housing's Consolidated Request for Proposals (RFP) and in the Code of Federal Regulations (CFR). Violating the choice limiting actions could cause the federal funds to be withdrawn from the project. If you have questions about choice limiting actions, please contact the Federal Programs Manager.

Requirement	Trigger Point	Term of Requirement
Environmental Reviews *re: choice limiting actions, please refer to 24 CFR part 93.301	ION (Initiation Of Negotiations)	ION – clearance or release of funds
Uniform Relocation Act (URA)	ION	ION – project construction closeout
Section 3	ION	ION – project construction closeout
Minority Business Enterprise – Women Business Enterprise (MBE/WBE)	ION	ION – project construction closeout
Davis Bacon and Related Acts HOME	ION	ION – project construction closeout
Davis Bacon and Related Acts NHTF	None	None
Lead-based Paint	ION (pre-1978 construction date)	ION – ongoing
Fair Housing-Accessibility	ION	ION – ongoing
Fair Housing-Marketing	ION	ION – ongoing
EEO-included in contracts	ION	ION – project construction closeout
Debarment/Suspension	ION	ION – project construction closeout
Physical Condition Standards	ION	ION – term of the loan

Chapter 1 – Introduction

1.01 Background

Minnesota Housing has administered the HOME Investment Partnerships Program (HOME) since 1992. The National Housing Trust Fund Program (NHTF) funds first became available in Minnesota Housing's 2016 Consolidated RFP. HOME and NHTF are federal programs and are dependent on the continued availability of federal funds.

1.02 HOME and NHTF Program Purpose and Descriptions

The information presented in this guide is not intended as a complete description of the owner/developer's responsibilities under the U.S. Department of Housing and Urban Development's (HUD) HOME and NHTF programs.

Unless a provision is noted as "HOME Only" or "NHTF Only," all provisions of this guide apply to both programs. Noncompliance by the owner/developer with certain HOME and NHTF Program requirements may have serious financial consequences.

HOME

The HOME Program can either preserve or increase the supply of decent, safe and sanitary affordable housing for low-income individuals and families. For preservation projects, Minnesota Housing gives priority in its Consolidated RFP to projects faced with risk of opt-out from federal subsidy programs (e.g., Section 8). The HOME Program provides any of the following activity types:

- New construction
- Acquisition with rehabilitation
- Rehabilitation without acquisition

NHTF

The NHTF Program provides opportunities to increase or preserve the supply of multifamily rental housing for extremely low- and very low-income families, including homeless families. This program provides funding to add a supply of affordable housing to markets where there is strong evidence of an inadequate supply. The primary benefit of the NHTF Program will be the reduction of the number of homeless families and individuals as well as a reduction in the number of families paying a disproportionate share of their income for housing. The NHTF Program provides financing for any of the following activity types:

- New construction
- Acquisition with rehabilitation
- Rehabilitation without acquisition
- Operating Cost Assistance with one of the above

1.03 Highlights of the HOME Final Rule

The 2013 HOME Final Rule contains many provisions that impact how Minnesota Housing administers HOME activities. It also codifies existing policy guidance that has been previously issued by HUD and addresses a number of technical and non-substantive "housekeeping" items within the HOME regulation. This guide specifies areas where Minnesota Housing has implemented more restrictive requirements.

The provisions of the HOME Final Rule listed below are of particular importance as they relate to changes in how the HOME Program is administered. Details can be found in subsequent chapters specific to the change.

- Revised commitment and completion deadlines
- Occupancy deadlines
- Regulatory guidance to strengthen performance in the production and preservation of HOME assisted projects
- Long term financial viability of the HOME project over its affordability period
- HOME projects are required to maintain property conditions throughout the affordability period
- Capital needs will be evaluated during underwriting to plan for major systems repairs
- Reserves deposits must be sufficient to ensure the useful life of essential building components throughout the period of affordability
- Community Housing Development Organization (CHDO) qualification and capacity requirements increased

1.04 Highlights of the NHTF Interim Rule

In January 2015, HUD published an Interim Rule (FR-5246-I-03) that provides guidelines for states to implement the NHTF. The provisions of the NHTF Interim Rule listed below are of particular importance as they relate to how NHTF will be administered. Details can be found in subsequent chapters specific to the change.

As HUD releases additional guidance for NHTF, Minnesota Housing will continue to update program policies and protocols to align with the NHTF Interim Rule. Where possible, the NHTF Program will align with the HOME Program.

Unique components of NHTF:

- Labor Standards – not required
- Operating Cost Assistance and Operating Cost Assistance Reserves (OCAR)
- All NHTF assisted rental housing must meet a minimum affordability period of 30 years

1.05 Program Comparison Chart

Categories	NHTF Program	HOME Program
Statutory Authority	Title I of the Housing and Economic Recovery Act of 2008	Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended
Regulatory Authority	24 CFR Part 93	24 CFR Part 92
Purpose	• Production or preservation, primarily of rental housing, affordable and available to extremely low-income households State determines: • Priority housing need throughout the state	• Preserve the supply of decent, safe, and sanitary affordable housing for low-income individuals and families • Meet identified priority housing needs, through development or rehabilitation of rental housing State determines: • Priority housing need throughout the state
Allocation	Formula	Formula
Formula Factors	Shortage of standard housing: • Overcrowding, having incomplete kitchen facilities, having incomplete plumbing, or a high rent to income ratio • Affordable to very low- and extremely low-income (below 50% of AMI and 30% of AMI) households; weighted toward extremely low-income households • High rent to income ratio ≥ 50% of income for rent • Cost of producing housing relative to national average	Shortage of standard housing: • Overcrowding, having incomplete kitchen facilities, having incomplete plumbing, or a high rent to income ratio Rental households in poverty: • Poverty relative to national average • Inadequate housing – low vacancy, poor renters • Pre-1950 housing stock occupied by poor households • Fiscal incapacity • Cost of producing housing relative to national average
Minimum Income Targeting	When total NHTF funds available nationally are less than $1 billion: • 100% for extremely low-income households (≤ 30% of AMI or families with incomes at or below the poverty line (whichever is greater)) When NHTF funds are greater than $1 billion: • At least 75% for extremely low-income households (≤30% of AMI or	Regardless of the amount of the award to Minnesota Housing: • 100% for low-income households (≤ 80% of AMI) • 90% (of rental units and TBRA) for households at ≤ 60% of AMI • 20% of rental units in projects of more than five HOME units for households at < 50% of AMI

Categories	NHTF Program	HOME Program
	families with incomes at or below the poverty line (whichever is greater) • Up to 25% for very low-income households (< 50% of AMI)	
Eligible Activities	• New construction • Acquisition and rehabilitation • Operating Cost Assistance (up to one third of annual grant)	• New construction • Acquisition • Acquisition and rehabilitation
Limits on Eligible Activities	Minnesota Housing will be using NHTF for rental properties	Minnesota Housing will be using HOME for rental properties
Rents	Rents plus utilities in units for extremely low-income households are capped at 30% of the income of a household whose income is 30% of AMI	• High HOME rents (including utilities) are capped at the lesser of: the Fair Market Rent (FMR) for the area or 30% of the income of a household whose income is 65% of AMI. • Low HOME rents (including utilities) are capped at 30% of the income of a household whose income is 50% of AMI, or, if there is federal or state project-based rental assistance, 30% of the tenant's adjusted gross income
Maximum Per-Unit Subsidy Limits	Limits are set by Minnesota Housing	Interim Policy – CPD-15-003 Section 234-Condominium Housing, elevator-type. Section 234 basic mortgage limits will be used in place of the Section 221(d)(3) limits until further HUD guidance. • Cannot exceed 240 percent of the Section 234 basic mortgage limit
Affordability Periods	Rental Projects – New Construction, Rehabilitation, Rehabilitation and Acquisition: • 30 years	Rental Projects – Rehabilitation, Rehabilitation and Acquisition: • 5, 10, 15 years depending upon the amount of the HOME investment Rental Projects – New Construction: • 20 years
Funds Commitment/ Expenditure Deadlines	24 months/five years	24 months/five years

Chapter 2 – Eligible Uses and Eligibility Criteria

2.01 Eligible Projects

- HOME and NHTF programs allow for funding of new construction, rehabilitation and acquisition.
- A property may contain one or more buildings on a single site. Properties may also be located on more than one site if it meets all of the following:
  - The properties are under common ownership
  - The properties are under common management and financing
  - The housing units are being rehabilitated in each building as part of a single undertaking
- A property must also meet all of the following:
  - Conform to all applicable zoning ordinances
  - Possess all appropriate use permits
  - Be used primarily for residential purposes (51 percent or more of the gross floor area of each structure must be residential space)
  - Provide permanent housing (e.g., no emergency shelters or other facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, halfway houses, housing for students, dormitories (including farmworker dormitories)).

2.02 Ineligible Projects

- A property under the Emergency Low-Income Housing Preservation (ELIHPA) Act of 1987
- A property under the Low-Income Housing Preservation and Resident Homeownership (LIHPRA) Act of 1990
- Minnesota Housing-financed projects actively participating in its Redefined Equity program
- Public housing property, unless otherwise specified by HUD
- A property owned by a trust
- A property owned by a borrower who previously received funds from Minnesota Housing and who did not maintain compliance with affordability, property standards or otherwise defaulted under its loan
- A property where there are encumbrances, judgments or outstanding liens that are not acceptable to Minnesota Housing
- A property with a history of negative cash flow that will not be corrected during the acquisition and rehabilitation of the property
- **NHTF:** Prohibits the use of NHTF funds in conjunction with property taken by eminent domain unless eminent domain is employed only for a public use.
- **HOME:** A property previously funded under the HOME Program (by Minnesota Housing or any other Participating Jurisdiction) that is still within its Effective Period unless a waiver has been granted by Minnesota Housing and HUD.

NOTE: The terms affordability period, effective period, and compliance period all mean the length of time that the property has to be in compliance with the program requirements.

2.03 Eligible Costs and Activities

Hard Costs

- Eligible hard costs include the actual cost of constructing or rehabilitating housing, including the activities in 24 CFR 93.201(a) for NHTF and 24 CFR 92.206(a) for HOME. Minnesota Housing can help determine what types of costs can be included in a specific project.
- Permanent improvements that bring the property into compliance with applicable state and local codes, zoning ordinances and lead safe housing as stated in HOME regulations under 92.251 and NHTF regulations under 93.301, Minnesota Housing Rental Housing Design/Construction Standards, and Uniform Physical Condition Standards (UPCS) specified in 24 CFR 5.705
- Acquisition costs, for properties to be rehabilitated.

NOTE: HOME and NHTF funds are restricted in their use for public housing units. Applications for public housing units must meet the eligibility requirements of 24 CFR 92.213 for HOME or 24 CFR 93.203 for NHTF.

Soft Costs

- Architectural, engineering or related professional services required to prepare plans, drawings, specifications or work write-ups if they are incurred no more than 24 months prior to the execution of the HOME or NHTF Written Agreement that commits the funds to the property or during the construction phase
- Costs for environmental testing (Phase 1), Lead-based Paint (LBP) assessment, radon, Asbestos-Containing Materials (ACM) assessment
- Developer fees up to five percent of the loan
- Finance-related costs
- Affirmative marketing and fair housing information to prospective tenants or owners of an assisted project
- Temporary relocation costs
- Other soft costs eligible under 24 CFR Part 92 for HOME, and 24 CFR Part 93 for NHTF and are approved by Minnesota Housing in advance of incurring the soft costs

Eligible Operating Costs (NHTF)

The NHTF Program allows grantees to set aside up to one third of their grant for operating cost assistance for NHTF assisted units for which project-based assistance is not available. Minnesota Housing will make available operating cost assistance in the form of a grant to provide operating reserves to eligible projects.

Owners that accept OCAR as a component of the funding for their project will be required to enter into a Written Agreement as well as an Operating Cost Assistance Written Agreement with Minnesota

Housing. These documents will identify the obligations of the owner in regard to holding and drawing the reserve funds.

Ongoing monitoring of the reserves will occur as part of asset management oversight and will be integrated into the underwriting of the project. On an annual basis, reserve amounts may be reconciled with the amount originally committed and projected with actual costs incurred. Adjustments to the reserves would be made as directed by HUD. HUD guidance on this specific requirement is still pending. Minnesota Housing reserves the right to modify any portion of this guide to respond to federal guidance.

2.04 Ineligible Costs and Activities

Additional detail for ineligible activities and fees can be found under 24 CFR Part 92.214 for HOME and 93.204 for NHTF. Owners are encouraged to review this section of the regulation.

NOTE: Ineligible improvements and expenses may be completed at the expense of the owner.

Ineligible Improvements and Expenses

- Recreational or luxury improvements
- Installation of fireplaces or wood burning stoves
- Materials purchased prior to loan closing
- Acquisition that is not in conjunction with rehabilitation of the project
- Improvements that started prior to loan closing
- Equipment and furnishings not considered part of the real estate
- Materials, fixtures or landscaping of a type or quality exceeding those customarily used in similar neighborhood properties
- Improvements not included in the scope of work and the loan amount

Ineligible Soft Costs

Ineligible soft costs can include items such as:

- (HOME) Operating or replacement reserves
- (HOME and NHTF)
    - Application fees
    - Management agent fees
    - Monitoring fees
    - Displacement of tenants
    - Other soft costs incurred prior to loan closing that have not been approved by Minnesota Housing

2.05 Eligible Owners, Sponsors, Developers and Capacity

Eligible Entities for HOME and NHTF must be either:

- A for profit entity
- A 501(C)(3) non-profit entity
- A government unit (excluding the federal government)
- A religious organization

NOTE: For a project funded with HOME to be eligible to receive CHDO set-aside funds, the owner must be certified by Minnesota Housing as a CHDO.

The owner must provide evidence of a qualifying interest in the property. Such interest must be recorded and appear in the county records. The minimum qualifying interest is 100 percent fee simple interest that may also be subject to a mortgage.

Owner and Development Team Debarment Review

Minnesota Housing will confirm that no members of the project team, including the owner, are debarred or excluded from receiving federal assistance prior to selection or entering into a Written Agreement or closing the loan.

- If the owner(s) are listed on HUD's Limited Denial of Participation (LDP) list or they are in the System for Award Management (SAM), they will not be eligible to receive HOME or NHTF funds.
- If anyone on the owner's development team is listed on either HUD's LDP or the SAM debarment list, they must be replaced by someone who does not appear on HUD's debarment lists.

Contractor Debarment

Before issuing a contract to a general contractor, the owner must verify with Minnesota Housing that the general contractor is not debarred or excluded from working on federally assisted projects.

- If the general contractor is listed on HUD's LDP list or in the SAM, they are not eligible to work on the project and will have to be replaced by another contractor who does not appear on HUD's debarment lists.
- It is the general contractor's responsibility to provide documentation to Minnesota Housing that verifies all subcontractors working on the project are not on the LDP list or in the SAM.

Developer Capacity

Developer's capacity, including but not limited to prior experience and financial capabilities, will be assessed prior to selection for funding.

Community Housing Development Organization (CHDO) Capacity (HOME Program)

- To receive the HOME CHDO set-aside funds, the developer must complete and submit a CHDO Qualification Form and supporting documentation to Minnesota Housing for review and approval.
- CHDO certification must be completed for every project.

- If CHDO set-aside funds are awarded to a project, the CHDO must re-certify every year throughout the term of affordability.
- CHDO set-aside funds must be expended within five years from when Minnesota Housing receives its formula allocation.
- If a project is receiving CHDO set-aside funding, the CHDO can only be replaced as the general partner for just cause, and the CHDO must be replaced with another certified CHDO.
- A non-profit must have paid staff whose experience qualifies them to undertake CHDO set-aside activities.

2.06 Design and Property Standards

HOME and NHTF Property Standards

- Properties served with HOME and NHTF funds must comply with all applicable state and local codes, standards, and ordinances by project completion. In cases where standards differ, the most restrictive standard will apply. In the absence of a state or local building code, the International Residential Code or International Building Code of the International Code Council will apply.
- Properties must meet local housing habitability or quality standards throughout the effective period. If no such standards exist, HUD's Uniform Physical Conditions Standards (UPCS), as set forth in 24 CFR 5.705, will apply.
- It is the owner's responsibility to determine if there is a local housing habitability code required for their property and to provide to Minnesota Housing with either a copy of the code or an internet URL to the code.

Minnesota Housing Rental Housing Design/Construction Standards

- All projects funded through the HOME and NHTF programs must follow Minnesota Housing's Rental Housing Design/Construction Standards. These guidelines are available on Minnesota Housing's website: Rental Housing Design/Construction Standards.
- All projects with 26 or more units are required to have the useful remaining life of the major systems determined. Major systems include: structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning.
- If the useful remaining life of one or more major system(s) is less than the applicable effective period, the system(s) must be either included in the scope of work or a replacement reserve must be established and monthly deposits made to the reserve account to adequately repair or replace the systems as needed.

2.07 Environmental Reviews

HOME and NHTF both require an environmental review prior to execution of the Written Agreement.

HOME Program

The environmental review requirements for HOME are found under 24 CFR Part 92.352. This section's regulations align with the environmental review requirements found under 24 CFR Part 58. After the

ION, no choice limiting actions can be taken until the environmental review has been completed. It is important for developers to consult with the underwriter to review the noted regulations to ensure the relevant protocols are followed. Written Agreements will not be entered into until an environmental review is completed.

NHTF Program
The environmental review requirements for NHTF are found under 24 CFR Part 93.301(f). It is important for developers to consult with the underwriter to review the noted regulations to ensure the relevant protocols are followed. Written Agreements will not be entered into until an environmental review is completed.

2.08 Lead Hazard Evaluation and Reduction

All projects funded through the HOME or the NHTF Program must follow HUD 24 CFR 35 subparts A, B, J, K, M and R, Minnesota Housing's Rental Housing Design/Construction Standards and Minnesota Housing's Lead-based Paint policy. Owners are required to follow disclosure requirements for Lead-based Paint (LBP), including:

- Complete Minnesota Housing's Lead-based Paint Pre-Construction Certification form and submit the original to Minnesota Housing in conjunction with signing HOME and/or NHTF Funding Acceptance Agreement.
- Provide the EPA-approved lead hazard pamphlet "Protect Your Family from Lead in Your Home" to all tenant households in a property built prior to 1978. The pamphlet must be given upon execution of the HOME and NHTF application forms titled (HOME Form 1 or NHTF Form 1) for existing tenants and for new tenants at move-in.
- Distribute to all tenants residing at the property during rehabilitation the "Renovate Right: Important Lead Hazard Information for Families, Child Care Providers, and Schools" pamphlet. This must be distributed no less than seven days and no more than 60 days prior to commencement of rehabilitation.
- Retain on file a Lead-based Paint Acknowledgment of Disclosure form signed by the tenant. The signed Lead-based Paint Acknowledgement of Disclosure must be retained for three years from the beginning date of the leasing period.
- Post an assessment or notice of lead-based paint hazards present, whether determined by a risk assessment or presumption of lead. The owner must post the notice in a conspicuous location or deliver a copy of the assessment to each household within 15 days.

2.09 Obtaining Bids

All projects must be awarded to a single general contractor except if the project includes asbestos work. If asbestos work is included, it is acceptable to have a general contractor for the asbestos work and a general contractor for the remaining scope of work. The selected single prime general contractor will be responsible for their scope of work.

The contractor selection process can be through competitive or negotiated bids. If the bid for a general contractor is negotiated, all subcontractors must be competitively solicited. Refer to Section 2.05 for important information on eligible contractors and subcontractors and Minnesota Housing's Contractor Guide for more information on soliciting bids.

2.10 Funds for Final Draw

Minnesota Housing will withhold a minimum of ~~$20,000~~ $50,000 or ~~one percent~~ five percent of the HOME or NHTF loan proceeds, whichever is greater, until the final draw, in addition to any construction retainage, pending satisfactory evidence that all HOME or NHTF program and compliance responsibilities have been met and that all associated documentation needed for the project closeout is complete.

For projects using HOME/NHTF for new construction, Minnesota Housing will withhold the final draw until all federally assisted units are occupied by income-eligible tenants and all federal due diligence has been reviewed and approved.

2.11 Construction Process Monitoring

The owner's contract with the architect must include the executed Section 3 Clause, which requires the architect to provide regular construction administration and site observations pursuant to Minnesota Housing's Architect's Guide. The general contractor must comply with Minnesota Housing's Contractor's Guide.

2.12 Construction Draws

Minnesota Housing reviews and approves all monthly draws for HOME and NHTF prior to disbursement of any funds. Minnesota Housing cannot approve a draw or disburse HOME or NHTF funds if a property is out of compliance with program obligations during the construction period. This may include, but is not limited to, failure to provide labor information and reports, Uniform Relocation Act (URA) reports and Section 3 documentation.

Draws may be withheld until compliance with program obligations, loan terms and the Written Agreement are met, and in cases where compliance cannot be achieved, Minnesota Housing may pursue all available remedies as outlined in the loan documents.

2.13 Change Orders

All change orders and other contract modifications will be in accordance with Minnesota Housing's Architect's Guide and Contractor's Guide.

2.14 Inspections – Initial and Construction

- All projects funded through HOME and NHTF must have a scope of work and bid specifications prepared by an architect licensed to practice in Minnesota. Initial property inspections performed by the project team must be in accordance with Minnesota Housing's Rental Housing Design/Construction Standards.
- In addition, both programs require an initial property inspection to identify Uniform Physical Condition Standards (UPCS) deficiencies. This inspection is completed by Minnesota Housing staff or by an entity or person contracted by Minnesota Housing.
- Findings of the initial inspection deemed an emergency will be required to be remedied per Universal Physical Conditions Standards (UPCS) protocol. The remaining findings can either be integrated into the scope of work or into the property's routine maintenance. Minnesota Housing

and the project team will work together to determine which findings can be worked into the scope of work and which can integrated into routine maintenance schedules.

- Improvements that are identified as routine maintenance may, at Minnesota Housing's discretion, be included in the scope of work or completed separately by the owner. If the owner chooses to complete the maintenance work separate from the project's scope of work, the maintenance must be completed prior to the final project closeout inspection and must meet all applicable Minnesota Housing Rental Housing Design/Construction Standards.
- Minnesota Housing will attend the draw meetings and perform property inspections during construction.

2.15 Construction Completion

HOME

HOME funded projects must be completed within four years of latest signature date of the HOME Written Agreement [§92.205(e)(2)].

HOME assisted rental units must be occupied by income-eligible households within 18 months of project completion; for units that remain vacant six months following completion, an enhanced marketing plan and report will be required to be submitted to HUD [§92.252].

For projects using HOME for new construction, Minnesota Housing will withhold the final draw until all federally assisted units are occupied by income-eligible tenants and all federal due diligence has been reviewed and approved.

NHTF

The project completion date must ensure timely occupancy of NHTF units. Project completion for rehabilitation projects funded with HOME or NHTF is defined as:

- The time when all necessary title transfer requirements and construction work have been performed
- The project complies with the requirements of the program regulations
- The final drawdown of funds have been disbursed for the project
- The project completion information has been entered into HUD's Integrated Disbursement and Information System (IDIS)

NOTE: When a new construction property is funded under HOME or NHTF, project completion happens when construction is completed and occupancy occurs. Ref: HOME- 24 CFR Part 92.251 and 92.502(d), and NHTF-24 CFR Part 93.2, 93.301, and 93.402(d).

For projects using NHTF for new construction, Minnesota Housing will withhold the final draw until all federally assisted units are occupied by income-eligible tenants and all federal due diligence has been reviewed and approved.

Chapter 3 – Underwriting Considerations

All projects funded through the HOME and NHTF programs must follow Minnesota Housing's Multifamily Underwriting Standards. These standards include requirements for debt coverage ratio and loan to value.

Minnesota Housing will provide technical assistance to facilitate commitment of HOME and NHTF funds and will assist owners with understanding their compliance obligations.

3.01 Underwriting for New Construction

Projects undergoing new construction have unique differences that include, but are not limited to, site and neighborhood standards, occupancy and marketing approaches, operating costs, energy efficiency and fair housing and accessibility. These requirements are outlined throughout this guide, the Multifamily Underwriting Standards, the Architect's Guide and the Minnesota Housing Rental Housing Design/Construction Standards.

3.02 Underwriting for Rehabilitation

Projects undergoing acquisition and rehabilitation have unique differences that include, but are not limited to, market demand, occupancy and marketing approaches, operating costs, energy efficiency, relocation and fair housing and accessibility. These requirements are outlined throughout the Multifamily Underwriting Standards, the Architect's Guide, and the Minnesota Housing Rental Housing Design/Construction Standards.

3.03 Written Agreement – Commitment of Funds to a Project

Written Agreements are required for:

- HOME capital funds
- HOME CHDO set-aside funds
- NHTF capital funds
- NHTF OCAR funds

The owner and Minnesota Housing must sign and date the applicable Written Agreement in order to receive federal funds. For capital funds, the Written Agreement must be signed prior to construction activities. The Written Agreement may be signed in advance of, or concurrent with, loan closing as long as all HOME Program and NHTF Program and Written Agreement requirements have been satisfied.

Each Written Agreement outlines the minimum responsibilities and expectations that must be met prior to signing the Written Agreement and throughout the term of the affordability period. Minnesota Housing reserves the right to include additional requirements.

All projects using these federal sources for capital expenses must demonstrate the ability to begin construction within 12 months from the date of the signed Written Agreement.

3.04 Loan Terms

HOME and NHTF funding can be provided in the form of a construction loan or an end loan.

- Zero percent interest rate
- Payment is due in full the earlier of 30 years from the date of the signed mortgage or the occurrence of one or more of the following:
  - Failure of the owner to accept a renewal or extension of federal rental assistance
  - Failure of the federal government to offer to renew or extend federal rental assistance due to actions of the owner or condition of the property
  - An event of default occurrence described in the mortgage and related loan documents
- The minimum amount of HOME and NHTF program assistance is $1,000 per unit or $100,000 per project
- The interest rate may be adjusted in order to allow these funds to be utilized with other sources of funding, such as Low Income Housing Tax Credits
- The loan term may be adjusted based on requirements and conditions of other federal assistance or funding sources
- Loans will generally be full recourse; however, Minnesota Housing may allow non-recourse debt to single asset entities
- Principal and interest, if any, will generally be due and payable at the end of the loan term, which is typically 30 years; however Minnesota Housing may at its sole discretion require provisions necessitating 20 percent of cash flow in excess of $50,000 be repaid annually

3.05 Reserves

If the useful remaining life of one or more major system(s) is less than the applicable effective period, the system(s) must be either included in the scope of work, or a replacement reserve must be established and monthly deposits to the reserve account must be made to adequately repair or replace the systems as needed.

NHTF

Operating Cost Assistance Reserves (OCAR)

- Operating cost assistance reserves may be funded for the amount estimated to be necessary for 15 years from the start of the affordability period.
- Minnesota Housing will determine funding levels and underwrite for these reserves based on the needs of the project and eligible uses.
- The reserve will be held by Minnesota Housing. The owner must annually submit an audit along with the pay request for the eligible expenses incurred during the previous year.
- If the property fails to meet the affordability requirements or is terminated or in default for any reason, all funds must be repaid and any balance in a reserve account will be applied to the balance owed.

3.06 Limit on Governmental Assistance – Subsidy Layering Review

As part of the underwriting process, Minnesota Housing is required to conduct a subsidy layering review to ensure that the sources and uses of funds (including OCAR for NHTF) for the project are reasonable and only the necessary amount of program funds are invested in the housing project.

Minnesota Housing will refer to its underwriting standards as a guide for conducting the subsidy layering review analysis of reasonable project costs.

For the purposes of the subsidy layering review, governmental assistance includes any loan, grants (including a Community Development Block Grant), guarantee, insurance, payment, rebate, subsidy, credit tax benefit, OCAR (NHTF), or any other form of direct or indirect assistance from the federal, state or local government for use in, or in connection with, a specific housing project.

To complete the analysis, Minnesota Housing will review all sources and uses of funds. Minnesota Housing will confirm that all costs are reasonable. The reasonableness of the project's costs is determined by reviewing the project's quality, construction costs, architectural and engineering fees and consulting fees.

Minnesota Housing's staff architect and underwriter review the cost estimates, costs of comparable projects in the same geographic area, qualifications of the cost estimates for various budget line items, comparable costs published by recognized industry cost index services, and the comparable bids obtained.

The reasonableness of the rate of return on the applicant's equity investment is assessed through a review of the pro forma during the underwriting process.

3.07 Market Analysis

The programs require an assessment of market demand. The purpose of the requirement is to ensure that there will be adequate market demand for a project before committing federal funds. To comply with the regulatory obligations, Minnesota Housing requires a developer to follow the protocols outlined in its RFP guide and Underwriting Standards. Because HUD has indicated that additional guidance will be provided in the future, this requirement may be updated to reflect changes.

An assessment must include, at minimum, of the current market demand in the neighborhood that the project will be located in, the experience of the owner/developer, the financial capacity of the owner/developer, and firm written financial commitments for the project.

If a project is also receiving tax credits, the market study will be used to assess the market.

3.08 Site and Neighborhood Standards

Minnesota Housing will administer HOME and NHTF in a manner that provides housing that is suitable from the standpoint of facilitating and furthering full compliance of fair housing laws and regulations and promotes greater choice of housing opportunities.

In carrying out the site and neighborhood requirements with respect to new construction of rental housing, Minnesota Housing will review the information to ensure that the proposed site for new construction meets the requirements in 24 CFR 983.57(e)(2).

Project records must illustrate that a site and neighborhood standards review was conducted for each project that included new construction of rental housing assisted to determine that the site meets the requirements of 24 CFR Part 92.202 for HOME and 24 CFR Part 93.150 for NHTF.

As with the HOME Program, HUD is not applying specific site and neighborhood standards to rehabilitation projects under NHTF; however, if project-based vouchers are used in an NHTF rehabilitation unit, the site and neighborhood standards for project-based vouchers will apply.

In addition, the requirements of 24 CFR Part 8 (which implements Section 504 of the Rehabilitation Act of 1973) apply to the NHTF Program and specifically address the site selection with respect to accessibility for persons with disabilities.

Both HOME and NHTF require that the property comply with 24 CFR Part 983.57 (e)(2)and (e)(3):

> (e) New construction site and neighborhood standards. A site for newly constructed housing must meet the following site and neighborhood standards:
>
> (2) The site must not be located in an area of minority concentration, except as permitted under paragraph (e)(3) of this section, and must not be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.
>
> (3) A project may be located in an area of minority concentration only if:
>
>> (i) Sufficient, comparable opportunities exist for housing for minority families in the income range to be served by the proposed project outside areas of minority concentration (refer to paragraph (e)(3)(iii), (iv), and (v) of this section for further guidance on this criterion); or
>>
>> (ii) The project is necessary to meet overriding housing needs that cannot be met in that housing market area (refer to paragraph (e) (3)(vi)) of this section for further guidance on this criterion).
>>
>> (iii) As used in paragraph (e)(3)(i) of this section, “sufficient” does not require that in every locality there be an equal number of assisted units within and outside of areas of minority concentration. Rather, application of this standard should produce a reasonable distribution of assisted units each year that, over a period of several years, will approach an appropriate balance of housing choices within and outside areas of minority concentration. An appropriate balance in any jurisdiction must be determined in light of local conditions affecting the range of housing choices available for low-income minority families and in relation to the racial mix of the locality's population.
>>
>> (iv) Units may be considered “comparable opportunities,” as used in paragraph (e)(3)(i) of this section, if they have the same household type (elderly, disabled, family, large family) and tenure type (owner/renter); require approximately the same tenant contribution towards rent; serve the same income group; are located in the same housing market; and are in standard condition.

(v) Application of this sufficient, comparable opportunities standard involves assessing the overall impact of HUD assisted housing on the availability of housing choices for low-income minority families in and outside areas of minority concentration, and must take into account the extent to which the following factors are present, along with other factors relevant to housing choice:

(A) A significant number of assisted housing units are available outside areas of minority concentration

(B) There is significant integration of assisted housing projects constructed or rehabilitated in the past 10 years, relative to the racial mix of the eligible population

(C) There are racially integrated neighborhoods in the locality

(D) Programs are operated by the locality to assist minority families that wish to find housing outside areas of minority concentration

(E) Minority families have benefited from local activities (e.g., acquisition and write-down of sites, tax relief programs for homeowners, acquisitions of units for use as assisted housing units) undertaken to expand choice for minority families outside of areas of minority concentration

(F) A significant proportion of minority households has been successful in finding units in non-minority areas under the tenant-based assistance programs

(G) Comparable housing opportunities have been made available outside areas of minority concentration through other programs

(vi) Application of the "overriding housing needs" criterion, for example, permits approval of sites that are an integral part of an overall local strategy for the preservation or restoration of the immediate neighborhood and of sites in a neighborhood experiencing significant private investment that is demonstrably improving the economic character of the area (a "revitalizing area"). An "overriding housing need," however, may not serve as the basis for determining that a site is acceptable, if the only reason the need cannot otherwise be feasibly met is that discrimination on the basis of race, color, religion, sex, national origin, age, familial status, or disability renders sites outside areas of minority concentration unavailable or if the use of this standard in recent years has had the effect of circumventing the obligation to provide housing choice.

3.09 Unit Comparability Analysis and Cost Allocation

The owner is required to perform a unit comparability analysis on all units in the project. Minnesota Housing will use this information and the eligible project costs to determine the maximum amount of HOME or NHTF funds that the project may receive and the required number of federally assisted units.

Minnesota Housing will work with the owner to determine if the federally assisted units will be designated as fixed or floating. The federal funding must only pay the share of project eligible costs proportionate to the number of federally assisted units. Assisted units must be evenly distributed among the different unit types.

Minnesota Housing will determine the estimated number of federally assisted units as required under the HOME or the NHTF programs. The final number and type of units to be assisted will be determined prior to signing the Written Agreement. If there are any changes to loan amount or eligible costs during construction, the number of federally assisted units and maximum funding will be recalculated. This recalculation may result in revising the number of federally assisted units and/or the affordability period.

Fixed Units

- Comparable Units:
  - When all units in the project (separated by the number of bedrooms), are satisfactorily demonstrated to be comparable (in terms of area and amenities), the owner and Minnesota Housing will determine whether or not the federally assisted units should be fixed or floating.
  - When federally assisted units are fixed, the units remain the same during the effective period. Units designated as fixed **must** be occupied by tenants that meet the income and rent restrictions of the specified program for the duration of the Effective Period.
- Non-Comparable Units:
  - When the units are determined to be non-comparable, the federally assisted units must be fixed.
  - The eligible costs must be pro-rated such that funding is only used for the federally assisted units plus a share of the common area costs.
- Projects with project-based rental assistance will have HOME/NHTF units fixed in the units with rental assistance whenever possible.

Floating Units

- Comparable Units:
  - To designate the federally assisted units as floating they must be comparable to the non-assisted units.
  - When federally assisted units are floating, the units may change during the Effective Period so long as both apply:
    - The total number of federally assisted units in the project remains the same, and
    - Any newly designated units must be comparable and maintain the applicable unit mix.

If the project is receiving HOME funds from another participating jurisdiction, the owner must ensure that the other participating jurisdiction's HOME assisted units are separate from the designated Minnesota Housing HOME assisted units.

If the unit receives a federal or state project-based rental subsidy, and the tenant pays as a contribution toward rent not more than 30 percent of the tenant's adjusted income, the maximum rent is the rent allowable under the federal or state project-based rental subsidy program.

In HOME properties, a unit set at a low HOME rent (including a subsidized unit set at the rent allowable under the project-based rental subsidy) must be occupied by a tenant at or below 50 percent AMI for the term of the affordability period. If the units are fixed and a tenant's income in a low HOME unit increases above 50 percent of AMI, the unit no longer qualifies as a low HOME unit. The allowance to use Project-based Rental Assistance (PBRA) rents no longer apply. If that unit were going to remain a HOME unit, the rent needs to be changed to the high HOME rent for that unit. The unit could still receive PBRA, after the rent was changed to the high HOME rent.

If the units are floating and a tenant's income in a low HOME unit increases above 50 percent of AMI, the unit would be in temporary non-compliance, and the owner could float the HOME unit to another compliant unit.

Refer to the HOME and NHTF Programs Compliance Guide for more information and compliance requirements during the Affordability Period.

3.10 Secured Financing

Projects cannot receive federal funds, or have them committed to the project, until proof of due diligence is provided to show all financing for the project has been secured.

3.11 Capital Needs and Major Systems

Minnesota Housing must underwrite all projects to ensure that each project is financially sustainable over its affordability period. Capital needs will be evaluated during underwriting to plan for major systems repairs. The scope of rehabilitation work and replacement reserves deposits must be sufficient to ensure the useful life of essential building components throughout the affordability period [HOME §92.251(b)(ii) and (viii)] [NHTF §93.301].

After construction has been completed and as part of the project closeout, the owner must provide an updated capital needs assessment that will document the property's needs for the term of the affordability period. A Minnesota Housing architect reviews and approves the assessment before the project starts its affordability period. Handling of reserves during the affordability period can be found in Chapter 6.

3.12 Minority- and Women-Owned Businesses

It is the policy of Minnesota Housing that Minority- and Women-owned Business Enterprises (MBEs/WBEs) have equal access to business opportunities resulting from Minnesota Housing financed projects, and that the workforces on the projects that Minnesota Housing finances are demographically representative of the area where the projects are located. When reviewing bid information, Minnesota Housing will examine:

- The owner's and general contractor's certification to determine compliance with laws prohibiting discrimination in employment and that they hire affirmatively
- The extent to which bids from MBEs/WBEs are solicited; such solicitations and the results must be documented

- The demographic make-up of the contractor and subcontractor's workforces

State and federal regulations direct that all affirmative steps be taken to ensure that MBEs/WBEs are used when possible. Outreach to minorities and women must be conducted and documented, and that documentation must be provided to Minnesota Housing for contracts in excess of $25,000. See the Women or Minority Owned Business (MBE/WBE) Compliance Guide for more information.

3.13 Section 3 Requirements

Properties that have work completed using federal funds are subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 USC 1701u). These requirements are described in 24 CFR Part 135. Additionally, Minnesota Housing has guides that describe Section 3 and Minority Business Enterprise/Women Business Enterprises (MBE/WBE) general compliance available to assist owners/developers. Minnesota Housing requires certain documentation and tracking information be provided to verify compliance with this obligation.

To demonstrate compliance with Minnesota Housing's affirmative contract compliance requirements, owners must identify jobs bid by minority-owned, women-owned, and small or disadvantaged businesses using the Minnesota Housing Contract Compliance Activity Report. This Minnesota Housing report is a data collection tool to be included in bidding documents. All contractors and sub-contractors providing bids must complete this form.

Minnesota Housing reserves the right to insist work is re-bid affirmatively if the agency determines there is insufficient solicitation from minority and female contractors. Refer to Minnesota Housing guides that can be found on Minnesota Housing's website for hiring goals for specific geographic areas for Section 3 and MBE/WBE.

It is the owner's responsibility to ensure that bid packages include all applicable Section 3 and MBE/WBE information and forms. It is recommended that the owner deem any bid submitted without the required information as incomplete and not valid. The Section 3 and MBE/WBE guides provide all of the goals that the owner must meet when working on a project that is funded with HOME or NHTF funds. Contact your assigned underwriter with questions.

Construction and professional service contracts must include the contractor's signed Section 3 Clause along with all applicable labor standards documents. The owner/developer is responsible to ensure Minnesota Housing reviews bid packages before they are released. See the Section 3 Compliance Guide for more information.

3.14 Federal Labor Standards for HOME Funded Projects

Owners agree to abide by and ensure compliance with the federal labor standards laws and regulatory requirements. The three laws that apply to HOME funded projects are:

- Davis-Bacon Act: Requires workers receive not less than the prevailing wages being paid for similar work in the locality. Prevailing wages are computed by the U.S. Department of Labor (DOL) and are issued in the form of federal wage decisions for each classification of work.
- Copeland "Anti-kickback" Act: Workers must be paid at least once a week without any deductions or rebates except permissible deductions, which include taxes, deductions the worker authorized

and those required by court processes. The act also requires that contractors maintain payroll records and submit weekly payrolls and statements of compliance to the contracting agency.

- Contract Work Hours and Safety Standards Act: Workers must receive overtime compensation at a rate 1 ½ times their regular wage after they have worked 40 hours in one week.

Please refer to the U. S. Department of Housing and Urban Development Office of Labor Relations for additional information about the laws outlined above.

3.15 Davis Bacon Act for HOME Funded Projects

NOTE: This section applies to the HOME Program. The NHTF statute authorizing the program did not make the labor standards of Davis-Bacon and Related Acts applicable to NHTF.

Each HOME assisted project that contains 12 or more HOME assisted units must pay all laborers and mechanics employed in the project an hourly rate not less than the minimum rate specified in the applicable wage decision issued by the DOL for each particular project. When combining HOME assistance with other federal sources, follow the Davis-Bacon standards of the program that applies the standards to the smallest number of units.

Owners must require all of the following:

- All contractors pay employees weekly
- All contractors must, on a weekly basis, enter their certified weekly payroll reports with all applicable documentation into HUD's LCPTracker (Labor Compliance Software; also refer to Section 6.15)

The completion and submission of all documentation for conformance with federal labor standards requirements is a condition for the release of HOME funds.

Minnesota Housing will conduct periodic interviews with persons who are working on site to ensure compliance with Davis Bacon and Related Acts. Errors or discrepancies in labor rates and payrolls will result in possible restitution to the person affected.

3.16 Wage Determination – HOME Funded Projects

Each project with 12 or more HOME assisted units must obtain a wage decision from the DOL website. The owner's architect is responsible for obtaining the wage decision and ensuring it is included in all bid documents.

The owner must have a formal construction contract with the selected general contractor, and an owner who is also the licensed general contractor must have formal construction contracts with all individual sub-contractors. All construction contracts must contain Davis-Bacon language binding the contractor to Davis-Bacon requirements (HUD 4010).

The general contractor must ensure that all contracts with subcontractors contain all applicable labor standards and Section 3 documentation.

A Minnesota Housing-approved wage decision must be included in all bid specifications, bid documents and contracts. Failure to include a wage decision or the use of a wrong wage decision in bid

specifications, bid documents and contracts will not relieve the contractor or owner from potential enforcement action and may make costs ineligible for payment with HOME funds.

Wage determinations may be modified by the DOL at any time, but most changes occur weekly on Fridays. The contract award date or the date on which a wage decision is considered locked is as follows:

- For competitively bid contracts, the wage decision is considered locked in when the bids are opened, provided the contract is awarded within 90 days of the bid opening.
- The project that negotiates the general contractor's contract will lock in the wage decision when the contract is signed. **NOTE:** If the general contractor's contract is negotiated, all of the subcontractor's work must be competitively bid.
- For projects that are FHA-insured, the wage decision is locked in on the date that the mortgage is initially endorsed by HUD, provided that construction starts within 90 days.

NOTE: Please work closely with the HOME program manager on determining when your project's wage decision is locked in.

All of the following documents must be included in bid specifications and bid documents:

- Applicable wage decision
- HUD Form 4010: Federal Labor Standards Provisions
- Minnesota Housing Equal Employment Opportunity Policy Statement Form
- Section 3 Guide and all applicable attachments

Minnesota Housing must be given a copy of the bid specifications and bid documents before they are released for bid. The HOME program manager will sign off on the bid package before it is released for bid with the understanding that the wage decision may have to be updated before the contract is signed.

The general contractors and subcontractor contracts must include all of the following:

- HUD 4010
- Contractor completed and signed Minnesota Housing Equal Employment Opportunity Policy Statement Form
- Contractor's signed Section 3 Clause

3.17 Notices for Job Site – HOME Funded Projects

Minnesota Housing will make one or more site visits to determine that the applicable notices are posted at the site related to wage and labor requirements.

Posting at the work site must include a copy of:

- Applicable wage decision
- HUD Form 4010: Federal Labor Standards Provision
- Employees Rights under the Davis Bacon Act Notice Poster

- Any additional classification information

The documents must be posted at the work site in a location that employees can easily access and must be protected from the weather for the duration of the contract work.

3.18 Required Submittals to Minnesota Housing – HOME Funded Projects

Before the loan closing, the general contractor must submit a complete list of all contractors and subcontractors to be employed. This list must be updated as additional subcontractors are determined.

The general contractor must, at a minimum, report weekly in LCPTracker the following records:

- A list showing all contractors and subcontractors working on the project during the work week and documentation showing that the subcontractors are not on HUD's LDP list or listed in the SAM system. **NOTE:** This documentation only needs to be provided once per project and must be submitted before the subcontractor starts working on the project.
- A contractor and subcontractor profile for every contractor working on the project
- The certified weekly payroll report for each contractor and subcontractor that includes employees working at any time during the week
- Proof of employee approval of all other deductions

These submittals must be made no later than seven days following the reporting period covered. **Incomplete or incorrect payroll reports will delay payment.**

3.19 Subordination to Declaration of Covenants, Conditions and Restrictions

Minnesota Housing requires all lenders in a senior position to agree to subordinate their mortgage to the HOME or NHTF Declaration of Covenants, Conditions and Restrictions. The subordination to the HOME or NHTF Declaration of Covenants, Conditions and Restrictions does not affect lien priority; rather, it ensures that applicable rent, income and occupancy requirements run with the property for the duration of the effective period regardless of any change of ownership, full payment of the loan or event of default.

Borrowers should begin talking to senior lien holders as soon as possible to determine if they are willing to execute the subordination. If a lender is not able to meet this requirement, Minnesota Housing may elect to not fund the loan.

3.20 Monitoring and Reporting Requirements

During Underwriting

Both programs require regular reporting throughout the underwriting period for certain activities. These include:

- Uniform Relocation Act requirements
- Tenant vacancy status and eligibility
- Section 3

- MBE/WBE

During Construction
Both programs require regular reporting throughout the construction period for certain activities. These include:

- Uniform Relocation Act requirements
- Tenant vacancy status and eligibility
- Section 3
- MBE/WBE

The HOME Program also requires reporting for Labor Standards (Davis Bacon) during the period of construction. These requirements are described earlier in this chapter.

During the Affordability Period

- Both HOME and NHTF require regular reporting during the affordability period.
- HOME affordability periods are based on specifics details of the project and can range from five to 20 years.
- NHTF affordability period is 30 years for all of the projects that receive NHTF funds.
- Annual reporting must include:
  - Tenant eligibility and demographic data
  - Annual owner certifications
  - Financial records to conduct financial oversight
- Financial: Minnesota Housing's Asset Management staff will annually review the Capital Needs Assessment (CNA)/Physical Needs Assessment (PNA) for the following:
  - Balance of replacement reserves at the beginning of the fiscal year
  - Capital expenditures during the fiscal year
  - Adjust above referenced PNA as needed
  - Ensure reserves balance remains positive through affordability date

During the affordability period, Minnesota Housing must annually examine the financial condition of the project and must take action where feasible to correct problems that threaten a project's financial viability [HOME-§92.504(d)(2)] [NHTF-§93.404].

3.21 Affordability Period

The affordability period marks the time during which the assisted units must remain in compliance with specific program guidelines.

Minnesota Housing reserves the right to require a longer affordability period as a condition of funding. The affordability period begins within 15 days of final disbursement of all project funds to the owner. The final disbursement occurs after project completion and submission of all required documentation.

After the final disbursement is completed, an Effective Period Certificate will be executed and filed in the respective county's records.

HOME Acquisition and Rehabilitation Affordability Periods:

- Five year affordability period for loans less than $15,000 per HOME assisted unit
- Ten year affordability period for loans between $15,000 and $40,000 per HOME assisted unit
- Fifteen year affordability period for loans over $40,000 per HOME assisted unit

HOME New Construction Affordability Period:

- Twenty-year affordability period for all new construction

NHTF Affordability Period Term:

- Thirty year affordability period for all loans regardless of amount or number of units

Chapter 4 – Fees

Certain fees and costs are eligible to be charged and paid for using federal funds.

- Costs to process and settle the financing for a project, such as:
  - Private lender origination fees
  - Credit reports
  - Fees for title evidence
  - Fees for recording and filing of legal documents
  - Building permits, attorneys' fees
  - Private appraisal fees
  - Fees for an independent cost estimate
  - Builders' or developers' fees
- Costs for both new construction and rehabilitation, such as:
  - Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups. The costs may be paid if they were incurred not more than 24 months before the date that funds are committed to the project and the grantee expressly permits funds to be used to pay the costs in the Written Agreement committing the funds
  - Costs to process and settle the financing for a project, such as private lender origination fees, credit reports, fees for title evidence, fees for recording and filing of legal documents, building permits, attorneys' fees, private appraisal fees and fees for an independent cost estimate and builders' or developers' fees
  - Costs of a project audit, including certification of costs performed by a certified public accountant, that Minnesota Housing may require with respect to the development of the project
  - Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants as required by § 93.350
  - Payment of impact fees that are charged for all projects within a jurisdiction

Chapter 5 – Applying for Funds

Funds are available through Minnesota Housing's Consolidated RFP, dependent on federal appropriations.

Minnesota Housing's Consolidated RFP takes place each spring. Notification is posted with resources and requirements for program eligibility at www.mnhousing.gov. Technical assistance and web training is made available prior to the date applications are due.

All program selections must be approved by Minnesota Housing's board. The projects will also be approved by Minnesota Housing's Clearinghouse Committee prior to commitment of funds (signing of the Written Agreement) and by the Mortgage Credit Committee prior to loan closing.

- The pro forma should include tax benefits and other assumptions used in calculating the project's cash flow.
- The pro forma should represent, at a minimum, the term of the HOME or NHTF Program affordability requirements (refer to Section 3.20 of this guide).

If Minnesota Housing determines that the total amount of federal funds and other governmental assistance exceeds the amount necessary to make the project feasible (e.g., costs are unreasonable or the projected rate of return is too high), Minnesota Housing will pursue one or more of the following remedies:

- Reduce the amount of federal program funds by reducing the project budget
- Increase the borrower's contribution or non-public funding
- Make other adjustments, such as lowering the rents, increasing the replacement reserves or analyzing expenses
- Deny federal program assistance if the applicant refuses to make reasonable adjustments or refuses to limit the rate of return and/or profit

Chapter 6 – Compliance

All standards contained in this chapter must be met at project completion and throughout the affordability period. Properties will be monitored for compliance with affordability and property standards for the duration of the affordability period.

The federal HOME Program and NHTF Program establish specific compliance responsibilities prior to, during and after project completion for the duration of the affordability period and the term of the loan. For information on compliance using HOME or NHTF funds, please refer to applicable regulations for each program as referenced throughout this guide.

6.01 Financial Reporting and Reserves

HOME

For projects that receive HOME funds, Minnesota Housing may require the owner to establish a replacement cost reserve account any time prior to repayment of the HOME loan. The replacement cost reserve account will be held and maintained by either Minnesota Housing or a depository designated by Minnesota Housing.

If, during the HOME affordability period, the owner has a previously established replacement cost reserve account with a lender other than Minnesota Housing, the owner is required to furnish to Minnesota Housing evidence of the spending activity of the replacement cost reserve account. Evidence must include, but is not limited to, the current balance, deposits and disbursements made from the account, purpose of the disbursements and any other information as Minnesota Housing may request.

If the borrower has established a replacement cost reserve account that is not held by a lender, then during the effective period (as defined herein), the borrower must, within 10 business days, furnish to the lender, as may be requested by the lender from time to time, evidence of the spending activity of the replacement cost reserve account in a form acceptable to the lender. Evidence must include the current balance, deposits and disbursements made from the account, purpose for which disbursements were made and any other information as the lender may request.

NHTF

Properties with 10 or more NHTF assisted units will be required to follow the financial oversight obligations of 24 CFR Part 93 and 24 CFR Part 93.404 and as detailed in this guide.

HOME and NHTF Financial Oversight (as applicable)

Requests from reserves will be reviewed and approved annually by Minnesota Housing upon receipt of audited financial statements. Owners must submit annual operating data, audited financial statements and annual updated PNA data for review by the assigned Housing Management Officer (HMO). If you have questions regarding financial oversight, contact Earl Erlendsson, HMO, at earl.erlendsson@state.mn.us, or 651.296.0754 or Gayle Rusco, Housing Program Supervisor – Asset Management at gayle.rusco@state.mn.us or 651.296.8093. The following provides a more detailed description of requirements.

PNA/CNA

The owner must submit a post rehabilitation capital expenditure that includes capital projections through the end of the affordability period. Minnesota Housing architects will review the plan using the

completed rehabilitation capital expenditure to ensure appropriate useful remaining life and needed expenditures are included. The Asset Management program supervisor will annually:

- Review the balance of replacement reserves at the beginning of the fiscal year
- Review capital expenditures during the fiscal year
- Adjust the above referenced PNA/CNA as needed
- Ensure reserves balance remains positive through affordability date
- Financial reporting: Use the annual Federal Reporting Tool to submit annual operating data. This information will be used to assist in evaluating the long-term financial viability of the project. It is similar to the Minnesota Housing reporting tool that owners and agents currently use to report first mortgage oversight operating data except for the following:
    - Only one report needs to be submitted 30 days from the project's fiscal year end.
    - The report will include all reserves balances and loan amounts from outside entities (if not held by Minnesota Housing).
    - This report will be in place of an annual budget and will reflect actual annual financial viability.

6.02 Ongoing Property Inspections and Property Standards

Ongoing property inspections are required during the affordability period as noted in 24 CFR Part 92.251 and 24 CFR Parts 93.301 and 93.404. HOME and NHTF allow Minnesota Housing to prepare an inspection schedule, and Minnesota Housing's schedule may be more restrictive than the schedule suggested by HUD.

Follow up on-site inspections must be performed within 12 months of construction completion to ensure that health and safety violations or other serious and significant defects do not exist in the property.

NHTF requires that ongoing property inspections be performed at least once every three years after the initial inspection.

Minnesota Housing's inspections schedule for HOME and NHTF can be found in Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Manual.

6.03 Income Eligibility

Extremely low-income families (NHTF) means low-income families whose annual incomes do not exceed 30 percent of the median family income of a geographic area, as determined by HUD, with adjustments for smaller and larger families.

Very low-income renter households (NHTF) means a household whose income is in excess of 30 percent, but not greater than 50 percent of the area median income, with adjustments for smaller and larger families, as determined by HUD.

Very low-income families (NHTF and HOME) means low-income families whose annual incomes are in excess of 30 percent, but not greater than 50 percent of AMI of a geographic area, as determined by

HUD, with adjustments for smaller and larger families. Refer to 24. CFR 92.2 and 24 CFR 93.2 for a more detailed definition for each program.

HOME
All HOME assisted units must be initially occupied by families with annual gross incomes at or below 60 percent of AMI with rents at or below the high HOME rents. In projects containing more than five (5) units, at least 20 percent of HOME assisted units must be occupied by households with incomes at or below 50 percent of AMI with rents at or below the low HOME rents for the affordability period. In some circumstances, more restrictive income requirements may apply, as noted below. Income of tenants must be determined and verified in accordance with the requirements of Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Manual.

The following chart illustrates the income targeting requirements by the number of HOME assisted units. **NOTE:** More restrictive requirements may be required.

	Number of HOME Units	Income Requirements At Initial Certification	Income Requirements After Initial Certification	Rent Requirements
Very Low-income/ Low HOME Rent	5 +	At least 20% of the units must be occupied by very low-income households at 50% of AMI or less	At least 20% of the units must be occupied by very low-income households at 50% of AMI or less	At least 20% of the units must pay the lower of FMR, 50% rent limit (low HOME rent), or 30% of the family's adjusted income
Low- income/ High HOME Rent	5+	Up to 10% of the units may be occupied by households up to 80% of AMI	The remaining 80% of the units may be occupied by households up to 80% of AMI	The remainder of the units may pay the lower of FMR or 65% rent limit (high HOME Rent)

NOTE: You must have at least 10 HOME assisted units to qualify for one unit with a household at 80 percent of AMI.

NHTF
The income determination provisions provided in this guide are those that HUD uses in its HOME Program rule. The breakdown of occupied units and income requirements for NHTF are different and are specific to serving populations that are extremely low-income.

6.04 Rent and Income Limits

The HOME and NHTF programs require annual review and approval of rents for the assisted units. The Multifamily Home Programs and National Housing Trust Fund Program Compliance Manual describes this process.

HOME Program rent and income limits are published by HUD on an annual basis. Minnesota Housing issues a memo to owners and managers and posts the new rent and income limits on its website when

they are released. In the event rent limits decrease for an area, or utility allowances increase, an owner may be required to reduce the rent charged but will not be required to lower rents below those in effect at the time of project commitment.

NHTF Program rent and income limits are published by HUD on an annual basis. Minnesota Housing issues a memo to owners and managers and posts the new rent limits on its website when they are released.

HOME Rents

Every HOME assisted unit is subject to maximum allowable rents based on bedroom size for the county in which the property is located. These maximum rents are referred to as HOME rents. There are two HOME rents established for properties; high and low HOME rents represent the maximum that owners can charge for rent, including an allowance for tenant-paid utilities. Rent limits and rent increases must be determined and verified in accordance with the requirements of Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Manual.

Properties Receiving Project-based Rental Assistance HOME:

- Assisted units must be made available for rent to households with incomes at or below 50 percent of AMI at gross rents (contract rent plus tenant paid utilities) that are at or below the low HOME rent limit, as established annually by HUD or,
    - If a HOME assisted unit receives federal project-based rental assistance and the unit is occupied by a very low-income (50 percent of AMI) household who pays not more than 30 percent of adjusted gross income for rent, the maximum rent (tenant contribution plus the project-based rental subsidy) is the rent allowable under the federal project-based rental subsidy program.
    - Because the rent under the federal rental assistance program will typically be higher than allowable HOME Program rents, this will provide the owner the highest possible rent.
- Adjustments to HOME rents: The rent charged for HOME assisted units must be adjusted to comply with the low HOME rents at a time when/if federal project-based assistance is no longer available.
- Rents also must be adjusted if a household's income at annual recertification exceeds 50 percent of AMI. Refer to Chapter 2, Maintaining the Unit Mix, of Minnesota Housing's Multifamily HOME Programs and National Housing Trust Fund Program Compliance Manual.

NHTF Rents

For tenants who are extremely low-income (ELI), their rent plus utilities must not exceed the greater of 30 percent of the federal poverty line or 30 percent of the income of a family whose annual income equals 30 percent of AMI for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit. Note that when total NHTF funds available nationally are less than $1 billion, 100 percent of NHTF funded rental units should meet this standard.

When units are approved for tenants who are very-low income (VLI), their rent plus utilities must not exceed 30 percent of the income of a family whose annual income equals 50 percent of AMI for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit.

If the unit receives a federal or state project-based rental subsidy, and the tenant pays as a contribution toward rent not more than 30 percent of the tenant's adjusted income, the maximum rent is the rent allowable under the federal or state project-based rental subsidy program.

- Units funded with NHTF Operating Cost Assistance Reserves (OCAR) cannot have any subsidy attached to those units. The OCAR is used to fund operating shortfalls with the tenants paying no more than 30 percent of their income towards rent.
- For NHTF units funded with NHTF capital (and not covered with OCAR), the maximum rent allowable is the rent allowable under the federal or state project-based rental subsidy program.

Group Residential Housing. Properties receiving Group Residential Housing (GRH) and HOME or GRH and NHTF:

- When using current rent limits and taking into consideration the current GRH room and board rate, the amount of rent being charged for assisted units that are also subsidized with GRH is within applicable rent limits provided that the project is in compliance with 24 CFR 92.214(b)(3) and 24 CFR 93.204(b)(4).
    - Owners are prohibited from charging fees that are not customarily charged in rental housing.
    - Project owners may charge fees for meals, as long as the services are voluntary.
    - That receipt of board is optional for units with GRH in order to remain in compliance with applicable program regulations.

6.05 Utility Allowances

The HOME statute and the regulations at 24 CFR Part 92 establish gross rent limits for HOME assisted rental units. Gross rent limits include the contract rent plus a utility allowance (UA) for any tenant-paid utilities. Owners are required to establish maximum monthly allowances for utilities and services (excluding telephone) and update these annually.

The HOME Rule requires all owners to use a project-specific UA. For properties with HOME commitments after August 23, 2013, owners are not permitted to use the Public Housing Authority (PHA) established utility allowance. For properties where HOME funds were committed before August 23, 2013, owners may continue to use the PHA's established utility allowance that is also used for the Section 8 Housing Choice Voucher program for that local area.

For a list and description of the methodologies that will meet the HOME regulatory requirements for a project-specific utility allowance, please refer to Section 1.08 of the Multifamily HOME Programs and National Housing Trust Fund Program Compliance Manual. The certification and utility grids must be submitted to Minnesota Housing along with supporting documentation prior to closing of the HOME loan. Owners are permitted to switch methodologies only after approval by Minnesota Housing.

6.06 Lease Terms and Tenant Selection Policies

Leases for HOME and NHTF assisted units must be for a period of at least one year, unless a shorter term is agreed upon by the owner and tenant. Per federal regulation, leases must exclude certain provisions (see below for a listing of prohibited lease provisions). Additionally, owners must adopt written tenant selection policies and criteria and make these available to Minnesota Housing upon request.

Tenant selection policies and other prohibited activities:

- Tenant selection plans must be consistent with the purposes of providing housing for low- and very low-income families, and housing must be limited to income-eligible families.
- Tenant selection plans must provide for selection of tenants from an existing written waiting list in the chronological order of their application.
- Tenant selection plans must allow for prompt written notification to any rejected application of the grounds for rejection.
- Tenant selection plans must be reasonably related to the applicants' ability to perform the obligations of the lease (e.g., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants).
- Owners should comply with the Fair Housing Act, applicable provisions of 24 CFR Part 5, and any applicable HUD guidance.

6.07 Mandatory Lease Terms

HOME and NHTF both require written leases. Leases must be for a period of one year unless the tenant and the owner mutually agree to a shorter time.

All leases must contain the following provisions:

- **Tenant Income Certification:**
  - On an annual basis, the tenant must certify the household's income and composition by completing and signing a tenant income certification form that is provided by owner.
  - The owner may terminate the lease or refuse to renew the lease of a household for failure to supply the completed and signed tenant income certification form within 30 days of the request.
- **Third Party Income Verifications:**
  - The tenant must sign consents to third-party income verification as reasonably requested by owner.
  - The owner may terminate the lease or refuse to renew the lease of a household for failure to supply the consent to third party income verification within 30 days of the request.
- **Right of Access:**
  - The tenant must sign an acknowledgement that the owner, or his/her duly authorized agents, employees or representatives, upon reasonable notice to the household, must have the right of access to the dwelling unit for the purpose of examining the condition thereof and for making improvements and repairs, and for the purpose of showing the dwelling unit for re-rental.
- **Lease:**
  - The tenant and owner must sign an acknowledgement that the lease between a tenant and an owner of rental housing assisted with HOME or NHTF funds must be for not less than one year, unless by mutual agreement between the tenant and the owner.

- **Lease Addendum:**
  - Minnesota Housing provides the owner with a lease addendum that must be signed and retained in the tenant's file. This addendum includes the prohibited lease terms.

6.08 Prohibited Lease Terms

HOME and NHTF prohibit the following terms within tenant leases for HOME or NHTF assisted tenants:

- **Agreement to be sued**: The lease cannot contain a tenant agreement to be sued, admit guilt, or accept a judgment in favor of the property owner in a lawsuit brought in connection with the lease
- **Treatment of property**: The lease cannot contain a tenant agreement that the property owner may take, hold or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant regarding disposition of personal property remaining in the housing unit after the tenant has moved out. The property owner may dispose of this personal property in accordance with state law.
- **Excusing the property owner from responsibility**: The lease cannot contain a tenant agreement not to hold the property owner or the property owner's agents legally responsible for actions or failure to act, whether intentional or negligent.
- **Waiver of notice**: The lease cannot contain a tenant agreement that the property owner may institute a lawsuit without notice to the tenant.
- **Waiver of legal proceedings:** The lease cannot contain a tenant agreement that the property owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
- **Waiver of jury trial**: The lease cannot contain a tenant agreement to waive any right to a jury trial.
- **Waiver of right to appeal court decision**: The lease cannot contain a tenant agreement to waive the right to appeal or to otherwise challenge in court a decision in connection with the lease.
- **Tenant chargeable with the cost of legal actions regardless of outcome**: The lease cannot contain a tenant agreement to pay attorney fees or other legal costs even if the tenant wins a court proceeding by the property owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- **Mandatory Supportive Services**: In NHTF units the lease cannot require the tenant, as a condition of occupancy, to participate in or agree to accept supportive services that are offered. In HOME units, the lease cannot require the tenant to accept supportive services that are offered (other than a tenant in transitional housing).

6.09 Termination of Tenancy

The owner must comply with the program requirements on evictions as well as state law regarding eviction procedures. The owner must serve written notice upon the tenant specifying the grounds for the action and providing a specific period for vacating that is consistent with federal, state or local law(s).

Under the HOME Program, tenancy may be terminated for any of the following:

- Serious or repeated violation of the terms and conditions of the lease
- Violation of applicable federal, state or local law(s)
- Completion of the tenancy period for transitional housing
- Other good cause

Under the NHTF Program, tenancy may be terminated for any of the following:

- Serious or repeated violation of the terms and conditions of the lease
- Violation of applicable federal, state or local law(s)
- Other good cause

NOTE: Good cause does not include an increase in tenant income.

6.10 Violence Against Women Reauthorization Act

On November 16, 2016, HUD issued its final rule implementing housing protections authorized in the Violence Against Women Reauthorization Act of 2013 (VAWA). Unique monitoring and implementation dates apply to HOME and NHTF. Compliance with VAWA regulatory requirements under the final rule is required for HOME projects with funding commitments on or after December 16, 2016 and for all NHTF projects. Written agreement provisions and lease addendums will be updated to include current regulatory language for these projects. In addition, for these HOME and NHTF projects, Minnesota Housing will create an external Emergency Transfer Plan and provide an internal Emergency Transfer Plan model, along with a Notice of Occupancy Rights and Certification form to owners for distribution to tenants. HOME projects committed prior to December 16, 2016, must comply with core statutory provisions of the law, and should distribute Notice of Occupancy Rights and Certification forms to tenants.

One of the key elements of VAWA 2013's housing protections implemented in the rule is the Emergency Transfer Plan, which allows for survivors to move to another safe and available unit if they fear for their life and safety. In addition to emergency transfer plans, the rule includes notification and documentation requirements by owners and a series of new forms. Owners must be familiar with the regulatory requirements impacting their developments, and they should consult with their counsel as needed.

Refer to the Minnesota Housing compliance page at mnhousing.gov for more information, including required forms and documentation.

For more information on fair housing, please refer to the Minnesota Housing Multifamily HOME Programs and National Housing Trust Fund Program Compliance Manual.

6.11 Affirmative Action

Minnesota Housing works affirmatively to ensure that all persons, regardless of race, color, creed, national origin, sex, religion, marital status, age, status with regard to receipt of public assistance, disability, sexual orientation, or familial status, will be treated fairly and equally in employment or program participation.

All programs financed or administered through Minnesota Housing will contain equal opportunity/affirmative action requirements in the contracts or procedural guides or manuals, regardless of whether or not federal funding is involved.

6.12 Equal Economic and Employment Opportunity

Employers with federally assisted construction contracts must not be discriminatory in employment practices. Whenever contracts involving HOME assistance consist of more than $10,000, an equal opportunity clause, as detailed by Executive Order 11246, must be incorporated into all construction contracts. Sixteen specific equal employment and affirmative action steps are outlined in Executive Order 11246 to establish a good faith effort (these examples are not, however, the only options available to meet affirmative marketing and action requirements). Refer to Minnesota Housing Equal Employment Opportunity Policy Statement.

6.13 Disputes Concerning Labor Standards and Payment of Wages for HOME Funded projects

Disputes arising out of labor standard provisions must be resolved in accordance with the policies and procedures listed below. This includes disputes between the contractor or subcontractor and Minnesota Housing, HUD, the Department of Labor or the employees and their representatives.

The purpose of these procedures is to establish a uniform method of receiving, and resolving and documenting, complaints and investigations or disputes where Davis-Bacon labor standards apply.

The following procedures must be followed to reach a resolution to labor standard disputes:

- The Minnesota Housing Labor Standards Officer (LSO) is responsible for resolving any complaints and conducting all investigations received where Davis-Bacon labor standards apply.
- All complaints received must be referred to the Minnesota Housing LSO for investigation within 10 days of receiving the complaint
- The Minnesota Housing LSO will investigate and review complaints, request additional information if necessary and issue a written notice of findings to all parties within 30 days of receiving all information required to make a decision.

If a contractor or subcontractor disagrees with the findings of the Minnesota Housing LSO concerning the complaint, the contractor or subcontractor can appeal any findings by submitting a written request to the Minnesota Housing LSO. The contractor or subcontractor must provide an explanation (along with supporting documentation) within 30 days of the original notification of findings.
The Minnesota Housing LSO and the Multifamily assistant commissioner will review the original findings and the information submitted appealing the findings to determine if the disagreement is justified. The contractor or subcontractor will be notified in writing within 30 days of receiving the written appeal.

If the contractor or subcontractor is not satisfied with Minnesota Housing's determination, they may request that the case be referred to HUD and/or the federal Department of Labor (DOL) for reconsideration. Such disputes must be resolved in accordance with the procedures of the DOL set forth in 29 CFR Parts 5, 6, and 7.

Additional classification: A request for DOL reconsideration of a work classification and wage rate must be submitted in writing to the DOL within 30 days of the decision and must be accompanied by a full statement and supporting data or information.

The information introduced in this section is not intended as a full or complete description of labor standards, responsibilities and obligations. It is important to develop a working knowledge of HUD labor standards. If you are not well versed in labor standards issues and compliance, you may want to consider hiring an experienced consultant to ensure full compliance.

6.14 Owner's Letter Certifying Compliance for HOME Funded Projects

Upon completion, the owner must submit a letter to Minnesota Housing certifying compliance with all Davis-Bacon labor standards requirements.

Chapter 7 – Uniform Relocation Act

The purpose of the Uniform Relocation Act (URA) is to provide displaced persons with fair, equitable treatment and protection from disproportionate injury by projects designed to benefit the public. The URA requirements must be adhered to by the owner. If the borrowing entity will be displacing or temporarily relocating tenants, an experienced relocation specialist must manage the entire process. This section covers basic URA requirements. For lower income residents displaced as a direct result of demolition and conversions in HOME assisted projects, Section 104(d) of the Housing and Community Development Act of 1974 may also apply. Minnesota Housing has a Residential Antidisplacement and Relocation Assistance Plan (RARAP) that covers procedures under these circumstances. For a complete recital of relocation requirements for HUD funded projects, please refer to HUD Handbook 1378.

Minnesota Housing, at its sole discretion, retains the right to request additional compliance measures.

7.01 Displacement, Temporary Relocation, Non-displacement

Displacement occurs when a person is displaced as a direct result (as defined under federal regulation) of a federally assisted acquisition, demolition or rehabilitation project. The term displaced person means any tenant, regardless of income, who is forced to move from the property permanently as a direct result of rehabilitation, demolition or acquisition of a HOME or NHTF assisted project. This includes, but is not limited to, physical displacement caused by overcrowding, loss of a unit or economic displacement due to an increase in rents.

Temporary relocation occurs when a tenant is required to move temporarily, either within the project or to an offsite location, in order to accommodate a federally assisted acquisition, demolition or rehabilitation. Relocation is only considered temporary if the tenant's relocation is for 12 months or a shorter period of time. If the relocation exceeds 12 months, it is considered displacement under the URA regulations and relocation benefits must be paid.

Non-displacement occurs when a tenant is not moved from their unit as a result of a federally assisted acquisition, demolition or rehabilitation.

Once the ION occurs, the owner/developer will review the scope of work and determine if there will be any displacement, non-displacement or temporary relocation.

7.02 Tenant Relocation Plan

A tenant relocation plan that conforms to all URA requirements is required for all federally assisted projects involving rehabilitation or acquisition. The plan must include an outline of how tenants will be accommodated during construction, an overview of construction activities, a project timeline, an estimated budget, and whether or not the scope of work will require temporary or permanent relocation, including:

- A description of who is developing the plan
- A description of the project and scope of work
- A list of all sources of funds and whether multiple federal fund sources will be used
- If **temporary relocation** is anticipated for anything exceeding 24 hours, describe:

  - How many tenants will be affected
  - How long the temporary relocation will last for an individual tenant
    - How many tenants will need to be out during business hours vs. overnight or extended time periods
  - Estimated schedule of construction and relocation
  - Where temporarily relocated tenants will be housed (e.g., a vacant unit, nearby hotel)
  - Plans for food and entertainment costs if relocation will be during business hours only
  - Transportation considerations
  - Moving companies available
  - Americans with Disabilities Act (ADA) accommodations
  - Budget of estimated costs and source information for the numbers
- If **permanent displacement** is anticipated, describe:
  - How many tenants will be affected
  - Estimated schedule of construction and relocation
  - How the owner/developer plans to find comparable replacement dwellings
  - How tenants who may be hard to house will be assisted
  - Transportation considerations
  - Moving companies available
  - Americans with Disabilities Act (ADA) accommodations
  - Budget of estimated costs and source information for the numbers
- How the owner/developer plans to accommodate any special needs of the tenants and how needs assessment interviews will be conducted
- What other social services may need to be used
- Relocation budget contingency for unexpected issues (e.g., a tenant is allergic to dust so they are not able to return home after business hours as expected). Minnesota Housing requires a minimum of $5,000 for the relocation budget.

NOTE: This list is intended as a guide and is not all inclusive.

7.03 Notices

The URA regulations require several notices to be delivered to all tenants and/or potential tenants of the property receiving federal funds. Each notice must be written in plain, understandable language. Persons who are unable to read and understand the notice (e.g., due to lack of literacy, limited English proficiency, disability) must be provided with appropriate translation or interpretation services in accordance with HUD limited English proficiency guidance, alternative formats, and/or counseling. Each notice must indicate the name and telephone number (including the telecommunication device for the deaf (TDD) number, if applicable) of a person who may be contacted for answers to questions or other needed help.

Minnesota Housing provides templates of all notices on its website except for the Ninety-Day Notice, which should be developed by the owner/developer. The templates include instructions on how to tailor the notices to the specific project. Minnesota Housing requires drafts of all notices to be submitted as due diligence for review and approval. Once the drafts are approved, the owner/developer must deliver applicable notices to the tenants. All notices must be delivered (minimally) to all adult lease-holders.

Tenant notices should be delivered in one of the following ways:

- Hand delivery
- Certified return receipt (USPS)

Other forms of delivery must receive prior approval from Minnesota Housing. The owner/developer must be able provide proof of delivery.

HUD Information Brochure: A copy of HUD's brochure must be provided to tenants who will be permanently displaced. English and Spanish versions can be found on HUD's website. The HUD-40061 provides an explanation of tenants' rights.

General Information Notice (GIN): The GIN informs tenants of the receipt of federal funds for acquisition and/or rehab. Tenants residing in the property at the time of the Initiation of Negotiations (ION) must be provided a GIN ***within 30 days,*** or adhere to another timeline that Minnesota Housing, in its sole discretion, agrees upon. It is imperative that the GIN is disbursed in a timely manner. Any tenants who move in or out before the GINs are disbursed will be eligible for URA benefits. There are two versions of the GIN, and the owner/developer should work with the federal programs team at Minnesota Housing to determine which version of the notice (displacement, non-displacement or a combination) should be used.

Notice of Non-displacement: This notice informs tenants who will remain in the project after completion of the assisted activity of their rights and of the terms and conditions for remaining at the property during construction. This is a separate notice and requirement from the GIN; however, the GIN and the Notice of Non-displacement can be delivered at the same time.

Move-in Notices: Tenants who move in to the property after the ION must sign a Move-in Notice prior to signing the lease. This notice informs new tenants that they may be displaced and that they will not be entitled to relocation assistance under URA.

Notice of Eligibility (NOE): The NOE informs tenants who will be permanently displaced of the available relocation assistance, the estimated amount of assistance based on the displaced person's individual circumstances and needs, and the procedures for obtaining assistance. This notice must be specific to the person and their situation so that they will have a clear understanding of the type and amount of payments and/or other assistance they may be entitled to. The NOE must be signed by the tenant(s).

Before an NOE can be provided, a relocation needs assessment interview needs to take place. The development team must also complete form HUD-40061. This form must be retained in the tenant URA file for purposes of monitoring by Minnesota Housing.

Ninety-Day Notice: Owners/developers will develop their own vacate notices, which must be provided to tenants who will be displaced, at least 90 days prior to their move out. The notice must not be given

before they receive a notice of relocation eligibility (or NOE) for relocation assistance. The date provided in this notice may be different for each person or group of persons in a project based on whether or not the project will be phased, the location of the occupied building(s), or the project schedule.

Additional Notice Requirements: Tenant Track Down: If an owner/developer fails to provide the GIN notices required and occupants vacate the project before being appropriately advised of their eligibility or ineligibility for URA, the owner/developer must initiate all reasonable procedures to locate all former occupants who should have received proper notice. Efforts to locate former occupants may include: appropriate notice in a local newspaper (for at least 30 days); posting notice in an appropriate project location; checking with the local post office for a forwarding address; checking project records for employment or other contact telephone numbers; checking with local utility companies, school districts, churches, or community organizations; hiring a "finding service" available in the local area or over the internet; and/or other appropriate methods. Each occupant's file must be documented with all attempts to make contact and the results. The owner/developer will need to determine the eligibility or ineligibility for relocation assistance for each former occupant who is located and assist the former occupant to access appropriate advisory services and applicable relocation payments.

7.04 Relocation Needs Assessment Interviews

Providing a written notice or series of notices, along with the HUD information brochure, is not sufficient to ensure that a person who is affected by the project understands his/her rights and responsibilities. As soon as feasible, the owner/developer must contact each person who is affected by the project to discuss his/her needs, preferences and concerns. Whenever feasible, contact should be in person.

The development team must complete form HUD-40061. This form must be retained in the tenant URA file for purposes of monitoring by Minnesota Housing.

7.05 Claim Forms

HUD provides claim forms to use when calculating benefits.

Each URA file for tenants who are **displaced** requires:

- Form HUD-40058 Claim for Rental Assistance or Down Payment Assistance
- Form HUD-40054 Residential Claim for Moving and Related Expenses

Each URA file for tenants who are **temporarily relocated** requires:

- Form HUD-40058 Claim for Rental Assistance or Down Payment Assistance
- Form HUD-40030 Claim for Temporary Relocation Expenses (residential moves).

7.06 Appeals

Tenants have the right to appeal the claim amount they have been provided. The Tenant Relocation Plan must include details of the appeals process consistent with 49 CFR 24.10. Owners/developers must track all appeals submitted and the outcome of each decision. Written responses to tenants must include information regarding the tenant's ability to appeal the decision. Refer to HUD Handbook 1378 for more information on the appeals process.

7.07 Reporting

The development team will be required to send the month's rent roll(s) and any Move-In Notices to Minnesota Housing by the last business day of the month for Minnesota Housing to review. Construction draws are contingent on Minnesota Housing having current and accurate URA information.

7.08 Monitoring

Minnesota Housing will monitor URA files at project closeout for both temporary relocation and permanent displacement. The file should, at a minimum, contain the following:

- All applicable notices
- All applicable claim forms
- Copies of all checks and proof tenants received them (e.g., signed check, certified mail signatures)
- Proof the HUD-40061 was delivered (this explains tenants' rights)
- Any applicable communication
- Any appeals information, if applicable
- For tenants who were displaced, the file should contain:
  - Selection of Most Representative Comparable Replacement Dwelling for Computing Replacement Housing Payment
  - Replacement housing rent and utility costs
  - Proof that the replacement dwelling is decent, safe and sanitary. A dwelling occupied in connection with a rental assistance program that is subject to HUD Housing Quality Standards (HQS) (24 CFR 982.401), must be deemed to be in compliance with the URA decent, safe and sanitary standards if it meets the applicable HQS.

7.09 Records Retention

Owners/developers must have a URA file for all tenants. The owner/developer will be responsible for retaining all documentation pertaining to URA including rent rolls, tenant files, notices, claims, etc. All records must be retained for five years after the final claim payment has been made.

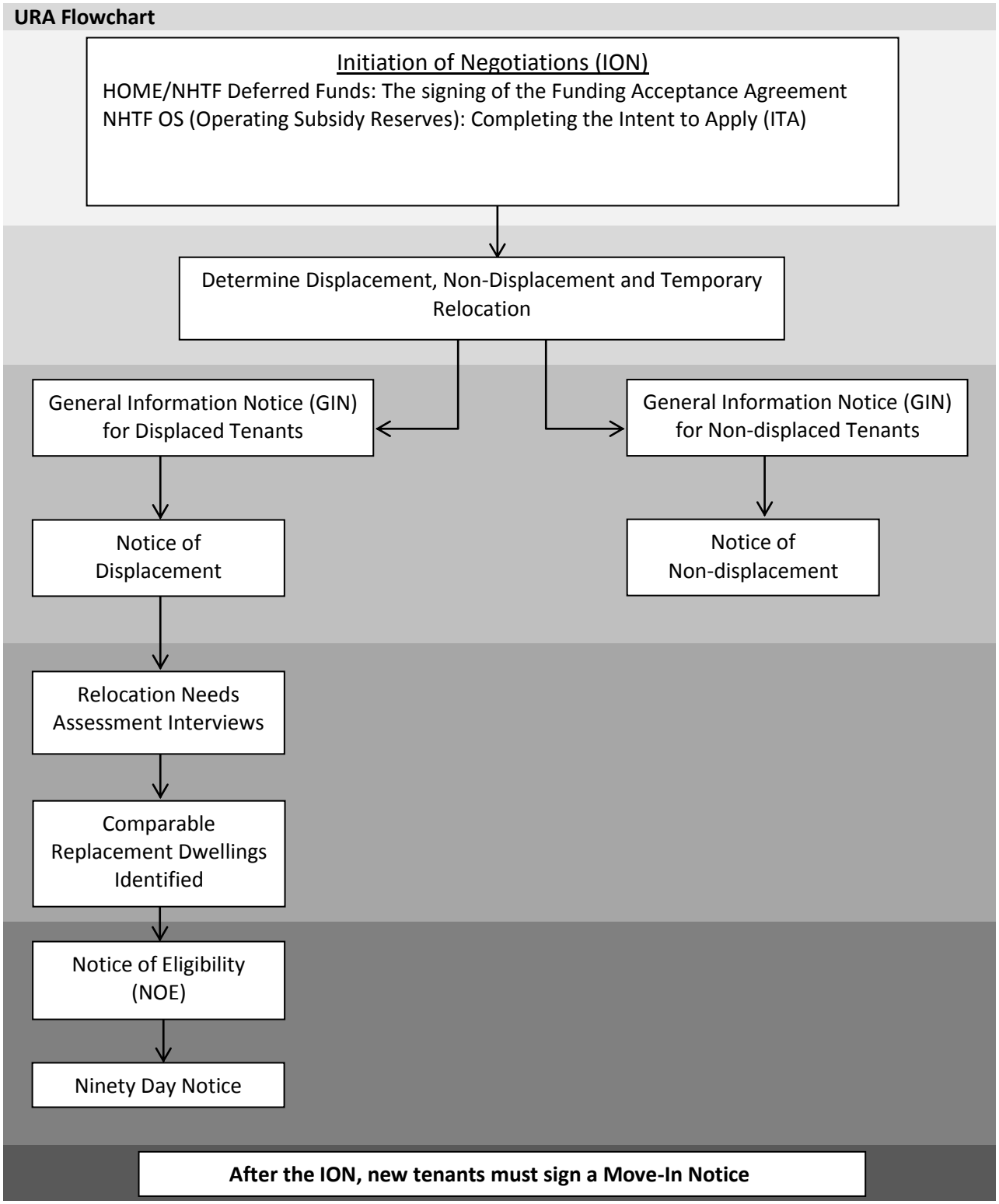
7.10 Guiding Statutes, Regulations and Reference Materials

Applicable statutes and regulations pertaining to displacement include:

- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 that applies to displacement resulting from acquisition, demolition or rehabilitation for HUD assisted projects carried out by public agencies, non-profit organizations, private developers or others and real property acquisition for HUD assisted projects (whether publicly or privately undertaken)
- Section 104(d) of the Housing and Community Development Act of 1974
- HOME Program regulations found in 24 CRF Part 92
- NHTF Program regulations found at 24 CFR Part 93

- Handbook 1378: Tenant Assistance, Relocation and Real Property Acquisition, as updated, consolidates relocation requirements for all HUD programs in one document and provides instructions for compliance

7.11 URA Flowchart



Chapter 8 – Rural Development and Preservation Activities

8.01 Rural Development Special Considerations

Below are the initial steps you must take when applying for funds to rehabilitate a Rural Development (RD) property:

- Contact the local RD office prior to submitting an application to Minnesota Housing for funding to discuss RD's procedure for applying for federal loans
- Ensure that the RD's construction analyst or architect has inspected the site and assisted with the scope of work

The owner is required to demonstrate that the RD's construction analyst or architect has inspected the site and assisted with the scope of work.

Minnesota Housing will allow a maximum of 80 percent of the units to be financed with HOME assistance when the RD note rate rents exceed the applicable HOME Program rent limits.

Example: If you have 10 units, only a maximum of eight units may receive HOME assistance (10 x 80% = 8).

Units assisted with HOME or NHTF funds must comply with the income and rent restrictions applicable to those programs, which is discussed in depth in other sections of this manual.

8.02 Application and Approval for Commitment

Minnesota Housing requires that all RD properties obtain approval for acquisition prior to submitting the application for funding. If Minnesota Housing receives an application without the necessary RD approvals, the application will be returned. This provision ensures that the maximum funds can be used in the most timely and effective manner.

Prior to closing, Minnesota Housing will send an executed Notice of Default form to the appropriate RD office along with a request for junior lien approval.

NOTE: Minnesota Housing will not issue a loan commitment until it has received written consent from RD for junior lien approval.

Chapter 9 – Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- discriminate in the selection/acceptance of applicants in the rental of housing units;
- discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- represent a dwelling is not available when it is in fact available;
- deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires housing providers to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

Chapter 10 – Fraud Disclosure and Suspension

10.01 Fraud Disclosure

The recipient must report all known or suspected instances of fraud in connection with the awarding or receipt of Minnesota Housing funds to Minnesota Housing's Chief Risk Officer as soon as evidence of fraud is discovered by the recipient. "Fraud" means an intentional deception made for personal gain or to damage another.

10.02 Suspension

By entering into any agreement with Minnesota Housing, accepting any award of funds from Minnesota Housing, or otherwise conducting any business with Minnesota Housing, a party represents that the party, or any principal of the party, has not been suspended from doing business with Minnesota Housing pursuant to the Minnesota Housing Finance Agency Board of Directors Participant Suspension Policy. A principal is defined as: (a) an officer, director, owner, partner, principal investigator, or other person within an organization or entity doing business with Minnesota Housing with management or supervisory responsibilities; or (b) a consultant or other person, who: (1) is in a position to handle Minnesota Housing funds; (2) is in a position to influence or control the use of those funds; or (3) occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to be performed under contract with Minnesota Housing. A party must contact Minnesota Housing for a list of all suspended individuals and organizations.

Chapter 11 – Program Contact

For questions, contact Jennifer Wille, Program Manager, at 651.296.9821 or jennifer.wille@state.mn.us. You may also contact the Housing Development Officer (HDO) identified in your selection letter.

MINNESOTA HOUSING

Board Agenda Item: 7.B
Date: 2/21/2019

Item: Approval, Waiver of the Predictive Cost Model 25% Threshold
- Unity Place Townhomes, Brooklyn Center, MN (D0232)

Staff Contact(s):
Paul Marzynski, 651.296.3797, paul.marzynski@state.mn.us

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

Summary of Request:
Staff requests board approval of a waiver of the predictive cost model 25% threshold for the above stated project.

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
- Recommendation

Background:
The Unity Place Townhomes project represents the acquisition, rehabilitation and preservation of a 112-unit townhouse development assisted by a 100% project-based Section 8 Housing Assistance Payments (HAP) contract. The housing development has served very low-income families and individuals in Brooklyn Center for the past 40 years. The HAP contract is set to expire at the end of 2019.

The developer has applied for low-income housing tax credits to help assist in financing the acquisition and rehabilitation of the property, with the key objective of preserving the development as affordable, subsidized housing for the next 30 years. Upon closing, the HAP contract would be extended for an additional 20 years, the maximum extension allowed. The Agency has qualified the development as a preservation project eligible for tax credits under potential risk of loss of the HAP contract due to critical physical needs at the property. The proposed rehabilitation scope of work would address all the capital needs to stabilize the physical asset for the next 30 years.

The City of Brooklyn Center has received a volume cap allocation from the state-wide Housing Pool in the amount of $13.5 million. With estimated total development costs of $28 million, the project appears on track to generate the necessary tax credits with a sufficient amount of bond financing. The Agency involvement is to determine the project's eligibility for 4% tax credits and issue a 42(m) letter. The Agency is not providing financing for the project.

The Agency's review of the project's total development costs (TDC) revealed it is over the predictive cost model estimate by 45.5%, exceeding the Agency's allowable threshold of 25%.

TDC	TDC per Unit	Predictive Model Estimate	Amount Above the Predictive Model	Percent Above
$28,012,504	$250,111	$171,843	$78,268	45.5%

The amount in excess of predictive cost model estimate can be attributed to construction costs being moderately higher than predicted, and the acquisition price being significantly higher than predicted.

Included in the construction cost is approximately $1,000,000 to construct a stand-alone community building, which would contain a community room and furnished exercise room for the tenants, and new administrative and leasing offices for management. The predictive cost model only provides an estimate for the costs associated with the renovation of the residential buildings and is not set up to include the cost for the new stand-alone common area building.

The largest component of the overage is the difference between the actual property purchase price and the predicted acquisition cost. The predictive cost model estimates the acquisition cost at $71,007 per unit compared to the actual purchase price per unit at $125,893 per unit. Agency staff obtained information from market studies on recent property sales occurring within the last two years for 15 properties within the Twin Cities metro area of similar size and age to Unity Place. The average sales price of the 15 properties was $121,605 per unit. Nine of the sales were townhouse properties with an average sales price of $129,862 per unit. This is above the predicted acquisition cost but in line with the purchase price of the property. The Agency has an appraisal for Unity Place Townhomes with an as-is

valuation of $14,100,000, or $125,893 per unit, which is the same as the purchase price for the property.

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 64% to 79% of the variation in historical costs, it cannot capture all of the components of every proposed project.. As a result, if a project's proposed total development costs are more than 25% over the predicted costs, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the Board. With respect to Unity Place, both the underwriting and research teams at the Agency believe the costs are reasonable based on the "as-is" appraisal of the property being purchased and the data from comparable sales.

Recommendation:
Taking into account the cost of the new common area building and the recent market sales data, Agency staff has concluded that the total development cost for Unity Place is reasonable and recommends a waiver from the predictive cost model 25% threshold.

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MINNESOTA HOUSING

Board Agenda Item: 7.C
Date: 2/21/2019

Item: Approval, Selection and Commitment, Low and Moderate Income Rental Loan (LMIR)
- Rolling Ridge Townhomes, Rochester, MN (D3133)

Staff Contact:
Paul Marzynski, 651.297.3797, paul.maryznski@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff completed the underwriting and technical review of the proposed development and recommends the development for selection and funding. The Agency also recommends adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in an amount not to exceed $1,400,000, subject to the review and approval of the mortgagor, and the terms and conditions of Minnesota Housing's term letter.

Fiscal Impact:
LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income on the loan without incurring financing expenses. Additionally, this loan will generate fee income.

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

Attachments(s):
- Background
- Development Summary
- Resolution
- Resolution Attachment

Background:
Rolling Ridge Townhomes is an existing, affordable development located in Rochester. The property was constructed in 2003 as a 35-unit low income housing tax credit property and consists of two and three-bedroom units in seven, two-story townhouse buildings.

The new Agency HUD risk-share LMIR loan will replace the existing LMIR loan, lowering the interest rate from 6.50 percent to 4.49 percent and extending the maturity date from 2033 to 2049. Additionally, the refinancing will fund approximately $300,000 of capital improvements and pay off the limited partner buyout loan.

The Agency's existing $776,774 MARIF deferred loan will remain in place with the maturity extended to be co-terminus with the new first mortgage. All of the approximately $120,000 accrued interest outstanding on the MARIF loan will be paid off to the Agency as part of the refinancing.

The refinancing will reduce the property's debt service expense, address a limited amount of capital improvements, and ensure Rolling Ridge remains as affordable housing for an additional 16 years, through 2049.

DEVELOPMENT SUMMARY:

				D#:	3133
Name:	Rolling Ridge Townhomes			App#:	M20150
Address:	845 Rolling Ridge Ave SE				
City:	Rochester	County:	Olmstead	Region:	Southeast

MORTGAGOR:

Ownership Entity:	Rolling Ridge Townhomes of Rochester LLC
Members/Principals:	Podawiltz Development Properties, I, Inc., Ted R Schmid, Barbara J Brandes

DEVELOPMENT TEAM:

Attorney:	Rinke Noonan Ltd.
Management Company:	Essence Property Management, Inc.

CURRENT FUNDING REQUEST/PROGRAM and TERMS:

$1,400,000	LMIR First Mortgage	
	Funding Source:	Housing Investment Fund (Pool 2)
	Interest Rate:	4.490%
	MIP Rate:	0.125%
	Term (Years):	30 years
	Amortization (Years):	30 years

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORD-ABILITY
2BR-60%	14	1,123	$972	$1,222	$38,880
3BR-60%	14	1,225	$1,088	$1,412	$43,520
2BR-60%*	3	1,123	$457	$1,222	$18,280
3BR-60%*	4	1,225	$518	$1,222	$20,720
TOTAL	**35**				

* Units subject to the MARIF program restrictions for qualified Minnesota Family Investment Program (MFIP) participants. Qualified MFIP recipients have initial income levels at or below 160% of the federal poverty rate.

Rent and Income Limits:
Under the LMIR program, 40 percent or 14 units will have households restricted to the 60% Multifamily Tax Subsidy Projects (MTSP) income limit, up to 25 percent, or eight units may have unrestricted incomes, and the balance of the 13 units can have household incomes up to 100 percent of the greater of statewide median or area median.

Under the tax credit extended use agreement, all 35 units are subject to rent and income restrictions at or below the 60% MTSP level, and will remain in place through the term of the extended use period when it expires in 2033. Upon expiration, the property will remain subject to LMIR program restrictions until the loan is refinanced or matures in 2049.

Purpose:
Rolling Ridge is an existing affordable development located in Rochester. The property has 35 two and three-bedroom townhome units in seven buildings. By refinancing, the Agency's existing LMIR loan will be replaced with a new, lower interest rate HUD risk-share LMIR loan, and extend the term of the loan from a maturity date in 2033 to 2049. The new LMIR loan will also pay off the limited partner buyout loan and lower the interest rate from 6.50 percent to 4.49 percent

Population Served:
Rolling Ridge Townhomes will continue to serve low-income family households of Rochester for the next 30 years.

Project Feasibility:
The proposed financing of the $1,400,000 LMIR loan was underwritten utilizing the Agency's underwriting standards. The transaction includes funding a limited amount of capital improvements, payoff of the limited partner buyout loan, and payoff of the accrued interest on the MARIF loan. The project is projected to cashflow through the term on the new LMIR loan.

The existing MARIF deferred loan will remain in place with the loan maturity extended to be co-terminus with the new LMIR mortgage.

Development Team Capacity:
There is no change in ownership or management company with this transaction. The sponsor is Podawiltz Development Properties I, Inc., and the management company is Essence Property Management, Inc.

Affiliates of Podawiltz Development Properties I, Inc. currently own 17 properties consisting of 751 units having Agency financing. Essence Property Management manages all of these units.

Rolling Ridge has been in the Agency's first mortgage portfolio since 2003 and has performed well financially. The sponsor has the capacity to successfully continue ownership of the property.

Physical and Technical Review:
The limited scope rehabilitation includes approximately $300,000 for capital improvements consisting of limited unit upgrades that include new flooring, appliances, and countertops; limited window replacement; landscaping and parking lot repairs. The 20-year capital needs analysis (CNA) indicates that with the proposed capital improvements, along with monthly replacement reserve deposits, the property will have sufficient reserves to cover future capital repairs.

Market Feasibility:
The property is located on the southeast side of Rochester in a residential area approximately four miles from the central business district. The surrounding neighborhood is a mix of single family residential homes to the east, townhomes to the north and south and commercial properties to the west. The development serves an important policy goal of addressing Specific and Critical Local Housing Needs. Rolling Ridge Townhomes will continue to provide quality affordable rental housing with larger size units suitable for families. The historical vacancy of the property has been less than 1.5 percent for each of the past five years. The loan is underwritten using a 5 percent vacancy rate.

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	**$2,339,800**	**$66,851**
Acquisition or Refinance Cost	1,952,800	55,794
Gross rehabilitation Cost	300,000	8,571
Soft Costs	87,000	2,486
Agency Loan Sources		
LMIR	$1,400,000	$40,000
MARIF (existing)	776,774	22,194
Total Agency Sources	**$2,176,774**	**$62,194**
Non-agency Sources		
Reserves	163,026	4,658

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 18-XXX

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

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

Name of Development:	Rolling Ridge Townhomes
Sponsors:	Rolling Ridge Townhomes of Rochester LLC
Guarantors:	Podawiltz Development Properties, I, Inc.; Ted R. Schmid; and Barbara J. Brandes
Location of Development:	Rochester
Number of Units:	35
Amount of Refinance:	$1,400,000
Amount of LMIR Mortgage: (not to exceed):	$1,400,000

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the LMIR amortizing loan shall not exceed $1,400,000; and
2. The interest rate on the permanent LMIR loan shall be 4.49 percent per annum (subject to change as set forth in the attached Agency term letter dated May 17, 2018) plus 0.125 percent per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 30-year amortization; and
3. The term of the permanent LMIR loan shall be 30 years; and
4. The LMIR loan closing shall occur on or before May 31, 2019; and

5. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The commissioner is authorized to approve non-material modifications to those terms; and
6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
7. Podawiltz Development Properties, I, Inc., Ted R. Schmid, and Barbara J. Brandes shall guarantee the Mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
8. The sponsor, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary, shall execute all such documents relating to said loan, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 21st day of February 2019

_____

CHAIRMAN

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400 Wabasha Street North, Suite 400
St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | **TTY:** 651.297.2361
www.mnhousing.gov

May 17, 2018

Mr. J. Michael Podawiltz
Podawiltz Development Properties, I
3601 18th Street S, Suite 117
St. Cloud, MN 56301

RE: Rolling Ridge Townhomes ("Project")
845 Rolling Ridge Ave SE, Rochester, MN 55904 ("Project Address")
Rolling Ridge of Townhomes of Rochester Limited Partnership ("Borrower")
MHFA Development #3133

Dear Mike:

Thank you for allowing Minnesota Housing Finance Agency ("Minnesota Housing") to provide a proposal for the financing of the Project. This letter outlines the general terms and conditions of this proposal and does not constitute a commitment to lend on the part of Minnesota Housing. The proposed terms are subject to Minnesota Housing's approval process and must meet all Minnesota Housing underwriting standards, including submission of required due diligence, satisfactory loan documentation and other loan closing requirements. The Agency agrees to use its best efforts to obtain a firm approval letter from the U.S. Department of Housing and Urban Development ("HUD") for the permanent financing of the Project under the HUD Risk Share program but does not represent that a firm approval letter will be issued by HUD.

Project: The Project shall be the multifamily housing development located at the referenced Project Address.

Borrower: The Borrower shall be a single asset entity as named above.

Loan Amount: $1,400,000; subject to final loan underwriting

Term/Amortization: 30 year term/30 year amortization

Interest Rate:
- Quoted interest rate is 4.49%
- Loan closing must occur by November 21, 2018 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.
- Rate will be fixed for the full term of the loan.

Loan-to-Value / Loan-to-Cost: Maximum LTV/LTC of 87%

Debt Service Coverage ("DSC"): Project must meet a minimum DSC of 1.15 in year 1 of the proposed term as determined by Minnesota Housing; and Project must maintain a breakeven cash flow for a minimum of 15 years on a proforma basis.

Collateral: First Mortgage and Assignment of Rents and Leases for Property

Fees and Expenses:

- Application Fee - $250; due with executed engagement letter
- Origination Fee – 2.0% of the first $5 million in financing and 1.0% of the amount above $5 million; minimum origination fee of $25,000; paid at loan closing
- Mortgage Insurance Premium ("MIP") – 0.125% of loan amount annually. One year of MIP is escrowed at closing, and then paid monthly.
- Inspection Fee – 0.25% of the construction contract or 1.0% of total Minnesota Housing loans. Does not apply to non-rehab loans.

Recourse: The loan is nonrecourse.

Guarantee: A guarantee to cover property operations is required for the life of the loan.

Prepayment: 10 year lockout; Prepayment in full any time after 10 years with agency approval. Penalties or fees may apply.

Repairs: Cost of repairs must not exceed $40,500 per unit and will be subject to Minnesota Housing's Rental Housing Design/Construction Standards.

Third Party Reports: Including but not limited to: appraisal, environmental, market study, and physical needs assessment, as required.

Escrows: Real estate tax escrow and property insurance escrow to be established at time of closing. An operating deficit escrow may also be required as determined by Minnesota Housing.

Reserves: A replacement reserve account will be required at a minimum annual amount of $450 per unit to be held by Minnesota Housing. Adequate upfront and ongoing reserves to be required in order to fund capital needs as identified in a Property Needs Assessment/Capital Needs Assessment and approved by a Minnesota Housing architect.

Rent and Income Requirements: Proposed LMIR restrictions on 35 units:

- 14 units subject to income and rent restrictions at the 60% Multifamily Tax Subsidy Project limits. These limits shall follow the hold harmless policy established in Section 3009 of the Housing and Economic Recovery Act of 2008 based on the income limits in effect on the date of the Development's application for LMIR funding from Minnesota Housing.
- 21 units subject to income restrictions at 100% of the greater of State or Area Median Income (not adjusted for household size). Rents for these units at market (as determined by Minnesota Housing)

The Project must also remain in compliance with the rent and income restrictions of all other programs for which it received financing.

Return on Equity: Annual distributions limited to a maximum of 15% of Borrower's equity; defined as: 15% of [estimated value of the property at the time of loan application (either appraised value or tax assessor's value) minus the unpaid principal balance of the first mortgage loan at the time of borrower's fiscal year end and minus new Agency subordinate loans]. This calculation is subject to Minnesota Housing's review and approval.

Closing Costs: Borrower is responsible for all expenses incurred by the proposed transaction, including, but not limited to, appraisal, market study, environmental consultants, engineering, title examination and title insurance, recording and filing fees, closing and escrow charges, mortgage registration tax, survey, bond and insurance premiums, and all legal fees. Minnesota Housing may, at its option, deduct and pay all fees, costs and expenses from the loan proceeds at the time of closing.

Other Conditions: Additional Conditions may be determined during underwriting.

Not a Binding Contract: This letter is not a commitment to lend, but rather a summary of terms and conditions proposed for the Project. The terms and conditions are subject to complete due diligence, underwriting and mortgage credit approval. The parties expressly agree that this letter does not create a legally binding agreement.

Please sign this letter and return it to Tresa Larkin on or before May 25, 2018. If the signed letter is not received by Minnesota Housing by this date, the proposed terms are no longer valid.

If you have any questions related to this letter, please contact Tresa Larkin at 651.284.3177 or by e-mail at tresa.larkin@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

Wesley J. Butler

Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

Rolling Ridge of Townhomes of Rochester Limited Partnership

By: _____

Date Accepted: 5/23/18

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MINNESOTA HOUSING

Board Agenda Item: 7.D
Date: 2/21/2019

Item: Approval, Community Homeownership Impact Fund Program Procedural Manual

Staff Contact(s):
Nick Boettcher, 651.296.9567, nick.boettcher@state.mn.us

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

Summary of Request:
Staff requests board approval of the Community Homeownership Impact Fund (Impact Fund) Program Procedural Manual.

Fiscal Impact:
There is no direct fiscal impact as a result of the Impact Fund Procedural Manual changes. The Impact Fund Program is funded with State appropriated Economic Development and Housing Challenge funds, Pool 2, and housing infrastructure bond proceeds awarded to Administrators via an annual request for proposals process. The Impact Fund Procedural Manual will guide the use and management of funds awarded to Impact Fund Administrators.

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
- Community Homeownership Impact Fund Program Procedural Manual

Background
Since 1999, Minnesota Housing has operated the Community Homeownership Impact Fund (Impact Fund) Program (formerly known as the Community Revitalization Fund [CRF or CRV]), offering funding statewide via the Single Family Request for Proposals (RFP). The Impact Fund awards funds to Administrators to address locally-identified needs for affordable, single family, owner-occupied housing.

The Impact Fund Procedural Manual changes are made to standardize practices throughout the Agency, within the Single Family Division, and to clarify existing procedures and language. Below is a summary of the revisions to the Impact Fund Procedural Manual.

Alignment with the Agency's Visitability Requirement
The revised Impact Fund Procedural Manual clarifies that new construction units to be completed under Impact Fund contracts effective on or after June 1, 2018 and receiving state-appropriated Impact Fund dollars for either Value Gap or interim loan financing, or both, are subject to the visitability requirement. Previously, the requirement applied only to units benefitting from state-appropriated interim loan dollars.

Clarifications to Existing Policies or Procedures
These revisions clarify, but do not substantively change, policies and procedures contained in prior versions of the Impact Fund Procedural Manual. The revised Impact Fund Procedural Manual:

- Clarifies that employees and other parties affiliated with the Administrator, a Processing Entity, or the State of Minnesota are eligible for assistance provided they receive assistance at the same costs, terms and conditions as similarly situated unaffiliated households and receive no special consideration or access compared to similarly situated unaffiliated households.
- Clarifies that household incomes must not exceed 80 percent of the greater of state, county or area median income in community land trust units benefitting from housing infrastructure bonds.
- Directs Administrators to statutory prevailing wage requirements referenced in their contracts.
- Clarifies that units benefitting from Impact Fund dollars for only Affordability Gap and not for Value Gap or interim loan financing are exempt from Green Communities Criteria, except for the criterion incorporating the Minnesota Housing Lead Based Paint Guidebook. The requirements of the Agency's Lead Based Paint Guidebook still apply if an Administrator's rehabilitation activity includes the identification and correction of lead-paint related health and safety hazards.
- Clarifies that the administration fee is compensation for the making of a grant or loan to a household, supported by Impact Fund dollars, and not necessarily for all services performed in a project.
- Clarifies that the developer fee is compensation for development services, and not necessarily for all services performed in a project.
- Directs Administrators to the Agency's Terms of Use for marketing materials and Agreement requirements for marketing and use of the Agency's name or logo.
- Dedicates a section for manufactured housing in the chapter on deferred loans and reiterates that manufactured housing is an eligible property type.

Effective Date and Applicability
Following board approval, the proposed new Impact Fund Procedural Manual would go into effect February 21, 2019.

Agreements, Grant Contracts and Loan Contracts currently in effect refer to the Procedural Manual as may be amended; therefore, this updated version would apply to all activity occurring on and after February 21, 2019.

MINNESOTA HOUSING

Community Homeownership Impact Fund Program Procedural Manual

~~*March 1, 2018*~~
February 21, 2019

DRAFT

DRAFT

EQUAL HOUSING OPPORTUNITY

The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request.

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Introduction

Mission Statement

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Background

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

Minnesota Housing offers funding through an annual Single Family Request for Proposal (RFP) to assist communities in addressing local housing concerns by leveraging resources to maintain and develop owner-occupied housing that is Affordable to the Local Work Force.

Community Homeownership Impact Fund Program

The Community Homeownership Impact Fund Program (Impact Fund), formerly known as the Community Revitalization Program (CRV), is the umbrella name for a variety of limited funding resources offered in the Single Family RFP, including the Economic Development and Housing Challenge Fund and other Minnesota Housing resources which vary from time to time.

The Impact Fund allows for a variety of housing activities including: Acquisition, Rehabilitation and Resale, New Construction (which may include demolition-rebuild), Owner-Occupied Rehabilitation, and stand-alone Affordability Gap assistance. Funding for Owner-Occupied Rehabilitation and Affordability Gap assistance are generally limited to situations where the articulated community need for such funds cannot be served by other available programs and resources, including Minnesota Housing programs.

Procedural Manual

This Procedural Manual sets forth for Administrators the terms and conditions under which Minnesota Housing will award Impact Fund Dollars to Administrators.

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Chapter 1 – Partner Responsibilities/Warranties

(See Appendix C for minimum documentation requirements.)

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Fund Availability, Disbursement and Loan/Grant Agreement, Loan Contract, and/or Grant Contract (each of which is referred to as the "Agreement") executed between the Administrator and Minnesota Housing. This Procedural Manual is incorporated into the Agreement by reference.

Minnesota Housing reserves the right to:

- Alter or waive any of the requirements herein;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing grants waivers, alterations or revisions at its sole discretion. Administrators may request, in writing to Minnesota Housing, waivers, alterations or revisions to this Procedural Manual.

In the case of a conflict between this Procedural Manual and the Application for Funds, this Procedural Manual controls. In the case of a conflict between the Agreement and this Procedural Manual, the Agreement controls. This Procedural Manual, may, however, contain more stringent requirements than those found in the Application for Funds or the Agreement. In which case, Administrators must comply with the most stringent requirements.

1.02 The Agreement

If an Administrator submits its Application for Funds to Minnesota Housing and is selected to receive Impact Fund Dollars through an Impact Fund Award, Minnesota Housing and the Administrator will execute an Agreement or Agreements outlining the legal relationship and responsibilities between the Administrator and Minnesota Housing.

Each Agreement is labeled with an Impact Fund Award ID Number, which is the unique identifier for the Impact Fund Award. The Administrator must use the Impact Fund Award ID Number on all forms and correspondence to Minnesota Housing.

1.03 Evidence of Misconduct Referred to Attorney General

Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Impact Fund to the Minnesota Attorney General's office for appropriate legal action.

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Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Administrator and/or the Household. This includes Impact Fund Dollars, together with all applicable administrative costs and other fees or commissions received by the Administrator in connection with the Impact Fund Dollars and for all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the Impact Fund Dollars or recovery of such funds.

1.04 Compliance with Privacy Statutes

The Minnesota Government Data Practices Act:

- Requires the Administrator to supply individuals with the Tennessen Warning and the Privacy Act Notice when requesting private data[1];
- Governs when the disclosure of an individual's social security number is required;
- Provides that when a Household receives a loan, only the Borrower's name, address and amount of assistance received are public data;
- Provides that all data regarding a Household that receives or benefits from Grant Funds, except the amount of assistance, are private data on individuals and may not be released without the Household's permission; and
- Provides that all other data created by or collected from the Household, including financial information such as credit reports, financial statements and net worth calculations, are classified as private data on individuals under Minnesota Statutes §462A.065 and §13.462 subdivision 3.

1.05 Unauthorized Compensation

The Administrator may receive fees approved in this Procedural Manual. However, the Administrator shall not receive or demand from the builder, remodeler, contractor, supplier, or Borrower:

- Kickbacks;
- Commissions;
- Rebates; or
- Other compensation.

In order to reduce the Total Development Cost associated with an eligible Property, an Administrator may receive discounts from the seller, builder, remodeler, contractor, or supplier. In these cases, the Administrator file must be documented to prove that the discounts received are considered normal for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered. Any discounts that

[1] Administrators that are governmental entities are to use the form approved by their "Responsible Authority", as defined in Minnesota Government Data Practices Act § 13.02, Subd. 16. Other Administrators must provide a Tennessen Warning and Privacy Act Notice and use the applicable Tennessen Warning and Privacy Act Notice located on Minnesota Housing's Impact Fund webpage.

exceed the norm must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor or supplier providing the discount.

1.06 Monitoring, Financial Reconciliation and Quality Control Audits

With reasonable notice to the Administrator and, where applicable, to the Household, Minnesota Housing reserves the right to make site visits, review Administrator's records and Project files, and conduct quality control audits.

Administrator's records and Project files, including but not limited to Administrator, Household/Borrower and Construction/Property files as specified in Appendix C, must be made available upon request in order to conduct monitoring and quality control audits.

Monitoring and Financial Reconciliation
Administrator's records and Project files must be made available to Minnesota Housing at the Administrator's office during regular business hours, or via remote submission, or both, if ~~so~~and as requested by Minnesota Housing. Monitoring and financial reconciliation generally includes:

- Physical inspection of Projects;
- Verification of Project files including eligibility requirements and documentation requirements (see Appendix C); and
- Review of expense documentation (e.g., any and all books, records, invoices, and receipts), other program-related documents, and accounting procedures and practices relevant to the Agreement and this Procedural Manual.

Quality Control Audits
Quality control audits typically focus on an Administrator's use of Deferred Loan Funds to make Deferred Loans to Borrowers, including Deferred Loans originated by a Processing Entity. Administrator's records and Project files must be made available to Minnesota Housing via remote submission, or at the Administrator's office during regular business hours, or both, if and as requested by Minnesota Housing. Audited files are reviewed for:

- Minnesota Housing program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and other indicators that may have an impact on the financial viability of the Impact Fund.

1.07 Term of Funds Availability

Minnesota Housing reserves the right to cancel the Impact Fund Award specified in the Agreement if the Agreement is not executed and returned to Minnesota Housing within 60 days of the Administrator's receipt of the Agreement.

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Impact Fund Dollars will be available to the Administrator for a period of 20 months unless otherwise stated in the Agreement. Minnesota Housing, at its sole discretion, may extend the period Impact Fund Dollars are available to the Administrator.

~~Any~~ Impact Fund Dollars the Administrator receives but does not expend on eligible activities must be repaid to Minnesota Housing, in accordance with the terms and conditions outlined in the Agreement.

1.08 Termination of Administrator Participation

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

- This Procedural Manual;
- The Agreement;
- The procedural manuals and agreements of other Minnesota Housing programs;
- The Federal Fair Housing Law;
- The Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect individuals' rights with regard to obtaining homeownership;
- The Application for Funds; and
- Other applicable state and federal laws, rules and regulations.

Minnesota Housing may, at its option, impose remedies other than termination of the Agreement for Administrator nonperformance.

Administrator may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate an Administrator is at Minnesota Housing's sole discretion.

1.09 Representations and Warranties

The Administrator agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following:

- Title 24, Code of Federal Regulations, Part 35, Subpart A;
- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act and any applicable regulations and orders thereunder;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Law (Title VIII);

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- Minnesota Statutes Chapter 326B;
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- ~~Minnesota Statutes Section 462A.05 Subdivision 2;~~
- Minnesota Statutes Section 462A.33;
- Minnesota Statutes Section 462A.34;
- Minnesota Statutes Section 462A.37;
- Minnesota Rules 4900.3600-3652;
- Minnesota Government Data Practices Act - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Minnesota Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act) of 2010;
- Minnesota Statutes §58A.03;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth in Lending Act (TILA);
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H;
- Real Estate Settlement Procedures Act of 1974 (RESPA), as amended;
- Dodd-Frank Wall Street Reform and Consumer Protection Act; and
- TILA-RESPA Integrated Disclosure Rule.

In addition to the above warranties and representations, Administrator also warrants and represents that:

- It is a city, a housing and redevelopment authority, a joint powers board established by two or more cities, a federally recognized American Indian tribe or subdivision located in Minnesota, a tribal housing corporation, a nonprofit organization, a Private Developer, or a Public Housing Agency;
- It will fully comply with all terms and conditions in the Agreement, the Single Family RFP, the Application for Funds and this Procedural Manual for each eligible activity ~~undertaken~~outlined in the Administrator's Impact Fund Application for Funds unless prior written approval is obtained from Minnesota Housing;
- It will not modify Minnesota Housing forms unless it first receives written authorization from Minnesota Housing;
- It will not contract with vendors who are suspended or debarred in Minnesota, including those identified in the Minnesota Department of Administration's Suspended/Debarred Vendor Report~~: ;~~;

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- It will ensure entities performing work on its Projects maintain all licenses (including licenses in residential trades) where licensure is required by laws, ordinances and rules;
- It will maintain all licenses (including licenses in residential trades), permits, and performance bonds if and as required by laws, ordinances and rules;
- It will comply with the Minnesota Housing Lead Based Paint Guidebook if the activity includes the identification and correction of health and safety hazards;
- If it or a Processing Entity originates loans, it will comply with standard underwriting requirements of the secondary market and prudent lenders that originate loans for similar Projects;
- It will use Impact Fund Dollars only for an ~~eligibility~~eligible activity or eligible activities;
- ~~It will use Impact Fund Dollars in accordance with the eligible activity or eligible activities outlined in the Administrator's Impact Fund Application for Funds;~~
- It will control the disbursement of Impact Fund Dollars in accordance with the terms of the Agreement and this Procedural Manual;
- It will monitor the construction or rehabilitation of the Qualified Dwelling Unit in accordance with the terms of the Agreement and this Procedural Manual;
- It will obtain and review all applicable documentation to determine and record compliance with all Minnesota Housing requirements;
- It will maintain adequate capital and trained personnel for the administration of the Impact Fund Dollars;
- It will not assign any agreements executed with Minnesota Housing without prior written approval from Minnesota Housing;
- It will represent in the Application for Funds~~,~~ the specific organization with which it intends to sign the Agreement with Minnesota Housing and to which Impact Fund Dollars will be disbursed;
- The Property owner has good and marketable fee simple title to or a long-term "mortgageable" lease for the Property, unless Minnesota Housing waives this requirement in writing;
- If the Property is subject to a mortgage, lien or other encumbrance, it is a mortgage, lien or other encumbrance acceptable to prudent lenders that make loans or grants for similar Properties; and
- It is an entity duly formed or incorporated under the laws of the State of Minnesota.

1.10 Processing Entities

The Administrator may contract with a Processing Entity to originate Deferred Loans on the Administrator's behalf. Only the Administrator or a Processing Entity may originate Deferred Loans to Borrowers. The Processing Entity's participation must be approved in writing by Minnesota Housing before that Processing Entity originates Deferred Loans. The Administrator must have a written contractual relationship with the Processing Entity. The Administrator, however, retains sole responsibility for any default under the Agreement.

1.11 Affirmative Marketing

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The Administrator must take necessary steps to affirmatively market to Underserved Populations.

1.12 Conflicts of Interest

The Administrator must avoid and immediately disclose to Minnesota Housing any and all actual, perceived, or potential conflicts of interest. The Administrator must also maintain a conflict of interest policy.

A conflict of interest, actual, potential, or perceived, occurs when a person has actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- An Administrator is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties.
- An Administrator's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties.
- An Administrator has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors.

Once notified or otherwise made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing Impact Fund Awards. Determinations could include:

- Revising the Administrator's responsibilities to mitigate the conflict.
- Allowing the Administrator to create firewalls that mitigate the conflict.
- Asking the Administrator to submit an organizational conflict of interest mitigation plan.
- Terminating the Administrator's participation.

1.13 Fraud Disclosure

The Administrator must report all known or suspected instances of fraud in connection with the making or receipt of Impact Fund Dollars to Minnesota Housing's Chief Risk Officer as soon as evidence of fraud is discovered by the Administrator. "Fraud" means an intentional deception made for personal gain or to damage another.

1.14 Suspension

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By entering into any agreement with Minnesota Housing, accepting any award of funds from Minnesota Housing, or otherwise conducting any business with Minnesota Housing, the Administrator represents that the Administrator, or any principal of the Administrator, has not been suspended from doing business with Minnesota Housing pursuant to the Minnesota Housing Finance Agency Board of Directors Participant Suspension Policy. A principal is defined as: (a) an officer, director, owner, partner, principal investigator, or other person within an organization or entity doing business with Minnesota Housing with management or supervisory responsibilities; or (b) a consultant or other person, who: (1) is in a position to handle Minnesota Housing funds; (2) is in a position to influence or control the use of those funds; or (3) occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to be performed under contract with Minnesota Housing. The Administrator must ~~contact Minnesota Housing~~review Minnesota Housing's Suspensions webpage for a list of all suspended individuals and organizations.

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Chapter 2 – Household Eligibility Requirements

(See Appendix C for minimum documentation requirements.)

2.01 Households

A Household is eligible to benefit from assistance only if that Household meets the requirements of this Procedural Manual. Households benefitting from Impact Fund Dollars must be Owner-Occupants.

A Homebuyer Household is a type of Household that is eligible to purchase a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the construction of or acquisition, rehabilitation and resale of a Qualified Dwelling Unit and/or Affordability Gap Financing to purchase a Qualified Dwelling Unit.

A Homeowner Household is a type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Qualified Dwelling Unit in which the Household has an ownership interest. The Homeowner Household must occupy the subject Property as its Principal Residence.

Households benefitting from Indian Housing Set-Aside Funds must be American Indian Households. Verification of tribal affiliation or membership is required.

2.02 Household Selection

The Administrator must establish and maintain a Household selection process, which ensures that Households meet Impact Fund requirements.

The Administrator may establish more stringent Household selection requirements including maximum purchase prices, Household asset limits, loan-to-value and combined loan-to-value limits.

2.03 Household Affordability Gap Eligibility

The Administrator's Household selection process must include an assessment of the Households' needs for Affordability Gap assistance indicated by the Housing Ratio. To be eligible for Affordability Gap assistance, a Household must spend no less than 25 percent of its gross monthly income for housing payments associated with the Property. Housing payments are: monthly first mortgage principal and interest, subordinate mortgage principal and interest, mortgage insurance, homeowners' association fees, Property taxes, hazard insurance, land trust ground lease fees, and manufactured home park lot rent.

Minnesota Housing may, at its sole discretion, waive the housing-to-income ratio requirement for Affordability Gap Financing on a case by case basis, when the Administrator provides a written waiver request. Waiver requests are viewed more favorably in cases where one or more of the following is true:

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- A party whose income must be included when calculating Annualized Gross Income cannot, according to the underlying first-mortgage lender, be named on an underlying first mortgage due to credit or title constraints;
- A Household's purchasing power is insufficient due to the underlying first-mortgage lender's debt-to-income limits;
- The Household is maximizing the amount of financing for which it has qualified from the first-mortgage lender.

2.04 Homebuyer Age

Anyone obtaining title to Property, or a vendee interest in a contract-for-deed or contract-for-title, and all Borrowers must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

2.05 Unauthorized Compensation

Households must not receive kickbacks, rebates, discounts, or other compensation from any party in the transaction.

2.06 Principal Residence/Occupancy Requirements

Each Household that receives or benefits from Impact Fund Dollars must occupy the eligible Property as its Principal Residence.

2.07 Impact Fund Eligibility Income

The Administrator and Minnesota Housing establish Household income limits for each eligible activity undertaken with Impact Fund Dollars through the Agreement. Except for CLT Projects benefitting from Bond Proceeds Loan funds, these limits must not exceed 115 percent of the greater of state or area median income (AMI), as established by Minnesota Housing and posted to Minnesota Housing's Impact Fund webpage.

With respect to CLT Projects benefitting from Bond Proceeds Loan funds, these limits must not exceed the lesser of: (i) 80 percent of the greater of state or area median income as most recently determined by HUD and as established by Minnesota Housing and posted to Minnesota Housing's Impact Fund webpage~~).~~ or (ii) the amount that qualifies the Administrator for tax exempt status under United States Code, Title 26, section 501(c)(3).

Administrators must not serve Households with Annualized Gross Income in excess of these limits.

Annualized Gross Income is the earned and unearned income of the parties in the Household as described below from sources outlined in the list below ~~(~~and ~~not including~~excluding the exceptions that follow~~)~~.

Parties Whose Income Must be Included When Calculating Annualized Gross Income

The income of the following persons must be verified and included when calculating Annualized Gross Income for Homebuyer Households of Qualified Dwelling Units constructed or

rehabilitated using Impact Fund Dollars or Households receiving Impact Fund Affordability Gap assistance:

- Anyone who will have title to the subject Property and signs the mortgage.
- Anyone expected to reside in the subject Property and who will be obligated to repay an underlying mortgage loan but who is not in title to the subject Property (i.e. a Co-Signer on the mortgage note).
- The legal spouse of the mortgagor who will also reside in the subject Property.

The income of the following persons must be verified and included when calculating Annualized Gross Income for Homeowner Households of Qualified Dwelling Units receiving Impact Fund Owner-Occupied Rehabilitation assistance:

- Anyone in title to the subject Property who also resides in the subject Property.
- The legal spouse of the mortgagor who also resides in the subject Property.

If the mortgagor is legally married and the spouse does not or is not expected to reside in the subject Property, the Household file must contain either the Non-Occupant Spouse Statement or another statement indicating the spouse does not or will not occupy the subject Property. The spouse may still be required to sign any Impact Fund Mortgage (see "Accommodation Parties," below, and Chapter 6 of this Procedural Manual).

Any person whose income must be included in the Annualized Gross Income calculation who receives no income must sign either the Zero Income Statement or another statement indicating ~~he or she receives~~they receive no income.

The Administrator must establish and adhere to standard procedures for determining Annualized Gross Income in accordance with this Procedural Manual.

Accommodation Parties
An accommodation party is anyone with an ownership interest in an eligible Property that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property, or a seller of a contract-for-deed to an Owner-Occupant. An accommodation party must sign the Impact Fund Mortgage.

Co-Signers
Co-signers are permitted on first mortgage loans originated for Homebuyer Households. Co-signers are not vested in title and may reside in the subject Property.

Annualized Gross Income Calculation
Total Annualized Gross Income includes, but is not limited to:

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- Base pay, which includes full-time, part-time or seasonal work with regular hours, expressed hourly, weekly or monthly, etc.;
- Variable income, which includes irregular hourly income, income from commissions, overtime and bonuses, income from irregular employment, shift differential, tips, profit sharing, sick pay, holiday pay and vacation pay;
- Self-employment or business income;
- Income from financial assets, trusts or annuities, including but not limited to, dividends, royalties, recurring capital gains and interest earned from non-retirement accounts;
- Government Transfer Payments, including retirement benefits, disability benefits, medical benefits, social security benefits, pensions, veterans' benefits, workers' compensation, public assistance, unemployment benefits, federal education and training assistance and income maintenance benefits;
- Insurance or benefit payments, such as long-term care insurance, disability insurance, pensions or death benefits;
- Net rental income from investment property;
- Contract-for-deed interest income;
- Child support;
- Spousal maintenance;
- Regular ~~cash~~financial contributions from an individual or individuals whose income does not need to be included in the Annualized Gross Income calculation;
- Employer-paid allowances such as housing, automobile, cell phone, etc.;
- Flexible benefit cash;
- Custodial account income received on behalf of a minor dependent;
- Estate income; and
- Other sources of income not specifically excluded below.

The following types of income are excluded from the Annualized Gross Income calculation:

- Income no longer available;
- One-time (non-recurring) income; for example, income received once that does not have a history and is unlikely to reoccur in the future;
- Income generated by IRA, VIP, 403(b), and 401(k) accounts;
- Supplemental Nutrition Assistance Program (SNAP) benefits;
- Meals on Wheels or other contributions of food;
- Government-paid child care which is paid directly to the provider;
- Foster care income;
- Educational scholarships, grants, loans or tuition reimbursement;
- Earned Income Tax Credit refund payments;
- Potential roommate income or rental income of future duplex or accessory dwelling unit;
- Transfers between individuals whose income must be included in the Annualized Gross Income calculation;
- Court-ordered child or spousal support not received;

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- 529 plans;
- ~~Custodian~~Custodial accounts where someone other than the parents are named as custodian;
- ~~Unearned~~Custodial account income received on behalf of adult dependents whose income does not need to be included in the Annualized Gross Income calculation; and
- Non-recurring payments from:
  - Inheritances
  - Insurance settlements
  - Lottery winnings
  - Gambling winnings
  - Capital gains
  - Liquidation of assets
  - Settlements for personal loss.

2.08 Employees and Other Affiliated Parties

Administrators' and Processing Entities' directors, officers, agents, consultants, employees and their family members, elected or appointed officials of the State of Minnesota, and Minnesota Housing employees and their family members are eligible for assistance provided they receive assistance only at the same costs, terms and conditions as similarly situated unaffiliated Households, and receive no special consideration or access compared to similarly situated unaffiliated Households. Administrators may establish more restrictive policies and must follow their conflict of interest policies and any other disclosure policies as applicable.

Administrators need not disclose to Minnesota Housing assistance to employees and other affiliated parties under Section 1.12 of this Procedural Manual provided it complies with this Section 2.08. However, Administrators must document each instance of this assistance.

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Chapter 3 – Property Eligibility

(See Appendix C for minimum documentation requirements.)

3.01 Qualified Dwelling Unit

A Qualified Dwelling Unit must:

- Be attached or detached, owner-occupied housing including manufactured homes;
- Be residential in nature and have a remaining economic life equal to the loan term plus 10 years;
- Be occupied by an eligible Household;
- Be Affordable to the Local Workforce;
- Be affordable to Households with incomes not exceeding the Impact Fund Eligibility Income established according to Section 2.07 of this Procedural Manual;
- Be completed during the effective term of the Agreement; and
- Contain no more than four units with at least one unit being occupied by the Household that owns the entire structure.

3.02 Title Examination Requirements

The Administrator must ensure that title to Property is clear and marketable prior to development, at the time of transfer to an Administrator, and at the time of transfer to a Homebuyer Household, as demonstrated by way of an attorney's legal title opinion or a title insurance policy.

In addition, if making a secured loan, such as a Deferred Loan, the Administrator must ensure that title to the Property to be mortgaged is good and marketable prior to making the loan, and the security instrument is fully executed, valid and enforceable.

In the case of Tribal Lands, the Administrator must ensure that the proper official of the Tribal Land office establishes a clear and marketable title as defined by the tribe governing the Land on which the Qualified Dwelling Unit is located.

3.03 Community Land Trusts

A Community Land Trust (CLT) must meet the following conditions:

- The CLT must provide evidence, satisfactory to Minnesota Housing, that members of Homebuyer Households purchasing Qualified Dwelling Units in the CLT receive full disclosure of their rights and obligations under the trust, including future limitations on sale;
- The CLT must submit evidence, satisfactory to Minnesota Housing, that land trust Homebuyer Households have access to the secondary mortgage market; and
- The terms and conditions of the CLT must be compatible with those developed by the National CLT Network and otherwise satisfactory to Minnesota Housing.

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3.04 Reasonable Cost Estimates

The Administrator must determine and document that all Project costs are reasonable, necessary, and cost effective, and must maintain documentation of the purchasing and/or bidding process utilized. The Agreement may contain additional contracting and bidding requirements.

3.05 Building Code Compliance

All eligible activities must be in compliance with all applicable state, county and municipal health, housing, building, fire prevention, and housing maintenance codes and local ordinance or other public standards.

In areas of the State where there is a local building code or the State building code has been adopted, a licensed building official/inspector must provide a building permit, certificate of occupancy, certificate of completion or a final inspection report in order to document that the improvements meet building code.

In areas of the State where there is no local building code or where the State building code has not been adopted, the Administrator must include in its contracts a requirement that improvements are completed in accordance with the State Building Code.

When working within tribal reservations or on Tribal Lands, compliance with the governing tribal laws and regulations relating to building and zoning is sufficient for compliance with this Section 3.05.

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Chapter 4 – Eligible Activities

(See Appendix C for minimum documentation requirements.)

4.01 Eligible Activities

Impact Fund Dollars ~~may~~**must** be used, only to the extent allowed in the Agreement and this Procedural Manual, for:

- Construction of new housing (New Construction);
- ~~Rehabilitation of existing housing, including~~ Acquisition, Rehabilitation, Resale~~, and~~ of existing housing;
- Rehabilitation of existing owner-occupied housing (Owner-Occupied Rehabilitation), including reduction of interest rates in conjunction with Minnesota Housing's Community Fix Up Loan Program;
- Conversion to housing from another use;
- ~~Reduction of interest rates only when used in conjunction with the Minnesota Housing's Community Fix Up Loan Program;~~
- Financing to fill an Affordability Gap or Value Gap; ~~and~~or
- Other activities approved by Minnesota Housing.

Eligible activities **must** culminate in the rehabilitation, construction or purchase of a Qualified Dwelling Unit occupied by an Owner-Occupant.

4.02 Ineligible Activities

Impact Fund Dollars **must not** be used for:

- Non-owner occupied housing;
- ~~Community development projects such as parks or community centers;~~
- ~~The construction of public development~~Public infrastructure, including ~~but not limited to, city~~parks, community centers, municipal water, sewer, curbs and gutters, that ~~are~~is not directly related to the development or rehabilitation of Qualified Dwelling Units;
- The construction of private infrastructure that does not lie within the Land upon which the Qualified Dwelling Unit is located;
- Administration costs not connected to the development or rehabilitation of Qualified Dwelling Units;
- Individuals who want to refinance their existing loan;
- Improvements for commercial use; and
- Other activities not approved by Minnesota Housing.

4.03 New Construction

(See Appendix C for minimum documentation requirements.)

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Prevailing Wage

Under certain circumstances, awards made through the Impact Fund may trigger state prevailing wage requirements under Minn. Stat. § 116J.871. In broad terms, the statute applies to awards that meet the following conditions: (1) new housing construction (not rehabilitation); and (2) a single entity receives from Minnesota Housing $200,000 or more of grant proceeds or $500,000 of loan proceeds. The statute excludes new housing construction in which total financial assistance at a single project site is less than $100,000. Administrators should refer to their Agreements.

Please note the following statutory provisions that apply to this funding:

- A state agency may provide financial assistance to a person only if the person receiving or benefiting from the financial assistance certifies to the commissioner of labor and industry that laborers and mechanics at the project site during construction, installation, remodeling, and repairs for which the financial assistance was provided will be paid the prevailing wage rate as defined in section 177.42, subdivision 6. Minn. Stat. § 116J.871, subd. 2.
- It is a misdemeanor for a person who has certified that prevailing wages will be paid to laborers and mechanics under subdivision 2 [see above] to subsequently fail to pay the prevailing wage. Each day a violation of this subdivision continues is a separate offense. Minn. Stat. § 116J.871, subd. 3.

In addition, a separate prevailing wage statute, Minn. Stat. § 177.41-.43, may apply if the funds are used for a building that is publicly owned or leased.

Visitability

Visitable unit design and construction allow people with mobility impairments to enter and comfortably stay for a duration. Visitability ~~requirements apply for all newly constructed properties financed in whole or in part by Minnesota Housing's~~must be met for the following types of Projects:

- New construction Projects receiving state-appropriated Impact Fund Dollars for Interim Loan ~~dollars. Minnesota Housing may offer Interim Loan dollars under the Single Family RFP from other fund sources which do not require visitable unit construction. An Administrator unsure of whether its Interim Loan dollars are~~ financing; and
- New construction Projects completed under Agreements effective on or after June 1, 2018 that receive state-appropriated ~~should contact Minnesota Housing~~Impact Fund Dollars.

~~Visitability Elements are:~~

- ~~One no-step entrance;~~

Visitability does not apply to projects using Impact Fund Dollars for only Affordability Gap.

To meet visitability, Properties must contain each of the following elements:

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- 32-inch clear opening doorways throughout the Qualified Dwelling Unit~~ not to include closet doors; and~~ ;
- At least one no-step entrance; and
- A half bath, or larger bathroom, on the main level~~ that meets minimum clearance criteria~~.

Minnesota Housing may waive the no-step entrance requirement if site conditions make the requirement impractical or if it reduces affordability. Minnesota Housing may waive the bathroom requirement if it reduces affordability. Minnesota Housing cannot waive the 32-inch clear opening doorways requirement. To request a waiver, contact Minnesota Housing.

An Administrator unsure of whether visitability applies to its Project should contact Minnesota Housing.

Green Communities Criteria
Each new construction Project must comply with the Enterprise Green Communities mandatory criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, or another version approved by Minnesota Housing for use in the Project.

For additional requirements and guidance regarding Green Communities Criteria, please refer to Minnesota Housing's Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, available on Minnesota Housing's Impact Fund webpage.

Projects using Impact Fund Dollars for only Affordability Gap (and not for Value Gap or Interim Loan financing) are exempt from Green Communities Criteria.

Inspections
The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of construction to determine that work has been done properly.

4.04 Acquisition, Rehabilitation, Resale

(See Appendix C for minimum documentation requirements.)

All Acquisition, Rehabilitation, Resale Projects must meet the following criteria:

- U.S. Department of Housing and Urban Development (HUD) Housing Quality Standards (HQS);
- The most current version of the Enterprise Green Communities Criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, or another version approved by Minnesota Housing for use in the Project. However, if Impact Fund Dollars are used for only Affordability Gap (and not for Value Gap or Interim Loan financing), Green Communities Criteria do not apply.

- Notwithstanding the foregoing, Minnesota Housing Lead Based Paint Guidebook requirements must be satisfied if an Acquisition, Rehabilitation, Resale Project includes the identification and correction of lead-paint related health and safety hazards.

Inspections
The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of rehabilitation to determine that work has been done properly.

4.05 Owner-Occupied Rehabilitation

(See Appendix C for minimum documentation requirements.)

If Minnesota Housing awards an Administrator Impact Fund Dollars in the form of Deferred Loan Funds to conduct Owner-Occupied Rehabilitation activity for eligible Homeowner Households, all requirements of Chapter 6, Part 1, Deferred Loan Funds, apply.

~~The Enterprise~~ Green Communities Criteria are not applicable to Owner-Occupied Rehabilitation activity.

If an Owner-Occupied rehabilitation Project includes the identification and correction of health and safety hazards, the Minnesota Housing Lead Based Paint Guidebook must be followed.

Completion Certificate
At the completion of construction or rehabilitation work for all Owner-Occupied Rehabilitation Projects, the Administrator must document via a completion certificate that the work has been completed to the satisfaction of the Administrator and Owner-Occupant. Minnesota Housing's Impact Fund Owner-Occupied Rehabilitation Project Completion Certificate may be used for this purpose.

The preceding paragraph does not apply to Community Fix Up Loan Program interest rate write-down Projects. Instead, Community Fix Up Loan Program interest rate write-down Projects must adhere to completion certification requirements of the Community Fix Up Loan Program.

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Coordination with Other Programs
Administrators must be knowledgeable of basic eligibility and referral sources for Minnesota Housing's Fix Up Loan Program, Minnesota Housing's Community Fix Up Loan Program, Minnesota Housing's Rehabilitation Loan Program/Emergency and Accessibility Loan Program, U.S. Department of Agriculture Rural Development Section 504 rehabilitation loans and grants, weatherization assistance, and other home rehabilitation and repair programs available, including those funded through the Minnesota Department of Employment and Economic Development's ~~.~~(DEED) Small Cities Development Program. For more information, refer to Minnesota Housing's website (including the Impact Fund Training section of the Impact Fund webpage), the Minnesota Homeownership Center's ~~,~~Home Rehab and Repair Matrix, DEED's website, and the U.S. Department of Agriculture's Minnesota Rural Development Single Family Housing Contacts.

The Administrator, or a Processing Entity, must:

- Review each Homeowner Household's basic eligibility for those other programs listed in the preceding paragraph which offer financing at more generous terms than is available with Impact Fund Dollars;
- Refer the Homeowner Household to programs offering financing at more-generous terms for which it appears to be eligible;
- Provide Homeowner Households with the opportunity to access those programs before providing a loan for Owner-Occupied Rehabilitation; and
- Document each review and referral in the Household/Borrower file.

The Administrator, or a Processing Entity, must also, prior to providing a loan for Owner-Occupied Rehabilitation, review each Homeowner Household's basic eligibility for and ability to repay a loan under the Minnesota Housing Fix Up Loan Program or Community Fix Up Loan Program according to a fair, reasonable and consistent standard and either:

- Offer the Homeowner Household a loan under the Fix Up Loan Program or Community Fix Up Loan Program if the Administrator or Processing Entity is a participating Fix Up Loan Program lender, or refer the Homeowner Household to a participating Fix Up Loan Program lender for a loan under the Fix Up Loan Program or Community Fix Up Loan Program; or,
- Document the Homeowner Household's ineligibility for or inability to repay a loan under the Fix Up Loan Program or Community Fix Up Loan Program.

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4.06 Affordability Gap

(See Appendix C for minimum documentation requirements.)

Funds awarded for Affordability Gap must be used by the Administrator for one or more of the following specific uses, as approved by Minnesota Housing:

- The minimum downpayment amount required by a Homebuyer Household's first mortgage;
- A Homebuyer Household's settlement charges;
- Additional downpayment required for a Homebuyer Household to qualify for the first mortgage;
- Long-term (30+ years) subsidy tied to real Property;
- Other Affordability Gap assistance to a Homebuyer Household as approved by Minnesota Housing.

If required by HUD, Administrators that provide secondary financing, including but not limited to Affordability Gap Financing, to a Homebuyer Household also receiving an FHA-insured first mortgage must be approved by HUD and listed on HUD's Nonprofit Organization Roster.

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Chapter 5 - General Administration of Impact Fund Award

(See Appendix C for minimum documentation requirements.)

5.01 Fund Types

Minnesota Housing will award Impact Fund Dollars to Administrators in the form of:

- An Interim Loan;
- A Deferred Loan;
- Deferred Loan Funds;
- A Bond Proceeds Loan; or
- Grant Funds.

5.02 Escrow Account

The Administrator must promptly deposit Impact Fund Dollars received to an escrow account it has established. Any interest earned on such funds while held in this escrow account may be used by the Administrator for activities eligible under the Impact Fund. The Administrator must maintain a detailed accounting of all of its escrow account(s) and, upon request by Minnesota Housing, provide a copy of such accounting to Minnesota Housing. The Administrator may commingle funds it is holding in escrow, provided that it maintains a separate ledger entry for Impact Fund Dollars received under each individual disbursement from Minnesota Housing.

5.03 Prohibition Against Layering Impact Fund Dollars

Administrators must not layer (combine) Impact Fund Dollars under two separate Impact Fund Awards in the same Project unless specifically approved in writing by Minnesota Housing. It is the Administrator's responsibility to review all funding sources in a Project to ensure layering does not occur. Combining Grant Funds, Deferred Loan Funds, and Bond Proceeds from the same Impact Fund Award is not considering layering.

Interim Loan funds are exempt from this prohibition against layering.

To request a waiver to this prohibition against layering, the Administrator must submit a written request to layer funds to Minnesota Housing for review and approval as soon in the process as possible and allow a reasonable amount of time for Minnesota Housing to review it prior to closing. The written waiver request should include:

- A breakdown of Total Development Costs. For example, construction or rehabilitation costs, gap financing needs, and the proposed gap financing sources and amounts; and
- A written narrative that explicitly references each Impact Fund Award proposed to be layered and justifies the layering of funds.

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5.04 Impact Fund Per-Unit Investment

If an Administrator seeks to exceed the typical or average per-unit investment provided for in the Agreement by more than 50 percent, or seeks to exceed the maximum per-unit investment provided for in the Agreement by any amount, the Administrator must obtain prior written approval from Minnesota Housing.

If no typical or average per-unit investment is explicit in the Agreement, the average is to be imputed by dividing the total dollar amount of funds awarded by the number of Projects or units to be completed as stated in the Agreement.

5.05 Eligible Costs

Eligible costs are hard costs and soft costs that are necessary, reasonable, relate directly to eligible activities and eligible Property, are part of a Project, and that culminate in the purchase, construction or rehabilitation of a Qualified Dwelling Unit occupied by an Owner-Occupant.

Hard costs are:

- Land and Property acquisition;
- Demolition;
- Removal of existing structures;
- Site preparation;
- Construction or rehabilitation;
- Construction or rehabilitation of private infrastructure directly related to the Qualified Dwelling Unit such as connection to city water and sewer;
- Lead mitigation or abatement; and
- Other costs approved by Minnesota Housing.

Soft costs incurred by the Administrator must be reasonable and necessary, and must directly relate to the financing of acquisition, construction or rehabilitation of Qualified Dwelling Units. Soft costs are:

- A Developer Fee or an Administration Fee;
- Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups;
- Costs to settle the financing for a Qualified Dwelling Unit, such as:
    - Private lender origination fees;
    - Credit reports;
    - Fees for the title evidence;
    - Fees for recordation and filing of legal documents;
    - Attorney fees;
    - Real estate agent commissions; and
    - Appraisal and independent cost estimate fees;

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- Costs of any audit that Minnesota Housing may require with respect to Impact Fund Dollars; and
- Other costs approved by Minnesota Housing.

5.06 Ineligible Costs

Ineligible Costs are:

- Costs reimbursed from another source;
- Reimbursement for the value of donated items such as labor, materials or property;
- Payment for labor performed by a member of the Household (e.g., homeowner labor);
- Costs not included in Section 5.05, Eligible Costs;
- Profit, overhead, wages, benefits, and other compensation to the Administrator, Processing Entity, or other entity affiliated with the Administrator or Processing Entity outside of a Minnesota Housing approved Administration Fee or Developer Fee, unless such costs have been approved in writing by Minnesota Housing; and
- Costs not approved by Minnesota Housing.

5.07 Administration Fees

Administrators not compensated by a Developer Fee may take an Administration Fee.

The Administration Fee is the total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for ~~services performed in an Owner-Occupied Rehabilitation or stand-alone Affordability Gap Project. The Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity, must earn no additional fee, profit or compensation, nor include costs for wages, benefits or overhead in the Total Development Cost of a Project, without Minnesota Housing's written consent~~the making of a grant or a loan to a Household, supported by Impact Fund Dollars.

- The Administration Fee must not exceed actual costs to make a grant or a loan to a Household, supported by Impact Fund Dollars. Such costs are:
  - Securing and maintaining the funding source;
  - Household education specific to the Deferred Loan or grant;
  - Lender identification, communication, and coordination;
  - Requesting Impact Fund Dollars from Minnesota Housing;
  - Document preparation;
  - Tracking and reporting and other costs specific to the Impact Fund Award; and
  - Other costs as determined by Minnesota Housing.
- Administrators must disclose the Administration Fee in its Application for Funds.
- The maximum Administration Fee is $500 per Project, or a higher amount if approved by Minnesota Housing.
- Administration Fees higher than the maximum allowed fee of $500 per Project may be allowed if approved at the sole discretion of Minnesota Housing.
- Any fee charged to the Household must be disclosed to the Household in advance with a description of the costs the fee covers.

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- ~~The Administration Fee must not exceed actual administration costs, including:~~
  - ~~Securing and maintaining the funding source;~~
  - ~~Household education specific to the Deferred Loan or grant;~~
  - ~~Lender identification, communication, and coordination;~~
  - ~~Requesting Impact Fund Dollars from Minnesota Housing;~~
  - ~~Document preparation;~~
  - ~~Tracking and reporting and other costs specific to the Impact Fund Award; and~~
  - ~~Other costs as approved in writing by Minnesota Housing.~~

5.08 Developer Fees

Administrators directly involved in and bearing primary responsibility for the New Construction or Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit may charge a Developer Fee. This Developer Fee is paid at the time of closing from sale proceeds and must not exceed the lesser of 10 percent of the Project's Total Development Cost (less the Developer Fee), or the Developer Fee stated in the Application for Funds.

The Developer Fee is the total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for development services performed in a New Construction or Acquisition, Rehabilitation, Resale Project. The Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity, must earn no additional profit or compensation, nor include costs for wages, benefits or overhead in the Total Development Cost of a Project, without Minnesota Housing's written consent.

Administrators must not charge a Developer Fee when providing only Affordability Gap Financing or Owner-Occupied Rehabilitation financing to an eligible Household.

Administrators must not charge both an Administration Fee and a Developer Fee for the same Project.

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Chapter 6 – Deferred Loans

(See Appendix C for minimum documentation requirements.)

~~**Part 1 – Deferred Loan Funds**~~

6.01 General

Deferred Loan Funds may be used by the Administrator to:

- Provide Affordability Gap Financing for Homebuyer Households;
- Provide financing for Owner-Occupied Rehabilitation, or
- Support other eligible activities as specified in the Agreement.

Marketing Terms of Use

Administrator must follow Minnesota Housing's Terms of Use for marketing materials and the Agreement requirements for marketing and use of Minnesota Housing's name or logo.

6.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage. Administrators must request Deferred Loan Funds only on a loan-by-loan basis and no sooner than upon the Administrator's or Processing Entity's commitment to lend to a Household on a specified closing date agreed to by the Administrator or Processing Entity and the Household.

Minnesota Housing reserves the right to disburse funds more conservatively. Minnesota Housing may withhold disbursements from current Impact Fund Awards until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

6.03 Mortgage Documents

For each Deferred Loan the Administrator or a Processing Entity originates, the Administrator must ensure it has a fully executed, valid, and enforceable Impact Fund Mortgage and Impact Fund Mortgage Note using the forms provided by Minnesota Housing and available on Minnesota Housing's Impact Fund webpage.

The Impact Fund Mortgage is the legal document used to secure a loan against a Qualified Dwelling Unit. Anyone with an ownership interest in the mortgaged Property, including at least one member of the Household, is required to be a party to the Impact Fund Mortgage. The Impact Fund Mortgage must be assigned to Minnesota Housing.

The Impact Fund Mortgage Note is legal evidence of the debt to be repaid. The Impact Fund Mortgage Note must be endorsed to Minnesota Housing. All parties whose income must be included when calculating Annualized Gross Income according to Section 2.07 of this Procedural Manual must execute the Impact Fund Mortgage Note.

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6.04 Manufactured Housing

Manufactured homes taxed as personal property may be eligible Qualified Dwelling Units. Unless explicitly identified in the Agreement, an Administrator ~~seeking~~that seeks to serve a Household ~~in a Qualified Dwelling Unit that is not real property and is not located on real property owned~~ purchasing or ~~to be owned by the Household, such as~~ rehabilitating a manufactured home ~~in a manufactured home park,~~taxed as personal property using Deferred Loan Funds must contact Minnesota Housing ~~for assistance.~~prior to assisting the Household. Such Projects are approved at the sole discretion of Minnesota Housing. Manufactured homes taxed as real property should be treated like all other Qualified Dwelling Units taxed as real property.

6.~~04~~05 Nationwide Mortgage Licensing System (NMLS) Registration

In compliance with the S.A.F.E. Act, all Administrators and Processing Entities, including local units of government and non-traditional lenders, must determine which staff members are considered individual mortgage loan originators and must comply with the S.A.F.E. Act and which staff members are exempt from compliance with it.

The Minnesota Department of Commerce requires (pursuant to MS §58A.03 subd.2) all mortgage lenders and entities deemed exempt to register with the Nationwide Mortgage Licensing System & Registry and obtain a unique identifier number.

6.~~05~~06 Repayment

Unless otherwise outlined in the Agreement, Borrower(s) must repay Deferred Loans according to the terms of the Impact Fund Mortgage and Impact Fund Mortgage Note.

Deferred Loans made by Minnesota Housing to the Administrator must be repaid according to the terms of the Agreement.

6.~~06~~07 Delivery of Loans to Minnesota Housing

For each Deferred Loan originated, the Administrator must forward to Minnesota Housing the Deferred Loan documentation listed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form. The documents must be delivered in the same form, order, and timeline prescribed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form. The Deferred Loan Closing Instructions and Deferred Loan Transmittal Form ~~is~~are available on Minnesota Housing's Impact Fund webpage.

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6.~~07~~08 Servicing

Deferred Loans to Borrowers will be assigned a designated servicer by Minnesota Housing. Deferred Loans to Borrowers are typically serviced by AmeriNat, although Minnesota Housing may, at its discretion, designate other servicers. Servicing inquiries, including satisfaction and subordination requests, should be directed to AmeriNat, unless another servicer is designated by Minnesota Housing.

6.~~08~~09 Assumption

Deferred Loans are not assumable.

6.~~09~~10 Hardship Policy

Minnesota Housing has in place a hardship policy for its Deferred Loans to Borrowers that allows forgiveness either in part or whole if the Household is experiencing severe financial hardships that prevent full repayment of indebtedness. Please contact Minnesota Housing for more information regarding this policy.

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Chapter 7 – Housing Infrastructure Bond Proceeds Loans

(See Appendix C for minimum documentation requirements.)

7.01 General

~~6.10 General~~

Minnesota Housing may issue its State Appropriation Bonds (Housing Infrastructure) and use Bond Proceeds to make Bond Proceeds Loans to Administrators to finance the following costs related to Land owned by or to be owned by a Community Land Trust:

- Acquisition of Land;
- Demolition and site clearing; and/or
- Utility Connections.

Any demolition, site clearing or Utility Connections financed by a Bond Proceeds Loan to an Administrator must be completed prior to conveyance of the Qualified Dwelling Unit to an Owner-Occupant.

~~6.11~~7.02 Properties Eligible to be Financed with Bond Proceeds Loans

~~Unless otherwise noted in this Section 6.11,~~ When Bond Proceeds are lent to an Administrator to pay costs of a Project, the associated Property must have been acquired no earlier than the date specified on the *Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds* provided by Minnesota Housing.

~~When Bond Proceeds awarded on October 23, 2014 to make a deferred loan to an Administrator are expended to pay costs of a Project, the associated Property must have been acquired no earlier than September 14, 2014.~~

~~6.12~~7.03 Additional Documentation Required

Files for Projects receiving a Bond Proceeds Loan must, at minimum, contain the documents in Appendix C to this Procedural Manual.

In addition, within 14 days of the sale of a Property funded in whole or in part by a Bond Proceeds Loan, the Administrator must provide Minnesota Housing the following:

- A certificate identifying the amount of the Bond Proceeds Loan applied to a Project and the costs of any eligible site clearing, demolition and Utility Connections for the Project. Minnesota Housing has provided the *Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds* as the required form to be used for this purpose. This *Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds* must be

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executed by an officer of the Administrator responsible for its financial management or reporting;

- The market value of the real Property relating to the Project (evidenced by a current appraisal accompanying the *Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds*); and
- The Household Demographic Project Information Form.

~~6.13~~7.04 Disbursement of Bond Proceeds Loans

To request disbursements of Bond Proceeds Loans, the Administrator must submit a Request for Funds form. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage.

Minnesota Housing may disburse Bond Proceeds to the Administrator to fund a Bond Proceeds Loan as follows:

- Up to one-third of the total award of Bond Proceeds Loan is available in the first disbursement upon Administrator's request and at the discretion of Minnesota Housing.
- When the Administrator has demonstrated significant progress, Minnesota Housing, at its discretion, will make further disbursements to the Administrator upon receipt of additional Request for Funds forms.

Minnesota Housing reserves the right to disburse funds more conservatively and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

~~6.14~~7.05 Repayment of Bond Proceeds Loans

The CLT Administrator must repay Bond Proceeds Loans upon the occurrence of events, and at the times, set forth in the Agreement.

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Chapter ~~7~~8 – Grant Funds

(See Appendix C for minimum documentation requirements.)

8.01 General

~~(See Appendix C for minimum documentation requirements.)~~

~~7.01 General~~

Grant Funds may be used by the Administrator to:

- Provide Value Gap financing; or
- Finance other eligible activities, as approved by Minnesota Housing, that preserve long term affordability or for which repayment is economically infeasible.

~~7~~8.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage.

Minnesota Housing may disburse Grant Funds to the Administrator as follows:

- Up to one-third of the total award of Grant Funds is available in the first disbursement upon Administrator's request and at the discretion of Minnesota Housing.
- When the Administrator has demonstrated significant progress, Minnesota Housing, at its discretion, will make further disbursements to the Administrator upon receipt of additional Request for Funds forms.

Minnesota Housing reserves the right to disburse funds more conservatively and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

~~7~~8.03 Repayment

Repayment conditions are specified in the Agreement.

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Chapter ~~8~~9 – Interim Loans

~~(See Appendix C for minimum documentation requirements.)~~

~~8.01 General~~

(See Appendix C for minimum documentation requirements.)

9.01 General

Minnesota Housing may provide an Interim Loan to an Administrator to acquire, rehabilitate, demolish, and construct Qualified Dwelling Units. Whether and at what rate an Interim Loan bears interest is outlined in the Agreement.

If an Interim Loan bears interest, interest will accrue from the date of disbursement to the date of repayment.

~~If Minnesota Housing determines that a Project requires an Interim Loan and that an interest-bearing loan would adversely affect the affordability of the housing for the Homebuyer Households the Administrator will serve, Minnesota Housing may award an interest-free Interim Loan.~~

~~8~~9.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form and documentation of the acquisition, demolition, or start of construction of the Projects for which it is requesting funds. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage. Minnesota Housing may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

~~8~~9.03 Repayment

The term of an Interim Loan is 20 months unless otherwise specified in the Agreement. Interim Loan funds and interest accrued must be repaid on or before the repayment date or termination of availability date noted in the Agreement. Specific repayment requirements are detailed in the Agreement. Contact Minnesota Housing with any questions about repayment procedure and amounts due.

~~8~~9.04 Assumption

Interim Loans are not assumable.

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Chapter ~~9~~10 – Records Retention and Reporting

~~9~~10.01 Records Retention

Administrators must maintain copies of all books, records, Project files, documents, and accounting procedures related to the Agreement during the term of the Agreement and for a minimum of six years after the termination or expiration of the Agreement. These documents are subject to examination by Minnesota Housing, the State of Minnesota, the State Auditor, and the Legislative Auditor.

~~9~~10.02 Reporting Individual Household Demographic and Project Information

Administrators must submit a Household Demographic Project Information form to Minnesota Housing for each Project either upon Project completion as described in this Section ~~9~~10.02, or when:

- All eligible activities to be performed on a Project have been performed in accordance with the Agreement;
- The Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant; and
- If the Project is supported by Deferred Loan Funds, all necessary Deferred Loan documents have been executed and, where required, submitted for recording.

The Household Demographic Project Information Form template is available on Minnesota Housing's Impact Fund webpage.

Project Completion by Activity Type

A Project is considered complete for each activity type when the requirements below are met.

- New Construction: A New Construction Project is complete when construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.~~06~~07 of this Procedural Manual.
- Acquisition, Rehabilitation, Resale: An Acquisition, Rehabilitation, Resale Project is complete when rehabilitation and any construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.~~06~~07 of this Procedural Manual.
- Owner-Occupied Rehabilitation: An Owner-Occupied Rehabilitation Project, except for a Community Fix Up Loan Program interest rate write-down Project, is complete once any loan closing and all rehabilitation has been completed, and all Deferred Loan

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documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.~~06~~07 of this Procedural Manual.

- Community Fix Up Loan Program Interest Rate Write-Down: A Community Fix Up Loan Program interest rate write-down Project is complete when the loan closing is complete and all necessary documents have been recorded and delivered to Minnesota Housing and the servicer, as designated under the Fix Up Loan Program.
- Affordability Gap: An Affordability Gap Project is complete when the Affordability Gap Financing has been expended, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 6.~~06~~07 of this Procedural Manual~~.~~..

~~9~~10.03 Annual Reporting

Administrators must provide an annual report known as the Impact Fund Annual Report/Final Close Out Report for each open Impact Fund Award. The format for this report is available on Minnesota Housing's Impact Fund webpage.

~~9~~10.04 Close Out Reporting

Administrators must submit an updated Impact Fund Annual Report/Final Close out Report when an Impact Fund Award is completed. An Impact Fund Award is complete when:

- All Impact Fund Dollars have been expended in accordance with the Agreement, or returned to Minnesota Housing;
- All Projects have been completed as described in Section ~~9~~10.02 of this Procedural Manual; and
- All completed Projects have been reported to Minnesota Housing via Household Demographic Project Information forms as described in Section ~~9~~10.02 of this Procedural Manual, or via another format approved by Minnesota Housing.

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Appendix A: Definitions

TERM	DEFINITION
Accommodation Party	Anyone with an ownership interest in an eligible Property that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property, or a seller of a contract-for-deed to an Owner-Occupant Household.
Acquisition, Rehabilitation, Resale	Eligible Acquisition, Rehabilitation, Resale activity as described in Chapter 4 of this Procedural Manual.
Administrator	The entity with which Minnesota Housing has a contractual relationship to administer Impact Fund Dollars, including the entity identified as a "Grantee" in a Grant Contract, and any successors or assigns approved in writing by Minnesota Housing. Eligible Administrators include cities, housing and redevelopment authorities, joint powers boards established by two or more cities, federally recognized American Indian tribes or subdivisions located in Minnesota, tribal housing corporations, non-profit organizations, Private Developers, and Public Housing Agencies.
Administration Fee	The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in an Owner-Occupied Rehabilitation or stand-alone Affordability Gap Project, as described in Section 5.07 of this Procedural Manual.
Affordability Gap	The difference between the total cost of acquiring the Property, generally determined by the Fair Market Sales Price of the Property, and the amount of the first mortgage loan for which the Owner-Occupant qualifies based on industry standard, prudent underwriting practice.
Affordability Gap Financing	A Deferred Loan or Grant Funds used, in amounts not exceeding the Affordability Gap, to assist a Household in the acquisition of a Property.
Affordable to the Local Work Force	The amount of housing payments made by the occupants of housing funded under the Economic Development and Housing Challenge Fund is affordable based on the wages of jobs being created or retained in the local area, the fastest growing jobs in the local area, the jobs with the most openings in the local area, or the wages of the workforce employed by organizations making contributions under the Economic Development and Housing Challenge Fund. Housing payments are affordable if they do not exceed 30 percent of the wages being paid in the local area as the wages are described in the application for Economic Development and Housing Challenge Fund funding.
Agreement	A Fund Availability, Disbursement and Loan/Grant Agreement, a Grant Contract, or a Loan Contract.

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TERM	DEFINITION
American Indian Household	A Household containing at least one person enrolled in a federally recognized tribe.
Annualized Gross Income	Gross monthly income multiplied by 12. (See Chapter 2 of this Procedural Manual.)
Application for Funds	The application for funds prepared by an Administrator and submitted in response to the Single Family RFP as accepted in writing or electronically by Minnesota Housing including any conditions, restrictions or limitations contained in the Agreement.
Bond Proceeds	Proceeds of Minnesota Housing's State Appropriation Bonds (Housing Infrastructure) that are disbursed by Minnesota Housing to the Administrator as a deferred, 0 percent interest loan for the acquisition of, demolition on, or Utility Connections on Land owned or to be owned by a Community Land Trust.
Bond Proceeds Loan	A deferred, 0 percent interest loan made by Minnesota Housing to the Administrator from Bond Proceeds for the purposes set forth in the Agreement.
Borrower	A person who is obligated to repay a Deferred Loan, typically under an Impact Fund Mortgage Note, and is a member of a Household.
Co-Signer	A person who is obligated to repay the underlying mortgage loan (signer of the mortgage note) but who is not in title to the subject Property and has not signed the mortgage deed.
Community Land Trust (CLT)	A private, non-profit organization that is designated a Section 501 (c) (3) tax-exempt organization and that is authorized to acquire Land to be leased for owner-occupied single family housing for low-and-moderate-income persons or families and that meets the criteria set forth in Chapter 3 of this Procedural Manual.
CLT Project	A Project on Land that is owned or to be owned by a Community Land Trust and leased to one or more members of a Household.
CRV	Minnesota Housing's Community Revitalization Program, now known as the Community Homeownership Impact Fund Program.
Deferred Loan	A 30-year non-amortizing, zero ~~percent or low~~ interest deferred loan funded by Impact Fund Dollars that is made to a Household or to an Administrator that must be repaid to the extent provided in the Agreement and Chapter 6 of this Procedural Manual.
Deferred Loan Funds	Funds reserved by Minnesota Housing for use by the Administrator to provide Deferred Loans to Households for Affordability Gap Financing or Owner-Occupied Rehabilitation.
Developer Fee	The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for development services performed in a New Construction or Acquisition, Rehabilitation, Resale Project~~, as described in Section~~

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	~~5.08 of this Procedural Manual~~.

TERM	DEFINITION
Fair Market Sales Price	The market value of a Property as determined in an appraisal as completed by a licensed, qualified, third party appraiser at the time of sale to the Homebuyer Household, in accordance with the Uniform Standards of Professional Appraisal Practice.
Fund Availability, Disbursement and Loan/Grant Agreement	A legal contract executed between Minnesota Housing and an Administrator and that may be amended or supplemented in writing according to its terms.
Grant Funds	Funds awarded by Minnesota Housing to an Administrator in accordance with the Agreement.
Grant Contract	A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of a grant.
Green Communities Criteria	The Enterprise Green Communities criteria as modified by Minnesota Housing's Minnesota Overlay and Guide to the Enterprise Green Communities Criteria.
Homebuyer Household	A type of Household that is eligible to purchase a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the New Construction or the Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit and/or Affordability Gap Financing to acquire a Property or Qualified Dwelling Unit.
Homeowner Household	A type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Qualified Dwelling Unit in which the Household has an ownership interest and that occupies the subject Property as its Principal Residence.
Household	A Homebuyer Household or Homeowner Household.
Housing Ratio	The proportion of a Household's monthly gross income (Annualized Gross Income divided by 12) necessary to pay monthly Property expenses, which are: monthly first-mortgage principal and interest charges, subordinate mortgage principal and interest charges, Property taxes, hazard insurance, mortgage insurance, homeowners' association fees, land trust ground lease fees, and manufactured home park lot rent.
HQS	U.S. Department of Housing and Urban Development Housing Quality Standards.
HUD	The U.S. Department of Housing and Urban Development.
Impact Fund	Minnesota Housing's Community Homeownership Impact Fund Program.
Impact Fund Award	Impact Fund Dollars awarded to an Administrator by Minnesota Housing for a specific purpose and governed by a Fund Availability, Disbursement and Loan/Grant Agreement, Grant Contract, or Loan Contract, or some combination of those.
Impact Fund Award	The identifier assigned to an Administrator's Impact Fund Award and

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TERM	DEFINITION
Identification (ID) Number	listed on an Agreement and which should be used on forms and correspondence with Minnesota Housing.
Impact Fund Dollars	The aggregate funds that Minnesota Housing reserves and makes available to the Administrator for eligible activities under one or more Agreements.
Indian Housing Set-Aside Funds	~~A~~The Economic Development Housing Challenge set-aside funding ~~source~~ awarded under the Impact Fund to an Administrator to exclusively serve American Indian Households by conducting eligible activities under the Agreement.
Interim Loan	A short-term loan made to an Administrator to assist with acquiring, demolishing, rehabilitating or constructing homes for Owner-Occupants.
Land	The real property upon which Qualified Dwelling Units are located or are to be constructed.
Level 3 Monitoring Exception	A monitoring finding that is a critical exception and requires a response by the Administrator. Level 3 findings are usually violations of published program guidelines and may significantly increase the overall risk to the program/project. A Level 3 finding is the only type of monitoring exception that requires a response.
Lien Waiver	A legal document that is executed by a contractor, subcontractors and material suppliers under which they relinquish any right they may have to place a lien on the Property for work performed or materials supplied.
Loan Contract	A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of Deferred Loan Funds, a deferred loan funded by Bond Proceeds, or an Interim Loan.
New Construction	Eligible New Construction activity as described in Chapter 4 of this Procedural Manual.
Owner-Occupant	A Household whose income does not exceed ~~115 percent~~the Impact Fund Eligibility Income as described in Section 2.07 of ~~state or area median income (AMI) as adjusted from time to time by the U.S. Department of Housing~~this Procedural Manual and ~~Urban Development and as listed on Minnesota Housing's website. An Owner-Occupant must own~~who owns the Qualified Dwelling Unit and ~~use~~uses it as its Principal Residence. A Household that has purchased a ~~Property~~Qualified Dwelling Unit subject to a contract-for-deed is considered an Owner-Occupant.
Owner-Occupied Rehabilitation	Eligible Owner-Occupied Rehabilitation activity described in Chapter 4 of this Procedural Manual.
Plans and Specifications	Documents including drawings, diagrams or sketches that describe the work to be done, as well as all measurements and construction details and a detailed list of the products and materials.
Principal Residence	The Property which the ~~Homebuyer Household or Homeowner~~ Household regularly occupies as its main dwelling place for at least nine

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TERM	DEFINITION
	months of the year.
Private Developer	An individual or a for-profit nongovernmental entity, including a cooperative housing corporation as defined in Minnesota Rule 4900.0010, subpart 8, and a limited dividend entity as defined in part Minnesota Rule 4900.0010, subpart 14.
Processing Entity	An entity that has a contractual relationship with an Administrator and has been approved by Minnesota Housing to conduct eligible activities under the Impact Fund.
Procedural Manual	This Community Homeownership Impact Fund Program Procedural Manual.
Project	The housing development activity associated with a Property. The housing development activity is the approved activity carried out in accordance with the Agreement.
Property	The Land and the Qualified Dwelling Unit(s) situated thereon.
Public Housing Agency	Any state, county, municipality or other governmental entity or public body (or agency or instrumentality thereof) that is authorized to engage or assist in the development or operation of low-income housing.
Qualified Dwelling Unit	A structure consisting of one-to-four units, a condominium, or a townhouse that is or will be occupied by the Homeowner Household or Homebuyer Household as its Principal Residence and that is located on or will be constructed on Land and is part of a Project.
Single Family Request for Proposal (RFP)	The process by which the Single Family Division of Minnesota Housing solicits Administrator Applications for Funding under the Impact Fund.
Scope of Work	A detailed outline of the necessary rehabilitation work to be completed on the Project.
Sworn Construction Statement	A sworn statement of fact made by a general contractor that lists all of the work to be performed on a Qualified Dwelling Unit, the subcontractors who will perform the listed work, material suppliers who will supply materials for the listed work, and the cost of each individual item of work and item of material that will be supplied.
Total Development Cost	Total eligible costs of a Project as described in Section 5.05 of this Procedural Manual.
Tribal Indian Housing Program	Minnesota Housing's Tribal Indian Housing Program.
Tribal Land	Any Land owned or governed by a federally recognized tribe.
Underserved Populations	Households of color or Hispanic ethnicity, single heads of Households with minor children, and Households with a disabled member(s).
Utility Connections	Connections on the Land from utilities in the street or alley to a Qualified Dwelling Unit, limited to the following: • Connection of gas supply to a Qualified Dwelling Unit's gas service regulator. • Connection of utility electrical supply to the electricity meter at a Qualified Dwelling Unit. • Connection of municipal water supply to a water meter located inside

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TERM	DEFINITION
	a Qualified Dwelling Unit. • Connection of sanitary sewer to the Qualified Dwelling Unit (i.e., construction or replacement of the house sewer between the sewer and the building drain). The waste stacks within the walls of a Qualified Dwelling Unit are not included in this definition. • If required by a local municipality: Connection of storm sewer service to the Qualified Dwelling Unit and/or any storm water retention system located on the Property.
Value Gap	The difference between the Total Development Cost of a Project and the Fair Market Sales Price of the Property.

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Appendix B: Forms List

The forms listed below are available on Minnesota Housing's Impact Fund webpage.

Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds
Extension Request
Household Demographic Project Information Form
Impact Fund Annual Report/Final Close Out Report
Impact Fund Deferred Loan Closing Instructions and Deferred Loan Transmittal Form
Impact Fund Mortgage
Impact Fund Mortgage Note
Lead-Based Paint Summary
Non-Occupant Spouse Statement
Owner-Occupied Rehabilitation Project Completion Certificate
Request for Funds
Zero Income Statement

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Appendix C: Required Program Documentation

A. ADMINISTRATOR FILE

	Annual/Progress Reports (if applicable)
	The Agreement
	Application for Funds
	Evidence of Minnesota Housing staff approval of Program-, Household-and/or-Property–specific Waiver(s), as applicable.
	Request(s) for Funds
	General ledger and any sub ledger(s) evidencing all Project revenues, including Impact Fund Dollars received, and Project expenditures

B. HOUSEHOLD/BORROWER FILE

Household Last Name	First Name	Middle Initial
Property Address	City	Impact Fund Award Number

	Household's/Borrower's application(s) for assistance (for Owner-Occupied Rehabilitation Projects and Homebuyers receiving Affordability Gap assistance)
	Evidence of Tennessen and data privacy disclosure
	Verification of American Indian tribal affiliation/membership (if applicable)
	Appraisal completed, at the time of sale to the Homebuyer by a licensed, qualified, third party appraiser in accordance with the Uniform Standards of Professional Practice (not required for Owner-Occupied Rehabilitation)
	Assignment of Mortgage to MHFA (if applicable)
	Impact Fund Mortgage and Mortgage Note (for Borrowers receiving Impact Fund Deferred Loans)
	Good Faith Estimate & Truth-in-Lending disclosure, a Loan Estimate, or memorandum explaining exemption from disclosure requirements (for Borrowers receiving Impact Fund Deferred Loans)
	Documented method to determine Affordability Gap (for Households receiving Affordability Gap assistance)
	Evidence of eligibility review and referral for other programs/(in)ability to repay a Fix Up loan (for Households receiving Owner-Occupied Rehabilitation loans)
	Borrower's first-mortgage Uniform Residential Loan Application (Fannie Mae Form 1003) (for Households receiving Affordability Gap assistance)
	Lender/Owner's title insurance policy (if purchased) or attorney's title opinion

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	Income verification, including but not limited to the prior year's federal income tax returns and one month of recent paystubs or nonwage income statements
	Non-Occupant Spouse Statement (if applicable)
	Zero Income Statement (if applicable)
	Annualized Gross Income Worksheet (optional)
	Proof of ownership – copy of deed with recent verification from a recorder's office, Certificate of Title, a title report, or an Owners & Encumbrance Report
	Purchase agreement (if applicable)
	Settlement statement or closing document (HUD-1, HUD-1A, or Closing Disclosure), or memorandum explaining exemption from disclosure requirements
	Notice of Homeowner's Right of rescission (for Households receiving Owner-Occupied Rehabilitation loans)
	Household Demographic Project Information Form
	Land Lease Agreement (if applicable)

C. CONSTRUCTION/PROPERTY FILE

1	**New Construction and Acquisition, Rehabilitation, Resale**
	Documentation of Project budget (e.g., sources and uses, pro forma) and determination of Value Gap
	Documentation of ~~Project budget and actual~~ expenses, payables, receivables and revenues including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Purchase agreements
	Settlement statements
	Appraisal(s) establishing Fair Market Sales Price
	Certificate of Occupancy ~~or~~, certificate of completion, or installation compliance certification
	Evidence of clear predevelopment title (e.g., Title Insurance)
	~~Evidence of using state licensed contractor, if required to be licensed~~
	Final Project Budget/Cost Summary/Sources and Uses document (including documented determination of Value Gap)
	Scope(s) of Work (only for rehabilitation)
	Before and after pictures of rehabilitation work
	Documentation of the bidding and/or purchasing process, including bids/cost estimates for improvements
	Contracts and change orders
	Evidence that no contractor used is debarred or suspended
	Site and Building Plans and Specifications (only for New Construction)
	Survey (only for New Construction)
	Sworn Construction Statement(s)
	Lien waivers corresponding to the Sworn Construction Statement(s)
	Evidence of Foreclosed or Abandoned Property, as required by the Agreement (If using Bond

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	Proceeds awarded in October 2012; see ~~Section 6.10~~Chapter 7 for specific requirements)
	Housing Infrastructure Bond Proceeds Certificate, if applicable (See ~~Section 6.10~~Chapter 7 for details)

2	**Green Communities Compliance**
	Minnesota Housing-approved Green Communities Criteria Waivers (if applicable)
	Pre-construction:
	Intended Methods Worksheet
	Acquisition, Rehabilitation, Resale: Energy Audit and Energy Efficiency Improvement Plan or HERS rater energy model
	Acquisition, Rehabilitation, Resale: Post-renovation energy auditor inspection report or HERS rater report
	Acquisition, Rehabilitation, Resale of homes built prior to 1978: Lead Based Paint Risk Assessment or Inspection Report
	Acquisition, Rehabilitation, Resale of homes built prior to 1978: Lead Based Paint Summary and, if required, a Lead Hazard Clearance Report
	Acquisition, Rehabilitation, Resale: Radon Testing Report(s)
	New Construction: HERS rater energy model to ENERGY STAR® Certified New Home standards
	New Construction: ENERGY STAR® Certified New Home certificate
	Post-construction:
	Intended Methods Worksheet including End of Construction Compliance Certification, or Enterprise Green Communities Certification

Stand-alone Affordability Gap activity ~~(which does not include construction or rehabilitation)~~ and Owner-Occupied Rehabilitation activity are exempt from Green Communities Compliance.

3	**Owner-Occupied Rehabilitation**
	Documentation of Project budget (e.g., sources and ~~actual expenses including but not limited to all books, records, bills, invoices, receipts, and statements of account~~uses)
	~~Final Project Budget/Cost Summary/Sources and Uses document~~Documentation of expenses, payables, receivables and revenues including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Rehabilitation Scope(s) of Work
	Documentation of the bidding and/or purchasing process including bid(s)/cost estimate(s) for the Scope(s) of Work
	~~Evidence of using state licensed contractor, if required to be licensed~~
	Contracts for rehabilitation, including any change orders (not applicable to Community Fix Up Loan Program write-down Projects)
	Completion certificate(s) ~~of completion~~ (not applicable to Community Fix Up Loan Program write-down Projects)

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~~Manufactured Housing~~

4	**~~Manufactured Housing~~**
	~~Documentation of Project budget and actual expenses including but not limited to all books, records, bills, invoices, receipts, and statements of account~~
	~~Final Project Budget/Cost Summary/Sources and Uses document~~
	~~Building Permits (e.g., utility hook-ups, etc.)~~
	~~Certificate of Occupancy~~
	~~Documented method to determine Value Gap (if applicable)~~
	~~Rehabilitation Scope of Work (if applicable)~~
	~~Evidence of using state licensed contractor/installer~~
	~~Documentation of the bidding and/or purchasing process including bids/cost estimates for improvements~~

For Projects on Tribal Land, Minnesota Housing may accept additional or alternative documentation to that listed above.

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Board Agenda Item: 7.E
Date: 2/21/2019

Item: Approval, Community Homeownership Impact Fund Scoring Revisions for the 2019 Single Family Request for Proposals

Staff Contact(s):
Song Lee, 651.296.2291, song.lee.mhfa@state.mn.us

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

Summary of Request:
Staff requests Board approval of the proposed changes to the scoring criteria for the 2019 Single Family Request for Proposals (RFP) and Community Homeownership Impact Fund (Impact Fund).

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
- 2019 Single Family Request For Proposals Scoring Criteria

Background:
Minnesota Housing awards funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals (SF RFP). The Community Homeownership Impact Fund (Impact Fund) is the program that implements the SF RFP and oversees the projects funded through the SF RFP. These projects include downpayment and closing cost assistance, owner-occupied rehabilitation, new construction, and acquisition, rehabilitation, resale.

Every year, Agency staff analyzes the scoring criteria and recommends whether changes, if any, should be made. The most recent changes to the scoring criteria were approved by the Board on March 23, 2017. This scoring criteria was used for both the 2017 SF RFP and 2018 SF RFP. This year, staff recommends changes to the scoring criteria following review of the 2018 SF RFP application round as well as implementing Opportunity Zones and recommendations of the Report of the Governor's Task Force on Housing that was issued in August 2018. Staff proposes revisions as follows:

- Adding five new subcategories: Homeownership or Financial Education and Counseling, Opportunity Zones, Workforce Training Programs, Maintaining Existing Housing Stock through Rehabilitation, Cost Containment through Advancement of Housing Innovation and Technology, and Affordable Housing Options.
- Revising the existing points for the following subcategories: Leverage, Special Niche, Low Vacancy Rate, and Foreclosure.

Points available for the three selection standards, organizational capacity, project feasibility and community need, will remain the same. Points available for funding priorities will increase from a maximum of 53 points total to a maximum of 65 points. Note that the maximum number of points an applicant can receive is also dependent upon the proposed activity. Substantive changes to the scoring criteria approved in March 2017 are noted in red.

2019 SINGLE FAMILY REQUEST FOR PROPOSALS SCORING CRITERIA

SELECTION STANDARDS – up to 30 points total

1. **Organizational Capacity** – up to 10 points total based on the applicant's related housing experience, demonstrated successful completion of similar projects, progress on current awards, and other organizational due diligence factors. This point total remains the same.
2. **Project Feasibility** – up to 10 points total based on the extent to which reasonable development costs are proposed, how proposed development costs and subsidies compare to historical costs of similar Impact Fund projects, and the extent to which the proposal is economically viable. This point total remains the same.
3. **Community Need** – up to 10 points total based on the extent to which the proposed project addresses a well-defined community need for the housing activity in the target geography based on local demographic, workforce, market and economic factors. This point total remains the same.

FUNDING PRIORITIES – up to 65 points total

Efficient Use of Resources – up to 13 points total. The 2017 Single Family Request for Proposals Scoring Criteria approved at the March 23, 2017 board meeting incorrectly noted the total points for Efficient Use of Resources as 14; it was 13.

1. **Leverage** – up to 9 points total. This point total remains the same.
    a. Total Leverage – up to 3 points total based on the percentage of total committed leverage as compared to the total funds requested. This point total remains the same.
    b. Leverage Ratio – up to 3 points total based on the percentage of funds requested as compared to the total development costs. This point total remains the same.
    c. Diversity of Leverage – up to 3 points total based on whether the proposal has received committed leverage from an employer, government or philanthropic source. This point total remains the same. Providing points for government leverage recognizes local communities' investments in affordable homeownership. The one point for government leverage was removed in 2016 because the Agency wanted to highlight employer and philanthropic leverage and believed that there should be project support from local governments. While local government support of a project is valuable, local government *financial* support for a project is even more valuable and should be recognized.
2. **Regulatory Incentive** – 1 point total for incorporating costs savings measures through regulatory incentives, such as fast tracking permitting approvals and waiver of fees among other incentives. This point total remains the same.
3. **Impact Fund Subsidy Protection/Long Term Affordability** – up to 3 points total based on the number of years of subsidy protection. This point total remains the same.

Households of Greatest Need – up to 14 points total. The total points for this section have increased three points reflecting the revision to the Special Niche priority, and the addition of the Homeownership or Financial Education and Counseling, and Opportunity Zones priorities.

1. **Equitable Access to Homeownership** – up to 6 points total for demonstrating a record of creating equitable access to homeownership by serving and reaching out to underserved populations (i.e. Households of Color or Hispanic Ethnicity, Persons with Disabilities, and Single

Headed Households). This criterion is considered at two levels – (1) past performance and (2) outreach and program design going forward. This point total remains the same.

a. Past Performance
    i. Households of Color or Hispanic Ethnicity – 2 points total based on the extent to which the Applicant has served households of color or Hispanic ethnicity. More weight is given to serving households of color or Hispanic ethnicity than the other underserved populations because reducing the homeownership disparity in Minnesota and creating equitable access to homeownership is an agency priority. This point total remains the same.
    ii. Persons with Disabilities – 1 point total based on the extent to which the applicant has served persons with disabilities. This point total remains the same
    iii. Single Headed Households – 1 point total based on the extent to which the applicant has effectively served single headed households. This point total remains the same.
b. Outreach and Program Design Going Forward
    i. Marketing and Outreach to Underserved Populations – 1 point total based on the extent to which the Applicant's marketing and outreach plans position the Applicant to reach underserved populations. This point total remains the same
    ii. Program Design Suitable to Underserved Populations – 1 point total based on the extent to which the Applicant's program design responds to the needs of underserved populations. For example, homes for people with physical disabilities should be accessible and use universal design. This point total remains the same.

2. **Universal Design/Accessibility Features** – 1 point total for incorporating universal design/accessibility features. This point total remains the same.
3. **Large Family Housing** – 1 point total for committing to developing large family housing. This point total remains the same.
4. **Senior Housing** – 2 points total for proposals that will enable individuals 62+ years old to age in place. This point total remains the same.
5. **Special Niche** – 2 points total for owner-occupied rehabilitation and affordability gap proposals that demonstrate the ability to address a program gap. This point total has increased by one point to reflect the importance of maximizing resources.
6. **Homeownership or Financial Education and Counseling** – 1 point total if applicant requires homebuyers to complete pre-purchase homeownership or financial education or counseling from a qualified provider. This is consistent with a recommendation from the Governor's Task Force on Housing and recognizes the value of homeownership education and financial counseling.
7. **Opportunity Zones** – up to 1 point total for projects located in Opportunity Zones. Investment in Opportunity Zones uplifts some of the lowest-income communities throughout the state and acknowledges the value of investing in Opportunity Zones.

Areas of Opportunity – up to 18 points total. The total points for this section increased one point with the revision to the Workforce Housing priority.

1. **Economic Integration** – up to 5 points total based on the extent to which the proposed housing activity is affordable to eligible low- and moderate-income households is located within higher income areas and near job centers. This criterion will be scored based on Community Profiles. This point total remains the same.

2. **Workforce Housing** – up to 5 points total based on the extent to which a proposed target area has a low housing vacancy rate, long commute, and/or is a job growth community. Long commute and job growth community will be scored based on Community Profiles.
    a. Long commute and/or job growth community – up to 3 points based on the overlap of the proposed target area and areas identified in Community Profiles as communities with long commutes and/or job growth.
    b. Low Housing Vacancy Rate – up to 2 points (up from 1 point). Due to the tighter housing market and the low inventory, we recommend providing higher points to those areas with *very* low vacancy rates, while still providing points to other areas with low vacancy rates.
3. **Location Efficiency** – up to 6 points total based on access to transit and walkability. The basis of points awarded is defined separately for the Twin Cities Seven County Metropolitan Area and Greater Minnesota. This point total remains the same. However, for 2019 we will increase the maximum available for Greater Minnesota communities without access to fixed transit to earn up to four points for dial-a-ride service. Previously, such areas were eligible for only up to three points. We will also award points for access to dial-a-ride service in areas in the Twin Cities Seven County Metropolitan Area that fall outside of service areas for high service routes, high frequency routes, LRT and BRT. Previously, points for dial-a-ride service were only allowed for Greater Minnesota communities.
    a. Access to transit – up to 5 points total based on the extent to which a proposed target area has access to fixed transit or dial-a-ride. This criterion will be scored based on Community Profiles. This point total remains the same.
    b. Walkability – 1 point total based on a documented Walkscore rating of 50 or more.
4. **Community Recovery** – up to 2 points total based on the extent to which a proposed target area coincides with a Community Recovery Priority Area. This criterion will be scored based on Community Profiles. This point total remains the same.

Supporting Community and Economic Development – up to 7 points total. A new priority, Workforce Training Programs, has been added. However, the net total points for this section decreased four points because the Efficient Land Use and Foreclosure priorities have been moved to a new section.

1. **Cooperatively-Developed Plan (CDP)** – 1 point total if the proposal addresses priorities or recommendations in a CDP for the community in which the proposed target area is located. This point total remains the same.
2. **Rural/Tribal Designation** – 4 points total based on whether a proposed target area is within a Rural/Tribal Designated census tract outside of the Twin Cities Seven County Metropolitan Area.
3. **Workforce Training Programs** – up to 2 points total based on proposals that partner with workforce training programs that will be utilized with proposed developments. This new priority is consistent with the Governor's Task Force on Housing's recommendation to seek to grow the pool of talent and address a workforce shortage in the building trades.

Increasing and Maintaining the Supply of Affordable Housing – up to 13 points total. Efficient Land Use and Foreclosed, Vacant or Abandoned Properties have been moved from the Supporting Community and Economic Development section. Three new priorities, Maintaining Existing Housing Stock through Rehabilitation, Cost Containment through Advancement of Housing Innovation and Technology, and Affordable Housing Options, have been created.

1. **Efficient Land Use** – up to 5 points total based on the extent to which a proposal maximizes the efficient use of land through higher-density housing development and takes into consideration the following:
    - **a.** Rehabilitation proposals that increase inventory by converting non-residential buildings into housing and maximize units per acre; and
    - **b.** New Construction proposals that minimize the loss of agricultural land and green space and maximize units per acre.
2. **Maintaining Existing Housing Stock through Rehabilitation** – 3 points total for projects that preserve existing affordable housing stock through rehabilitation, such as acquisition, rehabilitation, resale or owner-occupied housing rehabilitation projects.
3. **Foreclosed, Vacant or Abandoned Properties –** 1 point total for proposals that bring homes back onto the market by addressing foreclosed, vacant or abandoned properties. This point total remains the same. Though the foreclosure crisis has passed, the effects of foreclosed, vacant and abandoned properties remain in many communities. We have expanded this priority to recognize that properties may be vacant or abandoned for reasons other than mortgage foreclosure (e.g., tax forfeiture, disinvestment, condemnation, etc.).
4. **Cost Containment through Advancement of Housing Innovation and Technology** – up to 2 points total for proposals that use innovative construction methods and technology (i.e., methods other than site-built), such as modular, panelized, robotics, and 3D printed methods of development, to contain costs short- and long-term. This is consistent with the Governor's Task Force on Housing's recommendation to position Minnesota as a leader in the field.
5. **Affordable Housing Options** – up to 2 points total for proposals that increase the supply of affordable housing through producing housing options other than single-family detached homes. This new priority reflects the recommendation from the Governor's Task Force on Housing report to expand the range of affordable housing options.

MINNESOTA HOUSING

Board Agenda Item: 7.F
Date: 2/21/2019

Item: Amendment to Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency fixed rate Residential Finance Housing Bonds

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, under the Residential Housing Finance Bond (RHFB) indenture, to finance the acquisition of newly originated mortgage-backed securities that funded the origination of single family mortgages, as well as to refund certain outstanding RHFB debt. Since the previous resolution adopted November 1, 2018 that authorized additional fixed rate RHFB bonds, in an amount up to $300 million over time, provided for the transfer of mortgage loans originally financed by bonds to be refunded but not for the transfer of mortgage securities, it is necessary to amend this series resolution for the current financing. The bond offering using a portion of the authority from the November 2018 resolution will likely be designated 2019 Series ABC and will include the refunding of a series of bonds that financed both mortgage loans and mortgage securities. The bonds likely to be designated 2019 Series D will be variable rate bonds, and are authorized pursuant to a separate bond resolution. The RHFB 2019 Series ABCD bond issue is expected to be sized at approximately $175 – 200 million, to price on or about March 7th, with a closing preliminarily scheduled for April 11th; the attached Preliminary Official Statement describes the entire transaction.

Fiscal Impact:
The upcoming transaction will enable the Agency to put interest earning mortgage assets on the balance sheet at a profitable spread such that the Agency builds the sustainability of future income. By including a variable rate component in the upcoming issuance (and using an interest rate swap to convert the payment obligation into a largely fixed payment), the Agency is able to lower its overall borrowing cost.

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):
- Series Resolution
- Preliminary Official Statement

RESOLUTION NO. MHFA 19-006

RESOLUTION RELATING TO
RESIDENTIAL HOUSING FINANCE BONDS, 2018/2019 SERIES
AMENDING RESOLUTION NO. MHFA 18-065

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background.

(A) General. By Resolution No. MHFA 95-82, adopted August 24, 1995 (which amended and restated in whole Resolution No. MHFA 76-32, adopted July 27, 1976, as amended) (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 Residential Housing Finance Bonds to be issued for the purposes of its Program of facilitating the purchase, development or rehabilitation of residential housing in the State of Minnesota at prices that persons and families of low and moderate income can afford. Pursuant to the Bond Resolution, Minnesota Statutes, Chapter 462A, as amended, and Resolution No. MHFA 18-065, adopted November 1, 2018 (the "Series Resolution"), the Agency determined it necessary and desirable to issue one or more series of Bonds (the "Series Bonds") to be used for the purpose of providing funding for the Program, and in particular for the making and purchase of Program Securities backed by pools of Program Loans that constitute qualified Program Loans. Terms used but not defined in this resolution will have the meanings given those terms in the Bond Resolution.

(B) Purpose for Amendment. Section 2(A)(ii) of the Series Resolution contemplates that a portion of the funding for the Program authorized pursuant to the Series Resolution is to be provided by the refunding of certain outstanding obligations of the Agency, and the subsequent allocation of certain related transferred assets and Transferred Mortgage Loans to the Series Bonds. The Agency deems it necessary and desirable to amend the Series Resolution by this Resolution to also permit the allocation of certain Transferred Program Securities to the Series Bonds upon any refunding using proceeds of Series Bonds. Amendments of the provisions of the Series Resolution are indicated by double underlining for addition and by interlineation for deletion.

Section 2. Amendment of Section 2(A)(ii) of the Series Resolution. Section 2(A)(ii) of the Series Resolution is hereby amended to read as follows:

(ii) the allocation, for federal income tax purposes, of sale proceeds of the Series Bonds in the amount determined by an Authorized Officer pursuant to Section 2(D) of the Series Resolution and to be set forth in the Agency Certificate(s) delivered pursuant to Section 8(A) of the Series Resolution to the refunding, on the date or dates to be determined by the Agency, of certain outstanding obligations of the Agency to be listed in the Agency Certificate(s) delivered pursuant to Section 8(A) of the Series Resolution (the "Refunded Bonds"), and the deposit of certain transferred assets ~~and~~ together with

transferred ~~mortgage~~ loans and securities, if any (~~collectively~~ as hereinafter defined, the "Transferred ~~Mortgage Loans~~ Program Obligations"), and certain "transferred," "replacement" and sale proceeds that will become allocable to the Series Bonds upon the refunding of certain series 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 the Series Resolution to be expended for the Program.

Section 3. Amendment of Section 7(A) of the Series Resolution.

(a) Section 7(A) of the Series Resolution is hereby amended to add the following definitions:

Transferred Program Loans means the Transferred Mortgage Loans and the Program Loans pooled into the Transferred Program Securities, if any.

Transferred Mortgage Loan means the Program Loans allocable to the Series Bonds upon the refunding of the Refunded Bonds, if any.

Transferred Program Obligations means, collectively, the Transferred Mortgage Loans and the Transferred Program Securities allocable to the Series Bonds upon the refunding of the Refunded Bonds, if any.

Transferred Program Securities means the Program Securities allocable to the Series Bonds upon the refunding of the Refunded Bonds, if any.

(b) Section 7(A) of the Series Resolution is hereby further amended by revising the defined term of "2018/2019 Series Program Loan" contained therein to read as follows:

2018/2019 Series Program Loan: A Transferred ~~Mortgage~~ Program Loan or a Pooled 2018/2019 Series Program Loan.

Section 4. Amendment of Section 7(D) of the Series Resolution. Section 7(D) of the Series Resolution is hereby amended to read as follows:

Requirements for 2018/2019 Series Program Securities. The Agency will designate in the Agency Certificate(s) delivered pursuant to Section 8(A) of the Series Resolution whether or not the Series Bonds are intended to be Tax-Exempt Bonds. The sale proceeds of Series Bonds not used to refund certain obligations of the Agency will be used to purchase Program Securities that (l) are backed by Mortgages that are in compliance with the Act, the Program, and, in the case of Series Bonds that are Tax-Exempt Bonds, the Code, and (2) comply with the requirements set forth in the Master Servicing Agreement. The Agency represents that the Transferred ~~Mortgage~~ Program Loans were made in accordance with the applicable provisions of the Bond Resolution and the Agency's Mortgage Program Procedural Manual as in effect at the time the Transferred ~~Mortgage~~ Program Loans were purchased by the Agency, those provisions will constitute the Series Program Determinations with respect to the Transferred ~~Mortgage~~ Program Loans, and those Transferred ~~Mortgage~~ Program Loans

will be Program Loans within the meaning of the Bond Resolution and the Series Resolution. Except as expressly provided, the provisions of Subsection (E) of this Section 7 will not apply to the Transferred ~~Mortgage~~ Program Loans. The provisions of the Agency's Start Up Procedural Manual, and the Master Servicer's lending guide, each as most recently revised and as revised from time to time, the applicable Participation Agreements and the Master Servicing Agreement will be used to administer the financing of the Pooled 2018/2019 Series Program Loans.

Section 5. Amendment of Section 7(G)(1) of the Series Resolution. Section 7(G)(1) of the Series Resolution is hereby amended to read as follows:

(G) Enforcement of 2018/2019 Series Program Securities and the Transferred Program Securities.

(1) The 2018/2019 Series Program Securities acquired by the Trustee on behalf of the Agency and the Transferred Program Securities, if any, will 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 will 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 will 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 will immediately demand payment from Freddie Mac.

Section 6. Amendment of Section 7(K) of the Series Resolution. Section 7(K) of the Series Resolution is hereby amended to read as follows:

This Section 7 of the Series Resolution may be amended subsequent to the issuance of the Series Bonds to reflect changes in requirements applicable to the 2018/2019 Series Program Securities or the Transferred ~~Mortgage Loans~~ Program Obligations provided that the amendment will become effective only if Bond Counsel renders an opinion to the effect that the amendment will not adversely affect the exclusion of interest on the Series Bonds from gross income of the owners thereof for federal income tax purposes and if the Agency delivers an Agency Certificate to the Trustee to the effect that the amendment will not impair the Ratings on the Series Bonds by each Rating Agency.

Section 7. Amendment of Section 9(A) of the Series Resolution. Section 9(A) of the Series Resolution is hereby amended to read as follows:

2018/2019 Series Accounts. Within the Acquisition Account, the Revenue Fund, the Bond Fund Interest Account, the Bond Fund Principal Account, the Debt Service Reserve

Fund, the Insurance Reserve Fund (but only if the Insurance Reserve Requirement with respect to the Series Bonds is greater than zero) and the Bond Redemption Fund, as applicable, the Trustee may maintain a combined 2018/2019 Series Account designated for each Series of Series Bonds issued on the same Issue Date, as directed in the Agency Certificate(s) delivered pursuant to Section 8(A) of the Series Resolution, for the purpose of recording the proceeds of the related Series Bonds and other amounts directed by the Series Resolution to be deposited therein and the Transferred ~~Mortgage Loans~~ Program Obligations, other transferred proceeds, 2018/2019 Series Program Securities and Investment Obligations purchased therefrom or allocated thereto and the prepayments and other receipts from the Transferred ~~Mortgage Loans~~ Program Obligations, the 2018/2019 Series Program Securities and Investment Obligations, and the Revenues received with respect to the related Series of Series Bonds. In addition, the Trustee will establish a separate Cost of Issuance Account for the Series of Series Bonds issued on the same Issue Date.

Section 8. Amendment of Section 9(B) of the Series Resolution. Section 9(B) of the Series Resolution is hereby amended to read as follows:

Deposit of Funds. The proceeds of each Series of the Series Bonds, the Transferred ~~Mortgage Loans~~ Program Obligations, other transferred proceeds and funds of the Agency, if any, will be deposited by the Trustee into the Accounts established pursuant to Section 9(A), as set forth in the Agency Certificate(s) delivered pursuant to Section 8(A) of the Series Resolution.

Section 9. Amendment of Section 11(B) of the Series Resolution. Section 11(B) of the Series Resolution is hereby amended to read as follows:

Actions to assure compliance with the requirements of applicable federal tax law as applicable to 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 will 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 the 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 those requirements were or are met, and that any failure to meet those 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. With respect to the Transferred ~~Mortgage~~ Program Loans, certifications and warranties of Mortgagors, Lenders and the Servicers and provisions of the Mortgages and related promissory notes designed for this purpose were set forth in the Agency's Mortgage Program Procedural Manual as in effect at the time the Transferred ~~Mortgage~~ Program Loans were executed. With respect to the Pooled 2018/2019 Series Program Loans, 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 will in good faith attempt to meet all the requirements and will take all reasonable steps to avoid failure due to inadvertent error.

Section 10. Amendment of Section 11(J)(1) of the Series Resolution. Section 11(J)(1) of the Series Resolution is hereby amended to read as follows:

The effective rate of interest on the Transferred ~~Mortgage~~ Program Loans and the portions of 2018/2019 Series Program Loans purchased with, or allocated to, the proceeds of the Tax-Exempt Series Bonds may not exceed the yield of the 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.

Section 11. Confirmation of Series Resolution. Except as modified by the provisions hereof, all provisions of the Series Resolution are hereby confirmed in the form originally adopted and said provisions shall continue in full force and effect, to the extent applicable, as to all Series Bonds.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing Finance Agency this 21st day of February, 2019.

By: _____
Chairman

Attest: _____
Commissioner

[Resolution No. MHFA 19-006]

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 27, 2019

NEW ISSUE

RATINGS: Moody's: 2019 Series ABC: " " 2019 Series D: " "
S&P: 2019 Series ABC: " " 2019 Series D: " "
(See "Ratings" 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 purchase of 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

$180,000,000*
Minnesota Housing Finance Agency
$,000* Residential Housing Finance Bonds, 2019 Series A (AMT)[1]
$,000* Residential Housing Finance Bonds, 2019 Series B (Non-AMT)[1]
$,000* Residential Housing Finance Bonds, 2019 Series C (Taxable)[1]
$,000* Residential Housing Finance Bonds, 2019 Series D (Non-AMT)[2]

Dated Date: Date of Delivery **Due: As shown on inside front cover**

Tax Exemption	Interest on the 2019 Series A Bonds, the 2019 Series B Bonds and the 2019 Series D Bonds (collectively, the "Tax-Exempt Series Bonds") is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for state of Minnesota (the "State") income tax purposes. (For additional information, including on the application of federal and state alternative minimum tax provisions to the Tax-Exempt Series Bonds, see "Tax Exemption and Related Considerations" herein.) *Interest on the 2019 Series C 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 State income tax purposes.*
Redemption and Tender	The Agency may redeem all or a portion of the Series Bonds by optional or special redemption, and must redeem a portion of the Series Bonds by mandatory sinking fund redemption, as described under "The Series Bonds" herein. Owners of the 2019 Series D Bonds will have the option, and may be required, to tender their Series Bonds at par, as described under "The Series Bonds" 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 Bond proceeds, Program Obligations, Investment Obligations, Revenues and other assets held under the Bond Resolution, except as otherwise expressly provided in the Bond Resolution or in a Series 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 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.) Liquidity support for the purchase of any 2019 Series D Bonds tendered will, subject to the terms and conditions of that support, initially be provided by Royal Bank of Canada, acting through its branch currently located at 200 Vesey Street, New York, New York, 10281. See "Liquidity Facility" and "Security for the Bonds" herein.
Interest Payment Dates	January 1 and July 1, commencing July 1, 2019, and, in respect of a Series Bond to be redeemed or subject to mandatory tender, the redemption date or mandatory tender date.
Denominations	$5,000 or any integral multiple thereof for the 2019 Series A Bonds, the 2019 Series B Bonds and the 2019 Series C Bonds, and $100,000 or any integral multiple of $5,000 in excess thereof for the 2019 Series D Bonds.
Closing/Settlement	April 10, 2019* 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 F 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 the Series Bonds, and tax exemption of interest on the Tax-Exempt Series Bonds.

RBC Capital Markets

J.P. Morgan **Piper Jaffray & Co.** **Wells Fargo Securities**

The date of this Official Statement is March __, 2019.

RBC Capital Markets is the initial Remarketing Agent for the 2019 Series D Bonds.

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*Preliminary; subject to change.
[1]Long-term fixed rate.
[2]Long-term variable rate.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances will 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.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES*

2019 Series A Bonds (AMT)

$,000* Serial Bonds

Due*	Principal Amount*	Interest Rate	CUSIP**	Due*	Principal Amount*	Interest Rate	CUSIP**
	$,000	%			$,000	%	

Price of Serial Bonds — ___%

$,000* ___% Term Bonds Due * at ___% (CUSIP _____)**

2019 Series B Bonds (Non-AMT)

$,000* Serial Bonds

Due*	Principal Amount*	Interest Rate	CUSIP**	Due*	Principal Amount*	Interest Rate	CUSIP**
	$,000	%			$,000	%	

Price of Serial Bonds — ___%

$,000* ___% Term Bonds Due * at ___% (CUSIP _____)**

$,000* ___% Term Bonds Due * at ___% (CUSIP _____)**

$,000* ___% PAC Term Bonds Due * at ___% (CUSIP _____)**

2019 Series C Bonds (Taxable)

$,000* Serial Bonds

Due*	Principal Amount*	Interest Rate	CUSIP**	Due*	Principal Amount*	Interest Rate	CUSIP**
	$,000	%			$,000	%	

Price of Serial Bonds — ___%

$,000* ___% Term Bonds Due * at ___% (CUSIP _____)**

$,000* ___% Term Bonds Due * at ___% (CUSIP _____)**

$,000* ___% Term Bonds Due * at ___% (CUSIP _____)**

2019 Series D Bonds (Non-AMT)

$40,000,000* Variable Rate Demand Term Bonds Due * (CUSIP _____)**
(The initial interest rate on the 2019 Series D Bonds will be set forth in a certificate of the Remarketing Agent delivered to the Trustee at closing.)

Price of 2019 Series D Bonds — 100%

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*Preliminary, subject to change.

**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 Minnesota Housing Finance Agency, Royal Bank of Canada, acting through its branch currently located at 200 Vesey Street, New York, New York, 10281 (the "Initial Liquidity Provider"), or any of the Underwriters has authorized any dealer, broker, salesperson 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 or the Initial Liquidity Provider 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
$180,000,000*
MINNESOTA HOUSING FINANCE AGENCY
RESIDENTIAL HOUSING FINANCE BONDS,
2019 SERIES A, 2019 SERIES B, 2019 SERIES C AND 2019 SERIES D

This Official Statement (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the "Agency"), and its Residential Housing Finance Bonds, 2019 Series A (the "2019 Series A Bonds"), 2019 Series B (the "2019 Series B Bonds"), 2019 Series C (Taxable) (the "2019 Series C Bonds" or the "Taxable Series Bonds" and, collectively with the 2019 Series A Bonds and the 2019 Series B Bonds, the "2019 Series ABC Bonds"), and 2019 Series D (the "2019 Series D Bonds," collectively with the 2019 Series ABC Bonds, the "Series Bonds," and collectively with the 2019 Series A Bonds and the 2019 Series B Bonds, the "Tax-Exempt Series Bonds"). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the "Act"), a resolution of the Agency adopted as amended and restated on August 24, 1995, and as further amended and supplemented in accordance with its terms (the "Bond Resolution"), and a series resolution of the Agency adopted on November 1, 2018[, as amended,] with respect to the 2019 Series ABC Bonds (the "2019 Series ABC Resolution") and a series resolution adopted on __, 2019 with respect to the 2019 Series D Bonds (the "2019 Series D Resolution" and, collectively with the 2019 Series ABC Resolution, the "Series Resolutions"). (The Bond Resolution and the Series Resolutions are herein sometimes referred to as the "Resolutions.")

The Residential Housing Finance Bonds Outstanding in the aggregate principal amount of $1,207,970,000 as of January 31, 2019 under the Bond Resolution, and any additional Residential Housing Finance Bonds hereafter issued pursuant to the Bond Resolution, including the Series Bonds (collectively referred to as the "Bonds"), are and will be equally and ratably secured under the Bond Resolution (except as otherwise expressly provided therein or in a Series Resolution).

The Resolutions include definitions of capitalized terms used in this Official Statement, some of which are reproduced in Appendix D and Appendix K. The summaries and references in this Official Statement to the Act, the Resolutions, the Standby Bond Purchase Agreement 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, the Resolutions and the Standby Bond Purchase Agreement are qualified in their entirety by the complete text of the Act, the Resolutions and the Standby Bond Purchase Agreement, 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 "State"). 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

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* Preliminary; subject to change.

the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Bond Resolution. Please refer to the information in the notes to the financial statements included in Appendix A to this Official Statement at pages 58 and 59 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 Residential Housing Finance Program—History and Transition to 'MBS' Model.")

The Agency is issuing the Series Bonds to refund certain outstanding Bonds of the Agency (the "Refunded Bonds") and to provide money, from proceeds of the Series Bonds and from available funds associated with certain other outstanding single family mortgage bonds to be 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 have certain loan-to-value ratios or other characteristics acceptable to Fannie Mae or Freddie Mac. As a result of the refunding of the Refunded Bonds, the Agency will allocate to the Series Bonds certain Program Loans allocable to the Refunded Bonds. (See "Estimated Sources and Uses of Funds.")

The 2019 Series D Bonds will bear interest at a rate determined weekly (the "Weekly Mode"), unless the Agency converts the 2019 Series D Bonds to a different interest-rate-setting mode (a "Mode") as described herein. Except as otherwise provided herein, so long as the 2019 Series D Bonds are in the Weekly Mode, the owners of any 2019 Series D Bonds are entitled to demand purchase of their 2019 Series D Bonds at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, upon satisfaction of the terms and conditions described herein. Owners also will be required to tender their 2019 Series D Bonds for purchase under certain circumstances. RBC Capital Markets, LLC will act as the initial remarketing agent for the 2019 Series D Bonds (the "Remarketing Agent"). (See "Description of the Series Bonds – Remarketing of 2019 Series D Bonds.")

The Agency will provide a liquidity facility (the "Liquidity Facility") to be in effect for the period from the date of delivery of the 2019 Series D Bonds until the date, if any, when the Agency has converted all 2019 Series D Bonds from a Weekly Mode to another mode not requiring a Liquidity Facility, subject to terms and conditions described herein. The Initial Liquidity Facility with respect to the 2019 Series D Bonds will be a Standby Bond Purchase Agreement (the "Standby Bond Purchase Agreement"), between the Agency, the Trustee, the Tender Agent and Royal Bank of Canada, acting through its branch currently located at 200 Vesey Street, New York, New York, 10281 (the "Initial Liquidity Provider"). The Initial Liquidity Facility has a stated expiration date of __, 2024,* subject to earlier termination or suspension as hereinafter described. The Standby Bond Purchase Agreement will be executed as of the date of delivery of the 2019 Series D Bonds, and will provide for the purchase by the Initial Liquidity Provider on the terms and conditions specified therein of tendered 2019 Series D Bonds that cannot be

* Preliminary; subject to change.

remarketed. If the Standby Bond Purchase Agreement is to expire or terminate according to its terms (other than as a result of a Termination Event thereunder) or is to be replaced with another Liquidity Facility, the 2019 Series D Bonds are subject to mandatory tender. If a Termination Event or Suspension Event (each as defined in the Standby Bond Purchase Agreement) has occurred under the Standby Bond Purchase Agreement, the Initial Liquidity Provider will have no obligation to purchase the 2019 Series D Bonds and the Remarketing Agent will be entitled to suspend its efforts to remarket 2019 Series D Bonds. (See "Description of the Series Bonds—Optional and Mandatory Tender of Certain 2019 Series D Bonds—Agency Not Responsible to Owners for Initial Liquidity Provider's Failure to Purchase 2019 Series D Bonds" herein, and "Appendix L – Summary of Certain Provisions of and Relating to the Standby Bond Purchase Agreement" hereto.)

THIS OFFICIAL STATEMENT PROVIDES INFORMATION TO PROSPECTIVE INVESTORS OF 2019 SERIES D BONDS WHILE THOSE SERIES BONDS ARE IN THE WEEKLY MODE AND WHILE THE INITIAL LIQUIDITY FACILITY REMAINS IN EFFECT. PROSPECTIVE INVESTORS OF 2019 SERIES D BONDS IN THE EVENT OF A MODE CHANGE, IF A CONVERSION DATE HAS OCCURRED OR WHILE AN ALTERNATE LIQUIDITY FACILITY IS IN EFFECT SHOULD NOT RELY ON THIS OFFICIAL STATEMENT. THE AGENCY MUST DELIVER AN UPDATED DISCLOSURE DOCUMENT IN THE EVENT OF A MODE CHANGE OR CONVERSION AND THE RELATED REMARKETING OF 2019 SERIES D BONDS.

On April 24, 2003, the Members of the Agency adopted a resolution authorizing the Agency to enter into interest rate exchange agreements in respect of Bonds Outstanding or proposed to be issued. The Swap Agreement (as hereinafter defined) is expected to be executed with Royal Bank of Canada as counterparty, in connection with the issuance of the 2019 Series D Bonds, effective on the anticipated date of delivery of the 2019 Series D Bonds. (See "The Series Bonds — Interest on the 2019 Series D Bonds – Swap Agreement" herein.)

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 or in a Series Resolution), 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 in connection with Housing, which is defined to include single family loans, home improvement loans, multifamily loans and other housing related loans, and to secure those loans in the manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans that are unsecured. The Program Obligations acquired with the proceeds of Bonds have primarily consisted of Program Loans comprising single family housing loans secured by first or subordinate mortgages. In addition, the Agency has financed certain home improvement loans as Program Obligations by a single Series of Bonds issued under the Bond Resolution. The Agency intends to apply certain proceeds of the Series Bonds not used to refund the Refunded Bonds to acquire Program Securities backed by qualifying single family first mortgage 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 backed by single family loans or certain home improvement loans. (See "Security for the Bonds" and "Appendix D – Summary of Certain Provisions of the Bond Resolution.")

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.

The Agency has no taxing power. Neither the State 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, 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 *Julie Blaha — Ex officio*, St. Paul, Minnesota – State Auditor

Damaris Hollingsworth, Member – Term expires January, 2022, 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

*Serves until a successor is appointed and qualified.

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 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:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner must be confirmed by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Barbara Sporlein — Deputy Commissioner, appointed effective November 2011. Her primary responsibilities are human resources, 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 is a member of the Citizens League, the Urban Land Institute and the Minnesota Chapter of National Association of Housing and Redevelopment Officials. 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 Wabasha 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, 2018, 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, 2018. 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, 2018 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.

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 60 through 63 under the heading "Defined Benefit Pension Plan." The Agency's allocable portion of net pension liability reported at June 30, 2018 with respect to MSRS is $47.879 million.

In Appendix B to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the six months ended December 31, 2018. The Agency has prepared the information in Appendix B and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix B is not accompanied by a statement from the independent auditors.

Disclosure Information

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 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, 2019, 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 C — Summary of Continuing Disclosure Undertaking.")

During the prior five years, certain disclosure reports filed with EMMA were not timely linked to all outstanding CUSIPs for the associated bonds of the Agency, including (a) the timely filed Agency Annual Report for its fiscal year ended June 30, 2015 was not specifically linked to the CUSIP for the Agency's Homeownership Finance Bonds, 2015 Series C and one of the CUSIPs for the Agency's Residential Housing Finance Bonds, 2015 Series C, and (b) the timely filed State of Minnesota Comprehensive Annual Financial Report and Annual Financial Information and Operating Data for the year ended June 30, 2015 was not specifically linked to multiple CUSIPs relating to the Agency's State Appropriation Bonds (Housing Infrastructure), 2014 Series A.

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 C — 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/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 Bond Resolution but is not pledged to pay the Bonds, 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 $745.53 million, representing the combined net position of these funds so calculated as of June 30, 2018. 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, 2018 appears in the Notes to Financial Statements of the Agency included in Appendix A to this Official Statement at pages 58 and 59 under the heading “Net Position — Restricted by Covenant.”

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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 and for the six-month period ended December 31, 2018 (unaudited) (in thousands):

	Six months Ended December 31, 2018 (unaudited)	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Revenues			
Fees earned and other income[1]	$	$11,936	$11,077
Interest earned on investments		419	254
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement[2], [3]		24,479	22,482
Total revenues		36,834	33,813
Expenses			
Salaries and benefits		33,114	36,311
Other general operating expenses		6,338	7,690
Total expenses		39,452	44,001
Revenues over expenses		(2,618)	(10,188)
Non-operating transfer of assets between funds[4]	()	5,192	9,624
Change in net position		2,574	(564)
Net position beginning of period	14,619	12,045[5]	14,280
Net position end of period	$	$14,619	$13,716

(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.

(5) Adjusted pursuant to required GASB 75 treatment of Post-Employment Benefits (other than Pension) as of July 1, 2017.

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. 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 January 31, 2019:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	11	2049	$ 47,505	$ 44,525
Residential Housing Finance Bonds	42	2049	1,905,580	1,207,970
Homeownership Finance Bonds	52	2049	2,235,433	1,534,632
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	13,580
Totals	106		$4,203,518	$2,800,707

*Does not include series of bonds or the original principal amount of any bonds that had been, as of January 31, 2019, 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 liquidity facilities is included in Appendix I – Certain Information Relating to Liquidity Facilities for Bonds Outstanding and certain other information related to variable rate bonds and swap agreements is included in the notes to the audited financial statements contained in Appendix A to this Official Statement and in the unaudited financial statements contained in Appendix B 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 $255,000,000. The Agency has issued 15 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2018 in an aggregate principal amount of $155,275,000 under a separate indenture of trust.

On June 1, 2018, the Agency issued its Note (the "Bank Note") to Royal Bank of Canada, pursuant to a Revolving Credit Agreement dated as of June 1, 2018 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 Homeownership Finance Bonds previously issued by the Agency (the "Single Family Housing Bonds"). Funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust (the "2018 Revolving Credit Indenture") as security for the repayment of the principal amount of the Bank Note that has been advanced to the Agency. The amount of the advances outstanding and not repaid with respect to the Bank Note may not exceed $80,000,000 at any time and the cumulative amount of the advances made may not exceed $200,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Bank Note is a general obligation of the Agency. A portion of the proceeds of the Tax-Exempt Series Bonds will be used to repay a portion of the Bank Note and the equivalent amount released from the cash collateral fund under the 2018 Revolving Credit Indenture will be deposited in the 2019 Series A-B-C-D subaccount in the Acquisition Account. The Agency has requested advances in the aggregate principal amount of $[88,577,481]. Following the March 1, 2019 advance, advances in the aggregate principal amount of $[13,617,064] will be outstanding.

Single Family Mortgage Production Funding Considerations

As a state housing finance agency, the Agency relies 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. Without subsidy of some kind (such as from an economic refunding or overcollateralization) generally the Agency cannot fully realize the benefit of tax-exempt bond financing using traditional bond structures to finance single family mortgage loans at competitive interest rates and must make use of other structures and funding sources. The Agency has successfully issued economic refunding bonds and bonds secured by excess collateral under the 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 Homeownership Finance Bond Resolution, to fund current single family mortgage production by purchasing Program Securities.

In addition to funding its single family mortgage production by issuing bonds, the Agency from time to time sells Program Securities in the secondary market. Since 2009 the Agency has sold approximately $[795] million of Program Securities in the open market as of February __, 2019, $[296] million of which would have been eligible to be financed with tax-exempt bonds. In 2013, the Agency 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. Based on market conditions and the availability of economic refunding opportunities, the Agency determines whether to issue Additional Bonds under the Bond Resolution or under its Homeownership Finance Bond Resolution or to sell Program Securities in the secondary market.

ESTIMATED SOURCES AND USES OF FUNDS

The Agency will apply certain proceeds of the Series Bonds and other funds to the purchase of Program Securities. The Agency will apply other proceeds of the Series Bonds to refund Refunded Bonds and, as a result, certain Program Loans (the "Transferred Program Loans") and Program Securities (the "Transferred Program Securities;" collectively with the Transferred Program Loans, the "Transferred Program Obligations") financed by those Refunded Bonds will be allocated to the Series Bonds. Upon giving effect to these transactions and the receipt of transferred money that had been allocated to those Refunded Bonds, the estimated sources and uses of funds related to the Series Bonds are as follows:

Sources

Principal amount of Series Bonds	$
Original issue premium	
Transferred Program Obligations and Revenues.....	
Transferred debt service reserve funds	
Agency funds	
Total Sources of Funds	$

Uses

Deposit to 2019 Series A-B-C-D Acquisition Account	
Funds to acquire Program Securities	$
Transferred Program Obligations and Revenues	
Redemption of Refunded Bonds	
Deposit to Debt Service Reserve Account	
Deposit to Bond Fund Interest Account	
Deposit to Costs of Issuance Account.....	
Underwriters' Compensation	
Total Uses of Funds	$

Upon issuance of the Series Bonds and as a result of the refunding of the Refunded Bonds, the Transferred Program Obligations will be credited to the 2019 Series A-B-C-D Acquisition Account. The Transferred Program Loans, with an unpaid principal amount of approximately $_____ million,* have a weighted average maturity of approximately _____* months and a weighted average interest rate of approximately ___ percent* per annum. The Transferred Program Securities, with an unpaid principal amount of approximately $_____ million,* have a weighted average maturity of approximately _____* months and a weighted average pass-through interest rate of approximately ___ percent* per annum. Revenues from the Transferred Program Obligations may constitute Excess Revenues (as defined under "The Series Bonds—Special Redemption—Excess Revenues" herein) and the Agency may, but is not obligated to, use those Excess Revenues to redeem Bonds, including the Series Bonds, except as otherwise described under "The Series Bonds—Special Redemption."

Based on the Program Securities that the Agency has purchased and expects to purchase from its own funds, the Agency expects to apply and disburse approximately $_____ million* of proceeds of the Series Bonds deposited in the 2019 Series A-B-C-D Acquisition Account, together with Agency funds to purchase Program Securities backed by Program Loans with a principal amount of approximately $_____ million,* which Program Securities are estimated to have pass-through interest rates ranging from [ ] percent to [ ] percent,* upon the issuance of the Series Bonds. Any Program Securities purchased from the Agency will be credited to the 2019 Series

* Preliminary; subject to change.

A-B-C-D Acquisition Account and pledged to the payment of Outstanding Bonds. (See "The Residential Housing Finance Program – Reimbursement of Advances of Agency Funds from Proceeds of Series Bonds."

THE SERIES BONDS

General

Each of the 2019 Series A Bonds, the 2019 Series B Bonds and the 2019 Series C Bonds (collectively, the "2019 Series ABC Bonds") will be fully registered bonds issued in the denominations of $5,000 or any integral multiple thereof of single maturities. The 2019 Series D Bonds will be fully registered bonds issued in the denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The Series Bonds of each Series 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 Bond Resolution. 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 F — 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 and tender as hereinafter described.

Interest on the 2019 Series ABC Bonds

Interest on the 2019 Series ABC Bonds will be paid semiannually on January 1 and July 1 of each year, commencing July 1, 2019,* and, in respect of any 2019 Series ABC Bond then to be redeemed, on any redemption date. The 2019 Series ABC Bonds will bear interest from their dated date, at the respective annual rates set forth on the inside front cover hereof until payment of the principal of or redemption price on those 2019 Series ABC Bonds. Interest on the 2019 Series ABC 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 2019 Series ABC Bonds).

Interest on the 2019 Series D Bonds

The 2019 Series D Bonds will bear interest from their dated date and will be dated as of the date of their authentication and delivery. The 2019 Series D Bonds will mature, subject to earlier redemption and tender as herein described, on _____.* The Record Date for 2019 Series D Bonds in the Weekly Mode (described below) is the last Business Day preceding each Interest Payment Date.

Weekly Mode. Interest on the 2019 Series D Bonds in a Weekly Mode will accrue from their date of delivery and will be payable in arrears, on the basis of a 365/366-day year for the number of days actually elapsed. Interest is payable on January 1 and July 1 of each year, commencing July 1, 2019,* and on any redemption date or Conversion Date; for the initial Interest Payment Date, from the date of delivery of the 2019 Series D Bonds, and for subsequent Interest Payment Dates, from the preceding Interest Payment Date (i.e., January 1 or July 1), to, but not including, that Interest Payment Date.

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* Preliminary; subject to change.

The 2019 Series D Bonds will bear interest from the date of delivery to and including April _, 2019,* at the rate set forth in a certificate delivered by the Remarketing Agent on the date of delivery of the 2019 Series D Bonds. Thereafter, the 2019 Series D Bonds in the Weekly Mode (other than Bank Bonds) will bear interest at the Weekly Rate that will take effect each Thursday (the "Effective Rate Date") following a Rate Determination Date and remain in effect until the day before the next Effective Rate Date. The Weekly Rate will be determined by the Remarketing Agent by 5:00 p.m. New York time on the first Business Day preceding the applicable Effective Rate Date (each a "Rate Determination Date"). In no event will the 2019 Series D Bonds (other than Bank Bonds) bear interest at an annual rate in excess of the lesser of 12 percent or the maximum rate permitted by law (the "Maximum Rate").

The Weekly Rate applicable to the 2019 Series D Bonds will be the rate that, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2019 Series D Bonds on the Effective Rate Date (without taking into account accrued interest thereon) being 100 percent of the principal amount thereof. In determining the Weekly Rate for any 2019 Series D Bonds, the Remarketing Agent will take into account to the extent applicable (1) market interest rates for comparable securities held by open-end municipal bond funds or other institutional or private investors with substantial portfolios (a) with interest rate adjustment periods and demand purchase options substantially identical to those 2019 Series D Bonds, (b) bearing interest at a variable rate intended to maintain par value, and (c) rated by a national credit rating agency in the same category as those 2019 Series D Bonds; (2) other financial market rates and indices that may have a bearing on the Weekly Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, the London Interbank Offered Rate ("LIBOR"), the index published by the Securities Industry and Financial Markets Association (formerly, The Bond Market Association) based upon data compiled by Municipal Market Data concerning tax-exempt variable rates (the "SIFMA Index"), indices maintained by *The Bond Buyer*, and other publicly available interest rate indices); (3) general financial market conditions; and (4) factors particular to the Agency and those 2019 Series D Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by any 2019 Series D Bonds (other than Bank Bonds) will be conclusive and binding on the Owners of those 2019 Series D Bonds. If the Remarketing Agent or the Trustee fails to give any notice required under the 2019 Series D Resolution, or there is any defect in a notice, it will not affect the interest rate on any 2019 Series D Bonds or the rights of the Owners thereof.

If for any reason the position of Remarketing Agent is vacant or a Remarketing Agent fails to establish the interest rate, the 2019 Series D Bonds (other than Bank Bonds) will automatically bear interest in a Weekly Mode with the interest rate reset on a weekly basis at the lesser of (i) the SIFMA Index plus 0.25 percent or (ii) the Maximum Rate.

Mode Changes. The Agency may elect (1) to change the intervals at which the interest rate is calculated with respect to all or part of the 2019 Series D Bonds (each change is a "Mode Change" with respect to the 2019 Series D Bonds to which that Mode Change applies, and the date on which each Mode Change is effective is a "Mode Change Date"), (2) to change all or part of the 2019 Series D Bonds to become variable rate bonds not required to be covered by a Liquidity Facility (each change an "Unenhanced Variable Rate Change" with respect to the 2019 Series D Bonds to which it applies, and the date of each change an "Unenhanced Variable Rate Change Date"), or (3) to convert all or part of the 2019 Series D Bonds to bear interest at fixed rates to their maturity or to bear interest at an index rate (with respect to the 2019 Series D Bonds to which that conversion applies, a "Conversion," and the date on which that a Conversion is effective a "Conversion Date"). The Agency is to provide notice of a Mode Change, an Unenhanced Variable Rate Change or a Conversion to the Remarketing Agent, the Trustee, the Liquidity Provider, and the Tender Agent not less than 20 days before the applicable Mode Change Date, Unenhanced Variable Rate Change Date or Conversion Date. The Trustee is to provide notice of a Mode Change, an Unenhanced Variable Rate Change or a Conversion to DTC not less than 15 days before the applicable Mode Change Date, Unenhanced Variable Rate Change Date or Conversion Date. On each Mode Change Date,

* Preliminary; subject to change.

Unenhanced Variable Rate Change Date or Conversion Date, the 2019 Series D Bonds to which that Mode Change, Unenhanced Variable Rate Change or Conversion applies will be subject to mandatory tender for purchase. **This Official Statement does not describe the 2019 Series D Bonds in any Mode other than a Weekly Mode**.

For additional information with respect to the 2019 Series D Bonds, see also "Optional Redemption of 2019 Series D Bonds" below, "Appendix K – Certain Definitions With Respect to the 2019 Series D Bonds" and "Appendix L – Summary of Certain Provisions of and Relating to the Standby Bond Purchase Agreement."

Swap Agreement. The Agency expects to enter into an interest rate swap agreement with Royal Bank of Canada (the "Swap Counterparty") (the "Swap Agreement") effective on the anticipated date of issuance of the 2019 Series D Bonds. The purpose of the Swap Agreement is to place the aggregate net obligation of the Agency with respect to the portion of the Program financed by the 2019 Series D Bonds on an approximately fixed-rate basis. Payments made to the Swap Counterparty by the Agency under the Swap Agreement are to be made semiannually on the basis of a notional principal amount and the relationship between an agreed-upon fixed rate and a variable rate calculated by reference to a percentage of one-month LIBOR. Payments the Agency makes to the Swap Counterparty, including any applicable termination amount referenced below, will be paid from Revenues on deposit in the Revenue Fund under the Bond Resolution on a basis subordinate to the payment of the interest on and principal of the Bonds and the funding of the Debt Service Reserve Fund and the Insurance Reserve Fund. Payments the Swap Counterparty makes to the Agency under the Swap Agreement (which would result if the variable rate payable by the Swap Counterparty under the Swap Agreement exceeds the fixed interest rate payable by the Agency under the Swap Agreement) are pledged as Revenues under the Resolutions. Unless earlier terminated in whole (in which case a termination amount may be payable by one party to the other party), the Swap Agreement will expire on _____.* .

Royal Bank of Canada is the parent company of RBC Capital Markets, LLC, an underwriter of the Series Bonds and the initial Remarketing Agent for the 2019 Series D Bonds.

Sinking Fund Redemption

The Agency is required to redeem the 2019 Series A Bonds with a stated maturity of * in part on * and on each July 1 and January 1 thereafter to and including,* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	$,000		$,000
	,000	(maturity)	,000

The Agency is required to redeem the 2019 Series B Bonds with a stated maturity of * in part on ,* and ,* and on each July 1 and January 1 thereafter to and including *, at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	$,000	(maturity)	$,000
	,000		

* Preliminary; subject to change.

The Agency is required to redeem the 2019 Series B Bonds with a stated maturity of * in part on,* and on each July 1 and January 1 thereafter to and including,* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	$,000		$,000
	,000	(maturity)	,000

The Agency is required to redeem the 2019 Series B Bonds with a stated maturity of * (the "PAC Bonds") in part on,* and on each July 1 and January 1 thereafter to and including,* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	$,000		$,000
	,000	(maturity)	,000

The Agency is required to redeem the 2019 Series C Bonds with a stated maturity of * in part on ,* and on each July 1 and January 1 thereafter to and including ,* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	$,000		$,000
	,000	(maturity)	,000

The Agency is required to redeem the 2019 Series C Bonds with a stated maturity of * in part on,* and on each July 1 and January 1 thereafter to and including ,* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	$,000		$,000
	,000	(maturity)	,000

The Agency is required to redeem the 2019 Series C Bonds with a stated maturity of * in part on ,* and on each July 1 and January 1 thereafter to and including ,* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*

* Preliminary; subject to change.

	$,000		$,000
	,000	(maturity)	,000

The Agency is required to redeem the 2019 Series D Bonds with a stated maturity of * in part on , * and on each January 1 and July 1 thereafter to and including , * at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	$,000		$,000
	,000	(maturity)	,000

Upon redemption of Series Bonds of a Series and maturity for which sinking fund installments have been established or any purchase and cancellation in lieu of redemption, the principal amount of that Series and maturity of the Series Bonds redeemed or purchased may be credited toward one or more sinking fund installments for that Series and maturity thereafter coming due in the manner the Agency specifies. The portion of any sinking fund installment remaining after the deductions credited to those payments is the unsatisfied balance of that sinking fund installment with respect to that Series and maturity of the Series Bonds for the purpose of calculating the payment due on or scheduled for a future date.

Special Redemption

Unexpended Proceeds. At its option, the Agency may redeem the Series Bonds prior to maturity, at any time, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date, without premium, (except that any PAC Bonds are to be redeemed at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest, plus the unamortized premium thereon as the Agency determines by straight-line amortization of the original issue premium set forth on the inside front cover of this Official Statement between the date of issue and _____* (as of which date the premium would reduce to $0)) from moneys representing Series Bond proceeds not used to purchase Program Securities and transferred to the Bond Redemption Fund from the 2019 Series A-B-C-D Acquisition Account and any allocable amounts held in the Debt Service Reserve Fund. In the event the Agency determines to redeem any Series Bonds from unexpended proceeds, the Agency will select the Series, maturities and amounts of the Series Bonds to be redeemed and the Trustee will select the Series Bonds at random within each Series and maturity.

If the Agency has not expended all proceeds of the Series Bonds credited to the 2019 Series A-B-C-D Acquisition Account and the Delivery Period has not been extended (see "The Residential Housing Finance Program—Acquisition of Program Securities"), then the Agency must redeem the Series Bonds from those unexpended proceeds upon the expiration of the Delivery Period at the redemption price specified above.

Based on the Program Securities that the Agency has purchased and expects to purchase from its own funds, the Agency expects to apply and disburse all of the proceeds of the Series Bonds credited to the 2019 Series A-B-C-D Acquisition Account to purchase Program Securities with a principal amount of approximately $ million,* upon the issuance of the Series Bonds. (See "The Residential Housing Finance Program – Reimbursement of Advances of Agency Funds from Proceeds of Series Bonds" for information with respect to Agency purchases of Program Securities as of February 27, 2019.)

Excess Revenues. In the Agency's discretion and subject to the requirements of the Resolutions, the Agency may apply moneys on deposit in the Revenue Fund attributable to Excess Revenues to redeem Outstanding Bonds

* Preliminary; subject to change.

under the Bond Resolution (including the Series Bonds, but with respect to the PAC Bonds not in excess of the maximum cumulative redemption amounts shown below), at any time; subject, however, to any provisions to the contrary in any Series Resolution relating to a Series of Bonds. The redemption price of redeemed Bonds will be the principal amount of those Bonds plus accrued interest thereon, without premium. The Agency will select the Series, maturities and sinking fund installments of the Bonds to be redeemed.

As used herein, "Excess Revenues" means the Revenues, including prepayments (except as described below under "Repayments and Prepayments"), on deposit in the Revenue Fund received in excess of (i) the maturing principal and sinking fund installments and any required mandatory redemptions, together with interest from time to time payable, on Bonds Outstanding under the Bond Resolution, (ii) amounts needed to maintain the Debt Service Reserve Fund and the Insurance Reserve Fund at their respective Requirements, and (iii) amounts required by the Agency to pay fees and other costs in connection with the Bonds associated with maintaining the Program, including amounts to be paid under swap agreements, liquidity facilities, remarketing agreements and other similar instruments.

10-Year Rule Requirements. To comply with certain provisions of federal tax law, the Agency must apply all available prepayments and regularly scheduled repayments of mortgage principal from Program Loans and Program Securities allocable to the Tax-Exempt Series Bonds and (i) with respect to proceeds of the Tax-Exempt Series Bonds allocated to the refunding of outstanding bonds of the Agency, received 10 years after the original issue date of the bonds refunded, or (ii) with respect to the remaining proceeds of the Tax-Exempt Series Bonds, received 10 years or more after the issue date of the Tax-Exempt Series Bonds (collectively, the "Tax-Restricted Receipts"), to pay at maturity or redeem Tax-Exempt Series Bonds. This redemption must occur no later than the close of the first semiannual period beginning after the date of receipt, but no redemption is required if the amount available and required to be used to redeem the Tax-Exempt Series Bonds is less than $250,000. Prepayments and scheduled repayments of mortgage principal from Transferred Program Obligations and Program Securities allocable to the Tax-Exempt Series Bonds (collectively, the "Tax-Exempt Receipts") received on or after the following dates in the following approximate percentages constitute the "Tax-Restricted Receipts:"

Dates*	Percentages*
April 10, 2019 to June 30, 202	.%
July 1, 202 to June 30, 202	.
July 1, 202 to June 30, 202	.
July 1, 202 to June 30, 202	.
July 1, 202 to June 30, 202	.
July 1, 202 to June 30, 202	.
July 1, 202 to June 30, 202	.
July 1, 202 to June 27, 202	.
April 10, 2029 and thereafter	100.00

Repayments and Prepayments. To the extent not needed to make regularly scheduled principal payments on the Taxable Series Bonds, either at maturity or pursuant to sinking fund installments, all prepayments and scheduled repayments of mortgage principal from Program Securities allocable to the Taxable Series Bonds will be applied (a) first to redeem Taxable Series Bonds of the maturities selected by the Agency at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium and (b) then, if no Taxable Series Bonds are Outstanding, to redeem any Outstanding Bonds (subject, however, to any provisions to the contrary in any Series Resolutions relating to Outstanding Bonds), including any Tax-Exempt Series Bonds other than PAC Bonds in excess of the Maximum Cumulative Amounts shown in the table below, at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium, or for any other purpose authorized under the Resolutions.

* Preliminary; subject to change.

To the extent not needed to make regularly scheduled principal payments on the Tax-Exempt Series Bonds, either at maturity or pursuant to sinking fund installments, or not required to be applied to redemption of the PAC Bonds as described below, the Tax-Restricted Receipts will be applied to redeem Tax-Exempt Series Bonds of the Series and maturities selected by the Agency at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium; provided, however, that those redemptions will not be required: (1) if there is a change in the Code or any temporary, proposed or final Treasury Regulations, or notices or similar announcements from time to time, that have the effect of removing or reducing the requirement of such redemptions of Tax-Exempt Series Bonds; and (2) if there shall be delivered to the Trustee an opinion of Bond Counsel that those changes in these redemption provisions will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Series Bonds.

To the extent not needed to make regularly scheduled principal payments on the Series Bonds, either at maturity or pursuant to sinking fund installments, all Tax-Exempt Receipts received by or on behalf of the Agency must first be applied to redeem the PAC Bonds on a cumulative basis up to the Maximum Cumulative Amounts during each Redemption Period ending on the date therefor set forth in the following table:

Redemption Period*	Maximum Cumulative Amounts*†	Redemption Period*	Maximum Cumulative Amounts*†
1,	$,000	1,	$,000
1,	,000	1,	,000
1,	,000	1,	,000
1,	,000	1,	,000
1,	,000	1,	,000
1,	,000	1,	,000
1,	,000	1,	,000
1,	,000		

†Based on an approximation of 100 percent PSA prepayment speed on the Program Loans backing Program Securities financed with the proceeds of the Series Bonds, the Transferred Program Loans and the Program Loans backing the Transferred Program Securities. (See "Projected Weighted Average Lives of the PAC Bonds" below for a discussion of the PSA Prepayment Model.) Amounts actually to be redeemed pursuant to this provision will be reduced proportionately to the extent any of the PAC Bonds are redeemed from unexpended proceeds of the Series Bonds.

To the extent the Agency redeems PAC Bonds more than once in a semiannual period or on a date that is not a regularly scheduled interest payment date, the Agency will not redeem PAC Bonds on a cumulative basis as of any date in an aggregate principal amount greater than the sum of (i) the Maximum Cumulative Amount in the table above for the immediately preceding regularly scheduled interest payment date and (ii) the proportionate amount (based on the number of days elapsed since the immediately preceding regularly scheduled interest payment date and the total number of days in the period (calculated on the basis of a 360-day year of twelve 30-day months)) of the difference between the Maximum Cumulative Amount set forth in the table above for the next succeeding regularly scheduled interest payment date and the Maximum Cumulative Amount for the immediately preceding regularly scheduled interest payment date.

If the Agency receives Tax-Exempt Receipts sufficient to redeem PAC Bonds up to the Maximum Cumulative Amounts in accordance with the table above, (1) to the extent required by applicable federal tax law, the Agency must use any excess Tax-Exempt Receipts (a) to redeem Outstanding Tax-Exempt Series Bonds (other than PAC Bonds) from the Series and maturities the Agency selects, or (b) if no Tax-Exempt Series Bonds are Outstanding other than PAC Bonds, to redeem Outstanding PAC Bonds, in each case on any date, in whole or in part, at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium; and (2) to the extent not required by applicable federal tax law to redeem Tax-Exempt Series Bonds, the Agency, at its

* Preliminary; subject to change.

option, may use any excess Tax-Exempt Receipts to redeem any Outstanding Bonds, including the Series Bonds (other than PAC Bonds), at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium (subject, however, to any provisions to the contrary in any Series Resolutions relating to Outstanding Bonds), or for any other purpose authorized under the Resolutions.

Projected Weighted Average Lives of the PAC Bonds. The following information is provided to allow prospective investors to evaluate the PAC Bonds that are the subject of the special redemption provisions described above.

The weighted average life of a bond refers to the average length of time that will elapse from the date of issuance of the bond to the date each installment of principal is paid weighted by the principal amount of that installment. The weighted average life of the PAC Bonds will be influenced by, among other things, the rate at which Program Securities are purchased and the rate at which principal payments (including scheduled payments and principal prepayments) are made on the Transferred Program Loans, the Program Loans backing the Transferred Program Securities and the Program Loans backing Program Securities financed with the proceeds of the Series Bonds (collectively, the "Series Bond Program Loans"). An Owner owning less than all of the PAC Bonds may experience redemption at a rate that varies from the average life of the PAC Bonds.

Levels of prepayment on mortgage loans are commonly measured by a prepayment standard or model. The standard used in this Official Statement is The Standard Prepayment Model of The Securities Industry and Financial Markets Association, formerly The Bond Market Association and formerly the Public Securities Association (the "PSA Prepayment Model"). The PSA Prepayment Model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of mortgage loans. The PSA Prepayment Model does not purport to be either a historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Series Bond Program Loans. "100% PSA" assumes prepayment rates of 0.2 percent per year of the then-unpaid balance of the pool of mortgage loans in the first month of the life of the pool of mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the thirtieth month. Beginning in the thirtieth month and in each month thereafter during the life of the pool of mortgage loans, "100% PSA" assumes a constant prepayment rate of 6 percent per year. Multiples will be calculated from this prepayment rate standard, e.g. "200% PSA" assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month thirty and remaining constant at 12 percent per year thereafter. "0% PSA" assumes no prepayments of principal of a pool of mortgage loans will occur for the life of the pool of mortgage loans.

The following table, entitled "Projected Weighted Average Lives for the PAC Bonds" assumes, among other things, that (i) the Transferred Program Loans have an unpaid principal amount of approximately $ million* with a weighted average maturity of approximately * months and a weighted average interest rate of approximately percent * per annum, (ii) the Transferred Program Securities have an unpaid principal amount of approximately $ million* with a weighted average maturity of approximately * months and a weighted average pass-through interest rate of approximately percent * per annum, (iii) the Series Bond Program Loans prepay at the indicated percentages of the PSA Prepayment Model, (iv) all proceeds of the Series Bonds in the 2019 Series A-B-C-D Acquisition Account are used to purchase Program Securities, (v) the Program Securities financed with the proceeds of the Series Bonds will have a weighted average pass-through rate of not less than percent * and will be acquired by , 2019,* (vi) all scheduled principal and interest payments or prepayments on Series Bond Program Loans are received thirty days after the date on which due or assumed to be made and there are no foreclosures or repurchases of those Program Loans, (vii) the PAC Bonds are redeemed only on regularly scheduled interest payment dates, and (viii) the Series Bonds, including the PAC Bonds, are not redeemed pursuant to optional redemption or from Excess

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* Preliminary; subject to change.

* Preliminary; subject to change.

Revenues. Based solely on the assumptions, some or all of which are unlikely to reflect actual experience, the following table provides projected weighted average life information for the PAC Bonds.

Projected Weighted Average Lives for the PAC Bonds*

PSA Prepayment	PAC Bonds Weighted Average Life†
0%	. years
50	.
75	.
100	.
200	.
300	.
400	.
500	.

†The weighted average life may be affected if, among other things, the Series Bonds, including the PAC Bonds, are redeemed with Excess Revenues or from unexpended proceeds of the Series Bonds, as described above, or if PAC Bonds are redeemed on a date other than a regularly scheduled interest payment date.

The Agency cannot give any assurance that prepayments of principal of the Series Bond Program Loans will conform to any level of a particular prepayment projection, schedule or model or that prepayments will be available to be applied to redemptions of any of the Series Bonds, including the PAC Bonds. The rates of principal prepayments on mortgage loans are generally influenced by a variety of economic, geographical, social and other factors, including servicing decisions, changing property values, prevailing interest rates and the time within which mortgage loans are originated. In general, if prevailing interest rates fall significantly below the interest rates on the mortgage loans, those mortgage loans may be likely to prepay at higher rates than if prevailing interest rates remain at or above the interest rates on those mortgage loans. Conversely, if prevailing interest rates rise above the interest rates on the mortgage loans, the rate of prepayments might be expected to decrease. Foreclosures or repurchases of Series Bond Program Loans will also affect the expected special redemption schedules. The Agency cannot predict the number of Series Bond Program Loans that may become delinquent, repurchased or foreclosed. For these reasons, the Agency cannot offer any assurances as to the rate at which the Series Bond Program Loans will prepay and offers no assurance that the scheduled amounts will, in fact, be available to effect any redemptions described herein.

Optional Redemption of the 2019 Series ABC Bonds

The Agency may redeem 2019 Series ABC Bonds with stated maturities on or after January 1, 2029* prior to their stated maturity dates, at its option, in whole or in part, from the Series and in the amounts and from the stated maturities that the Agency designates, on July 1, 2028* or any date thereafter, 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 as to 2019 Series ABC Bonds

Except as otherwise provided in the 2019 Series ABC Resolution, any 2019 Series ABC Bonds to be redeemed other than upon mandatory sinking fund redemption will be redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Agency and stating (a) the Series of the 2019 Series ABC Bonds to be redeemed and (b) the maturities and amounts from which 2019 Series ABC Bonds are to be redeemed. If less

* Preliminary; subject to change.

than all 2019 Series ABC Bonds of a Series and maturity are to be redeemed, the 2019 Series ABC Bonds of that Series and maturity to be redeemed will be selected at random by a method determined by the Trustee. The Agency will not at any time cause 2019 Series ABC Bonds to be redeemed (other than pursuant to mandatory redemption) if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after that redemption.

The Trustee must mail a copy of the notice of redemption, by first class mail, to the registered owner of any 2019 Series ABC Bond called for redemption at least 30 days prior to the redemption date; that registered owner to be determined from the registry books as of the 15th day preceding the date that notice is mailed. (See "Appendix F — Book-Entry-Only System.")

Optional Redemption of 2019 Series D Bonds

Optional Redemption. The Agency may redeem 2019 Series D Bonds in the Weekly Mode at its option, in whole or in part on any Business Day (including any optional or mandatory tender date), from any money made available for that purpose, at a Redemption Price equal to 100 percent of the principal amount thereof to be redeemed, plus accrued interest, if any, to but not including the redemption date.

Notice of Redemption. While 2019 Series D Bonds are in the Weekly Mode, the Trustee must give a copy of the notice of redemption identifying 2019 Series D Bonds to be redeemed by Immediate Notice not less than 20 days prior to the date fixed for redemption to the Owners of 2019 Series D Bonds to be redeemed at their addresses as shown on the bond register. "Immediate Notice" means notice by telephone, telex or telecopier to the address as the addressee has directed in writing, promptly followed by written notice by first class mail, postage prepaid. Notwithstanding the foregoing, the Trustee need not give a separate notice of redemption in addition to the notice of tender the Owner or the Trustee, as applicable, must give for 2019 Series D Bonds to be redeemed on an optional or mandatory tender date.

Subject to the terms of the 2019 Series D Resolution, any 2019 Series D Bonds to be optionally redeemed will be redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Agency stating (1) the principal amount of the 2019 Series D Bonds to be redeemed, and (2) the years in which and the amounts by which the applicable sinking fund installments, if any, are to be reduced. Upon any redemption of 2019 Series D Bonds, the Trustee is to select those to be redeemed by lot or another method of selection as it deems proper in its discretion; provided that the 2019 Series D Bonds that are Bank Bonds must be selected for redemption before other 2019 Series D Bonds.

Optional and Mandatory Tender of 2019 Series D Bonds

Optional Tender. Owners of 2019 Series D Bonds in the Weekly Mode may elect to tender their 2019 Series D Bonds for purchase, by providing notice to the Remarketing Agent and the Tender Agent not later than 5:00 p.m. (New York City time) on any Business Day that is at least seven calendar days before the purchase date, which must be a Business Day and must be set forth in the notice. Those 2019 Series D Bonds are to be purchased on the purchase date specified in the notice at a price equal to 100 percent of the principal amount thereof plus accrued interest to but not including the purchase date (the "Purchase Price"). The notice of optional tender for purchase of 2019 Series D Bonds by the Owners or beneficial owners thereof will be irrevocable once that notice is given to the Remarketing Agent and the Tender Agent.

Mandatory Tender. The 2019 Series D Bonds or any portion thereof are subject to mandatory tender for purchase (with no right to retain) at the Purchase Price (i) on any Mode Change Date and each Unenhanced Variable Rate Change Date for those 2019 Series D Bonds, (ii) upon scheduled expiration or termination by the Agency of the Initial Liquidity Facility or an Alternate Liquidity Facility (defined below) (a "Liquidity Expiration Event") for those 2019 Series D Bonds, on a date not less than five days prior to the scheduled expiration or earlier termination of the Liquidity Facility, (iii) the effective date of an Alternate Liquidity Facility, if a mandatory tender has not already occurred pursuant to the Liquidity Expiration Event, (iv) on any Conversion Date for those 2019 Series D Bonds, and (v) upon receipt of a Notice of Termination Date (as described in any Liquidity Facility) by the Trustee

following the occurrence of certain Events of Default under that Liquidity Facility, on a date not less than five days prior to the date on which the Liquidity Facility will terminate (each a "Mandatory Tender Date"). If any of the listed events occur, the Trustee must deliver a notice of mandatory tender to the Owners, at least 15 days prior to the Mandatory Tender Date, stating the reason for the mandatory tender, the date of mandatory tender, and that all Owners of 2019 Series D Bonds subject to that mandatory tender are deemed to have tendered their 2019 Series D Bonds upon that date.

This paragraph is applicable to the 2019 Series D Bonds only if the book-entry-only system has been discontinued and replacement bonds have been issued. Any 2019 Series D Bonds not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date for which there have been irrevocably deposited in trust with the Trustee the Purchase Price will be deemed to have been tendered and purchased on that Mandatory Tender Date. Owners will not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of those 2019 Series D Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and those Owners will no longer be entitled to the benefits of the Resolutions, except for the purpose of payment of the Purchase Price. Replacement 2019 Series D Bonds will be issued in place of those untendered 2019 Series D Bonds pursuant to the 2019 Series D Resolution, and, after the issuance of the replacement 2019 Series D Bonds, the untendered 2019 Series D Bonds will be deemed purchased, canceled, and no longer Outstanding under the Resolutions.

Remarketing of 2019 Series D Bonds

General. On each date on which 2019 Series D Bonds are required to be purchased, the Remarketing Agent must use its best efforts to sell those 2019 Series D Bonds at a Weekly Rate (or, in the case of purchase upon a Mode Change, an interest rate corresponding to the appropriate mode) that results as nearly as practicable in the price being 100 percent of the principal amount thereof. In the event the Remarketing Agent is unable to remarket the 2019 Series D Bonds so tendered while the Initial Liquidity Facility is in effect, the Initial Liquidity Provider has agreed to purchase those 2019 Series D Bonds in accordance with the Initial Liquidity Facility. The Remarketing Agent is not required to remarket the 2019 Series D Bonds (i) after the occurrence of an Event of Default under the Resolution; (ii) after the occurrence of a Termination Event under the Initial Liquidity Facility and the Initial Liquidity Provider's termination of its commitment to purchase 2019 Series D Bonds thereunder; (iii) during a Suspension Event under the Initial Liquidity Facility and the Initial Liquidity Provider's suspension of its commitment to purchase the 2019 Series D Bonds thereunder (unless there is reinstatement of the Initial Liquidity Facility; provided that if no reinstatement occurs within specific time periods, termination will occur without mandatory tender); or (iv) if the Initial Liquidity Provider breaches its obligation to purchase 2019 Series D Bonds tendered and not remarketed. The Agency will enter into a Remarketing Agreement with the Remarketing Agent pursuant to which the Remarketing Agent will undertake the duties of Remarketing Agent in the 2019 Series D Resolution, including remarketing of tendered 2019 Series D Bonds and determination of interest rates. The Remarketing Agreement provides that the Remarketing Agent may suspend its activities under certain circumstances, that the Remarketing Agent may resign its duties by giving 30 days' written notice to the Agency, and that the Agency may remove the Remarketing Agent upon 30 days' written notice.

Remarketing Agent Is Paid by the Agency. The Remarketing Agent's responsibilities include determining the interest rate from time to time and using best efforts to remarket the 2019 Series D Bonds that are tendered by the Owners thereof (subject, in each case, to the terms of the Remarketing Agreement), as further described in this Official Statement. The Remarketing Agent is appointed by the Agency and is paid by the Agency for its services. As a result, the interests of the Remarketing Agent may differ from those of Owners and potential purchasers of 2019 Series D Bonds.

Remarketing Agent May Purchase Bonds for Its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, may purchase those obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2019 Series D Bonds for its own account and, in its sole discretion, may acquire tendered 2019 Series D Bonds in order to achieve a successful remarketing of the 2019 Series D Bonds (i.e., because there otherwise are not enough buyers to purchase the 2019 Series D Bonds) or for other reasons. However, the Remarketing Agent is not obligated to

purchase 2019 Series D Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2019 Series D Bonds by purchasing and selling 2019 Series D Bonds other than in connection with an optional or mandatory tender and remarketing. Those purchases and sales may be at or below the principal amount thereof. However, the Remarketing Agent is not required to make a market in the 2019 Series D Bonds. The purchase of 2019 Series D Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2019 Series D Bonds in the market than is actually the case. The Remarketing Agent may also sell any 2019 Series D Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2019 Series D Bonds. The practices described above also may result in fewer 2019 Series D Bonds being tendered for purchase pursuant to the 2019 Series D Resolution.

2019 Series D Bonds May Be Offered at Different Prices on Any Date, Including a Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2019 Series D Bonds on the Effective Rate Date (without taking into account accrued interest thereon) being 100 percent of the principal amount thereof. The interest rate will reflect, among other factors, the level of market demand for the 2019 Series D Bonds (including whether the Remarketing Agent is willing to purchase 2019 Series D Bonds for its own account). There may or may not be 2019 Series D Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2019 Series D Bonds tendered for purchase on that date at the principal amount thereof and the Remarketing Agent may sell 2019 Series D Bonds at varying prices to different investors on that date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2019 Series D Bonds at the remarketing price. In the event the Remarketing Agent owns any 2019 Series D Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer those 2019 Series D Bonds on any date, including the Rate Determination Date, at a discount to the principal amount thereof to some investors.

Ability to Sell the 2019 Series D Bonds Other Than Through Tender Process May Be Limited. The Remarketing Agent may buy and sell 2019 Series D Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Owners that wish to tender their 2019 Series D Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2019 Series D Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2019 Series D Bonds other than by tendering the 2019 Series D Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2019 Series D Bonds, Without a Successor Being Named. Under certain circumstances, the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee will establish the applicable rate of interest on the 2019 Series D Bonds as described in the 2019 Series D Resolution.

Agency Not Responsible to Owners for Initial Liquidity Provider's Failure To Purchase 2019 Series D Bonds. Under the terms and provisions of the Remarketing Agreement and the Initial Liquidity Facility, the Purchase Price of 2019 Series D Bonds is payable from moneys furnished in connection with the remarketing of the 2019 Series D Bonds or from the Initial Liquidity Facility. Upon the occurrence of certain Termination Events or Suspension Events under the Initial Liquidity Facility, the Initial Liquidity Provider's obligation to purchase 2019 Series D Bonds under the Initial Liquidity Facility will immediately terminate or may be suspended without notice or other action on the part of the Initial Liquidity Provider. (See "Appendix L – Summary of Certain Provisions of and Relating to the Standby Bond Purchase Agreement.") **The Agency is not responsible to Owners if the Initial Liquidity Provider fails to purchase 2019 Series D Bonds tendered at the option of the Owner or subject to mandatory tender for purchase pursuant to the 2019 Series D Resolution or upon the occurrence of a Termination Event or a Suspension Event.**

If a Termination Event or Suspension Event has occurred resulting in the termination or suspension of the Initial Liquidity Facility or if the Initial Liquidity Provider does not purchase any 2019 Series D Bonds tendered or

deemed tendered for purchase by the owners thereof and not remarketed, those Bonds will automatically bear interest in a Weekly Mode with the interest rate reset on a weekly basis at the lesser of (i) the SIFMA Index plus 1.25 percent or (ii) the Maximum Rate. Owners will not have the right to tender their 2019 Series D Bonds during that period and may be required to hold their 2019 Series D Bonds to maturity or prior redemption.

LIQUIDITY FACILITY

General Provisions

The Agency has agreed in the 2019 Series D Resolution to maintain a Liquidity Facility in effect at all times when any 2019 Series D Bonds are in a Weekly Mode, or other Mode requiring a Liquidity Facility, except as otherwise provided below, in an amount not less than the potential Purchase Price of the outstanding 2019 Series D Bonds in the Weekly Mode or other Mode requiring a Liquidity Facility.

The Agency may elect to replace any Liquidity Facility (including but not limited to the Initial Liquidity Facility) for the 2019 Series D Bonds, with another liquidity facility meeting the requirements of the 2019 Series D Resolution (an "Alternate Liquidity Facility," and, together with the Initial Liquidity Facility, a "Liquidity Facility"). The Agency will notify the Trustee, the Remarketing Agent and the Tender Agent of the Agency's intention to deliver an Alternate Liquidity Facility at least 45 days prior to that delivery. Upon receipt of that notice, the Trustee will mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of that Alternate Liquidity Facility, to each Owner of the 2019 Series D Bonds at that Owner's registered address not less than 15 days prior to the date the 2019 Series D Bonds are subject to mandatory tender. If the Agency elects to replace the Liquidity Facility, the 2019 Series D Bonds will be subject to mandatory tender not less than five days prior to the termination of the existing Liquidity Facility. This Official Statement does not describe the 2019 Series D Bonds when an Alternate Liquidity Facility in respect thereof is in place.

The Agency may also elect to provide liquidity support for any 2019 Series D Bonds from its own funds or by delivering a liquidity facility that does not meet the requirements of an Alternate Liquidity Facility. If the Agency makes an election, those 2019 Series D Bonds will be subject to mandatory tender prior to the expiration of the Liquidity Facility then in effect.

The Standby Bond Purchase Agreement

The Initial Liquidity Facility will be the Standby Bond Purchase Agreement. Appendix L to this Official Statement summarizes certain provisions of the Standby Bond Purchase Agreement, to which Appendix reference is made for the detailed provisions thereof. Certain information regarding the Initial Liquidity Provider appears in Appendix M to this Official Statement. **The Initial Liquidity Provider has no responsibility for the form and content of this Official Statement, other than solely with respect to the information describing itself set forth in "APPENDIX M – Certain Information Regarding the Initial Liquidity Provider", and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, other than solely with respect to the information describing itself set forth in "APPENDIX M – Certain Information Regarding the Initial Liquidity Provider", or omitted herefrom.**

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 the Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds, notes or other obligations), (b) all Program Obligations and Investment Obligations made or purchased from those 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 pursuant to a Series Resolution; and (e) all money, Investment Obligations, and other assets and income held in and receivables of Funds (other than the Alternative Loan Fund, except as otherwise provided in a Series Resolution), 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 a Series Resolution.

The Agency has no taxing power. The State 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 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 under the Bond Resolution or any Series Resolution (excluding the Insurance Reserve Fund, and, except to the extent otherwise provided in a Series Resolution, the Alternative Loan 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 Debt Service Reserve Requirement and Insurance Reserve Requirement; 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. The Agency may assume in a Cash Flow Certificate that, if Bonds of a Series are issued for purposes other than the Financing of Program Loans for the acquisition of owner-occupied housing, amounts to be deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund, unless otherwise provided in a Series Resolution) from sources not subject to the lien of the Bond Resolution will be available in amounts and at times sufficient to pay the Debt Service on Outstanding Bonds of that Series when due and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement, if any, in respect of Outstanding Bonds of that Series. As set forth more fully in "Appendix D — 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 deposit in the Alternative Loan Fund, in each case upon the filing with the Trustee a Cash Flow Certificate and a Parity Certificate.

Program Obligations

General information concerning the Agency's Residential Housing Finance Program and the types of Program Obligations that have been and are expected to be financed with the proceeds of the Series Bonds is provided below under the heading "The Residential Housing Finance Program." The Agency expects that approximately $___ million* in aggregate principal amount of Program Securities will be acquired with proceeds of the Series Bonds and approximately $_____ million* in aggregate unpaid principal amount of Transferred Program Obligations will be transferred within the Bond Resolution and credited to the 2019 Series A-B-C-D Acquisition Account as a result of the refunding of the Refunded Bonds. (See "Estimated Sources and Uses of Funds.") Additional information regarding GNMA, Fannie Mae and Freddie Mac and Program Securities and the current Master Servicer is contained in Appendix J to this Official Statement.

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* Preliminary; subject to change.

Investment Obligations

Bond proceeds and other funds held in the Acquisition Account, the Debt Service Reserve Fund, the Insurance Reserve Fund, the Revenue Fund, the Bond Fund, and the Redemption Fund under the Bond Resolution may be invested in Investment Obligations as defined in the Bond Resolution (see "Appendix D – Summary of Certain Provisions of the Bond Resolution – Certain Defined Terms").

Under the Bond Resolution, the Agency may direct the Trustee to invest funds held thereunder in investment agreements (sometimes referred to as "guaranteed investment contracts"), if that investment agreement does not adversely affect any ratings of the Bonds at the time of execution thereof. As of December 31, 2018, $546,450 on deposit in the Debt Service Reserve Fund held in respect of Bonds under the Bond Resolution is invested in an investment agreement with Transamerica Life Insurance Co.

There is no assurance that the providers of Investment Obligations held under the Bond Resolution will be able to pay principal of and interest on those Investment Obligations as provided therein. No representation is made as to the creditworthiness of any provider.

The failure of a provider to pay principal and interest when due under an Investment Obligation pertaining to the Acquisition Account could result in the Agency's inability to acquire Program Obligations in an amount necessary to fully secure the Bonds. A failure by a provider to pay amounts due under an Investment Obligation pertaining to the other Funds could result in the Agency's inability to pay debt service on the Bonds. All of the Agency's investment agreements contain "downgrade" provisions giving the Agency the right to withdraw all invested funds early if the provider's credit ratings are downgraded below specified levels and remedial action is not taken by the provider. Funds withdrawn from investment agreements under those circumstances will be invested in alternate Investment Obligations at the direction of the Agency.

Revenues

When Revenues are greater than the amount necessary to pay maturing principal of and interest on the Bonds, the Agency may use the excess, to the extent permitted by applicable federal tax law, to make or purchase additional Program Obligations or to redeem Bonds. If Revenues are less than the amount necessary to pay maturing principal of the Bonds, then either the Agency at its option may provide the amount necessary for that payment from (a) the General Reserve Account of the Agency, (b) the Alternative Loan Fund, or (c) from any other lawful source other than funds and accounts pledged pursuant to the Bond Resolution, or 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 the notice of redemption has been given, (ii) the Revenue Fund, (iii) the Debt Service Reserve Fund, and (iv) the Insurance Reserve Fund.

Debt Service Reserve Fund

The Bond Resolution creates and establishes a Debt Service Reserve Fund and provides that the Debt Service Reserve Requirement as of any date will be the sum of amounts established for each Series of Bonds by each Series Resolution. The aggregate Debt Service Reserve Requirement with respect to the Series Bonds is initially equal to $____,* being an amount equal to three percent of the expected aggregate unpaid principal amount of the Transferred Program Loans as of April 10, 2019; that amount equals _____ percent* of the initial principal amount of the Series Bonds. Thereafter, the Debt Service Reserve Requirement with respect to the Series Bonds, as of the date of calculation, is equal to _____ percent* of the aggregate principal amount of the then Outstanding Series Bonds. The balance in the Debt Service Reserve Fund on January 31, 2019, was $_____, which was at least equal to the Debt Service Reserve Requirement for all Series of Bonds then Outstanding.

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* Preliminary; subject to change.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The moneys held in or credited to a debt service reserve fund are to be used solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when those bonds are redeemed before maturity, provided that the moneys in that fund are not to be withdrawn therefrom at any time in an amount that would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency is not to issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of issuance does not equal or exceed the minimum amount required by the resolution creating the fund unless the Agency deposits in each debt service reserve fund at the time of issuance, from the proceeds of the bonds or otherwise, an amount that, together with the amount then in the fund, is not less than the minimum amount required. The Act further provides that:

> In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency ….

In the opinion of Bond Counsel and counsel to the Agency, under current law the State Legislature is legally authorized *but is not legally obligated* to appropriate those amounts.

Insurance Reserve Fund

The Bond Resolution creates and establishes an Insurance Reserve Fund to be used for the purpose of paying that portion of the claim for loss with respect to any defaulted Program Obligation that is not paid by a public or private insuring agency. As of any particular date of calculation, the Insurance Reserve Requirement is the sum of amounts, if any, established for each Series of Bonds by the applicable Series Resolution. The Insurance Reserve Requirement with respect to the Series Bonds is $0. Currently, there is no balance in the Insurance Reserve Fund, as there is no Insurance Reserve Requirement for any Series of Bonds Outstanding.

Additional Bonds

The Bond Resolution permits 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 (i) an Agency Certificate (in which the Agency may make certain assumptions permitted in a Cash Flow Certificate) certifying (a) that an amount equal to the Debt Service Reserve Requirement effective upon issuance of those Bonds will be on deposit in the Debt Service Reserve Fund and an amount equal to the Insurance Reserve Requirement effective upon issuance of those Bonds will be on deposit in the Insurance Reserve Fund, and (b) that estimated Revenues are in excess of required fund transfers and debt service on the Bonds in each Fiscal Year, and (ii) written confirmation that the then existing ratings of the Bonds will not be impaired. A Cash Flow Certificate need not be filed in connection with the issuance of additional Bonds unless the Series Resolution authorizing Bonds of the Series so provides.

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 therein or in a Series Resolution.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Owners 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 Owners 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 Owners, are fully met and discharged.

THE RESIDENTIAL HOUSING FINANCE PROGRAM

General

Under the Bond Resolution, the Agency may issue Bonds to finance Program Obligations in order to provide financing for housing for low and moderate income persons, including single family loans, home improvement loans, multifamily loans and other housing-related loans, and to secure those loans in the manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans that are unsecured. All Outstanding Bonds issued under the Bond Resolution are secured on an equal basis, except as otherwise expressly provided in the Bond Resolution or in a Series Resolution. Certain proceeds of the Series Bonds will be used to purchase Program Securities backed by single family mortgage loans and, as a result of refunding the Refunded Bonds, certain Transferred Program Obligations will be credited to the 2019 Series A-B-C-D Acquisition Account. (See "Estimated Sources and Uses of Funds.")

The following provides a general description of the Agency's Program in respect of the Program Securities backed by single family mortgage loans to be purchased with proceeds of the Series Bonds. *The Series Program Determinations governing the Program Obligations to be financed with proceeds of the Series Bonds may be revised by the Agency from time to time as provided in the Series Resolutions and, consequently, the following general description is subject to change*. The following description does not apply to the Transferred Program Loans that will be credited to the 2019 Series A-B-C-D Acquisition Account as a result of the refunding of the Refunded Bonds with certain proceeds of the Series Bonds.

History and Transition to "MBS" Model

The Agency's Program formerly provided funds for the purchase by the Agency of newly originated Program Loans at a price and bearing interest at rates established from time to time on the basis of the interest cost of the Bonds and local mortgage market conditions. Except with respect to home improvement loans, Program Loans purchased by the Agency historically have had 30-year terms. In 2006, however, the Agency implemented a program to offer Program Loans with 40-year terms. The Agency terminated the 40-year loan program in October 2008. Historically, the Agency has purchased Program Loans on terms resulting in an effective rate sufficient to pay the principal of and interest on the related Series of Bonds, the costs of servicing the Program Loans and other Program Expenses. The Agency may require the payment of discount points to reduce the overall interest rate on the Program Loans, provide adequate compensation to Lenders and defray Agency operation costs and expenses.

Effective for commitments made on or after September 1, 2009, the Agency changed its single-family mortgage lending program from a "whole loan" model to an "MBS" (mortgage-backed securities) model. 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. Pursuant to the Servicing Agreement, the Master Servicer is to acquire single family mortgage loans meeting Program requirements and pool those Program Loans into Program Securities to be purchased by the

Trustee on behalf of the Agency. (See "Procedures for Origination, Purchase and Pooling -- Program Securities" below.) For additional information regarding the Master Servicer, see Appendix J to this Official Statement.

Reimbursement of Advances of Agency Funds with Proceeds of Series Bonds

The Agency has purchased with its own funds Program Securities that are eligible to be financed with Bonds of approximately $____ million in unpaid principal balance of mortgage loans as of February 27, 2019, at pass-through interest rates ranging from ____ percent to ____ percent. The Agency expects that all funds credited to the 2019 Series A-B-C-D Acquisition Account will be disbursed by_____, 2019 to reimburse the Agency for the purchase of Program Securities.

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, currently HDS SF Web Application ("HDS"). Upon the Agency's implementation of the Enterprise Lending Center ("ELC"), estimated to occur in April 2019, new loan commitments will be processed in ELC. Each commitment request is subject to a review of the Agency's eligibility rules that are a part of HDS or ELC, as applicable. 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 HDS or ELC. 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. Unrefunded extension fees, if charged, 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	$94,300	$90,500	$84,200
3 or more Persons	$108,400	$104,000	$96,800

*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.

Credit underwriting must be in compliance with FHA, VA, USDA Rural Development (formerly the Rural Housing and Community Development Service), Fannie Mae, Freddie Mac or the insuring private mortgage insurance company and the Master Servicer's underwriting standards.

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 12 months and remains delinquent for four consecutive months thereafter, or if the loan is delinquent at the 12th month, does not become current and remains delinquent for four consecutive months thereafter. To date, Fannie Mae has requested that the Agency repurchase nine loans. Currently, the Agency has authority to purchase HFA Preferred Risk Sharing loans under an agreement with Fannie Mae that does not have an expiration date. 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.

Program Loans

Under the "whole loan" model utilized by the Agency until 2009, Program Loans were purchased from (1) Lenders including any bank, savings bank, credit union or mortgage company organized under the laws of Minnesota or the United States or nonprofit licensed by the State of Minnesota, and any mortgagee or lender approved or certified by the Secretary of Housing and Urban Development or by the Administrator of Veterans Affairs, or (2) any agency or instrumentality of the United States or the State.

Subject to the right of the Agency to modify the terms of Program Loans (see Appendix D – Summary of Certain Provisions of the Bond Resolution – Program Loans; Modification of Terms) under applicable Series Resolutions, the Agency must take or require a Servicer to take all measures, actions and proceedings reasonably necessary and deemed by it to be most effective to recover the balance due on a Defaulted Program Loan, including the curing of the default by the Mortgagor, foreclosure of the Mortgage, acceptance of a conveyance in lieu of foreclosure, sale of the Mortgage, renting or selling the Home, collection of any applicable mortgage insurance or guaranty, and preservation of the title to and value of the Home pending recovery of the balance of the Defaulted Program Loan. (See "State Laws Affecting Foreclosures" in Appendix E to this Official Statement.)

The Transferred Program Loans are Program Loans and are not Program Securities.

Acquisition of Program Securities

Under the "MBS" model, the Trustee, on behalf of the Agency, is to purchase mortgage-backed GNMA I and GNMA II-Custom Pool securities, guaranteed as to timely payment of principal of and interest by GNMA, mortgage-backed Fannie Mae Securities, guaranteed as to payment of principal and interest by Fannie Mae, and mortgage-backed Freddie Mac Securities, guaranteed as to payment by Freddie Mac (each a Program Security), each of which is backed by pools of mortgage loans that have been made by Lenders to qualified borrowers to finance the purchase of single family residential housing located in the State, in accordance with the Servicing Agreement, the Participation Agreements, the Manual and other Program documents. For additional information regarding GNMA, Fannie Mae, Freddie Mac, Program Securities and the Master Servicer, see Appendix J to this Official Statement.

During the Delivery Period, the Master Servicer is to acquire Program Loans from Lenders and pool the Program Loans into Program Securities as provided in the Servicing Agreement. The Trustee is to disburse moneys from the 2019 Series A-B-C-D Acquisition Account for the acquisition of Program Securities pursuant to the Servicing Agreement. The Trustee is to pay the Master Servicer an amount equal to between 101.5 percent and 103.5 percent of the principal amount of each Program Security acquired from the Master Servicer, plus accrued interest, if any, and any applicable fees or charges payable to a Federal Mortgage Agency and not paid by the mortgagor.

The Agency may at any time transfer any proceeds of the Series Bonds in the 2019 Series A-B-C-D Acquisition Account to the Bond Redemption Fund to be applied to the redemption of Series Bonds. In addition, the Agency will transfer any remaining proceeds of the Series Bonds in the 2019 Series A-B-C-D Acquisition Account to the Bond Redemption Fund to be applied to the redemption of Series Bonds at the end of the Delivery Period; provided that the Agency may (instead of redeeming Series Bonds from unexpended proceeds) extend the Delivery Period with respect to all or any portion of the unexpended amounts remaining in the 2019 Series A-B-C-D Acquisition Account, for the period or periods as the Agency determines consistent with the final sentence of this paragraph, but only if the Agency has delivered to the Trustee on or prior to the expiration of the then-current Delivery Period an Agency Certificate (i) designating the new ending date for the Delivery Period, (ii) certifying that the Agency has received a Cash Flow Certificate and a Parity Certificate confirmed by an investment banking firm, financial consulting firm or accounting firm, in each case nationally recognized with respect to the cash-flow analysis of qualified mortgage bonds, that shows that the extension will not adversely affect the availability of Revenues sufficient to make timely payment of principal of and interest on the Outstanding Bonds in the current and each subsequent Fiscal Year, and that at all times the assets of the Program will equal or exceed the liabilities of the Program, which Cash Flow Certificate and Parity Certificate must accompany the Agency Certificate; (iii) certifying that, to the extent necessary to satisfy the requirements of the Cash Flow Certificate and each Rating Agency then

rating the Bonds, an Investment Obligation has been arranged for investment of amounts in the 2019 Series A-B-C-D Acquisition Account to a date not earlier than the ending date of the extended Delivery Period; (iv) designating the amount of any additional deposits required by the Cash Flow Certificate, the Parity Certificate and each Rating Agency then rating the Bonds to be made into funds held under the Resolutions in connection with that extension, which deposits must be made on or before the date of expiration of the then-current Origination Period and only from the Agency's funds; and (v) certifying that the Agency has notified each Rating Agency then rating the Bonds that the extension is being planned and has provided copies of the Cash Flow Certificate and Parity Certificate to each Rating Agency then rating the Bonds, together with any other documentation as each Rating Agency then rating the Bonds may request, and has received written confirmation that the Rating of Outstanding Bonds will not be impaired by the extension of the Delivery Period. On any date or dates subsequent to any extension of the Delivery Period, the Agency may transfer any unexpended proceeds relating to the Series Bonds remaining in the 2019 Series A-B-C-D Acquisition Account to the Bond Redemption Fund to be applied to redemption of Series Bonds. At the end of the Delivery Period, including any extension thereof, the Trustee is to transfer all amounts relating to the Series Bonds remaining in the 2019 Series A-B-C-D Acquisition Account to the Bond Redemption Fund to be applied to the redemption of Series Bonds. The Delivery Period may not be extended beyond the date set forth in the definition under "Certain Defined Terms" in Appendix D to this Official Statement.

The Agency may participate each Program Security between 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 Program Security secured, but those interests need not be equal as to interest rate.

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	$328,200
Balance of State	$271,100

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 the required amount of the proceeds of the Series Bonds 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 is required by federal law, any moneys remaining unused may be made available to finance the purchase of residences located anywhere within the State, or may be used to redeem Bonds.

Servicing of Program Loans

Under the Program, the Agency has set forth requirements for the servicing and accounting of Program Loans in a Servicing Manual. Servicing may be granted to Lenders that demonstrate adequate technical capability to the Agency's satisfaction. Each Servicer must maintain at all times a fidelity bond and an errors and omissions policy issued by a company having a current rating in Best's Insurance Reports of A/AAA or better. Servicers are required to ensure that mortgagors maintain on each home a hazard insurance policy providing fire and extended coverage equal to or greater than that customary in the geographic area in which the home is located. Servicers are required to advise the Agency if a home is exposed to a risk not otherwise covered by the hazard insurance policy and the Agency may require additional coverage.

The Agency requires its Servicers to supply reports and other data sufficient to reconcile the transactions within its loan portfolio. Servicers remit mortgage collections daily to the Trustee. The Agency may, at any time, terminate a servicing agreement and re-assign servicing. Under the Program, Servicers will receive as compensation a monthly servicing fee not to exceed 0.375 percent/12 of the outstanding principal amount of Program Loans they service.

The Agency has established specific requirements for Servicers regarding the procedures to be followed in cases involving delinquencies. In addition to a monthly report requirement, Servicers are required, by following the Agency's procedures, to bring a delinquency current in the shortest practicable time. Servicers use the following tools in an effort to bring delinquencies current: borrowers may be referred to foreclosure prevention counselors, Servicers may, in some cases, accept partial payments, set up repayment plans with borrowers, enter into forbearance agreements, originate deferred payment second mortgage loans funded with Agency funds, modify the delinquent loan, approve a short sale and accept a deed-in-lieu of foreclosure. The Agency has significant flexibility under the Bond Resolution to modify the terms of a loan, including interest rate reductions, extension of loan term and principal forgiveness. (See "Security for the Bonds—Modification of Terms of Program Loans" in this Official Statement.)

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 Appendix J to this Official Statement. The Series Resolutions provide 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 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.")

Mortgage Loan Portfolio and Acquired Program Securities

As of December 31, 2018, the Agency had outstanding Program Loans receivable of $[483,327,000] gross, which were financed from the proceeds of Bonds. As of December 31, 2018, there were no uncommitted proceeds from previous bond sales under the Bond Resolution available for commitment. Certain information relating to mortgage insurance and delinquency and foreclosure statistics for the single family mortgage whole loan portfolio funded by Bonds is contained in Appendix H to this Official Statement.

In addition, as of December 31, 2018, 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 [UPDATE AMOUNTS]:

	Principal Amount Outstanding	Percentage
GNMA II	$319,072,000	50.03%
GNMA I	112,454,000	17.63
FNMA	201,759,000	31.64
FHLMC	4,448,000	0.70
Total	$637,733,000	100.00%

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. 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 December 31, 2018, the Homeownership Finance Bond Fund had $[1,384,731,000] in outstanding principal amount of mortgage-backed securities, which were financed from the proceeds of the Agency's homeownership finance bonds. As of December 31, 2018, the Agency had outstanding home improvement loans receivable of $[68,304,000] 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 has initiated its Step Up program in 2012 under which the Agency purchases mortgage loans made to mortgagors who do not qualify for its Start Up Program, including in connection with refinancing of an existing mortgage loan. 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 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 $15,000.

TAX EXEMPTION AND RELATED CONSIDERATIONS

The Tax-Exempt Series Bonds

The Code establishes certain requirements that must be met subsequent to the issuance of the Tax-Exempt Series 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 Tax-Exempt Series 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 Tax-Exempt Series 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 Tax-Exempt Series Bonds. The Agency will covenant, as described below, that the Program Loans financed by the proceeds made available upon the issuance of the Tax-Exempt Series 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 Tax-Exempt Series 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. In addition, 95 percent or more of the proceeds of the issue used to make loans must be used to finance residences that met all those requirements at the time the loans were executed. 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 Tax-Exempt Series Bonds. The Agency has covenanted in the Resolutions to do all things necessary to assure that interest paid on the Tax-Exempt Series Bonds will 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 Tax-Exempt Series Bonds to ensure that interest on the Tax-Exempt Series 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 Tax-Exempt Series 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 Tax-Exempt Series 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 Tax-Exempt Series 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 Tax-Exempt Series Bonds, on the date of issuance of the Tax-Exempt Series 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 Tax-Exempt Series 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 (i) interest on the 2019 Series A Bonds will be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code and (ii) interest on the 2019 Series B Bonds and the 2019 Series D Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code.

In addition, in the opinion of Bond Counsel, interest on the Tax-Exempt Series Bonds is not includable in the taxable net income of individuals, trusts and estates for State income tax purposes. Interest on the Tax-Exempt Series Bonds is includable in the income of corporations and financial institutions for purposes of the State franchise tax. Interest on the 2019 Series B Bonds and the 2019 Series D Bonds is not includable in the State alternative minimum taxable income of individuals, estates and trusts.

A form of the Bond Counsel opinion with respect to the Tax-Exempt Series Bonds is attached hereto as Appendix G.

Although Bond Counsel is rendering an opinion that the interest on the Tax-Exempt Series Bonds, as described above, is not included in gross income for federal, and in some cases, State, income tax purposes, the accrual or receipt of interest on the Tax-Exempt Series 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 those consequences. Purchasers of the Tax-Exempt Series 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 Tax-Exempt Series Bonds.

Tax Treatment of Premium on PAC Bonds

The PAC Bonds are expected to be sold at a premium. An investor that acquires a PAC Bond for a cost greater than its remaining stated redemption price at maturity and holds the PAC Bond as a capital asset will be considered to have purchased the PAC Bond at a premium and, under Section 171 of the Code, must generally amortize that premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Regulations have been issued dealing with certain aspects of federal income tax treatment of bond premium, but those regulations do not fully address the method to be used to amortize bond premium on obligations such as the PAC Bonds. Therefore, investors should consult their tax advisors regarding the tax consequences of amortizing bond premium.

Certain State Tax Legislation

The State, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, the State enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of State governmental units and Indian tribes be included in the net income of individuals, estates and trusts for State income tax purposes if a court determines that the State'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 Tax-Exempt Series 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 the State's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If the State'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 State bond interest, application of the 1995 statute to subsequent years could cause interest on the Tax-Exempt Series Bonds to become taxable by the State and the market value of the Tax-Exempt Series 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 Tax-Exempt Series Bonds from realizing the full current benefit of the tax treatment of the Tax-Exempt Series Bonds or adversely affect the market value of the Tax-Exempt Series 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 Tax-Exempt Series 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 Tax-Exempt Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Tax-Exempt 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 Tax-Exempt 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.

The Taxable Series Bonds

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Taxable Series 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 Taxable Series 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 Taxable Series 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 Taxable Series Bond. A "non U.S. holder" is a holder (or beneficial owner) of a Taxable Series 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 Taxable Series 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 Taxable Series Bonds (including original issue discount treated as interest) will be fully subject to federal income taxation. Thus, owners of the Taxable Series Bonds generally must include interest (including original

issue discount treated as interest) on the Taxable Series Bonds in gross income for federal income tax purposes.

Characterization as Indebtedness

The Agency intends for applicable tax purposes that the Taxable Series Bonds will be indebtedness of the Agency secured by the pledged Program Obligations and other assets. The owners of the Taxable Series Bonds, by accepting Taxable Series Bonds, have agreed to treat the Taxable Series Bonds as indebtedness of the Agency for federal income tax purposes. The Agency intends to treat this transaction as a financing reflecting the Taxable Series Bonds as its indebtedness for tax and financial accounting purposes. Bond Counsel is of the opinion that the Taxable Series 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 Taxable Series 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. That entity, the IRS could assert, should be characterized as an association or publicly traded partnership taxable as a corporation. In that 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 Taxable Series Bonds. Any such tax could materially reduce cash available to make payment on the Taxable Series Bonds.

In the opinion of Bond Counsel, the Taxable Series Bonds will not be treated as a taxable mortgage pool within the meaning of Section 7701(i) of the Code.

Taxation of Interest Income of the Taxable Series Bonds

Payments of interest with regard to the Taxable Series 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 Taxable Series 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 that 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 Taxable Series Bonds that are subject to acceleration by virtue of prepayment of the

Program Obligations). Holders of the Taxable Series 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 that calculation.

Payments of interest received with respect to the Taxable Series 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 Taxable Series Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the Taxable Series Bonds.

Individuals, estates or trusts owning the Taxable Series 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 Taxable Series Bonds, gain realized from a sale or other disposition of the Taxable Series Bonds and other income realized from owning, holding or disposing of the Taxable Series 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 Taxable Series Bonds should consult with their tax advisor concerning this Medicare Tax as it may apply to interest earned on the Taxable Series Bonds as well as gain on the sale of a Taxable Series Bond.

A purchaser (other than a person who purchases a Taxable Series Bond upon issuance at the issue price) who buys a Taxable Series 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 Taxable Series Bonds.

Sale or Exchange of the Taxable Series Bonds

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

If the terms of a Taxable Series 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 that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those that involve the substitution of collateral. Each potential holder of a Taxable Series Bond should consult its own tax advisor concerning the circumstances in which the Taxable Series Bonds would be deemed reissued and the likely effects, if any, of that reissuance.

The legal defeasance of the Taxable Series Bonds may result in a deemed sale or exchange of those Taxable Series Bonds under certain circumstances. Holders of those Taxable Series 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 Taxable Series 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

Taxable Series 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 that is treated as having accrued with respect to that 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 that 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 that are determined by reference to the maturity date of that 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 that Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of that 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 that Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on that Discounted Obligation the sum of the amounts that have been treated as original issue discount for those purposes during all prior periods. If a Discounted Obligation is sold between semiannual compounding dates, original issue discount that 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 that 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 those 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 those 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

Taxable Series 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 that Premium Obligation. A purchaser of that Premium Obligation has the option to amortize any premium over that 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 that 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 that 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 those Premium Obligations.

State, Local or Foreign Taxation

No representations are made regarding the tax consequences of purchase, ownership or disposition of the Taxable Series 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 Taxable Series Bonds should consult their own tax advisors regarding those tax consequences.

Tax-Exempt Investors

In general, an entity that 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 that is not substantially related to the purpose that forms the basis for that 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 that gave rise to that interest is subject to acquisition indebtedness. Therefore, except to the extent any holder of a Taxable Series Bond incurs acquisition indebtedness with respect to a Taxable Series Bond, interest paid or accrued with respect to that holder may be excluded by that tax exempt holder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a Taxable Series 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 those 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 Taxable Series 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, those 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 Taxable Series 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 Taxable Series 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 Taxable Series Bonds are acquired by those 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 Taxable Series Bonds. The sale of the Taxable Series 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 Taxable Series Bonds should consult with its counsel to confirm that that 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 Taxable Series Bonds is includable in the taxable net income of individuals, trusts and estates for State income tax purposes. That interest is also includable in the income of corporations and financial institutions for purposes of the State 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 opinions of Kutak Rock LLP, Bond Counsel. The opinion of Bond Counsel will be provided in substantially the form set forth in Appendix F attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Dorsey & Whitney LLP.

RATINGS

The 2019 Series ABC Bonds are rated " " by Moody's Investors Service, Inc. ("Moody's"), and " " by S&P Global Ratings, Inc. ("S&P"), and the 2019 Series D Bonds are rated "__" by Moody's and " " by S&P. The short-term ratings assigned to the 2019 Series D Bonds are conditioned upon the issuance by the Initial Liquidity Provider of the Standby Bond Purchase Agreement. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. There can be no assurance that any 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 the rating agency, circumstances so warrant. Therefore, after the date hereof, investors should not assume that those ratings are still in effect. A downward revision or withdrawal of either 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 any 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 C 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., Wells Fargo Bank, National Association and J.P. Morgan Securities LLC (collectively, the "Underwriters") will purchase from the Agency, and the Agency will sell to the Underwriters, all of the Series Bonds for the public offering prices stated on the inside front cover of this Official Statement. The Agency will pay the Underwriters 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 those public offering prices.

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 ("WFC").

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of WFC and its subsidiaries, including WFBNA, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of WFBNA, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA is also serving as Trustee for the Series Bonds. WFBNA will be compensated separately for serving in each capacity.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series Bonds that that firm sells.

RBC Capital Markets, LLC, an underwriter of the Series Bonds and the initial Remarketing Agent for the 2019 Series D Bonds, is a subsidiary of Royal Bank of Canada, the Initial Liquidity Provider and the Swap Counterparty.

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 execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By _____
Commissioner

Dated: March __, 2019.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2018

APPENDIX B

FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY

(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)

AS OF DECEMBER 31, 2018

AND FOR THE SIX MONTHS THEN ENDED (UNAUDITED)

AS PREPARED BY THE AGENCY'S ACCOUNTING DEPARTMENT

APPENDIX C

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 that fiscal year of a type substantially similar to that under the heading "The Residential Housing Finance Program—Mortgage Loan Portfolio and Acquired Program Securities" in the Official Statement; information of the type set forth in Appendix H to the Official Statement relating to mortgage insurance and delinquency and foreclosure statistics for the single family mortgage whole loan portfolio funded by Bonds; information of the type set forth in Appendix I to the Official Statement relating to liquidity facilities for outstanding Bonds; and information of the type set forth in the chart labeled "Investment Agreement Providers" under the heading "Security for the Bonds – Investment Obligations" in the Official Statement concerning funds held in respect of Bonds under the Bond Resolution in investment agreements.

"*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, that 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 that person or entity provides to the Trustee evidence of that 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.

"*Financial Obligation*" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

"*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 actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

"*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as described under the heading "Listed Events Disclosure" in this Appendix C.

"*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 another address or addresses as the MSRB may from time to time specify), the electronic format, accompanied by the identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of that 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 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) for each fiscal year of the Agency, commencing with the fiscal year ending June 30, 2019, by one of the following methods: (i) the Agency may deliver that 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 that Official Statement includes that Annual Financial Information and Audited Financial Statements.

The Agency shall deliver the information in Prescribed Form and by the time so that those 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 that 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 that 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 that redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution. In addition, notice of the mandatory sinking fund redemption of certain 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 that 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 that disclosure, the names of the entities with whom that disclosure was filed and the date of filing that disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following statements are brief summaries of certain provisions of the Bond Resolution. Terms defined herein are identical in all material respects with the definitions in the Bond Resolution or the Series Resolutions.

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 or (ii) setting forth matters to be determined by the Agency or an Authorized Officer pursuant to the Bond Resolution or (iii) requesting or directing the Trustee or other party to take action pursuant to the Bond Resolution.

Agency Swap Payment: A payment due to a Swap Counterparty from the Agency pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

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.

Bondowner or *Owner*: The registered owner of any outstanding Bond or Bonds which at the time is registered on the registration books maintained by the Trustee.

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 the Insurance Reserve Fund and, except to the extent otherwise provided in a Series Resolution, the Alternative Loan 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 Debt Service Reserve Requirement and Insurance Reserve Requirement; provided that, to the extent specified in a Series Resolution, a Fund or Account (other than those 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. The Agency may assume in a Cash Flow Certificate that, if Bonds of a Series are issued for purposes other than the Financing of Program Loans for the acquisition of owner-occupied housing, amounts to be deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund or, unless otherwise provided in a Series Resolution) from sources not subject to the lien of the Bond Resolution will be available in amounts and at times sufficient to pay the Debt Service on Outstanding Bonds of such Series when due and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement, if any, with respect to Outstanding Bonds of such Series.

Code: The Internal Revenue Code of 1986, as amended, and the applicable temporary, proposed and final Treasury regulations promulgated thereunder or applicable thereto.

Counterparty Swap Payment: A payment due to or received by the Agency from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement) and amounts received by the Agency under any related Swap Counterparty Guarantee.

Debt Service Reserve Requirement: As of any particular date of computation, the sum of amounts established for each Series of Bonds by each Series Resolution.

Defaulted Program Loan: A Program Loan on which payments are 60 days in arrears (but not a Program Loan as to which all defaults have been cured to the satisfaction of the Agency).

Delivery Period: For the Series Bonds, the period of time for the purchase of Program Securities from the Master Servicer; the Delivery Period shall end on June 1, 2019 unless extended by the Agency pursuant to the Series Resolutions; provided the Delivery Period may not be extended beyond June 1, 2021.

Fannie Mae: The Federal National Mortgage Association, 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: The Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Farmers Home Mortgage Corporation 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 corporate instrumentality 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 wholly owned corporate instrumentality 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.).

Insurance Reserve Requirement: As of any particular date of computation, the sum of amounts, if any, established for each Series of Bonds by the Series Resolution.

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) Direct obligations of, or obligations the timely payment of principal and interest on which are insured or guaranteed by, the United States of America;

(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 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 any Fiduciary) 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 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 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 subparagraphs (a) or (b) 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) or (b) 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 Bonds.

Lender: To the extent permitted in the Act, any bank or trust company, savings and loan association, savings bank, credit union, insurance company or other financial intermediary (whether or not organized for profit) approved by the Agency or mortgage banker or mortgage broker authorized to deal in mortgage loans insured or guaranteed by an agency of the United States government. Such Lender shall be authorized to do business in the State, and shall have such qualifications as may be established from time to time by rules and regulations of the Agency. For purposes of the Bond Resolution, Lender shall also be deemed to include any federal or state agency, including the Agency, or any political subdivision of the State or agency thereof.

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 Debt Service Reserve Fund, (ii) the unpaid principal amount of all Program Obligations credited to the Acquisition Accounts (other than any Acquisition Account funded with moneys transferred from the Alternative Loan Fund), 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.

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 in such manner as the Agency may specify in the applicable Series Resolution for Program Loans to be made from the proceeds of a Series of Bonds.

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, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

Rating: With respect to any Series of Bonds, the rating issued by a Rating Agency in force immediately prior to the proposed action to be taken by the Agency under the Bond Resolution, and an action which does not "impair" the Rating with respect to any Series of Bonds shall be an action which will not cause the Rating Agency to lower or withdraw the rating it has assigned to the Series of Bonds.

Rating Agency: Any nationally recognized entity which, upon the request of the Agency, has issued a credit rating on any Series of Bonds issued pursuant to the Bond Resolution.

Revenues: With respect to the Outstanding Bonds, all payments, proceeds, rents, premiums, penalties, charges and other cash income received by the Agency from or on account of any Program Obligation (including scheduled, delinquent and advance payments of, and any net insurance or guaranty proceeds with respect to, principal and interest on any Program Obligation or the net operating income or net proceeds of sale of any property acquired thereunder) (exclusive, however, of Program Obligations, if any, credited to the Alternative Loan Fund), any Counterparty Swap Payments received from any Swap Counterparty pursuant to a Swap Agreement, any amounts deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund, except as otherwise provided in a Series Resolution) from sources not subject to the lien of the Bond Resolution, and 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 Alternative Loan Fund, except as otherwise provided in a Series Resolution), but excludes (i) any amount retained by a servicer (including the Agency) of any Program Obligation as compensation for services rendered in connection with such Program Obligation, (ii) any payments for the guaranty or insurance of any Program Obligation, (iii) 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, (iv) amounts payable with respect to a Program Obligation which 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 (v) 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 Resolution: A resolution of the Agency authorizing the issuance and delivery of Bonds pursuant to the Bond Resolution.

Swap Agreement: With respect to any Bonds, an interest rate exchange agreement between the Agency and a Swap Counterparty, as amended or supplemented, or other interest rate hedge agreement between the Agency and a Swap Counterparty, as amended or supplemented, for the purpose of converting, in whole or in part, (i) the Agency's fixed interest rate liability on all or a portion of any Bonds to a variable rate liability, (ii) the Agency's variable rate liability on all or a portion of any Bonds to a fixed rate liability or (iii) the Agency's variable rate liability on all or a portion of any Bonds to a different variable rate liability.

Swap Counterparty: Any Person with whom the Agency shall from time to time enter into a Swap Agreement, as specified in a Series Resolution.

Swap Counterparty Guarantee: A guarantee in favor of the Agency given in connection with the execution and delivery of a Swap Agreement, as specified in a Series Resolution.

Series Accounts

Unless otherwise provided in a Series Resolution, the Trustee shall establish within each Fund under the Bond Resolution (other than the Alternative Loan 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, unless such Bonds are Refunding Bonds for which no such account is necessary, establish a separate Acquisition Account to be held by the Trustee. There shall be deposited from time to time in each 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 or, if a Series Resolution so provides, to the Alternative Loan Fund. 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 is registered in the name of the Trustee or is registered in the name of the Agency and delivered to the Trustee with a written assignment thereof to the Trustee pursuant to the Bond Resolution from and after the date such Program Security is Financed hereunder. In addition, no Program Security shall be Financed unless such 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.

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 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 such Acquisition Account pursuant to such requisition is a proper charge thereon and, if such requisition is made to Finance the acquisition of Program Obligations, that (i) the terms of such 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) such 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 Debt Service Reserve Fund or Insurance Reserve Fund, which Request shall state that such transfer is appropriate to meet the requirements of said 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 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.

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 Debt Service Reserve Fund, the amount, if any, needed to increase the amount therein to the Debt Service Reserve Requirement;

(4) on any date, assuming any prior transfers required pursuant to subsections (1), (2) and (3) above have been made, to the Insurance Reserve Fund, the amount, if any, needed to increase the amount therein to the Insurance Reserve Requirement;

(5) unless otherwise expressly provided in the Series Resolution in respect of a Series of Bonds to which the Swap Agreement relates in whole or in part, on or before the applicable due dates, assuming any prior transfers required pursuant to subsections (1), (2), (3) and (4) above have been made, to any Swap Counterparty, the Agency Swap Payments due from time to time pursuant to a Swap Agreement; 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 in this section.

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 (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 deposit in the Alternative Loan 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 who 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 amount of the Outstanding Bonds, if any, maturing on or before said Principal Installment Date and shall cause the same to be applied to the payment of the principal amount of said Bonds when due and is authorized to transmit the same to any Paying Agents who 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).

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, 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 Debt Service Reserve Fund or Insurance Reserve Fund the amount stated in such Request, which amount shall be no greater than the amount by which the Debt Service Reserve Requirement or Insurance 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 or deposit or moneys in each Bond Redemption Fund in the Bond Fund shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

Debt Service Reserve Fund

There shall be deposited in the Debt Service 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 Debt Service 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 Debt Service Reserve Fund shall be in excess of the Debt Service 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 Debt Service Reserve Requirement may be funded through Cash Equivalents. For purposes of determining whether such Requirement has been met, the amount in the Debt Service 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 Debt Service Reserve Fund shall, to the extent the balance therein is less than the Debt Service Reserve Requirement, be retained in the Debt Service Reserve Fund and otherwise shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

In order better to secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 3 of the Act, the Agency shall cause the Chair annually, on or before December 1 of each year, to make and deliver to the Governor of the State the Chair's certificate stating the sum, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. All money received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 3 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund.

Notwithstanding the provisions of the foregoing paragraph, prior to causing the Chair to execute and deliver the certificate specified therein, the Agency shall first transfer to the Debt Service Reserve Fund from the Alternative Loan Fund such amount as may be available therein to reduce or eliminate, if possible, the deficiency in the Debt Service Reserve Fund.

Insurance Reserve Fund

The Insurance Reserve Requirement, if any, received by the Trustee upon the issuance of a Series of Bonds shall be held in the Insurance Reserve Fund and used for the purpose of paying that portion of the claim for loss with respect to any Program Loan in default, made or purchased from an Acquisition Account, which is not paid by any public or private insuring agency. The Agency shall promptly furnish to the Trustee an Agency Certificate stating the amount of the loss, when determinable, and the Trustee shall forthwith transfer this amount to the extent available from the Insurance Reserve Fund to the Revenue Fund.

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 Insurance 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 Insurance Reserve Fund shall be in excess of the Insurance 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 Insurance Reserve Requirement may be funded through Cash Equivalents. For purposes of determining whether such Requirement has been met, the amount in the Insurance 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 Insurance Reserve Fund shall, to the extent the balance therein is less than the Insurance Reserve Requirement, be retained in the Insurance Reserve Fund and otherwise shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

Alternative Loan Fund

The Trustee shall maintain the Alternative Loan Fund created within the Bond Resolution and shall deposit therein any amounts authorized by an Agency Certificate to be withdrawn from the Revenue Fund in accordance with the Resolution and any other amounts provided by the Agency for deposit therein. Amounts on deposit in the Alternative Loan Fund shall be free and clear of any lien or pledge created by the Bond Resolution, and free and clear of any restrictions on the investment of funds set forth in the Bond Resolution. Amounts deposited into the Alternative Loan 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 and, pending such use, may be invested in any securities or investments permissible generally for the investment of funds of the Agency as specified by Agency Certificate. By Agency Certificate furnished to the Trustee, the Agency may at any time appropriate any funds and investments on deposit in the Alternative Loan Fund to any Account or Fund created pursuant to the Bond Resolution (in which case such funds and investments shall become subject to the lien and pledge thereof) 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.

The Agency, by Agency Certificate, may request the Trustee to establish one or more subaccounts in the Alternative Loan 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 Alternative Loan 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 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. Unless otherwise confirmed in writing, an account statement delivered by the Trustee to the Agency shall be deemed written confirmation by the Agency that investment transactions identified therein accurately reflect the investment directions given to the Trustee pursuant to the terms of the Bond Resolution, unless the Agency notifies the Trustee in writing to the contrary within 45 days of the date of such settlement.

The Investment Obligations purchased shall be held by the Trustee and shall be deemed at all times to be part of such 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 and 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, 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 purchased.

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 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.

Program Loans; Modification of Terms

The Agency may consent to the modification of the security for, or any terms or provisions of, one or more Program Loans but only if (1) the Agency reasonably determines that the modification will not be materially adverse to the security or other interests of Owners of Outstanding Bonds, and (2) the modification does not impair any contract of insurance or guaranty of the Program Loan.

Any such modifications shall be reflected in the next Cash Flow Certificate which the Agency is required to prepare and provide to the Trustee pursuant to the provisions of the Bond Resolution; provided, however, that if the cumulative effect of such modifications not reflected in a Cash Flow Certificate previously delivered to the Trustee would reduce estimated Revenues from the Program Loans so modified by more than $500,000 in the current or any future Fiscal Year, then the Agency may not consent to such modifications until it has delivered a Cash Flow Certificate to the Trustee reflecting such modifications.

Sale of Program Obligations

The Agency may at any time sell, assign or otherwise dispose of a Program Obligation (or the premises to which such Program Obligation is related):

(i) in the event that payment under such Program Loan is delinquent more than 90 calendar days or, at any time, in order to realize the benefits of insurance with respect to such Program Obligation or property;

(ii) 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 corresponding to the value of such Program Obligation as reasonably estimated by the Agency; or

(iii) in the event that a Certificate of the Agency shall be filed with the Trustee, and each Rating Agency, which gives effect to the proposed sale 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 and as due and payable and reasonable and necessary Program Expenses.

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

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 Swap Payments to a Swap Counterparty pursuant to a Swap Agreement, the Agency may grant to the Swap Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondowners) in all or any of the collateral pledged to the payment of the Bonds under the Bond Resolution.

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 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 25% 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 item (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 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 25% 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 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 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 continuance 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 which 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 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 which 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.

Amendments

Amendments of the Resolutions may be made by a Supplemental Resolution.

Supplemental Resolutions may become effective upon filing with the Trustee if they add limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution or Series Resolution, add covenants and agreements of the Agency in the Bond Resolution or Series Resolution that are not contrary to or inconsistent with the Bond Resolution or the applicable Series Resolution in effect at the time, add limitations and restrictions to be observed by the Agency, surrender any right, power or privilege reserved to or conferred upon the Agency or are reasonably necessary to preserve the tax exemption of Outstanding Bonds or permit the issuance of additional tax exempt Bonds.

Supplemental Resolutions become effective upon consent of the Trustee for the following purposes:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution or any Series Resolution;

(2) 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;

(3) 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; and

(4) 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.

APPENDIX E

MORTGAGE INSURANCE PROGRAMS AND STATE LAWS AFFECTING FORECLOSURES

The following description of certain mortgage insurance programs is only a brief outline and does not purport to summarize or describe all of the provisions of these programs. For a more complete description of the terms of these programs, reference is made to the provisions of the insurance and guaranty contracts embodied in regulations of the Federal Housing Administration ("FHA"), Rural Development ("RD") and the Veterans Administration ("VA"), respectively, and of the regulations, master insurance contracts and other information of the various private mortgage insurers. Program Loans purchased by the Agency are not limited by the Resolutions to the foregoing programs and it is possible that insurance benefits under other federal or private programs in which the Agency may participate could be more or less favorable.

While all Program Loans are subject to the applicable mortgage insurance programs, Program Loans that back Program Securities are further guaranteed by GNMA, Fannie Mae or Freddie Mac as further described in Appendix J to this Official Statement.

Federal Housing Administration Single-Family Mortgage Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ in some respects depending primarily upon whether the mortgaged premises contain five or more dwelling units or less than five units.

The regulations governing all of the FHA programs under which the mortgage loans may be insured provide that insurance benefits are payable upon foreclosure (or other acquisition of possession) and conveyance of the mortgaged premises to the Department of Housing and Urban Development ("HUD").

Under some of the FHA insurance programs, insurance claims are paid by HUD in cash, unless the mortgage holder specifically requests payment in debentures issued by HUD. Under others, HUD has the option, at its discretion, to pay insurance claims in cash or in those debentures. The current HUD policy, subject to change at any time, is to make insurance payments on single family mortgage loans in cash, with respect to all programs covering those units as to which it has discretion to determine the form of insurance payment.

HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debenture interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher. The HUD debenture interest rates applicable to the FHA insured mortgages that the Agency has acquired or committed to acquire are in most cases lower than the interest rates of those mortgages.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of institution of foreclosure proceedings or acquisition of the property. The mortgage holder generally is not compensated for mortgage interest accrued and unpaid prior to that date. Under those circumstances, the amount of insurance benefits generally paid by FHA is equal to the unpaid principal amount of the mortgage loan, adjusted to reimburse the mortgagee for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgagee after default, plus reimbursement not to exceed 2/3 of the mortgagee's foreclosure costs. The regulations under all insurance programs described above provide that the insurance payment itself bears interest from the date of default, to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When any property to be conveyed to HUD has been damaged by fire, earthquake, flood or tornado, or, if the property has suffered damage because of failure of the mortgage holder to take action to inspect and preserve the property, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by

the mortgage holder prior to the conveyance or assignment. For mortgages insured on or after April 19, 1992, if the property has been damaged during the mortgage holder's possession by events other than fire, flood, earthquake or tornado notwithstanding reasonable action by the mortgage holder, HUD may require the mortgage holder to repair the property prior to conveyance to HUD as a condition to payment of an insurance claim.

Veterans Administration Guaranty Program

The Serviceman's Readjustment Act of 1944, as amended, permits a veteran (or, in certain instances, his or her spouse) to obtain a mortgage loan guaranteed by the VA covering mortgage financing of the purchase of a one to four family dwelling unit at interest rates agreed upon by the purchaser and the mortgagee, as the VA may elect. The program has no mortgage loan limits (other than that the amount may not exceed the property's reasonable value as determined by the VA), requires no down payment from the purchaser and permits the guaranty of mortgage loans with terms of up to 30 years. The guaranty provisions for mortgage loans are as follows: (a) for home and condominium loans of $45,000 or less, 50 percent of the loan is guaranteed (for loans with an original principal balance of $45,000 and not more than $56,250, the guaranty will not exceed $22,500); (b) for home and condominium loans of more than $56,250 but less than or equal to $144,000, 40 percent of the loan is guaranteed subject to a maximum guaranty of $36,000; (c) for home and condominium loans of more than $144,000, 25 percent of the principal amount of the loan is guaranteed subject to a maximum guarantee amount hereinafter described; and (d) for loans for manufactured homes, 40 percent of the loan is guaranteed (with a maximum guaranty of $20,000). The maximum guaranty amount for loans greater than $144,000 is generally 25 percent of the Freddie Mac conforming loan limit (currently $417,000); however, pursuant to the Housing and Economic Recovery Act of 2008 and the Veterans Benefits Improvement Act of 2008, the maximum guaranty amount for loans originated in 2009 through 2011 is 25 percent of the greater of (i) the Freddie Mac conforming loan limit or (ii) 125 percent of the area median price for a single family residence in the county in which the property securing the loan is located. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of mortgaged premises is greater than the original guaranty as adjusted. The VA may, at its option and without regard to the guaranty, make full payment to a mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

Rural Development (RD) Insured Program

Loans insured by RD may be made to purchase new or existing homes in designated rural areas. Eligible rural areas have a population not in excess of 10,000 persons or if located outside a Metropolitan Statistical Area, not in excess of 25,000. Loans may be made up to 100 percent of the market value of the property or 100 percent of the acquisition cost, whichever is less. The maximum loan amount is the applicable FHA maximum loan amount. The interest rate of these 30 year mortgages may not exceed the higher of the current VA rate or the Fannie Mae required net yield for 90 day commitments on a 30 year fixed rate mortgage with actual/actual remittance plus 60 basis points. RD covers all losses on foreclosed loans up to 35 percent of the original principal. Any loss in excess of this amount carries an 85 percent guarantee. It is the present administrative policy of the Agency to tender a claim to RD by the earlier of (a) six months after the date of acquisition of the property through foreclosure or (b) 30 days after the sale of the property. The Agency retains title to the property and may apply the insurance proceeds and any sale proceeds to the outstanding debt.

Private Mortgage Insurance Programs

Under outstanding Series Resolutions, all Program Loans insured by a private mortgage insurance company are to be in any amount not exceeding the Market Value of the Home, provided that the Agency is issued a mortgage insurance policy under which the minimum insured percentage of any claim filed is at least equal to that percentage of the Market Value or sale price of the Home, whichever is less, by which the original principal amount of the mortgage exceeds 80 percent of that Market Value. Each private mortgage insurer insuring those Program Loans must be a company (a) that is licensed to do business in Minnesota; (b) that has ratings not less than "A2" from Moody's Investors Service, Inc., and "AA" from S&P Global Ratings, Inc., or that is approved to insure mortgages purchased by Fannie Mae and Freddie Mac, or any other agency or instrumentality of the United States to which the powers of either of them have been transferred or which has similar powers to purchase Program Loans; and (c) that,

by insuring Program Loans financed by the Agency, does not cause the Rating on the Bonds to be adversely affected. Both Fannie Mae and Freddie Mac require approval of private mortgage insurance companies before mortgages insured by those companies are eligible for purchase by them.

Among the considerations taken into account by Fannie Mae in determining whether to approve a private mortgage insurer currently are the following: (a) experienced mortgage insurers are expected to have policyholders' surplus of not less than $5 million; (b) it is preferred that an insurer's principal insurance activity relate to loss resulting from nonpayment of mortgages and deeds of trust on residential structures, with total liability not in excess of 25 times its policyholders' surplus; (c) a private mortgage insurer must demonstrate that it possesses the technical expertise necessary to properly evaluate property and credit; and (d) an insurer must expressly consent to and comply with Fannie Mae's requirements for audit and reports concerning changes in personnel, financial structure, qualifications, and rates.

Freddie Mac eligibility requirements for approving private mortgage insurers presently provide that (a) not more than 10 percent of an insurer's mortgage insurance risk may be represented by mortgage insurance covering property other than real property improved by a building or buildings designed for occupancy by one to four families; (b) an insurer shall not insure mortgages secured by properties in a single housing tract or contiguous tracts where the insurance risk applicable thereto is in excess of 10 percent of its policyholders' surplus (net of reinsurance); (c) no insurer shall have more than 20 percent of its total insurance in force in any one Standard Metropolitan Statistical Area nor may any combination of insurance in force in any one state exceed 60 percent of its total insurance in force; and (d) an insurer shall limit its insurance risk with respect to each insured to the maximum permitted under state law.

Freddie Mac also requires the private mortgage insurer to meet the following financial requirements: (a) policyholders' surplus must be maintained at not less than $5 million; (b) an insurer shall maintain an unearned premium reserve computed on a monthly pro rata basis; if a greater unearned premium reserve is required by the state where the insurer is licensed, then that greater requirement shall be met; (c) an insurer shall establish and maintain a contingency reserve in an amount equal to 50 percent of earned premiums; (d) an insurer shall maintain a loss reserve for claims incurred but not reported, including estimated losses on insured mortgages that have resulted in the conveyance of property that remains unsold, mortgages in the process of foreclosure or mortgages in default for four or more months; (e) an insurer shall maintain no less than 85 percent of its total admitted assets in the form of marketable securities or other highly liquid investments that qualify as insurance company investments under the laws and regulations of the state of its domicile and the standards of the National Association of Insurance Commissioners; and (f) an insurer shall not at any time have total insurance risk outstanding in excess of 25 times its policyholders' surplus. Approved private mortgage insurers must file quarterly and annual reports with the Freddie Mac.

It has been the administrative policy of the Agency to require that any private mortgage insurance policy with respect to a Program Loan to be purchased with the proceeds of Bonds contain provisions substantially as follows: (a) the private mortgage insurer must pay a claim, including unpaid principal, accrued interest and certain expenses, within sixty days of presentation of the claim by the mortgage lender; (b) for a mortgage lender to present a claim, the mortgage lender must have acquired, and tendered to the insurer, title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor; (c) when a claim is presented, the insurer will have the option of paying the claim in full, taking title to the property and arranging for its sale, or of paying the insured percentage of the claim (the Agency's exposure is to be limited to 70 percent or 75 percent, depending on the initial loan-to-value ratio of the mortgage loan) and allowing the insured lender to retain title to the property.

The private mortgage insurance companies providing mortgage insurance on outstanding Program Loans under the Bond Resolution are identified in Appendix H to this Official Statement. There is no assurance that any private mortgage insurance company will be able or willing to honor its obligations under the mortgage insurance policy as provided therein. In particular, certain private mortgage insurance companies have recently experienced substantial financial difficulties and ratings downgrades, and some are in receivership and are paying claims at the rate of 50 cents on the dollar. No representation is made as to the creditworthiness of any private mortgage insurance company.

State Laws Affecting Foreclosures

Mortgage foreclosures in Minnesota are governed by statute and permit two alternative methods, "by action" or "by advertisement." The latter is normally utilized since it is slightly faster, less expensive, and does not have the same tendency to invite contest as does foreclosure by action. The process is normally initiated by the publication, recordation and service of a notice of foreclosure. This notice must include all relevant information on the mortgage loan and the secured premises as well as a statement of the time and place of sale and the time allowed by law for redemption by the mortgagor. This notice must then be published in a legal newspaper each week for six consecutive weeks. Service of the notice on the mortgagor and any other affected party must be completed at least four weeks prior to the designated date of the foreclosure sale. Compliance with the above publication and service of notice requirements within the prescribed time limitations is essential to the validity of the mortgage foreclosure sale.

Prior to the foreclosure sale, the mortgagor has the right to reinstate the mortgage and prevent foreclosure by curing all defaults on a current basis and by paying attorneys' fees and out-of-pocket disbursements to the extent permitted by statute. If the mortgage is not reinstated, the foreclosure sale is held in the sheriff's office in the county in which the real estate being foreclosed is located. Although anyone can bid at a foreclosure sale, the normal result of the foreclosure sale is that the lien holder bids in the debt without competing bidders (and under the Bond Resolution, the Agency is required to do so), and purchases the mortgaged property from the defaulting borrower through the sheriff, subject to the rights of the borrower and subsequent creditors to redeem.

The holding of the foreclosure sale starts the period of redemption. The period of redemption will normally be six months but can be as long as twelve months. During the period of redemption the mortgagor normally retains the right to remain in possession of the mortgaged property without making mortgage payments or paying real estate taxes. During the period of redemption, the mortgagor has the right to pay off the entire indebtedness, including full principal, accrued interest, any amounts reasonably paid by the mortgagee to preserve the security, and attorneys' fees and disbursements to the extent allowed by statute.

After the period of redemption expires, the mortgagee is entitled to possession of the premises, but may have to bring an unlawful detainer proceeding to enforce its possessory rights, and a proceeding subsequent in the case of Torrens property to perfect its title to the mortgaged property.

It is not unusual, therefore, for a mortgagee to be delayed 10 months or more from the date of initiation of the mortgage foreclosure proceeding until it realizes its possessory rights.

APPENDIX F

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 of each Series for each maturity in the aggregate principal amount of that 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 of a Series, references herein to the Bondowners, Owners or registered owners of those 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 actual purchaser of each Beneficial Owner (as defined in Appendix C) 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 of the Series 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 and 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 Series and maturity 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, redemption price and purchase 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, purchase 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 shall be the responsibility of Direct and Indirect Participants.

Under the Series Resolutions, payments made by or on behalf of the Agency to DTC or its nominee shall satisfy the Agency's obligations to the extent of the payments so made.

A Beneficial Owner must give notice to elect to have its Series Bonds purchased or tendered, through its Participant, to the Tender Agent and the Remarketing Agent, and must effect delivery of such Series Bonds by causing the Direct Participant to transfer the Participant's interest in the Series Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series Bonds to the Tender Agent's DTC account.

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, redemption price or purchase 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 all or any Series of 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 the Series Bonds are required to be delivered as described in the Series Resolutions. The Beneficial Owner, upon registration of those Series Bonds held in the Beneficial Owner's name, shall become the Bondowner.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for all or any Series of the Series Bonds. In that event, the Series Bonds of that Series are to be delivered as described in the Series Resolutions.

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

[to be dated the date of issuance of the Series Bonds]

_____, 2019

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Residential Housing Finance Bonds
2019 Series A
2019 Series B
2019 Series C (Taxable)
2019 Series D

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 Residential Housing Finance Bonds, 2019 Series A, in the aggregate principal amount of $_____ (the "2019 Series A Bonds"), its Residential Housing Finance Bonds, 2019 Series B, in the aggregate principal amount of $_____ (the "2019 Series B Bonds"), its Residential Housing Finance Bonds, 2019 Series C (Taxable), in the aggregate principal amount of $_____ (the "2019 Series C Bonds" and, together with the 2019 Series A Bonds and the 2019 Series B Bonds, the "2019 Series Fixed Rate Bonds"), and its Residential Housing Finance Bonds, 2019 Series D, in the aggregate principal amount of $_____ (the "2019 Series D Bonds" and, together with the 2019 Series Fixed Rate Bonds, the "2019 Series Bonds"), each series of which is issuable only as fully registered bonds of single maturities in denominations as are provided in the Series Resolutions referenced below.

The 2019 Series Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2019 Series Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, and the 2019 Series D Bonds are subject to optional and mandatory tender, all as provided in the Series Resolutions 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 Amended and Restated Bond Resolution adopted August 24, 1995, as amended and supplemented (the "Bond Resolution"), and a Series Resolution relating to the 2019 Series Fixed Rate Bonds adopted November 1, 2018, as amended, and a Series Resolution relating to the 2019 Series D Bonds adopted __, 2019 (together, the "Series Resolutions"). 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 2019 Series A Bonds, the 2019 Series B Bonds and the 2019 Series D Bonds (together, the "2019 Series Tax-Exempt Bonds") in order that interest on the 2019 Series Tax-Exempt Bonds may be excluded from gross income for federal income tax purposes. The Agency has covenanted in the Bond Resolution and Series Resolutions 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 Resolutions.

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 Resolutions 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 Resolutions; (3) the 2019 Series 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 Resolutions, 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 2019 Series Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2019 Series Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to the Fund; (5) the interest payable on the 2019 Series Tax-Exempt 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; (6) interest payable on the 2019 Series C 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; and (7) the 2019 Series C Bonds will not be treated as a taxable mortgage pool within the meaning of Section 7701(i) of the Code.

Interest on the 2019 Series A Bonds will be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals. Interest on the 2019 Series B Bonds and the 2019 Series D 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. Interest on the 2019 Series B Bonds and the 2019 Series D 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 2019 Series Bonds. All owners of 2019 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 2019 Series Bonds.

The interest rate on all or a portion of the 2019 Series D Bonds may be converted from a variable rate mode to a different interest rate mode on a Conversion Date (as defined in the Series Resolutions), subject to the terms and conditions set forth in the Series Resolutions, including the requirement of delivery to the Agency and the Trustee of an opinion of nationally-recognized bond counsel to the effect that the change in interest rate period will not adversely affect the exemption of interest on the 2019 Series D Bonds from federal income taxation. We express no opinion as to the exemption from federal or State of Minnesota income taxation of interest on any 2019 Series D Bond on or after the initial Conversion Date, if and when it occurs.

The opinions expressed above are qualified only to the extent that the enforceability of the 2019 Series Bonds and the Bond Resolution and Series Resolutions is 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 H

CERTAIN INFORMATION RELATING TO THE RHFB WHOLE LOAN MORTGAGE PORTFOLIO

Mortgage Insurance for RHFB Whole Loan Mortgage Portfolio as of December 31, 2018

Series	FHA	VA	Rural Development	MGIC	Genworth	Other Private Mortgage Insurers*	Uninsured	Total
Retired	$ 1,777,621	$ 25,956	$ 361,104	$ -			$ 339,777	$ 2,504,458
06LMN	44,774	-	-	172,402	246,279	-	366,340	829,795
07M	1,087,524	90,664	1,619,589	2,180,670	1,853,286	1,200,141	1,521,395	9,553,269
07M-40 Year	-	-		2,428,034	399,790	773,212	288,005	3,889,041
09DEF	22,859,916	331,563	4,036,520	148,361	27,529	82,484	4,610,868	32,097,241
12ABCD	16,204,330	536,424	7,618,918	314,951	225,964	255,581	6,750,120	31,906,288
13ABC	5,870,603	339,062	3,787,127	530,285	106,010	326,355	5,925,798	16,885,240
14A	3,349,797	258,602	1,378,357	12,997	52,110	59,691	1,600,746	6,712,300
14B	4,497,587	148,635	1,309,608	143,474	21,656	39,538	1,343,084	7,503,582
14CDE	18,325,623	1,235,214	17,113,344	4,904,302	395,280	1,938,976	32,684,753	76,597,492
15ABCD	4,770,490	202,985	4,605,151	1,641,756	894,748	1,198,433	12,406,020	25,719,583
15ABCD-40 Year	-	-	-	422,205	-	897,899	177,095	1,497,199
15EFG	8,071,407	514,075	12,242,320	5,097,160	2,428,414	2,282,871	16,410,889	47,047,136
15EFG-40 Year	-	-	-	3,205,154	1,019,970	2,346,679	1,607,554	8,179,357
16ABC	2,705,361	458,959	5,613,036	8,342,297	5,438,968	3,031,064	6,113,808	31,703,493
16ABC-40 Year	-	-	-	6,030,080	1,829,214	3,490,948	2,173,811	13,524,053
16DEF	4,058,844	339,479	3,134,930	3,321,002	2,835,824	1,787,815	2,602,905	18,080,799
16DEF-40 Year	-	-	-	3,616,664	595,504	1,151,733	428,996	5,792,897
17ABC	14,065,291	158,444	7,077,926	3,603,149	915,920	1,987,238	6,196,990	34,004,958
17ABC-40 Year	-	-	-	3,809,551	1,732,368	2,013,502	2,371,520	9,926,941
17DEF	7,553,029	-	3,996,730	506,942	37,753	312,072	3,860,627	16,267,153
17DEF-40 Year	-	-	-	2,327,920	394,186	1,081,637	1,373,113	5,176,856
18ABCD	7,461,302	119,557	4,898,737	-	14,015	-	5,093,972	17,587,583
Total Bond Financed	$ 122,703,499	$ 4,759,619	$ 78,793,397	$ 52,759,356	$ 21,464,788	$ 26,257,869	$ 116,248,186	$ 422,986,714
	29.01%	1.13%	18.63%	12.47%	5.07%	6.21%	27.48%	100.00%

Republic 3.15%, United 1.43%, PMI .94%, Radian Guarantee Fund 0.39%, Commonwealth 0.17%, Triad 0.11%, Amerin 0.02%

RHFB Whole Loan Mortgage Portfolio

Delinquency and Foreclosure Statistics as of December 31, 2018

			Payments Past Due as a Percentage of the Number of Loans Outstanding								
			30-59 Days		60-89 Days		90-119 Days		120 Days and Greater and Foreclosures[1]		Total[2]
Bond Financed:	Number of Loans	Balance Outstanding	#	%	#	%	#	%	#	%	%
Retired	52.0	$2,504,458	11.0	21.15	4.0	7.69	-	-	6.0	11.54	19.23
06LMN	7.0	829,795	1.0	14.29	-	-	-	-	1.0	14.29	14.29
07M	102.9	9,553,269	3.2	3.11	2.4	2.33	-	-	4.8	4.66	7.00
07M-40 Yr	27.4	3,889,041	1.6	5.84	0.4	1.46	0.4	1.46	1.2	4.38	7.30
09DEF	566.5	32,097,241	34.0	6.00	16.0	2.82	3.0	0.53	20.0	3.53	6.88
12ABCD	638.0	31,906,288	40.0	6.27	6.0	0.94	7.0	1.10	16.0	2.51	4.55
13ABC	334.0	16,885,240	19.0	5.69	5.0	1.50	2.0	0.60	8.0	2.40	4.49
14A	221.0	6,712,300	2.0	0.90	3.0	1.36	2.0	0.90	1.0	0.45	2.71
14B	235.0	7,503,582	8.0	3.40	7.0	2.98	-	-	5.0	2.13	5.11
14CDE	927.5	76,597,492	51.0	5.50	11.0	1.19	4.0	0.43	15.5	1.67	3.29
15ABCD	291.0	25,719,583	22.0	7.56	9.0	3.09	2.0	0.69	5.0	1.72	5.50
15ABCD-40 Year	10.0	1,497,199	1.0	10.00	1.0	10.00	-	-	-	-	10.00
15EFG	581.5	47,047,136	25.0	4.30	7.0	1.20	2.5	0.43	17.0	2.92	4.56
15EFG-40 Year	57.0	8,179,357	1.0	1.75	1.0	1.75	-	-	4.0	7.02	8.77
16ABC	341.5	31,703,493	20.0	5.86	5.0	1.46	1.5	0.44	16.0	4.69	6.59
16ABC-40 Year	96.0	13,524,053	5.0	5.21	1.0	1.04	-	-	3.0	3.13	4.17
16DEF	285.1	18,080,799	12.8	4.49	5.6	1.96	-	-	11.2	3.93	5.89
16DEF-40 Year	40.6	5,792,897	2.4	5.91	0.6	1.48	0.6	1.48	1.8	4.43	7.39
17ABC	410.5	34,004,958	35.0	8.53	9.0	2.19	5.0	1.22	18.5	4.51	7.92
17ABC-40 Year	83.0	9,926,941	7.0	8.43	1.0	1.20	-	-	2.0	2.41	3.61
17DEF	189.0	16,267,153	10.0	5.29	1.0	0.53	1.0	0.53	7.0	3.70	4.76
17DEF-40 Year	42.0	5,176,856	3.0	7.14	1.0	2.38	-	-	-	-	2.38
18ABCD	289.5	17,587,583	13.0	4.49	5.0	1.73	2.0	0.69	4.0	1.38	3.80
Total Bond Financed	5,828.0	$ 422,986,714	328.0	5.63	102.0	1.75	33.0	0.57	168.0	2.88	5.20

All Loans are serviced by US Bank Home Mortgage.

If the number of loans allocated to a series of Bonds in the table is expressed in an increment of 0.5, the allocation reflects the fact that proceeds of Bonds of the series were used with an equal amount of funds from another source (which may be another series of Bonds) to purchase the mortgage loan. In such cases, while principal repayments and prepayments are allocated equally to each funding source, interest payments on the mortgage loan are not allocated pro rata.

(1) Included in "Foreclosures" are loans for which the sheriff's sale has been held and the redemption period (generally six months) has not yet elapsed in addition to those customarily included in delinquency statistics.

(2) 30-59 days not included in total.

See page H-3 for comparative delinquency and foreclosure statistics.

continued from page H-2.

Comparative 60+ Day Delinquency Statistics (1)	**At 9/30/2018**	**At 12/31/2018**
Residential Housing Finance Bond Resolution Loan Portfolio	4.00%	3.40%
Mortgage Bankers Association of America, Minnesota (2)	1.32%	not yet available
Mortgage Bankers Association of America, National (2)	2.06%	not yet available

Comparative Foreclosure Statistics (3)	**At 9/30/2018**	**At 12/31/2018**
Residential Housing Finance Bond Resolution Loan Portfolio	1.51%	1.26%
Mortgage Bankers Association of America, Minnesota (2)	0.24%	not yet available
Mortgage Bankers Association of America, National (2)	0.93%	not yet available

(1) This table compares 60+ day delinquency statistics. The delinquency rates do not include those delinquent loans referred to an attorney, where the first legal documents have been filed, or where any further foreclosure proceedings have occurred. Thus, the percentage for the Residential Housing Finance Bond Resolution loan portfolio differs from that in the table on page H-2.

(2) Mortgage Bankers Association of America average of 60+ days delinquency and foreclosure statistics adjusted by the Agency to reflect the proportions of insurance types in the Residential Housing Finance Bond Resolution loan portfolio. The unadjusted 09/30/2018 Mortgage Bankers Association of America average 60+ days delinquency rate is 1.15% Minnesota and 2.44% national. The unadjusted 09/30/2018 Mortgage Bankers Association of America foreclosure rate is 0.24% Minnesota and 0.80% national. None of the delinquency and foreclosure rates presented are seasonally adjusted. Reprinted by permission of the Mortgage Bankers Association. For more information, contact the Mortgage Bankers Association, 1331 L Street NW, Washington D.C. 20005, (202) 557-2700 http://www.mortgagebankers.org

(3) This table compares foreclosure statistics, where "foreclosures" include only those loans referred to an attorney and with the first legal documents filed, but not loans for which a foreclosure sale has been held. Thus, the percentage for the Residential Housing Finance Bond Resolution loan portfolio is not directly comparable to the table on page H-2.

APPENDIX I

CERTAIN INFORMATION RELATING TO LIQUIDITY FACILITIES FOR BONDS OUTSTANDING

as of December 31, 2018

(unaudited)

Liquidity Provider	Related Bond Series	Bonds Outstanding	Expiration Date
Royal Bank of Canada	2015 Series D	18,225,000	8/11/2022
	2015 Series G	35,000,000	1/2/2023
	2017 Series F	40,000,000	1/2/2023
		$93,225,000	
Federal Home Loan Bank of Des Moines	2016 Series F	$ 50,000,000	1/2/2024
	2017 Series C	40,000,000	7/19/2024
		$90,000,000	

APPENDIX J

CERTAIN INFORMATION RELATING TO GNMA, FANNIE MAE, FREDDIE MAC AND CERTAIN PROGRAM SECURITIES AND THE MASTER SERVICER

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 Single Family Selling and Servicing Guides (the "Fannie Mae Guides"), as modified by a pool purchase contract, and, in the case of mortgage loans such as the Program Loans exchanged with Fannie Mae, a single family master trust agreement (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.

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 December 31, 2018, the Master Servicer serviced 1,479,252 single-family mortgage loans purchased through its U.S. Bank Home Mortgage Division, with an aggregate principal balance of approximately $229.3 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 December 31, 2018, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately $467.4 billion and a net worth of $51.0 billion. For the twelve months ended December 31, 2018, 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 $40.2 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.

APPENDIX K

CERTAIN DEFINITIONS WITH RESPECT TO THE 2019 SERIES D BONDS

"*Alternate Liquidity Facility*" means any standby purchase agreement, line of credit, letter of credit or similar agreement (not including a Non-Conforming Liquidity Facility or Self-Liquidity Facility) providing liquidity for the Liquidity Facility Bonds or any portion thereof, delivered by the Agency in connection with a Mode Change to a Mode Period or in substitution for an existing Liquidity Facility pursuant to the terms of the 2019 Series D Resolution. The extension or renewal of an extant Liquidity Facility will not be deemed an Alternate Liquidity Facility.

"*Bank*" means (i) with respect to the Initial Liquidity Facility for the 2019 Series D Bonds, Royal Bank of Canada acting through its branch currently located at 200 Vesey Street, New York, New York, 10281, together with its successors and assigns; (ii) with respect to an Alternate Liquidity Facility or a Non-Conforming Liquidity Facility, the provider thereof, together with its successors and assigns; and (iii) with respect to Self-Liquidity, the Agency, together with its successors and assigns.

"*Bank Bonds*" means 2019 Series D Bonds purchased with funds provided by the Bank pursuant to a Liquidity Facility, other than Self Liquidity.

"*Bank Rate*" means the rate of interest, if any, on any Bank Bonds held by and payable to the Bank at any time as determined and calculated in accordance with the provisions of the Liquidity Facility.

"*Bank Purchase Date*" means any Purchase Date on which the Bank purchases 2019 Series D Bonds.

"*Business Day*" means any day that is not a Saturday, Sunday, legal holiday or a day on which banks in the City of New York, New York, or Minneapolis, Minnesota, are authorized or required by law or executive order to remain closed and that is not a day on which the New York Stock Exchange is closed.

"*Conversion Date*" means the Business Day on which the interest rate on any of the 2019 Series D Bonds is Converted to a Fixed Interest Rate or an Indexed Rate.

"*Convert*," "*Converted*" or "*Conversion*," as appropriate, means the conversion of the interest rate on any of the 2019 Series D Bonds to a Fixed Interest Rate or an Indexed Rate pursuant to the 2019 Series D Resolution.

"*Liquidity Expiration Event*" means either (i) the Agency has determined to terminate a Liquidity Facility in accordance with its terms, (ii) the Bank has delivered notice to the Trustee on or prior to 45 days prior to the scheduled expiration of a Liquidity Facility that the Liquidity Facility will not be extended or renewed or (iii) the Bank has not delivered notice to the Trustee on or prior to 45 days prior to the scheduled expiration of a Liquidity Facility that the Liquidity Facility will be extended or renewed.

"*Liquidity Facility*" means any instrument delivered pursuant to the terms of the 2019 Series D Resolution that provides liquidity support for the purchase of Liquidity Facility Bonds in accordance with the terms of the 2019 Series D Resolution, including the Initial Liquidity Facility and any Alternate Liquidity Facility, Non-Conforming Liquidity Facility or Self Liquidity.

"*Maximum Rate*" means (i) with respect to the 2019 Series D Bonds (other than Bank Bonds) 12 percent per annum, unless the Agency directs in writing that the rate be increased to a higher rate and delivers to the Trustee (a), with respect to the 2019 Series D Bonds, an opinion of Bond Counsel to the effect that the amendment will not adversely affect the exclusion of interest on the Series Bonds, including the 2019 Series D Bonds, from gross income of the owners thereof for federal income tax purposes, (b) an Agency Certificate to the Trustee to the effect that the increase will not impair the Ratings on the 2019 Series D Bonds by each Rating Agency; and (c) a certified copy of a resolution adopted by the Agency approving that increase in the Maximum Rate; and (ii) with respect to Bank Bonds, the meaning ascribed to that term in the Liquidity Facility; provided, however, that in no event may the Maximum Rate, as described in (i) or (ii) above, exceed the lesser of (a) 12 percent or that higher rate as approved

by the Agency's governing body or specified for the Bank Bonds, or (b) the maximum rate permitted by applicable law, anything herein to the contrary notwithstanding.

"*Mode*" means the manner in which the interest rate on any of the 2019 Series D Bonds is determined, consisting of a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, or Semiannual Rate.

"*Mode Change*" means a change in Mode Period.

"*Mode Change Date*" means the date of effectiveness of a Mode Change.

"*Mode Period*" means each period beginning on the first Effective Rate Date for any of the 2019 Series D Bonds, or the first Effective Rate Date following a change from one Mode to another, and ending on the date immediately preceding the first Effective Rate Date following the next change in Mode with respect to those 2019 Series D Bonds.

"*Non-Conforming Liquidity Facility*" means a liquidity facility delivered by the Agency pursuant to the 2019 Series D Resolution that does not meet the requirements for an Alternate Liquidity Facility.

"*Purchase Date*" means any date that 2019 Series D Bonds are to be purchased pursuant to the 2019 Series D Resolution.

"*Purchase Price*" means an amount equal to the principal amount of any 2019 Series D Bond tendered or deemed tendered for purchase as provided herein, plus, if the Purchase Date is not an Interest Payment Date, accrued interest from the previous Interest Payment Date to the day preceding the Purchase Date.

"*Record Date*" means, with respect to Variable Rate Bonds, the Business Day immediately prior to the applicable Interest Payment Date and, in all other cases, the 15th day preceding each Interest Payment Date; provided, however, that if the Record Date is not a Business Day, then that Record Date will be deemed to be the first Business Day following that Record Date.

"*Remarketing Agreement*" means the Remarketing Agreement, between the Agency and RBC Capital Markets, LLC, with respect to the 2019 Series D Bonds, as the same may be amended in accordance with the terms thereof, and any similar agreement entered into between the Agency and any successor Remarketing Agent in respect of those 2019 Series D Bonds.

"*Self-Liquidity*" means a liquidity facility provided by the Agency's own funds pursuant to the 2019 Series D Resolution, other than a Non-Conforming Liquidity Facility.

"SIFMA Index" means, for any date of determination, the level of the index that is issued weekly and that is compiled from the weekly interest rate resets of tax exempt variable rate issues included in a database maintained by Municipal Market Data that meet specific criteria established from time to time by SIFMA and issued on Wednesday of each week, or if any Wednesday is not a Business Day, the immediately succeeding Business Day. If the SIFMA Index is no longer published, then "SIFMA Index" means the S&P Weekly High Grade Index. If the S&P Weekly High Grade Index is no longer published, then "SIFMA Index" means an index selected by the Remarketing Agent meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by SIFMA to determine the SIFMA Index immediately prior to the date on which the SIFMA ceased publication of the SIFMA Index.

"*Tender Agent*" means the Trustee appointed pursuant to the Bond Resolution.

"*Variable Rate Bonds*" means 2019 Series D Bonds during a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period, a Quarterly Mode Period, or a Semiannual Mode Period (whether or not in each case those 2019 Series D Bonds are Liquidity Facility Bonds or Unenhanced Variable Rate Bonds).

APPENDIX L

SUMMARY OF CERTAIN PROVISIONS OF AND RELATING TO THE STANDBY BOND PURCHASE AGREEMENT

General

The following description is a summary of certain provisions of the Initial Liquidity Facility. This summary does not purport to be a complete description or restatement of the material provisions of the Initial Liquidity Facility. Investors should obtain and review a copy of the Initial Liquidity Facility in order to understand all of the terms of that document.

The Initial Liquidity Facility provides that, subject to the terms and conditions set forth in the Initial Liquidity Facility, the Initial Liquidity Provider must purchase Eligible Bonds (as defined in the Initial Liquidity Facility) tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof in accordance with the terms of the Resolution, in each case, to the extent those Eligible Bonds are not remarketed by the Remarketing Agent. The Initial Liquidity Facility will expire on January 2, 2023 (the *"Expiration Date"*), unless extended or terminated pursuant to its terms.

Under certain circumstances described below, the obligation of the Initial Liquidity Provider to purchase Eligible Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be immediately and automatically suspended or terminated without notice to the Bondowners. In that event, sufficient funds may not be available to purchase Eligible Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the Initial Liquidity Facility does not provide support or security for the payment of principal of, premium, if any, or interest on the Eligible Bonds.

Purchase of Tendered Eligible Bonds by the Initial Liquidity Provider

Subject to the terms and conditions of the Initial Liquidity Facility, the Initial Liquidity Provider will purchase from time to time during the period from the Effective Date (as defined in the Initial Liquidity Facility) to and including the close of business on the earliest of (a) the Expiration Date, (b) the day immediately succeeding the date on which no Bonds are Outstanding and (c) the date on which the Available Commitment (as defined in the Initial Liquidity Facility) and the Initial Liquidity Provider's obligation to purchase Eligible Bonds have been terminated in their entireties pursuant to terms of the Initial Liquidity Facility, Eligible Bonds tendered or deemed tendered from time to time, pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Resolution, in each case, to the extent the Eligible Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement (as defined in the Initial Liquidity Facility). The price to be paid by the Initial Liquidity Provider for the Eligible Bonds will be equal to the aggregate principal amount of the Eligible Bonds, provided that the aggregate principal amount of those Eligible Bonds so purchased may not exceed the Available Principal Commitment (as defined in the Initial Liquidity Facility), plus the lesser of (i) the Available Interest Commitment (as defined in the Initial Liquidity Facility) and (ii) interest accrued thereon to but excluding the date of that purchase (excluding Defaulted Interest and, if the Purchase Date for such Eligible Bonds is also an Interest Payment Date, excluding all accrued interest).

Events of Default

The following events, among others, constitute Events of Default under the Initial Liquidity Facility. Reference is made to the Initial Liquidity Facility for a complete listing of all Events of Default.

Events of Default not Permitting Immediate Termination

(a) *Payments*. The Agency fails to pay (i) when due certain amounts owed by the Agency to the Initial Liquidity Provider; or (ii) within five Business Days after the same becomes due any amount owed to the Initial Liquidity Provider pursuant to any other section of the Initial Liquidity Facility or the Fee Letter (as defined in the Initial Liquidity Facility).

(b) *Representations*. Any representation or warranty made by or on behalf of the Agency in the Initial Liquidity Facility or in any other Related Document (as defined in the Initial Liquidity Facility) or in any certificate or statement delivered thereunder proves to have been incorrect or untrue in any material respect when made or deemed to have been made.

(c) *Covenants*. The Agency fails to observe or perform (i) any covenant under Section 6.01, 6.03, 6.09, 6.14, 6.19, 6.20, 6.21, 6.24, 6.25 or Article VII of the Initial Liquidity Facility; or (ii) any other term,

covenant or agreement (other than the ones described in any other paragraph under this sub-caption "Events of Default not Permitting Immediate Termination") contained in the Initial Liquidity Facility or any other Related Document (as defined in the Initial Liquidity Facility) on its part to be performed or observed which failure continues for 30 days or more after receipt of written notice of that failure from the Initial Liquidity Provider.

(d) *Other Documents*. Any Event of Default under any of the other Related Documents occurs.

(e) *Downgrade*. The rating assigned to the 2019 Series D Bonds or to any other Parity Debt (as defined in the Initial Liquidity Facility) (without regard to third party credit enhancement) by Moody's or S&P is withdrawn or suspended for credit related reasons or fall below "A2" by Moody's or "A" by S&P.

(f) *Cross Acceleration*. Any act or omission by the Agency occurs under any mortgage, agreement or other instrument under or pursuant to which any Material Debt (as defined in the Initial Liquidity Facility) is incurred or issued that results in that Material Debt becoming, or being capable of becoming, immediately due and payable.

(g) *Cross Default*. The Agency defaults under any mortgage, agreement or other instrument under or pursuant to which any Material Debt is incurred or issued, and that default continues beyond the period of grace, if any, allowed with respect thereto.

(h) *Invalidity or Contest of Validity*. Subject to the terms and provisions of the Initial Liquidity Facility (other than as described in the sub-heading "Events of Default Permitting Immediate Termination or Suspension" below), (i) the Initial Liquidity Facility, any other Related Document or any provision hereof or thereof at any time for any reason ceases to be valid and binding on the Agency or is declared in a final, non-appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable or (ii) the Agency, the State or any other Governmental Authority (as defined in the Initial Liquidity Facility) with appropriate jurisdiction contests the validity or enforceability of the Agency's obligations thereunder or under the other Related Documents or deny that the Agency has any further liability or obligation thereunder or under the other Related Documents.

(i) *Taxability*. A Tax Event (as defined in the Initial Liquidity Facility) or an Event of Taxability (as defined in the Initial Liquidity Facility) has occurred.

(j) *Default*. The Agency defaults in the payment of any regularly scheduled amount due in respect of any Interest Rate Protection Agreement (as defined in the Initial Liquidity Facility) with the Initial Liquidity Provider with a notional amount equal to or greater than $5,000,000 or in the payment due in respect of any principal of or interest on any Debt outstanding in a principal amount equal to or greater than $5,000,000 owed to the Initial Liquidity Provider.

Events of Default Permitting Immediate Termination or Suspension

(a) *Event of Insolvency*. An Event of Insolvency (as defined below) has occurred with respect to the Agency.

(b) *Payment Default*. Any principal or interest due with respect to the 2019 Series D Bonds (including regularly scheduled payments of principal and interest on Bank Bonds (as defined in the Initial Liquidity Facility)) is not paid when due or the Agency fails to make or otherwise defaults in any regularly scheduled payment of principal of or interest on any other Material Debt beyond any grace period provided with respect thereto.

(c) *Invalidity*. (i) The Act, the 2019 Series D Bonds (including Bank Bonds), the Initial Liquidity Facility, the Resolution, any Material Debt, or any material provision hereof or thereof relating to the payment of principal of or interest on the 2019 Series D Bonds or other Material Debt, at any time for any reason ceases to be valid and binding on the Agency as determined by any court of competent jurisdiction or Governmental Authority (as defined in the Initial Liquidity Facility) having appropriate jurisdiction over the Agency in a final non-appealable judgment, ruling, finding, decree, order or legislative act or similar action or is declared in a final, non-appealable judgment, ruling, finding, decree, order or legislative act or similar action by any court of competent jurisdiction or Governmental Authority having appropriate jurisdiction over the Agency to be null and void, invalid or unenforceable; (ii) the pledge of and Lien (as defined in the Initial Liquidity Facility) on the Trust Estate (as

defined in the Initial Liquidity Facility) at any time for any reason ceases to be valid and binding on the Agency as determined by any court of competent jurisdiction or Governmental Authority having appropriate jurisdiction over the Agency in a final non-appealable judgment, ruling, finding, decree, order or legislative act or similar action or is declared in a final, non-appealable judgment, ruling, finding, decree, order or legislative act or similar action by any court of competent jurisdiction or Governmental Authority having appropriate jurisdiction over the Agency to be null and void, invalid or unenforceable; or (iii) any Governmental Authority with jurisdiction to rule on the validity of the Initial Liquidity Facility, the Act, the 2019 Series D Bonds (including Bank Bonds), the Resolution or any Material Debt finds or rules that any of the Act, the Initial Liquidity Facility, the 2019 Series D Bonds (including Bank Bonds), the Resolution or any Material Debt, as the case may be, or any provision hereof or thereof relating to (A) the payment of principal of or interest on the 2019 Series D Bonds (including Bank Bonds) or any Material Debt or (B) the pledge of and Lien on the Trust Estate is not valid or not binding on the Agency or is null and void.

(d) *Contest of Validity*. The Agency or any Governmental Authority with appropriate jurisdiction (i) repudiates or denies that the Agency has any further liability or obligation under the Initial Liquidity Facility, under the 2019 Series D Bonds (including Bank Bonds), the Act, the Resolution or any Material Debt or (ii) claims that any of the provisions that provide (A) for the payment of principal of or interest on the 2019 Series D Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Resolution, the 2019 Series D Bonds (including Bank Bonds) or the Initial Liquidity Facility, is not valid or not binding on the Agency; or (iii) initiates any legal proceedings to seek an adjudication that any of the provisions that provide (A) for the payment of principal of or interest on the 2019 Series D Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Resolution, the 2019 Series D Bonds (including Bank Bonds) or the Initial Liquidity Facility is not valid or not binding on the Agency; or (iv) has taken or permitted to be taken any official action, or has duly enacted any statute that would make or cause any provision of the 2019 Series D Bonds (including Bank Bonds), the Act, the Resolution or any Material Debt) that provide (A) for the payment of principal of or interest on the 2019 Series D Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Resolution, the 2019 Series D Bonds (including Bank Bonds) or the Initial Liquidity Facility to be null and void, invalid or unenforceable.

(e) *Investment Grade Rating*. The unenhanced rating of the 2019 Series D Bonds or any other Material Debt is (i) withdrawn or suspended for credit-related reasons or reduced below "Baa3" by Moody's and (ii) withdrawn or suspended for credit-related reasons or reduced below "BBB-" by S&P.

(f) *Judgment*. (i) One or more final, non-appealable judgments or orders in an amount in excess of $5,000,000 in the aggregate is rendered against the Agency and (ii) those judgments or orders have not been paid in accordance with the terms of those judgments or orders or discharged, vacated, satisfied or stayed within 60 days after entry thereof or if, after the expiration of any stay, those judgments or orders have not been paid in accordance with the terms of those judgments or orders or discharged.

"Event of Insolvency" means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order for relief, rehabilitation, liquidation or dissolution of that Person;

(b) (i) the commencement against that Person of a case or other proceeding seeking an order for relief, liquidation, reorganization or other relief with respect to that Person or its debts under any bankruptcy, insolvency, reorganization or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for that Person or any substantial part of its property or the appointment, and that Person consents to such case or other proceeding at any time, or such case or other proceeding remains uncontested by that Person for a period of 60 days or such case or proceeding results in an order for such relief; (ii) the commencement by that Person of a case or other proceeding seeking an order for relief, liquidation, reorganization or other relief with respect to that Person or its debts under any bankruptcy, insolvency, reorganization or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for that Person or any substantial part of its property or the appointment; or (iii) the designation with respect to that Person, of an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or the declaration of, or the introduction or proposal for consideration by it or by any legislative or regulatory body with competent

jurisdiction over it of the existence of a state of financial emergency or similar state of financial distress in respect of it;

(c) the making of an assignment for the benefit of creditors by that Person;

(d) that Person is "insolvent" as defined in Section 101(32) of the United States Bankruptcy Code;

(e) the declaration of a moratorium with respect to the payment of the debts of that Person, which, in the case of the Agency, means that a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction is declared by, or imposed on, Material Debt as a result of a finding or ruling of a Governmental Authority with jurisdiction over the Agency;

(f) the admission by that Person in writing of its inability to pay its debts when due; or

(g) the initiation of any actions to authorize any of the foregoing by or on behalf of that Person.

Remedies

The following are remedies available to the Initial Liquidity Provider under the Initial Liquidity Facility upon the occurrence of an Event of Default thereunder:

(a) *Immediate Termination*. Upon the occurrence of any Event of Default described in paragraphs (a), (b), (c)(i), (c)(ii), (d), (e) or (f) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** (each an *"Immediate Termination Event"*), the Available Commitment (as defined in the Initial Liquidity Facility), the Purchase Period (as defined in the Initial Liquidity Facility) and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds will immediately terminate without notice or demand, and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds. Upon an Immediate Termination Event, the Initial Liquidity Provider will promptly give written notice of the same to the Agency, the Trustee, the Tender Agent and the Remarketing Agent; *provided* that the Initial Liquidity Provider will incur no liability of any kind by reason of its failure to give that notice, and that failure will in no way affect the termination of the Available Commitment, the Purchase Period and the Initial Liquidity Provider's obligation to purchase Eligible Bonds pursuant to the Initial Liquidity Facility.

(b) *Termination with Notice*. Upon the occurrence of any Event of Default described under the sub-caption **"Events of Default not Permitting Immediate Termination"**, the Initial Liquidity Provider may terminate the Available Commitment and Purchase Period by giving a Notice of Termination Date (as defined in the Initial Liquidity Facility) to the Agency, the Tender Agent, the Trustee and the Remarketing Agent, specifying the date on which the Available Commitment and Purchase Period will terminate, which date will be not less than 30 days after the date of receipt of that Notice of Termination Date by the Trustee. On and after the date specified in a Notice of Termination Date, the Available Commitment and the Purchase Period will terminate and the Initial Liquidity Provider will be under no further obligation to purchase Eligible Bonds thereunder.

(c) *Suspension Events*. In the case of an Event of Default specified in clause (iii) of paragraph (c) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** (following the entry of a judgment subject to further proceedings and prior to the entry of a final, non-appealable judgment) (an *"Immediate Suspension Event"*), the Initial Liquidity Provider's obligation to purchase Eligible Bonds will be immediately suspended without notice or demand and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds until that obligation is reinstated pursuant to this paragraph (c). Promptly upon the Initial Liquidity Provider obtaining knowledge of any Immediate Suspension Event, the Initial Liquidity Provider will give written notice to the Agency, the Tender Agent, the Trustee and the Remarketing Agent of that suspension; *provided* that the Initial Liquidity Provider will incur no liability or responsibility whatsoever by reason of its failure to give that notice and that failure will in no way affect the suspension of the Initial Liquidity Provider's obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on the validity of the provisions described in clause (iii) of paragraph (c) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** enters a final, non-appealable judgment that any provision is not valid and binding on the Agency, then, in either case, the Purchase Period, the Available Commitment and the Initial Liquidity Provider's obligation to purchase Eligible Bonds will immediately terminate. If a court with jurisdiction to rule on the validity

of the provisions described in clause (iii) of paragraph (c) the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** thereafter finds or rules that those provisions are valid and binding on the Agency, the Initial Liquidity Provider's obligation to purchase Eligible Bonds under the Initial Liquidity Facility will be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the obligation of the Initial Liquidity Provider to purchase Eligible Bonds under the Initial Liquidity Facility otherwise has terminated or been suspended as provided in the Initial Liquidity Facility). Notwithstanding the foregoing, if, upon the earlier of the expiration of the Purchase Period and the date that is two years after the effective date of suspension of the Initial Liquidity Provider's obligation pursuant to this paragraph (c), litigation is still pending and a judgment regarding the validity of the provisions described in clause (iii) of paragraph (c) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** that are the cause of that Immediate Suspension Event has not been obtained, then the Available Commitment, the Purchase Period and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds will at that time immediately terminate and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds.

(d) *Other Remedies*. In addition to the rights and remedies provided in paragraphs (a), (b) and (c) above, upon the occurrence and during the continuation of any Event of Default specified herein, upon the election of the Initial Liquidity Provider: (i) all amounts payable under the Initial Liquidity Facility, under the Fee Letter and under Bank Bonds will, upon demand by the Initial Liquidity Provider given to the Agency and the Trustee, become immediately due and payable without other presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Agency; and (ii) all Bank Bonds will, upon demand by the Initial Liquidity Provider made to the Agency and the Trustee, become subject to immediate mandatory redemption at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium. Upon the occurrence of any Event of Default as specified in any provision under the caption "Events of Default" above, the Initial Liquidity Provider will have all the rights and remedies available to it under the Initial Liquidity Facility, the other Related Documents or otherwise pursuant to law or equity; *provided, however*, that the Initial Liquidity Provider will not have the right to terminate its obligation to purchase Eligible Bonds or to declare any amount due under the Initial Liquidity Facility due and payable except as expressly provided herein.

(e) *Remedies Non-exclusive*. The remedies provided under the caption "Remedies" above will only be exclusive with respect to Events of Default to the extent described under the caption "Remedies" above and to the extent they are obtained by the Initial Liquidity Provider. If, for any reason whatsoever, the Initial Liquidity Provider is not able to obtain all those remedies, then the Initial Liquidity Provider thereby reserves the right and will have the right to pursue any other available remedies, whether provided by law, equity, or any Related Document.

Notwithstanding the provisions of paragraph (a) under the caption "Remedies" above, if, upon the occurrence of and during the continuation of an Event of Default under the sub-caption "**Events of Default not Permitting Immediate Termination or Suspension**," the Initial Liquidity Provider exercises its rights under paragraph (d) under the caption "Remedies" above or under the Initial Liquidity Facility to declare the amounts owed thereunder, under the Fee Letter and under the Bank Bonds to be immediately due and payable or to have the Bank Bonds become subject to immediate mandatory redemption, the failure by the Agency to pay those accelerated amounts will not, by itself, permit the immediate termination of the Available Commitment, the Purchase Period or the Initial Liquidity Provider's obligation to purchase Eligible Bonds pursuant to paragraph (a) under the caption "**Remedies**" above.

APPENDIX M

CERTAIN INFORMATION RELATING TO THE LIQUIDITY PROVIDER

Information Concerning Royal Bank of Canada

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MINNESOTA HOUSING

Board Agenda Item: 7.G
Date: 2/21/2019

Item: Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency variable rate Residential Finance Housing Bonds, 2019 Series D

Staff Contact(s):
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Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff is preparing to issue bonds, under the Residential Housing Finance Bond (RHFB) indenture, to finance the acquisition of newly originated mortgage-backed securities that funded the origination of single family mortgages. The bonds likely to be designated 2019 Series ABC will be fixed rate bonds, and are authorized pursuant to a separate bond resolution. The attached resolution, which covers 2019 Series D, provides the authority for the Agency to issue up to $60 million in variable rate bonds, expected to be structured as Variable Rate Demand Obligations (VRDO's). This resolution also selects RBC Capital Markets as the sole underwriter for the 2019 Series D bonds, as well as the ongoing Remarketing Agent. The resolution also selects the Royal Bank of Canada as the Liquidity Provider for the VRDO's, pursuant to a Standby Bond Purchase Agreement (SBPA) to be entered into in conjunction with the issuance of the VRDO's. In addition, this resolution authorizes the Agency to enter into an interest rate swap agreement with the Royal Bank of Canada to convert the variable rate interest payments on 2019 Series D into a payment obligation that is largely fixed. The RHFB 2019 Series ABCD bond is issue is expected to price on or about March 7th, with a closing preliminarily scheduled for April 11th; the attached Preliminary Official Statement describes the entire transaction.

Fiscal Impact:
The upcoming transaction will enable the Agency to put interest earning mortgage assets on the balance sheet at a profitable spread such that the Agency builds the sustainability of future income. By including a variable rate component in the upcoming issuance (and using an interest rate swap to convert the payment obligation into a largely fixed payment), the Agency is able to lower its overall borrowing cost.

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):
- Series Resolution
- Preliminary Official Statement

RESOLUTION NO. MHFA 19-007

RESOLUTION AUTHORIZING ISSUANCE AND SALE OF
MINNESOTA HOUSING FINANCE AGENCY
RESIDENTIAL HOUSING FINANCE BONDS, 2019 SERIES D

Adopted February 21, 2019

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EXHIBIT A — FORM OF SERIES D BOND

RESOLUTION NO. MHFA 19-007

RESOLUTION AUTHORIZING ISSUANCE AND SALE OF
MINNESOTA HOUSING FINANCE AGENCY
RESIDENTIAL HOUSING FINANCE BONDS, 2019 SERIES D

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Authorization.

1.01. General Provisions. By Resolution No. MHFA 95-82, adopted August 24, 1995 (which amended and restated in whole Resolution No. MHFA 76-32, adopted July 27, 1976, as amended) (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 Residential Housing Finance Bonds to be issued for the purposes of its Program of facilitating the purchase, development or rehabilitation of residential housing in the State of Minnesota at prices that persons and families of low and moderate income can afford. Terms used but not defined in this resolution will have the meanings given those terms in the Bond Resolution.

This resolution (the "Series D 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 a Series of Bonds of the Agency which are designated as "Residential Housing Finance Bonds, 2019 Series D," in the aggregate principal amount to be determined pursuant to Section 2.04 of this Series D Resolution. In the event an Authorized Officer, pursuant to Section 12 of the Series ABC Resolution and Section 14 of this Series D Resolution, determines that it is not in the best interests of the Agency to issue and sell any series of the Series Bonds, that Authorized Officer may re-designate the Series D Bonds as "Residential Housing Finance Bonds, _____ Series __," with the first blank completed with year of issuance and the second blank completed with an uppercase letter as appropriate for the order of issuance and to eliminate any gaps in the designation of the Series. The Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution will set forth all appropriate revisions to the defined terms in this Series D Resolution necessitated by any re-designation of any series of the Series Bonds.

1.02. Appointment of Trustee. Pursuant to Section 8.1 of the Bond Resolution, Wells Fargo Bank, National Association has been appointed as Trustee under the Bond Resolution and is vested with all the property, rights, powers and duties granted, pledged and assigned to it by the Bond Resolution, in trust for the Owners of Bonds issued and to be issued thereunder.

Section 2. Authorization of Series D Bonds.

2.01. Purposes. It is determined to be in the best interests of the Agency to issue the Series Bonds, including the Series D Bonds, for the purpose of providing funding for the Program, and in particular for the making and purchase of Program Securities backed by pools of Program Loans, that constitute qualified Program Loans in accordance with the provisions of Section 143 of the Code, Sections 8 and 9 of this Series D Resolution and Section 10 and 11 of the Series ABC Resolution and the Series Program Determinations made for the Series D Bonds

in Section 5 of this Series D Resolution and Section 7 of the Series ABC Resolution. With respect to the Series D Bonds, this funding will be provided by either or both of:

(i) the allocation, for federal income tax purposes, of sale proceeds of the Series D Bonds in the amount to be determined by an Authorized Officer pursuant to Section 2.04(i) of the Series D Resolution and set forth in the Agency Certificate(s) delivered pursuant to Section 6.01 of the Series D Resolution and the deposit of the sale proceeds, together with certain contributed funds of the Agency, if any, into the Funds and Accounts set forth in Section 7.02 of the Series D Resolution to be expended for the Program; and

(ii) the allocation, for federal income tax purposes, of sale proceeds of the Series D Bonds in the amount determined by an Authorized Officer pursuant to Section 2.04(i) of the Series D Resolution and set forth in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution, to the refunding, on the date or dates to be determined by the Agency, of the Series D Refunded Bonds, and the deposit of certain transferred assets, together with transferred loans and securities (as hereinafter defined, the "Transferred Program Obligations"), and certain "transferred," "replacement" and sale proceeds that will become allocated to the Series D Bonds upon the refunding of the Series D Refunded Bonds, together with certain contributed funds of the Agency, into the Funds and Accounts set forth in Section 7.02 of this Series D Resolution to be expended for the Program.

2.02. Single Issue. Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the "Regulations"), the Agency intends to treat all Bonds sold on the same date as a single issue of bonds.

2.03. Pledge. The pledge made and security interests granted 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 D 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 as permitted thereby.

2.04. Approval of Contract of Purchase. The Agency will negotiate for the sale of the Series D Bonds to the Underwriters.

Any Authorized Officer is hereby authorized to approve the final terms of the Series D Bonds, subject to the following parameters:

(i) the principal amount of the Series D Bonds; provided that the principal amount of the Series D Bonds is not in excess of $60,000,000;

(ii) the maturity schedule of the Series D Bonds (including any mandatory sinking fund schedule); provided that the Series D Bonds mature at any time or times in the amount or amounts not later than 32 years from the Issue Date thereof; and

(iii) the fee or other compensation payable to the Underwriters of the Series D Bonds; provided that the fee or other compensation payable to the purchasers of the Series Bonds does not exceed 1.00 percent of the principal amount of the Series Bonds.

That approval will be conclusively evidenced by the execution of the 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 D 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 the Purchase Contract on behalf of the Agency with those 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 Series D Bonds, including any mandatory sinking fund provisions for the Series D Bonds, other redemption provisions and the purchase price of the Series D Bonds, will be set forth in the final Official Statement of the Agency, furnished to the Underwriters as provided in the following paragraph of this Series D Resolution, or in the Agency Certificate to be delivered pursuant to Section 6.01 of this Series D Resolution, as the case may be.

2.05. Official Statement. The Agency has examined a draft of the form of the Preliminary Official Statement of the Agency to be dated the date of distribution thereof, containing information relating to the Agency and the Series Bonds. An Authorized Officer is hereby authorized to approve a final version of the Preliminary Official Statement and establish the date of sale of the Series Bonds. The Agency hereby approves the use thereof by the Underwriters in the public offering of the Series D Bonds. 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 D Bonds as provided in the Purchase Contract, is approved and authorized to be signed by an Authorized Officer and furnished to the Underwriters for distribution to investors.

2.06. 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 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 is authorized to be signed on behalf of the Agency by an Authorized Officer.

2.07. Approval of Remarketing Agreement. The Agency has also received and examined the form of the Remarketing Agreement relating to the Series D Bonds, to be entered into between the Agency and RBC Capital Markets, LLC, as Remarketing Agent. The Remarketing Agreement is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer, with the revisions as may be required or approved by counsel for the Agency and the Authorized Officer of the Agency executing the same.

2.08. Liquidity Facility. The Agency has also received and examined the form of the Initial Liquidity Facility relating to the Series D Bonds, to be entered into between the Agency, the Trustee and Royal Bank of Canada, including the related Fee Letter between the Agency and Royal Bank of Canada. The Initial Liquidity Facility is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer with the revisions as may be required or approved by counsel for the Agency and the Authorized Officer of the Agency executing the same. Any Authorized Officer is authorized to negotiate the terms of, approve and execute any Alternate Liquidity Facility, provided those agreements are consistent with the terms of this Series D Resolution. The execution and delivery by the Authorized Officer of the agreements will constitute conclusive evidence of both the Agency's and the Authorized Officer's approval of all changes, modifications, amendments, revisions and alterations made therein and will conclusively establish the Authorized Officer's absolute, unconditional and irrevocable authority with respect thereto from the Agency and the authorization, approval and ratification by the Agency of the agreements so executed.

2.09. 2019D Swap Agreement. An Authorized Officer is hereby authorized to enter into in the name and on behalf of the Agency the 2019D Swap Agreement in respect of the interest payments payable on all or a portion of the Series D Bonds during the term of the 2019D Swap Agreement, in substantially the form thereof available at the meeting at which this Series D Resolution is adopted, with the changes therein or additions thereto as an Authorized Officer and counsel to the Agency approves, which approval will be conclusively evidenced by the execution and delivery of the 2019D Swap Agreement by an Authorized Officer; provided, however, that (i) the 2019D Swap Agreement will provide that the Agency must pay a fixed rate to the 2019D Swap Counterparty not exceeding 4.75 percent per annum, and the 2019D Swap Counterparty must pay a variable rate based on an index approved by the Authorized Officer, (ii) the original notional amount of the 2019D Swap Agreement will not exceed the aggregate original principal amount of the Series D Bonds, and (iii) the stated term of the 2019D Swap Agreement will not extend beyond the final stated maturity of the Series D Bonds. If the 2019D Swap Agreement is entered into by the Agency as so authorized, the Trustee is authorized and directed to pay to the 2019D Swap Counterparty, from the Revenue Fund, the amounts due from time to time pursuant to the 2019D Swap Agreement, as provided in Section 4.5 of the Bond Resolution. The Agency agrees that for purposes of Section 7.4 of the Bond Resolution, all obligations of the Agency due under the 2019D Swap Agreement will be Program Expenses.

An Authorized Officer may decline to enter into the 2019D Swap Agreement, notwithstanding the authorization contained in this Section 2.09, if, in his or her judgment, following consultation with the Chair or Vice Chair, the execution and delivery of the 2019D Swap Agreement is not in the best interests of the Agency because it is not necessary to achieve the interest rate or rates on the 2019A-B-C-D Series Program Loans required for purposes of the Program or because the risks inherent in the 2019D Swap Agreement as proposed to achieve the necessary interest rates are unduly detrimental to the interests of the Agency.

Section 3. Definitions and Rules of Interpretation.

3.01. Incorporated Definitions. Except as provided in Section 3.02, all defined terms contained in the Bond Resolution when used in this Series D Resolution will have the same meanings as set forth in the Bond Resolution.

3.02. Definitions. As used in this Series D Resolution, unless the context otherwise requires, the following terms will have the following respective meanings:

"*2019A-B-C-D Series Program Loan*" means a Transferred Program Loan or a Pooled 2019A-B-C-D Series Program Loan.

"*2019A-B-C-D Series Program Security*" means a Program Security financed in whole or in part with amounts on deposit in the 2019 Series A-B-C-D Acquisition Account and bearing interest at a rate equal to the stated interest rate on the corresponding Pooled 2019A-B-C-D Series Program Loans less the applicable servicing fee and guaranty fee.

"*2019D Swap Agreement*" means, collectively, the ISDA Master Agreement, the Schedule to the ISDA Master Agreement, the ISDA Credit Support Annex to the Schedule, and the related Confirmation in respect of all or a portion of the Series D Bonds, all between the Agency and the 2019D Swap Counterparty.

"*2019D Swap Counterparty*" means Royal Bank of Canada.

"*Agency Bonds*" means any tendered Series D Bond registered in the name of the Agency and not pledged to the Bank.

"*Alternate Liquidity Facility*" means any standby purchase agreement, line of credit, letter of credit or similar agreement (not including a Non-Conforming Liquidity Facility or Self-Liquidity Facility) providing liquidity for the Liquidity Facility Bonds or any portion thereof, delivered by the Agency in connection with a Mode Change or in substitution for an existing Liquidity Facility pursuant to the terms of this Series D Resolution. The extension or renewal of an extant Liquidity Facility will not be deemed an Alternate Liquidity Facility.

"*Applicable Percentage*" means, with respect to any Unenhanced Variable Rate Bonds on any date of determination, the percentage set forth below based on the Prevailing Rating of the applicable Unenhanced Variable Rate Bonds in effect on the close of business on the Business Day immediately preceding that date of determination:

Prevailing Rating	Applicable Percentage
Aaa/AAA	150 percent
Aa/AA	200
A/A	250
Baa/BBB	350
Below Baa/BBB	400

"*Authorized Denominations*" means (i) during a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period, or a Quarterly Mode Period, $100,000 or integral multiples of $5,000 in excess of $100,000, (ii) while the Variable Rate Bonds are Unenhanced Variable Rate Bonds, $25,000 or integral multiples thereof, and (iii) during

a Semiannual Mode Period, $5,000 or any integral multiples thereof; and from and after a Conversion Date, $5,000 or any integral multiple thereof.

"*Bank*" means (i) with respect to the Initial Liquidity Facility for the Series D Bonds, Royal Bank of Canada, together with its successors and assigns; (ii) with respect to an Alternate Liquidity Facility or a Non-Conforming Liquidity Facility, the provider thereof, together with its successors and assigns; and (iii) with respect to Self Liquidity, the Agency, together with its successors and assigns.

"*Bank Bonds*" means Series D Bonds purchased with funds provided by the Bank pursuant to a Liquidity Facility (other than Self Liquidity).

"*Bank Interest Rate*" means the rate of interest, if any, on any Bank Bonds held by and payable to the Bank at any time as determined and calculated in accordance with the provisions of the Liquidity Facility.

"*Bank Purchase Date*" means any Purchase Date on which the Bank purchases Series D Bonds.

"*Beneficial Owner*" means, whenever used with respect to a Series D Bond, the Person in whose name the Series D Bond is recorded as the beneficial owner of that Series D Bond by a Participant on the records of the Participant, or that Person's subrogee.

"*Bond Counsel*" means one or more attorneys or firms of attorneys with a nationally recognized standing in the field of municipal bond financings selected by the Agency.

"*Bond Purchase Account*" means the 2019 Series D Bond Purchase Account established pursuant to Sections 7.01 and 7.04 of this Series D Resolution.

"*Bond Resolution*" means Resolution No. MHFA 95-82, adopted August 24, 1995 (which amended and restated in whole Resolution No. MHFA 76-32, adopted July 27, 1976), as heretofore or hereafter amended and supplemented from time to time as permitted therein.

"*Business Day*" means any day other than (a) a Saturday, a Sunday, or (b) a day on which banking institutions in New York, New York are authorized or required by law or executive order to close, or (c) a day on which the New York Stock Exchange is closed or (d) a day on which the principal office of the Trustee is authorized to be closed for regular business.

"*Cede & Co.*" means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series D Bonds.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of Treasury thereunder.

"*Conventional Mortgage Loan*" means a 2019A-B-C-D Series Program Loan other than an FHA Insured Program Loan, a VA Guaranteed Program Loan or a USDA Rural Development Guaranteed Program Loan, satisfying the requirements of Fannie Mae or Freddie Mac, as applicable.

"*Conversion Date*" means the Business Day on which the interest rate on any of the Series D Bonds is Converted to a Fixed Interest Rate or an Indexed Rate.

"*Convert*," "*Converted*" or "*Conversion*," as appropriate, means the conversion of the interest rate on any of the Series D Bonds to a Fixed Interest Rate or an Indexed Rate pursuant to Section 11.08 of this Series D Resolution.

"*Daily Mode Period*" means the period of time during which any of the Series D Bonds bear interest at a Daily Rate.

"*Daily Rate*" means the rate of interest to be borne by the Series D Bonds as described in Section 11.02(b) of this Series D Resolution.

"*Defaulted Transferred Mortgage Loan*" means a Transferred Mortgage Loan on which payments are 60 days in arrears (but not a Transferred Mortgage Loan as to which all defaults have been cured to the satisfaction of the Agency).

"*Delivery Period*" means the period of time for the purchase of Program Securities from the Master Servicer. The entire Delivery Period will be as set forth in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution, unless extended by the Agency pursuant to Section 5.04 of this Series D Resolution; provided the Delivery Period may not be extended beyond October 1, 2022.

"*DTC*" means The Depository Trust Company, of New York, New York.

"*Effective Rate*" means the rate of interest (which rate must be less than or equal to the Maximum Rate) payable on any of the Series D Bonds prior to Conversion, as determined for each Effective Rate Period pursuant to the terms of this Series D Resolution.

"*Effective Rate Date*" means each date on which any of the Series D Bonds begin to bear interest at the applicable Effective Rate described in the Mode Period Chart.

"*Effective Rate Period*" means, with respect to any Series D Bonds, each period during which interest accrues under a particular Mode from one Effective Rate Date to and including the day preceding the next Effective Rate Date with respect to that Series D Bond.

"*Electronic Means*" means a facsimile transmission or any other electronic means of communication approved in writing by the Agency and satisfactory to the Trustee.

"*Fannie Mae*" means the Federal National Mortgage Association, or any successor thereto.

"*Fannie Mae Security*" means 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.

"FHA" means 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.

"*FHA Insurance*" means FHA mortgage insurance issued under one of the FHA Insurance programs pursuant to the National Housing Act, including but not limited to: (a) FHA §203(b), Home Unsubsidized; (b) FHA §234(c), Condominiums; (c) FHA §203(b)(2), Veteran's Status, or (d) FHA Section 184, Indian Housing Loans.

"*FHA Insured*" means insured by FHA Insurance.

"*Fixed Interest Rate*" means a long-term interest rate fixed to maturity of any Series D Bond, established in accordance with Section 11.08 of this Series D Resolution.

"*Fixed Rate Bonds*" means Series D Bonds that bear interest at a Fixed Interest Rate.

"*Freddie Mac*" means the Federal Home Loan Mortgage Corporation, a corporate instrumentality 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*" means 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*" means the Government National Mortgage Association, a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development, 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*" means a GNMA I Mortgage Pass-Through Certificate or a GNMA II Mortgage Pass-Through Certificate issued by the Master Servicer in the name of the Trustee in exchange for Program 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 backed by FHA Insured Program Loans, USDA Rural Development Guaranteed Program Loans or VA Guaranteed Program Loans in the related pool.

"*Home*" means real property and improvements in the State, comprising not more than four dwelling units, occupied or to be occupied by one or more persons or families.

"*Immediate Notice*" means notice by telephone, telex or telecopier to the address that the addressee has directed in writing, promptly followed by written notice by first class mail, postage prepaid; provided, however, that if any Person required to give an Immediate Notice has not been provided with the necessary information as to the telephone, telex or telecopier number of an addressee, Immediate Notice means written notice by first class mail, postage prepaid.

"*Index*" means, with respect to any Series D Bonds, the interest rate index (SIFMA Index or, upon receipt of written confirmation from each Rating Agency then maintaining a rating on the Series D Bonds that the rating on the Series D Bonds has not been withdrawn, reduced or suspended, Three-Month LIBOR or another index as may be mutually agreed upon by the Agency and the 2019D Swap Provider or other Swap Counterparty, if any) specified by the Agency in connection with the Conversion of those Bonds to be used in the Indexed Rate Determination Method with respect to those Bonds.

"*Index Accrual Period*" means, with respect to any Series D Bonds bearing interest at an Indexed Rate (i) determined in accordance with Section 11.08(g)(ii) or Section 11.08(g)(iv) of this Series D Resolution, the period commencing on the Conversion Date of those Bonds to but excluding the day occurring one week thereafter and each one week period thereafter and (ii) determined in accordance with Section 11.08(g)(iii) or Section 11.08(g)(iv) of this Series D Resolution, the period commencing on each January 1, April 1, July 1 and October 1 to and including the following December 31, March 31, June 30 and September 30 respectively; provided that the initial Index Accrual Period will be the period commencing on the Conversion Date of those Bonds and ending on the immediately succeeding March 31, June 30, September 30 or December 31.

"*Index Adjustment Factor*" means, with respect to any Series D Bonds bearing interest at an Indexed Rate determined in accordance with Section 11.10(g)(ii) or Section 11.10(g)(iv) of this Series D Resolution, the per annum spread to the related Index (expressed in basis points) established on the Index Determination Date immediately preceding the Conversion Date for those Bonds in accordance with Section 11.10 of this Series D Resolution.

"*Index Determination Date*" means, with respect to any Index Accrual Period, the second Business Day preceding the beginning of that Index Accrual Period.

"*Index Percentage*" means, with respect to Series D Bonds bearing interest at an Indexed Rate determined in accordance with Section 11.08(g)(i) or Section 11.08(g)(iii) of this Series D Resolution, the percentage of the related Index established on the Conversion Date for those Bonds in accordance with Section 11.08 of this Series D Resolution.

"*Indexed Rate*" means, with respect to any Index Accrual Period and any Series D Bonds, a per annum rate determined in accordance with the Indexed Rate Determination Method specified upon the Conversion of those Bonds, provided that the Indexed Rate for any Index Accrual Period must not exceed the Maximum Rate.

"*Indexed Rate Bonds*" means Series D Bonds that bear interest at an Indexed Rate.

"*Indexed Rate Determination Method*" means, with respect to any Series D Bonds, the method for determining the Indexed Rate for those Bonds for each Index Accrual Period, as selected by the Agency in accordance with Section 11.08(g) of this Series D Resolution.

"*Initial Liquidity Facility*" means the Standby Bond Purchase Agreement between the Agency, Royal Bank of Canada and the Trustee, including the related Fee Letter between the Bank and the Agency.

"*Interest Payment Date*" means: (a) with respect to Variable Rate Bonds (excluding Bank Bonds), January 1 and July 1 of each year, commencing July 1, 2019, and any day that is a Conversion Date for those Series D Bonds; (b) with respect to Fixed Rate Bonds and Indexed Rate Bonds, each January 1 and July 1 and, after a Conversion, the first of those dates occurring at least two months after the Conversion Date and each January 1 and July 1 thereafter; and (c) with respect to Bank Bonds, (i) any Bank Purchase Date, (ii) the first calendar Business Day of each month after each Bank Purchase Date and (iii) the date of remarketing of the Bank Bonds; provided, however, the establishment of the Interest Payment Date for Bank Bonds hereunder is not intended to modify or otherwise affect any provision of the Bond Resolution that by its terms may contemplate the occurrence of certain events on a semiannual Interest Payment Date.

"*Lender*" means any of the following institutions making or holding a 2019A-B-C-D Series Program Loan: (i) any bank, savings bank, credit union, mortgage company or nonprofit corporation organized or licensed under the laws of the State or the United States, and any mortgagee or lender approved or certified by the Secretary of Housing and Urban Development or by the Administrator of Veteran Affairs; or (ii) any agency or instrumentality of the United States or the State, or a political subdivision of the State.

"*LIBOR*" means the London Interbank Offered Rate.

"*Liquidity Expiration Event*" means either (i) the Agency has determined to terminate a Liquidity Facility in accordance with its terms, (ii) the Bank has delivered notice to the Trustee on or prior to 45 days prior to the scheduled expiration of a Liquidity Facility that the Liquidity Facility will not be extended or renewed, or (iii) the Bank has not delivered notice to the Trustee on or prior to 45 days prior to the scheduled expiration of a Liquidity Facility that the Liquidity Facility will be extended or renewed.

"*Liquidity Facility*" means any instrument delivered pursuant to the terms of this Series D Resolution that provides liquidity support for the purchase of Liquidity Facility Bonds in accordance with the terms of this Series D Resolution, including the Initial Liquidity Facility and any Alternate Liquidity Facility, Non-Conforming Liquidity Facility or Self Liquidity.

"*Liquidity Facility Bonds*" means Variable Rate Bonds (including Bank Bonds but not including Unenhanced Variable Rate Bonds) that are required pursuant to this Series D Resolution to be covered by a Liquidity Facility.

"*Mandatory Tender Date*" means each date on which any of the Series D Bonds are subject to mandatory tender pursuant to Section 11.10 of this Series D Resolution.

"*Master Servicer*" means the Person designated as servicer under the Participation Agreements and 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*" means 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 that agreement.

"*Maximum Rate*" means (i) with respect to the Series D Bonds 12 percent per annum, unless the Agency directs in writing that the rate be increased to a higher rate and delivers to the Trustee (x) an opinion of Bond Counsel to the effect that the amendment will not adversely affect the exclusion of interest on the Series A-B-D Tax-Exempt Bonds from gross income of the owners thereof for federal income tax purposes, (y) an Agency Certificate to the Trustee to the effect that the increase will not impair the Ratings on the Series D Bonds by each Rating Agency; and (z) a certified copy of a resolution adopted by the Agency approving the increase in the Maximum Rate; and (ii) with respect to Bank Bonds, has the meaning ascribed to that term in the Liquidity Facility; provided, however, that in no event will the Maximum Rate, as described in (i) or (ii) above, exceed the lesser of (x) 12 percent or a higher rate as approved by the Agency's governing body or (y) the maximum rate permitted by applicable law, anything herein to the contrary notwithstanding.

"*Mode*" means the manner in which the interest rate on any of the Series D Bonds is determined, consisting of a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate.

"*Mode Change*" means a change in Mode Period.

"*Mode Change Date*" means the date of effectiveness of a Mode Change.

"*Mode Period*" means each period beginning on the first Effective Rate Date for any of the Series D Bonds, or the first Effective Rate Date following a change from one Mode to another, and ending on the date immediately preceding the first Effective Rate Date following the next change in Mode with respect to those Series D Bonds.

"*Mode Period Chart*" means the chart entitled "Mode Periods" as set forth in Section 11.02 of this Series D Resolution.

"*Monthly Mode Period*" means each period of time during which any of the Series D Bonds bear interest at a Monthly Rate.

"*Monthly Rate*" means the rate of interest to be borne by any of the Series D Bonds as described in Section 11.02(b) of this Series D Resolution.

"*Moody's*" means Moody's Investors Service Inc., and its successors and assigns.

"Mortgage" means a mortgage deed, deed of trust, or other instrument securing a 2019A-B-C-D Series Program Loan and constituting a lien on a Home.

"*Mortgagor*" means the obligor or joint obligors on a 2019A-B-C-D Series Program Loan.

"*Non-Conforming Liquidity Facility*" means a liquidity facility delivered by the Agency pursuant to Section 12.04 of this Series D Resolution.

"*Notice Parties*" means the Agency, the Remarketing Agent, the Bank, the Tender Agent and the Trustee.

"*Participant*" means any broker-dealer, bank or other financial institution for which DTC holds Series D Bonds as securities depository.

"*Participants*" means those broker-dealers, banks, and other financial institutions from time to time for which a securities depository holds Series D Bonds.

"*Participation Agreements*" means one or more of the Participation Agreements, as amended from time to time, relating to the origination of Program Loans under the Program, either (i) between the Agency, the Master Servicer (with respect to a Participation Agreement relating to Program Loans to be pooled to back Program Securities), and a Lender, or (ii) between the Agency and a Lender (together with a separate participation agreement between the Master Servicer and a Lender with respect to a participation agreement relating to Program Loans to be pooled to back Program Securities).

"*Person*" means an individual, partnership, corporation, limited liability company, limited liability partnership, trust or unincorporated organization or a government or any agency, instrumentality, political subdivision or corporation thereof.

"*Pool Purchase Contract*" means (i) Any Fannie Mae Pool Purchase Contract between the Master Servicer and Fannie Mae relating to the sale by the Master Servicer of Pooled 2019A-B-C-D Series Program Loans to Fannie Mae and the servicing thereof, or (ii) any Fannie Mae Pool Purchase Contract between the Agency and Fannie Mae relating to the sale by the Agency of Pooled 2019A-B-C-D Series Program Loans to Fannie Mae and the servicing thereof, or (iii) any Freddie Mac Pool Purchase Contract between the Master Servicer and Freddie Mac relating to the sale by the Master Servicer of 2019A-B-C-D Series Program Loans to Freddie Mac and the servicing thereof.

"*Pooled 2019A-B-C-D Series Program Loan*" means a loan to a Mortgagor, secured by a Mortgage on a Home and evidenced by a promissory note, or a security payable from or evidencing an interest in Program Loans, and financed in whole or in part with amounts on deposit in the 2019 Series A-B-C-D Acquisition Account, acquired by the Master Servicer pursuant to Section 5.04 of this Series D Resolution.

"*Purchase Contract*" means the Contract of Purchase to be entered into between the Agency and the Underwriters with respect to the Series D Bonds.

"*Purchase Date*" means any date that Series D Bonds are to be purchased pursuant to Sections 11.09 and 11.10 of this Series D Resolution.

"*Purchase Price*" means an amount equal to the principal amount of any Series D Bond tendered or deemed tendered for purchase as provided herein, plus, if the Purchase Date is not an Interest Payment Date, accrued interest from the previous Interest Payment Date to the day preceding the Purchase Date.

"*Quarterly Mode Period*" means each period of time during which any of the Series D Bonds bears interest at a Quarterly Rate.

"*Quarterly Rate*" means the rate of interest to be borne by any of the Series D Bonds as described in Section 11.02(b) of this Series D Resolution.

"*Rate Determination Date*" means the date on which the Effective Rate is determined for the Effective Rate Period following each Rate Determination Date, as described in the Mode Period Chart.

"*Record Date*" means, with respect to Variable Rate Bonds, the Business Day immediately prior to the applicable Interest Payment Date and, in all other cases, the fifteenth day preceding each Interest Payment Date; provided, however, that if the Record Date is not a Business Day, then that Record Date will be deemed to be the first Business Day following that Record Date.

"*Refunded Bonds*" means the Series A Refunded Bonds, the Series B Refunded Bonds and the Series D Refunded Bonds, if any.

"*Regulations*" means the Income Tax Regulations promulgated under the Code and applicable to the Series D Bonds.

"*Remarketing Agent*" means the remarketing agent(s) appointed by the Agency pursuant to the Remarketing Agreement for the remarketing of the Series D Bonds.

"*Remarketing Agreement*" means the Remarketing Agreement, between the Agency and RBC Capital Markets, LLC, with respect to the Series D Bonds, as the same may be amended in accordance with the terms thereof, and any similar agreement entered into between the Agency and any successor Remarketing Agent in respect of the Series D Bonds.

"*S&P*" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, or its successors or assigns.

"*Self Liquidity*" means a liquidity facility provided by the Agency's own funds pursuant to Section 12.04 of this Series D Resolution, other than a Non-Conforming Liquidity Facility.

"*Semiannual Mode Period*" means each period of time during which any of the Series D Bonds bear interest at a Semiannual Rate.

"*Semiannual Rate*" means the rate of interest to be borne by any of the Series D Bonds as described in Section 11.02(b) of this Series D Resolution.

"*Series Bonds*" means collectively, the Series A Bonds, the Series B Bonds, the Series C Bonds and the Series D Bonds.

"*Series A Bonds*" means the Residential Housing Finance Bonds, 2019 Series A, issued by the Agency pursuant to the Bond Resolution and the Series ABC Resolution in an aggregate principal amount to be determined pursuant to the terms of the Series ABC Resolution.

"*Series A Refunded Bonds*" means those certain outstanding Bonds to be listed in the Agency Certificate delivered pursuant to Section 8(A) of the Series ABC Resolution.

"Series A-B-D Tax-Exempt Bonds" means, collectively, the Series A Bonds, the Series B Bonds and the Series D Bonds.

"*Series ABC Resolution*" means Resolution No. MHFA 18-065, adopted November 1, 2018, as amended by Resolution No. MHFA 19-006, adopted February 21, 2019, as hereafter amended and supplemented from time to time as permitted therein and in the Bond Resolution.

"*Series B Bonds*" means the Residential Housing Finance Bonds, 2019 Series B, issued by the Agency pursuant to the Bond Resolution and the Series ABC Resolution in an aggregate principal amount to be determined pursuant to the terms of the Series ABC Resolution.

"*Series B Refunded Bonds*" means those certain outstanding Bonds (if any) to be listed in the Agency Certificate delivered pursuant to Section 8(A) of the Series ABC Resolution.

"*Series C Bonds*" means the Residential Housing Finance Bonds, 2019 Series C (Taxable), issued by the Agency pursuant to the Bond Resolution and the Series ABC Resolution in an aggregate principal amount to be determined pursuant to the terms of the Series ABC Resolution.

"*Series D Bonds*" means the Residential Housing Finance Bonds, 2019 Series D, issued by the Agency pursuant to the Bond Resolution and this Series D Resolution, in an

aggregate principal amount to be determined pursuant to Section 2.04 of this Series D Resolution.

"*Series D Refunded Bonds*" means those certain outstanding Bonds (if any) to be listed in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution.

"*Series D Resolution*" means this Resolution No. MHFA 19-007, adopted February 21, 2019, as hereafter amended and supplemented from time to time as permitted herein and in the Bond Resolution.

"*Servicer*" means the Agency or any other public or private institution (including the Trustee or a Depository) with which the Agency has executed a Servicing Agreement.

"*Servicing Agreement*" means a contractual agreement of the Agency with a Servicer for the servicing of a Transferred Mortgage Loan.

"*SIFMA*" means the Securities Industry and Financial Markets Association, its successors and assigns.

"*SIFMA Index*" means, for any date of determination, the level of the index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by SIFMA and issued on Wednesday of each week, or if any Wednesday is not a Business Day, the immediately succeeding Business Day. If the SIFMA Index is no longer published, then "SIFMA Index" shall mean the S&P Weekly High Grade Index. If the S&P Weekly High Grade Index is no longer published, then "SIFMA Index" shall mean an index selected by the Remarketing Agent meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by SIFMA to determine the SIFMA Index immediately prior to the date on which the SIFMA ceased publication of the SIFMA Index.

"*Six-Month LIBOR*" means the rate of interest per annum equal to the rate per annum at which United States dollar deposits having a maturity of six months are offered to prime banks in the London interbank market that appear on the Telerate Service LIBOR Page as of approximately 11:00 a.m., London time, on the second Business Day immediately preceding the beginning of each Semiannual Mode Period for Unenhanced Variable Rate Bonds. If the Telerate Service is not available, then another service selected by the Trustee will be used; provided, however, that if the service selected by the Trustee as aforesaid is not quoting as mentioned in this sentence, then Six-Month LIBOR will be the Six-Month LIBOR in effect for the immediately preceding Semiannual Mode Period; provided, however, that if on that LIBOR Determination Date Six-Month LIBOR was not published in the immediately preceding Semiannual Mode Period, a new publicly published industry standard six-month rate will be identified by the Agency, so long as a written confirmation is received from each Rating Agency then maintaining a rating on

the Series D Bonds that the rating on the Series D Bonds has not been withdrawn, reduced or suspended.

"Tax-Exempt Series Bonds" means the Series of Bonds that are intended to be bonds the interest on which is excludable from gross income for federal income tax purposes.

"*Tender Agent*" means the Trustee appointed pursuant to the Bond Resolution.

"*Three-Month LIBOR*," with respect to any Index Accrual Period or Quarterly Mode Period for Unenhanced Variable Rate Bonds, means the per annum rate (rounded, if necessary, to the nearest one-hundredth of one percent) for deposits in United States dollars for three months that appears on the Telerate British Bankers' Association LIBOR Rates Page ("BBA LIBOR Rates Page" as defined below) as of 11:00 a.m., London, England time, on the second Business Day preceding the beginning of each Index Accrual Period or Quarterly Mode Period for Unenhanced Variable Rate Bonds, as applicable, in each case a "LIBOR Determination Date." If that rate does not appear on the BBA LIBOR Rates Page or if fewer than two offered rates appear, Three-Month LIBOR will be determined on the date as described below. "BBA LIBOR Rates Page" means the display designated as page 3750 on the Telerate, Inc. news and information service (or another page as may replace the BBA LIBOR Rates Page on that service for the purpose of displaying London interbank offered rates of major banks). If on that LIBOR Determination Date fewer than two offered rates appear on the BBA LIBOR Rates Page, then Three-Month LIBOR will be the Three-Month LIBOR applicable to the immediately preceding Index Accrual Period or the Quarterly Mode Period, as applicable; provided, however, that if on that LIBOR Determination Date Three-Month LIBOR was not published in the immediately preceding Index Accrual Period or Quarterly Mode Period, as applicable, a new publicly published industry standard three-month rate will be identified by the Agency, so long as a written confirmation is received from each Rating Agency then maintaining a rating on the Series D Bonds that the rating on the Series D Bonds has not been withdrawn, reduced or suspended.

"*Transferred Program Loans*" means the Transferred Mortgage Loans and the Program Loans pooled into the Transferred Program Securities.

"*Transferred Mortgage Loans*" means the Program Loans allocable to the Series Bonds upon the refunding of the Refunded Bonds.

"*Transferred Program Obligations*" means, collectively, the Transferred Mortgage Loans and the Transferred Program Securities allocable to the Series Bonds upon the refunding of the Refunded Bonds.

"*Transferred Program Securities*" means the Program Securities allocable to the Series Bonds upon the refunding of the Refunded Bonds.

"*Underwriters*" means RBC Capital Markets, LLC., Piper Jaffray & Co., Wells Fargo Bank, National Association and J.P. Morgan Securities LLC.

"*Unenhanced Variable Rate Bonds*" means Variable Rate Bonds that are not required to be covered by a Liquidity Facility.

"*Unenhanced Variable Rate Change Dates*" means the effective date of a change from Liquidity Facility Bonds to Unenhanced Variable Rate Bonds, or a change from Unenhanced Variable Rate Bonds to Liquidity Facility Bonds.

"*Unenhanced Variable Rate Default Rate*" means, in respect of any Mode Period, 500% of the SIFMA Index determined on the Mode Change Date next preceding the first day of that Mode Period; provided, however, that in no event will the Unenhanced Variable Rate Default Rate with respect to those Bonds exceed 12 percent per annum.

"*Unenhanced Variable Rate Minimum Rate*" has the meaning set forth in Section 11.02(a)(ii) of this Series D Resolution.

"*Unenhanced Variable Rate Minimum Rate Determination Date*" has the meaning set forth in Section 11.02(a)(iv) of this Series D Resolution.

"*Unenhanced Variable Rate Non-Remarketed Rate*" means the rate per annum (not exceeding 12 percent per annum) equal to the product of the Applicable Percentage of the SIFMA Index in effect at that time and (a) in the case of Unenhanced Variable Rate Bonds bearing interest at a Daily Rate, Weekly Rate or Monthly Rate, the SIFMA Index; (b) in the case of Unenhanced Variable Rate Bonds bearing interest at a Quarterly Rate, Three-Month LIBOR; and (c) in the case of Unenhanced Variable Rate Bonds bearing interest at a Semiannual Rate, Six-Month LIBOR.

"*Untendered Bonds*" has the meaning set forth in Section 11.10(d) of this Series D Resolution.

"*USDA Rural Development*" means Rural Development, a division of the United States Department of Agriculture, and any successor to its functions. Its powers are prescribed by the Housing Act of 1949, as amended.

"*USDA Rural Development Guaranteed*" means guaranteed by USDA Rural Development under the USDA Rural Development Guaranteed Rural Housing Loan Program.

"*VA*" means the Veterans Administration, an agency of the United States of America, or any successor to its functions.

"*VA Guaranteed*" means guaranteed by the VA under the Serviceman's Readjustment Act of 1944, as amended.

"*Variable Rate Bonds*" means the Series D Bonds during a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period, a Quarterly Mode Period or a Semiannual Mode Period (whether or not in each case those Series D Bonds are Liquidity Facility Bonds or Unenhanced Variable Rate Bonds).

"*Weekly Mode Period*" means each period of time during which any of the Series D Bonds bear interest at a Weekly Rate.

"*Weekly Rate*" means the rate of interest to be borne by any of the Series D Bonds as described in Section 11.02(b) of this Series D Resolution.

3.03. Rules of Interpretation.

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Series D Resolution, refer to this Series D Resolution.

(b) The section headings herein and in the Table of Contents are for convenience only and will not affect the construction hereof.

(c) All references in this instrument to designated "Sections" and other subdivisions are to be the designated Sections and other subdivisions of this instrument as originally executed.

(d) "Or" is not exclusive, but is intended to permit or encompass one, more or all of the alternatives conjoined.

(e) If any provision of this Series D Resolution is held or deemed to be or is, in fact, illegal, inoperative or unenforceable, the same will not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

(f) This Series D Resolution will be governed by and construed in accordance with the internal laws of the State of Minnesota.

(g) The Trustee will be protected in acting upon any notice, resolution, request, consent, order or certificate of an Authorized Officer that is transmitted to the Trustee by Electronic Means.

Section 4. Securities Depository.

4.01. General Provisions. The Series D Bonds will be initially issued as separately authenticated fully registered bonds, and one Series D Bond will be issued in the principal amount of each stated maturity of the Series D Bonds. Upon initial issuance, the ownership of the Series D Bonds will 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 D Bonds registered in its name for the purposes of payment of the principal or purchase price of, premium, if any, and interest on the Series D Bonds, selecting the Series D Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to Owners of Series D Bonds under the Bond Resolution or this Series D Resolution, registering the transfer of Series D Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency will be affected by any notice to the contrary. Neither the Trustee nor the Agency will have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Series D Bonds under or through DTC or any Participant, or

any other Person that is not shown on the bond register as being an Owner of any Series D 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 or purchase price of, premium, if any, and interest on the Series D Bonds, with respect to any notice that is permitted or required to be given to owners of Series D Bonds under the Bond Resolution or this Series D Resolution, with respect to the selection by DTC or any Participant of any Person to receive payment in the event of a partial redemption or mandatory tender of the Series D Bonds, or with respect to any consent given or other action taken by DTC as Owner of the Series D Bonds. So long as any Series D Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee will pay all principal and purchase price of, premium, if any, and interest on the Series D Bond, and will give all notices with respect to the Series D Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all those payments will 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 D Bonds will be transferable to that new nominee in accordance with Section 4.02.

4.02. Discontinuation of Book-Entry System. In the event the Agency determines to discontinue the book-entry system for the Series D Bonds, the Agency may notify DTC and the Trustee, whereupon DTC will notify the Participants of the availability through DTC of Series D Bonds in the form of certificates. In that event, the Series D Bonds will be transferable in accordance with Section 4.03. DTC may determine to discontinue providing its services with respect to the Series D Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In that event the Series D Bonds will be transferable in accordance with Section 4.03.

4.03. Transfer and Exchange. In the event that any transfer or exchange of Series D Bonds is permitted under Sections 4.01 or 4.02, that transfer or exchange will be accomplished upon receipt by the Trustee of the Series D 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 D Resolution. In the event Series D Bonds in the form of certificates are issued to Owners other than Cede & Co., its successor as nominee for DTC as Owner of all the Series D Bonds, or another securities depository as Owner of all the Series D Bonds, the provisions of the Bond Resolution and this Series D Resolution will apply to all matters relating thereto, including, without limitation, the preparation of the Series D Bonds in the form of bond certificates, the method of payment of principal and purchase price of, redemption premium, if any, and interest on the Series D Bonds and the method of giving notice of redemption and other events.

Section 5. Series Program Determinations for the Series D Bonds.

5.01. Debt Service Reserve Requirement. In accordance with the provisions of the Bond Resolution, the Debt Service Reserve Requirement for the Bond Resolution is the sum of amounts established for each Series of Bonds by each respective Series Resolution. The Debt Service Reserve Requirement with respect to the Series D Bonds will be in that amount or that percentage of the principal amount of the then Outstanding Series D Bonds as set forth in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution.

5.02. Insurance Reserve Requirement. In accordance with the provisions of the Bond Resolution, the Insurance Reserve Requirement for the Bond Resolution is the sum of amounts established for each Series of Bonds by each respective Series Resolution. The Insurance Reserve Requirement with respect to the Series D Bonds will be in that amount or that percentage of the principal amount of the then Outstanding Series D Bonds as set forth in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution.

5.03. Requirements for 2019A-B-C-D Series Program Securities. The Series A-B-D Tax-Exempt Bonds are intended to be Tax-Exempt Series Bonds. The sale proceeds of Series A-B-D Tax-Exempt Bonds not used to refund certain obligations of the Agency will be used to purchase Program Securities that (l) are backed by Mortgages that are in compliance with the Act, the Program, and the Code, and (2) comply with the requirements set forth in the Master Servicing Agreement. The Agency represents that the Transferred Program Loans were made in accordance with the applicable provisions of the Bond Resolution and the Agency's Mortgage Program Procedural Manual as in effect at the time the Transferred Program Loans were purchased by the Agency, which provisions will constitute the Series Program Determinations with respect to the Transferred Program Loans, and those Transferred Program Loans will be Program Loans within the meaning of the Bond Resolution and this Series D Resolution. Except as expressly provided, the provisions of Section 5.04 below will not apply to the Transferred Program Loans. The provisions of the Agency's Start Up Procedural Manual, and the Master Servicer's lending guide, each as most recently revised and as revised from time to time, the applicable Participation Agreements and the Master Servicing Agreement will be used to administer the financing of the Pooled 2019A-B-C-D Series Program Loans.

5.04. Acquisition of 2019A-B-C-D Series Program Securities. During the Delivery Period for the Series Bonds, the Master Servicer will acquire Program Loans from Lenders and pool the Program Loans into 2019A-B-C-D Series Program Securities as provided in the Master Servicing Agreement. The Trustee will disburse moneys from the 2019 Series A-B-C-D Acquisition Account for the acquisition of Program Securities pursuant to the Master Servicing Agreement and this Section 5.04. The Trustee will pay the Master Servicer the purchase price of each Program Security acquired from the Master Servicer as set forth in the then operative Master Servicing Agreement, plus applicable fees or charges payable to a Federal Mortgage Agency and not paid by the Mortgagor, plus accrued interest, if any.

The Agency may at any time transfer any proceeds of the Series Bonds in the 2019 Series A-B-C-D Acquisition Account to the 2019 Series A-B-C-D Account in the Bond Redemption Fund to be applied to the redemption of the Series Bonds. In addition, at the end the Delivery Period related to the Series Bonds, the Agency must transfer from the 2019 Series A-B-C-D Acquisition Account any amounts not expended to that date to the Bond Redemption Fund to be applied to the redemption of the Series Bonds within 41 days thereafter; provided that the Agency may (instead of redeeming those Series Bonds from unexpended proceeds) extend the Delivery Period with respect to all or any portion of the unexpended amounts remaining in a 2019 Series A-B-C-D Acquisition Account, for the period as the Agency determines consistent with the final sentence of this paragraph, but only if the Agency has delivered to the Trustee on or prior to the expiration of that Delivery Period designated in the related Agency Certificate a Certificate (i) designating the new ending date for that Delivery Period, (ii) certifying that the Agency has delivered a Cash Flow Certificate and a Parity Certificate confirmed by an

investment banking firm, financial consulting firm or accounting firm, in each case nationally recognized with respect to the cash flow analysis of qualified mortgage bonds, which Cash Flow Certificate and Parity Certificate will accompany the Agency Certificate; (iii) certifying that, to the extent necessary to satisfy the requirements of the Cash Flow Certificate and each Rating Agency then rating the Bonds, an Investment Obligation has been arranged for investment of amounts in the 2019 Series A-B-C-D Acquisition Account to a date not earlier than the ending date of the extended Delivery Period; (iv) designating the amount of any additional deposits, if any, required by the Cash Flow Certificate, the Parity Certificate and each Rating Agency then rating the Bonds to be made into funds held under the Resolution in connection with the extension, which deposits must be made on or before the date of expiration of that Delivery Period and must be made only from the Agency's funds; and (v) certifying that the Agency has notified each Rating Agency then rating the Bonds that the extension is being planned and has provided copies of the Cash Flow Certificate and Parity Certificate to each Rating Agency then rating the Bonds, together with any other documentation as each Rating Agency then rating the Bonds may request, and has received written confirmation that the Rating of Outstanding Bonds will not be impaired by the extension of the Delivery Period. On any date subsequent to any extension of the related Delivery Period, the Agency may transfer any unexpended proceeds remaining in the 2019 Series A-B-C-D Acquisition Account and allocable amounts, as reasonably determined by the Agency, held in the 2019 Series A-B-C-D Accounts in the Debt Service Reserve Fund and Insurance Reserve Fund, to the 2019 Series A-B-C-D Account in the Bond Redemption Fund to be applied to redemption of those Series Bonds as provided in Section 4(C) of this Series D Resolution. At the end of each Delivery Period, including any extension thereof as provided in this Section 5.04, the Trustee must transfer from the 2019 Series A-B-C-D Acquisition Account an amount equal to the amount of proceeds of the Series Bonds in the 2019 Series A-B-C-D Acquisition Account not expended to that date and allocable amounts, as reasonably determined by the Agency, held in the 2019 Series A-B-C-D Accounts in the Debt Service Reserve Fund and Insurance Reserve Fund, to the 2019 Series A-B-C-D Account in the Bond Redemption Fund to be applied to the redemption of those Series Bonds in accordance with Section 11.03 of this Series D Resolution. The Delivery Period may not be extended pursuant to this Section 5.04 beyond October 1, 2022. Notwithstanding any provision in this Section 5.04 to the contrary, the Trustee must apply amounts in the 2019 Series A-B-C-D Acquisition Account to the redemption of the Series Bonds in accordance with Section 11.03 of this Series D Resolution.

The Agency may participate each 2019A-B-C-D Series Program Security between 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 2019A-B-C-D Series Program Security secured, but those interests need not be equal as to interest rate.

5.05. Enforcement of Transferred Mortgage Loans.

(a) Subject to the right of the Agency to modify the Transferred Mortgage Loans pursuant to Section 6.5(E) of the Bond Resolution, the Agency will take or require a Servicer to take all measures, actions and proceedings as are reasonably necessary and are deemed by it to be most effective to recover the balance due and to become due on each Defaulted Transferred Mortgage Loan, including the curing of the default by the Mortgagor, foreclosure of the Mortgage, acceptance of a conveyance in lieu of

foreclosure, sale of the Transferred Mortgage Loan, renting or selling the Home, collection of any applicable mortgage insurance or guaranties, and preservation of the title to and value of the Home pending recovery of the balance of the Defaulted Transferred Mortgage Loan, but any action will, to the extent legally necessary, conform to the requirements of, and protect the interests of any agency or instrumentality of the United States guaranteeing, insuring or otherwise assisting the payment of that Defaulted Transferred Mortgage Loan.

(b) Upon receipt of any Revenues with respect to any Defaulted Transferred Mortgage Loan or from operation of the Home subject to that Defaulted Transferred Mortgage Loan, after foreclosure or conveyance of the Home to the Agency in lieu of foreclosure, in excess of the amounts needed to preserve title to and the value of the Home, the Agency will transmit those Revenues to the Trustee for deposit in the Revenue Fund.

5.06. Enforcement of 2019A-B-C-D Series Program Securities and the Transferred Program Securities.

(a) The 2019A-B-C-D Series Program Securities acquired by the Trustee on behalf of the Agency and the Transferred Program Securities will 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 will 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 will 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 will immediately demand payment from Freddie Mac.

(b) 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 Master Servicer under and pursuant to a Master Servicing Agreement for and on behalf of the Bondowners whether or not an Event of Default under the Bond Resolution or this Series D Resolution has occurred or is continuing. The Agency will supervise, or cause to be supervised, each Lender's compliance with the Participation Agreements. In the event the Master Servicing Agreement is cancelled or terminated for any reason, the Agency will proceed with due diligence to procure a successor Master Servicer, subject to the provisions of the Master 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 Master Servicing Agreement and will 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 Master Servicing Agreement.

5.07. Program Expenses. For purposes of the Bond Resolution, "Program Expenses" include the payment of the fees and indemnities owing to the Bank under the Liquidity Facility.

5.08. Information to be Furnished. The Trustee will furnish information concerning the Series D Bonds and the Program to each Rating Agency upon reasonable request thereof.

5.09. Amendments. This Section 5 may be amended subsequent to the issuance of the Series D Bonds to reflect changes in requirements applicable to the 2019A-B-C-D Series Program Securities or the Transferred Program Obligations; provided that the amendment will become effective only if Bond Counsel renders an opinion to the effect that the amendment will not adversely affect the exclusion of interest on the Series A-B-D Tax-Exempt Bonds from gross income of the owners thereof for federal income tax purposes and if the Agency delivers an Agency Certificate to the Trustee to the effect that the amendment will not impair the Ratings on the Series D Bonds by each Rating Agency.

Section 6. Conditions Precedent to Issuance.

6.01. Documents Furnished to Trustee. Prior to the delivery of the Series D Bonds an Authorized Officer will cause to be furnished to the Trustee, unless previously furnished, the following items as required by Sections 2.5 and 2.6 of the Bond Resolution:

(a) Certified copies of the Bond Resolution and this Series D Resolution.

(b) An opinion of counsel to the Agency that the Bond Resolution and this Series D Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms, that the Bond Resolution creates the valid pledge that it purports to create, and that the principal amount of the Series Bonds and other obligations heretofore issued by the Agency does not exceed any legal limitation.

(c) The Opinion of Bond Counsel required by Section 2.5(2) of the Bond Resolution.

(d) A Counsel's Opinion that the Series D Bonds are exempt from registration under, or have been registered in accordance with, the Securities Act of 1933 and that this Series D Resolution is qualified under the Trust Indenture Act of 1939 or that qualification is not necessary.

(e) An Agency Certificate (i) requesting the Trustee to authenticate the Series D Bonds, and deliver them to the Underwriters upon payment or the purchase price set forth in the Agency Certificate, (ii) 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, (iii) setting forth the amount of the proceeds of the Series Bonds, including Series D 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, (iv) certifying that upon the issuance and delivery of the Series D Bonds, the amount on deposit in the Debt Service Reserve Fund will be at least equal to the Debt Service Reserve Requirement and the amount on deposit in the Insurance Reserve Fund will be at least equal to the Insurance Reserve Requirement, (v) stating that the issuance of the Series D Bonds will have no adverse material effect on the ability of the Agency to pay the Debt Service on the Bonds then Outstanding, (vi) stating whether or not the Series Bonds are intended to be Tax-Exempt Series Bonds and (vii) setting forth the terms of the Series D Bonds to be specified as provided in Section 2.04 of this Series D Resolution, as well as the application of proceeds of the Series D Bonds and any Agency funds relating thereto.

(f) An Agency 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. A Cash Flow Certificate need not be filed with the Trustee in connection with the issuance of the Series D Bonds.

(g) Written confirmation from each Rating Agency that issuance of the Series D Bonds will not impair the then existing Rating on the Bonds.

(h) Evidence that the Agency has given irrevocable instructions to the Trustee to give due notice, if required, of the payment or redemption of all the Series D Refunded Bonds and the payment or redemption dates, if any, upon which the Series D Refunded Bonds are to be paid or redeemed.

(i) Evidence that money or Government Obligations in an amount sufficient to effect payment of the applicable redemption price, or amount payable on maturity, of the Series D Refunded Bonds, if any, have been deposited with the Trustee in accordance with the Bond Resolution, or have been received by the owners of the Series D Refunded Bonds or the trustee for those owners, in accordance with the resolution of the Agency whereby the Series D Refunded Bonds were issued, as applicable.

(j) If applicable, an Opinion of Bond Counsel to the effect that issuance of the Series D Bonds will not result in interest on the Series D Refunded Bonds being included in gross income for federal income tax purposes.

6.02. Acceptance and Certification by Trustee. Prior to the delivery of the Series D Bonds, the Agency will also receive from the Trustee a certificate stating that it has received the documents listed in Subsection (A); and that the amounts to be deposited in the Debt Service Reserve Fund and Insurance Reserve Fund, if any, are sufficient to increase the amount in those Funds to the Debt Service Reserve Requirement and Insurance Reserve Requirement effective after the issuance of the Series D Bonds as computed by the Trustee. The Trustee will administer and observe on behalf of the Agency all applicable requirements of the Code now or hereafter relating to information reporting, withholding and similar requirements with respect to ownership or payment of the Series A-B-D Tax-Exempt Bonds, including, without limitation, the requirements imposed by Sections 871(h)(2)(B), 1441, 1442, 3406, 6045 and 6049 of the Code.

6.03. Documents Required by the Purchase Contract and Initial Liquidity Facility. Prior to delivery an Authorized Officer will also cause to be furnished to the Underwriters each of the certificates, opinions and other documents required by the Purchase Contract and (ii) to the Bank each of the certificates, opinions and other documents required by the Initial Liquidity Facility.

6.04. Certification Under Applicable Federal Tax Law. An Authorized Officer is also authorized and directed on the date of delivery of the Series Bonds, including Series D 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 the Series A-B-D Tax-Exempt Bonds will be used in a manner that would not cause the Series A-B-D Tax-Exempt Bonds to be arbitrage bonds under applicable federal tax law, and on the basis of which the Series A-B-D Tax-Exempt Bonds will be "qualified mortgage bonds" under the provisions of applicable federal tax law.

6.05. Delivery. Upon fulfillment of the above conditions an Authorized Officer will direct the Trustee to authenticate and deliver the Series D Bonds to the Underwriters as provided in the Purchase Contract upon receipt by the Trustee of the purchase price to be paid by the Underwriters under the Purchase Contract.

Section 7. Deposit of Bond Proceeds and Other Funds; Investment Obligations.

7.01. 2019 Series A-B-C-D Accounts. Within the Acquisition Account, the Revenue Fund, the Bond Fund Interest Account, the Bond Fund Principal Account, the Debt Service Reserve Fund, the Insurance Reserve Fund (but only if the Insurance Reserve Requirement with respect to the Series Bonds is greater than zero) and the Bond Redemption Fund, as applicable, the Trustee may maintain a combined 2019 Series A-B-C-D Account for the purpose of recording the proceeds of the Series Bonds and other amounts directed by this Series D Resolution and the Series ABC Resolution to be deposited therein and the Transferred Program Obligations, other transferred proceeds, the 2019A-B-C-D Series Program Securities and Investment Obligations purchased therefrom or allocated thereto and the prepayments and other receipts from the Transferred Program Obligations, the 2019A-B-C-D Series Program Securities and Investment Obligations, and the Revenues received with respect thereto. In addition, the Trustee will establish a Cost of Issuance Account for the Series Bonds and a 2019 Series D Bond Purchase Account, to be held and administrated as provided in Section 7.04.

7.02. Deposits of Funds. The proceeds of the Series D Bonds, the Transferred Program Obligations and other transferred proceeds and funds of the Agency, if any, will be deposited by the Trustee into the 2019 Series A-B-C-D Acquisition Account, the 2019 Series A-B-C-D Account in the Bond Fund Interest Account, the 2019 Series A-B-C-D Account in the Debt Service Reserve Fund, the 2019 Series A-B-C-D Account in the Insurance Reserve Fund, if any, and the 2019 Series A-B-C-D Cost of Issuance Account, all as set forth in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution.

7.03. Investment Agreements. If deemed advantageous, the Commissioner or other 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, including the Series D Bonds, and other funds of the Agency related thereto.

7.04. Bond Purchase Account.

(a) There will be established and credited to the Bond Purchase Account on the books of the Trustee, as and when received, (i) all proceeds of the remarketing of Series D Bonds, (ii) all amounts received under a Liquidity Facility, and (iii) all payments made directly by the Agency with respect to the purchase of Series D Bonds in accordance with this Series D Resolution.

(b) Except as provided in this paragraph (b) and in paragraph (d) of this Section 7.04, money in the Bond Purchase Account must be used solely for the payment of the Purchase Price of Series D Bonds tendered pursuant to Section 11.09 or 11.10 of this Series D Resolution. On each optional and mandatory tender date, the Trustee must apply from the Bond Purchase Account sufficient money to pay the Purchase Price of all Series D Bonds so tendered. Money in the Bond Purchase Account must be used in the following order of priority: (i) proceeds of the remarketing of Series D Bonds, (ii) amounts received under a Liquidity Facility, and (iii) payments made directly by the Agency with respect to the purchase of Series D Bonds.

(c) All money paid to the Trustee for the account of the Bond Purchase Account must be held (subject to the provisions of paragraph (d) of this Section 7.04) in trust by the Trustee solely for the benefit of the Owners of the Series D Bonds entitled to be paid from the Bond Purchase Account. Notwithstanding any other provision of the Bond Resolution or this Series D Resolution to the contrary, moneys on hand in the Bond Purchase Account must not be commingled with any other funds or accounts held hereunder and must be held uninvested, or, other than moneys derived from the Initial Liquidity Facility, must be invested in obligations issued or guaranteed by the United States (or a money market fund or trust fund investing exclusively in those obligations that is rated in the highest category by each Rating Agency then maintaining a rating on the Series D Bonds) maturing on or before the date on which moneys are needed for the purposes of the Bond Purchase Account.

(d) Any money remaining in the Bond Purchase Account on any optional or mandatory tender date in excess of the amounts necessary to pay the Purchase Price of all Series D Bonds to be purchased on that date (including the Purchase Price of undelivered Series D Bonds) must be immediately paid to the Bank to the extent of any money received under a Liquidity Facility for payment of the Purchase Price. All money held by the Trustee in the Bond Purchase Account that represent the proceeds of the remarketing of Series D Bonds, all amounts received from the Agency for the purchase of Series D Bonds and all amounts received under a Liquidity Facility must be retained by the Trustee exclusively for the benefit of the Owners of Series D Bonds not yet presented for payment of the Purchase Price thereof until paid to those Owners, and that money must not, under any circumstances or at any time whatsoever, be paid to the Agency or to the Bank, or to any Person other than the Owners of Series D Bonds entitled thereto (except as otherwise set forth above), and those Owners may look only to that money for the payment of the Purchase Price of the Series D Bonds; provided, however, that any money remaining in the Bond Purchase Account on any optional or mandatory tender date in excess of the amounts necessary to pay the Purchase Price of all Series D Bonds to be

purchased on that date (including the Purchase Price of undelivered Series D Bonds) and after any required payment is made to the Bank as set forth above may be paid to the Agency upon request of the Agency.

(e) Notwithstanding any other provision in the Bond Resolution to the contrary, (i) all money and investments thereof set aside and held in trust in the Bond Purchase Account for the payment of the Purchase Price of Series D Bonds must be applied to and used solely for the payment of the Purchase Price (including reimbursement of the Bank for amounts paid with respect to the Purchase Price under any Liquidity Facility) of Series D Bonds with respect to which the money or investments have been so set aside in trust and (ii) the provisions of Section 8.5 of the Bond Resolution will not apply to any money or investments held in the Bond Purchase Account.

Section 8. Tax Covenant and Restrictions.

8.01. General Tax Covenant. With respect to the Series A-B-D Tax-Exempt Bonds, 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 the Series A-B-D Tax-Exempt Bonds, will be excludable from gross income for purposes of federal income taxation, and that no part of the proceeds of the Series A-B-D Tax-Exempt 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 any Bond, would have caused the Series A-B-D Tax-Exempt Bonds, to be arbitrage bonds, unless that acquisition is at that time permitted by applicable federal tax law and the Treasury Regulations thereunder, as then in effect. The Agency must 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 the Series A-B-D Tax-Exempt 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 thereon will be excludable from gross income for federal income tax purposes.

8.02. Qualified Program Loans. The covenants and restrictions set forth in Section 9 of this Series D Resolution will apply to each 2019A-B-C-D Series Program Loan. The Agency retains the right to impose covenants with respect to 2019A-B-C-D Series Program Loans, Homes and Mortgagors more restrictive than those imposed by applicable federal tax law.

8.03. Amendments. Any particular covenant or restriction set forth in Sections 8 and 9 of this Series D Resolution, other than the covenant in Section 8.01, 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 Series A-B-D Tax-Exempt 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 8 and 9 of this Series D 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 9. Compliance with Applicable Federal Tax Law.

9.01. Code Provisions. The Agency determines that Section 143 of the Code is applicable to the Series A-B-D Tax-Exempt 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 that meets the requirements of subsections (c) through (i), inclusive, and (m)(7), of Section 143.

9.02. Mortgage Eligibility Requirements; Good Faith and Corrective Action. Actions to assure compliance with the requirements of the applicable federal tax law as applicable to the Series A-B-D Tax-Exempt Bonds are set forth in Sections 9.03 through 9.12 of this Series D Resolution. 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 will 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 percent or more of the proceeds of the 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 those requirements were or are met, and that any failure to meet those 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. With respect to the Transferred Program Obligations, certifications and warranties of Mortgagors, Lenders and the Servicers and provisions of the Mortgages and related promissory notes designed for this purpose were set forth in the Agency's Mortgage Program Procedural Manual as in effect at the time the Transferred Program Loans were executed. With respect to the Pooled 2019A-B-C-D Series Program Loans, 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 will in good faith attempt to meet all the requirements and will take all reasonable steps to avoid failure due to inadvertent error.

9.03. Residence. Each Program Loan purchased in whole or in part by the Master Servicer to be pooled in a Program Security to be financed in whole or in part from the proceeds of or allocated to the 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, that 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) that would cause any 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.

9.04. Three-Year Prior Ownership. No Program Loan will be purchased in whole or in part by the Master Servicer to be pooled in a Program Security, 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 must secure, or have secured, from the Mortgagor copies of the Mortgagor's federal tax returns that 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 that was the Mortgagor's principal residence or for interest on a mortgage secured by that property. The Program Loan must not be purchased if either the Lender or the Master Servicer, as applicable has reason to believe the affidavit to be false. Notwithstanding the preceding provisions of this Section 9.04, a Program Loan may be purchased by the Master Servicer to be pooled in a 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.

9.05. Purchase Price. No Program Loan will be purchased in whole or in part by the Master Servicer to be pooled in a Program Security if the acquisition cost of the Home for which it is made exceeds 90 percent, or 110 percent if located in a targeted area as defined in Section 9.04 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 where 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 must 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.

9.06. Income Requirements. All Program Loans to be financed in whole or in part from the proceeds of the Series Bonds, including Program Loans purchased by the Master Servicer to be pooled in a Program Security, must be made, or 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 must secure, or 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.

9.07. Limitation of Amount. To the extent the Series D Bonds will be, for federal tax purposes, current refunding bonds issued pursuant to either the provisions of Section 1313(a) of the Tax Reform Act of 1986 or Section 146(i) of the Code, as applicable, the Agency will not be required to apply the principal amount of the Series D Bonds against the unused volume cap of the Agency for the issuance of qualified mortgage bonds during calendar year 2019, as provided pursuant to Section 146 of the Code and applicable state law.

The unused volume cap of the Agency for the issuance of qualified mortgage bonds during calendar year 2019, including the amount carried forward from calendar years 2017 and 2018, as provided pursuant to Section 146 of the Code and applicable state law, is in excess of the portion of the principal amount of the Series D Bonds, if any, that will not be, for federal tax purposes, current refunding bonds. The Agency must apply the portion of the principal amount of the Series D Bonds against the unused volume cap as required for the allocation of volume cap pursuant to Section 146 of the Code as set forth in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution.

9.08. Placement in Targeted Areas. To the extent the Series D Bonds are, for federal tax purposes, issued to refund bonds with respect to which the requirements of Section 143(h) of the Code have previously been met, the Agency will not be required to make available any amount of the proceeds of the Series D Bonds for the making of Program Loans in targeted areas (as defined in Section 143(j) of the Code).

With respect to any portion of the Series D Bonds that are not issued to refund bonds with respect to which the requirements of Section 143(h) of the Code have previously been met, the Agency must make available an amount equal to 20 percent of the proceeds of the Series D Bonds deposited into the 2019 Series A-B-C-D Acquisition Account for the making of Program Loans in targeted areas (as defined in Section 143(j) of the Code).

9.09. 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 Revenue Ruling 91-3 and Revenue Procedure 91-8.

9.10. Arbitrage. The Agency must take all actions as may be prescribed in the future by Regulations or rulings of the Internal Revenue Service to assure that the Series A-B-D Tax-Exempt Bonds will meet the requirements of Section 143(g) of the Code and Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Transferred Program Loans and the 2019A-B-C-D Series Program Loans purchased with, or allocated to, the proceeds of the Series A-B-D Tax-Exempt Bonds may not exceed the yield of the Series A-B-D Tax-Exempt Bonds, computed in accordance with Section 143(g)(2) of the Code and the Regulations, by more than one and one-eighth percentage points.

(b) The Agency must 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 executed by the Trustee and the Agency in conjunction with the issuance and delivery of the Series A-B-D Tax-Exempt Bonds.

9.11. Special Requirements Relating to Use of Certain Amounts on Deposit in the 2019 Series A-B-C-D Account in the Revenue Fund. The Agency must 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 Obligations and 2019A-B-C-D Series Program Securities are used to pay and redeem Series A-B-D Tax-Exempt Bonds in the amounts and within the time periods mandated by that Section 143(a)(2)(A); provided that the provisions of this Section 9.11 will be 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, that has the effect of removing the requirement for those redemptions of Series A-B-D Tax Exempt Bonds or (ii) there is delivered to the Trustee an opinion of nationally recognized bond or tax counsel that failure to make those redemptions will not adversely affect the exclusion from federal gross income of interest on the Series A-B-D Tax Exempt Bonds. Notwithstanding any contrary provisions of this Section 9.11, the Agency agrees that, so long as the Series A-B-D Tax Exempt Bonds maturing on the date or dates and designated as "Specified Bonds," if any, in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution (the "Specified Bonds") remain Outstanding, the provisions of Section 143(a)(2), as existing on the date of issue of the Series A-B-D Tax Exempt Bonds, will be considered as being in full force and effect (notwithstanding any subsequent change in law or regulation) and the Agency, to the full extent permitted by law, must comply with the provisions of the Agency's final Official Statement furnished to the Underwriters pursuant to Section 2.05 of this Series D Resolution relating to the special redemption of Specified Bonds from certain mortgage prepayments and/or regularly scheduled repayments of principal of the Transferred Program Obligations and the portion of the 2019A-B-C-D Series Program Securities allocable to the Series A-B-D Tax Exempt Bonds.

9.12. New Mortgage and Assumption Requirements. None of the proceeds of the Series A-B-D Tax Exempt Bonds will be used, and none of the proceeds of any of the Refunded Bonds, if any, were used, to acquire or replace an existing mortgage, and all of the lendable proceeds of the Series A-B-D Tax Exempt Bonds will be used, and all of the lendable proceeds of any Refunded Bonds were used, to purchase Program Loans or 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 2019A-B-C-D Series Program Loan and Mortgage purchased in whole or in part from the proceeds of the Series A-B-D Tax Exempt Bonds will contain a clause to the effect that the 2019A-B-C-D Series 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 Sections 9.03, 9.04, 9.05 and 9.06 are met with respect to that assumption for any 2019A-B-C-D Series Program Loan. In the event that those requirements are not met, notwithstanding that determination, the error will be corrected as provided in Section 9.02.

Section 10. Form of Series D Bonds.

10.01. Form of Series D Bonds. The Series D Bonds will be prepared in substantially the form appearing as Exhibit A hereto (which is hereby incorporated herein and made a part hereof), with any additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series D Resolution, including, but not limited to, modification in the manner as is approved by the Agency for the purpose of reflecting the substitution of an Alternate Liquidity Facility or the elimination of a Liquidity Facility in accordance with the terms of this Resolution. Following a Conversion Date for the Series D Bonds, the form of the Series D Bonds may be appropriately revised to reflect the conversion of the interest rate on the Series D Bonds, to delete the provisions of the form of Series D Bonds set forth in Exhibit A hereto that are then of no further force and effect, to include a description of the Indexed Rate and Indexed Rate Bonds or the Fixed Rate and the Fixed Rate Bonds, as applicable, to reflect any Subseries designation, to reflect the elimination of a Liquidity Facility, to set forth the terms upon which the Series D Bonds may or are required to be redeemed and any additional security therefor and to make any other changes therein that are necessary or appropriate in the circumstances.

Section 11. Terms of Series D Bonds.

11.01. Issue and Interest Payment Dates; Maturity; Denominations; Manner of Payment; Execution and Delivery; Appointment of Tender Agent. The Issue Date of the Series D Bonds will be the date of original delivery thereof. The Series D Bonds will mature on the date or dates and in the principal amounts, will bear interest at the rate or rates per annum, and will be subject to redemption, all as set forth in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution or as set forth in the final Official Statement of the Agency furnished to the Underwriters pursuant to Section 2.05 of this Series D Resolution, as the case may be, subject to the limitations of Section 2.04 of this Series D Resolution. Prior to a Conversion Date, the Series D Bonds will be issued as fully registered Bonds without coupons in Authorized Denominations.

The Series D Bonds will be dated and bear interest from the date of delivery thereof. Subject to Section 11.02(a), interest on the Series D Bonds will be payable on each Interest Payment Date by check to the registered owners at their addresses as they appear as of the close of business on the Record Date on the registration books of the Agency maintained by the Trustee or at another address as is furnished to the Trustee in writing by that Owner not later than the Record Date, provided that payment of interest on any Series D Bond will be made to any Owner of $1,000,000 or more in aggregate principal amount of Series D Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date by wire transfer to the Owner on that Interest Payment Date unless the Owner has provided written notice to the Trustee that it desires payment of interest by check. Principal, redemption premium, if any, and interest due at maturity or upon redemption or purchase of the Series D Bonds will be payable at the designated corporate trust office of the Trustee at maturity or earlier redemption or purchase, or in the case of Variable Rate Bonds, at the corporate trust office of the Tender Agent. Notwithstanding the foregoing, payments on Bank Bonds will be made in accordance with the applicable Liquidity Facility.

The Series D Bonds will 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 D Bond will be authenticated by the Trustee by the manual signature of its authorized representative on the Trustee's Certificate of Authentication on each Series D Bond, attesting that it is delivered pursuant to the Bond Resolution and this Series D Resolution, and will be delivered to the Underwriters upon compliance with the conditions set forth in Section 6 of this Series D Resolution.

The Trustee is hereby appointed as Tender Agent for the Series D Bonds; provided, however, that the Agency reserves the right to appoint one or more additional Tender Agents subject to the limitations contained in Section 13.01 of this Series D Resolution.

11.02. Interest Rates and Effective Rates; Mode Period.

(a) Interest Rates and Effective Rates. The Series D Bonds will initially bear interest at the applicable Weekly Rate. Unless the interest rate is Converted, the Series D Bonds or any portion thereof will bear interest at the applicable Effective Rate (based on the then current Mode Period), as determined by the Remarketing Agent with respect to any Mode Period; provided that the initial Effective Rate will be specified in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution at the time of the delivery of the Series D Bonds.

The Series D Bonds will bear interest from and including their Issue Date until payment of the principal thereof has been made or provided for in accordance with the provisions of this Series D Resolution, whether at maturity, upon redemption or otherwise. Interest accrued on the Variable Rate Bonds prior to the Conversion Date and during any Mode Period other than a Quarterly Mode Period or a Semiannual Mode Period will be computed on the basis of a 365-day year or 366-day year, as applicable, for the number of days actually elapsed. Interest accrued on the Series D Bonds after Conversion to an Indexed Rate will be computed on the basis of a 360-day year for the number of days actually elapsed. Interest accrued on the Series D Bonds during a Quarterly Mode Period or a Semiannual Mode Period and after Conversion to Fixed Interest Rates will be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

If interest on any Series D Bond is in default, any Series D Bond issued in exchange for or upon the registration of transfer of that Series D Bond will bear interest from the date to which interest has been paid in full on the Series D Bond or, if no interest has been paid on that Series D Bond, the Issue Date. Each Series D Bond will bear interest on overdue principal and, to the extent permitted by law, on overdue premium, if any, and interest at the rates borne by that Series D Bond on the date on which the principal, premium or interest came due and payable. No interest will accrue on Agency Bonds.

From time to time, by notice to the Notice Parties and as required hereunder, the Agency may designate a new Mode Period with respect to all or any portion of the Variable Rate Bonds, may cause Unenhanced Variable Rate Bonds to become Liquidity Facility Bonds, or may cause Liquidity Facility Bonds to become Unenhanced Variable Rate Bonds. Prior to causing any Unenhanced Variable Rate Bonds to become Liquidity

Facility Bonds, the Agency will deliver a Liquidity Facility with respect thereto. During each Mode Period, the Effective Rates with respect to any Unenhanced Variable Rate Bonds and Liquidity Facility Bonds (other than Bank Bonds) will be those rates that, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the Unenhanced Variable Rate Bonds and Liquidity Facility Bonds, respectively, on the Effective Rate Date being 100% of the principal amount of the Unenhanced Variable Rate Bonds and Liquidity Facility Bonds, respectively, and that may not exceed the Maximum Rate. In no event may the interest rate borne by Unenhanced Variable Rate Bonds in any Effective Rate Period be less than the Unenhanced Variable Rate Minimum Rate for that period.

Prior to Conversion, the Series D Bonds or any portion thereof will bear interest, commencing on the applicable Effective Rate Date, at the rate determined by the Remarketing Agent based on the current Mode for the new Effective Rate Period (except for Bank Bonds, that will bear interest at the Bank Interest Rate which interest will be calculated and paid in accordance with the Liquidity Facility) as set forth below:

(i) During each Mode Period, the Effective Rate with respect to any of the Series D Bonds will be the rate that (A) in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of those Variable Rate Bonds on the Effective Rate Date being 100 percent of the principal amount thereof and (B) is less than or equal to the Maximum Rate.

(ii) In determining the Effective Rate and the Unenhanced Variable Rate Minimum Rate, the Remarketing Agent must take into account, to the extent applicable, (A) market interest rates for comparable securities held by tax-exempt open-end municipal bond funds or other institutional or private investors with substantial portfolios (1) with interest rate adjustment periods and demand purchase options substantially identical to the Variable Rate Bonds, (2) bearing interest at a variable rate intended to maintain par value, and (3) rated by a national credit rating agency in the same category as the Variable Rate Bonds; (B) other financial market rates and indices that may have a bearing on the Effective Rate (including but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, LIBOR, the SIFMA Index, indices maintained by *The Bond Buyer* and other publicly available tax-exempt interest rate indices); (C) general financial market conditions; and (D) factors particular to the Agency and the Variable Rate Bonds.

(iii) The determination by the Remarketing Agent in accordance with this Section 11.02(a) of the Effective Rate to be borne by the Variable Rate Bonds (other than Bank Bonds which in accordance with the Initial Liquidity Facility will bear interest at the Bank Interest Rate) will be conclusive and binding on the Owners of the Variable Rate Bonds and the Notice Parties, except as otherwise provided herein. Failure by the Remarketing Agent or the Trustee to give any notice required hereunder, or any defect therein, will not affect the interest rate borne by the Variable Rate Bonds or the rights of the Owners thereof.

(iv) If for any reason the position of Remarketing Agent is vacant or the Remarketing Agent fails to act, the Effective Rate on the Variable Rate Bonds will be the interest rate as determined or caused to be determined, at the expense of the Agency, by the Trustee weekly to be the lesser of (1) in the case of the Liquidity Facility Bonds, the SIFMA Index plus 0.25 percent, and in the case of the Unenhanced Variable Rate Bonds, the SIFMA Index plus 0.50 percent or (2) the Maximum Rate.

(v) In making or causing that determination to be made, the Trustee may engage, at the expense of the Agency, calculation agents or experts as necessary to make the determination and rely on those agents and experts.

(vi) With respect to any Unenhanced Variable Rate Bonds, on the Business Day prior to each Rate Determination Date (the "Unenhanced Variable Rate Minimum Rate Determination Date"), the Remarketing Agent will establish a minimum rate with respect to the Unenhanced Variable Rate Bonds for the following Effective Rate Period (the "Unenhanced Variable Rate Minimum Rate") and will post the Unenhanced Variable Rate Minimum Rate electronically via Bloomberg L.P.'s Bloomberg Professional system. Owners of Unenhanced Variable Rate Bonds may also contact the Remarketing Agent after 1:00 p.m. on any Unenhanced Variable Rate Minimum Rate Determination Date for information regarding the Unenhanced Variable Rate Minimum Rate for the following Effective Rate Period.

(vii) After Conversion, the Series D Bonds or any portion thereof will bear interest in accordance with Section 11.08

(b) Mode Period. The Mode Period from the Issue Date of the Series D Bonds is as set forth in Section 11.02(a), and thereafter, until further designation by the Agency, is a Weekly Mode Period. Thereafter, unless Conversion has occurred, the Agency may designate an alternate Mode Period with respect to any Series D Bonds. The Agency may give written notice of an alternate Mode Period to the other Notice Parties and the Trustee must give written notice of the Mode Change to the Owners and to each Rating Agency then rating the Series D Bonds, each in accordance with the provisions of the Mode Period Chart; provided, however, that each Mode Change Date must be an Effective Rate Date for that alternate Mode Period.

If portions of the Series D Bonds are simultaneously Outstanding in more than one Mode Period, then the Trustee will (i) set up subaccounts in the Series D Bond Purchase Account relating to those respective Mode Periods (those subaccounts in the Series D Bond Purchase Account are not required when all Series D Bonds are Outstanding Variable Rate Bonds in the same Mode Period), and (ii) draw only on the Liquidity Facility applicable to the respective Mode Periods and related subaccount(s) in the Series D Bond Purchase Account.

Promptly upon receipt of the notice from the Agency, in accordance with the provisions of the Mode Period Chart, the Trustee must notify each Owner of the new

designated Mode Period and of the applicable Rate Determination Date, Effective Rate Date, Statement of Effective Rate, Irrevocable Notice of Tender by Owners/Tender and Purchase Date (within Mode Period) and Written Mode Change Notice and Notice of Mandatory Tender, each of which will be determined in accordance with the following chart (the "Mode Period Chart"):

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MODE CHART FOR VARIABLE RATE BONDS

(All times referenced are New York City time.)

	DAILY MODE	WEEKLY MODE	MONTHLY MODE	QUARTERLY MODE	SEMIANNUAL MODE
Rate Determination Date	Each Business Day by 10:00 a.m.	First Business Day preceding Effective Rate Date by 4:00 p.m.	First Business Day preceding Effective Rate Date by 4:00 p.m.	First Business Day preceding Effective Rate Date by 4:00 p.m.	First Business Day preceding Effective Rate Date by 4:00 p.m.
Effective Rate Date	Daily	For Liquidity Facility Bonds, the Thursday following the Rate Determination Date; For Unenhanced Variable Rate Bonds, each Thursday	First day of each calendar month	January 1, April 1, July 1 and October 1 of each year	January 1 and July 1 of each year
Statement of Effective Rate	Trustee to provide or cause to be provided to Owner monthly statement of Daily Effective Rates for prior month within seven Business Days of end of each calendar month	Trustee to provide or cause to be provided to Owner monthly statement of Weekly Effective Rates for prior month within seven Business Days of end of each calendar month	Trustee to provide or cause to be provided to Owner notice of Effective Rate within seven Business Days following the respective Rate Determination Dates	Trustee to provide or cause to be provided to Owner notice of Effective Rate within seven Business Days following the respective Rate Determination Dates	Trustee to provide or cause to be provided to Owner notice of Effective Rate within seven Business Days following the respective Rate Determination Dates
For Liquidity Facility Bonds: Irrevocable Notice of Tender by Owner to Remarketing Agent and Tender Agent and Tender and Purchase Date (Within Mode Period)	Notice by Owner to Remarketing Agent and Tender Agent not later than 11:00 a.m. on any Business Day, which day will also be the Tender and Purchase Date	Notice by Owner to Remarketing Agent and Tender Agent not later than 5:00 p.m. on any Business Day at least seven calendar days prior to the purchase date, which will be any Business Day and will be set forth in the Tender Notice	Notice by Owner to Remarketing Agent and Tender Agent not later than 5:00 p.m. on the Business Day seven days prior to next Effective Rate Date, which date is the Tender and Purchase Date and will be set forth in the Tender Notice	Notice by Owner to Tender Agent not later than 5:00 p.m. on the Business Day 13 days prior to next Effective Rate Date, which date is the Tender and Purchase Date and will be set forth in the Tender Notice	Notice by Owner to Tender Agent not later than 5:00 p.m. on the Business Day 15 days prior to next Effective Rate Date, which date is the Tender and Purchase Date and will be set forth in the Tender Notice
Unenhanced Variable Rate Bonds: Irrevocable Notice of Tender by Owner to Remarketing Agent and Tender Agent and Tender and Purchase Date (Within Mode Period)	Notice by Owner to Remarketing Agent and Tender Agent not later than 10:00 a.m. on any Business Day, which day will also be the Tender and Purchase Date	Notice by Owner to Remarketing Agent and Tender Agent not later than 4:00 p.m. on the first Business Day preceding the next Effective Rate Date, which date is the Tender and Purchase Date and will be set forth in the Tender Notice	Notice by Owner to Remarketing Agent and Tender Agent not later than 4:00 p.m. on the first Business Day preceding the next Effective Rate Date, which date is the Tender and Purchase Date and will be set forth in the Tender Notice	Notice by Owner to Tender Agent not later than 4:00 p.m. on the first Business Day preceding the next Effective Rate Date, which date is the Tender and Purchase Date and will be set forth in the Tender Notice	Notice by Owner to Tender Agent not later than 4:00 p.m. on the first Business Day preceding the next Effective Rate Date, which date is the Tender and Purchase Date and will be set forth in the Tender Notice
Written Mode Change Notice; Mandatory Tender Notice	Agency to give notice to Notice Parties of Mode Change Date 20 days prior to Mode Change Date; Trustee to give notice to Owners 15 days prior to Mode Change Date	Agency to give notice to Notice Parties of Mode Change Date 20 days prior to Mode Change Date; Trustee to give notice to Owners 15 days prior to Mode Change Date	Agency to give notice to Notice Parties of Mode Change Date 20 days prior to Mode Change Date; Trustee to give notice to Owners 15 days prior to Mode Change Date	Agency to give notice to Notice Parties of Mode Change Date 20 days prior to Mode Change Date; Trustee to give notice to Owners 15 days prior to Mode Change Date	Agency to give notice to Notice Parties of Mode Change Date 20 days prior to Mode Change Date; Trustee to give notice to Owners 15 days prior to Mode Change Date

11.03. Special Redemption.

(a) Non-Origination. The Series D Bonds are subject to special redemption at the option of the Agency at any time, in whole or in part, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium, from unexpended proceeds of the Series Bonds held in the 2019 Series A-B-C-D Acquisition Account, and from allocable amounts, as reasonably determined by the Agency, held in the 2019 Series A-B-C-D Account in the Debt Service Reserve Fund and Insurance Reserve Fund, transferred to the Bond Redemption Fund for that purpose, to the extent set forth in the Agency Certificate delivered pursuant to Section 6.01 of this Series D Resolution.

(b) Excess Revenues. The Series D Bonds are subject to special redemption at the option of the Agency at any time, in whole or in part, and, if in part, pro rata among the Outstanding Series D Bonds but subject to Section 11.04(d), at a price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium, from Excess Revenues (as hereinafter defined) on deposit in the Revenue Fund. "Excess Revenues," for this purpose, means Revenues, including Prepayments, on deposit in the Revenue Fund received in excess of (i) the Principal Installments and interest from time to time due and payable on Bonds Outstanding under the Bond Resolution, (ii) amounts required by the provisions of series resolutions heretofore or hereafter adopted to be used for the mandatory redemption of certain Outstanding Bonds as specified in those series resolutions, (iii) amounts required to maintain the required balance in the Debt Service Reserve Fund and Insurance Reserve Fund, (iv) amounts payable to a Swap Counterparty, and (v) amounts required to pay fees and other costs of the Agency in connection with the Program.

11.04. Optional Redemption.

(a) Prior to Conversion, the Series D Bonds will be subject to redemption prior to maturity at the option of the Agency, in whole or in part (and if in part in an Authorized Denomination) on any date, at a redemption price equal to 100 percent of the principal amount thereof plus accrued interest, if any, to the redemption date, without premium.

(b) Any Series D Bond bearing interest at a Fixed Interest Rate will be subject to redemption prior to maturity at the option of the Agency, from any source of funds, in whole or in part (and if in part in an Authorized Denomination) on any date that is on or after the January 1 nearest to the end of the No-Call Period described below, at the following redemption prices (expressed as percentages of the principal amount of the Series D Bond called for redemption) plus accrued interest to the date fixed for redemption:

Term to Maturity	No-Call Period	Redemption Price
15 years or more	9 years from the Conversion Date	100 percent
More than five years but less than 15 years	50 percent of the term from the Conversion Date to maturity plus two years	100 percent
Five years or less	Term to maturity	Not subject to optional redemption

At or prior to the Conversion of any Series D Bond to a Fixed Interest Rate, the Agency may deliver to the Trustee an alternative redemption schedule to the schedule shown above if the Agency delivers to the Trustee an Opinion of Bond Counsel to the effect that the alternative schedule of redemption will not adversely affect the validity and enforceability of the Series D Bonds in accordance with their terms and will not have an adverse effect on any exemption from federal income taxation to which the interest on the Series D Bonds would otherwise be entitled.

(c) Indexed Rate Bonds are subject to redemption, at the option of the Agency, from any source of funds, in whole or in part, on any date at a redemption price of 100 percent of the principal amount thereof, together with interest accrued to the date of redemption.

(d) To the extent the Agency determines to redeem the Series D Bonds pursuant to Section 11.03 and this Section 11.04, the Agency must redeem all outstanding Bank Bonds prior to redeeming any other Series D Bonds.

11.05. Mandatory Sinking Fund Redemption. The Series D Bonds will be subject to mandatory redemption by application of Sinking Fund Installments, if any, as set forth in the final Official Statement of the Agency furnished to the Underwriters pursuant to Section 2.05 of this Series D Resolution or in the Agency Certificate to be delivered pursuant to Section 6.01 of this Series D Resolution, as the case may be; provided, however, that all outstanding Bank Bonds must be redeemed before any other Series D Bonds are redeemed pursuant to this Section 11.05.

11.06. Special Redemption of Bank Bonds. Notwithstanding any provisions of the Bond Resolution or this Series D Resolution to the contrary, Bank Bonds must be redeemed on the dates and in the amounts required by the Liquidity Facility.

11.07. Manner of Redemption. Upon redemption of any of the Series D Bonds (other than through mandatory sinking fund installments or redemption of Bank Bonds), the principal amounts of the Series D 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 D Resolution, including a certification that the purchase or redemption of those Series D Bonds will have no material adverse effect on the Agency's ability to pay when due the Principal Installments of and interest on the Bonds Outstanding under the Bond Resolution after that purchase or redemption. Upon redemption of any of the Series D Bonds that are Term Bonds (other than through sinking fund installments) an Authorized Officer

must also determine and certify to the Trustee the years in which and the amounts by which the sinking fund installments referred to in Section 11.05 are to be reduced, in a manner that the aggregate reduction equals the aggregate principal amount of the Series D Bonds so redeemed.

11.08. Conversion to Fixed Interest Rate or Indexed Rate.

(a) The Agency may at its option, upon delivery to the Trustee of an opinion of Bond Counsel to the effect that the Conversion of the Series D Bonds will not adversely affect the exclusion of interest on the Series A-B-D Tax-Exempt Bonds from gross income for federal income tax purposes, Convert the interest rates on all or a portion of the Series D Bonds (other than Bonds previously Converted) on any Effective Rate Date to Fixed Interest Rates or an Indexed Rate as described herein upon a written notice to the other Notice Parties that the Agency will cause a Conversion of the Series D Bonds (or the portion thereof) on the Conversion Date set forth in that written notice, which Conversion Date may not occur sooner than 30 days after the date of that notice and, with respect to any Conversion of Series D Bonds to Indexed Rate Bonds, which notice must specify the Indexed Rate Determination Method with respect to those Bonds.

(b) Prior to the Conversion of any of the Series D Bonds, the Trustee must deliver a notice to the Owners of the Series D Bonds to be Converted and to each Rating Agency currently rating the Series D Bonds, not less than 30 days prior to the Conversion Date, setting forth the following information:

(i) that the interest rate on those Series D Bonds will be converted to a Fixed Interest Rate or an Indexed Rate, as applicable;

(ii) the proposed Conversion Date;

(iii) that those Series D Bonds will be remarketed by the Remarketing Agent or purchased by the Tender Agent on the Conversion Date; and

(iv) that the Agency may elect to cancel the Conversion, notice of which must be given to Bondowners at least one week prior to the proposed Conversion Date.

If the Agency elects not to proceed with the Conversion, the Agency must give notice of the cancellation of the Conversion to the Notice Parties and, thereafter, the Trustee must give notice to each Owner of the Series D Bonds of that cancellation of the proposed Conversion at least one week prior to the proposed Conversion Date for which the foregoing notice was given.

(c) Upon any Conversion, the Series D Bonds to be Converted will be subject to mandatory tender in accordance with this Section 11.08 and Section 11.10, and the Owners thereof will be notified of the Conversion as provided herein. No Series D Bonds to be Converted may be remarketed by the Remarketing Agent subsequent to the date of notice of the Conversion except to purchasers who agree to accept the Fixed Interest Rate or the Indexed Rate, as applicable.

(d) Any Series D Bonds that are Converted will bear interest at the Fixed Interest Rate determined upon that Conversion or the Indexed Rate with respect thereto determined from time to time in accordance with the provisions hereof, as applicable, until the maturity or prior redemption thereof. The Remarketing Agent must determine (i) in the case of a Conversion of a Series D Bonds to Fixed Rate Bonds, the Fixed Interest Rates as those rates that, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the Converted Series D Bonds on the Conversion Date being 100 percent of the principal amount thereof and (ii) in the case of a Conversion of Series D Bonds to Indexed Rate Bonds, the Index Adjustment Factor or Index Percentage, as applicable, with respect to those Bonds as the Index Adjustment Factor or Index Percentage, as applicable, that, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the Converted Series D Bonds on the Conversion Date being 100 percent of the principal amount thereof. The Remarketing Agent must notify the Notice Parties of the Fixed Interest Rates or the Index Adjustment Factor or Index Percentage, as applicable, as soon as practicable following the Conversion Date. The determination by the Remarketing Agent of the Fixed Interest Rates to be borne by or the Index Adjustment Factor or Index Percentage with respect to Series D Bonds in accordance with this Section 11.08 is conclusive and binding on the Owners of the Series D Bonds and the other Notice Parties, except as otherwise provided herein. The Series D Bonds tendered but not Converted will bear interest in the Mode as determined by the Agency in accordance with Section 11.08(b).

(e) Unless and until all conditions for the Conversion of any Series D Bonds are satisfied, those Bonds will bear interest at the Effective Rate.

(f) On any Conversion Date, all Series D Bonds subject to Conversion on that Conversion Date will automatically, upon the Conversion, bear a sub designation. For example, the first Series D Bonds so Converted will be redesignated "Series D-1" and the second Series D Bonds so Converted will be redesignated "Series D-2." The redesignations will be consecutively numbered and will continue in like manner until all Outstanding Series D Bonds have been Converted to Fixed Rate Bonds or Indexed Rate Bonds. The Trustee, with the cooperation of the Agency, will cause the preparation, execution, issuance, authentication and delivery of replacement Bonds in connection with a Conversion.

(g) Upon making an election to Convert Series D Bonds to Indexed Rate Bonds, the Agency must, for those Bonds, select the method for determining the Indexed Rate on each Index Determination Date from among the options described in paragraphs (i), (ii), (iii) or (iv) below, and must specify the method in its notice to the Trustee in connection with the Conversion. Upon Conversion of any Series D Bonds to an Indexed Rate, the Indexed Rate Determination Method so selected for those Series D Bonds will be irrevocable. Nothing herein limits the Agency from Converting different groups of Series D Bonds to Indexed Rates at different times or from choosing different Indexed Rate Determination Methods for different groups of Series D Bonds.

(i) Index Bonds may bear interest during each Index Accrual Period at the SIFMA Index multiplied by the Index Percentage determined for those bonds; or

(ii) Index Bonds may bear interest during each Index Accrual Period at the SIFMA Index plus or minus the Index Adjustment Factor for those bonds; or

(iii) Index Bonds may bear interest during each Index Accrual Period at Three-Month LIBOR multiplied by the Index Percentage determined for those bonds; or

(iv) Index Bonds may bear interest during each Index Accrual Period at Three-Month LIBOR plus or minus the Index Adjustment Factor for those bonds.

11.09. Owners' Election to Tender.

(a) Prior to any Conversion, Owners of Liquidity Facility Bonds (other than Bank Bonds and Series D Bonds owned by or on behalf of the Agency) may elect to tender their Series D Bonds, which, if so tendered upon proper notice to the Remarketing Agent and/or Tender Agent, as applicable, in the manner set forth in the Mode Period Chart, will be purchased on the next Effective Rate Date (or, in the case of Liquidity Facility Bonds in a Weekly Mode, on the purchase date specified in the Tender Notice) at the Purchase Price. The notice of tender for purchase of Series D Bonds by the Owners thereof must be in writing and will be irrevocable once the notice is given to the Remarketing Agent and/or the Tender Agent, as directed in the Mode Period Chart.

(b) Prior to Conversion, holders of Unenhanced Variable Rate Bonds may elect to tender their Unenhanced Variable Rate Bonds, which, if so tendered upon proper notice to the Remarketing Agent and/or the Tender Agent, as applicable, at the times and in the manner set forth in the "Mode Chart for Variable Rate Bonds," will be purchased on the next Effective Rate Date at a price equal to 100 percent of the principal amount thereof plus accrued interest. Upon receipt of a notice of optional tender for purchase of Unenhanced Variable Rate Bonds by the Owners thereof, the Remarketing Agent must promptly notify the Tender Agent of receipt of the notice. The notice of tender for purchase of Unenhanced Variable Rate Bonds by the Owners thereof must be in writing and will be irrevocable once the notice is given to the Remarketing Agent or the Tender Agent as directed in the Mode Period Chart.

11.10. Mandatory Tender of Series D Bonds.

(a) The Variable Rate Bonds (other than Bank Bonds and Series D Bonds owned by or on behalf of the Agency) or any portion thereof, as applicable, are subject to mandatory tender for purchase (with no right to retain) (i) on each Mode Change Date and each Unenhanced Variable Rate Change Date, (ii) with respect to a Liquidity Expiration Event, not less than five days prior to the scheduled expiration or earlier termination of the Liquidity Facility, (iii) on the effective date of an Alternate Liquidity Facility, a Non-Conforming Liquidity Facility or Self Liquidity, if that Mandatory Tender has not already occurred pursuant subsection (ii) above, (iv) on any Conversion Date, and

(v) upon receipt of a "Notice of Termination Date" (as defined in the Liquidity Facility) by the Trustee, not less than five days prior to the termination date set forth therein (each a "Mandatory Tender Date"), at the Purchase Price, subject to the conditions described herein.

(b) In connection with any mandatory tender of Variable Rate Bonds upon a Mandatory Tender Date, the Trustee must deliver a notice of mandatory tender stating the reason for the mandatory tender to Owners at least 15 days prior to the Mandatory Tender Date, and that all Owners subject to the mandatory tender will be deemed to have tendered their Variable Rate Bonds upon that date. So long as all of the Series D Bonds are registered in the name of Cede & Co., as nominee for DTC, the notice will be delivered to DTC or its nominee as registered owner of the Series D Bonds. DTC is responsible for notifying DTC Participants, and DTC Participants and Indirect Participants are responsible for notifying beneficial owners of the Series D Bonds. Neither the Trustee nor the Agency is responsible for sending notices to beneficial owners. The Agency must give notice of any Mandatory Tender Date to each Rating Agency then rating the Series D Bonds at least 15 days prior to that date.

(c) On each date on which Liquidity Facility Bonds are required to be tendered and purchased, the Remarketing Agent must use its best efforts as described herein to sell those Liquidity Facility Bonds. In the event the Remarketing Agent is unable to remarket the Liquidity Facility Bonds so tendered, the Bank must, pursuant to Section 12.01, purchase those Bonds (hereinafter called "Bank Bonds") in accordance with the Liquidity Facility. In the event the Remarketing Agent is unable to remarket any Unenhanced Variable Rate Bonds so tendered, those Unenhanced Variable Rate Bonds will bear interest at the Unenhanced Variable Rate Non-Remarketed Rate.

(d) Any Variable Rate Bond not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date ("Untendered Bonds"), for which there have been irrevocably deposited in trust with the Trustee the purchase price equal to the principal amount of those Variable Rate Bonds plus accrued interest will be deemed to have been tendered and purchased on that Mandatory Tender Date. Owners of Untendered Bonds will not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of those Untendered Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and those Owners will no longer be entitled to the benefits of the Resolution, except for the purpose of payment of the purchase price. Bond certificates will be issued in place of Untendered Bonds and, after the issuance of the replacement Variable Rate Bond certificates, the Untendered Bonds will be deemed purchased, canceled, and no longer Outstanding under the Resolution.

(e) UNENHANCED VARIABLE RATE BONDS WILL NOT BE SUPPORTED BY A LETTER OF CREDIT, LINE OF CREDIT, STANDBY BOND PURCHASE AGREEMENT OR ANY OTHER LIQUIDITY FACILITY. If the Remarketing Agent cannot successfully remarket any Unenhanced Variable Rate Bonds subject to optional or mandatory tender for purchase, the holders thereof do not have the right to have the Unenhanced Variable Rate Bonds purchased upon tender. Any

Unenhanced Variable Rate Bond that is subject to optional or mandatory tender for purchase that the Remarketing Agent, after using its best efforts, is unable to remarket in accordance with this Series D Resolution, at a price equal to 100 percent of the principal amount thereof, plus accrued interest, by 11:05 a.m., on the date scheduled for that purchase, whether that inability is because of market conditions or otherwise, will bear interest at the Unenhanced Variable Rate Non-Remarketed Rate and be subject to tender for purchase as described in Sections 11.09 and 11.10.

(f) The Remarketing Agent will continue to use its best efforts each Business Day to remarket that Unenhanced Variable Rate Bond in accordance with this Series D Resolution at a price equal to 100 percent of the principal amount thereof, plus accrued interest. In connection therewith, the Remarketing Agent will consider each day to be a Rate Determination Date for that Unenhanced Variable Rate Bond.

(g) During the period of time from and including the initial date that any Unenhanced Variable Rate Bond was to be purchased to (but not including) the date that the Unenhanced Variable Rate Bond is successfully remarketed (the "Non-Remarketing Period"), that Unenhanced Variable Rate Bond will bear interest at a rate per annum equal to the Unenhanced Variable Rate Non-Remarketed Rate determined from time to time as described in Section 11.02.

(h) Notwithstanding the foregoing provisions, if a failure to pay principal, interest or premium on any Unenhanced Variable Rate Bond when due has occurred, that Unenhanced Variable Rate Bonds will bear interest during each Mode Period for any portion thereof at a rate per annum equal to the Unenhanced Variable Rate Default Rate for the period from the time from and including the initial date of the failure to (but not including) the date on which the failure has ceased to be continuing.

11.11. Limitation Upon Defeasance Variable Rate Bonds. Notwithstanding the provisions of the Bond Resolution relating to the defeasance of Bonds, the defeasance of Series D Bonds that are Variable Rate Bonds will be conditioned upon receipt by the Trustee of written evidence from each Rating Agency currently rating the Series D Bonds that its rating then in effect on the Series D Bonds will not be reduced or withdrawn due to the defeasance. Additionally, in the event of any partial defeasance of any of the Variable Rate Bonds, separate accounts will be established by the Trustee for the defeased Variable Rate Bonds and the non-defeased Variable Rate Bonds, respectively.

11.12. Agency Not Responsible to Bondowners for Bank's Failure to Purchase Series D Bonds. Except as provided in the following sentences of this Section 11.12, the Agency is not responsible to Bondowners for any failure by the Bank to purchase Liquidity Facility Bonds tendered at the option of the Owner or subject to mandatory tender for purchase pursuant to this Series D Resolution, nor upon the occurrence of a Termination Event or a Suspension Event (as each are defined in the Liquidity Facility). If the Agency is the Bank, the Agency will be responsible for the foregoing to the extent provided by and in accordance with the related Self Liquidity. In addition, the Agency will be required to pay the Purchase Price of any Liquidity Facility Bonds tendered on or after the occurrence of a Termination Event under the Liquidity Facility, so long as no Liquidity Facility is then in effect with respect to those Liquidity Facility

Bonds, but only if that Termination Event arises solely from the long-term credit rating of the Liquidity Facility Bonds being withdrawn or suspended or reduced below "Baa3" or "BBB-" by Moody's or S&P, respectively (a "Downgrade Event"). In the event that the Bank fails for any reason to purchase Liquidity Facility Bonds tendered or deemed tendered for purchase by the Owners thereof, the Liquidity Facility Bonds will bear interest at an interest rate determined on a weekly basis to be the lesser of (a) the SIFMA Index plus 1.25 percent or (b) the Maximum Rate, and, except for a failure following a Termination Event due to a Downgrade Event, the Owners of those Liquidity Facility Bonds will not have the right to tender their Bonds during the period that the interest rate is so determined.

11.13. General Provisions Regarding Optional and Extraordinary Optional Redemptions.

(a) Any redemption of less than all of the Series D Bonds outstanding must be made in a manner that all Series D Bonds outstanding after the redemption are in Authorized Denominations.

(b) Notwithstanding any contrary provisions of the Bond Resolution, Series D Bonds may be called for redemption by the Trustee pursuant to Sections 11.03 and 11.04 (except with respect to Bank Bonds) hereof upon receipt by the Trustee at least 25 days prior to the redemption date of an Agency Certificate requesting the redemption. In addition to the information required by Section 5.2 of the Bond Resolution, the Agency Certificate must also specify the principal amount of the Series D Bonds of each Mode (and if Series D Bonds within a Mode bear interest at differing rates, the principal amount of Series D Bonds of each rate) to be called for redemption.

(c) Bank Bonds may be called for redemption by the Trustee pursuant to Section 11.04(a) upon receipt by the Trustee at least one Business Day prior to the redemption date of an Officer's Certificate of the Agency requesting the redemption. The Trustee must give notice to the Bank in accordance with the Liquidity Facility one Business Day prior to any redemption of Bank Bonds pursuant to Section 11.04(a) or 11.06.

In lieu of redeeming Series D Bonds pursuant to this Section 11.13, the Trustee may, at the request of the Agency, use the funds available hereunder for redemption of Series D Bonds to purchase Series D Bonds in the open market at a price not exceeding the redemption price then applicable hereunder. Any Series D Bond so purchased in lieu of redemption must be delivered to the Trustee for cancellation.

11.14. Notice of Redemption.

(a) Except as herein provided, a copy of the notice of the call for any redemption identifying the Series D Bonds to be redeemed must be given by Immediate Notice, with respect to Series D Bonds bearing interest at a Daily or Weekly Rate, not less than 20 days prior to the date fixed for redemption and must be given by first class mail, postage prepaid to the Owners of Series D Bonds to be redeemed at their addresses as shown on the Bond Register. The notice must specify the redemption date, the redemption price, the place and manner of payment and that from the redemption date

interest will cease to accrue on the Series D Bonds that are the subject of the notice and will include other information as the Trustee deems appropriate or necessary at the time the notice is given to comply with any applicable law, regulation or industry standard. A copy of the notice of any redemption must also be given to the Remarketing Agent (if a Remarketing Agreement is in force) and to the Bank (if a Liquidity Facility is in force) promptly following the giving of notice to the Bondowners as aforesaid.

(b) Notwithstanding the foregoing, if Bank Bonds are to be redeemed pursuant to Section 11.04(a) or 11.06, the Trustee must give Immediate Notice of a redemption of Bank Bonds to the Bank at least one Business Day prior to the date fixed for redemption, upon receipt of the Officer's Certificate of the Agency.

(c) Failure to give notice in the manner prescribed hereunder with respect to any Series D Bond, or any defect in the notice, will not affect the validity of the proceedings for redemption for any Series D Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the Series D Bonds to be redeemed and to pay interest due thereon and premium, if any, the Series D Bonds thus called will not after the applicable redemption date bear interest, be protected by the Bond Resolution or this Series D Resolution or be deemed to be outstanding under the provisions of the Bond Resolution or this Series D Resolution.

(d) If any Series D Bond is transferred or exchanged on the Bond Register by the Trustee after notice has been given calling that Series D Bond for redemption, the Trustee will attach a copy of the notice to the Series D Bond issued in connection with the transfer or exchange.

(e) To the extent the provisions of this Section 11.14 conflict with the provisions of the Bond Resolution relating to the method and timing of giving notice of redemption, the provisions of this Section 11.14, as to the Series D Bonds, will control.

11.15. Selection of Series D Bonds to Be Redeemed. If less than all the Series D Bonds are called for redemption under any provision of this Series D Resolution permitting a partial redemption, those Series D Bonds will be selected in accordance with an Officer's Certificate specifying Series D Bonds of a particular Mode and interest rate to be redeemed, and otherwise the redemption must be by lot in a manner as the Trustee may determine among the Series D Bonds of the same Mode and interest rate. In selecting Series D Bonds for redemption, the Trustee will treat each Series D Bond as representing that number of Series D Bonds that is obtained by dividing the principal amount of that Series D Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any Series D Bond is to be called for redemption, then, upon notice of intention to redeem that integral multiple of an Authorized Denomination, the Owner of that Series D Bond must forthwith surrender that Series D Bond to the Trustee for (a) payment to the Owner of the redemption price of the integral multiple of the Authorized Denomination of principal amount called for redemption and (b) delivery to the Owner of a new Series D Bond or Series D Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of the Series D Bond. New Series D Bonds

representing the unredeemed balance of the principal amount of that Series D Bond will be issued to the Owner thereof without charge.

Notwithstanding the foregoing provisions of this Section 11.15 or Section 5.5 of the Bond Resolution to the contrary, any redemption of less than all of the Series D Bonds outstanding must be made first from Bank Bonds.

11.16. Notices to Rating Agencies. To the extent notice is not otherwise provided pursuant to the terms of this Series D Resolution or the Bond Resolution, the Trustee must provide Immediate Notice to each of the Rating Agencies then rating the Series D Bonds of any of the following occurrences: (i) the expiration, termination, extension or amendment of the Liquidity Facility, (ii) the provision of an Alternate Liquidity Facility, (iii) any Unenhanced Variable Rate Change Date, (iv) the redemption in whole of the Series D Bonds, (v) the acceleration of the Series D Bonds, (vi) any amendments to the provisions of this Series D Resolution, and (vii) the resignation or removal of the Trustee. Any notices sent to S&P pursuant to the terms of this Series D Resolution should be sent by email to pubfin_structured@spglobal.com; any notices sent to Moody's pursuant to this Series D Resolution should be sent by email to david.parsons@moodys.com.

Section 12. Payment of Tendered Series D Bonds.

12.01. Payment of Tendered Variable Rate Bonds. Variable Rate Bonds that are tendered or deemed tendered under the terms of this Series D Resolution must be purchased by the Tender Agent, as appropriate, upon surrender of those Variable Rate Bonds, but only from the sources listed below, from the Owners thereof by 4:30 p.m., New York City time, on the date those Bonds are required to be purchased at the Purchase Price.

Funds for the payment of the Purchase Price must be derived from the following sources in the order of priority indicated:

(a) the proceeds of the sale of Variable Rate Bonds furnished to the Remarketing Agent by the purchasers thereof pursuant to Section 13.06 of this Series D Resolution;

(b) moneys furnished to the Tender Agent pursuant to Section 13.03 of this Series D Resolution, representing the proceeds of a draw under the applicable Liquidity Facility; and

(c) payments made directly by the Agency with respect to the purchase of Series D Bonds.

12.02. Liquidity Facility.

(a) The Agency covenants to deliver the Initial Liquidity Facility simultaneously with the authentication and delivery of the Series D Bonds, and to provide an Alternate Liquidity Facility, a Non-Conforming Liquidity Facility or Self Liquidity upon the expiration or termination of a Liquidity Facility or the replacement of the Bank so long as any Series D Bonds are Liquidity Facility Bonds. The Tender Agent will be

authorized and directed to execute the Liquidity Facility. Any Liquidity Facility must provide for the Bank to provide funds for the purchase of Liquidity Facility Bonds that have been tendered and not remarketed subject to certain conditions as described therein or herein. If the Bank is replaced by multiple liquidity providers, the obligations of those providers to provide funds may be several and need not be joint obligations. The Agency hereby covenants that it will pay the principal of and interest on the Bank Bonds in accordance with the Liquidity Facility. The Agency covenants and agrees with the Owners of the Series D Bonds that it will pay any obligation, fee or charge necessary to maintain any Liquidity Facility.

(b) The Agency must not enter into any Liquidity Facility unless the Liquidity Facility provides that any expiration or termination thereof (as set forth in subsection (i) below, but not including a termination resulting from a Termination Event) that gives rise to a mandatory tender of the Series D Bonds will occur not less than 30 days following the date of notice by the Bank to the Trustee of termination. The Mandatory Tender Date will be not less than five days prior to the date that the Liquidity Facility expires or terminates. Any mandatory tender of the Series D Bonds pursuant to this Section 12.02(b) will be done in accordance with the terms of Section 11.10, provided, however, that the notice requirements for that mandatory tender will be pursuant to this Section 12.02(b).

(i) Promptly upon receipt by the Trustee and the Agency of a written notice of termination of the Liquidity Facility by the Bank, which termination will not occur less than 30 days following receipt by the Trustee of the written notice, the Trustee must give notice to the Owners of Series D Bonds that are Liquidity Facility Bonds that those Series D Bonds will be subject to mandatory tender for purchase, with no right to retain, at the Purchase Price (payable by the Bank if remarketing proceeds are insufficient therefor) on the date set forth for purchase in the notice.

(ii) Unless the Trustee has received (A) written notice from the Bank not less than 45 days prior to the stated expiration date of the Liquidity Facility that it elects to extend or renew a Liquidity Facility or (B) written notice from the Agency not less than 45 days prior to the stated expiration date of the Liquidity Facility that it has determined to provide or cause to be provided an Alternate Liquidity Facility (in which case the Series D Bonds that are Liquidity Facility Bonds will be subject to mandatory tender as described in Section 12.03(a)), the Trustee must give notice to the Owners of the Series D Bonds that the Series D Bonds will be subject to mandatory tender for purchase, with no right to retain, not less than 30 days from the date of the notice to those Bondowners, at the Purchase Price (payable by the Bank) on the date set forth for purchase in the notice.

(iii) The Trustee must give notice to the Owners of Series D Bonds that are Liquidity Facility Bonds of the occurrence of a Termination Event (as defined in the Liquidity Facility) promptly upon obtaining actual knowledge thereof.

(iv) The Agency must provide prior written notice to each Rating Agency then rating the Series D Bonds with respect to the delivery of any Alternate Liquidity Facility, Non-Conforming Liquidity Facility or Self Liquidity or any extension or renewal of a Liquidity Facility.

12.03. Requirements for Delivery of an Alternate Liquidity Facility.

(a) So long as any of the Series D Bonds will be Liquidity Facility Bonds, at least 45 days prior to the date of expiration of a Liquidity Facility (as the same may be extended in accordance therewith) or at least 45 days prior to any date upon which the Agency intends to deliver an Alternate Liquidity Facility to the Trustee, the Agency must notify the Notice Parties of its intent to deliver an Alternate Liquidity Facility as permitted by this Section 12.03. The Agency must deliver that Alternate Liquidity Facility to the Trustee on or before the date that the Trustee provides in the notice to the Notice Parties. In the event that the Agency gives the notice as provided above, the notice must specify the name of the entity providing the Alternate Liquidity Facility and advise that the then-existing Liquidity Facility will terminate on the date stated in the notice, and that the Series D Bonds will be subject to mandatory tender (with no right to retain) not less than five days prior to the termination of the existing Liquidity Facility at a purchase price equal to 100 percent of the principal amount thereof, plus accrued interest to the date of purchase (payable by the Bank in accordance with the Liquidity Facility to the extent remarketing proceeds are insufficient) on that date; notice of that mandatory tender of the Series D Bonds will be given to Owners of the Series D Bonds pursuant to Section 11.10 of this Series D Resolution.

(b) On the effective date of an Alternate Liquidity Facility, the Agency must furnish or cause to be furnished to the Trustee (i) an opinion of counsel satisfactory to the Agency stating that the delivery of the Alternate Liquidity Facility to the Trustee is authorized hereunder and complies with the terms hereof and (ii) an opinion of Bond Counsel to the effect that delivery of the Alternate Liquidity Facility will not affect the exclusion of interest on the Series D Bonds from gross income for federal income tax purposes. In addition, no Alternate Liquidity Facility delivered to the Trustee will be effective for any purpose hereunder unless accompanied by the following documents:

(i) opinions of counsel reasonably satisfactory to the Agency to the effect that, as applicable, (A) the Bank providing the Alternate Liquidity Facility is duly organized and existing under the laws of the jurisdiction of its organization and, if applicable, is duly qualified to do business in the United States of America; (B) the Alternate Liquidity Facility is a legal, valid and binding obligation of the Bank thereunder enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to, or affecting generally the enforcement of, creditors' rights and remedies, and by the availability of equitable remedies, including specific performance and injunctive relief; and (C) no registration under the Securities Act of 1933, as amended, or qualification of an indenture under the Trust Indenture Act of 1939, as amended, will be required in connection with the issuance and delivery of the Alternate

Liquidity Facility or the remarketing of the Series D Bonds with the benefits thereof;

(ii) letters from each Rating Agency then rating the Series D Bonds evidencing that the replacement of the Liquidity Facility with the Alternate Liquidity Facility will result in the short-term ratings of the Series D Bonds to be not less than the highest short-rating of each Rating Agency; provided, however, that if in an Agency Certificate, the Agency certifies to the Trustee to the effect that it is not practical to obtain an Alternate Liquidity Facility that would permit the Series D Bonds to be so rated, the letters from each Rating Agency then rating the Series D Bonds evidencing that the replacement of the Liquidity Facility with the Alternate Liquidity Facility will not cause the then existing short-term rating of the Series D Bonds from that Rating Agency to be reduced or withdrawn;

(iii) copies of any other documents, agreements or arrangements entered into directly or indirectly between the Agency and the entity issuing the Alternate Liquidity Facility with respect to the transactions contemplated by the Alternate Liquidity Facility, which documents, agreements or arrangements must evidence, among other things, the agreement of the provider of the Alternate Liquidity Facility to purchase Bank Bonds then held by the Bank on the Mandatory Tender Date;

(iv) any disclosure document as the Remarketing Agent may reasonably request in connection with remarketing the Series D Bonds with an Alternate Liquidity Facility; and

(v) any other documents and opinions as the Agency may reasonably request, including evidence that all amounts due and payable to the Bank providing the then existing Liquidity Facility have been paid.

12.04. Self Liquidity; Non-Conforming Liquidity Facility.

(a) Notwithstanding any other provision of this Series D Resolution, the Agency may elect to provide liquidity support for purchases of Series D Bonds from its own funds ("Self Liquidity") or through a facility that does not satisfy the requirements of Section 12.03 (a "Non-Conforming Liquidity Facility"), provided that the following provisions of this Section 12.04 are satisfied.

(b) At least 45 days prior to any date upon which the Agency intends to deliver Self Liquidity or a Non-Conforming Liquidity Facility to the Trustee, the Agency must notify the Notice Parties and each Rating Agency then rating the Series D Bonds of its intent to deliver that Self-Liquidity or Non-Conforming Liquidity Facility as permitted by this Section. The Agency must deliver that Self Liquidity or Non-Conforming Liquidity Facility to the Trustee on or before the date specified therefor in the notice described in the preceding sentence. In the event that the Agency gives the notice as provided above, the notice must specify the name of the entity providing the Non-Conforming Liquidity Facility, if any, the effective date thereof or of Self Liquidity

and must advise that the then-existing Liquidity Facility (or applicable portion thereof) will terminate on that effective date, and that the affected Series D Bonds will be subject to mandatory tender (with no right to retain) and the date of the mandatory tender (which will be not later than the fifth day prior to the last date on which the existing Liquidity Facility will remain in effect) at a purchase price equal to 100 percent of the principal amount thereof, plus accrued interest to the date of purchase (payable by the Bank in accordance with the Liquidity Facility to the extent remarketing proceeds are insufficient) on that date; notice of that mandatory tender of the Series D Bonds will be given to Owners of the Series D Bonds pursuant to Section 11.10 of this Series D Resolution.

(c) On the effective date of Self Liquidity or a Non-Conforming Liquidity Facility, the Agency must furnish or cause to be furnished to the Trustee an opinion of counsel satisfactory to the Agency stating that the delivery of the Liquidity Facility to the Trustee is authorized hereunder and complies with the terms hereof. In addition, no Liquidity Facility delivered to the Trustee will be effective for any purpose hereunder unless accompanied by the following documents:

(i) opinions of counsel reasonably satisfactory to the Agency to the effect that, as applicable, (A) the provider of the Liquidity Facility is duly organized and existing under the laws of the jurisdiction of its organization and, if applicable, is duly qualified to do business in the United States of America; (B) the Liquidity Facility is a legal, valid and binding obligation of the provider enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to, or affecting generally the enforcement of, creditors' rights and remedies, and by the availability of equitable remedies, including specific performance and injunctive relief; and (C) no registration under the Securities Act of 1933, as amended, or qualification of an indenture under the Trust Indenture Act of 1939, as amended, will be required in connection with the issuance and delivery of the Liquidity Facility or the remarketing of the Series D Bonds with the benefits thereof;

(ii) copies of any documents, agreements or arrangements related to or entered into directly or indirectly between the Agency and the entity issuing the Liquidity Facility with respect to the transactions contemplated by that Liquidity Facility, which documents, agreements or arrangements must evidence, among other things, the agreement of the provider of the Non-Conforming Liquidity Facility or Self Liquidity to purchase Bank Bonds then held by the Bank on the Mandatory Tender Date;

(iii) letters from each Rating Agency then rating the Series D Bonds evidencing that the replacement of the Liquidity Facility with the proposed Non-Conforming Liquidity Facility or Self Liquidity will result in the reconfirmation of the then existing rating;

(iv) any other documents and opinions as the Agency may reasonably request, including evidence that all amounts due and payable to the Bank providing the then existing Liquidity Facility have been paid;

(v) any disclosure document as the Remarketing Agent may reasonably request in connection with remarketing the Series D Bonds with a Non-Conforming Liquidity Facility or Self Liquidity;

(vi) if the Liquidity Facility will provide liquidity support for less than all of the Outstanding Series D Bonds, the prior written consent of the Bank; and

(vii) if required to make the terms of this Series D Resolution consistent with the terms of the Liquidity Facility, a Series Resolution amending this Series D Resolution.

Section 13. The Tender Agent; The Remarketing Agent.

13.01. Acceptance and Successors.

(a) One or more additional Tender Agents may be appointed by the Agency to the extent necessary to effectuate the rights of the Owners to tender Series D Bonds for purchase as provided herein. The Tender Agent will be entitled to compensation from the Agency for its services provided hereunder in accordance with the schedule of fees provided to, and agreed upon by, the Agency.

(b) The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Series D Resolution by giving at least 60 days' written notice to the other Notice Parties, except that the resignation will not take effect until the appointment of, and acceptance by, a successor Tender Agent hereunder. The Tender Agent may be removed at any time by the Agency by a written instrument filed with the other Notice Parties and the appointment of, and acceptance by, a successor Tender Agent. Upon the resignation or removal of the Tender Agent, the Tender Agent must pay over, deliver and assign any moneys and Series D Bonds held by it in that capacity to its successor.

(c) If the position of Tender Agent becomes vacant for any reason, or if any bankruptcy, insolvency or similar proceeding is commenced by or against the Tender Agent, the Agency must appoint a successor Tender Agent to fill the vacancy and provide notice of the appointment to the Notice Parties. A written acceptance of office must be filed by the successor Tender Agent in the manner set forth in subsection (a) above. Any successor Tender Agent must be a corporation duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least $30,000,000 (or, alternatively, maintains a line of credit with a commercial bank of at least $30,000,000) and authorized by law to perform all of the duties imposed on it by this Series D Resolution.

13.02. General Responsibilities of Tender Agent.

(a) Prior to the Conversion of any Series D Bond, the Tender Agent must perform the duties and obligations set forth in this Series D Resolution, and in particular:

(i) On each Purchase Date on which Liquidity Facility Bonds are to be purchased pursuant to the Liquidity Facility, the Tender Agent must direct the Bank thereunder pursuant to Section 13.03 to provide immediately available funds to be used for the purpose of purchasing tendered Liquidity Facility Bonds that have not been remarketed on that Purchase Date. The Tender Agent must remit immediately to the Bank funds that are not so used to purchase tendered Bonds. The Tender Agent must hold Bank Bonds in escrow for the benefit of the Bank pending receipt of delivery instructions from the Bank; the Tender Agent may not release Bank Bonds to the Agency or the Remarketing Agent without the written confirmation from the Bank that the Bank has received the full purchase price (including accrued interest) of the Bank Bonds.

(ii) The Tender Agent must hold all moneys delivered to it pursuant to the Liquidity Facility, as agent and bailee of, and in escrow for the benefit of the Bondowners, in the Series D Bond Purchase Account until moneys (A) if purchasing unremarketed Liquidity Facility Bonds pursuant to the Liquidity Facility, have been delivered to or for the account of the tendering Bondowners, or (B) if remitting to the Bank, funds that are not so used to purchase tendered Liquidity Facility Bonds, have been so remitted to or for the account of the Bank. The moneys held by the Tender Agent under this subsection (ii) must be held uninvested and segregated from other funds.

(b) In performing its duties and obligations hereunder, the Tender Agent must perform only the duties specifically set forth in this Series D Resolution and will be entitled to the protections limitations from liability and indemnities afforded to the Trustee hereunder. The Tender Agent will not be liable in connection with the performance of its duties hereunder except for its own willful misconduct or negligence, and the Tender Agent may not require additional indemnification prior to directing the Bank to provide funds necessary to purchase any Liquidity Facility Bonds pursuant to Sections 13.03(b) and 13.03(c) of the Series D Resolution.

(c) The Tender Agent may deal in Series D Bonds and with the Agency to the same extent and with the same effect as provided with respect to the Trustee and any Paying Agent.

(d) The Notice Parties will each cooperate to cause the necessary arrangements to be made and to be thereafter continued whereby funds from the sources specified herein and in the Liquidity Facility will be made available for the purchase of Bonds presented at the designated office of the Tender Agent, and to otherwise enable the Tender Agent to carry out its duties hereunder.

(e) The Tender Agent and the Remarketing Agent will cooperate to the extent necessary to permit the preparation, execution, issuance, authentication and delivery by the Tender Agent of replacement Bonds in connection with the tender and remarketing of Bonds hereunder.

(f) The Tender Agent hereby waives any rights to, or liens on, any funds or obligations held by or owing to it.

13.03. Sources of Funds for the Purchase of Tendered Bonds.

(a) The Tender Agent may only make the payments called for under this Series D Bond Resolution from funds transferred to it or directed by it for payment pursuant to this Series D Bond Resolution and the Liquidity Facility, which funds are immediately available to the Tender Agent for purposes of making those payments. Under no circumstances will the Tender Agent be obligated to expend any of its own funds in connection with this Series D Bond Resolution or the performance of its duties hereunder. The Tender Agent will have no liability for interest on any moneys received or held by it.

(b) On the Business Day immediately preceding each Purchase Date, the Tender Agent must, by no later than 4:00 p.m., New York City time (or, in the case of Liquidity Facility Bonds bearing interest at the Daily Rate, on the Purchase Date, by no later than 11:30 a.m. New York City time), give the Bank electronic notice or telecopy notice with receipt confirmed telephonically of the aggregate Purchase Price of the tendered Liquidity Facility Bonds and the amount of principal and interest, respectively, comprising that Purchase Price. On each Purchase Date, in the event that any Liquidity Facility Bonds tendered for purchase on that date are unable to be remarketed, the Tender Agent must, by no later than 11:30 a.m., New York City time, give the Bank electronic notice or telecopy notice with receipt confirmed telephonically of the aggregate Purchase Price of the tendered Liquidity Facility Bonds required to be purchased by the Tender Agent pursuant to the Liquidity Facility, and the amount of principal and interest, respectively, comprising the Purchase Price. As soon as the Bank makes funds available to the Tender Agent for purchase of the Liquidity Facility Bonds, but in any event funds must be made available not later than 2:00 p.m., New York City time, the Tender Agent is required to purchase therewith, for the account of the Bank, that portion of the tendered Liquidity Facility Bonds for which immediately available funds are not otherwise then available for those purchases under this Series D Bond Resolution.

(c) The Remarketing Agent must deliver notice by not later than 4:00 p.m., New York City time on the day prior to each Purchase Date, or 11:00 a.m., New York City time on each Purchase Date in the case of Liquidity Facility Bonds bearing interest at the Daily Rate, of the aggregate principal amount of tendered Liquidity Facility Bonds that it has remarketed on that date. If the Remarketing Agent fails for any reason to deliver notice of the remarketing of the Liquidity Facility Bonds, then the Tender Agent must direct the Bank to make available, in immediately available funds, an amount equal to 100 percent of the aggregate principal amount of all Liquidity Facility Bonds tendered on that Purchase Date, plus accrued interest to that date. If the Remarketing Agent fails to deliver notice by not later than 11:00 a.m., New York City time on the Purchase Date that it has received immediately available funds in the amount of the Purchase Price of all Liquidity Facility Bonds tendered on that Purchase Date, then the Tender Agent must direct the Bank to make available, in immediately available funds, an amount equal to 100 percent of the aggregate principal amount of all those Liquidity Facility Bonds, plus

accrued interest to that date, less the amount of immediately available funds that the Remarketing Agent has given notice that it has received. Those moneys must be held, used for purchase and remitted as necessary in accordance with Section 13.03(b).

(d) Any Liquidity Facility Bonds that are purchased by the Bank will bear interest at the Bank Interest Rate, will be payable at the times and in the amounts and will be subject to the terms and provisions set forth in the Liquidity Facility. Unless the Bank otherwise directs, any Liquidity Facility Bonds purchased by the Bank will be immediately registered in the name of the Bank as Owner (unless held through a securities depository, in which case the Liquidity Facility Bonds must be transferred in accordance with the procedures established by the securities depository) and the Bank will have all rights of an Owner of Series D Bonds except that the Series D Bonds purchased by the Bank will bear interest at the Bank Interest Rate and may not be tendered while those Series D Bonds remain Bank Bonds.

13.04. Appointment of Remarketing Agent; Acceptance and Successors.

(a) The Agency hereby appoints RBC Capital Markets, LLC as Remarketing Agent with respect to the Series D Bonds. The Remarketing Agent will signify its acceptance of the duties and obligations imposed on it hereunder by duly executing and delivering a Remarketing Agreement.

(b) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Series D Bond Resolution by giving at least 30 days' written notice to the Notice Parties, except that the resignation will not take effect until the appointment of, and acceptance by, a successor Remarketing Agent hereunder; provided, however, if a successor Remarketing Agent has not been appointed by the Agency and accepted the appointment within 60 days of the Remarketing Agent's notice of resignation, the resignation will become effective. The Remarketing Agent may be removed at any time by the Agency by at least 30 days' written notice filed with those parties, except that the Agency must not remove the Remarketing Agent until the appointment of, and acceptance by, a successor Remarketing Agent hereunder. Upon the resignation or removal of the Remarketing Agent, the Remarketing Agent must pay over, deliver and assign any monies and Series D Bonds held by it in that capacity to its successor.

(c) If the position of Remarketing Agent becomes vacant for any reason, or if any bankruptcy, insolvency or similar proceeding is commenced by or against the Remarketing Agent, the Agency must appoint a successor Remarketing Agent to fill the vacancy and provide notice of that appointment to the Notice Parties. A written acceptance of office must be filed by the successor Remarketing Agent in the manner set forth in subsection (a) of this Section. Any successor Remarketing Agent must be a commercial bank, national banking association or trust company or member of the Financial Industry Regulatory Authority, having a capitalization of at least $15,000,000 (or, alternatively, maintaining a line of credit from a commercial bank of at least $15,000,000) and authorized by law to perform all of the duties imposed on it under this Series D Resolution.

13.05. General Responsibilities of Remarketing Agent.

(a) The Remarketing Agent must perform the duties and obligations set forth in the Remarketing Agreement and this Series D Bond Resolution, and in particular must:

(i) solicit purchases of Series D Bonds from investors able to purchase municipal bonds, effectuate and process those purchases, bill and receive payment for Series D Bonds purchased, and perform related functions in connection with the remarketing of Series D Bonds hereunder;

(ii) provide notice to the Tender Agent that the Remarketing Agent has received notices of tender pursuant to Section 11.09 of this Series D Bond Resolution, the date of the tenders and the principal amount of Variable Rate Bonds to be tendered;

(iii) keep books and records as are consistent with prudent industry practice and that will document its action taken hereunder, and make the books and records available for inspection by the Notice Parties;

(iv) comply at all times with all applicable state and federal securities laws and other statutes, rules and regulations applicable to the offering and sale of the Bonds; and

(v) will not sell Variable Rate Bonds to the Agency unless the Agency delivers to the Trustee and the Remarketing Agent (A) an opinion of Bond Counsel to the effect that that sale will not adversely affect the exclusion of interest on the Series A-B-D Tax-Exempt Bonds, including the Variable Rate Bonds, from gross income of the owners thereof for federal income tax purposes and (B) an opinion of a nationally recognized bankruptcy counsel to the effect that a sale of the Variable Rate Bonds by the Remarketing Agent directly to the Agency would not constitute a preferential transfer or be subject to recapture in a bankruptcy of the Agency.

(b) In performing its duties and obligations hereunder, the Remarketing Agent must use the same degree of care and skill as a prudent person would exercise under the same circumstances in the conduct of his own affairs. The Remarketing Agent will not be liable in connection with the performance of its duties hereunder except for its own willful misconduct or negligence.

(c) The Remarketing Agent may deal in Series D Bonds and with the Agency to the same extent and with the same effect as provided with respect to the Trustee and any Paying Agent.

(d) The Notice Parties will each cooperate to cause the necessary arrangements to be made and thereafter continued whereby Series D Bonds prepared, executed, authenticated and issued hereunder will be made available to the Remarketing Agent to the extent necessary for delivery pursuant to Section 11.10(g) upon any Conversion.

(e) The Remarketing Agent hereby waives any right to, or lien on, any remarketing proceeds held by it and any funds held under the Resolutions with respect to any amounts owing to it.

13.06. Remarketing and Sale of Tendered Bonds.

(a) On any Purchase Date, the Remarketing Agent must offer for sale and use its best efforts to sell all Series D Bonds tendered or deemed tendered at a price equal to the principal amount thereof plus accrued interest. The Series D Bonds so sold will bear interest from the date of sale at the Effective Rate. The Remarketing Agent must, at the time specified in Section 13.03(c), provide notice to the Tender Agent of the aggregate principal amount of the Series D Bonds that have been sold; of the aggregate principal amount of Series D Bonds that will be tendered but have not been sold; of the amount of immediately available funds it has received in respect of the remarketing of the Series D Bonds; and that the Remarketing Agent commits to deliver to the Tender Agent the amount specified in the notice as having been sold, by 2:30 p.m., New York City time, on the Purchase Date, as described in Section 13.07.

(b) The Remarketing Agent must suspend its remarketing efforts with respect to the Series D Bonds upon the occurrence and continuation of (i) any Event of Default as provided herein, (ii) any Termination Event under the Liquidity Facility and the Bank's termination of its commitment to purchase Series D Bonds tendered hereunder and (iii) if the Bank breaches its obligation to purchase Series D Bonds tendered not remarketed. The Remarketing Agent may also suspend its remarketing efforts in certain circumstances as described in the Remarketing Agreement.

(c) Unless the Bank has notified the Remarketing Agent and the Agency that it has elected to hold Series D Bonds at the Effective Rate and those Series D Bonds will not be considered Bank Bonds notwithstanding that they were purchased with funds of the Bank pursuant to a Liquidity Facility, the Remarketing Agent must offer for sale and use its best efforts to sell all Series D Bonds that are held by the Bank pursuant to the Liquidity Facility at a price equal to the principal amount thereof. The Series D Bonds so sold will bear interest from the date of sale at the Effective Rate. The Remarketing Agent will notify the Bank when it has located a purchaser for some or all of the Bank Bonds then held by the Bank and the proposed Purchase Date for the Bank Bonds.

13.07. Application of Proceeds From Sale of Tendered Bonds. The proceeds of sale of any Series D Bonds sold by the Remarketing Agent pursuant to this Section 13 must be transferred, by no later than 2:30 p.m., New York City time, on the Purchase Date of those Bonds, by or at the direction of the Remarketing Agent by wire transfer in immediately available funds to DTC for distribution to the accounts established thereunder for Beneficial Owners of those Series D Bonds; provided, however, if the Remarketing Agent has given notice of resignation pursuant to Section 13.04(b) of this Series D Resolution and a successor Remarketing Agent has not yet been appointed by the Agency, then the Remarketing Agent must deliver any proceeds of sale of any Series D Bonds to the Tender Agent by 11:00 a.m., New York City time, on the Purchase Date of those Series D Bonds. Transfers of ownership interests in the Series D

Bonds, while the Bonds are Book-Entry Bonds, are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners of the Series D Bonds.

13.08. Determination and Notice of Interest Rate. The Remarketing Agent must give immediately notice of the Effective Rate or the Fixed Interest Rate or the Index Adjustment Factor by telephone to the Trustee, and must promptly thereafter confirm the same in writing to the Notice Parties.

Section 14. Discretion of Authorized Officer.

14.01. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series D 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 the Series D Bonds (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series D Bonds following the award thereof), then the Series D Bonds will not be issued or sold in accordance with this Series D Resolution.

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Adopted by the Minnesota Housing Finance Agency this 21st day of February, 2019.

By: _____
Chair

Attest: _____
Commissioner

[Resolution No. MHFA 19-007]

EXHIBIT A

[Form of Series D Bond]

No. _____ $_____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RESIDENTIAL HOUSING FINANCE BOND, 2019 SERIES D

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 and to pay interest on the principal amount in like manner at the rates per annum and on the dates determined and described herein and in the Series Resolution (as defined herein), payable on each January 1 and July 1, commencing July 1, 2019, to the order of the registered owner hereof as shown on the Bond Register maintained by the Trustee (as hereinafter defined), with respect to Variable Rate Bonds, on the business day immediately prior to that interest payment date and, in all other cases, on the fifteenth (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, mandatory tender or conversion (the "Conversion") of the interest rate to a fixed interest rate or to an indexed rate. Prior to Conversion, the Series D Bonds will bear interest at a variable rate (the "Effective Rate") based on a Daily Mode Period, Weekly Mode Period, Monthly Mode Period, Quarterly Mode Period or Semiannual Mode Period (each a "Mode Period") subject to and in accordance with the Series D Resolution (hereinafter defined). The Series D Bonds will initially bear interest at the Effective Rate based on a Weekly Mode Period. After Conversion, the Series D Bonds will bear interest at the fixed interest rate (the "Fixed Interest Rate") or an indexed rate (the "Indexed Rate"), as applicable, subject to and in accordance with the Series D Resolution described herein until the Agency's obligation with respect to the payment of that principal amount is discharged, provided that, in any event, Bank Bonds (as defined herein) will bear interest in accordance with the Liquidity Facility. Thereafter, interest will be payable as provided in the Series D Resolution. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium

with respect to this Series D 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"). The purchase price hereof is payable, solely from the sources set forth in the Series D Resolution, upon surrender hereof to Wells Fargo Bank, National Association, in Minneapolis, Minnesota, and its successors and assigns, as tender agent (the "Tender Agent"), under the conditions set forth in the Series Resolution. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series D 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 D Bond is not a debt of the State. *Capitalized terms used herein and not otherwise defined herein have the meanings assigned to those terms in the Series D Resolution hereinafter described.*

This Series D Bond is one of a duly authorized Series of Residential Housing Finance Bonds, 2019 Series D, in the original principal amount of $_____ (the "Series D Bonds"), issued to provide funds needed for the Agency's Program of making or purchasing 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 D Bonds are issued under and pursuant to the Agency's Amended and Restated Residential Housing Finance Bond Resolution, adopted August 24, 1995, as amended and supplemented (the "Bond Resolution"), and the Agency's Series Resolution, adopted February 21, 2019 (the "Series D Resolution"), to which resolutions, including all supplemental resolutions that 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 D Bonds, the respective rights thereunder of the Agency, the Trustee and other Fiduciaries and the Owners of the Series D Bonds, and the terms upon which the Series D Bonds are issued, delivered and secured. The Series D Bonds are issued contemporaneously with the Agency's Residential Housing Finance Bonds, 2019 Series A, 2019 Series B and 2019 Series C.

Prior to a Conversion Date, the Series D Bonds will be issued as fully registered Bonds without coupons in the denominations of (i) during a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period or a Quarterly Mode Period with respect to Liquidity Facility Bonds, $100,000 or integral multiples of $5,000 in excess of $100,000, (ii) while the Variable Rate Bonds are Unenhanced Variable Rate Bonds, $25,000 or integral multiples thereof, and (iii) during a Semiannual Mode Period, $5,000 or integral multiples thereof. From and after a Conversion Date, the Series D Bonds will be issuable as fully registered bonds in denominations of $5,000 or any integral multiple thereof.

Prior to a Conversion, the Series D Bonds are subject to optional redemption prior to maturity at the option of the Agency from any source of funds, in whole or in part (and if in part in an Authorized Denomination) on any Business Day, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

All Series D Bonds are subject to: (i) special redemption at any time, at a price of par plus accrued interest, without premium, from unexpended proceeds of the Series D Bonds not used to purchase Program Securities or refund the Series D Refunded Bonds, if any, and from allocable amounts, if any, held in the 2019 Series A-B-C-D Accounts in the Debt Service Reserve Fund and Insurance Reserve Fund and (ii) special redemption at any time at a price of par plus accrued interest, without premium, from Excess Revenues (as hereinafter defined) on deposit in the Revenue Fund. "Excess Revenues," for this purpose, means Revenues, including Prepayments, on deposit in the Revenue Fund received in excess of (i) the Principal Installments and interest from time to time due and payable on Bonds Outstanding under the Bond Resolution, (ii) amounts required by the provisions of series resolutions heretofore or hereafter adopted to be used for the mandatory redemption of certain Outstanding Bonds as specified in the series resolutions, (iii) amounts required to maintain the required balance in the Debt Service Reserve Fund and Insurance Reserve Fund, (iv) amounts payable to a Swap Counterparty, and (v) amounts required to pay fees and other costs of the Agency in connection with the Program.

Upon redemption of any of the Series D Bonds, other than through the application of sinking fund installments, the maturities and amounts of the Series D Bonds to be redeemed, and the amounts by which particular sinking fund installments shall be reduced in consequence of the redemption of Series D Bonds, will be selected by the Agency in a manner determined to have no material adverse effect on its ability to pay when due the Principal Installments of and interest on all Bonds Outstanding under the Bond Resolution after such redemption.

Notice of any redemption of Series D Bonds will be given be immediate notice and mailed, by first class mail, postage prepaid, to the last address on the registry books of the registered owner of any Series D Bond, not less than 20 days before the redemption date. Notice having been given, the Series D Bonds or portions of Series D Bonds specified will be due and payable at the specified redemption date and price, with accrued interest, and funds for that payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon will cease to accrue, and those Series D Bonds or portions thereof will no longer be considered Outstanding under the Bond Resolution. Any failure to give that mailed notice, or defect therein, will not impair the validity of redemption of any Series D Bond not affected by that defect or failure.

Bank Bonds will be redeemed on the dates and in the amounts required by the Liquidity Facility.

Prior to any Conversion of the Series D Bonds, the Owners of Liquidity Facility Bonds may elect to tender their Series D Bonds, which, if so tendered, upon proper notice to the Remarketing Agent or Tender Agent, as applicable, at the times and in the manner set forth in the Mode Period Chart for variable rate bonds included in the Series D Resolution, will be purchased on the next Effective Rate Date (or, in the case of Liquidity Facility Bonds in a Weekly Mode, on the purchase date specified in the Tender Notice) at the Purchase Price. Notice of tender for purchase of Series D Bonds by the Owners hereof must be in writing and will be irrevocable once the notice is given by the Owner hereof to the Remarketing Agent or the Tender Agent, as directed in the Mode Period Chart.

Prior to Conversion, Owners of Unenhanced Variable Rate Bonds may elect to tender their Unenhanced Variable Rate Bonds, which, if so tendered upon proper notice to the Remarketing Agent or the Tender Agent, as applicable, at the times and in the manner set forth in the Mode Period Chart, will be purchased on the next Effective Rate Date at a price equal to 100% of the principal amount thereof plus accrued interest. The notice of optional tender for purchase of Unenhanced Variable Rate Bonds by the registered owners hereof will be irrevocable once the notice is given to the Remarketing Agent. Upon receipt of a notice of optional tender for purchase of Unenhanced Variable Rate Bonds by the registered owners hereof, the Remarketing Agent must promptly notify the Tender Agent of receipt of the notice. The notice of tender for purchase of Unenhanced Variable Rate Bonds by the Owners thereof will be in writing and will be irrevocable once the notice is given to the Remarketing Agent or the Tender Agent as directed in the Mode Period Chart.

The Series D Bonds or any portion thereof, as applicable, are subject to mandatory tender for purchase (with no right to retain) (i) on each Mode Change Date and each Unenhanced Variable Rate Bonds Change Date, (ii) with respect to a Liquidity Expiration Event, not less than five days prior to the scheduled expiration or earlier termination of the Liquidity Facility, (iii) on the effective date of an Alternate Liquidity Facility, if such Mandatory Tender has not already occurred pursuant to subsection (ii) above, (iv) on any Conversion Date, and (v) upon receipt of a Notice of Termination of Commitment to Purchase (as described in the Liquidity Facility) by the Trustee, not less than five days prior to the termination date set forth therein (each a "Mandatory Tender Date"), at the Purchase Price, subject to the conditions described in the Series D Resolution. In connection with any mandatory tender of Series D Bonds upon a Mandatory Tender Date, the Trustee will deliver a notice of mandatory tender stating the reason for the mandatory tender to Owners at least 15 days prior to the Mandatory Tender Date, and that all Owners subject to that mandatory tender will be deemed to have tendered their Series D Bonds upon that date.

On each date on which Liquidity Facility Bonds are required to be tendered and purchased, the Remarketing Agent must use its best efforts as described in the Series D Resolution to sell those Liquidity Facility Bonds. In the event the Remarketing Agent is unable to remarket the Liquidity Facility Bonds so tendered, the Bank must, pursuant to the Series Resolution, purchase those Bonds (the "Bank Bonds") in accordance with the Liquidity Facility. In the event the Remarketing Agent is unable to remarket any Unenhanced Variable Rate Bonds so tendered, those Unenhanced Variable Rate Bonds will bear interest at the Unenhanced Variable Rate Bonds Non-Remarketed Rate.

Any Series D Bond not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date ("Untendered Bonds"), for which there have been irrevocably deposited in trust with the Trustee the purchase price equal to the principal amount of those Series D Bonds plus accrued interest will be deemed to have been tendered and purchased on that Mandatory Tender Date. Owners of Untendered Bonds will not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of those Untendered Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and those Owners will no longer be entitled to the benefits of the Series Resolution, except for the purpose of payment of the purchase price. Bond certificates will be issued in place of Untendered Bonds and, after the issuance of the replacement Variable Rate Bond certificates,

those Untendered Bonds will be deemed purchased, canceled, and no longer Outstanding under the Bond Resolution.

UNENHANCED VARIABLE RATE BONDS WILL NOT BE SUPPORTED BY A LETTER OF CREDIT, LINE OF CREDIT, STANDBY BOND PURCHASE AGREEMENT OR ANY OTHER LIQUIDITY FACILITY. If the Remarketing Agent cannot successfully remarket any Unenhanced Variable Rate Bonds subject to optional or mandatory tender for purchase, the Owners thereof do not have the right to have those Unenhanced Variable Rate Bonds purchased upon tender. Any Unenhanced Variable Rate Bond that is subject to optional or mandatory tender for purchase that the Remarketing Agent, after using its best efforts, is unable to remarket in accordance with the Series Resolution, at a price equal to 100% of the principal amount thereof, plus accrued interest, by 11:05 a.m., on the date scheduled for that purchase, whether the inability is because of market conditions or otherwise, will bear interest at the Unenhanced Variable Rate Non-Remarketed Rate and be subject to tender for purchase as described in the Series D Resolution.

The Remarketing Agent will continue to use its best efforts each Business Day to remarket that Unenhanced Variable Rate Bond in accordance with the Series Resolution at a price equal to 100% of the principal amount thereof, plus accrued interest. In connection therewith, the Remarketing Agent will consider each day to be a Rate Determination Date for that Unenhanced Variable Rate Bond. During the period of time from and including the initial date that any Unenhanced Variable Rate Bond was to be purchased to (but not including) the date that the Unenhanced Variable Rate Bond is successfully remarketed (the "Non-Remarketing Period"), that Unenhanced Variable Rate Bond will bear interest at a rate per annum equal to the Unenhanced Variable Rate Bonds Non-Remarketed Rate determined from time to time as described in the Series Resolution. Notwithstanding the provisions of the Series D Resolution, if a failure to pay principal, interest or premium on any Unenhanced Variable Rate Bond when due has occurred, that Unenhanced Variable Rate Bonds will bear interest during each Mode Period for any portion thereof at a rate per annum equal to the Unenhanced Variable Rate Bonds Default Rate for the period from the time from and including the initial date of the failure to (but not including) the date on which the failure has ceased to be continuing.

The Agency has issued other Series of Bonds and the Bond Resolution authorizes additional Series of Bonds to be issued (collectively, with the Series D Bonds, the "Bonds"), all of which are secured by the pledge made and security interest granted therein, 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; 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 Debt Service Reserve Fund and Insurance Reserve Fund will be increased to an amount not less than their respective requirements effective after the issuance of the Bonds, and (b) each Rating Agency will confirm that issuance of the 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 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, or 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; and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it, or 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 D 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 D 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 D Bonds held by that Owner, or the obligation of the Agency to pay the same at the time and place expressed in the Series D 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 D 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; that the issuance of this Series D Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation; and that the opinion attached hereto is a full and correct copy of the legal opinion given by Bond Counsel with reference to the Series D Bonds, dated the date of original issuance and delivery of the Series D Bonds.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series D 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 D Bonds of other authorized denominations. Upon the transfer or exchange the Agency will cause to be issued in the name of the transferee or owner a new Series D Bond of the same aggregate principal amount, maturity, interest rate and terms as the surrendered Series D Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to the transfer.

Notwithstanding any other provisions of this Series D Bond, so long as this Series D 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 securities depository, the Trustee will pay all principal of, premium, if any, and interest on this Series D Bond, and will give all notices with respect to this Series D Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

The Agency and the Trustee may deem and treat the person in whose name this Series D Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series D 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 payments so made to the registered owner or upon the owner's order will be valid and effectual to satisfy and discharge the liability upon this Series D Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee will 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 D Bond will 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 D Bond to be executed by the facsimile signatures of its Chairperson and Commissioner, the Agency having no corporate seal.

Date of Authentication: _____, 2019

Trustee's Certificate

This is one of the Series D Bonds delivered pursuant to the Bond Resolution and Series D 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 D Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Series D 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 whatsoever

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

Board Agenda Item: 8.A
Date: 2/21/2019

Item: Developing Minnesota Housing's 2020-23 Strategic Plan

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.n.us
Alyssa Wetzel-Moore, 651.296.3617, alyssa.wetzel-moore@state.mn.us

Request Type:

☐ Approval
☐ Motion
☐ Resolution

☒ No Action Needed
☒ Discussion
☐ Information

Summary of Request:
Staff have attached for your review and discussion:

- Outline of Process and Schedule for Developing the 2020-23 Strategic Plan
- Key Issues and Trends in Housing

Staff will go over the process and schedule and ask the Board to provide feedback on the issues and trends that are identified in the second attachment.

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):

- Outline of Process and Schedule for Developing the 2020-23 Strategic Plan
- Key Issues and Trends in Housing

Outline of Process and Schedule for Developing the 2020-23 Strategic Plan

Overview

The Agency's 2016-19 Strategic Plan will end on September 30, 2019. The following outlines the process and schedule that we plan to use over the next six months to develop the next plan.

As part of the process for developing the plan, we will use the work of the Housing Task Force. We will also reference other key policy documents including the Analysis of Impediments to Fair Housing Choice and the Heading Home Together Plan.

Draft Schedule and Process

- **Background Materials (By end of February)**
- **Initial Board Engagement (February Board Meeting)**
- **Staff Input / Engagement (March through April)**
- **Community Input / Engagement (February through May)**
    - New approach that will focus on numerous smaller-scale gatherings across the state with partners, stakeholders, community members, and people most impacted by housing instability.
- **A Short List of Possible Priorities and Discussion with Board (April)**
- **Discussions to Identify Possible Strategies to Address Priorities (May)**
- **Draft Plan (Mid-June)**
- **Public Comment Period (June and July)**
- **Board Review of Draft Plan and Public Comments (July Board Meeting)**
- **Board Approval of Final Plan (August Board Meeting)**

Depending on scheduling of all the activities, we may push the approval the 2020-23 Strategic Plan to the September 2019 Board meeting.

MINNESOTA HOUSING

Key Issues and Trends In Housing

February 2019

Key Issues and Trends

1. Minnesota Needs More Affordable Housing with a Large Share of Households Cost Burdened by their Housing (p. 4)
2. Many Minnesotans Struggle with Housing Instability, Most Notably People Experiencing Homelessness (pp. 12)
3. Minnesota is Becoming More Diverse, and We Have Unacceptable Disparities (p. 21)
4. The Economy Is Expected to Continue Growing Modestly, Hopefully Supporting Growth in Household Incomes (p. 31)
5. Home Prices Will Likely Continue to Increase with a Limited Supply (p. 35)

This document is a chart book that highlights 10 key housing issues and trends in Minnesota. It provides a lot of information, but readers can review it at various levels of detail. The charts are largely self explanatory so they can be reviewed quickly; however, for those who want to study them more closely, each chart includes explanatory notes and additional context in the text below the chart.

As a preview, this page and the following list the 10 key issues and trends. For readers who would like to jump to a specific issue or trend, the list includes the page number on which each sections starts.

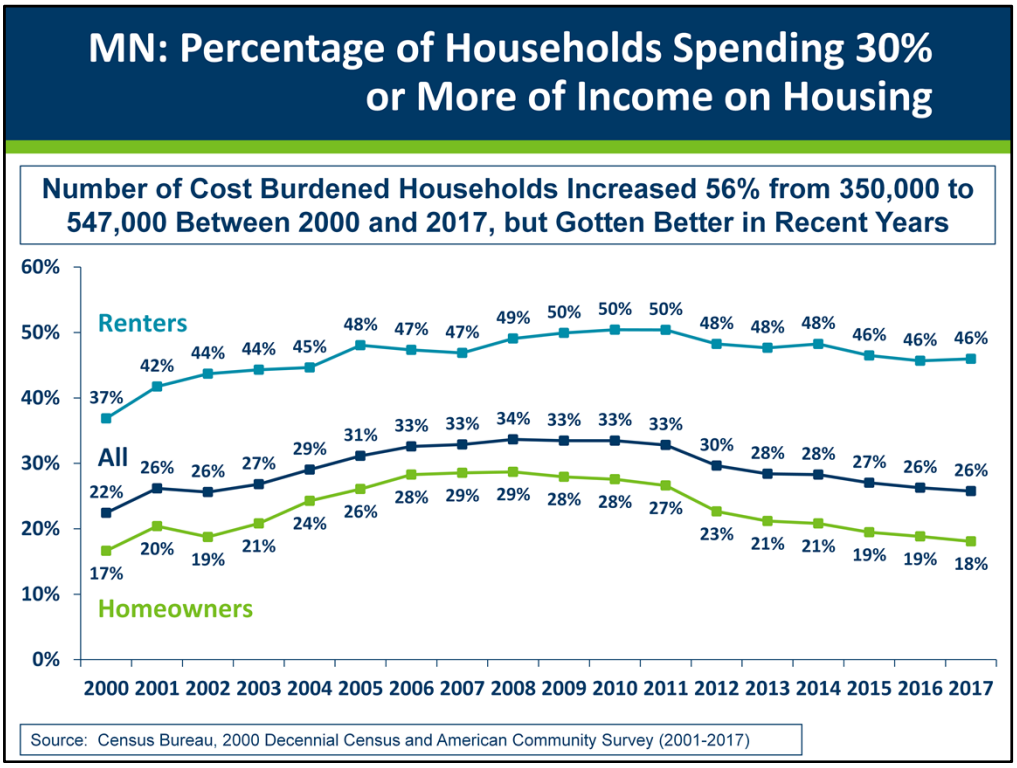
Key Issues and Trends (continued)

6. Rents Will also Likely Continue to Increase with a Limited Supply (p. 39)
7. Minnesota Needs to Develop 300,000 New Housing Units of All Types and Price Points by 2030, with a Focus on Affordable. (p. 44)
8. Minnesota Has a Large Stock of Affordable Housing that Needs to be Preserved, and We are Losing Housing that Is Naturally Affordable (p. 46)
9. Millennials' Decision to Own or Rent Will be a Key Driver of the Housing Market (p. 51)
10. The Aging Baby Boom Generation Will Create New Housing Needs and Challenges (p. 60)

MINNESOTA HOUSING

Issue/Trend #1

Minnesota Needs More Affordable Housing with a Large Share of Households Cost Burdened by Their Housing



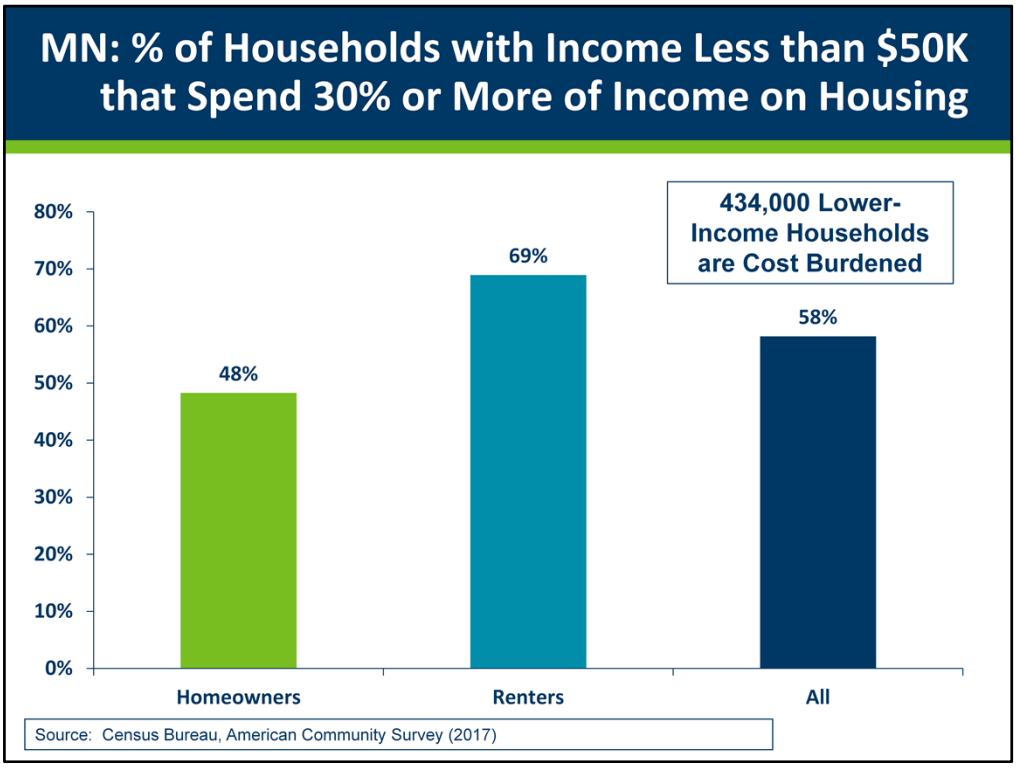
This graph shows the percentage of Minnesota households that were cost burdened over the last 17 years (spending more than 30% of their income on housing). Being cost burdened indicates that a household lacks affordable housing.

Key Points:

- The number of cost burdened households increased 56%, from 350,000 in 2000 to over 547,000 in 2017.
- The share of <u>all</u> households that are cost burdened (middle blue line) increased from 22% to 26%.
- The share of <u>renters</u> (top light blue line) increased from 37% to 46%.
- The share of <u>homeowners</u> (bottom green line) increased from 17% to 18%.
- After 2011, there was a noticeable improvement. As the following pages will show:
  - Incomes have risen from 2011 through 2017.
  - With respect to homeownership, lower home prices and interest rates after the housing collapse helped alleviate the situation significantly. New homeowners benefited from lower home prices, but existing homeowners also had the opportunity to refinance to lower interest rates and reduce their housing payments.

Implications:

- Since 2000, the need for more affordable housing has increased overall.
- The cost-burden situation is more severe for renters.
- As we assess the affordable housing landscape, there are a few key questions. Will the recent improvement continue? Will incomes for households in the bottom half of the income spectrum rise with the improving economy? Will incomes keep pace with rising housing costs, particularly for lower income households?



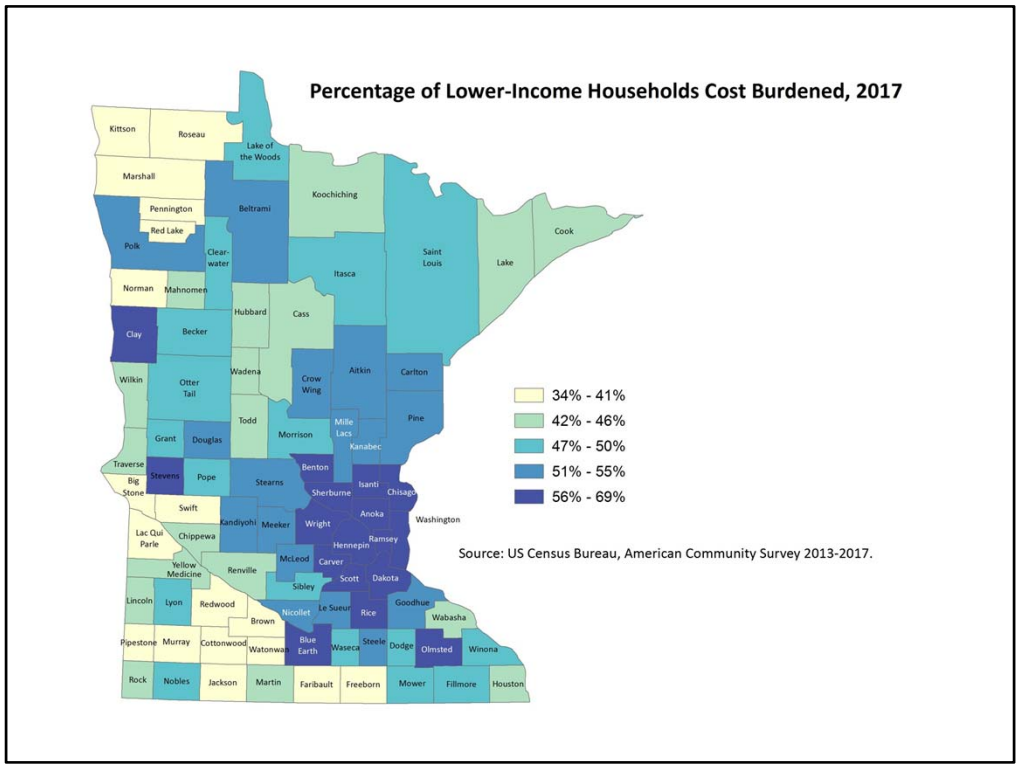
While the previous graph showed the percentage of all households that were cost burdened, this graph shows the percentage of lower-income households that were cost burdened in 2017. For this assessment, we define lower-income as households with an income less than $50,000, which is roughly 50% to 80% of the area median income (AMI) for a family of four, depending on the county.

Key Points:

- The need for more affordable housing is very large, especially for lower-income households.
- 434,000 lower-income households are cost burdened, which is 58% of that group.

Implications:

- In 2018, we assisted nearly 67,000 households. While this is a large and impressive number, it is not large enough to reach all the cost-burdened lower-income households.



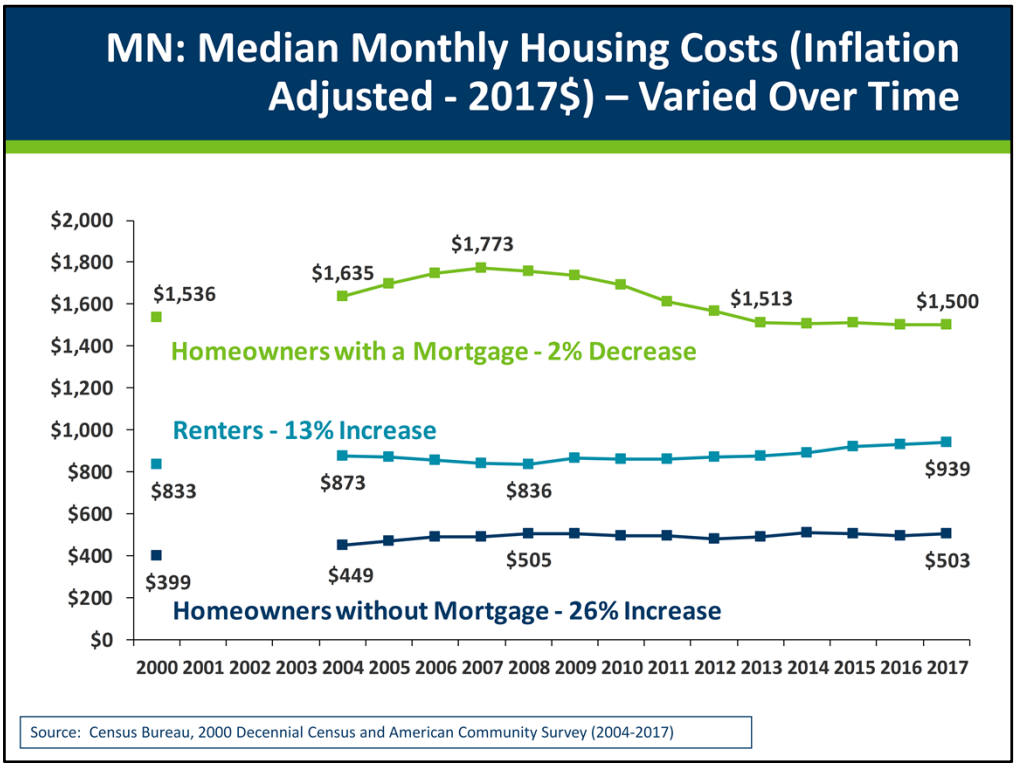
This map shows the percentage of lower-income households (annual income less than $50,000) that are cost burdened by county.

Key Points:

- The percentage varies from 34% to 69%.
- The highest percentages are generally in the metro area and surrounding communities, and the lowest percentages are in the western part of the state.
- Even the county with the lowest percentage has a 1/3rd of its lower-income households have unaffordable housing costs.

Implications:

- While the need for more affordable housing is substantial across the entire state, the level varies.



Cost burden is a function of a household's housing costs in relation to its income. To understand trends in cost burden, we need to understand the trends in each component. This graph shows the median monthly housing costs for renters and homeowners, adjusted for inflation.

Key Points:

- Renters' costs increased by 13% since 2000, after controlling for inflation. This masks shorter-term trends during that period. Statewide, the median rent rose from $833 per month in 2000 to $873 in 2004, fell to $836 in 2008, and has since risen to $939. The consistent increase in rents since 2008 is an area for concern.

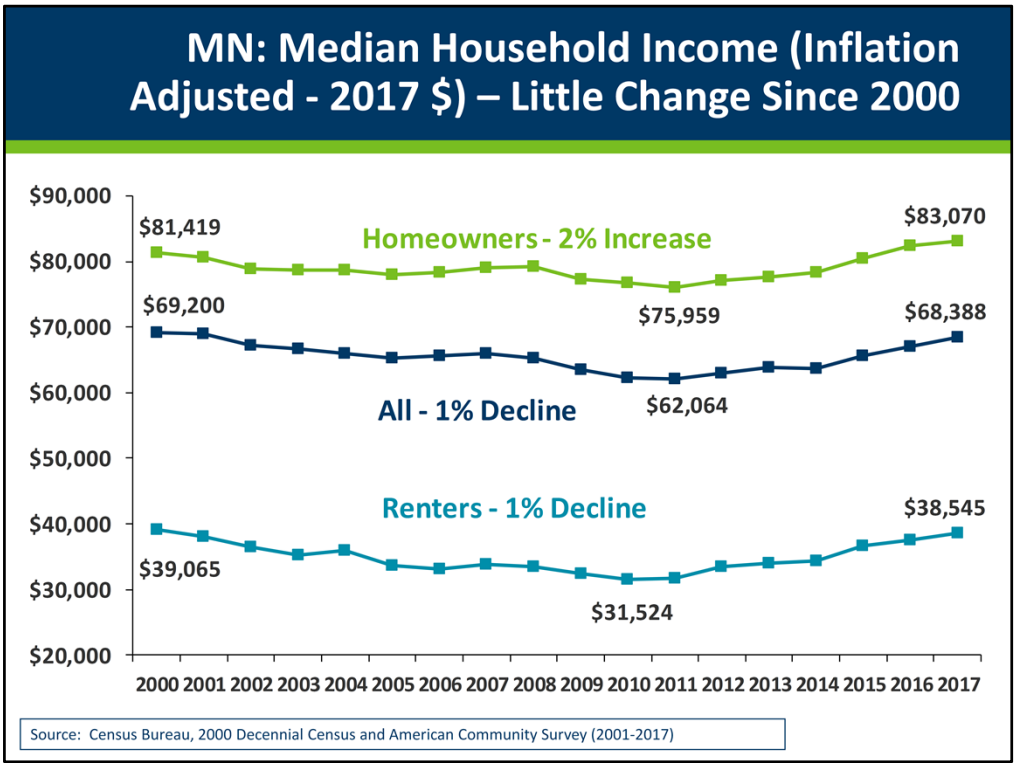
- Costs for homeowners with a mortgage decreased by 2%. Again, this masks an even more dramatic shift during that period. The median monthly cost increased from $1,536 in 2000 to $1,773 in 2007 and then fell to $1,500 by 2017. The overall trend is driven by home sale prices and interest rates, which we'll examine in detail later. As a preview, home sales prices fell during the housing crisis but are now increasing after bottoming out in 2011/12. Interest rates fell to historic lows after the Great Recession and are still relatively low.

- Costs for homeowners without a mortgage increased the most (26%). These higher costs reflect higher property taxes, insurance premiums, and utility costs. Many of these homeowners are seniors who have paid off their mortgages, which is an important when assessing senior housing needs.

Implications:

What can we do to reduce housing costs? Options include, but are not limited to:

- Offering mortgages at the lowest interest rates possible, with down-payment assistance.
- Increasing the supply of affordable rental and owner-occupied housing.



Incomes that have really changed over the long term are a key contributor to the rising rate of cost-burdened households.

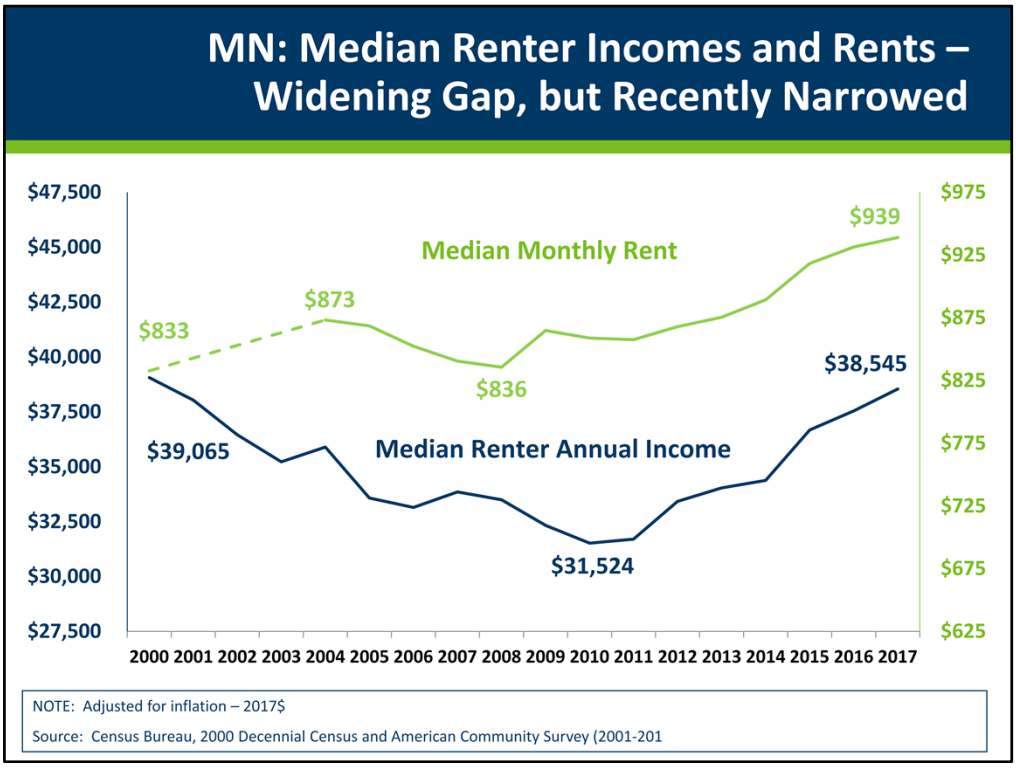
This graph shows the median household incomes over the past 17 years.

Key Points:

- Renter incomes fell 1% after controlling for inflation.
- Homeowner incomes have increased 2%.
- With the strengthening economy, incomes have increased since 2011, which is an encouraging sign.

Implications:

- While we are not an employment agency tasked with increasing household incomes, stagnant incomes play a key role in the environment in which we finance affordable housing, adding challenges to our task.
- Stable and affordable housing in location-efficient communities (providing access to transit, jobs, services, amenities, good schools, etc.) can contribute to the economic success of low- and moderate-income families.
- A key question is whether incomes will increase in the future and keep pace with housing costs. If there is a an increase, will it be wide spread and benefit the lowest-income and other disadvantaged households?



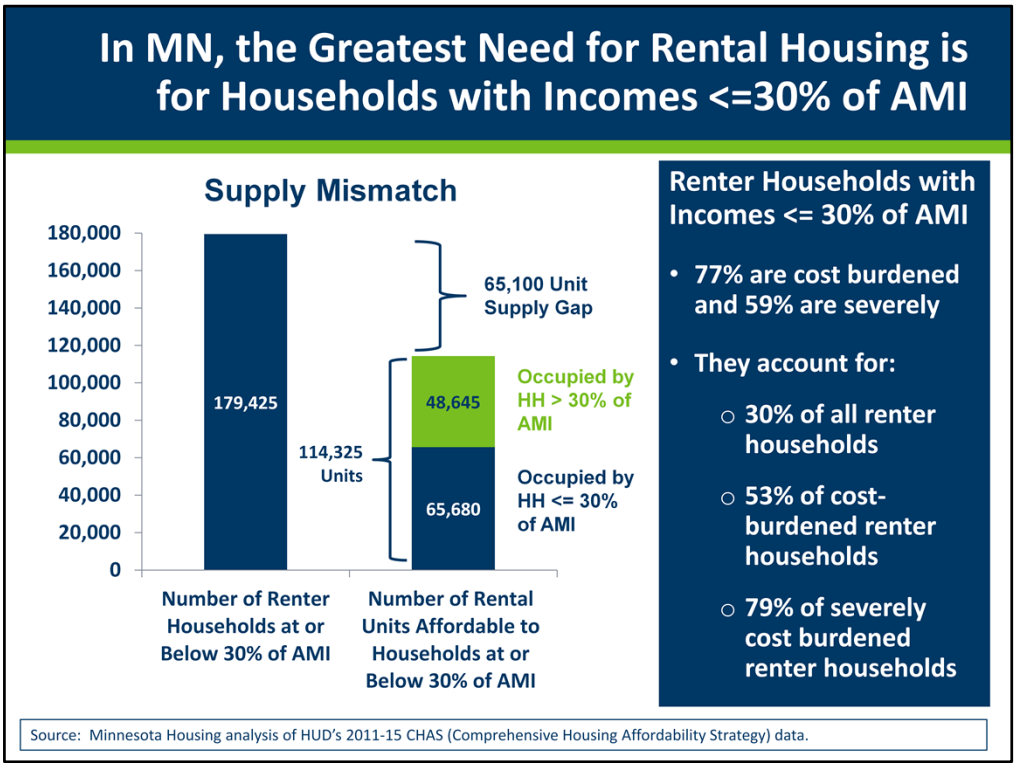
This graph brings the cost and income trends together in one picture for renters.

Key Points:

- From 2000 to 2010, rental housing became less affordable relative to income. Since then, increases in the median income have more than kept pace with increases in the median rent.
- Overall, there was a 13% increase in rents and a 1% decrease in incomes (adjusted for inflation).

Implications:

- Housing affordability and stability are determined by many market, economic, and societal factors with complex interactions. The following charts will document some of them.



This chart shows the shortage of rental housing that is affordable to households with an income that is 30% of the area median income (AMI) or less. These households have the greatest need for affordable rental housing. For context, 30% of AMI for a family of three in Minnesota ranges from $18,800 to $25,500, depending on the county.

Key Points:

- While there are nearly 180,000 renter households in Minnesota with incomes at or below 30% of AMI, the state only has 114,000 rental units that are affordable at that income level.
- Of those 114,000 units, only 66,000 are occupied by households with income at or below 30% of AMI; the rest are occupied by higher income households.
- Even some of the 66,000 households with incomes at or below 30% of AMI who have rents that are affordable at or below 30% of AMI are cost burdened. This can occur if a household has an income at 15% of AMI, but its rent is affordable at 25% of AMI.
- Overall, 77% of renter households with incomes at or below 30% of AMI are cost burdened, and 59% are severely cost burdened (with more than 50% of their going to housing).

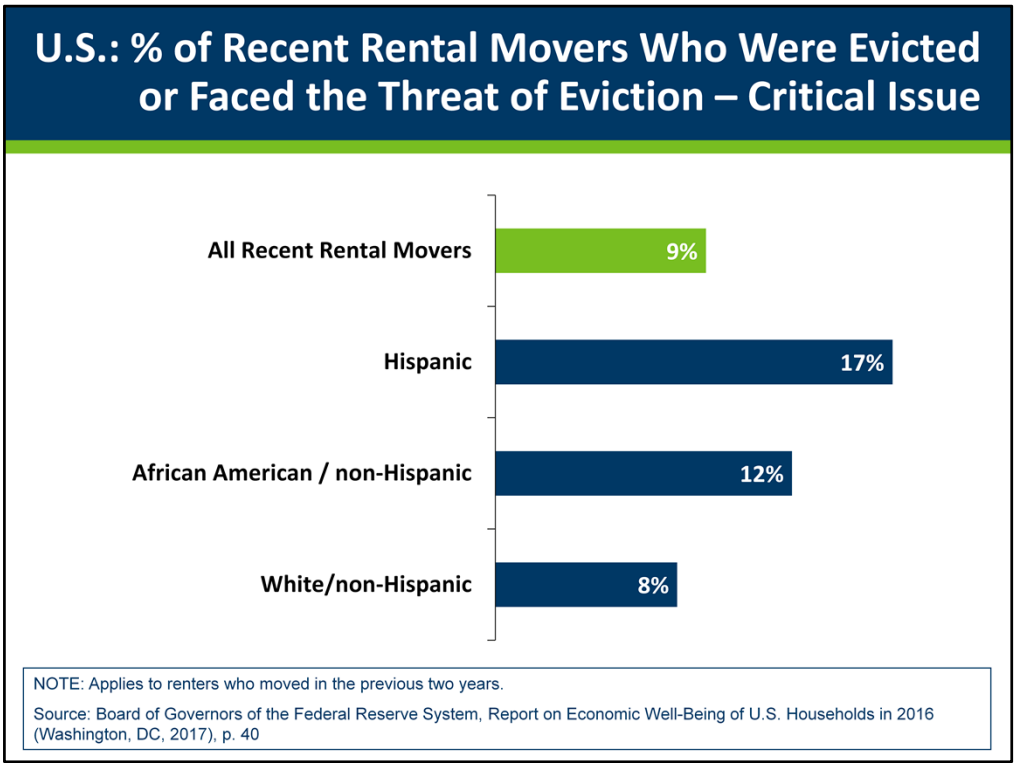
Implications:

- Because producing new rental housing is expensive, providing additional affordable housing to extremely-low-income households will require subsidies and assistance. We can meet the need by building more affordable rental housing and providing additional rent assistance to make existing housing affordable.

MINNESOTA HOUSING

Issue/Trend #2

Many Minnesotans Struggle with Housing Instability, Most Notably People Experiencing Homelessness



Besides high housing costs and limited incomes, there are many other causes of housing instability. People with criminal records, poor credit histories, or evictions struggle to find stable housing. This graph shows the share of recent rental movers (moved in the previous two years) who were evicted or faced the threat of eviction.

Key Points:

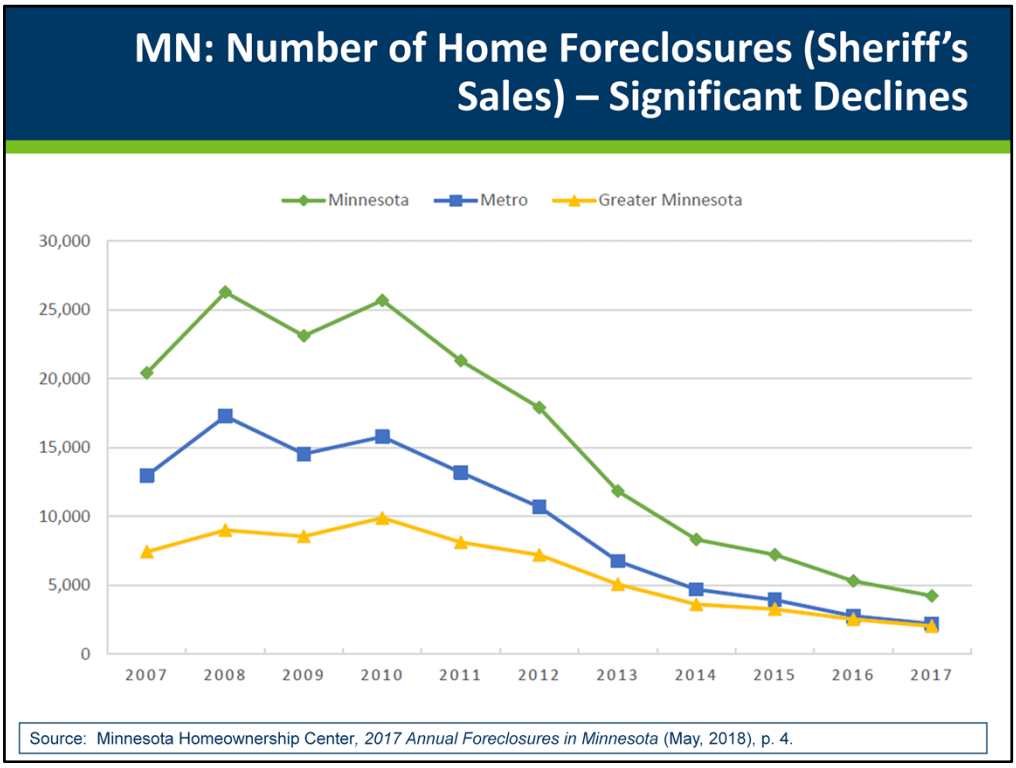
- Almost 1 in 10 recent rental movers (9%) faced eviction or threat of an eviction over a two-year period.
- Among all renters, about 3% were evicted or moved because of the threat of an eviction over a two-year period. (Not shown in the graph, but from the same data.)
- People of color are much more likely to face eviction.

Implications:

- 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.

Notes:

- This data is from a Federal Reserve Bank report for 2016. In its updated report for 2017, 9% of renters who moved in the last two years did so because of an eviction or threat of eviction, just like 2016, but the most recent report did not provide a racial and ethnic split.
- Compared to people in other states, Minnesotans have a relatively low eviction rate. According to Princeton University's Evictions Lab, Minnesota's eviction filing rate was 2.32% in 2016, compared with 6.12% nationally. Note, this data is from a different source and counting something slightly different than the data in the graph. The data from the Evictions Lab applies to eviction filings in a single year, while the Federal Reserve survey data in the graph applies to people who moved in the last two years because of an eviction or the threat an eviction.



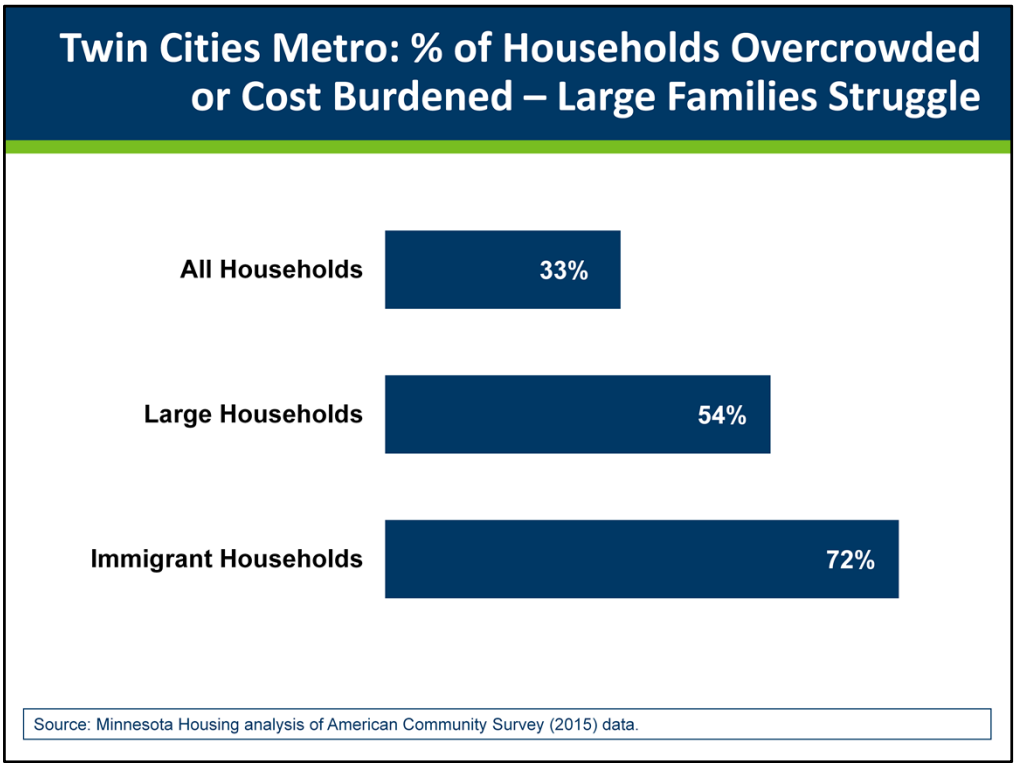
Homeowners can also face housing stability, and foreclosures are a primary cause. This graph shows the number of foreclosures in Minnesota since 2007.

Key Points:

- With the housing and financial crisis that came into full effect between 2008 and 2010, foreclosures were widespread a decade ago, with about 25,000 annual foreclosures.
- By 2017, the number had dropped to 4,231.
- With about 750,000 home mortgage in Minnesota, about 0.6% of foreclosed in 2017.

Implications:

- Even though we have moved past the crisis, foreclosures are still very disruptive for those families experiencing them.
- Minnesota Housing funds foreclosure counseling through the Minnesota Homeownership Center.



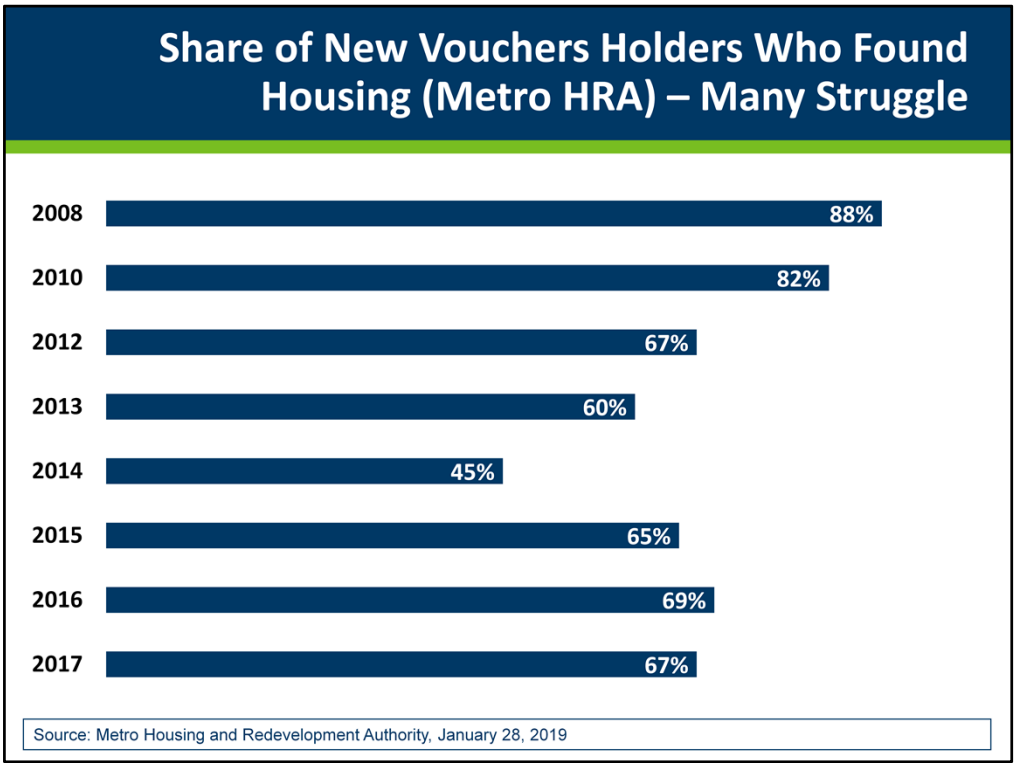
Large households and immigrants also struggle with housing instability. In 2015, 39,600 households in the Twin Cities metro area were large families (households with 6 or more people). Of these large families, 44 percent were immigrant families (with the head of household or spouse born outside of the U.S.).

Key Points:

- While 33 percent of all households are cost burdened and/or live in overcrowded housing, 54% of large households and 72% of immigrant households are.

Implications:

- Finding affordable housing with at least three or four bedrooms is very challenging.



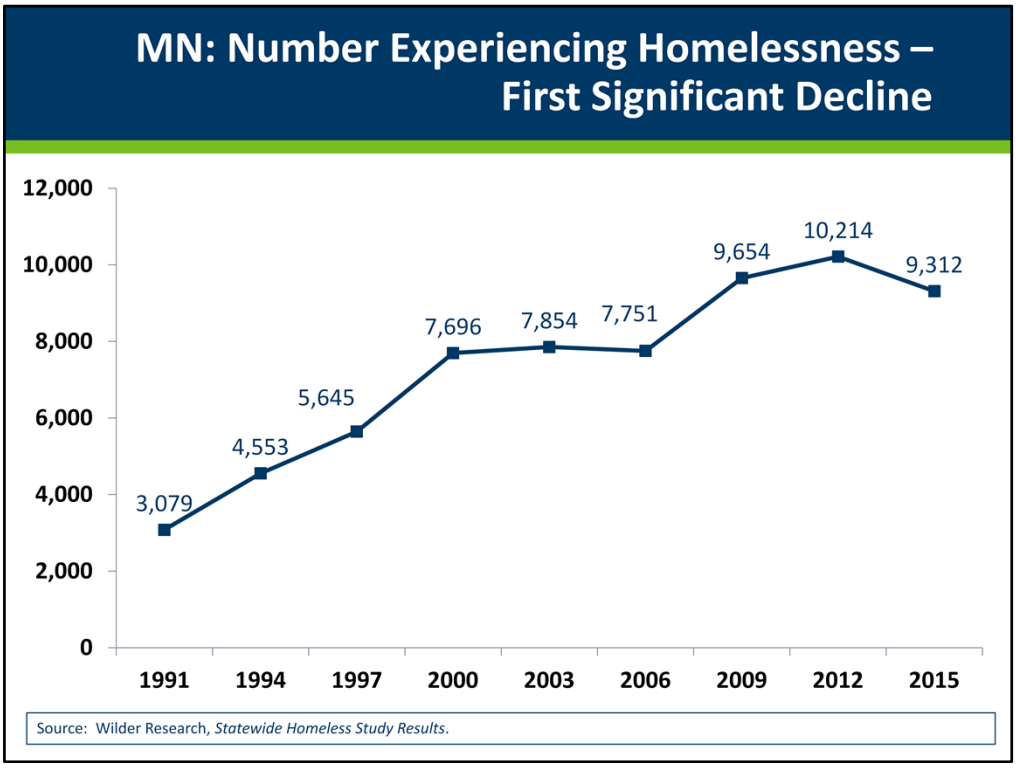
On paper, rental vouchers can be an effective way to support housing affordability and stability. They allow the holders to pay no more than 30 percent of their income for rent, with the sponsor of the voucher (typically HUD or the state of Minnesota) paying the rest of the market-rate rent. However, in the current housing market, it can be very challenging to use the vouchers. With the low vacancy rates, voucher holders have to compete with all the other renters looking for the few available units.

Key Points:

- In 2017, only 67 percent of new holders of a Housing Choice Voucher from Metro HRA were able to successfully find housing with the voucher. One-third were unsuccessful.
- The success rate has improved some since 2014, when Metro HRA updated the waiting list for receiving a voucher. The previous list was eight years old. Metro HRA has also increased the search time from 120 to 180 days, allowing families additional time to find a home to use the voucher.

Implications:

- This data shows that even households with significant support struggle to achieve housing stability in the current housing market.



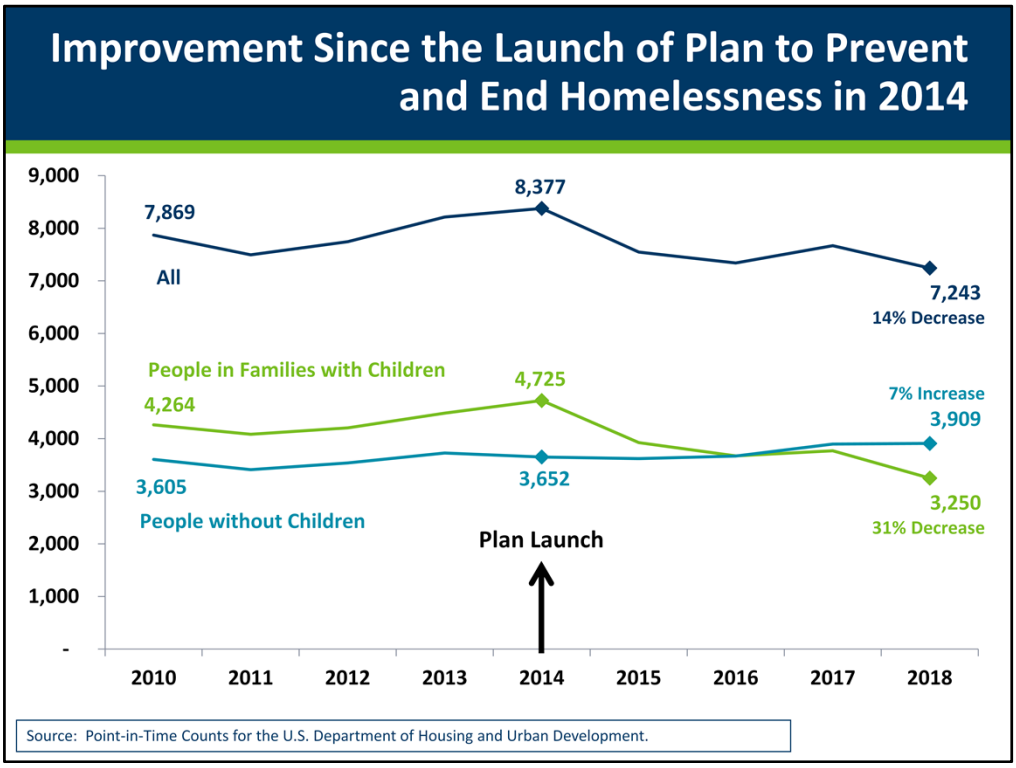
Homelessness is the most extreme form of housing instability and a chronic problem in Minnesota. This graph presents data from Wilder Research's triennial survey and shows the number of people experiencing homelessness on one night in October. Results from the 2018 survey will be available this spring.

Key Points:

- After increasing for two decades, the number of people experiencing homelessness had its first significant decline in 2015.
- After leveling off in 2003 and 2006, the state experienced a large increase with the Great Recession.

Implications:

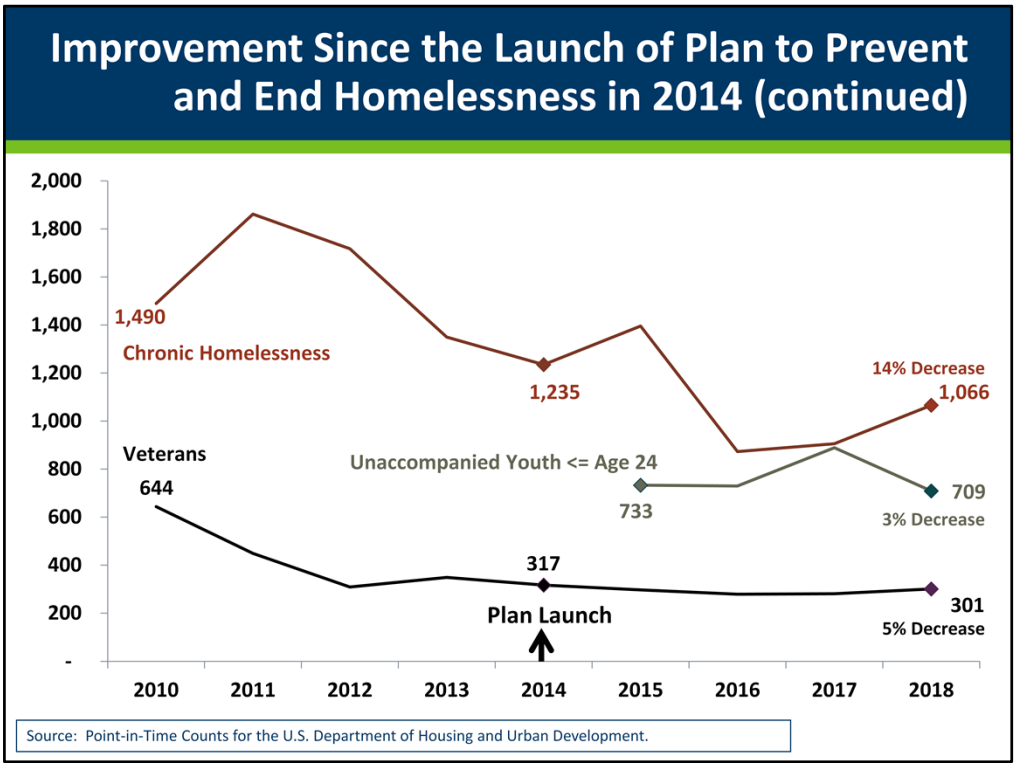
- Homelessness is a large problem that requires a coordinated and sophisticated strategy to address. To that end, Minnesota has an Interagency Council on Homelessness that brings together the resources of 11 state agencies and the Metropolitan Council, with the goal of aligning, coordinating, and leveraging housing, social services, and other supports. The Interagency Council launched its initial Plan to Prevent and End Homelessness in December 2013, with two updates since then. The most recent update expanded the statewide effort to be multisector and include philanthropy and local communities, in addition to the state agencies.



The following three graphs shows trends in the number of people experiencing homelessness by sub-populations, before and after launching the Plan to Prevent and End Homelessness. These numbers come from HUD's Point-in-Time count, which is a different source and provides slightly lower numbers than the Wilder Research estimates in the previous graph. These numbers have the advantage of being updated annually.

Key Points:

- All: The overall number of people experiencing homelessness has declined by 14% since the plan was launched.
- Families: Because people in families with children originally accounted for over half the homeless population, this trend line has driven the overall trend. Since the launch of the Plan, family homelessness has dropped by 31%.
- Adults without children: The decline in family homelessness is partially offset by an increase in the number of adults without children experiencing homelessness, which has increased by 7% since 2014.



This graph is a continuation of the previous one, and shows trends for additional groups.

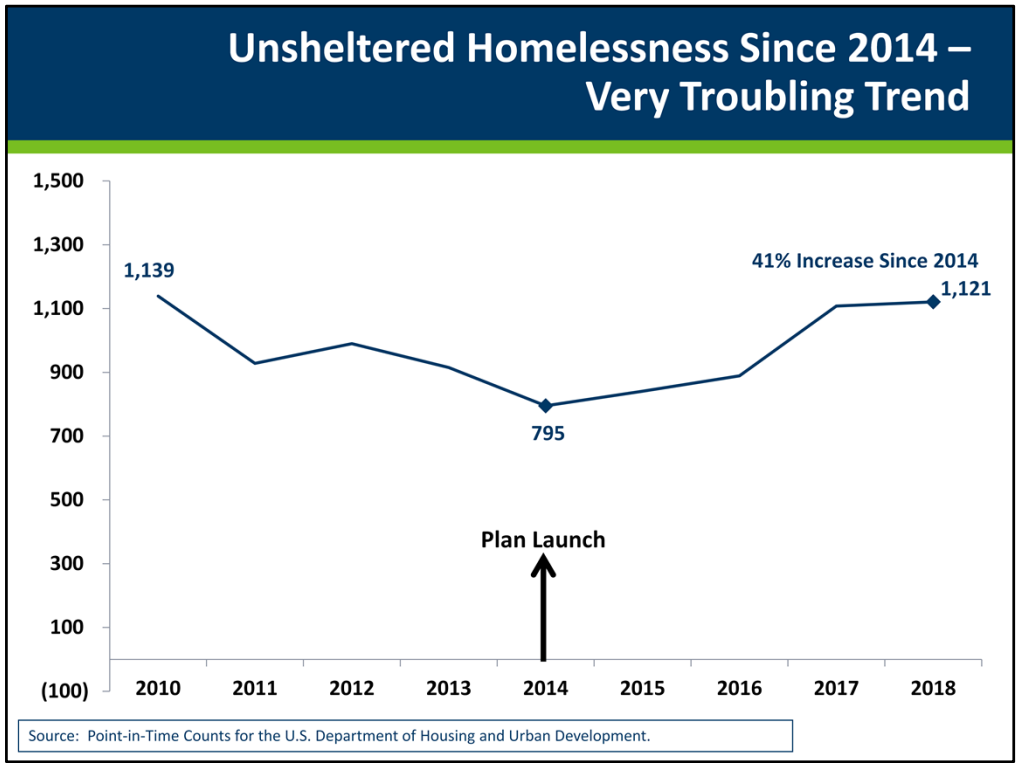
The subpopulations shown in these graphs are not mutually exclusive. The same person could show up in the trend line for the overall population, people without children, chronic, veteran, and unsheltered.

Key Points:

- Chronic: The number of people experiencing chronic homelessness has fluctuated over the last few years, but is on a downward trend overall. It has increased each of the last two years.
- Youth: The number has not decreased significantly. This population can be particularly challenging to serve.
- Veterans: The number of veterans experiencing homeless is on a clear downward trajectory. While it has only declined by 5% since 2014, it has declined by 53% since 2010.

Implications:

- The state Plan to Prevent and End Homelessness addresses all types of homelessness, with the goal of bending all the trend lines downward significantly, so that homelessness is rare, brief, and one time. While we are making progress, a lot more work is needed.



This graph is a continuation of the previous two, but just focuses on the trend for people experiencing unsheltered homelessness.

Key Points:

- Unsheltered homelessness has increased 41% since 2014.
- In the metro area, it has increased by 92% since 2015.
    - People of color are overrepresented in the unsheltered homelessness population in the metro area by a factor of 2.7 compared with their representation in the general population . This ratio is comparable to overrepresentation in the overall homelessness population, meaning that the disproportionality in unsheltered homelessness is similar to the disproportionality in homelessness overall, across all forms of homelessness.
    - However, African Americans / Blacks are overrepresented in the unsheltered population by 5.3 times what we would expect from the general population
    - American Indians in the Twin Cities metro area are 27 times more likely to be unsheltered than we would expect from their representation in the general population. Data from the U.S. Census Bureau indicates there are 14,089 American Indians in the region, representing less than 0.5% of the region's population. The 2017 HUD Point-in-Time count indicates there were 80 unsheltered American Indians in the region, representing 13% of the unsheltered population.

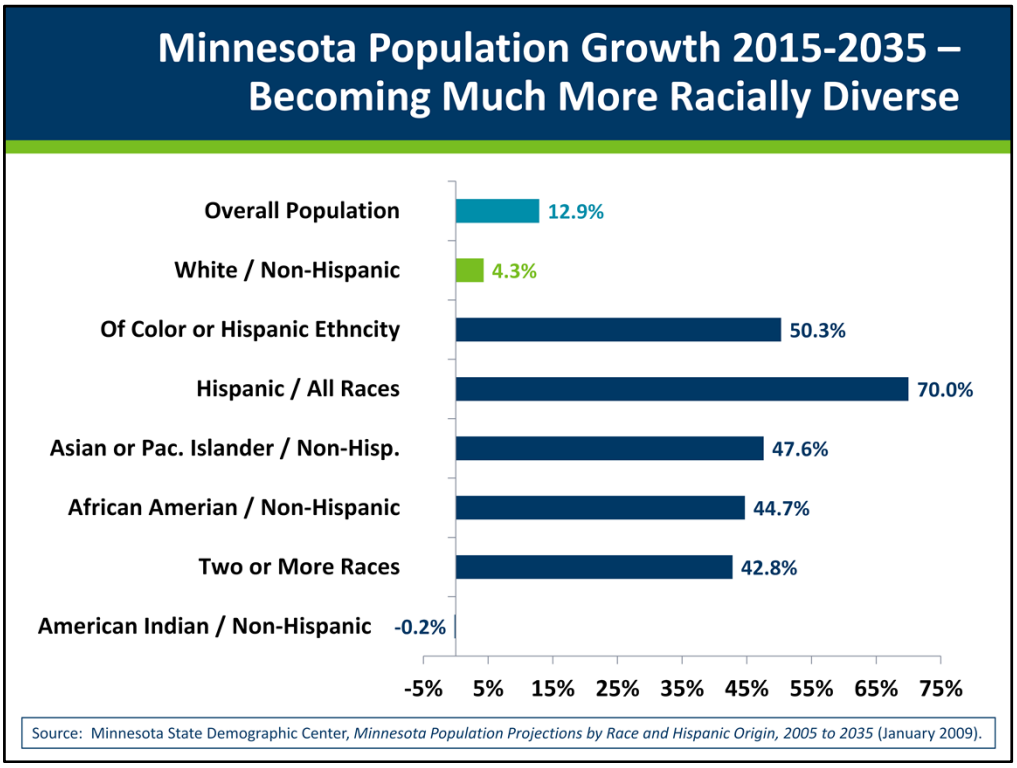
Implications:

- In response to the troubling trend in unsheltered homelessness, we are working with community experts and partners to create a system-wide response.

MINNESOTA HOUSING

Issue/Trend #3

Minnesota is Becoming More Diverse and We Have Unacceptable Disparities



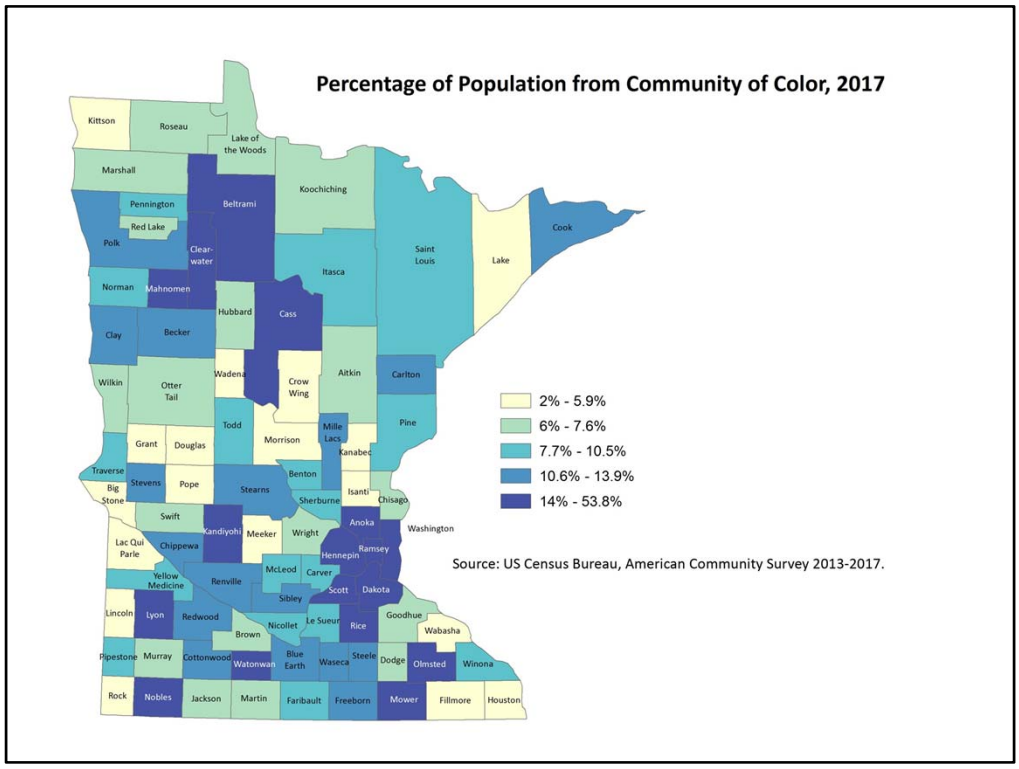
Minnesota's population is currently about 81% white/non-Hispanic, but the population is becoming much more diverse.

Key Points:

- Minnesota's overall population is forecasted to grow by 12.9% by the year 2035.
- While the white/non-Hispanic population will grow by just 4.3%, the population of color is expected to grow by 50.3%.

Implications:

- Minnesota is becoming much more racially and ethnically diverse.



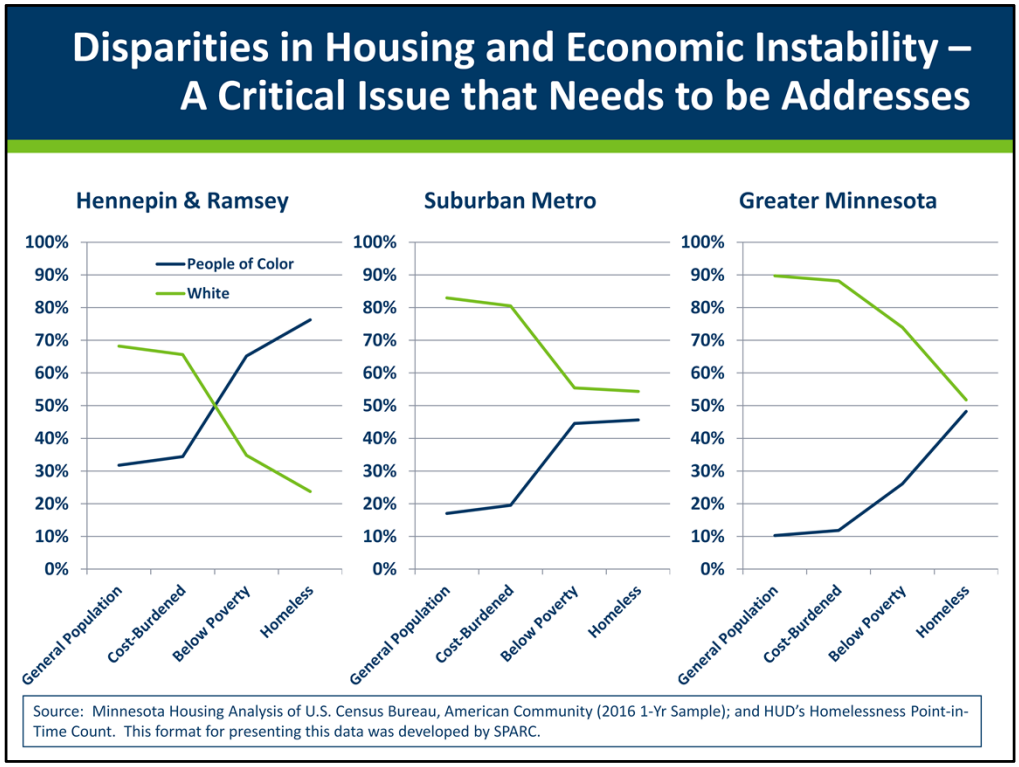
As shown in the map, people of color are not evenly distributed across the state.

Key Points:

- The percentage in each county varies from 2% to 54% of the population.

Implications:

- The housing needs of people of color play a critical role in some counties and will play an increasing role across the state.



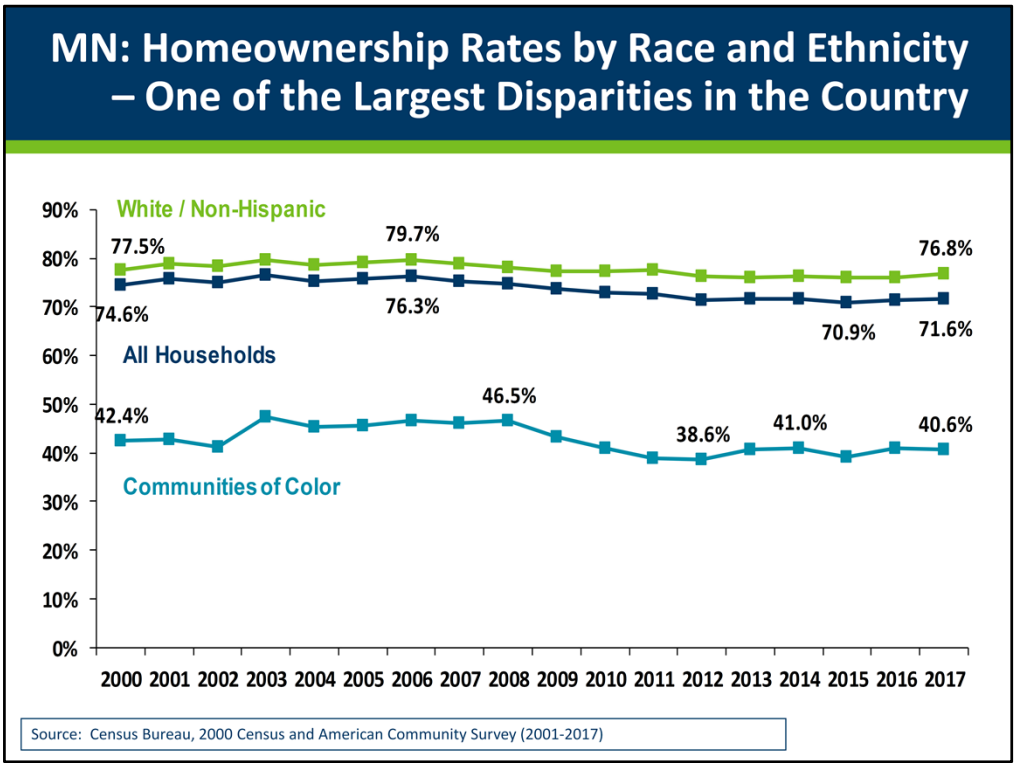
These graphs show Minnesota's disparities in housing and economic instability.

Key Points:

- Regardless of the area of the state, as the level of housing and economic instability increases, people of color account for a greater and greater share of the population.
- For example, in Hennepin and Ramsey counties, people of color account for:
  - 32% of the general population
  - 34% of the cost-burdened households (spending more than 30% of the income on housing)
  - 65% of the population in poverty
  - 76% of the people experiencing homeless on a given night
- In Greater Minnesota (not explicitly shown in the chart, but calculated from the same data) :
  - 43 people of color are homeless per 10,000 residents of color
  - 5 white people are homeless per 10,000 white residents
  - People of color are 8 times more likely to homeless than white residents

Implications

- In an equitable society, these disparities are unacceptable.



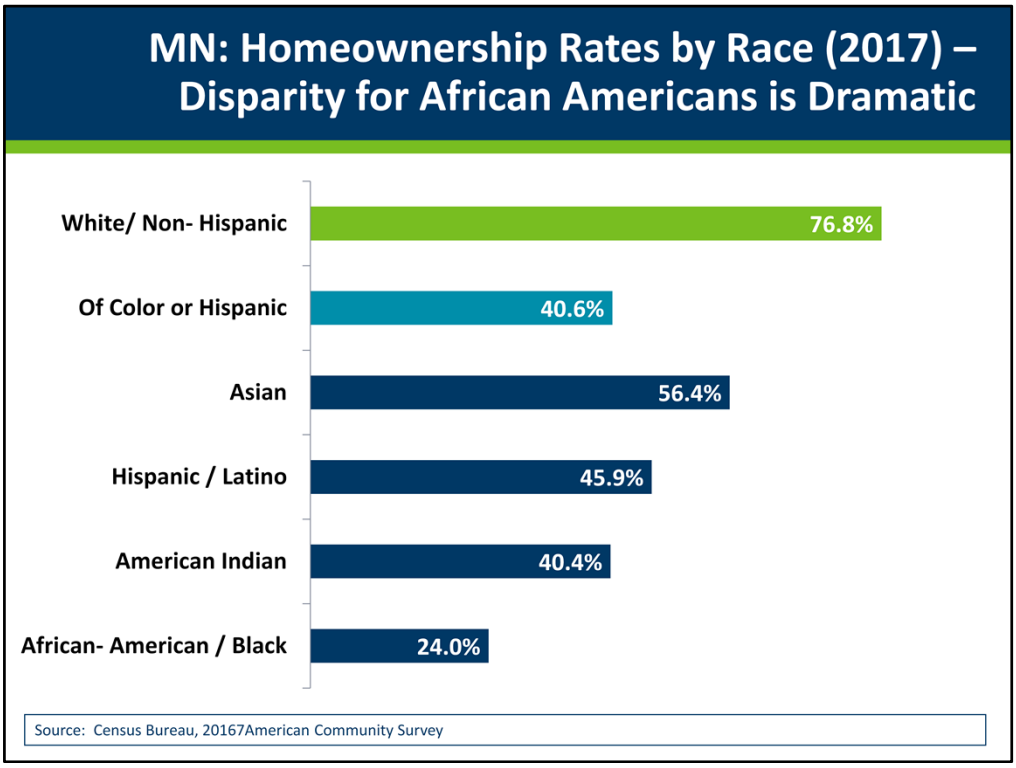
This graph compares the homeownership rates of households of color with white/non-Hispanic households.

Key Points:

- Minnesota's 36.2% point disparity in homeownership rates between white/non-Hispanic households and households of color is the 3rd largest in the country.
- The disparity has not changed much in the last 18 years.

Implications:

- Successful homeownership provides one of the highest levels of housing stability. If we are to achieve housing stability for all Minnesotans, tackling the homeownership disparity needs to be a priority.
- In 2018, 34% of Minnesota Housing's mortgages for first-time homebuyers went to households of color, while in 2017, only 15% of all home-purchase mortgages in the overall mortgage market in Minnesota went to households of color.
- We estimate that 34% of renter households who are potentially income-ready to buy a home and are between the ages of 25 and 44 (the primary first-time homebuyer ages) are households of color.
- Minnesota Housing is a relatively small player in the overall mortgage market, only accounting for about 5% of the mortgages in Minnesota for home purchases.
- How do we get the broader industry to increase its lending to households of color or increase Minnesota Housing's share of the market?



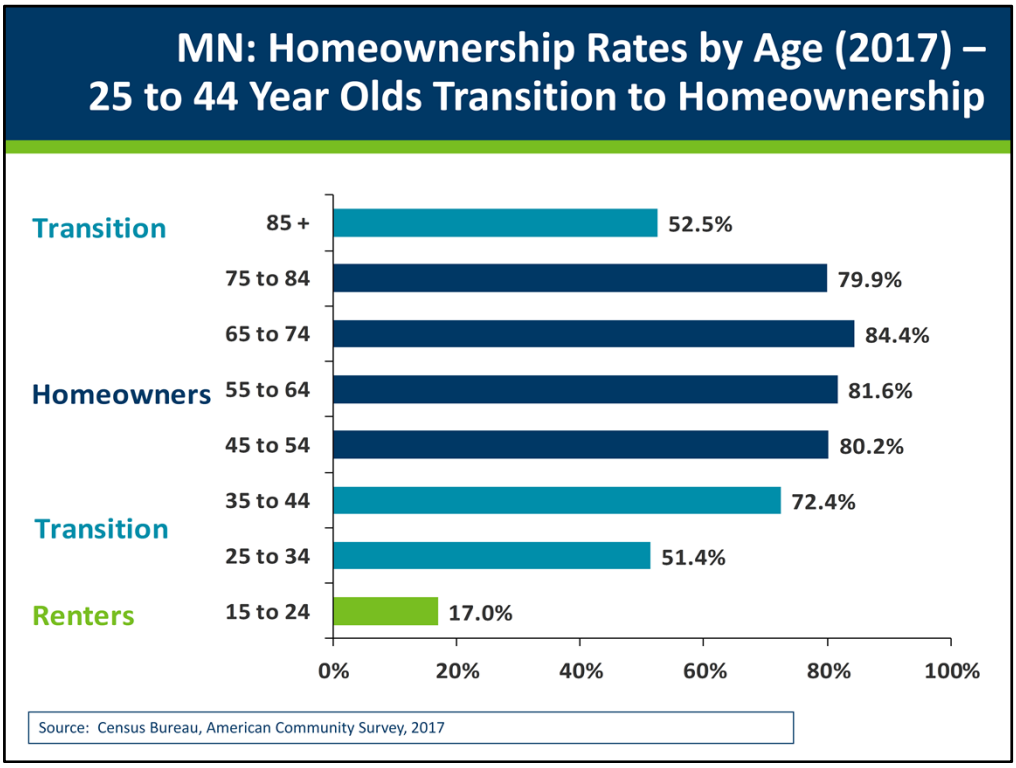
There are also large homeownership disparities within communities of color in Minnesota.

Key Points:

- While the Asian community has a homeownership rate of 56.4%, the African-American/Black community has a 24.0% rate (keeping in mind that the homeownership rates among Asian Americans is not consistent, for example, varying between people of Indian and of Hmong descent).

Implications:

- Programs that address the homeownership disparity need to recognize racial and ethnic differences within communities of color.

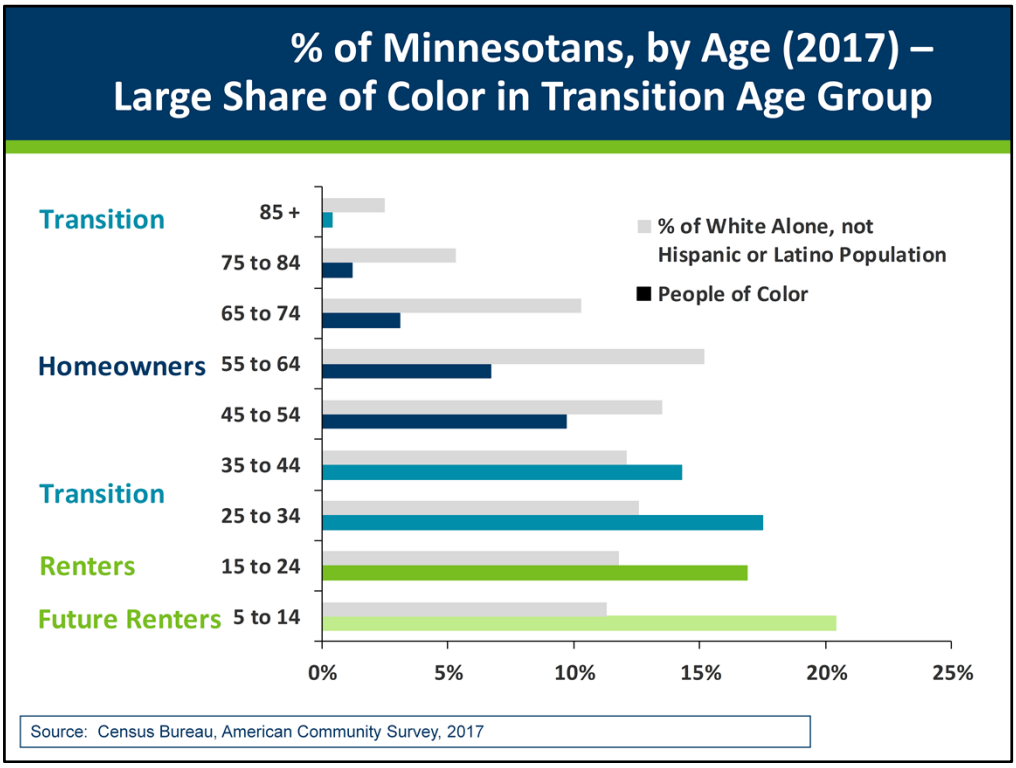


Part of the homeownership disparity can be explained by the age of the population. A person's stage in life (often reflected by his or her age) plays key role in homeownership.

This graph shows the homeownership rate by age.

Key Points:

- Young single people who are in the less-stable and early stages of their careers and lives typically rent for affordability and flexibility reasons. (See ages 15-24 in this graph.)
- As families form and careers are established, households look for stability and transition to homeownership. (See ages 25 to 44 in this graph. The transition primarily occurs for 25 to 34 year olds, when the homeownership rate jumps from 17.0% to 51.4%. A smaller transition occurs for 35 to 44 year olds, with the rate increasing to 72.4%.
- From ages 45 to 84, the vast majority of Minnesota households are in the homeownership stage of life.
- After households go through the initial phase of retirement, age, and start to face the struggles of independent living, they start to transition back to renting.



This graph shows the share of Minnesotans by age and phase of life as it relates to housing.

Key Points:

- A large share of people of color is in the transition phase (becoming homeowners).
- The largest share of the white/non-Hispanic population is in the homeowner phase of life.

Implications:

- The age distribution partially explains the homeownership disparity, with a larger share of the white/non-Hispanic population in the homeowner phase than people of color.
- With such a large share of the population of color in the transition (first-time homebuyer) phase, mortgage lending needs to focus on this population for both equity and business reason.

Income-Ready Renters Between Ages 25 and 44 – 34% Are Households of Color

- Minnesota has 188,000 renter households between the ages of 25 and 44 who are potentially income-ready to buy a home
  - Greater than $30,000 in Greater Minnesota
  - Greater than $35,000 in Twin Cities Metro
- 64,000 (34%) are households of color

Source: Minnesota Housing Analysis of Census Bureau, *American Community Survey*, 2016 (IPUMS microdata, 1-year sample)

To better understand the first-time homebuyer market, we assessed renter households who are potentially income-ready to buy a home and between the ages of 25 and 44. We chose $30,000 in Greater Minnesota and $35,000 in the Twin Cities metro area as the minimum annual income to be potentially income-ready to buy. Those incomes are quite low, but we have seen successful ownership with the right supports and mortgage products, including our Homeownership Capacity program and lending through Habitat for Humanity.

Key Points:

- Minnesota has 188,000 renter households between the ages of 25 and 44 who are potentially income-ready to buy a home.
- 64,000 (34%) of those households are of color.
- This identification of households who are potentially income-ready to buy a home does not include other factors that determine if a household qualifies for a mortgage, including credit scores and other debt.

Implications:

- As a state, we should strive for 34% of all first-time homebuyer mortgages (not just Minnesota Housing's mortgages) going to households of color.

Race and Ethnicity of the 64,000 Households of Color Who Are Potential Homebuyers

	7-County Metro	Greater MN	Statewide
African American / Black	38%	24%	35%
American Indian	2%	12%	4%
Asian	29%	18%	27%
Hispanic or Latino	21%	32%	23%
Other Race	2%	4%	2%
Two or More Races	8%	10%	9%
Total	100%	100%	100%

Source: Minnesota Housing Analysis of Census Bureau, *American Community Survey*, 2016 (IPUMS microdata, 5-year sample)

This table shows the racial and ethnic break out of the 64,000 households are color who are between the ages of 24 and 44 and potentially income-ready to buy a home.

Key Points:

- African American/black households account for the highest percentage.

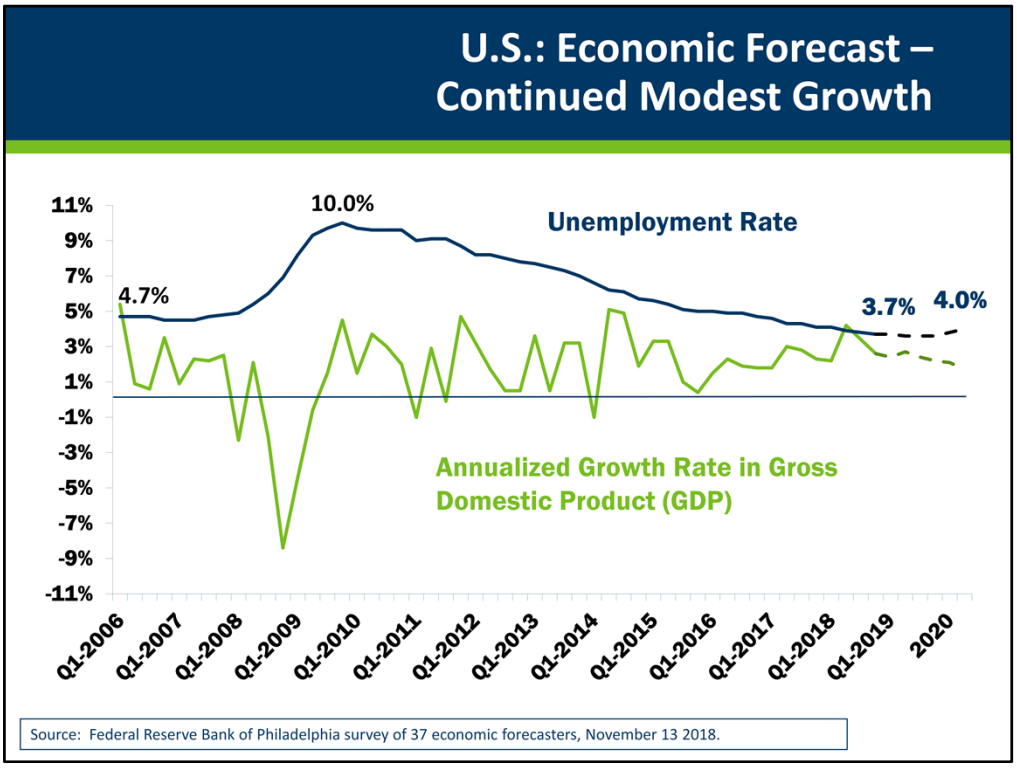
Implications:

- Given the low homeownership rate for African American/black households, it is not surprising that this population makes up the largest share.
- The Homeownership Opportunity Alliance, an industry-wide collaboration to increase homeownership for households of color, has focused on African American/black households.

MINNESOTA HOUSING

Issue/Trend #4

The Economy Is Expected to Continue Growing Modestly, Hopefully Supporting Growth in Household Incomes



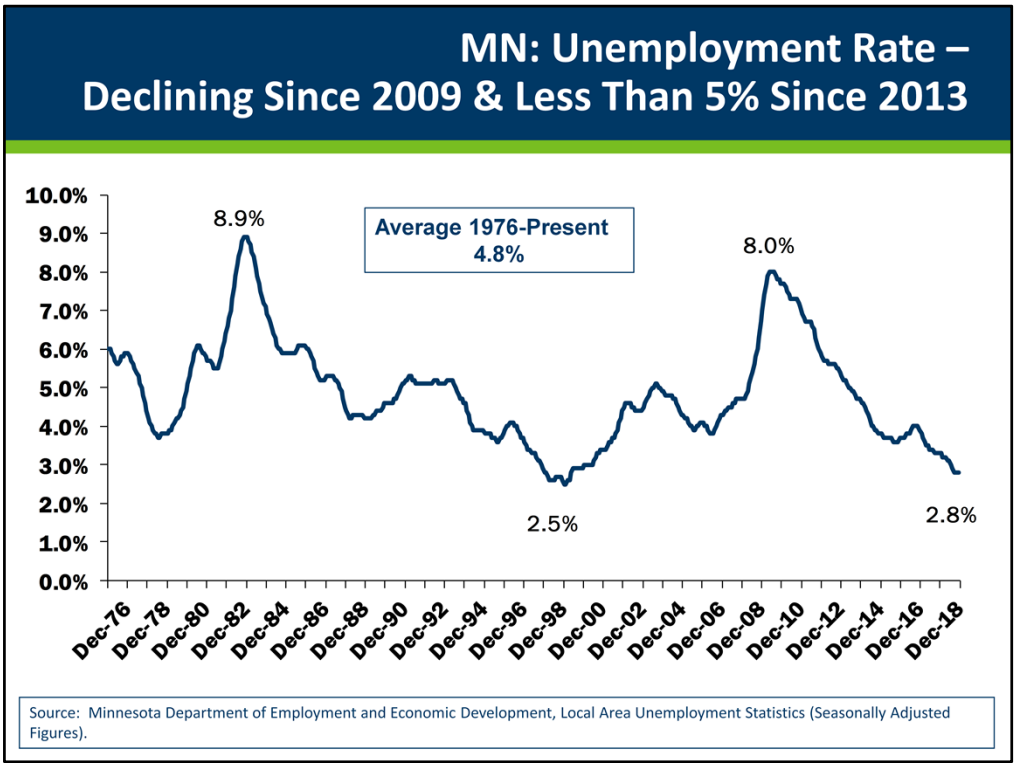
The economy plays a key role in the housing market. This graph shows the growth rate of the U.S. economy (as measured by Gross Domestic Product or GDP) and the unemployment rate. The solid lines on the left side are actual rates through the 4th quarter of 2018. The dashed lines on the right reflect a forecast based on a survey by the Philadelphia Federal Reserve Bank of 37 economic forecasters.

Key Points:

- The GDP bottomed out during the 4th quarter of 2008 with an annualized decline of 8.4%, which led to an unemployment rate reaching 10% in 2009.
- Economic growth since the recession has been modest and inconsistent.
- The forecast indicates that the economy will grow by 1.7% to 2.7% over the next few years with the national unemployment rate leveling off at or just below 4.0%.

Implications:

- The economy should continue to grow modestly.
- A stronger economy typically (1) increases incomes, (2) increases the number of households being formed with less doubling up, and (3) reduces rental vacancy rates and months supply of homes for sale as additional households form, which leads to higher housing prices.
- A key question is whether economic growth will be strong and widespread enough to benefit lower-income households.



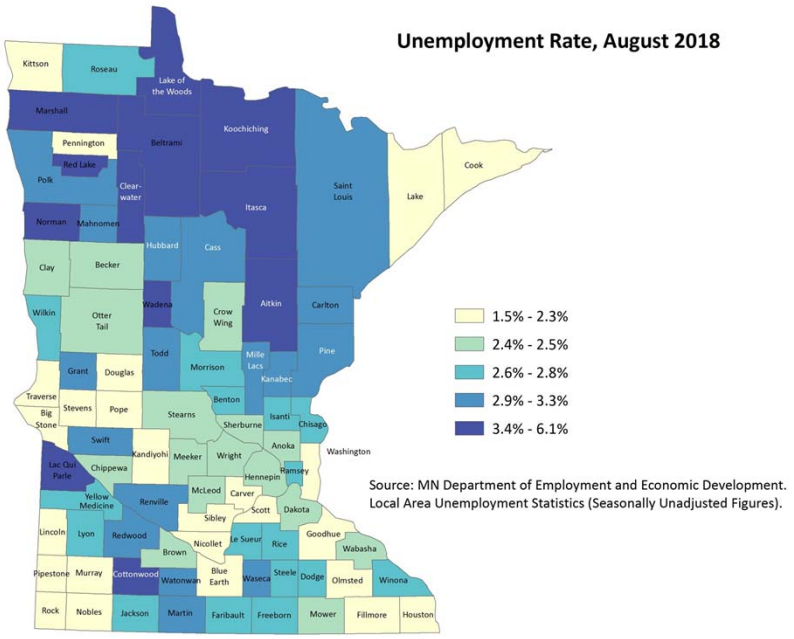
This graph shows the unemployment rate in Minnesota.

Key Points:

- The employment situation is a little better in Minnesota than nationally (2.8% versus 3.7%)
- After peaking during the Great Recession at 8.0%, Minnesota's current unemployment rate is down to 2.8%, which is well below the historical average.

Implications:

- How will the state's low unemployment rate affect income growth?



This map shows the unemployment rate in each county.

Key Points:

- The unemployment picture varies significantly around the state – ranging from 1.5% to 6.1%, with the highest rates in north central and northwest Minnesota and the lowest in the southern half of the state.

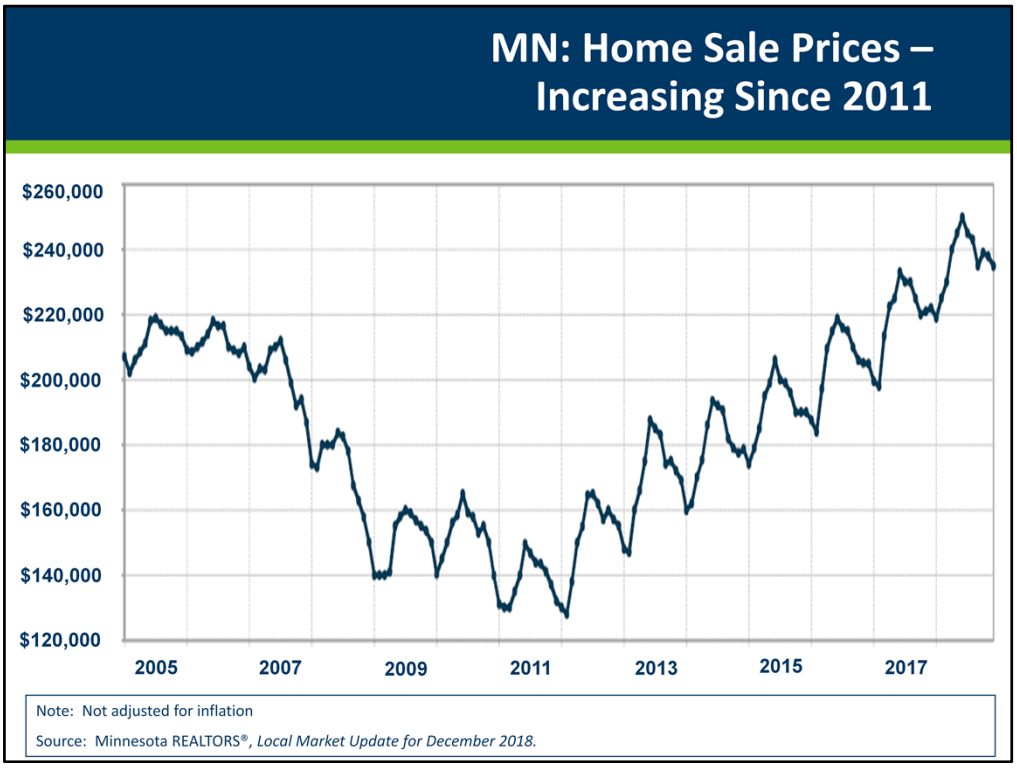
Implications:

- Minnesota is not monolithic. Different parts of the state have very different economic conditions and housing needs.
- Some parts of the state have significant room for improvement.

MINNESOTA HOUSING

Issue/Trend #5

Home Prices Will Likely Continue to Increase with a Limited Supply



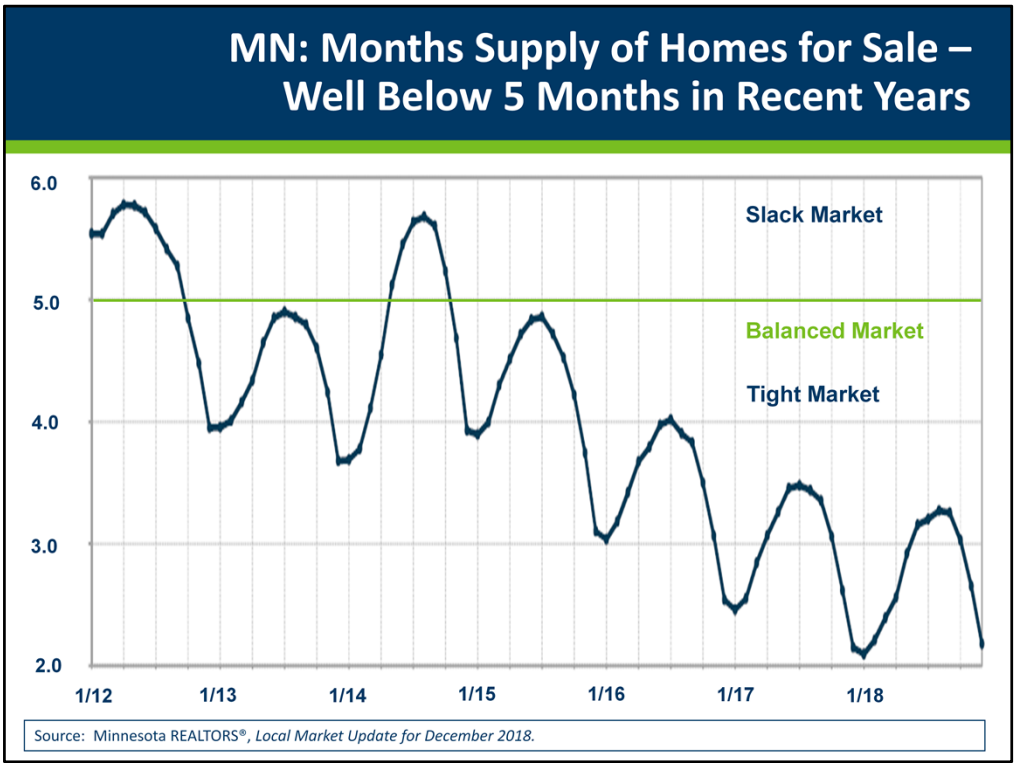
This graph shows the median sales price for homes in Minnesota, not controlling for inflation.

Key Points:

- Statewide, prices dropped significantly from 2006 through 2009 and struggled through 2011, when they bottomed out.
- Prices have been steadily increasing since early 2012.

Implications:

- On the one hand, rising property values help existing homeowners because they add equity and create wealth. This is particularly important for lower-income homeowners because their homes are often their primary asset.
- On the other hand, rising property values makes housing less affordable for people moving into homeownership.



One of the best indicators of home price trends is the months supply of homes for sale, which is a combination of the current inventory and how fast homes are selling. It measures how long it would take to clear the current inventory. Generally, if the inventory is more than five months, it is a slack or buyer's market with prices declining; if the inventory is less than five months, it is a tight or seller's market with prices rising.

Key Points:

- Statewide, the months supply has been at or below five months in recent years, which has resulted in the rising prices.

Implications:

- With the statewide months supply currently near two months, prices will likely continue to increase.

TC Metro (16 County): Months Supply of Homes for Sale Under $250,000 – Very Tight Market

Year	Inventory - Number of Homes (June)	Months Supply (June)
2013	9,378	3.2
2014	9,413	3.5
2015	8,004	2.9
2016	6,107	2.1
2017	4,401	1.6
2018	3,101	1.3

Source: Minneapolis Area Association of REALTORS®

This table shows the inventory and months supply of homes selling for less than $250,000 (which is a more affordable price) in the 16 counties in and around the Twin Cities metro area.

For each year, the data applies to the month of June, which is a prime home buying month.

Key Points:

- In 2018, the inventory and months supply were only 1/3rd of what they were in just 2014.

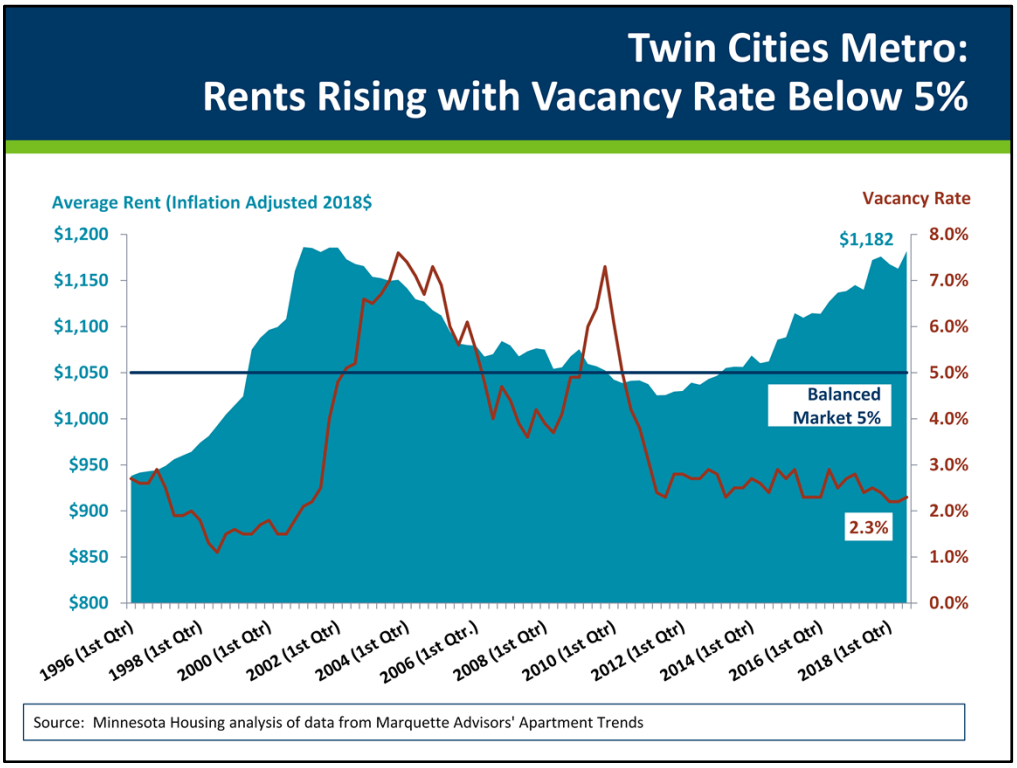
Implications:

- There is a very limited supply of affordable homes.

MINNESOTA HOUSING

Issue/Trend #6

Rents Will Likely Continue to Increase with a Limited Supply



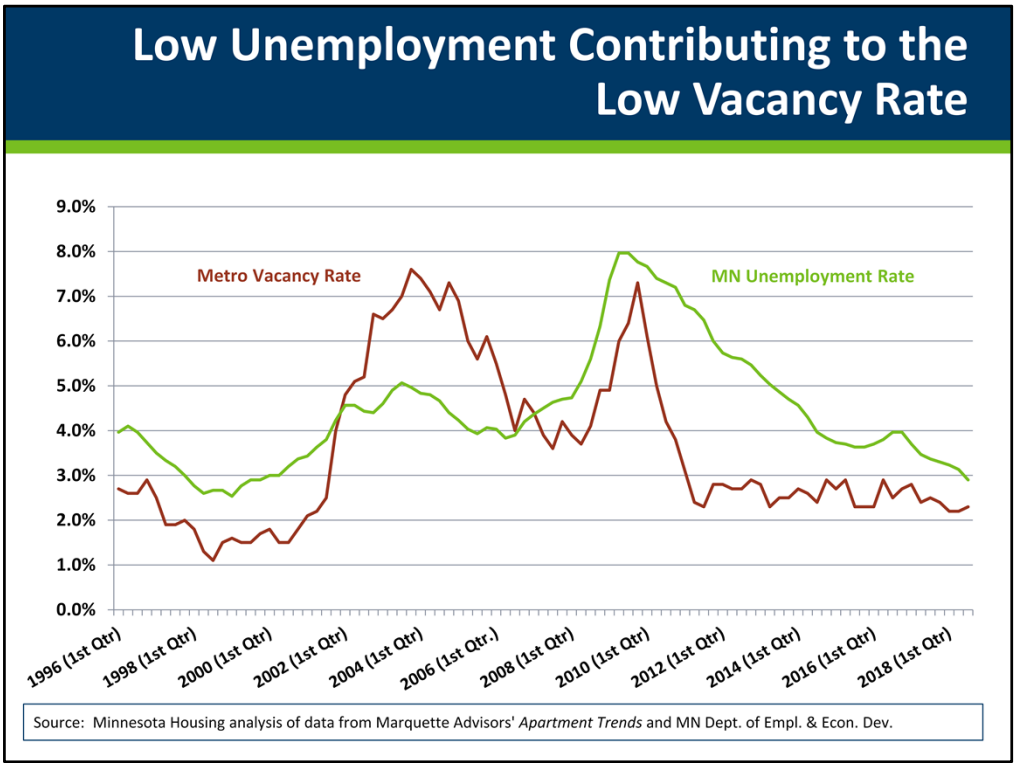
Switching to the rental market, this graph shows the relationship between vacancy rates and rents. Low vacancy rates drive up rents. This data just applies to the Twin Cities metro area, which has more complete and detailed data.

Key Points:

- When the vacancy rate (the maroon line) is consistently below 5% (the dark blue horizontal line), rents (the light blue shaded area) generally rise because the supply is limited relative to demand.
- When the vacancy rate is consistently above 5%, rents generally fall because there is extra supply relative to demand.
- Since 2011, vacancies have been consistently below 5%, and rents have increased.

Implications:

- As long as vacancy rates stay consistently below 5%, rents will likely rise.
- As we will discuss in the next few slides, the vacancy rate depends on the strength of the economy and its impact on job and household growth, households deciding to rent or own (as reflected in the homeownership rate), and new construction adding rental units to meet the demand.



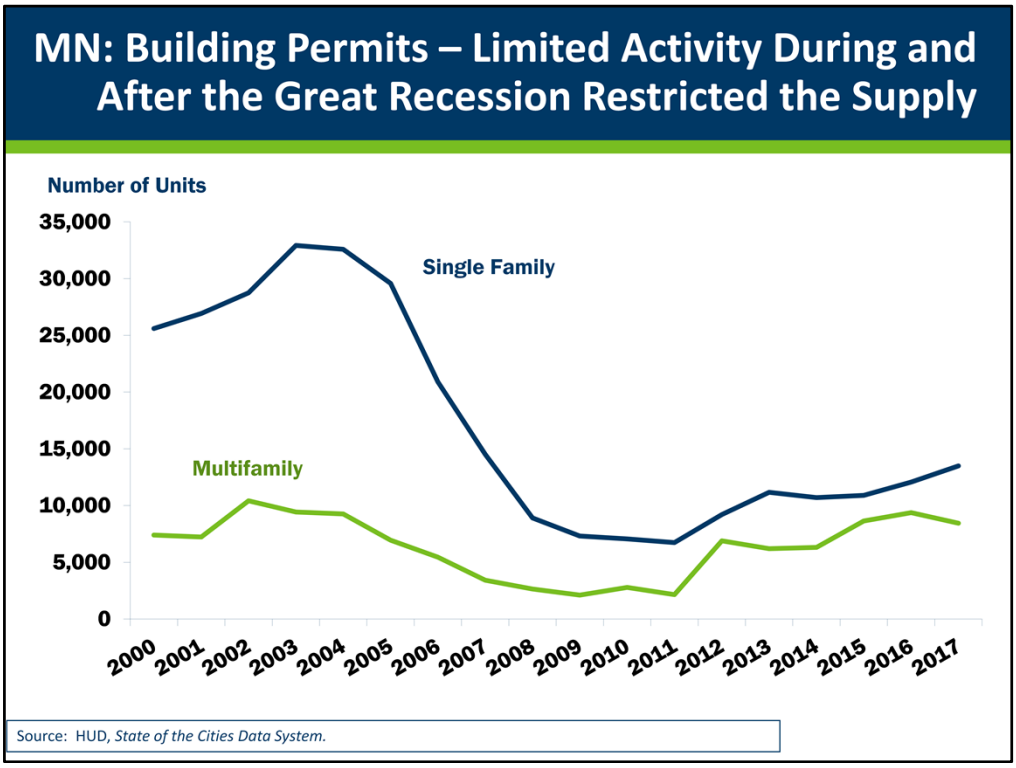
This graph shows the relationship between unemployment and rental vacancy rates.

Key Points:

- When the unemployment rate is low, the vacancy rate tends to be low. When unemployment is high, the vacancy rate tends to be high. With employment struggles, we often see households doubling up and young adults living with their parents, which frees up rental units.
- The recession initially led to high vacancy rates in 2009. However, in 2010 and 2011, the vacancy rate rapidly declined when unemployment was still above 6%. Two factors contributed to this divergence.
    - There was very little multifamily construction from 2007 through 2011, which limited the supply and decreased vacancies.
    - The homeownership rate declined between 2006 and 2015, which increased the demand for rent housing and decreased vacancies.

Implications:

- Looking into the future, vacancy rates may start to increase.
    - While the homeownership rate declined from 76% in 2006 to about 71% today (reflecting more renters), it appears to have leveled off, putting less downward pressure on the vacancy rate. (See page 25.)
    - With low vacancy rates, developers are now building more units (see page 42), which will increase the supply and vacancies.



With the Great Recession and financial crisis, there was very little housing construction.

Key Points:

- The annual number of multifamily permits dropped from 9,000-10,000 to 2,000-3,000 units. It has since increased to about 8,000 units in 2017. Data for 2018 is not yet available.
- The decline in single-family permits was even larger, with a very modest recovery. This has contributed to the lack of homes for sale. On the single-family side, we don't need to return to the levels seen in the early 2000s when the homeownership rate was higher and increasing, and we started to overbuild.

Implications:

- With the low vacancy rates and increased demand for new units, multifamily construction has picked up and is back near the 2002-04 levels; however, we still have to fill the shortage created by the lack of production in previous years.

MN: Rental Units by Building Type – Almost Half Are in 1 to 4 Unit Buildings

Building Type	Number of Rental Units	Share of Rental Units
Single-Family Homes	176,405	29%
2 to 4 Unit Structures	75,315	13%
5+ Unit Structures	340,505	57%
Other (mobile homes, etc.)	9,900	2%
Total	602,125	100%

Source: Minnesota Housing analysis of HUD's 2011-15CHAS (Comprehensive Housing Affordability Strategy) data.

This table shows the stock of occupied rental housing in Minnesota by property size.

Key Points:

- Almost half of the state's rental stock is properties with 1 to 4 units, with many in single-family homes or mobile homes.

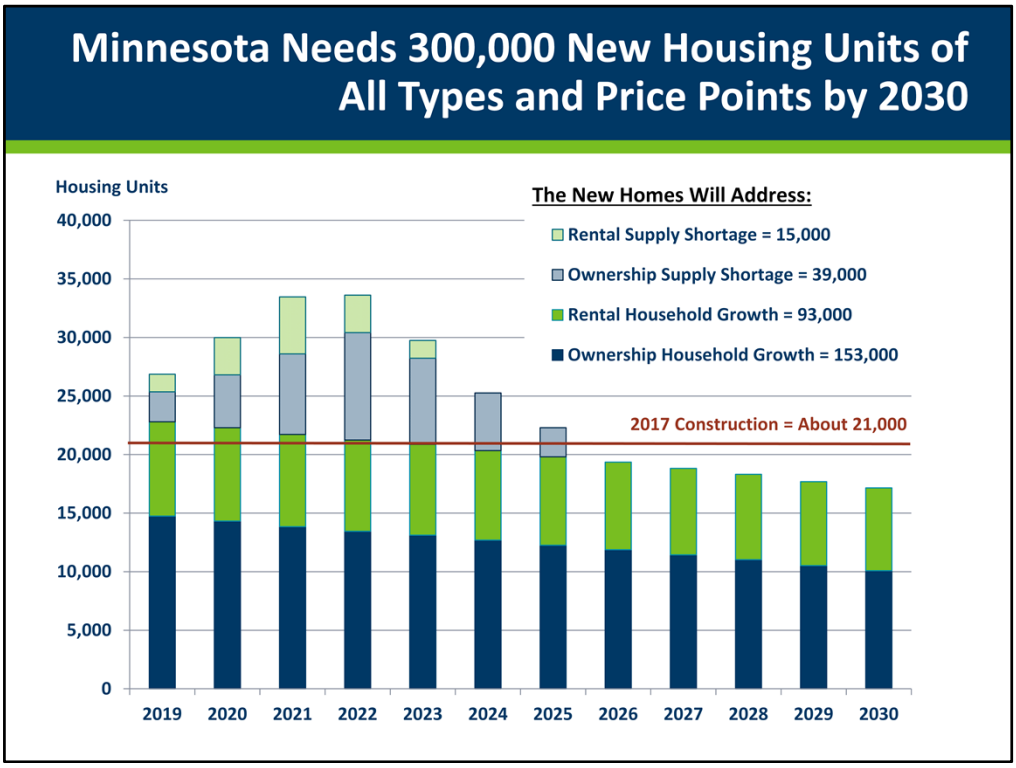
Implications:

- People often forget that smaller properties, including single-family homes, play a critical role in the rental market.

MINNESOTA HOUSING

Issue/Trend #7

Minnesota Needs to Develop 300,000 New Housing Units of All Types and Price Points by 2030, with a Focus on Affordable



This graph was created for Governor Dayton's Task for on Housing and shows the number of new housing units Minnesota needs from 2019 through 2030 for all types and price points. The estimate has two pieces:

- Solid Portion of the Bars – New units that will house a growing number of households in Minnesota and replace demolished or abandoned homes. The blue portion shows the owner-occupied part of the need and the green shows the rental part.
- Hatched Portion of the Bars – New units that will address the current shortage of housing, specifically, bringing the rental vacancy rate up to 5% in every market in the state and bringing the months supply of homes for sale up to 5.5 months across the state. The increase in production is phased in and then out over seven years in the graph (for illustrative purposes), but the quicker the shortage can be filled the better.

Key Points:

- Minnesota will need 300,000 new housing units from 2019 through 2030 (the sum of the twelve bars).
- About 21,000 units are currently being produced in Minnesota annually.
- Current production is about the amount that is needed to address household growth and the loss of existing units (the solid portion of the bars).
- The state needs about 54,000 units in total to eliminate the current housing shortage (the sum of the hatched portion of the bars). If this is done over five to seven years, we would need to produce on average roughly 10,000 additional units each year above current levels, which is about a 50% increase.

Implications:

- Increasing housing production by 50% for the next 5 or so years will take a broad based partnership, including the private, non-profit, and public sectors.
- This graph does not address the affordability of the units. Because about 28% of renter households in Minnesota have incomes at or below 30% of the area median income, at least 28% of the new rental units should be affordable at this income level. Currently, only about 1% of new rental units are affordable at this level.

MINNESOTA HOUSING

Issue/Trend #8

Minnesota Has A Large Stock of Affordable Housing that Needs to be Preserved, and We Losing Housing that is Naturally Affordable

Preserving Housing with Federal Rent Assistance is a Critical Issue

- Minnesota has nearly 56,000 housing units where rent assistance is tied to the units:
  - 30,000 project-based Section 8,
  - 6,000 USDA Rural Development Section 515, and
  - 20,000 Public Housing
- Most properties were developed before 1980.
- Many have capital improvement needs and limited reserves to pay for them.
- With their rent assistance, preserving federally subsidized units is critical.

Implications:

- While the State of Minnesota needs to preserve all types of affordable housing, preserving units with federal rent assistance is critical. The rent assistance provided through the units ensures that tenants pay no more than 30% of their income on rent.

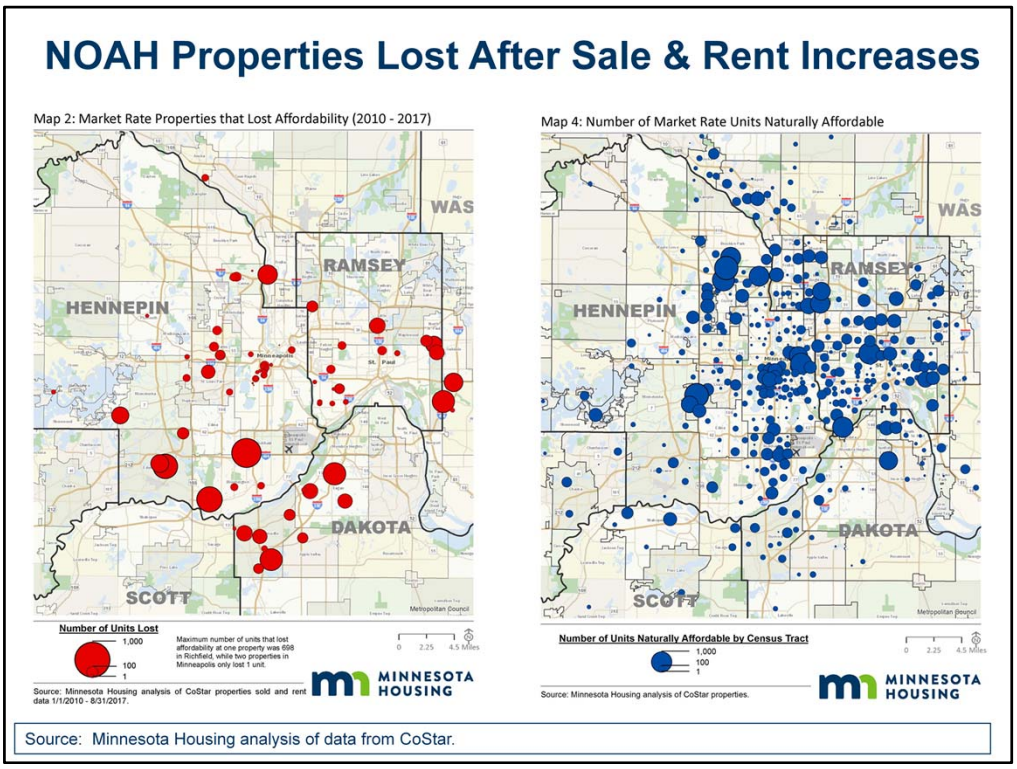
Preserving Other Affordable Housing, Including Naturally Occurring is Also Important

- In total, Minnesota has roughly 350,000 rental units that are affordable to households with incomes at or below 50% of AMI
- Of those:
  - About 56,000 have federal rent subsidies (including public housing)
  - Another 60,000 are affordable through other income or rent restrictions (including Low-Income Housing Tax Credit units)
  - Roughly 230,000 are naturally affordable , which are typically affordable because they are dated, lack modern amenities, and/or need repairs or rehabilitation.
    - **Annually, MN is losing about 2,000 naturally occurring affordable housing (NOAH) rental units when they are sold, rehabilitated, and have the rents increased.**

Preservation of other rental units also needs to be addressed.

Key Points:

- While project-based rental subsidies are key because they provide the deepest subsidies, preserving other affordable units is also important.
- Of Minnesota's roughly 350,000 rental units that are affordable for households with incomes at or below 50% of AMI:
  - Just over 56,000 are affordable through project-based rent subsidies (including public housing).
  - Another 60,000 are affordable through other income or rent limits.
  - Roughly 230,000 are naturally affordable without income or rent limits.
- Many of the naturally affordable units are affordable because they are dated, lack modern amenities, and/or need repairs or rehabilitation. In markets with low vacancy rates and rising rents, these properties are at risk of being sold and upgraded and then have their rents increased so they are no longer affordable. In a recent analysis, using data from CoStar, we estimated that Minnesota is losing about 2,000 NOAH units each year after the sale of the property.



These maps show NOAH rental properties in the metro area.

- The map on the left (with the red dots) shows the NOAH rental properties that have been lost due to a sale and rent increase between 2010 and 2017.
- The map on the right (with the blue dots) shows NOAH rental properties after 2017.

The size of the dot represents the number of units in the property. The larger the dot, the more units.

Key Points:

- We have already lost a large number of NOAH properties, but there is a lot more to preserve.
- We have already lost all the large NOAH rental properties to the south of Minneapolis and St. Paul. The largest red dots on left map (lost NOAH properties) are all south of Minneapolis and St. Paul. There are no large blue dots on right map (current NOAH properties) south of Minneapolis and St. Paul.

Implication

- Because about 2/3rds of the Minnesota's affordable housing is affordable without government subsidies and the income or rent restrictions that come with it, preserving NOAH units is also critical. These rental units are often affordable because they are typically dated and have repair needs. Consequently, they need some rehabilitation, but we need to do that and keep the affordability.

Value of Existing Owner-Occupied Housing in MN – Less than $100,000 Homes Likely Need Rahab

Value	Share of Existing Homes in Statewide
$100,000 and Under	18.9%
$101,000 to $250,000	53.5%
$251,000 to $350,000	14.5%
Over $3350,000	13.1%

In 2017, only 6% of homes that sold in the 16 counties in and around the Twin Cities had a sale price of $120,000 or less

Source: Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2016 1-Yr Sample); Sale prices data is from the Minneapolis Area Association of REALTORS

We also need to preserve owner-occupied housing.

This table shows the share of Minnesota's owner-occupied homes by their value.

Key Points:

- Almost 20% of the state's owner-occupied housing stock has a value of $100,000 or less, which is affordable. A family with a $30,000 annual income could afford to purchase a $100,000 home, assuming they have the resources to pay for the rehabilitation that the home likely needs.
- However, very few of these homes sell. In the 16 counties in and around Minneapolis and St. Paul, only 6% of the homes that sold in 2017 had a price of $120,000 or less. Selling a home for less than $100,000 can be difficult because its condition may be so poor that the home does not qualify for a mortgage.

Implications:

- Preserving this affordable stock is important, and there is a need for more mortgage products that allow for simultaneous purchase and rehabilitation.

MINNESOTA HOUSING

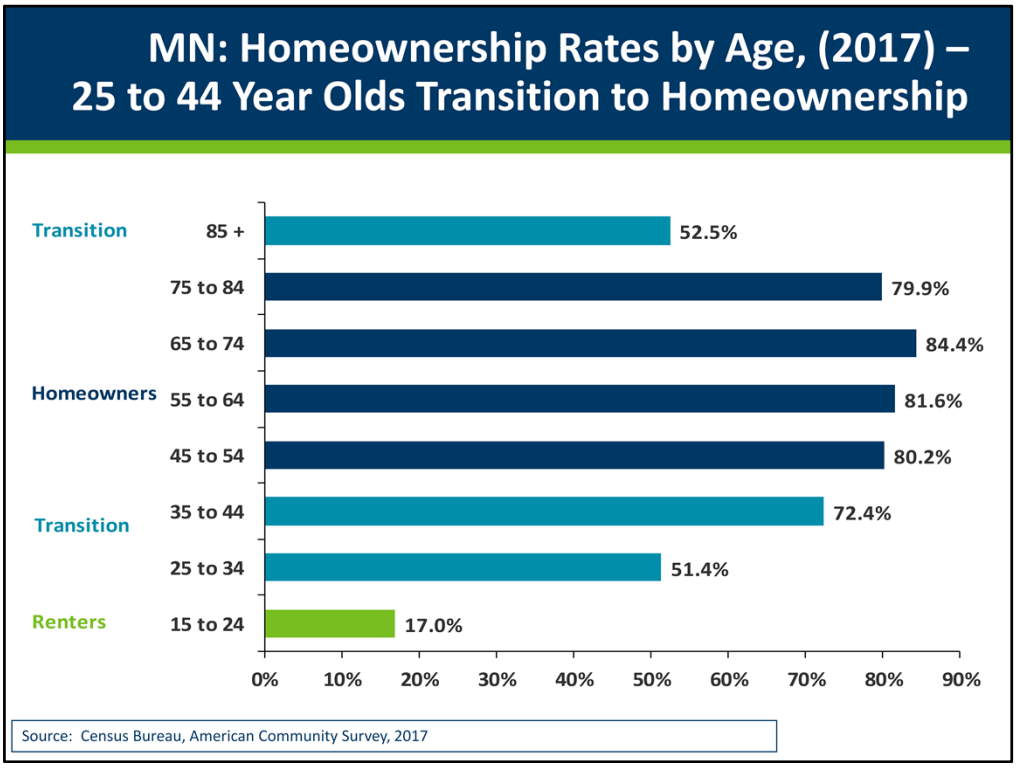
Issue/Trend #9

Millennials' Decision to Own or Rent Will be a Key Driver of the Housing Market

Millennials: Owning vs. Renting

- Definitions:
  - Millennials (or Generation Y) were born between 1981 and 1995.
  - Generation X includes people born between 1965 and 1980
- More Owning:
  - Generation Y (Millennials) is larger than Generation X, moving into the home buying phase of life, and expressing an interest in eventually owning
  - Homeownership is more affordable than in 2006 (home prices are increasing but interest rates are still low from a historic perspective)
- More Renting:
  - People may be still be cautious about homeownership after the housing crisis
  - Generation Y is likely to change jobs and locations – and not be tied down by homeownership (for now)
  - Increasing levels of student debt

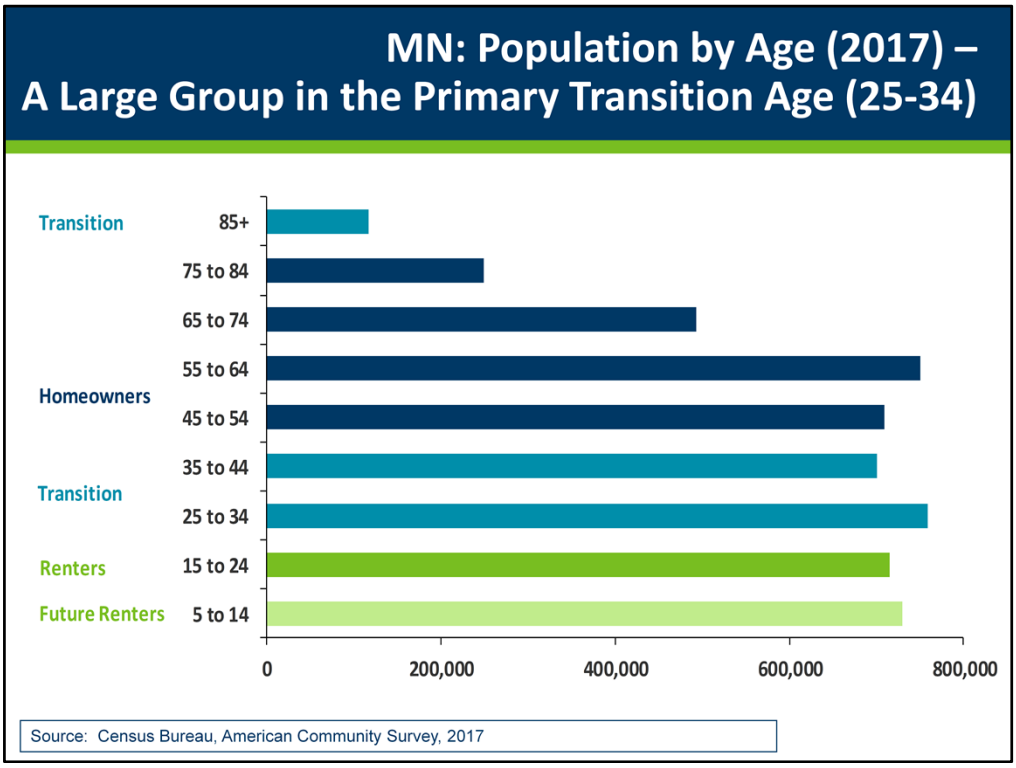
We will look at several of these factors in more detail in the following charts.



This is a repeat of an earlier chart and shows the homeownership rate by age.

Key Points:

- Young single people who are in the less-stable and early stages of their careers and lives typically rent for affordability and flexibility reasons. (See ages 15-24 in this graph.)
- As families form and careers are established, households look for stability and transition to homeownership. (See ages 25 to 44 in this graph). The transition primarily occurs for 25 to 34 year olds, when the homeownership rate jumps from 17.0% to 51.4%. A smaller transition occurs for 35 to 44 year olds, with the rate increasing to 72.4%. Millennials may be delaying the transition. The median age of Minnesota Housing's first-time homebuyers increased from 27 in 2005 to 32 in 2018.



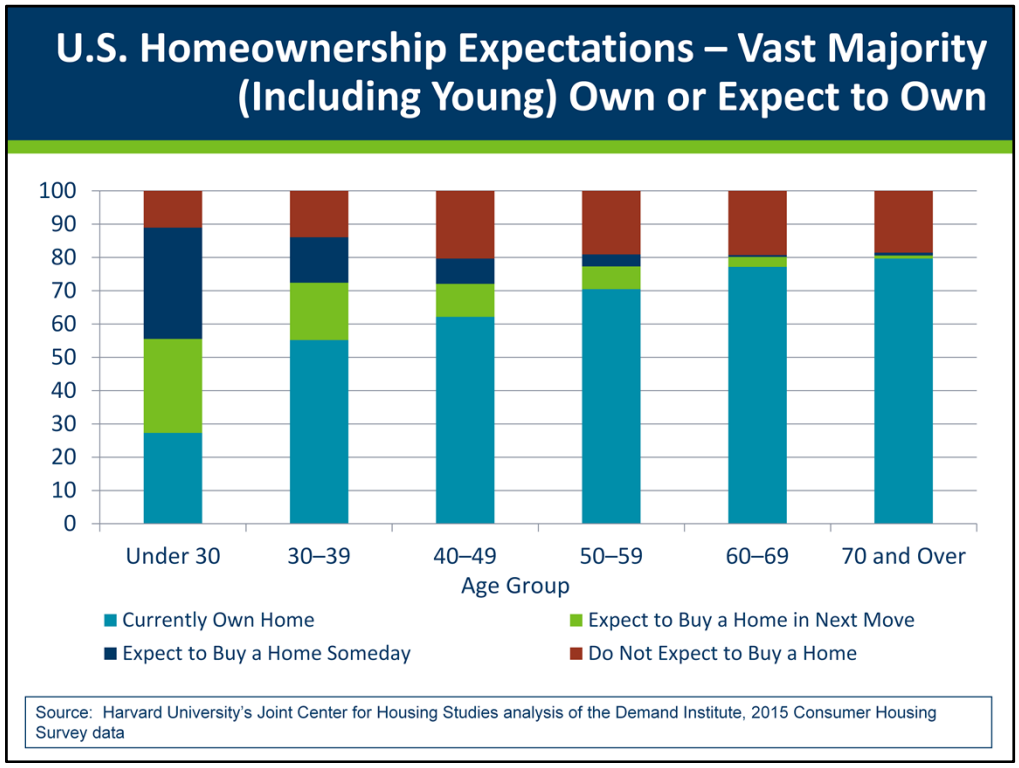
This graph shows the break out of Minnesota's 2017 population by age and the renter/owner phases.

Key Points:

- Demographics plays a role in the homeownership rate.
  - The smallest working-age cohort is 35-44 year olds (largely representing Generation X). Over the last 10 years, this group moved through the initial and primary home-buying phase of life, and its small size limited the growth in homeownership.
  - The largest age cohort is 25 to 34 year olds (largely representing Generation Y or Millennials). This large group is at the prime age for first-time homebuyers, which should help increase homeownership in the coming years.

Implications:

- Understanding the home-buying needs of the Millennial generation will be a critical strategy going forward.



This graph shows homeownership status and expectations by age.

Key Points:

- 80% to 90% of Americans across all adult age groups own or expect to own their home.

Implications:

- Nearly 90% of Millennials expect to eventually own their home.

Twin Cities Metro: Owning Is Relatively More Affordable than in 2006

June, 2006:	
Median sale price	$236,850
Market interest rate	6.68%
Monthly housing payments (PITI)	$2,006
Average monthly rent	$860
June 2011:	
Median sale price	$162,217
Market interest rate	4.51%
Monthly housing payments (PITI)	$1,160
Average monthly rent	$921
June 2018:	
Median sale price	$270,500
Market Interest rate	4.57%
Monthly housing payments (PITI)	$1,943
Average monthly rent	$1,164

Source: Minnesota Housing based on data from the Minnesota Association of REALTORS®, Freddie Mac, Minnesota Taxpayers Association, and U.S. Census Bureau. The average monthly rents come from Marquette Advisors. Figures are not adjusted for inflation.

The affordability of owning a home is a key factor that influences the homeownership rate.

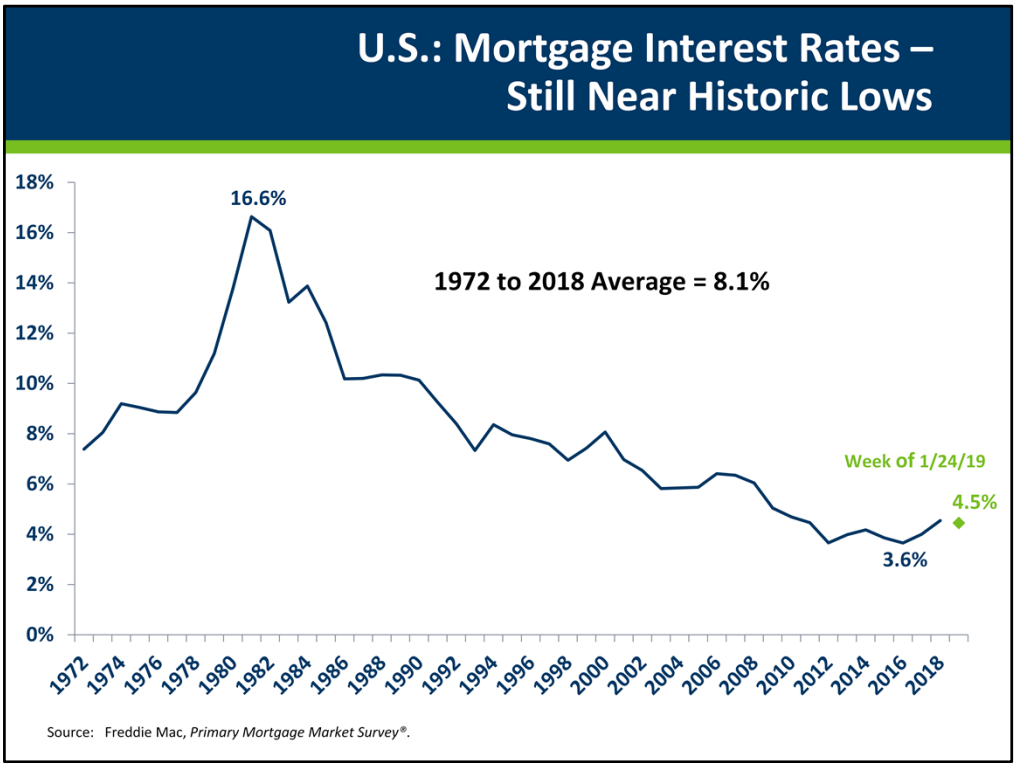
This slide shows the housing payment (including principal, interest, taxes & insurance or PITI) for the median priced home in June of 2006, 2011 and 2018 in the Twin Cities metro area. (The analysis examines the same month in each year because home sale prices fluctuate with the time of year, and we want consistency in the comparison. In addition, June is a prime home-buying month.)

Key Points:

- In 2006, the housing payment on a median priced home was $2,006 – more than $1,100 above the average rent for an apartment ($860). The cost differential probably contributed to the decline in the homeownership rate.
- By 2011 (with much lower prices and interest rates), the housing payment on a median priced home was down to $1,160 – just a couple hundred dollars more than the average rent ($921). The smaller differential probably contributed to the leveling off of the homeownership rate.
- By 2018 (with higher prices but interest rate remaining low), the housing payment was up to $1,943, which is about $780 more than the average rent ($1,164).

Implications:

- While buying a home is still more affordable than it was in 2006, the rising costs may limit home buying. If interests also rise, affordability will drop even more.



Interest rates also play a key role in housing costs and affordability. The very low interest rates over the last several years have increased affordability and helped the housing market recover by encouraging home buying.

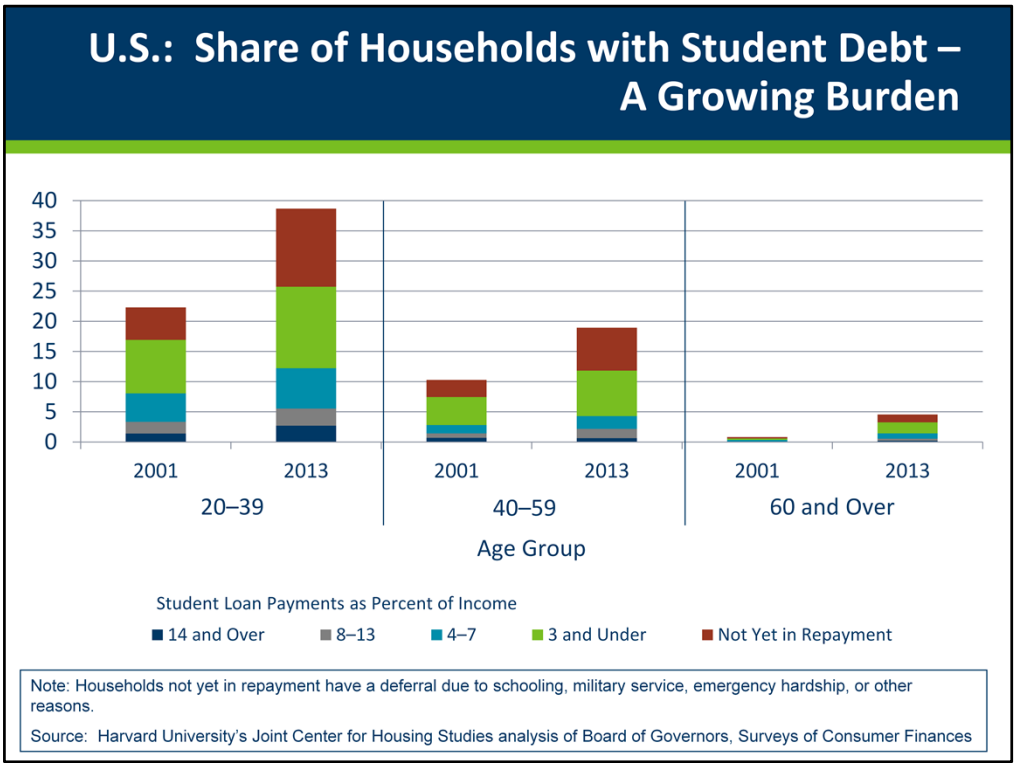
This graph shows mortgage interest rates since 1972.

Key Points:

- During this period, the average rate was 8.1%.
- The peak rate occurred in 1981 (16.6%).
- In recent years, the rates have reached their lowest levels, around 4%.
- Rates have increased a bit lately.

Implications:

- The current rates, which are still very low in historical terms, have made homeownership more affordable than it would have otherwise been.
- A key question is whether rates will increase?



This graph shows student debt status by age in 2001 and 2013. The data is a little dated but provide important information.

Key Points:

- The share of people with student debt has increased significantly across all age groups, nearly doubling from just over 20% in 2001 for 20-39 year olds to almost 40% in 2013.

Implications:

- Student debt levels are limiting homeownership. Underwriting standards include stricter debt-to-income requirements to qualify for a mortgage. For example, debt payments (including mortgage, student loans, car loans etc.) typically cannot exceed 43% of income.
- If a mortgage payment would account for 30% of a potential homebuyers income, student debt payments along with a car loan can put someone over 43%.

Successful Homeownership Is Beneficial

- Research has found that:
  - Each year of successful homeownership increases household wealth by $9,500 on average.
  - Renters do not generally experience gains in wealth.
- Additional homeownership also frees up affordable rental units, effectively increasing the supply.
  - Of the 114,00 rental units in MN that are affordable to households with an incomes <= 30% of AMI, 28,500 are occupied by renter households with incomes > 50% of AMI (and potentially ready to buy a home).

a. Christopher E. Hebert, Daniel T. McCue, and Rocio Sanchez-Moyano, *Is Homeownership Still an Effective Means of Building Wealth for Low-Income and Minority Households? Was it Ever?* (Harvard University, Joint Center on Housing Studies, HBTL-06, September 2013) pp. 2 and 45-47. The results are from 1999 to 2009, which was a less-than-ideal period involving a housing boom and bust. Rental data is from HUD CHAS data for 2011-15.

Homeownership is a powerful tool.

- While research has found that renters generally have very limited gains in wealth, successful homeowners have seen large increases in their wealth, even in the less-than-ideal time of 1999 to 2009, which included a housing boom and bust.
- For many lower-income homeowners, their home is their primary source of wealth.
- Transitioning low- and moderate-income households to successful homeownership also frees up affordable rental units. As discussed earlier, the decline in Minnesota's homeownership rate contributed to our low rental vacancy rates and increasing rents.

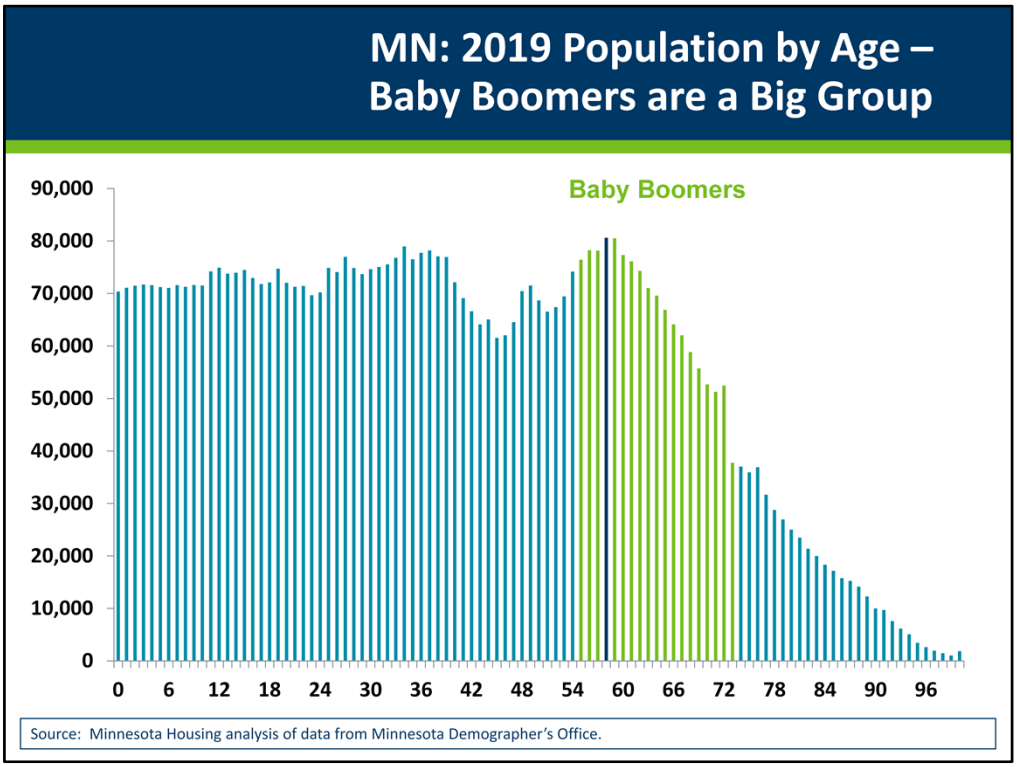
Implications

- Promoting and supporting successful homeownership supports not only homeowners, but also renters.

MINNESOTA HOUSING

Issue/Trend #10

The Aging Baby Boom Generation will Create New Housing Needs and Challenges



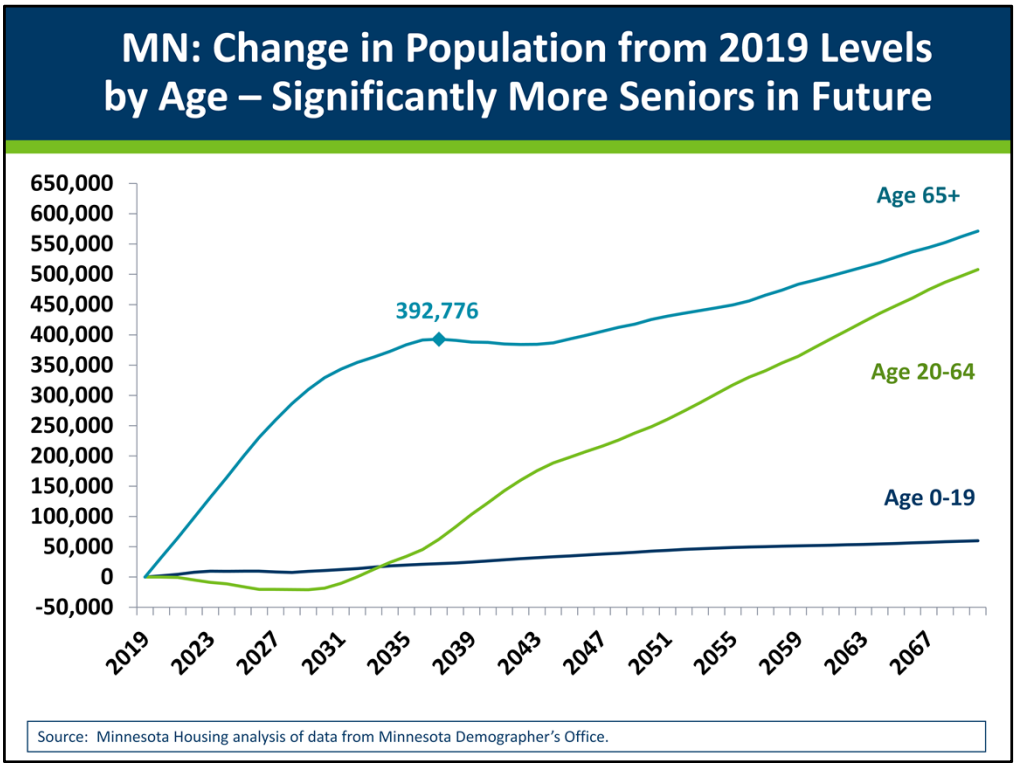
This graphs shows the number of Minnesotans by age. The Baby Boomer generation is shown with the green bars.

Key Points:

- Baby Boomers are a large generation that is retiring, or will reach retirement age over the next decade.
- Most Baby Boomers are on the younger half of the generation, with 58 year olds as the largest group (see black bar).

Implications:

- The changing housing needs and preferences of the Baby Boomers as they retire and age will present new challenges for Minnesota.



This graph shows the number of additional people in each age group over the next 50 years. The number for each year is the increase (or decrease) from the base year of 2019. For example, the Demographer's Office is forecasting 392,776 more seniors (age 65+) in 2037 than there were in 2019.

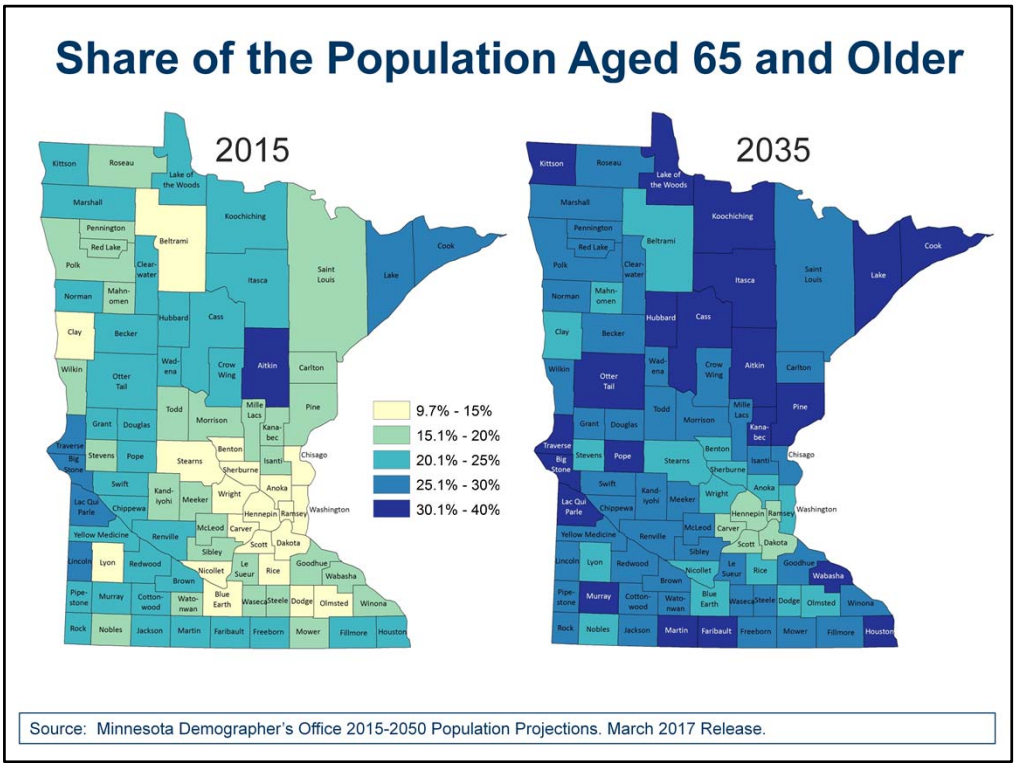
As a point of reference, Minnesota currently have about 930,000 seniors.

Key Points:

- The senior population is increasing rapidly.

Implications:

- With limited resources, how do we address the affordable housing needs of this growing population and also address the needs of families with children and working-age adults without children?



This slide shows how the percentage of Minnesotans who are age 65+ in each county will change between 2015 and 2035.

Key Points:

- In 2035, seniors will account for more than 30% of the population in many counties, particularly in north central Minnesota and some the border counties around the state.
- Seniors will account for less than 20% of the population only in the metro area.

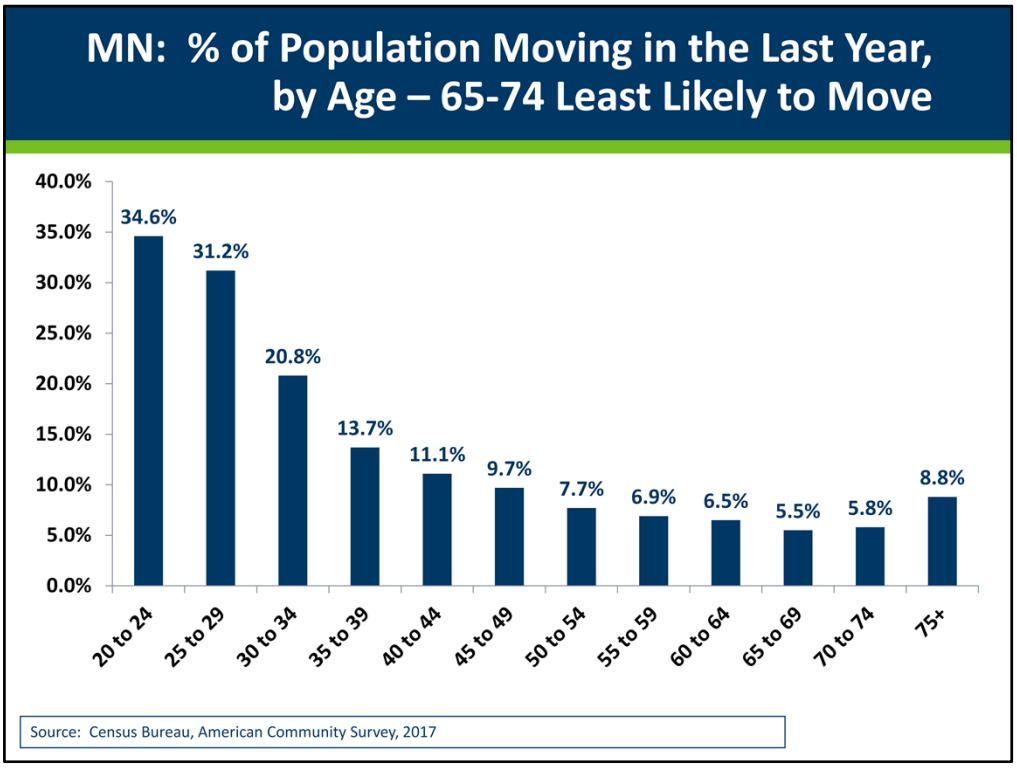
Key Findings about Baby Boomers

- Will play key role in dictating housing needs over the next couple of decades
- Healthier and more energetic than older seniors
- Pushing back retirement and entering life care facilities
- Want to stay in their communities
- Wants and needs:
  - Housing that is senior friendly, not necessarily senior housing
  - Access to services (e.g. health care and support) and amenities

This slide summarizes some the key findings in the literature about housing for seniors.

Implications:

- Minnesota will face challenges in providing housing to seniors that is: (1) affordable, (2) keeps them in the community as long as possible, and (3) provides adequate access to care, services, and amenities.
- This will be particularly challenging in rural areas.



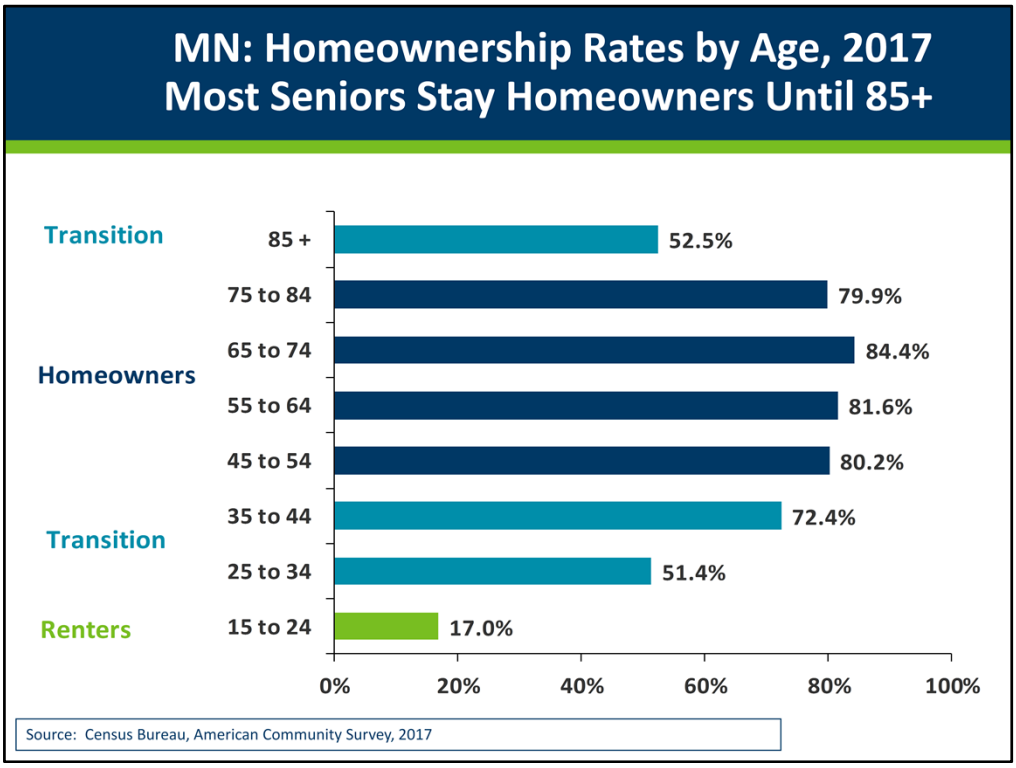
This slide shows the percentage of people by age group that moved in the last year.

Key Points:

- People age 65 to 74 are the least likely to move, only 5.5% to 5.8% move each year.
- Moving picks up after age 74.

Implications:

- In initial retirement, seniors are very likely to stay where they are currently living.
- Serving Baby Boomers in their current housing should be our initial priority. Baby Boomer are currently between the ages of 55 and 73.



This graph of the homeownership rate by age is a repeat from an earlier graph, but this time we are focusing on the transition out of homeownership by older Minnesotans, rather than the initial transition into it by young adults.

Key Points:

- While there is a slight decrease in homeownership after age 74, a large decline occurs at age 85+.

Implications:

- This is consistent with the data on moving rates. People start to move after age 74, but most seniors do not transition out of homeownership until age 85 or later, which is consistent with increasing rates of disability among older seniors and the inability to live independently.

MN: Majority of Low-Income Seniors are Homeowners

	Homeownership Rate for Households with Incomes <= 50% of Statewide Median (adj. for household size)	Homeownership Rate for Households with Incomes <= 30% of Statewide Median (adj. for household size)
Senior Households	64%	53%

Source: Minnesota Housing analysis of data from Census Bureau, American Community Survey, 2015, Public Use Microdata Sample (PUMS). Median income data from HUD.

This table shows homeownership rates for households with incomes at or below 50% of the statewide median family income, and also at or below 30%.

Key Points:

- 53% of senior households with income at or below 30% of the statewide median are homeowners.

Implications:

- As this table and the previous graphs show, homeownership should be an initial priority:
    - Most seniors (including low-income) are homeowners,
    - Most seniors remain homeowners until at least ages 75 to 84, and
    - In 2019, 60% of Baby Boomers are still under age 65.

- If current living patterns continue, the largest group of Baby Boomers won't be transitioning from homeownership to renting for at least another 10 years. What will be the housing needs of these lower-income homeowners? Will it be home repair and maintenance? Will it be the installation of accessibility features to the home? Will it be access to home- and community-based services?

- Nevertheless, the number of senior renters will also be increasing each year. Rental housing with services will become more and more important over time. Starting with the most recent bonding bill, senior rental housing is an eligible use of Housing Infrastructure Bonds, which should help address the need for more senior rental housing.

Rehabilitation Needs of Extremely-Low-Income Senior Homeowners in MN

- 16,400 households have home rehabilitation needs to remain in their homes for the next five years – For example:
  - New water heater 27%
  - New windows 25%
  - New roof 21%
  - Grab bars or hand rail 21%
  - Shower at floor level 20%
- On average, nearly $16,000 of work per home
- $250 million of rehabilitation needs over the next five years (or $50 million annually)
- 12,000 of these households also have unmet home and community based service needs

Source: Wilder Research, *An Assessment of Home Renovation and Rehabilitation Needs of Older Adult Homeowners in Minnesota*, December 2016

But aging in place is still a priority. In 2016, Minnesota Housing and the Department of Human Services worked with Wilder Research to assess the home rehabilitation needs of senior homeowners with incomes at or below 30% of the area median income, who are a primary customer of Minnesota Housing's Rehabilitation Loan program.

Key Points:

- There are roughly 16,400 extremely-low-income senior homeowner households in Minnesota that have rehabilitation needs to stay in their home for the next five years.
- About $50 million is needed annually to meet these needs.

Implications:

- Like most affordable housing needs, there are insufficient resources. For example, the Rehabilitation Loan Program has an annual budget of $9 million.
- Without home rehabilitation and adequate in-home services, seniors may have to choose more expensive housing options, such as assisted living or nursing homes

Key Issues and Trends

1. Minnesota Needs More Affordable Housing with a Large Share of Households Cost Burdened by their Housing
2. Many Minnesotans Struggle with Housing Instability, Most Notably People Experiencing Homelessness
3. Minnesota is Becoming More Diverse, and We Have Unacceptable Disparities
4. The Economy Is Expected to Continue Growing Modestly, Hopefully Supporting Growth in Household Incomes
5. Home Prices Will Likely Continue to Increase with a Limited Supply

As a review, we list the 10 key issue and themes again.

Key Issues and Trends (continued)

6. Rents Will also Likely Continue to Increase with a Limited Supply
7. Minnesota Needs to Develop 300,000 New Housing Units of All Types and Price Points by 2030, with a Focus on Affordable
8. Minnesota Has a Large Stock of Affordable Housing that Needs to be Preserved, and We are Losing Housing that Is Naturally Affordable
9. Millennials' Decision to Own or Rent Will be a Key Driver of the Housing Market
10. The Aging Baby Boom Generation Will Create New Housing Needs and Challenges

MINNESOTA HOUSING

For More Information

Contact:

John Patterson

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Minnesota Housing

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MINNESOTA HOUSING

Board Agenda Item: 9.A
Date: 2/21/2019

Item: 2018 Annual Conflict of Interest Disclosure Reporting

Staff Contact(s):
Mike Thone, 651.296.9813, Mike.Thone@state.mn.us
Barb Sporlein, 651.297.3125, Barb.Sporlein@state.mn.us

Request Type:

☐ Approval
☐ Motion
☐ Resolution

☒ No Action Needed
☐ Discussion
☒ Information

Summary of Request:
The purpose of this agenda item is to give a brief overview of the conflict of interest reporting processes and inform the Board about the results of the 2018 conflict of interest disclosure reporting.

The last Annual Conflict of Interest Disclosure Report was given 11/17/16. A report for 2017 was not provided due to turnover of the Chief Risk Officer position. The next report is scheduled to be delivered December 2019.

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
- Results of the 2018 conflict of interest disclosure reporting

Background:

It is Minnesota Housing's policy that all of its employees, including its contractors and interns, be aware of, and make every effort to avoid, actual, potential or perceived conflicts of interest. Agency management has implemented standardized conflict of interest procedures for its employees. The procedures are incorporated in the Agency's Code of Ethics and Conflict of Interest policies contained in the Minnesota Housing Employee Policies & Procedures Manual.

Upon starting employment at Minnesota Housing, and annually thereafter, all employees are required to complete the Annual Conflict of Interest Disclosure Form. The form asks employees to disclose all external affiliations and business interests they and their immediate family members have (companies, partnerships, boards, councils, second employment, consulting contracts, or other applicable entities), and to identify those affiliations which may present conflict of interest with their official Agency duties. Employees who disclose conflicts by answering "Yes" to any of the questions on the disclosure form are issued a memorandum from the Chief Risk Officer outlining the conflict of interest remedial actions the individual must follow. The employee's immediate supervisor and the Director of Human Resources are copied on the memorandum.

Management has also implemented a procedure requiring employees to obtain approval from the Chief Risk Officer prior to accepting external employment or other external affiliation (e.g., Board membership) which could present a conflict of interest, and to abstain from participation in matters relating to the new disclosure information until a determination is made whether a conflict exits and how the conflict may be resolved or mitigated.

Results of 2018 Annual Conflict of Interest Reporting:

- In August 2018, 241 employees electronically completed the Annual Conflict of Interest Disclosure Form.
- Twenty-one of those 241 employees were issued a remedial actions memorandum outlining steps to be followed to mitigate or avoid possible conflict(s).

MINNESOTA HOUSING

Board Agenda Item: 9.B
Date: 2/21/2019

Item: Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2019

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
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Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

Summary of Request:
The Agency's board approved Debt and Balance Sheet policy calls for the ongoing review and management of swap transactions including regular reporting to the board. This reporting is accomplished through the Semi-annual Variable Rate and Swap Performance Report.

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):
- Report Highlights
- Report: Semi-annual Variable Rate Debt and Swap Performance Report as of January 1, 2019

- All of the Agency's swap contracts were evaluated and determined to be effective hedges, at this point in time, under the accounting guidance provided by GASB 53.

- Basis Risk: During the period June, 2018 to January, 2019 the variable interest received on swaps and the variable interest paid on variable rate or floating rate bonds performed with the anticipated directional correlation, including as it relates to the "fixed" payment side of the SWAP.

- Staff continues to expect that, over time, the two variable rates will generally track each other.

- Counterparty/Termination Risk: The market value of swaps, which the Agency would owe to or (receive) from the counterparties only if the swaps were terminated, changed from ($1.7) million on July 1, 2018 to $1.5 million on January 1, 2019. While the market value of a swap is a means to quantify current termination risk, it is not a suitable measure to evaluate the original decision to enter into the swap contract. Swap contracts' market values will evaporate as they approach their maturity date. The Agency does not intend to prematurely terminate any of the swap contracts, barring termination events.

- Liquidity Risk: The short-term credit ratings of all the Agency's liquidity providers were unchanged from July 1, 2018 to January 1, 2019.

- Long-term Debt, Fixed vs. Variable graph: Total outstanding variable rate remained constant at 8% of total long-term debt at January 1, 2019.

- During the six months from July 1, 2018 to January 1, 2019 the 2009C swap was terminated, the 2017C forward starting SWAP became effective and the 2018H swap was added.

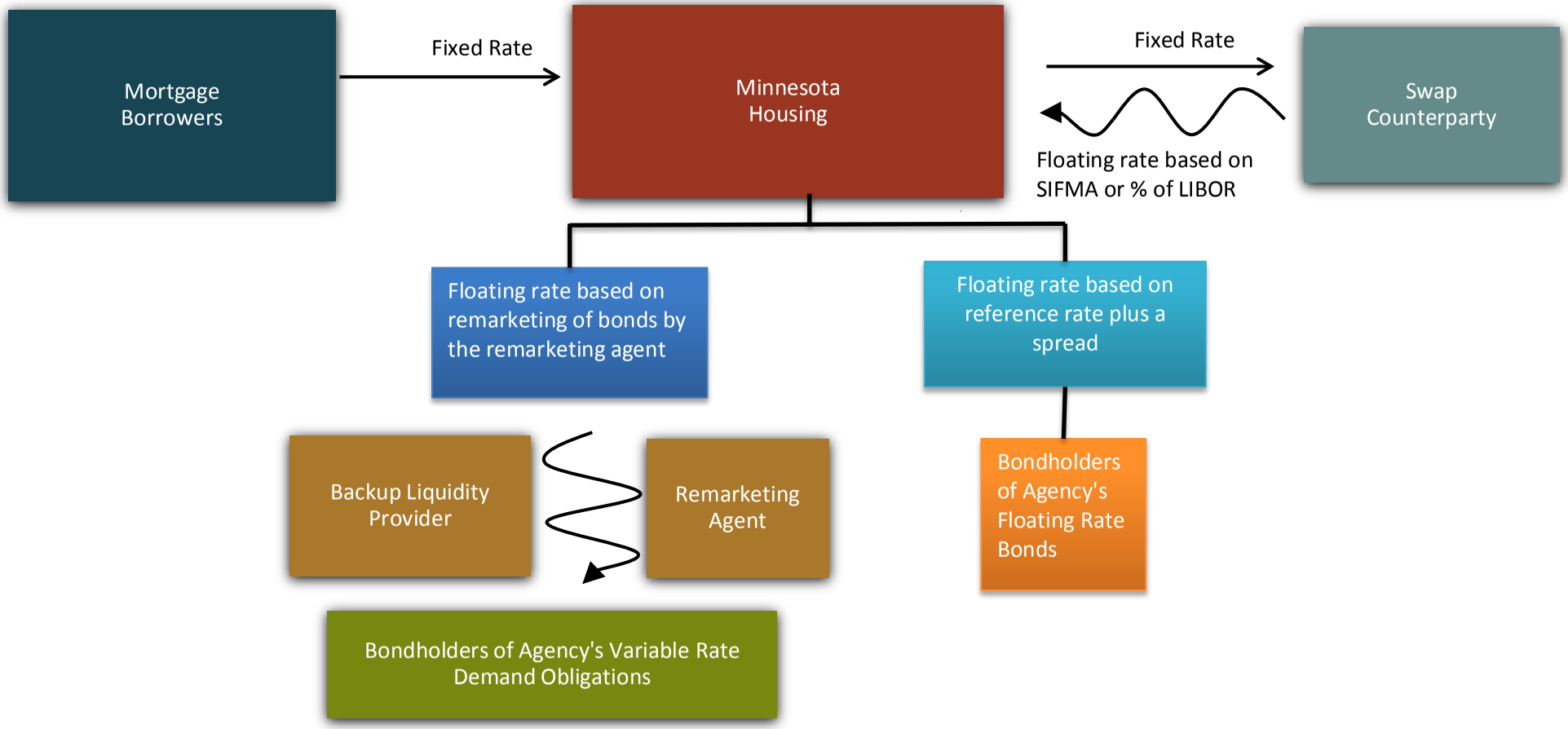
Semi-annual Variable-Rate Debt and Swap Performance Report

January 1, 2019

Table of Contents

Page	Description
1	Overview of Swap Structure: Graphic
2	Overview of Swaps
3	Basis Risk
4	Counterparty/Termination Risk
5	Liquidity Risk
6	Liquidity Renewal Risk
7	Minnesota Housing Total Long Term Debt: Fixed vs. Variable: Graph
8	Annual Debt Issuance: Fixed vs. Variable: Graph
9	Glossary of Terms

Floating-to-Fixed Interest Rate Swap Structure



Overview of Swaps

January 1, 2019

Bond Series	Effective Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2015 D	8/11/2015	$ 18,225,000	$ 18,225,000	Royal Bank of Canada	67% of LIBOR
RHFB 2015 G	12/8/2015	35,000,000	35,000,000	Royal Bank of Canada	67% of LIBOR
RHFB 2016 F	12/22/2016	50,000,000	50,000,000	Royal Bank of Canada	67% of LIBOR
RHFB 2017 C	1/1/2019	40,000,000	40,000,000	Wells Fargo	67% of LIBOR
RHFB 2017 F	12/21/2017	40,000,000	40,000,000	Wells Fargo	67% of LIBOR
RHFB 2018 D	6/28/2018	35,000,000	35,000,000	The Bank of New York Mellon	70% of LIBOR + 43 basis points
RHFB 2018 H	12/12/2018	35,000,000	35,000,000	Royal Bank of Canada	70% of LIBOR
	Totals	**$ 253,225,000**	**$ 253,225,000**		.

Basis Risk

January 1, 2019

Bond Series	Effective Date	VRDO's/FRB's and Swaps Outstanding	Net Variable Interest (Paid) Received Basis Risk (cumulative)	Contractual Swap Fixed Rate	Effective Net Fixed Payment Rate*	Effective Rate As a Percentage of Swap Fixed Rate
RHFB 2015 D	8/11/2015	$ 18,225,000	$ (53,811)	2.343%	2.430%	103.72%
RHFB 2015 G	12/8/2015	35,000,000	(83,041)	1.953%	2.030%	103.97%
RHFB 2016 F	12/22/2016	50,000,000	(122,040)	2.175%	2.296%	105.54%
RHFB 2017 C	1/1/2019	40,000,000	0 [1]	2.180%	N/A	N/A
RHFB 2017 F	12/21/2017	40,000,000	(33,804)	2.261%	2.343%	103.64%
RHFB 2018D	6/28/2018	35,000,000	11,362	3.1875%	3.123%	97.98%
RHFB 2018H	12/12/2018	35,000,000	(9,434)	2.8035%	3.314%	118.22%
	Totals	**$ 253,225,000**	**$ (290,768)** [2]			

*Fixed Rate plus/minus the net of variable rate paid/received, as of 1/1/19.

[1] Reflects interest beginning on effective date.

[2] The cumulative net of total variable interest paid on all outstanding VRDO's and FRB's ($3,587,019) and all variable interest received on the outstanding swaps $3,296,251, a net payable of $290,768.

Counterparty/Termination Risk

January 1, 2019

Related Bond Series	Counterparty	Short-term Credit rating[1]	Long-term Credit Rating of Provider at Swap Inception[1]	Current Long-term Credit rating[1]	Long-term Credit Outlook[1]	Notional Amount Outstanding	Swap Maturity	average life	Swap Fixed Rate	Fair Value[2] as of 12/31/2018
RHFB 2015 D	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa2/AA-	Stable/Stable	18,225,000	1/1/2046	27.4	2.343%	20,288
RHFB 2015 G	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Aa2/AA-	Stable/Stable	35,000,000	1/1/2034	15.7	1.953%	403,938
RHFB 2016 F	Royal Bank of Canada	P-1/A-1+	Aa1/AA+	Aa2/AA-	Stable/Stable	50,000,000	1/1/2041	19.2	2.175%	(138,620)
RHFB 2018 H	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Stable	35,000,000	7/1/2041	18.7	2.8035%	(1,488,215)
	Total Royal Bank of Canada					**138,225,000**				**(1,202,609)**
RHFB 2018 D	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Stable	35,000,000	1/1/2045	23.3	3.1875%	(587,796)
	Total The Bank of New York Mellon					**35,000,000**				**(587,796)**
RHFB 2017C	Wells Fargo Bank	P-1/A-	Aa2/AA-	Aa2/A+	Negative/Stable	40,000,000	1/1/2038	16.8	2.180%	77,211
RHFB 2017F	Wells Fargo Bank	P-1/A-	Aa2/AA-	Aa2/A+	Negative/Stable	40,000,000	1/1/2041	19.7	2.261%	219,350
	Total Wells Fargo					**80,000,000**				**296,561**
	Total All Swaps					**$ 253,225,000**				**$ (1,493,844)**

[1]Moody's/Standard & Poors

[2]A positive fair value represents money due the Agency from the Counterparty upon termination. A negative number represents money payable by the Agency upon termination. Valuations are provided by BLX. Excludes the swap against RHFB 2009C, which terminated as of January 1, 2019.

Liquidity Risk

January 1, 2019

Bond Series	Current Liquidity Provider	Remarketing Agent	Short-term Credit Rating	Long-term Credit Rating	Long-term Credit Outlook	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Maturity	Liquidity Fee	Original Liquidity Fee
RHFB 2015 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Stable/Stable	$ 18,225,000	1/1/2046	8/11/2022	0.650%	0.650%
RHFB 2015 G	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Stable/Stable	35,000,000	1/1/2034	1/2/2023	0.650%	0.650%
RHFB 2017 F	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Stable/Stable	40,000,000	1/1/2041	1/2/2023	0.400%	0.400%
	Royal Bank of Canada subtotal					**93,225,000**				
RHFB 2016 F	FHLB - Des Moines[1]	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	50,000,000	1/1/2041	1/2/2024	0.550%	0.550%
RHFB 2017 C	FHLB - Des Moines[1]	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	40,000,000	1/1/2038	7/19/2024	0.60%	0.600%
	FHLB - Des Moines subtotal					**90,000,000**				
	Total All Liquidity Providers					**$ 183,225,000**				

[1]Federal Home Loan Bank of Des Moines

Note: RHFB 2018 D and RHFB 2018 H (FRB's)-No liquidity provider or remarketing agent.

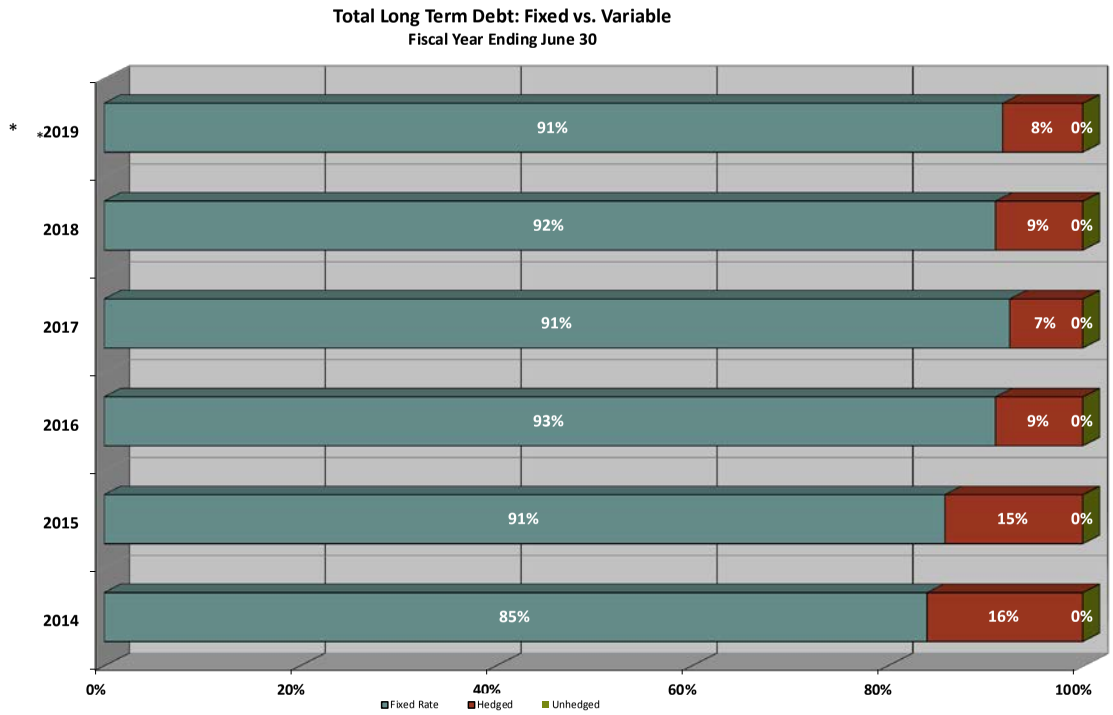
Liquidity Renewal Requirements

January 1, 2019

Issue	Liquidity Provider	Final Swap Maturity	Full Optional Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 01/01/2019	Scheduled Notional Amount Outstanding at Liquidity Expiration	Minimum Notional Amount Outstanding at Liquidity Expiration	Swap Counterparty
2015 D	Royal Bank of Canada	1/1/2046	7/1/2022	8/11/2022	$ 18,225,000	$ 18,225,000	$ 18,225,000	-	RBC[1]
2015 G	Royal Bank of Canada	1/1/2034	1/1/2023	1/2/2023	35,000,000	35,000,000	35,000,000	-	RBC[1]
2017 F	Royal Bank of Canada	1/1/2041	1/1/2023	1/2/2023	40,000,000	40,000,000	40,000,000	-	WF[3]
	Royal Bank of Canada subtotal				93,225,000	93,225,000	93,225,000	-	
2016 F	FHLB - Des Moines[2]	1/1/2041	1/1/2024	1/2/2024	50,000,000	50,000,000	50,000,000	-	RBC[1]
2017 C	FHLB - Des Moines[2]	1/1/2038	7/1/2024	7/19/2024	40,000,000	40,000,000	40,000,000	-	WF[3]
	FHLB - Des Moines subtotal				90,000,000	90,000,000	90,000,000	-	
	Total All Liquidity Providers				$ 183,225,000	$ 183,225,000	$ 183,225,000	-	

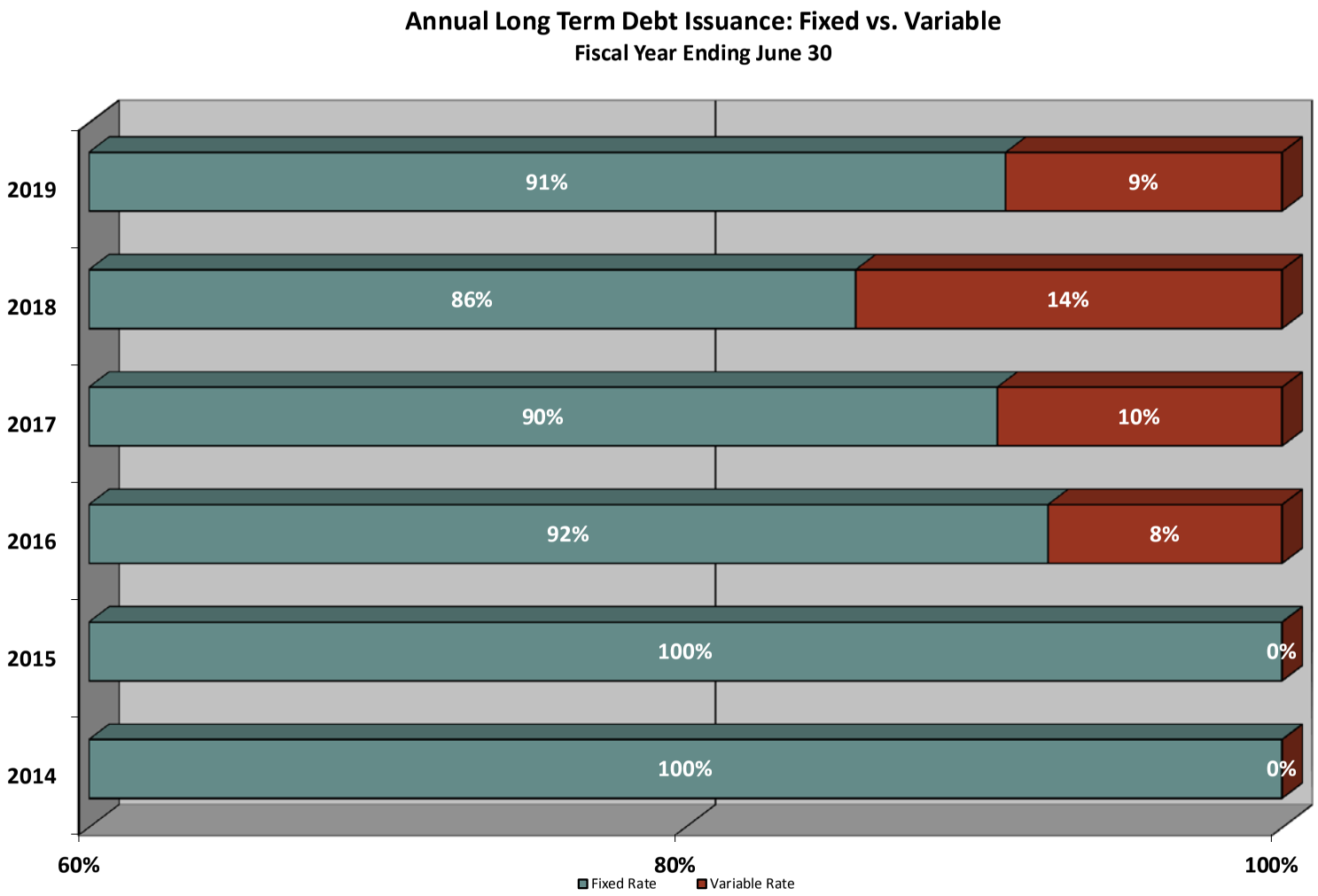
[1]Royal Bank of Canada [2]Federal Home Loan Bank of Des Moines [3]Wells Fargo

Note: RHFB 2018 D and RHFB 2018 H (FRB's)-No liquidity provider or remarketing agent.



* As of 1/1/2019

Only includes Rental Housing Bonds, Residential Housing Finance Bonds, Homeownership Finance Bonds, Multifamily Housing Bonds and HOMES^{SM} Certificates .



* As of 12/31/2018

Only includes Rental Housing Bonds, Residential Housing Finance Bonds, Homeownership Finance Bonds, Multifamily Housing Bonds and HOMES[SM] Certificates.

Glossary of Terms

The following are explanations of certain terms used in this presentation:

Amortization Risk
Minnesota Housing is subject to amortization risk on its hedged VRDOs because the prepayments from mortgage loans securing the bonds may cause the outstanding principal amount of bonds to decline faster than the nominal amount of the swap. To manage amortization risk, termination options have been structured into its outstanding swaps to enable Minnesota Housing in certain circumstances to reduce the nominal amounts of the swaps to correspond to the outstanding principal amount of the bonds hedged by the swap. Additionally, Minnesota Housing may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk
Basis risk refers to a mismatch between the floating interest rate received from the swap counterparty and the interest actually paid on the related series of Minnesota Housing's variable rate bonds. Under its outstanding swaps, Minnesota Housing pays a fixed interest rate and in return receives a floating variable rate based on LIBOR or the SIFMA Municipal Swap index, plus a specified spread if the swap relates to tax-exempt bonds. Minnesota Housing's bonds hedged by its swaps bear interest at a variable rate that is reset weekly, based on market conditions. Minnesota Housing's risk is that the variable interest payments received from the counterparty will be less than the variable interest payments actually paid on the bonds. This mismatch between the actual bond interest rate and the swap floating interest rate would cause additional interest expense to Minnesota Housing. A mismatch could occur for various reasons, including an increased supply of tax-exempt bonds, deterioration of the credit quality of Minnesota Housing or the liquidity facility provider, or a reduction of federal income tax rates for corporations and individuals. Basis risk varies over time due to inter-market conditions. Tax risk is a form of basis risk.

Counterparty Risk
Counterparty risk is the risk that the swap counterparty will not perform pursuant to the swap contract's terms, either in making regular payments or termination payments. Under a fixed payor swap, for example, if the counterparty defaults, Minnesota Housing could be exposed to unhedged variable rate bonds. The creditworthiness of the counterparty is indicated by its senior unsecured long-term credit rating. The outstanding swap agreements contain varying collateral requirements based on the respective parties' credit ratings and the fair value of the swaps to mitigate potential credit risk exposure.

FRB's
Floating-rate bonds ("FRBs") are securities which offer interest rates that periodically reset to changes in a representative interest rate index, normally plus a spread. They can be issued at any maturity, including with nominal long-term maturities that include a mandatory tender following the stated floating rate period. FRBs do not require liquidity support.

LIBOR
London Interbank Offered Rate.

Glossary of Terms (continued)

Liquidity Risk
Issuers of VRDOs face liquidity risk due to the ability of holders of the bonds to tender them for purchase upon short notice. The bonds are to be remarketed by a remarketing agent appointed by the issuer, but if the remarketing were to fail, the liquidity facility provider providing liquidity support to cover tenders would be required to purchase the bonds. In such event, the bonds, known as "bank bonds," would bear interest at a higher "bank rate" and be subject to principal amortization over a much shorter period than their stated terms. The bank rate typically floats at a few percentage points higher than the prime rate. Because of turmoil in the financial markets, substantially fewer financial institutions are providing liquidity facilities and at a substantially higher cost. Consequently, at the expiration of a liquidity facility, Minnesota Housing may have difficulty obtaining a replacement liquidity facility or may have to pay substantially higher fees.

SIFMA
Securities Industry and Financial Markets Association.

Tax Risk
All issuers who issue tax-exempt variable rate debt inherently accept risk arising from changes in marginal federal income tax rates. For variable rate tax-exempt bonds hedged with LIBOR-based swaps, basis risk may be realized if changes in the federal tax code alter the historical relationship between taxable and tax-exempt short-term rates on which the swap was structured.

Termination Risk
Termination risk is the risk that the swap may be terminated as a result of any of events specified in the swap, which may include a ratings downgrade for Minnesota Housing or its counterparties, covenant violation by either party, bankruptcy of either party, swap payment default by either party, events of default under the bond resolution and certain specified termination events.

Upon a termination of the swap at fair value, a termination payment may be due by one party to the other based upon the fair value of the swap at the time (even if the payment is owed to the defaulting party). The potential termination risks to Minnesota Housing are the liability for a termination payment to the counterparty or the inability to replace the swap with favorable financial terms, in which event the variable rate bonds would no longer be hedged. Under its outstanding swaps, Minnesota Housing has the ability in certain circumstances to terminate the swap in whole or in part at par, rather than at fair value, in order to mitigate amortization risk.

VRDOs
Variable Rate Demand Obligations ("VRDOs") are floating rate bonds that have a stated long-term maturity but bear interest at a short-term rate that is reset periodically (generally weekly). The holder of the bonds has the option to tender the bonds for purchase upon short notice (generally seven days). If the bonds cannot be remarketed by the remarketing agent, the liquidity facility provider (and not the issuer) is obligated to purchase the bonds.

MINNESOTA HOUSING

Board Agenda Item: 9.C
Date: 2/21/2019

Item: 2019 Affordable Housing Plan and 2016-19 Strategic Plan: First 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 first quarter progress report for the 2019 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):
- 2019 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report

2019 Affordable Housing Plan and 2016-19 Strategic Plan First Quarter Progress Report

(October 1, 2018 – September 30, 2019)

February 14, 2019

Overview

So far in 2019, our programs are on track to achieve our year-end forecasts overall. The largest divergence between first quarter activity and our original forecasts is in home mortgage lending; where activity is very strong. Tables 1 through 3 present key program activity through the first quarter of the program year and are followed by notes that provide details for each line item in the tables.

Table 1: Production (Units or Households with Funding Commitments) and Programmatic Measures

Quarter 1 of 2019 AHP (25% through AHP)

	Original AHP Forecast	Actual Year-to-Date	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. Home First Mortgages	4,324	1,037	24%
2. Other Homeownership Opportunities	301	284	94%
3. Owner-Occupied Home Improvement/Rehabilitation	1,354	385	28%
4. Total	5,979	1,706	29%
Homebuyer Education, Counseling and Training - Households			
5. Homebuyer Education and Counseling*	20,224	4,110	20%
Multifamily Production – Rental Units			
6. New Rental Construction	1,307	1,130	86%
7. Rental Rehabilitation	2,259	630	28%
8. Refinance Only (No Construction or Rehabilitation)	313	30	10%
9. Asset Management	183	0	0%
10. Total	4,061	1,790	44%
Rental Assistance and Operating Subsidies - Households			
11. State Funded Rental Assistance*	3,021	2,044	68%
12. Operating Subsidies*	894	224	25%
13. Section 8 Contracts	28,259	28,067	98%
14. Total	32,174	30,335	94%
Homeless Prevention			
15. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	7,144	1,259	18%
Increase Homeownership for Households of Color			
16. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity	35.0%	36.5%	**

* Funds for 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 2018 AHP (in July-September 2018) are funding program activity in 2019 (October 1, 2018 to September 30, 2019). To reflect 2019 program activity for these programs, this table shows the households supported in 2019 with 2018 AHP funds. For all other programs, the table shows the households and housing units supported with 2019 AHP funds.

** Not Applicable.

Table 2: Deployment of Resources

Quarter 1 of 2019 AHP (25% through AHP)

	AHP Forecast	Actual for Year
17. Percentage of Originally Budgeted Funds that are Committed Under the AHP	>95% by end of the year	35%

Table 3: Management of Loan Assets

Quarter 1 of 2019 AHP (25% through AHP)

	AHP Benchmark	Actual
18. Share of Home Mortgages Purchased in Previous 24 Months that are 30+ Days Past Due or In Foreclosure (12/31/18)	4.07%*	3.94%**
19. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	7.0%
20. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	5.8%

* 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 Tables 1 - 3

- **Line 1:** Home mortgage lending continues to be very strong. We originally forecasted financing 4,324 mortgages with $800 million of mortgage capital. Through the first quarter, which is a slower part of the home-buying year, we already reached 24% of the year-end forecast. We still have the prime season to come. Based on production through the first quarter, we now anticipate financing as many as 5,000 home mortgages; however, it is still early in the program year, and market conditions can change. If we stay on track to reach 5,000 mortgages, program staff will likely come to the Board requesting additional funds for the Deferred Payment Loan program (zero-interest, deferred loans for downpayment and closing-costs assistance).

- **Line 2:** Production under other homeownership opportunities is performing as expected. The primary activity in this area is single-family new development and acquisition/rehabilitation/resale through the Community Homeownership Impact Fund, which has already selected its projects for the year through the once-a-year RFP and reached 94% of its production forecast. The program has an incentive fund, through which awardees can get additional funds if they use their original award in a timely fashion. As a result, additional assistance may be provided during the year.

- **Line 3:** Overall, production for owner-occupied home improvement and rehabilitation is generally on track. Strong owner-occupied rehabilitation under the Impact Fund RFP offset slow lending under the Fix-Up Fund and Community Fix-Up Fund programs, which did not reach 25% of the year-end goal after the first quarter; however, production for those two programs typically increases later in the year.

- **Line 4:** Overall, home buying and improvement activities are performing as or better than expected.

- **Line 5:** Homebuyer education and counseling is on track, reaching 20% of the year-end forecast after the first quarter, and activity should increase with the upcoming home-buying season.

- **Line 6**: Rental new construction is performing as expected, reaching 86% of the year-end goal after completing our annual Consolidated RFP. Additional lending should occur as we finance developments through our year-round pipeline process.

- **Line 7:** Rental rehabilitation activity is also on track, reaching 28% of the year-end forecast. Although we have already made selections under the annual consolidated RFP, additional units will be assisted through our year-round pipeline funding process. In addition, we still have RFPs for the Publicly-Owned Housing Program (POHP), which supports a lot of units, and the Rental Rehabilitation Deferred Loan (RRDL) program. If selections under those RFPs occur as expected, we should reach our production forecast.

- **Line 8:** This activity involves refinancing multifamily loans (largely first mortgages) for existing rental housing without any construction or rehabilitation involved. We fund this activity on a year-round pipeline basis. After the first quarter, we reached 18% of the year-end forecast.

- **Line 9:** There has been no production under Asset Management. We have oriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the annual Consolidated RFP for longer-term needs. By targeting the program to shorter-term and immediate needs, forecasting the amount and timing of program demand is more uncertain. We can go through a period of no activity, followed by a period of a lot of activity.

- **Line 10:** Overall, rental production is on track.

- **Line 11:** The number of households assisted by our rent assistance programs (Bridges, Housing Trust Fund, and Section 811) reached 68% of the year-end forecast. Most of the households that received assistance during the first quarter will continue to receive it throughout the year, but the number of assisted households will increase a bit as some households leave the program and their vouchers turnover to new households. In a typical year, the turnover rate is 10% to 15%. In addition, we are still in the process of launching and ramping up a new rent assistance pilot for students experiencing homelessness, called Homework Starts with Home. As households enroll in this program, the number of assisted households will increase.

  Given the very low rental vacancy rates across Minnesota, some voucher holders have had a difficult time finding housing to use their vouchers.

- **Line 12:** Operating subsidies are performing as expected through the first quarter.

- **Line 13:** The administration of Section 8 contracts is performing as expected. Nearly all the households that receive assistance in the first quarter will receive it throughout the year. This is a very stable program with consistent funding and households served.

- **Line 14:** Overall, rent assistance and operating subsidy activity (federal and state) is performing as expected.

- **Line 15:** Homeless prevention activity is only at 18% of the year-end forecast for assisted households after the first quarter, and about 25% of the funds have been disbursed. With program administrators working with harder-to-serve clients and focusing on rapid-rehousing, the amount of assistance per client continues to increase. As a result, the program serves fewer clients with the fixed amount of funding.

- **Line 16:** We continue to effectively serve communities of color or Hispanic ethnicity through homeownership. We estimate that 34% of renters between the ages of 25 and 44 (the prime first-time homebuyer ages) and who are potentially income-ready to buy a home are households of color. Through the first quarter, nearly 37% of our first-time homebuyer mortgages (Start Up) went to households of color, surpassing our goal of 35%.

- **Line 17:** Through the first quarter, we have committed 35% of the funds originally budgeted in the 2019 AHP. Many of our programs operate on a pipeline basis throughout the year, meaning we should be at about 25% for those programs after the first quarter. However, we have completed two of our largest RFPs (the multifamily Consolidated RFP and the single-family Impact Fund RFP), which raises the percentage above 25%.

- **Line 18:** Our 30+ day delinquency rate for home mortgages purchased in the last 24 months (including loans in foreclosure) was 3.94% in December 2018, which is better than our "peer" benchmark of 4.07%. This data comes from US Bank, which services loans in mortgage backed securities (MBS) for us and many other housing finance agencies across the country.

  The information is based on MBS loans purchased in the previous 24 months. As such, the information is not directly relevant to the security of any of our bonds and should not be relied upon for that purpose. We publish separate disclosure reports for each of our bond resolutions.

- **Lines 19-20**: We are meeting our goal for minimizing the number and share of loans on the multifamily watch list.

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