MINNESOTA HOUSING

MEETINGS SCHEDULED FOR JUNE

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

THURSDAY, JUNE 25, 2020

Regular Board Meeting
1:00 p.m.

Conference Call

Toll-free dial-in number (U.S. and Canada):
+1 (872) 240-3212

Conference code:
415-908-037

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, June 25, 2020.

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 or Minn. Stat. 13D.021 are met. 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.

This page intentionally left blank.

MINNESOTA HOUSING

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

Mission

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

Vision

All Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice.

AGENDA
Minnesota Housing Board Meeting
Thursday June 25, 2020
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. (page 5) Regular Meeting of May 28, 2020
5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**

6. **Consent Agenda**
   A. (page 9) Grant Contract Modification, Impact Fund, Rebuilding Together - Twin Cities
   B. (page 11) Workforce Housing Development Program, Revisions to Program Guide
   C. (page 31) Selection and Commitment, Low and Moderate Income Rental Program (LMIR) and Flexible Financing for Capital Costs Loan (FFCC)
      - Seasons Park, D8265, Richfield
   D. (page 43) Selection and Commitment, Low and Moderate Income Rental Program (LMIR)
      - Minnesota Place, D5960, Saint Paul
   E. (page 55) Selection and Commitment, Low and Moderate Income Rental Program (LMIR)
      - Minnesota Vistas, D5961, Saint Paul
   F. (page 67) Commitment, Low and Moderate Income Rental Program (LMIR), Flexible Financing for Capital Costs Loan (FFCC) and Low and Moderate Income Rental Bridge Loan (LMIRBL)
      - Hilltop Cottages, D7992, Pine City

7. Action Items

A. (page 81) Approval, Revisions to the Junior Lien Servicing Manual

B. (page 137) Resolution authorizing issuance and sale of Rental Housing Bonds, 2020 Series A (Hilltop Cottages)

8. Discussion Items

A. (page 223) Legislative Update

B. (page 225) Minnesota Housing Administrative Budget, State Fiscal Year 2021

C. Covid-19 Update

9. Information Items

A. (page 229) Post-sale Report, HFB 2020 Series BC

B. (page 245) Post-sale Report, RHFB, 2020 Series DE

10. Other Business

None.

11. Adjournment

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday May 28, 2020
1:00 p.m.
Via Conference Call

1. **Call to Order.**
   Chair 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 via conference call: Terri Thao, Stephanie Klinzing, John DeCramer, Julie Blaha, (with Ramona Advani as back-up), and Craig Klausing.
   Minnesota Housing Staff present via conference call: Tal Anderson, Noemi Arocho, Ryan Baumtrog, Kevin Carpenter, Jessica Deegan, Diane Elias, Vicki Farden, Rachel Franco, Zahra Hassan, Anne Heitlinger, Jennifer Ho, Summer Jefferson, Hannah Jirak, Kasey Kier, Tresa Larkin, Debbi Larson, Brad LeBlanc, Song Lee, James Lehnhoff, Nira Ly, Eric Mattson, Jill Mazullo, Tom O'Hern, Ashley Oliver, John Patterson, Devon Pohlman, Annie Reierson, Paula Rindels, Lael Robertson, Rachel Robinson, Anne Smetak, Corey Strong, Jodell Swenson, Mike Thone, and Nancy Urbanski.
   Others present via conference call: Michelle Adams; Kutak Rock; Melanie Lien, Piper Sandler & Co.; Anne Mavity, Minnesota Housing Partnership; John Rocker; Greater Minnesota Housing Fund.

3. **Agenda Review**
   There were changes to the agenda.

4. **Approval**
   Regular Meeting Minutes of Regular Meeting of April 23 and Special Meeting of May 7, 2020
   Motion: Terri Thao moved to approve the April 23 regular meeting minutes and May 7, 2020 special meeting minutes. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 5-0. All were in favor.

5. **Reports**
   A. **Chair**
   None.

   B. **Commissioner**
   Commissioner Ho shared the following with the board:
   - Acknowledged the death of George Floyd.
   - Day 79 of telework, potential for return to work in late fall or after the first of the year.
   - Welcome Jessica Christianson, Housing Management Officer Intermediate, Multifamily division, started on May 18
   - Goodbyes to Crystal Carlson deMancia, Multifamily division, 24 years with the Agency and Trish Olson, Multifamily division, 25 years with the Agency
   - Active conversations with the Governor's office regarding board appointments and board reappointments.
   - Legislative Update:

    - Disappointed that nothing significant happened before the end of the regular session for housing,
    - Hopeful that the conversations we had over the final weekend set a path forward in special session
    - The Governor is Committed to Housing
    - We are hopeful for HIB
    - We may need to rely on Coronavirus Relief Funds for emergency housing assistance
- We received 102 Intent to Apply Applications related to the Multifamily consolidated RFP.
- Hiring Freeze requires us to ask for MMB approval of open positions.
- Executive Order related to Evictions

C. **Committee**
None.

6. Consent Agenda
A. Grant Fund Contract Modification, Impact Fund, Dayton's Bluff Neighborhood Housing Services **Motion:** Craig Klausing moved to approve Consent Agenda A. Seconded by Terri Thao. Roll call was taken. Motion carries 5-0. All were in favor.

B. Authorize execution of Master Participation Agreement with GMHF, allowing for purchase of Participation Certificates **Motion:** Terri Thao moved to approve Consent Agenda B. Seconded by Craig Klausing. Roll call was taken, Stephanie Klinzing abstained. Motion carries 4-0. All were in favor

7. Action Items
A. **Approval, Lead-Based Paint Guide for Applicable Single Family Programs**
Nira Ly presented to the Board a request approval of the Lead-Based Paint Guide for Applicable Single Family Programs. The new Guide will replace the existing Minnesota Housing Lead-Based Paint Guide for Applicable Homes Division Programs. Substantive changes from the existing Guide include removal of federal requirements because there are no longer federal funds used in the applicable Single Family Program. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers. **Motion**: Terri Thao moved approval, Lead-Based Paint Guide for Applicable Single Family Programs. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 5-0. All were in favor.

B. **Approval, Revisions to the Disaster Recovery Loan Program Manual**
Noemi Arocho presented to the Board a request for approval of the revised Disaster Recovery Loan Program Manual. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. **Motion**: Stephanie Klinzing moved approval, Revisions to the Disaster Recovery Loan Program Manual. Seconded by Terri Thao. Roll call was taken. Motion carries 5-0. All were in favor.

C. **Approval, Manufactured Home Community Redevelopment Program Procedural Manual**
Annie Reierson presented to the Board a request for approval of the Manufactured Home Community Redevelopment Program Procedural Manual. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. **Motion**:

Terri Thao moved approval, Manufactured Home Community Redevelopment Program Procedural Manual. Seconded by Craig Klausing. Roll call was taken. Motion carries 5-0. All were in favor.

D. **Selection/Commitment, Housing Trust Fund and Family Homeless Prevention and Assistance Program Resources for Homework Starts with Home Round 2**

Diane Elias and Nancy Urbanski presented to the Board a request for approval of the adoption of the resolution authorizing the selection and commitment of up to $3,500,000 in Homework Starts with Home (HSWH) funds, up to $199,115 in Housing Trust Fund (HTF) funds and up to $250,000 in Family Homeless Prevention and Assistance Program (FHPAP) funds for Homework Starts with Home Round 2. These funds will allow Minnesota Housing to execute contracts with four grantees to implement programs serving homeless students and families in four regions of Minnesota. Chair DeCramer opened up the discussion, and clarified the change to the resolution which board members received prior to the meeting. Board members asked a series of questions and staff provided answers. **Motion**: Stephanie Klinzing moved selection/commitment, Housing Trust Fund and Family Homeless Prevention and Assistance Program Resources for Homework Starts with Home Round 2. Seconded by Terri Thao. Roll call was taken. Motion carries 5-0. All were in favor.

E. **Selection/Commitment of Housing Trust Fund Program Funds for Homework Starts with Home Round 2 Planning Grants**

Diane Elias and Nancy Urbanski presented to the Board a request for approval of the adoption of the resolution authorizing the selection and commitment of $100,885 in Housing Trust Fund (HTF) funds for Homework Starts with Home (HSWH) Round 2 planning grants. These funds will allow Minnesota Housing to execute contracts with three grantees to build capacity to apply for HSWH program funding in future rounds. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. **Motion**: Craig Klausing moved selection/commitment of Housing Trust Fund Program Funds for Homework Starts with Home Round 2 Planning Grants. Seconded by Ramona Advani. Roll call was taken. Motion carries 5-0. All were in favor.

F. **2020 Annual Action Plan for HUD**

Jessica Deegan presented to the Board a request for approval of the State of Minnesota's Annual Action Plan for Federal Fiscal Year 2020. The executive summary and selected sections of the plan provide details of the annual goals and objectives for the agency's HOME Investment Partnerships, National Housing Trust Fund (NHTF), and Housing Opportunities for Persons with AIDS (HOPWA) programs. Chair DeCramer opened up the discussion. Board members asked a questions and staff provided answers. **Motion**: Terri Thao moved 2020 Annual Action Plan for HUD. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 5-0. All were in favor.

G. **Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency fixed rate Residential Housing Finance Bonds (RHFB)**

Kevin Carpenter presented to the Board a request for approval a resolution authorizes additional fixed rate RHFB bonds, in an amount up to $300 million over time. The initial bond offering utilizing a portion of this authority will likely be designated 2020 Series DE. The RHFB 2020 Series DE bond issue is expected to be sized at approximately $150,000,000, to price on or

about June 9th, with a closing preliminarily scheduled for June 24th; the attached Preliminary Official Statement describes the transaction. Michelle Adams from Kutak Rock joined the call to review the resolution. Chair DeCramer opened up the discussion. There were no questions from the Board. **Motion**: Craig Klausing moved Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency fixed rate Residential Housing Finance Bonds (RHFB). Seconded by Terri Thao. Roll call was taken. Motion carries 5-0. All were in favor.

8. Discussion Items

A. **3rd Quarter FY 2020 Financial Reporting Package**

Kevin Carpenter reviewed the 3rd quarter financial package.

B. **Second Quarter 2020 Progress Report: 2020-22 Strategic Plan and 2020-21 Affordable Housing Plan**

John Patterson reviewed the second quarter 2020 progress report for the Strategic Plan and Affordable Housing Plan

C. **Discussion, Proposed Changes to the State of Minnesota 2022-2023 Housing Tax Credit Qualified Allocation Plan (QAP) for Public Comment Release**

Devon Pohlman reviewed the proposed changes to the State of Minnesota 2022-2023 Housing Tax Credit Qualified Allocation Plan (QAP) for Public Comment Release.

D. **Covid-19 Update**

Jennifer Ho, Rachel Robinson and Kevin Carpenter provided the board with an update on Covid-19 impacts on business operations and the financial markets.

9. Information Items

A. Post-sale Report, Homeownership Finance Bonds (HFB), 2020 Series A (Taxable)

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 3:09 p.m.

_____

John DeCramer, Chair

DRAFT

MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 6/25/2020

Item: Grant Contract Modification, Impact Fund, Rebuilding Together – Twin Cities

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 recommends amending Rebuilding Together – Twin Cities' (Rebuilding Together) Impact Fund Grant Contract (11-2018-21) to expand the target area for its Critical Repair Projects for Low-Income Homeowners in North and South Minneapolis and Saint Paul program. The target area will be expanded to include the following cities: Bloomington, Brooklyn Center, Mounds View, Roseville and Waconia.

Fiscal Impact:
Economic Development Housing Challenge funds are a state resource, with individual awards structured as grants or loans that do not earn interest for the Agency.

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):

- Background
- Recommendation

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 November 1, 2018, the Board approved $160,000 in Economic Development Housing Challenge (Challenge) funds to Rebuilding Together – Twin Cities' Critical Repair Projects for Low-Income Homeowners in North and South Minneapolis and Saint Paul program through Resolution No. MHFA 18-060. The funds were provided for owner-occupied rehabilitation for 20 homeowners in North Minneapolis, South Minneapolis, and the City of Saint Paul.

Rebuilding Together utilizes a combination of volunteers and skilled contractors to complete its projects, which requires close contact between volunteers, contractors, subcontractors, and homeowners. Due to COVID-19 and the concern for the safety and well-being of homeowners and volunteers, Rebuilding Together has changed its delivery model for completing rehabilitation. First, it will no longer use volunteer groups. Second, it will only work on projects that require limited or no contact with homeowners unless there is an emergency. This change limits the number of projects within the current target area under this award. However, there are a number of repairs, mostly roofing projects, that are outside of the current target area that Rebuilding Together would be able to complete due to the ability to social distance.

The expanded target areas have been selected based on the homeowners that are on Rebuilding Together's waiting list. These homeowners reside in areas where the demand for projects had not been high enough to add them to the original target areas. Rebuilding Together has been unable to assist these households due to the lack of funding. The homeowners in these expanded target areas have passed their initial screening and assessment and are awaiting repairs that are critical to the integrity of the home and well-being of the households that live there.

Due to COVID-19, Rebuilding Together has moved 11 planned projects under this award to its Impact Fund 11-2019-21 award. These funds will be available until fall 2021. The hope is that Rebuilding Together will be able to actively engage volunteers to complete these 11 projects at a later date.

Rebuilding Together has completed five units under this grant contract, currently has six units in process and an additional nine units to complete by the award expiration date.

Recommendation
Staff recommends expanding Rebuilding Together – Twin Cities' target area to include Bloomington, Brooklyn Center, Mounds View, Roseville and Waconia. This expansion will allow Rebuilding Together to assist homeowners with the awarded funds during this unprecedented time safely and with minimal risk, and assist households that otherwise would not have the resources or funds to make repairs.

MINNESOTA HOUSING

Board Agenda Item: 6.B
Date: 6/25/2020

Item: Workforce Housing Development Program, Revisions to Program Guide

Staff Contact(s):
Sara Bunn, 651.296.9827, sara.bunn@state.mn.us

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

Summary of Request:
Staff recommends that revisions be made to the Workforce Housing Development Program Guide as detailed below to allow a Subrecipient to award or loan funds to another entity that owns the project and in which the Subrecipient has an ownership interest.

Fiscal Impact:
None.

Meeting Agency Priorities:
☐ Improve the Housing System
☒ Preserve and Create Housing Opportunities
☐ Make Homeownership More Accessible
☐ Support People Needing Services
☐ Strengthen Communities

Attachment(s):
- Background

Background:
The Workforce Housing Development Program (WHDP) is a competitive funding program that provides small to mid-size cities in Greater Minnesota up to 25% in project gap financing, and requires committed matching funds of a minimum of $1 for every $2 requested. Recipients are able to choose either grant funds or deferred forgivable loans, with a term of three years, to assist in financing the construction of new residential rental properties in communities with proven job growth and demand for workforce rental housing.

When the WHDP guide was initially developed, it did not include language that permitted a Subrecipient to loan or grant the program funds to another entity. The intent of this requirement was to manage the use of funds directly by the Recipient to avoid potential fraud and misuse of funds.

As a result of a recent request by a developer, we recommend revising the Workforce Housing Development Program Guide to allow a Subrecipient, who has received funds from the Recipient, to award or loan those funds to another entity that owns the project and in which the Subrecipient has an ownership interest. The developer has stated that the revised structure will allow an award or loan of funds to the project (as per the funding term requirements in the guide under Section 3.02) without tax consequences, thereby maximizing the impact of these program funds. While staff takes no position as to the tax consequences of such a structure, we also believe that such a structure does not significantly affect the risk to Minnesota Housing since the original Recipient is still the entity responsible for proper use of funds. Overall, staff believes that the revision provides requested flexibility to projects while maintaining the objectives of the program. The intent of Section 2.04 in the program guide was to help ensure the funds are used for the intended project, which will still be met.

Upon board approval, the WHDP guide would be revised in section 2.03, 2.04 and 3.02 on pp. 5 and 6 as attached.as follows:

Workforce Housing Development Program Guide

June 2020~~October 2019~~

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.

Table of Contents

Chapter 1 – Program Background and Purpose 34

1.01 Program Background and Purpose 4

Chapter 2 – Eligibility Criteria 5

2.01 Eligible Applicants 5

2.02 Eligible Recipient/Project Area 5

2.03 Eligible Uses of Funds 5

2.04 Ineligible Uses of Funds 5

Chapter 3 – Funding and Grant Information 6

3.01 Funding Source 6

3.02 Funding Type 6

3.03 Funding Terms 6

3.04 Grant Contract 6

3.05 Deferred Loan Agreement 6

3.06 Disbursement Schedule 6

Chapter 4 – Recipient Requirements and Responsibilities 7

4.01 Recipient Responsibilities 7

4.02 Application Content 7

4.03 Construction Requirements 7

4.04 Contracting and Bidding Requirements 7

4.05 Visitability 7

4.06 Building Standards 7

4.07 Federal, State and Local Laws ... 8

Chapter 5 – Selection and Award Process ... 9

5.01 Selection Thresholds and Selection Criteria ... 9

5.02 Review of the Application ... 9

5.03 Selection Notification ... 9

Chapter 6 – Compliance Monitoring and Reporting ... 10

6.01 Compliance Reporting Requirement ... 10

6.02 Compliance Monitoring Requirement ... 10

6.03 Compliance Term ... 10

Chapter 7 – Fair Housing Policy ... 11

Chapter 8 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting ... 12

8.01 Fraud ... 12

8.02 Misuse of Funds ... 12

8.03 Conflict of Interest ... 12

8.04 Suspension ... 13

8.05 Disclosure and Reporting ... 13

Appendix A –Terms ... 14

Chapter 1 – Program Background and Purpose

1.01 Program Background and Purpose

The purpose of the Program is to help finance Qualified Expenditures of project-specific costs resulting in the direct development of Market Rate Residential Rental Properties to address the lack of workforce housing in Greater Minnesota.

Funds will be awarded through a Request for Proposals (RFP) process. This process is separate from Minnesota Housing's Consolidated RFP. Funds will be awarded as grants or deferred loans to cities and other eligible entities. Recipients will partner with developers to create new Market Rate Residential Rental Properties.

All Recipients must maintain compliance with Program requirements through the term of the Deferred Loan Agreement or Grant Contact. However, Minnesota Housing strongly encourages Recipients to assess local housing needs beyond the initial funding term. Projects that remain available and affordable to the local workforce beyond the initial funding term will further strengthen the community by providing a long-term housing asset. Recipients are encouraged to look beyond the initial funding term to address local workforce housing needs into the foreseeable future.

The Workforce Housing Development Program Statute can be found at Minn. Stat.§462A.39.

Chapter 2 – Eligibility Criteria

2.01 Eligible Applicants

Eligible Applicants are generally small to mid-sized cities in Greater Minnesota. Eligible Applicants must satisfy the following requirements:

- Must be a/an Eligible Recipient/Project Area
- Must be working with a developer
- Must have a viable proposal for the development of a Market Rate Residential Rental Property

NOTE: Minnesota Housing will not review applications submitted directly by developers.

2.02 Eligible Recipient/Project Area

An Eligible Recipient is an Eligible Project Area. Any of the following constitute an Eligible Project Area:

- A home rule charter or statutory city located outside of the Metropolitan Area with a population exceeding 500
- A community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside the Metropolitan Area
- An area served by a Joint County-City Economic Development Authority

NOTE: Eligible Project Areas with fewer than 30,000 people will be given preference. Refer to Minnesota Statute 462A.39 and Workforce Housing FAQs for definitions of Eligible Recipient and Project Area.

2.03 Eligible Uses of Funds

Funds are available for Qualified Expenditures of project-specific costs resulting in the direct development of Market Rate Residential Rental Properties. The rental properties would serve employees of businesses located in the Eligible Project Area or surrounding area. Recipients or Subrecipients can award funds in the form of grants or loans. If Recipients or Subrecipients award funds as a loan, then the loan terms must be as set forth in Section 3.02. In addition, fees or interest charged cannot unduly enrich any parties involved and must not exceed the estimated amount to cover administrative expenses of the Program.

2.04 Ineligible Uses of Funds

Ineligible uses of funds include any expenses that do not directly contribute to the development of Market Rate Residential Rental Properties. Awarded Program funds cannot exceed 25 percent of the total project costs.

In addition, Program funds received by a Subrecipient may only~~not~~ be awarded or loaned to another ~~person or~~ entity that owns the project and in which the Subrecipient possesses an ownership interest. Any funds awarded or loaned by a Subrecipient must obtain the prior written consent of Minnesota Housing, which consent may be withheld in its sole discretion.

Chapter 3 – Funding and Grant Information

3.01 Funding Source

Funds for the Program are appropriated by the Minnesota Legislature.

3.02 Funding Type

Funds will be awarded to Recipients or Subrecipients as a grant or deferred loan. Recipients or Subrecipients can then award funds in the form of a grant or a deferred loan directly to the project. If Recipients or Subrecipients award funds as a loan, then the loan must: (i) be unsecured; (ii) be deferred; (iii) have a 0% interest rate; and (iv) will be forgiven after three years. In addition, fees cannot unduly enrich any parties involved and must not exceed the estimated amount to cover administrative expenses of the Program. Any awarded Program funds that are disbursed to the Recipient or Subrecipient and not used to pay for Qualified Expenditures within a reasonable timeframe, as determined at the sole discretion of Minnesota Housing, must be immediately returned to Minnesota Housing upon request. Any awarded Program funds returned or repaid to the Recipient or Subrecipient must be immediately returned to Minnesota Housing.

3.03 Funding Terms

Grant terms will be three years. Deferred loans will: (i) be unsecured; (ii) have a 0% interest rate; and (iii) will be forgiven after three years. Construction must begin within 12 months of signing the Contract. Construction completion must occur within 24 months of construction start. Minnesota Housing reserves the right to extend or amend Contracts.

3.04 Grant Contract

A template of the Grant Contract for a Municipality can be viewed on Minnesota Housing's website at www.mnhousing.gov. A Recipient that is not a Municipality such as a Joint County-City Economic Development Authority should contact Minnesota Housing for a draft of the applicable contract.

3.05 Deferred Loan Agreement

A template of the Deferred Loan Agreement for a Municipality can be viewed on Minnesota Housing's website at www.mnhousing.gov. A Recipient that is not a Municipality such as a Joint County-City Economic Development Authority should contact Minnesota Housing for a draft of the applicable contract.

3.06 Disbursement Schedule

Minnesota Housing will disburse up to one-third of the total awarded funds upon Contract execution. An additional amount, up to one-third of the total awarded funds, will be disbursed during project construction. The remaining balance will be disbursed at project completion. Recipients will submit supporting documentation to determine eligibility prior to each disbursement. Notwithstanding the foregoing, Minnesota Housing reserves the right to require that any awarded Program funds disbursed are used by the Recipient to pay for Qualified Expenditures within a set timeframe.

Chapter 4 – Recipient Requirements and Responsibilities

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost effective durable building materials and systems that minimize the consumption of natural resources both during construction or rehabilitation and in the long-term maintenance and operations. Minnesota Housing encourages optimizing the use of renewable resources and energy, minimizing damages and impact to the environment, and maximizing the use of natural amenities such as solar, wind, climate and orientation of the development site.

Minnesota Housing encourages applicants to view its website at www.mnhousing.gov for more information.

4.01 Recipient Responsibilities

The applicant is responsible for understanding the submission requirements necessary for a complete application. Applicants can access the Program application, supplemental materials and resources on Minnesota Housing's website at www.mnhousing.gov.

4.02 Application Content

The application package must include, at a minimum, all items listed on the Workforce Housing Development Program Application Checklist. Upon review of the application materials, applicants must be willing to provide additional documentation, if requested, to ensure a viable project. Denial of an application for funding may result from incomplete or insufficient documentation.

Submission of additional supplemental documentation with an application, such as a Market Study and a Marketing or Lease Up Plan, is recommended as a best practice for applicants seeking funding.

4.03 Construction Requirements

Recipients are responsible for complying with all applicable state and local requirements.

4.04 Contracting and Bidding Requirements

Per Minn. Stat.§471.345, grantees that are Municipalities as defined in Subd. 1 must follow the law.

If a Recipient is not a Municipality as set forth in Minn. Stat.§471.345 (refer to Section 2.02 of the Program Guide for a list of Eligible Recipients), other contracting and bidding requirements apply. Contact Minnesota Housing for more information.

4.05 Visitability

Recipients and Subrecipients must comply with visitability requirements contained in Minn. Stat.§462A.34.

4.06 Building Standards

Recipients and all third parties involved must adhere to the local building code. If a project area does not have a local building code, adherence to the state of Minnesota building code is required.

4.07 Federal, State and Local Laws

Recipients receiving financial assistance from Minnesota Housing under the Program must comply with the requirements of all applicable federal, state and local laws.

Loans and grants under this Program are subject to the prevailing wage requirements of Minn. Stat. §116J.871. If the Project meets the requirements of that statutory provision, the bid request must state the Project is subject to prevailing wages. A person receiving financial assistance under a Grant/Loan Contract must certify to the commissioner of labor and industry that laborers and mechanics at the Project site will be paid the prevailing wage rate as defined in Minn. Stat.§177.42, subd. 6. It is a misdemeanor for a person who has certified that prevailing wages will be paid to laborers and mechanics to subsequently fail to pay the prevailing wages. Each day a violation of that requirement continues is a separate offense.

Recipients should direct any questions regarding compliance with Minn. Stat.§116J.871 to their attorney.

Chapter 5 – Selection and Award Process

5.01 Selection Thresholds and Selection Criteria

Program applications must meet all threshold requirements in order to be eligible. Program applications that meet threshold requirements will be scored on the selection criteria. Minnesota Housing reserves the right to add or remove items. Refer to the Project application for more detailed information.

5.02 Review of the Application

This is a competitive application process. Program applications will be reviewed and scored by Minnesota Housing staff to determine selection and funding recommendations. Final selection and funding recommendations will be presented to the Minnesota Housing board for approval.

Preference will be given to applicants located in an Eligible Project Area with a population of fewer than 30,000. Preference will also be given to projects with a higher proportion of units that are not income-restricted.

5.03 Selection Notification

Applications recommended for acceptance will be presented to the Minnesota Housing board. All applicants will be notified of their status after Minnesota Housing's board has taken action.

Chapter 6 – Compliance Monitoring and Reporting

6.01 Compliance Reporting Requirement

For the length of the Contract, Recipients must submit an annual report that includes, at a minimum, the name of the developer, the amount of award, the amount of award received to date, the number of units, the purpose of Program funding, the share of the project costs in relation to the total development costs and information about Qualified Expenditures. Minnesota Housing reserves the right to ask for additional information. Minnesota Housing will provide a reporting template to Recipients.

6.02 Compliance Monitoring Requirement

Prior to final disbursement of Contract funds, Minnesota Housing will also ask to review the most recent disbursement records. This will include a reconciled account balance showing when Contract funds were received by the Recipient and disbursed to the Subrecipient. Minnesota Housing reserves the right to ask for additional information.

6.03 Compliance Term

All Recipients awarded Program funds are required to comply with all monitoring and reporting requirements for the term of the Contract. Recipients must retain files for six years after the completion of the Contract. Additionally, Recipients must ensure compliance of Subrecipients with all monitoring, reporting and records retention requirements.

Chapter 7 – 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.

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 8 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

8.01 Fraud

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 8.05.

8.02 Misuse of Funds

A loan or grant agreement is a legal contract between Minnesota Housing and the borrower or grantee. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed, and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 8.05.

8.03 Conflict of Interest

A conflict of interest, actual, potential, or perceived, occurs when a person has an 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:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties

- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

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

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived or potential conflicts of interest through one of the ways described in section 8.05.

A contracting party should review its contract agreement and request for proposals (RFP) material, if applicable, for further requirements.

8.04 Suspension

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Refer to Minnesota Housing's website for a list of suspended individuals and organizations.

8.05 Disclosure and Reporting

Activities required to be reported under this chapter may be made in any of the following ways:

- Minnesota Housing's chief risk officer
- Any member of Minnesota Housing's Servant Leadership Team
- The Minnesota Housing hotline reporting service vendor, EthicsPoint, by calling toll-free 866.886.1274 to speak with a live operator or by visiting the EthicsPoint reporting webpage

Appendix A –Terms

Term	Definition
Contract	The Grant Contract or the Deferred Loan Agreement.
Deferred Loan Agreement	The Deferred Loan Agreement between Minnesota Housing and Recipient evidencing a deferred loan.
Eligible Applicant	Those entities described in Section 2.01 of this Program Guide.
Eligible Project Area	A home rule charter or statutory city located outside of the Metropolitan Area with a population exceeding 500; a community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside the Metropolitan Area; or an area served by a Joint County-City Economic Development Authority.
Grant Contract	The State of Minnesota Grant Contract between Minnesota Housing and Recipient evidencing a grant of funds.
Greater Minnesota	The areas outside of the jurisdiction of the Metropolitan Council.
Joint County-City Economic Development Authority	An economic development authority formed under Laws 1988, chapter 516, section 1, as a joint partnership between a city and county and excluding those established by the county only.
Market Rate Residential Rental Property	A property that is rented at market value, including new modular homes, new manufactured homes, and new manufactured homes on leased land or in a manufactured home park, and may include Mixed Income Properties that have a portion of income-restricted units.
Metropolitan Area	The area over which the Metropolitan Council has jurisdiction, and includes the counties of Anoka; Carver; Dakota excluding the city of Northfield; Hennepin excluding the cities of Hanover and Rockford; Ramsey; Scott excluding the city of New Prague; and Washington.
Minnesota Housing	The Minnesota Housing Finance Agency
Mixed Income Property	A property in which some rental units are unrestricted and some units have income restrictions.
Mixed Use Property	A property in which some of the floor space is used for purposes other than residential rental property.
Municipality	A county, town, city, school district or other municipal corporation or political subdivision of the state authorized by law to enter into contracts.
Qualified Expenditure	An expenditure for Market Rate Residential Rental Properties including acquisition of property; construction of improvements; and provisions of loans or subsidies, grants, interest rate subsidies, public infrastructure and related financing costs.
Recipient	An Eligible Project Area that has been selected for funding by Minnesota Housing.

Request for Proposals (RFP)	The competitive process of applying for Program funds.
Subrecipient	An entity awarded Program funds by a Recipient that uses the funds directly for a Market Rate Residential Rental Property.
Workforce Housing Development Program or Program	The Workforce Housing Development Program established by Minn. Stat.§462A.39 to award grants or deferred loans to Eligible Project Areas for Qualified Expenditures.

This page intentionally blank.

MINNESOTA HOUSING

Board Agenda Item: 6.C
Date: 6/25/2020

Item: Selection and Commitment, Low and Moderate Income Rental Loan (LMIR) and Flexible Financing for Capital Costs Loan (FFCC)
- Seasons Park, D8265, Richfield, MN

Staff Contact(s):
Caryn Polito, 651.297.3123, caryn.polito@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 adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to $34,500,000 and a deferred funding commitment in the amount of up to $8,000,000 under the Flexible Financing for Capital Costs (FFCC) program. Staff also recommends a rule waiver to prevent displacement of existing residents and avoid undue hardship.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:
LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income, without incurring financing expenses on the loan. In addition, there will be certain fee income from originating the loan. Also, the FFCC funded loan will have cash flow provisions providing for expected repayment over the next 10-15 years.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachments:
- Background
- Development Summary
- Resolution
- Resolution Attachment: Term Letter

BACKGROUND

The Board report template for multifamily amortizing loans has been updated. The revision accomplishes several objectives: to provide a better flow of information and add more details on project underwriting; to align the Board report with selection narratives and mortgage credit committee (MCC) reports; to simplify report creation for staff; and to move the focus away from changes that have occurred since selection. Significant project changes will continue to be detailed in the Development Summary section.

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Seasons Park		**D#8265**	**M#18324**
Address	951 East 77th Street			
City	Richfield	**County**	Hennepin	
Date of Selection	6/25/2020	**Region**	Metro	

A. Project Description and Population Served

- This transaction is the refinance and limited rehabilitation of 422 units of naturally occurring affordable housing (NOAH) in Richfield. The property consists of 20 three-story walk-up buildings with 203 one-bedroom and 219 two-bedroom units.
- The development provides general occupancy and workforce housing.
- The households will have incomes at or below 60% MTSP. A waiver is requested to allow an exception for existing residents who may be over income to avoid resident displacement.

B. Mortgagor

Sponsor: Aeon	**Ownership Entity:** Aeon Seasons Park LLC
General Partner/Principals: Seasons Park 1 LLC	**Guarantor:** Aeon

C. Development Team Capacity Review

The sponsor, Aeon, has the experience and capacity to complete the project. Aeon was established in 1986 and has built, purchased, or renovated more than 4,300 units.

Aeon Management was established in 1986 and manages over 2,700 units. Their staff has broad experience with affordable housing funding including HUD Risk-share, tax credits, Section 8 and Minnesota Families Affordable Rental Investment Fund (MARIF) funding. The management company has the capacity to continue to manage this project.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Permanent Amortizing	LMIR	Pool 2	$34,500,000	3.50%	n/a	35	35	Construction / End Loan
Deferred	FFCC	Pool 3	$8,000,000	0%	n/a	35	Cash flow payments	Construction / End Loan

First Mortgage Loan to Cost: Not applicable **First Mortgage Loan to Value:** 73%

E. Significant changes since Date of Selection

- Not Applicable

F. Requested Waivers or Modifications

The rules and program guide governing the LMIR and FFCC programs dictate that at least 40% of the units must be occupied by residents whose incomes do not exceed 60% MTSP (adjusted for family size), 25% percent of the units may have unrestricted incomes, and the balance of the units must be occupied by tenants whose incomes at initial occupancy do not exceed 100% of the greater of area or median income for a four-person household, as determined by HUD. The agency intends to restrict all of the units in the development to 60% MTSP going forward.

The development is currently occupied and staff do not have income information on a number of the existing households. In order to prevent displacement of current residents who may be over the income thresholds, staff recommend a waiver of Minn. Rules. 4900.0010, subd. 23, and related provisions of the program guide, that require that the balance of the units must be occupied by tenants whose incomes at initial occupancy do not exceed 100% of the greater of area or median income. The board may waive rules to avoid undue hardship pursuant to Minn. Rules 4900.0090. Granting the requested waiver will avoid undue hardship by preventing displacement of current residents. After existing over-income residents vacate the premises, all units must be occupied by households at 60% MTSP (adjusted for family size) at time of initial occupancy.

SECTION II: FINAL SOURCES AND USES AND FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$34,209,456	$81,065
Construction Costs	6,804,587	16,125
Environmental Abatement	175,000	415
Professional Fees	381,609	904
Developer Fee	200,000	474
Financing Costs	722,248	1,711
Total Mortgageable Costs	42,492,900	100,694
Replacement Reserves	315,000	747
Total Development Cost	**42,807,900**	**101,441**

B. Permanent Capital Sources

Description	Amount	Per Unit
First Mortgage	$34,500,000	$81,754
FFCC	8,000,000	18,957
Replacement Reserves	307,900	730
Total Permanent Financing	**42,807,900**	**101,441**

C. Cost Reasonableness

- Not applicable on refinance transactions

D. Rent Grid

Unit Type	Number of Units	Net Rent*	Rent Limit (% MTSP or AMI)	Income Limit (% MTSP or AMI)	Rental Assistance Source
1 BR	203	$899	60%	60%	
2 BR	219	$1,044	60%	60%	

*Net rents are the underwriting rents (not maximum rent allowed and net of a utility allowance)

E. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rates, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Under the LMIR Program, the property will have the following rent and income restrictions:
  - 100% of units with 60% MTSP rents and incomes
  - A waiver is sought to avoid displacement of existing residents that may be over income be

- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio (DCR) in year 15 of 1.62.
- The project was underwritten at 5% vacancy, with 2% income and 3% expense inflators
- $315,000 will be deposited to a reserve account for capital needs over the next ten years (partially funded with existing reserves of $309,000).
- It is possible that vacancy, especially economic vacancy, may increase due to the impacts of the COVID-19 virus and economic downturn. It is also possible that rent inflation may be suppressed over the next few years due to falling incomes.
    - Vacancy: In year one, the property breaks even at 13.5% vacancy. In year two, the property breaks even at 14.25% vacancy.
    - Income Inflator: The property can break even with a 0% income inflator for approximately 10 years. With a 1% income inflator, the property breaks even for 15 years.
    - The transaction will reduce risk because the rehab will stabilize the property's physical condition and revenue, bringing back online 16 units that are currently unoccupied due to water intrusion issues.

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

RESOLUTION NO. MHFA 20-XX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
AND FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) 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:	Seasons Park
Sponsors:	Aeon
Guarantors:	Aeon
Location of Development:	Richfield
Number of Units:	422
Amount of LMIR Mortgage: (not to exceed)	$34,500,000
Amount of FFCC Loan: (not to exceed)	$8,000,000

WHEREAS, Agency staff 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 refinance and rehabilitation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide permanent mortgage loans to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program) and the Housing Affordability Fund (Pool 3 under the FFCC Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $34,500,000; and

2. The interest rate on the permanent LMIR loan shall be 3.50 percent per annum (subject to change, as set forth in the attached Agency term letter dated June 2, 2020, with monthly payments based on a 35-year amortization); and

3. The term of the permanent LMIR loan shall be 35 years; and

4. The amount of the FFCC deferred loan shall not exceed $8,000,000; and

5. Repayment of the FFCC loan shall be deferred, with interest at 0.0 percent, and the loan term shall be co-terminus with the LMIR loan; and

6. The loan closing shall occur on or before August 31, 2020; and

7. 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

8. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

9. Aeon shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

10. Existing residents are exempted from requirements that they meet income thresholds under the LMIR and FFCC programs at the time of initial occupancy to prevent displacement and undue hardship. All units are restricted to 60% MTSP going forward and any future residents must be determined to be income-eligible.

11. The sponsor, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 25th day of June 2020

_____

CHAIRMAN

MINNESOTA HOUSING
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

June 2, 2020

Alan Arthur
Aeon Seasons Park LLC
901 N. 3rd Street, Suite 150
Minneapolis, MN 55401

RE: Amendment to Term Letter dated May 20, 2020
Seasons Park, Richfield
MHFA Development #D8265, Project #M18324

Dear Mr. Arthur:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Aeon Seasons Park LLC

General Partner/ Managing Member: Seasons Park 1 LLC

Development Description/Purpose: Refinance and rehabilitation of a 422-unit affordable housing development located in Richfield, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR)	Flexible Financing for Capital Costs (FFCC)
Loan Amount	$34,500,000	$8,000,000
Interest Rate	* 3.50%	0%
Mortgage Insurance Premium (%)	Not applicable	Not Applicable
Term	35	35
Amortization/Repayment	35	An annual payment that is equal to 20% of the amount by which Eligible Cash (as defined in the Note) exceeds $500,000.
Prepayment Provision	Years 1-5: No Prepayment allowed. Beginning Year 6, prepayment is allowed, subject to a pre-payment	Prepay at any time without penalty.

MINNESOTA HOUSING
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

	penalty on the amount prepaid, according to the following schedule: Year 6: 5%, Year 7: 4%, Year 8: 3%, Year 9: 2%, Year 10: 1%, Year 11 and after, no penalty.	
Nonrecourse or Recourse	Nonrecourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/Permanent Loan	Construction/Permanent Loan
Lien Priority	First	Second

*Subject to change. Loan must close by July 31, 2020 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.

Origination Fee:	LMIR HUD Risk Share Loan: $395,000 (Payable at loan closing)
Inspection Fee:	$11,190
Guaranty/Guarantor(s):	Operations Guaranty to be provided by: • Aeon
Operating Deficit Reserve Account:	Not applicable
Operating Cost Reserve Account:	Not applicable
Replacement Reserve Account:	Capitalized replacement reserve in the amount of $315,000 funded at loan closing. A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $15,825. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other Subsidy Agreement:	Not applicable
Rent and Income Requirements:	**LMIR Program** • 100% of units with 60% MTSP rents and incomes • Existing residents will be grandfathered in Commitment to 35 years of affordability from the date of loan closing.
Other Occupancy Requirements:	None
Closing Costs:	Borrower agrees to pay all closing costs related to the specific

financing referenced in this letter.

Expiration Date: The Terms will expire six months from the date of this letter.

Additional Terms:

- Return on Equity: Annual distributions limited to a maximum of 15% of Borrower's Equity, as referenced in the Workbook.

Other Conditions: Not applicable

Board Approval: Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan.

Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Maggie Nadeau at Maggie.Nadeau@state.mn.us on or before June 3, 2020.

If you have any questions related to this letter, please contact Caryn Polito at 651.297.3123 or by e-mail at caryn.polito@state.mn.us.

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

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

AEON SEASONS PARK LLC
By Seasons Park Preservation JV, LLC, its sole member, by Seasons Park I, LLC, its managing member

By: Sarah Harris (page 4 intentionally omitted (no data)

Its: Vice President

Date Accepted: 6/4/2020

MINNESOTA HOUSING

Board Agenda Item: 6.D
Date: 6/25/2020

Item: Selection and Commitment, Low and Moderate Income Rental Loan (LMIR)
- Minnesota Place, D5960, St. Paul, MN

Staff Contact(s):
Caryn Polito, 651.297.3123, caryn.polito@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 adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to $1,385,000.

All commitments are subject to the terms and conditions of the Agency 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, and the loan will generate additional fee income.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachments:
- Background
- Development Summary
- Resolution
- Resolution Attachment: Term Letter

BACKGROUND

The Board report template for multifamily amortizing loans has been updated. The revision accomplishes several objectives: to provide a better flow of information and add more details on project underwriting, to align the Board report with selection narratives and mortgage credit committee (MCC) reports, to simplify report creation for staff, and to move the focus away from changes that have occurred since selection. Significant project changes will continue to be detailed in the Development Summary section.

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Minnesota Place		**D#5960**	**M#18328**
Address	46 4th Street SE			
City	St. Paul	**County**	Ramsey	
Date of Selection	6/25/2020	**Region**	Metro	

A. Project Description and Population Served

- This transaction is the refinance and limited rehabilitation of 77 units on floors two through eight of the historic Minnesota Building in downtown St. Paul. The building was built originally in 1928 and was extensively rehabbed in 2010. There are 15 studio and 62 one-bedroom units.
- The development provides general occupancy, workforce, and supportive housing. There are 10 existing long-term homeless units.
- The households will have incomes at or below 40% or 60% MTSP, or 30% of metro median income.
- Ten units benefit from a Minnesota Housing long-term homelessness Housing Trust Fund rental assistance contract.
- Ten units are deeply affordable to households at 30% of metro median income.

B. Mortgagor

Sponsor: Sand Properties, Inc.	**Ownership Entity:** Minnesota Place, LLC
General Partner/Principals: Minnesota Place Partners, LLC	**Guarantor:** Sand Properties, Inc. and John E. Belisle

C. Development Team Capacity Review

The sponsor, Sand Properties, Inc., has the experience and capacity to complete the project. The developer has utilized tax credits, Section 8, HOME, and supportive housing funding sources in the past.

The property management company, Sand Property Management, LLC, was established in 2011 and currently has 39 developments with 1,481 units of housing of similar size and type. The property management company has the capacity to manage this development.

The service provider, Amherst Wilder Foundation, is experienced in serving long-term homeless residents.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Permanent Amortizing	LMIR / HUD Risk Share	Pool 2	$1,385,000	3.30%	0.125%	35	35	End Loan

First Mortgage Loan to Cost: Not applicable **First Mortgage Loan to Value:** 25%

E. Significant Changes Since Date of Selection

- Not applicable

SECTION II: FINAL SOURCES AND USES AND FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$1,216,000	$15,792
Construction Costs	182,071	2,365
Professional Fees	37,000	481
Developer Fee	45,000	584
Financing Costs	37,679	489
Total Mortgageable Costs	1,517,750	19,711
Total Development Cost	**1,517,750**	**19,711**

B. Permanent Capital Sources

Description	Amount	Per Unit
First Mortgage	$1,385,000	$17,987
Replacement Reserves	132,750	1,724
Total Permanent Financing	**1,517,750**	**19,711**

C. Cost Reasonableness

- Not applicable

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number of Units	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (% MTSP or AMI)	Rental Assistance Source
Studio	10	$504	30%	30%	Housing Trust Fund
Studio	4	$679	40%	40%	
Studio	1	$1,029	60%	60%	
1 BR	62	$1,095	60%	60%	

*Net rents are the underwriting rents (not maximum rent allowed and net of a utility allowance)

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rates, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Under the LMIR Program, the property will have the following rent and income restrictions, in addition to rent and income restrictions required by other existing funding sources:
  - 31 units with rents and incomes at or below 60% MTSP
  - Up to 19 units may have unrestricted incomes
  - 27 units with incomes at or below 100% of the greater of statewide or area median income
  - 46 units with rents at Minnesota Housing determined market
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio (DCR) in year 15 of 2.95.
- The project was underwritten at 7% vacancy, with 2% income and 3% expense inflators.
- $182,071 will be deposited into a reserve account for immediate capital needs that will be addressed within 12 months of closing.
- The loan closing deadline in the term letter was extended to July 17, 2020.

- It is possible that vacancy, especially economic vacancy, may increase due to the impacts of the COVID-19 virus and economic downturn. It is also possible that rent inflation may be suppressed over the next few years due to falling incomes.
    - Overall, the refinance reduces both the borrower's and the Agency's risk because debt service payments will decrease.
    - Vacancy: In year one, the property breaks even at 9.5% vacancy. In year two, the property breaks even at 12.5% vacancy.
    - Income Inflator: The property can break even with a 0% income inflator for approximately 9 years. With a 1% income inflator, the property breaks even for 14 years.

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

RESOLUTION NO. MHFA 20-XX

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: Minnesota Place

Sponsors: Sand Properties, Inc.

Guarantors: Sand Properties, Inc. and John E. Belisle

Location of Development: Saint Paul

Number of Units: 77

Amount of LMIR Mortgage: $1,385,000
(not to exceed)

WHEREAS, Agency staff 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 refinance and rehabilitation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide permanent mortgage loans to the sponsor or an affiliate thereof 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 $1,385,000; and

2. The interest rate on the permanent LMIR loan shall be 3.30 percent per annum (subject to change, as set forth in the attached Agency term letter dated April 29, 2020, plus 0.125 percent per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 35-year amortization); and

3. The term of the permanent LMIR loan shall be 35 years; and

4. The loan closing shall occur on or before August 31, 2020; 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. Sand Properties, Inc. and John E. Belisle 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 deems necessary, shall execute all such documents relating to said loans, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 25th day of June 2020

_____

CHAIRMAN

MINNESOTA HOUSING

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

April 29, 2020

Jamie Thelen
Minnesota Place, LLC
366 South 10th Ave
Waite Park, MN 56387

RE: Term Letter
Minnesota Place, Saint Paul
MHFA Development #5960, Project #M18328

Dear Mr. Thelen:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Minnesota Place, LLC

General Partner/ Managing Member: Minnesota Place Partners, LLC

Development Description/Purpose: Refinance and limited scope rehabilitation of a 77-unit affordable housing development located in Saint Paul, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)
Loan Amount	$1,385,000
Interest Rate	* 3.30%
Mortgage Insurance Premium (%)	0.125% *(first year premium is paid in advance)*
Term	35 years
Amortization/Repayment	35 years
Prepayment Provision	No prepayment first 10 years from date of the Note.
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan
Lien Priority	First after HUD SHP Declaration

*Subject to change. Loan must close by July 3, 2020 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.

Origination Fee:	LMIR HUD Risk Share Loan: $27,700 (Payable at the earlier of loan commitment or loan closing)
Inspection Fee:	Not applicable
Guaranty/Guarantor(s):	Operations Guaranty to be provided by: • Sand Properties, Inc. • John Belisle
Operating Deficit Reserve Account:	Not applicable
Operating Cost Reserve Account:	Not applicable
Replacement Reserve Account:	A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $2,887.50. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other Subsidy Agreement:	Not applicable
Rent and Income Requirements:	**LMIR Program** • 31 units with rents and incomes at or below 60% MTSP • Up to 19 units may have unrestricted incomes • 27 units with incomes at or below 100% of the greater of statewide or area median income. • 46 units with rents at Minnesota Housing determined market. Commitment to 35 years of affordability from the date of loan closing.

The FFCC, ELHIF & EDHC loans will be extended to be coterminous with the new first mortgage. The ELHIF and EDHC rent and income restrictions will be extended to be coterminous with the new first mortgage.

Other Occupancy Requirements: None

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: The Terms will expire six months from the date of this letter.

Additional Terms:

- Return on Equity: Annual distributions limited to a maximum of 15% of Borrower's Equity, as referenced in the Workbook.
- Cash flow note provisions will be added to the FFCC and EDHC deferred loans.

Other Conditions:

- Appraised rent-restricted value of at least $1,591,954
- Deferred loans through the City of St. Paul must be re-subordinated and extended to be coterminous with the new first mortgage.

Board Approval: Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan.

Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Caryn Polito at caryn.polito@state.mn.us on or before May 13, 2020.

If you have any questions related to this letter, please contact Caryn Polito at 651.297.3123 or by e-mail at caryn.polito@state.mn.us.

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

Sincerely,

James Lehnhoff

December 11, 2019
Page 4
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

MINNESOTA PLACE, LLC

By: _____

Its: CHIEF MANAGER

Date Accepted: 4/30/20

MINNESOTA HOUSING

Board Agenda Item: 6.E
Date: 6/25/2020

Item: Selection and Commitment, Low and Moderate Income Rental Loan (LMIR)
- Minnesota Vistas, D5961, St. Paul, MN

Staff Contact(s):
Caryn Polito, 651.297.3123, caryn.polito@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 adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to $3,070,000.

All commitments are subject to the terms and conditions of the Agency 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, and the loan will generate additional fee income.

Meeting Agency Priorities:

☐ Improve the Housing System
☒ Preserve and Create Housing Opportunities
☐ Make Homeownership More Accessible
☐ Support People Needing Services
☐ Strengthen Communities

Attachments:
- Background
- Development Summary
- Resolution
- Resolution Attachment: Term Letter

BACKGROUND

The Board report template for multifamily amortizing loans has been updated. The revision accomplishes several objectives: to provide a better flow of information and add more details on project underwriting, to align the Board report with selection narratives and mortgage credit committee (MCC) reports, to simplify report creation for staff, and to move the focus away from changes that have occurred since selection. Significant project changes will continue to be detailed in the Development Summary section.

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Minnesota Vistas		**D#5961**	**M#18329**
Address	46 4th Street SE			
City	St. Paul	**County**	Ramsey	
Date of Selection	6/25/2020	**Region**	Metro	

A. Project Description and Population Served

- This transaction is the refinance and limited rehabilitation of 60 units on floors nine through 12 of the historic Minnesota Building in downtown St. Paul. The building was built originally in 1928 and was extensively rehabbed in 2010. There are eight studio, 49 one-bedroom, and three two-bedroom units.
- The development provides general occupancy and workforce housing.
- The households will have incomes at or below 50% or 60% MTSP.

B. Mortgagor

Sponsor: Sand Properties, Inc.	**Ownership Entity:** Minnesota Vistas, LLC
General Partner/Principals: Minnesota Vistas Partners, LLC	**Guarantor:** Sand Properties, Inc. and John E. Belisle

C. Development Team Capacity Review

The sponsor, Sand Properties, Inc., has the experience and capacity to complete the project. The developer has utilized tax credits, Section 8, HOME, and supportive housing funding sources in the past.

The property management company, Sand Property Management, LLC, was established in 2011 and currently has 39 developments with 1,481 units of housing of similar size and type. The property management company has the capacity to manage this development.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Permanent Amortizing	LMIR / HUD Risk Share	Pool 2	$3,070,000	3.30%	0.125%	35	35	End Loan

First Mortgage Loan to Cost: Not applicable **First Mortgage Loan to Value:** 55%

E. Significant changes since Date of Selection

- Not applicable

SECTION II: FINAL SOURCES AND USES AND FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$2,773,908	$46,232
Construction Costs	103,148	1,719
Professional Fees	40,000	667
Developer Fee	45,000	750
Financing Costs	107,944	1,799
Total Mortgageable Costs	3,070,000	51,167
Total Development Cost	**3,070,000**	**51,167**

B. Permanent Capital Sources

Description	Amount	Per Unit
First Mortgage	$3,070,000	$51,167
Total Permanent Financing	**3,070,000**	**51,167**

C. Cost Reasonableness

- Not applicable

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number of Units	Net Rent*	Rent Limit (%MTSP or AMI)	Income Limit (% MTSP or AMI)	Rental Assistance Source
Studio	6	$854	50%	35%	
Studio	2	$742	50%/FMR	50%/FMR	
1 BR	4	$907	50%	50%	
1 BR	35	$1,095	60%	60%	
1 BR	10	$885	60%/FMR	60%/FMR	
2 BR	3	$1,302	60%	60%	

*Net rents are the underwriting rents (not maximum rent allowed and net of a utility allowance)

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rates, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Under the LMIR Program, the property will have the following rent and income restrictions, in addition to rent and income restrictions required by other existing funding sources:
  - 24 units with rents and incomes at or below 60% MTSP
  - Up to 15 units may have unrestricted incomes
  - 21 units with incomes at or below 100% of the greater of statewide or area median income.
  - 36 units with rents at Minnesota Housing determined market
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio (DCR) in year 15 of 1.65.
- The project was underwritten at 10% vacancy, with 2% income and 3% expense inflators.
- $103,148 will be deposited into a reserve account for immediate capital needs that will be addressed within 12 months of closing.
- The loan closing deadline in the term letter was extended to July 17, 2020.

- It is possible that vacancy, especially economic vacancy, may increase due to the impacts of the COVID-19 virus and economic downturn. It is also possible that rent inflation may be suppressed over the next few years due to falling incomes.
    - Overall, the refinance reduces the borrower's risk because debt service payments will decrease.
    - Vacancy: In year one, the property breaks even at 19.5% vacancy. In year two, the property breaks even at 19% vacancy.
    - Income Inflator: The property can break even with a 0% income inflator for approximately six years. With a 1% income inflator, the property breaks even for 11 years.

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

RESOLUTION NO. MHFA 20-XX

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: Minnesota Vistas

Sponsors: Sand Properties, Inc.

Guarantors: Sand Properties, Inc. and John E. Belisle

Location of Development: Saint Paul

Number of Units: 60

Amount of LMIR Mortgage: $3,070,000
(not to exceed)

WHEREAS, Agency staff 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 refinance and rehabilitation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide permanent mortgage loans to the sponsor or an affiliate thereof 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 $3,070,000; and

2. The interest rate on the permanent LMIR loan shall be 3.30 percent per annum (subject to change, as set forth in the attached Agency term letter dated April 29, 2020, plus 0.125 percent per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 35-year amortization); and

3. The term of the permanent LMIR loan shall be 35 years; and

4. The loan closing shall occur on or before August 31, 2020; 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. Sand Properties, Inc. and John E. Belisle 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 deems necessary, shall execute all such documents relating to said loans, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 25th day of June 2020

_____

CHAIRMAN

MINNESOTA HOUSING

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

April 29, 2020

Jamie Thelen
Minnesota Vistas, LLC
366 South 10th Ave
Waite Park, MN 56387

RE: Term Letter
Minnesota Vistas, Saint Paul
MHFA Development #5961, Project #18329

Dear Mr. Thelen:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Minnesota Vistas, LLC

General Partner/ Managing Member: Minnesota Vistas Partners, LLC

Development Description/Purpose: Refinance and limited scope rehabilitation of a 60-unit affordable housing development located in Saint Paul, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)
Loan Amount	$2,850,000
Interest Rate	* 3.30%
Mortgage Insurance Premium (%)	0.125% *(first year premium is paid in advance)*
Term	35 years
Amortization/Repayment	35 years
Prepayment Provision	No prepayment first 10 years from date of the Note.
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan
Lien Priority	First

*Subject to change. Loan must close by July 3, 2020 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.

Origination Fee:	LMIR HUD Risk Share Loan: $57,000 (Payable at the earlier of loan commitment or loan closing)
Inspection Fee:	Not applicable
Guaranty/Guarantor(s):	Operations Guaranty to be provided by: • Sand Properties, Inc. • John Belisle
Operating Deficit Reserve Account:	Not applicable
Operating Cost Reserve Account:	Not applicable
Replacement Reserve Account:	A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $2,250. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other Subsidy Agreement:	Not applicable
Rent and Income Requirements:	**LMIR Program** • 24 units with rents and incomes at or below 60% MTSP • Up to 15 units may have unrestricted incomes • 21 units with incomes at or below 100% of the greater of statewide or area median income. • 36 units with rents at Minnesota Housing determined market. Commitment to 35 years of affordability from the date of loan closing. The EDHC deferred loan will be extended to be coterminous with the

new first mortgage. The EDHC rent and income restrictions will be extended to be coterminous with the new first mortgage.

Other Occupancy Requirements: None

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: The Terms will expire six months from the date of this letter.

Additional Terms:

- Return on Equity: Annual distributions limited to a maximum of 15% of Borrower's Equity, as referenced in the Workbook.
- Cash flow note provisions will be added to the EDHC deferred loan.

Other Conditions:

- Appraised rent-restricted value of at least $3,275,862
- Deferred loans through the City of St. Paul must be re-subordinated and extended to be coterminous with the new first mortgage.

Board Approval: Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan.

Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Caryn Polito at caryn.polito@state.mn.us on or before May 13, 2020.

If you have any questions related to this letter, please contact Caryn Polito at 651.297.3123 or by e-mail at caryn.polito@state.mn.us.

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

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

MINNESOTA VISTAS, LLC

By: _____

Its: CHIEF MANAGER

Date Accepted: 4/30/20

MINNESOTA HOUSING

Board Agenda Item: 6.F
Date: 6/25/2020

Item: Commitment, Low and Moderate Income Rental Loan (LMIR), and Low and Moderate Income Rental Bridge Loan (LMIRBL)
- Hilltop Cottages, D7992, Pine City, MN

Staff Contact(s):
Ted Tulashie, 651.297.3119, ted.tulashie@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
At the November 1, 2018 Minnesota Housing board meeting, the proposed development was selected for further processing under the Low and Moderate Income Rental (LMIR), the Low and Moderate Income Bridge Loan (LMIRBL) and the Flexible Financing for Capital Costs (FFCC) programs under Resolution Number 18-063. At that same meeting, the staff was authorized to enter into a commitment for deferred funding under the Economic Development and Housing Challenge (EDHC) program under Resolution Number 18-061. Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to $1,326,000, a Low and Moderate Income Rental Bridge Loan (LMIRBL) program commitment not to exceed $4,610,000. Staff also recommends the adoption of a resolution increasing the loan under the EDHC program up to $4,840,000.

All commitments are subject to the terms and conditions of the Agency 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 end loan without incurring financing expenses. Minnesota Housing will also earn interest rate spread income on the LMIRBL, and both the bridge loan and the end loan will generate additional fee income. EDHC loans are funded with state appropriations and earn no interest for the agency.

Meeting Agency Priorities:
- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachments:
- Background
- Development Summary
- Resolutions
- Resolution Attachment: Term Letter

BACKGROUND

The Board report template for multifamily amortizing loans has been updated. The revision accomplishes several objectives: to provide a better flow of information and add more details on project underwriting, to align the Board report with selection narratives and mortgage credit committee (MCC) reports, to simplify report creation for staff, and to move the focus away from changes that have occurred since selection. Significant project changes will continue to be detailed in the Development Summary section.

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Hilltop Cottages		**D#7992**	**M#18028**
Address	1345 8th Street Southwest			
City	Pine City	**County**	Pine	
Date of Selection	November 1, 2018	**Region**	Central	

A. Project Description and Population Served

- The development is the new construction of a 35-unit mixed-income development in Pine City. It is a one-story townhome building with four one-bedroom, 13 two-bedroom, and 18 three-bedroom units.
- The development will provide general occupancy, workforce housing, and supportive housing for high priority homeless (HPH) families with children and people with disabilities (PWD) households.
- The households will have incomes at or below 60 percent MTSP (multifamily tax subsidy project).
- Eight units will serve HPH and PWD households (four units each). These units will all be deeply affordable to households at 30 percent MTSP and will all benefit from Housing Support income supplement.
- The project is anticipated to begin construction in July 2020 and will open for residents in February 2022.

B. Mortgagor

Sponsor: Commonwealth Development Corporation of America	**Ownership Entity:** Hilltop Cottages, LLC
General Partner/Principals: Hilltop Cottages MM, LLC	**Guarantors:** Commonwealth Holdings, LLC; Commonwealth Construction Corporation; and Commonwealth Development Corporation of America

C. Development Team Capacity Review

Commonwealth Development Corporation has the experience and capacity to complete the project. The developer has utilized Agency first mortgages, deferred loans and tax credits with proven success.

The property management company, MetroPlains Management, LLC, was established in 1981 and currently has 49 developments, with a total of 1,572 units. The property management company has the capacity to manage this development.

Rise, Inc. will be the service provider for the development. They have experience providing supportive housing services to the population being served. The necessary components are in place for a successful supportive housing project.

The architectural firm, M+A Design, Inc., and the general contractor, Commonwealth Construction Corporation, have successfully completed housing developments and have sufficient capacity to complete the project.

An identity of interest exists between all three entities – developer, architect, and general contractor.

None of the development team partners, comprised of the developer, architect, general contractor, asset management and service provider, consist of 51% women or minority owned business enterprises.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Bridge	LMIR BL	Tax Exempt Bonds	$4,610,000	2.80%*	N/A	24mos*	N/A	Construction
Permanent Amortizing	LMIR	Housing Investment Fund (Pool 2)	$1,326,000	4.50%	0.0125	40 yrs	N/A	End Loan

*The term and interest rate on the LMIR Bridge Loan are estimates used for underwriting. The actual rate and term of the bridge loan will be determined based on the rate and term of the underlying bonds.

First Mortgage Loan to Cost: 13.86 percent **First Mortgage Loan to Value:** 66 percent

E. Significant Changes since Date of Selection

- Construction costs increased 9%, or $648,136, primarily due to inflationary factors and prevailing wage requirements. Costs would have increased further but for the value engineering work done by the developer, Minnesota Housing, the architect and the contractor.
- The gap is being filled with a combination of tax increment financing (TIF) financing from Pine City (which supports $282,000 of the LMIR loan), an increased deferred developer fee, a reduced interest rate resulting in a larger permanent loan, and approximately $326,000 of additional Minnesota Housing deferred loan funds.
- In addition to this requested $326,000 increase to the deferred funding, staff recommends that additional EDHC funds be used to replace the originally proposed $162,644 FFCC deferred loan. This is to create one instead of two loans resulting in process efficiency. The EDHC is therefore proposed to increase by $488,528 from $4,351,472 to $4,840,000 ($325,844 plus $162,644).The board commitment which expires July 2,2020 was extended to December 31, 2020 pursuant to delegated authority. Syndication pricing was reduced due to the delays in closing. The gap is being filled with a general partner (GP) deferred loan and/or increased deferred developer fee.

SECTION II: FINAL SOURCES AND USES AND FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$62,500	$1,786
Construction Costs	$7,493,304	$214,094
Environmental Abatement	$0	$0
Professional Fees	$546,923	$15,626
Developer Fee	$700,000	$20,000
Financing Costs	$599,357	$17,124
Total Mortgageable Costs	$0	$0
Reserves	$166,474	$4,756
Total Development Cost	**$9,568,558**	**$273,387**

B. Permanent Capital Sources

Description	Amount	Per Unit
First Mortgage	$1,326,000	$37,886
General Partner Cash	$0	$0
HTC Equity Proceeds (Minnesota Equity Fund)	$2,447,210	$69,920
Agency Deferred Funding (EDHC)	$4,840,000	$138,286
Other: GMHF	$750,000	$21,429
Other: GP Loan (or increased deferred developer fee)	$104,273	$2,979
Rebates	$26,075	$745
Deferred Developer Fee	$75,000	$2,143
Total Permanent Financing	**$9,568,558**	**$273,387**

C. Financing Structure

- The development will qualify for $265,281 of annual, 4% tax credits, which will result in $2,447,210 of equity proceeds from Minnesota Equity Fund (MEF)/Cinnaire. The term of the Land Use Restrictive Agreement (LURA) will be 40 years.
- Construction loan of $4,610,000, provided by Minnesota Housing (funded by Tax-exempt Private Activity Bonds) with interest currently estimated at 2.80% interest and a 24 month term.

D. Cost Reasonableness

- At the time of selection, the budgeted total development cost (TDC) per unit of $250,845 was 26.4 percent above the $198,417 predictive model (PM) estimate and required board approval. The board approved the waiver of the TDC over the 25% threshold. The current budgeted TDC per unit of $273,387 is 36.71 percent above the PM estimate.
- This project was not awarded cost containment points in the RFP.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% MTSP or AMI)	Income Limit (% MTSP or AMI)	Rental Assistance Source
1BR - PWD	4	$597	30% MTSP	60% MTSP	Housing Support
2BR - HPH	4	$559	30% MTSP	60% MTSP	Housing Support
3BR	11	$715	50% MTSP	60% MTSP	
2BR	6	$638	50% MTSP	60% MTSP	
3BR	1	$715	60% MTSP	60% MTSP	
2BR	3	$803	50% MTSP	60% MTSP	
3BR	6	$903	60% MTSP	60% MTSP	
Total	**35**				

*Net rents are the underwriting rents net of utility allowance (not maximum rent allowed).

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rates, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- The following restrictions under the Minnesota Housing programs will be as follows:
  - LMIR – 35 units with rents at 60% MTSP and incomes not exceeding 60% MTSP for 40 years
  - EDHC – 35 units with rents at 60% MTSP and incomes not exceeding 60% MTSP for 40 years
  - HTC – 35 units with rents at 60% MTSP and incomes not exceeding 60% MTSP for the term of the LURA
- The subject property's rent for 20% of the units (7 units) must be at or less than fair market rents (FMR) to meet the tax-exempt bonds requirement. The project maintains positive cash flow for 15 years, with a projected debt coverage ratio (DCR) in year 15 of 1.05.
- The project was underwritten at 7% vacancy, with 2% income and 3% expense inflators
- Source of other income: NA
- MEF/Cinnaire, the equity provider, is requiring and will hold $166,479 operating and rent-up reserves funded out of the second and third equity installments.
  - Vacancy: On a proforma basis, the project breaks even at about 10.89% vacancy in year 1. In year 15, the property breaks even at about 7.77% vacancy. In addition, $30,000 is budgeted for rent-up reserves.
  - If rental income remained flat for two years because of the project's inability to increase rents, the project is able to break even for only 12 years and will require $9,535 in reserves to fund the cumulative deficit over four years. Capitalized Reserves: The syndicator is requiring and will hold $136,474 to fund operating reserves.

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

RESOLUTION NO. MHFA 20-XX

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

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

Name of Development:	Hilltop Cottages
Sponsors:	Commonwealth Development Corporation
Guarantors:	Commonwealth Holdings, LLC Commonwealth Construction Corporation Commonwealth Development Corporation of America
Location of Development:	Pine City
Number of Units:	35
Amount of LMIR Mortgage: (not to exceed)	$1,326,000
Amount of LMIR BL (up to)	$4,610,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide permanent mortgage loan to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program) and a bridge loan from the proceeds of Rental Housing Bonds (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $1,326,000; and

2. The interest rate on the permanent LMIR loan shall be 4.50 percent per annum (subject to change, as set forth in the attached Agency term letter), plus 0.0125 percent per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 40 year amortization; and

3. The term of the permanent LMIR loan shall be 40 years; and

4. The LMIR and End Loan Commitment shall be entered into on or before December 31, 2020 and shall have a 24-month term (which shall also be the LMIR commitment expiration date); and

5. The amount of the LMIRBL shall be up to $4,610,000; and

6. The LMIRBL transaction will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner acceptable to the Agency; and

7. The interest rate on the LMIRBL will be based on the interest rate on the Rental Housing Bonds issued to finance the LMIRBL, plus 1.00 percent , and will be payable monthly, and the principal will be due in a balloon payment no more than 24 months after closing; and

8. The LMIRBL commitment shall be entered into on or before December 31, 2020 and shall have a six-month term (which shall also be the LMIRBL commitment expiration date); and

9. 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

10. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

11. Guarantors shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

12. Guarantors shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

13. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 25th day of June 2020

_____

CHAIRMAN

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

RESOLUTION NO. MHFA 20-
Modifying Resolution No. MHFA 18-061

RESOLUTION APPROVING MORTGAGE LOAN MODIFICATION
ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC) PROGRAM

WHEREAS, the Board has previously authorized the EDHC loan commitment for the Hilltop Cottages by MHFA Resolution No. 18-061; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies; and

WHEREAS, Agency staff have determined that the development has incurred an increase in construction costs; and

WHEREAS, Agency staff have determined that efficiencies can be realized by combining two proposed loans into one deferred loan.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby increases the funding commitment for the indicated development and hereby confirms the renewal of said commitment, upon the following terms and conditions:

1. The maximum amount of the Economic Development and Housing Challenge loan for the development shall be increased from $4,351,472 up to $ 4,840,000;

2. The deadline to close established by MHFA Resolution No. 18-061 was extended pursuant to delegated authority 18-021 and is now December 31, 2020;

3. All other terms and conditions of MHFA Resolution No. 18-061 remain in effect.

Adopted this 25th day of June 2020

_____
CHAIRMAN

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

June 26, 2020

Louie A. Lange III
Commonwealth Management Corporation
9 Sheboygan St
Fond du Lac, WI 54935

RE: Amendment to Term Letter dated May 27, 2020
Hilltop Cottages, Pine City
Development # D7992, Project # M18028

Dear Mr. Lange:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence, satisfactory loan documentation, and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower:	A single asset entity: Hilltop Cottages, LLC
General Partner(s):	Hilltop Cottages MM, LLC
Development Description/Purpose:	New construction of a 35-unit affordable development located in Pine City, Minnesota

Program:	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)	Low and Moderate Income Rental Program (LMIR) Bridge Loan**	Economic Development and Housing Challenge (EDHC)
Loan Amount:	$1,326,000	$4,610,000	$4,840,000
Interest Rate	* 4.50%	2.80% (est.)	1%
Mortgage Insurance Premium (%):	0.125% *(1st year premium is paid in advance)*	Not Applicable	Not Applicable
Term:	40 years	Approximately 24 months[1]	40 years[2]
Amortization/Repayment:	40 years	Interest only during term	deferred lump sum payment due in 40 years
Prepayment Provision:	No prepayment first 10 years from commencement of amortization	No prepayment for approximately 18 months[1].	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse	Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan	Construction Bridge Loan	Construction/ Permanent
Lien Priority:	First	First *(during construction period)*	Second

*Subject to change. Interest rate to be set at Board Commitment and locked for 6 months after which it may be reset at Minnesota Housing's sole discretion.
**Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

1. Dates will be determined based on bond issuance, prepayment and maturity dates.
2. Co-terminus with the LMIR 1st mortgage

Origination Fee: LMIR HUD Risk Share Loan: $26,520
LMIR Bridge Loan: $23,050
(both are payable at the earlier of loan commitment or loan closing)

Inspection Fee: $18,013 (payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor(s): Completion, Repayment and Operations Guaranty to be provided by:

- Commonwealth Holdings, LLC
- Commonwealth Construction Corporation
- Commonwealth Development Corporation of America

Operating Deficit Reserve Account: $39,780 to be funded on the day of closing by cash or letter of credit (outside of the development budget) to be held by Minnesota

	Housing.
Operating Cost Reserve Account:	Not Applicable
Replacement Reserve Account:	A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $1,313. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other Subsidy Agreement:	Commitment to 10 years of affordability from the date of loan closing under the Housing Support program for 8 units.
Rent and Income Requirements:	LMIR – 35 units with rents at 60% MTSP and incomes not exceeding 60% MTSP for 40 years. EDHC - 35 units with rents at 60% MTSP and incomes not exceeding 60% MTSP for 40 years.
Other Occupancy Requirements:	4 High Priority Homeless (HPH) Units targeting families with children and 4 units targeting People with Disabilities (PWD).
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	The Terms will expire six months from the date of this letter.
Additional Terms:	Not Applicable
Other Conditions:	Not Applicable
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Allison Ehlert at Allison.ehlert@state.mn.us on or before July 10, 2020.

If you have any questions related to this letter, please contact Ted Tulashie at 651.297.3119 or by e-mail at ted.tulashie@state.mn.us.

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

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

Hilltop Cottages, LLC

By: _____
Louie A. Lange III, President

Date Accepted: _____

This page intentionally left blank.

MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 6/25/2020

Item: Approval, Revisions to the Junior Lien Servicing Manual

Staff Contact(s):
Benjamin Landwehr, 651.215.3961, ben.landwehr@state.mn.us
Justin Obenauer, 651.296.3029, justin.obenauer@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests approval of the revised Single Family Junior Lien Servicing Manual (f.k.a Junior Lien Servicing Manual). The updated Manual includes language and process updates that align with current applicable mortgage servicing rules, regulations and statutes and provides clarifications to operational procedures.

Fiscal Impact: The Manual updates do not have a direct fiscal impact, but govern loans that are repayable, including loans that earn interest for the agency.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):
- Background
- Single Family Junior Lien Servicing Manual

Background
The Single Family Junior Lien Servicing Manual (Manual) provides operational procedures and loan servicing requirements for Minnesota Housing's Single Family home improvement, rehabilitation, disaster recovery, downpayment assistance loan programs in addition to Targeted Mortgage Opportunity Program loans. The junior lien portfolio also includes an insignificant number of aged Multifamily loans in runoff.[1] Minnesota Housing's current Single Family junior lien sub-servicing agent is AmeriNat. The Manual is incorporated into the sub-servicing contract by reference.

Changes to the Single Family Junior Lien Servicing Manual
The Manual changes are a result of changes to the Agency's loan program requirements, the sub-servicer's request for process clarification, and updated procedures that reflect current requirements, policies and industry practices. Significant changes include the following:

- Addition of a chapter that covers fraud, misuse of funds, conflict of interest, suspension, and disclosure and reporting;
- Update to Collection and Loss Mitigation procedures to provide clarity around Minnesota Housing's servicing expectations and the sub-servicer's responsibilities;
- Update to 1099-C IRS notification process to provide the sub-servicer clear expectations with regards to IRS filings and borrower communication;
- Organized content in the Manual according to current business and process flow for clarity; and
- Removed loan level specific processes already dictated by state or federal regulations.

Additionally, non-substantive changes to the manual were made for consistency, clarity and to implement plain language. Non-substantive changes include, but are not limited to:

- Updated references from "the Agency" to "Minnesota Housing";
- Clarified definitions in Appendix A: Definitions; and
- Removed unclear or optional language from required activities already being performed.

Due to the significant number of changes throughout the manual, attached is a clean version of the Manual. The red-lined version is available upon request.

Effective Date
Following board approval, the revised Single Family Junior Lien Servicing Manual would go into effect July 1, 2020.

[1] 5 of ~14,300 Minnesota Housing loans serviced by AmeriNat are Multifamily loans.

Single Family
Junior Lien Servicing Manual

July 1, 2020

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.

Table of Contents

Introduction **1**

Mission Statement *1*

Background *1*

Chapter 1 – Servicer Responsibilities and Warranties **2**

1.01 Procedural Manual *2*

1.02 Evidence of Misconduct Referred to Attorney General *2*

1.03 Termination of Agreement *2*

1.04 Representations and Warranties *2*

1.05 Net Worth *4*

1.06 Annual Reports *4*

1.07 Servicer Indemnification *5*

1.08 Fidelity Bond Coverage and Errors and Omissions Coverage *5*

1.09 Fidelity Coverage or Direct Surety Bond Limits *6*

1.10 Errors and Omissions Coverage Limits *6*

1.11 Changes in Servicer's Organization *7*

1.12 Transfers of Servicing *7*

1.13 Delinquency Performance *7*

Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting **8**

2.01 Fraud *8*

2.02 Misuse of Funds *8*

2.03 Conflict of Interest *8*

2.04 Suspension *9*

2.05 Disclosure and Reporting *9*

Chapter 3 – Servicer Performance **10**

3.01 Performance Evaluation *10*

3.02 Remedies *10*

3.03 Delinquency Performance Remedy *11*

3.04 Critical Intervention Remedy *11*

Chapter 4 – General Servicing **12**

4.01 Loan Servicing Types *12*

4.02 Customer Service *13*

4.03 Loan Set-up *13*

4.04 Notices of Liens or Legal Actions 14
4.05 Returned Mail 14
4.06 Bankruptcy Claims 14
4.07 Vacant or Abandoned Property 15
4.08 Borrower Name and Address Changes 15
4.09 Paid In Full Processing 15
4.10 Low Balance Loans 15
4.11 Servicing Loan File 15
4.12 Loan File Delivery and Document Custody 16
4.13 Record Retention 16
4.14 Access to Records and Format of Stored Material 17
4.15 Duplicate Copies of Computer Records 17
4.16 Subordinations 17
4.17 Subordination Reporting 18
4.18 Partial Releases and Easements 18
4.19 Assumptions 19
4.20 Transfer Disclosures 19
4.21 Servicemember Civil Relief Act (SCRA) 19
4.22 Notifying the IRS 20
Chapter 5 - Specific Loan Servicing Requirements 21
5.01 Amortizing Loans 21
5.02 Annual Account Statements 21
5.03 Deferred Loans 22
5.04 Specialty Servicing Features 23
Chapter 6 - Delinquent Loan Servicing 24
6.01 General Delinquent Servicing 24
6.02 Credit Bureau Reporting 24
6.03 Delinquency Trend Analysis 25
6.04 Collection Activities 25
6.05 Loss Mitigation 26
6.06 Foreclosure Analysis 29
6.07 Redeem First Mortgage 30
6.08 Loan Status Change 31
6.10 Statute of Limitations 32
Chapter 7 - Foreclosures and REO 33

7.01 Initiating Foreclosure 33
7.02 Property Inspections 33
7.03 Reinstatements 34
7.04 Power of Attorney 34
7.05 Sheriff's Sale 34
7.06 Bidding Instructions 34
7.07 Shortening the Redemption Period on Abandoned Properties 34
7.08 Redemption Procedures 34
7.09 Property Maintenance During the Redemption Period 35
7.10 Hazard and Flood Insurance 35
7.11 Insurance Losses 35
7.12 Real Estate Owned (REO) Management 37
7.13 REO Servicer Responsibilities 37
7.14 Reimbursement of Expenses 38
7.15 REO Loan Removal 38
7.16 Statement of Expenses (108 Form) 38
Chapter 8 - Accounting and Reporting 39
8.01 Loan Payment Records 39
8.02 Custodial Accounts 39
8.03 Application of Payments 39
8.04 Remitting Funds and Servicing Fees 40
8.05 Investor Reporting 41
Appendix A: Definitions 43
Appendix B: Subordination Details 45
Appendix C: 1099-C Filing Matrix 46
Appendix D: Forms List 48

Introduction

Mission Statement

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

Background

The Minnesota Housing Finance Agency ("Minnesota Housing") is the state's housing finance agency. For more than 45 years, Minnesota Housing has worked to provide access to safe, decent and affordable housing to build stronger communities across the state.

Chapter 1 – Servicer Responsibilities and Warranties

1.01 Procedural Manual

The Single Family Junior Lien Servicing Manual (this "Manual"), including changes, additions and exhibits, is a supplement to the Junior Lien Servicing Agreement (the "Agreement") executed between AmeriNational Community Services, LLC dba AmeriNat (the "Servicer") and Minnesota Housing. The Manual is incorporated into the servicing Agreement by reference.

Minnesota Housing reserves the right to:

- Alter or update any of these requirements
- Impose additional requirements
- Rescind or amend any or all materials effective as of the date of issue, unless otherwise stated

1.02 Evidence of Misconduct Referred to Attorney General

Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the servicing of the junior lien portfolio to the Minnesota Attorney General's Office for legal action.

1.03 Termination of Agreement

Minnesota Housing can terminate the Agreement at any time and can prevent the Servicer's future eligibility to contract with Minnesota Housing for reasons including, but not limited to, noncompliance with:

- This Manual
- The Agreement
- Federal Fair Housing Laws including the Fair Housing Act and the Equal Credit Opportunity Act
- Applicable state and federal laws, rules, and regulations

Minnesota Housing may impose other remedies for Servicer noncompliance.

1.04 Representations and Warranties

The Servicer agrees to follow all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the:

- Minnesota Residential Mortgage Originator and Servicer Licensing Act
- 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
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968)
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A)
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A
- Data Privacy - Minnesota Statutes Chapter 13
- 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 (Regulation Z)
- 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 and Procedures Act of 1974
- Fair Debt Collection Practices Act
- Maintain an affirmative action plan in compliance with MN Statute 363A.36
- Any federal and state data protection acts

In addition to the warranties and representations noted above, the Servicer also certifies the following:

The Servicer maintains adequate internal controls for the detection, mitigation and prevention of consumer harm and accounting inaccuracies including:

- Policies and procedures to make sure all servicing and accounting is conducted in compliance with all applicable laws, rules, or regulations
- A functional Code of Conduct or Ethics Program to detect and prevent illegal, fraudulent, or negligent acts by employees or contracted third parties, and a formalized process for the collection and resolution of consumer complaints, inquiries or reports of accounting and servicing practices including Unfair, Deceptive, Abusive Acts or Practices (UDAAP)
- All data pertaining to Minnesota Housing's portfolio is securely maintained and protected from any unauthorized access or errors and omissions by authorized users. Data is only handled by properly trained personnel according to Minnesota Housing's standards and all applicable laws, rules, and regulations.
- All information obtained in the course of servicing loans will not be used by the Servicer or by its officers, employees, agents, or affiliates in a manner inconsistent with the purpose that the information was collected, or in any way that can be construed as a conflict of interest. All information must be used in a manner consistent with any applicable laws or regulations on disclosure of the information.
- No officers, employees, agents, or affiliates of the Servicer may acquire a property or an outstanding loan that is included in Minnesota Housing's portfolio unless approved by Minnesota Housing

1.05 Net Worth

The Servicer must keep a net worth of at least $1,000,000 plus a dollar amount equivalent to one-quarter of one percent of the outstanding principal balance of its total portfolio of loans serviced for Minnesota Housing.

1.06 Annual Reports

The Servicer must give Minnesota Housing, within 90 days after the close of its fiscal year:

A description of its junior lien loan servicing procedures, including processing of payments, record keeping, accounting, and delinquency collection methods

A detailed organizational chart showing the persons responsible for the junior lien loan servicing operation of the Servicer, as well as brief resumes of all members of management

A description of any computer and automatic dialer telephone system hardware or software used in the servicing and default resolution of the loans

A copy of its annual financial statements and management letters. The annual financial statements must be prepared under generally accepted accounting principles, must be comparative with the previous year's reports, and must include:

- An opinion of an independent certified public accountant
- A balance sheet

- An income statement
- A statement of retained earnings
- A statement of cash flows
- All related notes

If the Servicer's financial statements are combined with those of its parent or holding company, they must contain enough detail that will enable Minnesota Housing to review the Servicer's financial data separately from that of the other companies.

1.07 Servicer Indemnification

The Servicer must indemnify, defend, and hold Minnesota Housing harmless against all losses, damages, judgments, or legal expenses that result from the Servicer's failure to perform its duties under the Agreement or this Manual.

If a claim is made or a suit or other proceeding is started against Minnesota Housing based on the Servicer's acts or omissions in servicing, or in disposing of REO Property, the Servicer's responsibility for indemnifying, defending, and holding Minnesota Housing harmless must be met whether the suit, claim, or proceeding has merit.

1.08 Fidelity Bond Coverage and Errors and Omissions Coverage

The Servicer must keep in effect, at all times and at its own expense, a fidelity bond and an errors and omissions insurance policy. This policy must insure the Servicer against losses resulting from dishonest or fraudulent acts committed by the Servicer's personnel, any individuals or employees of entities that provide data processing services for the Servicer, and any people or entities duly authorized to act on the Servicer's behalf. The fidelity bond also must protect against dishonest or fraudulent acts by the Servicer's principal owner. The Servicer must also obtain a direct surety bond to cover any officers (including its principal owner) if they cannot be covered by the fidelity bond.

The errors and omission insurance coverage must protect the Servicer against loss resulting from negligence, errors, or omissions committed by the persons required to be covered by the Servicer's fidelity insurance while performing their duties with respect to loans serviced by the Servicer.

Each fidelity bond or errors and omissions insurance policy must include the following provisions:

- Minnesota Housing is named as a loss payee on drafts the insurer issues to pay for covered losses incurred by Minnesota Housing
- Minnesota Housing has the right to file a claim directly with the insurer if the Servicer fails to file a claim for a covered loss incurred by Minnesota Housing

- Minnesota Housing will be notified at least 30 days before the insurer cancels, reduces, declines to renew, or makes a material change to the coverage
- The insurer will let Minnesota Housing know within 10 days after the insurer receives the Servicer's request to cancel or reduce any coverage

Minnesota Housing will accept coverage underwritten by an insurer that is rated A minus or better by the A.M. Best Company.

The Servicer must promptly report to Minnesota Housing all cases of embezzlement, fraud, criminal or dishonest acts by any employee, officer, or agent of the Servicer and claims made against any required insurance or bond.

No provision of this section requiring the Servicer to keep bond or insurance coverage must be used to diminish, restrict, or otherwise limit the Servicer's responsibilities and obligations in the Agreement and this Manual.

1.09 Fidelity Coverage or Direct Surety Bond Limits

Coverage must be in a minimum amount equal to a percentage of the Servicer's total servicing portfolio (i.e., loans serviced for itself and others and not limited to loans serviced for Minnesota Housing) by the following formula:

Coverage Required	Mortgages Serviced
$300,000 +0.150% of the next $400,000,000 +0.125% of the next $500,000,000 +0.100% of any amount over $1,000,000,000	$100,000,000 or less

A deductible clause can be for any amount up to the greater of $100,000 or five percent of the face amount of the bond.

1.10 Errors and Omissions Coverage Limits

Errors and omissions insurance coverage must be documented on policy forms commonly issued to institutions like the Servicer. The following are the minimum limits on the errors and omissions insurance coverage:

- $2,000,000 per claim or event
- $2,000,000 per aggregate

A deductible clause cannot exceed $50,000 without the written approval of Minnesota Housing.

1.11 Changes in Servicer's Organization

The Servicer must provide immediate notification to Minnesota Housing upon:

- Any contemplated major changes in its organization, such as a resignation of management personnel, mergers, reorganization, or consolidations
- Any change in organization names or office addresses
- Any changes of ownership of one-third or more of the stock of the Servicer or any parent entity, if the Servicer is a wholly owned subsidiary of another entity
- Voluntarily filing a petition under the Federal Bankruptcy Act or under any state bankruptcy or insolvency act
- An answer in an involuntary proceeding admitting insolvency or an inability to pay debts
- Any probation or restriction of the activities of the Servicer in any manner by an agency of the federal or state government

1.12 Transfers of Servicing

The Servicer cannot assign its servicing duties under the Agreement, or this Manual, to another entity without prior written consent of Minnesota Housing.

1.13 Delinquency Performance

The Servicer must manage all defaulted loan processes to minimize Minnesota Housing's losses and include early and continued good faith efforts to establish contact with a delinquent borrower, as required by applicable mortgage servicing rules. The Servicer must provide timely notice and accurate information to advise the borrower about available loss mitigation options and methods to cure the default.

Minnesota Housing may set benchmarks for loan delinquency rates and periodically adjust the benchmarks. The Servicer must manage all defaulted loan processes to maintain acceptable delinquency levels relative to the set benchmarks.

Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

2.01 Fraud

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 2.05.

2.02 Misuse of Funds

A loan or grant agreement is a legal contract. The recipient of funds promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the recipient of funds to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient of funds must use Minnesota Housing funds as agreed and the recipient of funds must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a recipient of funds; or (2) A recipient of funds cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any recipient of funds (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 2.05.

2.03 Conflict of Interest

A conflict of interest, actual, potential, or perceived, occurs when a person has an 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:

- A contracting party is unable, or potentially unable, to give impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out their responsibilities is or might be otherwise impaired due to competing duties or loyalties
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

Once made aware of a conflict of interest, Minnesota Housing will make a determination before committing or disbursing any further funds or processing an award. Determinations could include:

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

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived, or potential conflicts of interest through one of the ways described in section 2.05.

A contracting party should review its contract agreement and Request for Proposals (RFP) material, if applicable, for further requirements.

2.04 Suspension

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of suspended individuals and organizations.

2.05 Disclosure and Reporting

Activities required to be reported under this chapter may be made in any of the following ways:

- Minnesota Housing's Chief Risk Officer
- Any member of Minnesota Housing's senior management
- The Minnesota Housing hotline reporting service vendor, EthicsPoint, by calling toll-free 866.886.1274 to speak with a live operator or by visiting the EthicsPoint reporting webpage

Chapter 3 – Servicer Performance

3.01 Performance Evaluation

The Servicer's performance may be evaluated in the following areas:

Delinquency and Loss Performance

- Delinquency rates relative to the benchmarks
- Losses per defaulted loan

Funds Remittance and Reporting Requirements

- All borrower payments and Prepayments are applied promptly and correctly and the application of funds follows all applicable laws, rules, and regulations and Minnesota Housing's requirements
- Cash flow from operating accounts into custodial accounts follows Minnesota Housing's requirements
- Minnesota Housing is promptly given the required reports and statements
- Investor reporting reconciliation and delinquency reports are prompt and correct

Regulatory and Policy Compliance Requirements

- Modifications are applied properly and comply with all applicable laws, rules, and regulations and Minnesota Housing's requirements
- Borrower fees do not exceed statutory or prescribed limits
- Timely borrower notices are given
- For the transfer of servicing, the Servicer gives proper notice to the borrower, the new servicer, taxing authorities, and credit reporting agencies
- Loan set-up is completed promptly and correctly upon receipt of the loan documents or new loan certificate
- The Servicer must maintain financial and servicing eligibility such as FHA Title 1 servicing and reporting, if they service FHA Title 1 loans

Customer Service Performance

- Borrower telephone calls and written correspondence are answered within 48 hours
- Borrower inquiries and complaints receive complete and prompt investigations and responses, all correspondence and communication is in compliance with Minnesota Housing's requirements and state and federal laws

3.02 Remedies

When a Servicer's performance shows improvement is necessary in any of the areas of evaluation, the Servicer must take prompt action to correct the deficiency. Minnesota Housing

will contact the Servicer about performance deficiencies, as described below. Minnesota Housing reserves the right to take immediate action, up to and including immediate suspension or termination, as outlined in the Agreement, for failure to resolve performance deficiencies.

3.03 Delinquency Performance Remedy

If the Servicer's delinquency performance is significantly above the benchmark average for 60 days:

- Minnesota Housing may issue a warning letter to the Servicer advising them of the portfolio's status. The Servicer must cooperate with Minnesota Housing in a loan file review and any other information requested in the warning letter within the timeframe provided. Minnesota Housing will review the information provided and issue a letter explaining the corrective actions to be taken by the Servicer.
- If the Servicer's performance does not improve, or meet acceptable levels in the third consecutive month, Minnesota Housing will notify the Servicer and will require them to prepare an improvement plan. The improvement plan will give specific details to meet the benchmark within 60 days of written notification, or another improvement metric, as agreed to by Minnesota Housing.
- If the Servicer is unable to bring its delinquency rate to an acceptable level within six months of the first improvement plan, Minnesota Housing may take immediate action, up to and including the transfer of the portfolio
- Minnesota Housing may grant the Servicer an extension to deadlines established in the improvement plan if the Servicer demonstrates continuous improvement
- Minnesota Housing will deliver to the Servicer a 90-day notice, as required by the Agreement, stating the portfolio will be transferred due to non-performance. If the Servicer does not resolve the issue within the timeframe provided in the 90-day notice, the portfolio will be transferred to a different servicer as soon as feasible.

3.04 Critical Intervention Remedy

If the Servicer does not remit funds within the required timeframe:

- Minnesota Housing will issue a warning letter within 24 hours of non-remittance of funds.
- The Servicer has three days to resolve the issue by remitting the funds.
- If the Servicer is unable to resolve the issue within three days, or provide a suitable explanation for a further delay, Minnesota Housing may take further action.

Chapter 4 – General Servicing

4.01 Loan Servicing Types

Category	Program Name	Description
Amortized loans	Fix-Up Fund (FUF) and Community Fix-Up Fund (CFUF)	Property improvement loans to increase livability and energy efficiency
	Home Energy (HE)	Property improvement loans made to increase energy efficiency
	Revolving	Property improvement loans made to low- and moderate-income homeowners
	Single Family Rental Rehab	Property improvement loans made to residential property owners
	Multifamily Rental Rehab	Property improvement loans to residential rental property owners
	Foreclosure Prevention Assistance (FPAP)	One-time loans to individuals facing foreclosure
	Stand-alone Monthly Payment Loans (MPL)	Down payment assistance loans with compounding interest
Deferred Loans (may be forgivable)	Rehab	Property improvement loans to low-income homeowners
	HOME Rehab	Federally funded loans for property improvements to low-income homeowners
	Disaster	Rehabilitation loans to borrowers in state-declared disaster areas
	HOME Help	Federally funded loans for down payments and closing costs
	Deferred Payment Loans (DPL)	Down payment assistance loans

Deferred Loans (Non-Forgivable)	Rehab	Property improvement loans to low-income homeowners
	FPAP	One-time loans to individuals facing foreclosure
	Entry Cost Assistance (ECHO)	Loans for down payments and closing costs
	Community Homeownership Impact Fund (Impact Fund)	Loans to help communities keep or increase the supply of affordable housing
	Maple Grove Land Trust	Interest free loans to a specific community

4.02 Customer Service

The Servicer must maintain a toll free number the borrower can use to contact the Servicer and obtain information about the servicing of their loan.

The Servicer must communicate the availability of the toll free number in all communications with the borrower.

The Servicer must promptly respond to questions or concerns presented by Minnesota Housing staff, the borrower, or an authorized third party associated with any loans or activities.

The Servicer must send Minnesota Housing a bi-annual report containing written complaints received on Minnesota Housing loans they service. The report must contain loan identifying information, a description of the complaint, and the Servicer's response to the customer.

4.03 Loan Set-up

Minnesota Housing will provide a weekly report to the Servicer detailing loans purchased since the previous report. The report will have all information necessary for the Servicer to set-up the loans in their system.

The Impact Fund loans (Project 1515) will be sent after all necessary documents have been collected.

The stand-alone Monthly Payment Loans (Project 1914) must be set-up to calculate compounding interest.

4.04 Notices of Liens or Legal Actions

Minnesota Housing will send the Servicer any relevant legal notices it receives (e.g. bankruptcy notifications, superior lien holder foreclosure notifications). The Servicer must promptly take the action necessary to protect Minnesota Housing's interest and follow all applicable federal and state laws and regulations.

For Deferred Loans, once the Servicer determines a foreclosure redemption period has expired without a redemption that extinguished Minnesota Housing's lien, the Servicer must send the Advice of Action (171A) form to Minnesota Housing with a recommendation to move the loan to Noncollectable status.

4.05 Returned Mail

The Servicer must track all letters returned as undeliverable and conduct reasonable efforts to obtain a valid address for the borrower when it receives returned mail. If the borrower is deceased, and the Servicer has knowledge of heirs or successors in interest, the Servicer must attempt to contact the heirs or successors in interest or enter a probate proof of claim.

4.06 Bankruptcy Claims

The Servicer must have written procedures to effectively monitor the status of active bankruptcy proceedings and make sure any contact with the borrower is done in accordance with bankruptcy law and applicable servicing rules. The procedures must cover bankruptcies filed under Chapter 7, Chapter 12, and Chapter 13.

The Servicer's procedures must include, but are not limited to, the following:

- Requirements for filing a proof of claim, including how to prepare it, the timeframe for filing, etc.
- A process for evaluating and accepting proposed repayment plans
- Time limits for clearing the bankruptcy or receiving the first payment under a repayment plan and the actions to take if the time limits are not met
- Instructions on what actions must be taken if the bankruptcy trustee files a no-asset report or the borrower intends to sell the property or abandons their interest
- A process to investigate and defend against a Chapter 13 bankruptcy, lien strip, or cram down

The loan file must have a copy of the following bankruptcy documents:

- The notice of the first meeting of creditors
- The proof of claim
- The debtor's plan, pleadings, notices, etc.
- A notice of dismissal or discharge upon completion of the bankruptcy proceedings

4.07 Vacant or Abandoned Property

If a property is believed to be vacant or abandoned, the Servicer must attempt to contact the borrower to determine the reason for the vacancy. If unsuccessful, the Servicer must contact the first mortgage lien holder, if any, so the first mortgage lien holder can make arrangements to preserve the property.

4.08 Borrower Name and Address Changes

The Servicer will investigate any change in the name or address of the borrowers. The Servicer must determine if the home was rented or the ownership interest changed without the Servicer's or Minnesota Housing's prior notice or approval. In most cases, unauthorized transfers of title are a default of the terms of the mortgage and the Servicer must notify Minnesota Housing and start collection efforts.

4.09 Paid In Full Processing

Loan payoff requests must be processed and completed in two business days from receipt of the request. The Servicer is granted a limited power of attorney to execute subordinations and satisfactions of mortgages on behalf of Minnesota Housing. The Servicer must complete the handling of loan payoffs, including the execution and delivery of the satisfaction of mortgage. Processing payoff requests must be in compliance with any and all federal and state laws, rules, and regulations.

4.10 Low Balance Loans

If the unpaid principal loan balance is less than $10, and one attempt has been made to collect the balance, the Servicer must consider the loan paid in full and notify Minnesota Housing of the balance.

If the loan balance (principal and interest) is less than $250, and all collection and loss mitigation options have been exhausted, the Servicer must recommend writing off the loan and receive approval from Minnesota Housing.

If a loan balance (principal and interest) is less than $500, and all collection and loss mitigation options have been exhausted and the Servicer is unable to collect on the note debt due to bankruptcy or death of the borrower, the Servicer must recommend writing off the loan and receive approval from Minnesota Housing.

4.11 Servicing Loan File

The Servicer must keep a loan file for each Minnesota Housing loan it services. Each loan file must be clearly marked to show Minnesota Housing's interest in the loan and the loan number assigned by Minnesota Housing. All Minnesota Housing loan documents that become part of the servicing file and are kept by the Servicer are the property of Minnesota Housing.

The loan file must include:

- All documents initially received by the Servicer
- All subsequent documentation received from the investor or borrower such as legal notices, correspondence, forms, reports, and results of conversations relating to the loan

The Servicer must keep a detailed log of any communication or communication attempt, written or verbal, between the Servicer and the borrower related to the loan.

4.12 Loan File Delivery and Document Custody

Loans are originated in the name of the participating lender and purchased by Minnesota Housing. With the exception of Impact Fund loans described below, lenders are expected to give the Servicer the following items within five days of purchase by Minnesota Housing. The Servicer is required to collect the following:

- Original borrower application, including the borrower's phone number
- Original note endorsed to Minnesota Housing Finance Agency
- If a secured loan, a copy of the unrecorded mortgage and assignment
  - The lender will provide the Servicer the recorded mortgage and assignment (or lienholder card, if a mobile home) within 180 days of loan closing
- A copy of the Contractor Warranty form, if applicable
- A copy of the lender's certificate
- Any other loan documentation, as necessary

Impact Fund loans

Impact Fund loans are originated in the name of the lender. Minnesota Housing will deliver to the Servicer the:

- Original borrower application, including the borrower's phone number
- Original note endorsed to Minnesota Housing Finance Agency
- Recorded mortgage and assignment of mortgage
- Other existing file documents

Impact Fund loans will be transferred to the Servicer three to six months after closing.

4.13 Record Retention

The Servicer must protect the loan documents and any other records from accidental destruction and unauthorized access, alteration, or use.

The Servicer must keep the original loan note. Other documentation can be converted to an alternative storage media.

All records must be kept a minimum of seven years after the loan is paid in full, servicing is transferred, or moved to Noncollectable status. The Servicer can convert the servicing loan file to an alternative storage media for the retention period. The physical original note must be maintained in a file while the loan has an outstanding balance, after a loan no longer has a balance the note can be converted to an alternative media storage The Servicer must notify Minnesota Housing in writing at least 60 days before the final deletion or destruction of any records, including the loan file.

The Servicer must keep any accounting records for at least six years from the date of the expiration of the Agreement.

4.14 Access to Records and Format of Stored Material

The Servicer must deliver loan documents and other records requested by Minnesota Housing within two federal business days of receipt of the request, at the Servicer's sole expense.

The Servicer must maintain a complete list of the information stored for each loan and the format that the information is stored. The Servicer must promptly notify Minnesota Housing about any changes to the type of information stored or the storage format.

4.15 Duplicate Copies of Computer Records

The Servicer must keep duplicate copies of all stored information at a secure site physically separate from the Servicer's primary facilities. The records must be updated daily to show all separate transactions that occurred during the previous day. All duplicate copies are the property of Minnesota Housing and the Servicer must provide Minnesota Housing unrestricted access to the duplicate records.

4.16 Subordinations

The Servicer has a limited power of attorney to approve and execute subordinations in accordance with this Manual.

Subordination requests on loans with an unpaid principal balance of less than $1,000 or one percent of the new mortgage unpaid principal balance should be denied based on the low balance.

The Servicer will refer to Appendix B for subordination requirements by loan type and program.

After all required documentation is received, the Servicer must approve or deny the request within five business days.

Required Subordination Documentation

- The lender requested data sheet (a collection of relevant data on current loans along with relevant data on proposed loans)
- The current title opinion or title policy, dated within the last 30 days
- The current appraisal, dated within the last six months
- The Loan Estimate and most recent Closing Disclosure
- An itemization of home improvements, if applicable
- Proof of streamline refinances, if applicable. The title and appraisal requirements can be waived by the Servicer.

4.17 Subordination Reporting

The Servicer will give Minnesota Housing, by the 10th calendar day of the following month, a report containing the following information:

- Loan number
- Borrower name
- Loan type
- Reason for the subordination request and the received, approved, and completed dates
- Request denial date and reason
- Reason for exceeding the five business day requirement, if applicable

4.18 Partial Releases and Easements

The Servicer will process requests for:

- A partial release
- A release of personal property
- Easements
- A waiver of any right under a mortgage
- Consent to substantial alterations, removal, demolition, taking, or division of the mortgaged property
- Other matters relating to changes affecting the mortgage or mortgaged property

The following information and documentation is required for consideration:

- A detailed market analysis or appraisal clearly indicating the value of the entire mortgaged property and the value of the property after the requested modification

- A plat drawing, survey, or acceptable alternative documentation clearly outlining the mortgaged property in its entirety and identifying the area of modification
- The legal description of the easement or property to be released and the remaining mortgaged property
- The reason for the modification request
- The loan-to-value ratio must not increase after the partial release, easement, etc. The principal balance may be paid down proportionately, if needed, to satisfy this requirement. Minnesota Housing may approve exceptions to this provision on a case-by-case basis.

The Servicer must gather the relevant information for each circumstance and submit a recommendation to Minnesota Housing. Written approval from Minnesota Housing is required before the Servicer can proceed with any of the above actions.

The Servicer will keep all required documentation necessary for the approval or denial of these requests.

Minnesota Housing will not consent to the modification of the security for any mortgage if it will result in the material deterioration of Minnesota Housing's security.

4.19 Assumptions

Assumptions by third parties are not allowed on any Minnesota Housing loans, unless required by law. Under the terms of the note, Minnesota Housing loans must be paid in full upon the sale or transfer of any borrower's interest in the property. Exceptions may be considered under the following circumstances:

- A release of liability of a party to the mortgage
- An assumption by a surviving spouse or successor in interest

4.20 Transfer Disclosures

The Servicer must provide timely and correct disclosures to the borrower about the sale of the loan on behalf of Minnesota Housing and the transfer of mortgage servicing in accordance with the Truth in Lending Act (12 CFR § 1026.39) and Real Estate Settlement Procedures Act (12 CFR § 1024.33), respectively.

4.21 Servicemember Civil Relief Act (SCRA)

The Servicemembers Civil Relief Act (SCRA) provides a wide range of benefits for active duty military personnel. Dependents of servicemembers are entitled to protections in limited situations. The Servicer must follow the SCRA and make sure their employees are adequately trained about the options and protections available to servicemembers and their dependents under the SCRA.

The Servicer may accept the borrower's military orders to report to full-time active duty as written notice of eligibility.

Real property owned by a servicemember before military service that secures a mortgage cannot be sold, seized, or foreclosed upon during the period of military service and one year thereafter without a court order.

4.22 Notifying the IRS

The Servicer must correctly complete and file the IRS 1099-A and IRS 1099-C forms in the name of, and on behalf of, Minnesota Housing.

The following events trigger the reporting requirement for a 1099-A:

- Minnesota Housing acquires the mortgaged property at the end of the redemption period following a foreclosure sale or by deed-in-lieu of foreclosure
- A third party acquires the mortgaged property at a foreclosure sale
- The mortgaged property is abandoned, three months have passed, and foreclosure proceedings have not begun

The following rules must be followed for reporting on a 1099-C:

- A 1099-C does not need to be filed if:
    - The principal balance forgiven or written off is less than $600
    - All borrowers have been discharged from a personal bankruptcy during the term of the mortgage. If the borrower is discharged from a business bankruptcy this provision does not apply.

If the above two items do not apply, a 1099-C needs to be filed in the following circumstances:

- Granted hardship Forgiveness
- A short sale
- A business bankruptcy discharges the debt
- A loan that is six or more years past its maturity
- A probate proceeding that makes the debt unenforceable
- A loan that moves to Non-collectable status

The amount reported to the IRS must only be the principal balance forgiven and cannot include any interest or fees.

In the same calendar year, if the debt is cancelled in connection with the acquisition or abandonment of the same property securing the loan, filing a timely and correct IRS Form 1099-C will satisfy the requirement to file an IRS Form 1099-A.

The IRS forms must be filed in Minnesota Housing's name and on behalf of Minnesota Housing. Complete 1099 reporting required by the Servicer includes correct and timely filling of the 1099 reports to the IRS as well as sending physical copies of the required 1099 to the borrower.

The Servicer will provide Minnesota Housing a summary report of the borrowers that received a 1099 within 30 days of filing.

See Appendix C for further guidance, by loan type, on filing a 1099-C.

Chapter 5 - Specific Loan Servicing Requirements

5.01 Amortizing Loans

First Payment

At the time of origination of an amortizing loan, the originating lender instructs the borrower to make the first payment directly to the Servicer and is given a temporary payment coupon.

Periodic Statements

The Servicer must send the borrower periodic statements each billing cycle or a loan payment coupon book, as required by applicable regulations, covering at least the first 12 monthly payments.

The coupon book must be mailed to the borrower within 10 business days after the Servicer receives the loan from the originating lender.

If coupon books are used, the borrower must receive a new book, issued in subsequent years, at least 10 days before the anniversary date of the first payment.

If using monthly statements, the borrower must receive the monthly statements at least 10 days before each payment is due.

5.02 Annual Account Statements

The Servicer must send the borrower a statement of all activity during the past year for all amortizing loans. This statement can be used to satisfy the Internal Revenue Service (IRS) requirement for informing the borrower about the total interest received and reported to the IRS for the preceding year.

The annual statement must be given to the borrower by January 31st. The statement must include:

- The amount of interest the borrower paid during the past year

- The unpaid principal balance of the loan at the end of the year

5.03 Deferred Loans

Welcome Letter

The Servicer must send each new borrower a welcome letter within 10 business days of receiving the loan. The letter must include:

- The name, address, and toll free telephone number where the borrower can receive information about the servicing of the loan
- Information that identifies Minnesota Housing as the owner of the loan

Periodic Letters

As indicated on the matrix below, the Servicer must send a Periodic Letter to the borrower annually. The letter must include:

- The maturity date and conditions under which the loan becomes due and payable
- The name, address, and toll free telephone number where the borrower can ask for more information about the loan

Maturity Letter

As indicated on the matrix below, the Servicer must send a maturity letter to the borrower between 60 and 90 calendar days before loan maturity. The letter must include:

- The maturity date
- If owner-occupancy (ownership of the property as the principal place of residence for the entire term of the mortgage) is required, ask the borrower to verify their ownership by signing and returning the letter. Once the signed letter is returned, the Servicer must send the borrower a satisfaction with instructions to record the satisfaction with the appropriate county office. In the alternative, if the borrower verbally confirms they occupied the property during the required period the forgiveness may also be applied. The verbal occupancy verification must be documented in the file by the Servicer.
- If owner-occupancy is not required, a satisfaction of mortgage must be processed and sent to the borrower along with the maturity letter with instructions to record the satisfaction with the appropriate county office

Once a forgivable loan matures, and all terms of the loan are met, it is considered paid in full. The satisfaction of mortgage must be processed within 10 days and sent to the borrower with instructions to have the satisfaction recorded with the appropriate county office.

5.04 Specialty Servicing Features

The following table provides details for servicing Deferred Loans:

Category	Program Name	Welcome Letter	Periodic Letter	Maturity Letter
Deferred Loans (may be forgivable)	Rehab (projects 1530, 1802) HOME Rehab (project 1531) Impact Fund (project 1514)	✓	✓	✓
	Disaster (projects 1516-1520, 1594)	✓	✓	✓
	HOME Help (project 1526)	✓	✓	✓
Deferred Loans (Non-Forgivable)	Rehab (project 1530) Impact Fund (project 1515) FPAP, HECAT (projects 1522, 1523) ECHO (projects 1521, 1543)	✓	✓	✓
	Maple Grove Land Trust (project 1527)	✓	✓	✓

Chapter 6 - Delinquent Loan Servicing

6.01 General Delinquent Servicing

The Servicer must maintain policies and procedures reasonably designed to provide delinquent borrowers with access to personnel who can assist them with loss mitigation options, where applicable. The Servicer's policies and procedures must be designed to make sure, at a minimum, the following:

- Contact with the borrower complies with all applicable laws, rules, and regulations, including but not limited to, Early Intervention and Continuity of Contact rules, the Fair Debt Collection Practices Act, and the Telephone Consumer Protection Act
- A system that assigns personnel to a delinquent borrower by the time of the written delinquency notice or no later than the 45th day of the borrower's delinquency. Borrowers can reach assigned personnel who can respond to borrower inquiries, provide information about specific loss mitigation options available, how to complete and submit a Loss Mitigation Application or the status of any submitted application, and any applicable deadlines.
- A method for tracking the delinquency and foreclosure ratios for all Minnesota Housing loans serviced
- Timely issuance of applicable delinquency notices, consistent processing for handling partial payments, reporting delinquencies to credit bureaus, etc.
- Documentation of all collection efforts and borrower contact is maintained in the servicing file
- Servicing personnel are familiar with all applicable mortgage servicing and debt collection laws, rules, and requirements, as well as FHA and Minnesota Housing procedural and reporting requirements

6.02 Credit Bureau Reporting

The Servicer must maintain policies and procedures to ensure the accuracy and integrity of the information relating to consumers that it furnishes to a credit bureau.

The Servicer must investigate and resolve disputes related to credit reporting and respond in accordance with the Fair Credit Reporting Act and other applicable laws and regulations.

The Servicer should report every month to the major credit bureaus for all amortizing loans. The Servicer should not report to the credit bureaus on any Deferred Loans. The Servicer may use a cutoff date that allows time for payment corrections, returned checks, and other adjustments to be processed.

6.03 Delinquency Trend Analysis

The Servicer must prepare a semi-annual report (January and July) outlining trends in delinquency with an analysis of possible reasons for the trends. The Servicer will also outline proposed actions for responding to adverse trends and will, if necessary, recommend changes to Minnesota Housing's servicing policies needed to accomplish the proposed actions.

6.04 Collection Activities

For any borrower, the Servicer must, at a minimum, establish or make good faith efforts to establish live contact with the borrowers by the 36th day of delinquency and promptly inform them that loss mitigation options are available.

The Servicer must, at a minimum, provide borrowers with a written notice no later than the 45th day of delinquency. This notice must include:

- A statement encouraging the borrower to contact the Servicer
- The Servicer's mailing address and telephone number to access the personnel assigned to the borrower
- A statement providing a brief description and examples of loss mitigation options that may be available and how to get more information from the Servicer
- The website to access the HUD list of homeownership counselors or counseling organizations, and the HUD toll-free telephone number to access homeownership counselors or counseling organizations

In addition, the Servicer may consider using the following methods:

- A short-term forbearance or repayment plan
- Accepting partial payments
- A process to collect from the borrower's estate

Short-term forbearance

A short-term forbearance or reduction in payments may only be granted when the Servicer determines the borrower can bring the account current within 60 days. The Servicer should collect relevant supporting documentation.

This may be appropriate when:

- A sale or rental of the property is pending
- An insurance settlement is pending
- Assistance from a social agency has been arranged but funds have not been received
- More time is needed to formalize a repayment plan under another relief provisions

Accepting partial payments
The Servicer should generally accept partial payments; however, they may return partial payments, if needed, to complete a loss mitigation option or initiate foreclosure.

A process to collect from the borrower's estate (death and probate)
The Servicer must obtain:

- A copy of the death certificate
- A copy of the will or petition for probate, if applicable
- An inventory of the estate
  - Probate case opened: The Servicer must file a proof of claim within four months of the date of notice of informal appointment of the personal representative and the notice to creditors. The Servicer must contact the personal representative about the Minnesota Housing loan.
  - Probate case not opened: The Servicer must file a notice of demand with the county probate office.

6.05 Loss Mitigation

The Servicer must maintain policies and procedures designed to make sure personnel can provide correct information about the specific loss mitigation options available based on the borrower's circumstances.

Personnel must retrieve, in a timely manner, the complete record of the borrower's payment history and all written information provided by the borrower in connection with the Loss Mitigation Application. Complete applications are evaluated for all loss mitigation options available and a timely written notice of determination is provided in accordance with servicing rules and regulations.

The Loss Mitigation Application must document the borrower's hardship, including the reason for the financial difficulty, documentation of the borrower's most recent income (paystubs, SSI letter, etc.), two years tax returns, and two months bank statements. Any other relevant information should also be included.

Hardship situations may include, but are not limited to:

- Long-term or permanent disability or serious illness
- Involuntary job relocation over 20 miles
- Uninsured or under insured loss of the property

The death of the borrower is not considered a hardship for loss mitigation.

Loss mitigation tools available include:

- Loan modifications
- A repayment plan
- Special forbearance
- Forgiveness or settlement

A borrower's documented misuse of funds disqualifies a borrower for loss mitigation.

Loan modification
The servicer may consider a loan modification if a borrower has experienced a reduction in income, hardship, or other documented situation that affects their ability to make payments and a change to the terms of the loan would resolve the situation.

The Servicer must consider modification options in the following order of priority:

- Capitalize the delinquent amount and reamortize the loan
- Extend the term of the loan to a maximum of the original term of the loan
- Reduce the interest rate in steps to a minimum of 2%
- With written approval from Minnesota Housing, extend the term of the loan past the maximum term for the loan program

If a modification is appropriate, based on a complete review of the Loss Mitigation Application, the Servicer must:

- Require a trial payment period where the borrower makes three consecutive timely payments of the new payment amount. If the borrower fails the trial payment period, the Servicer must deny the modification.
- Request written approval from Minnesota Housing once the borrower has completed the trial period
- Coordinate execution of loan modification documents with the borrower and Minnesota Housing. The Servicer must retain copies in the servicing file.
- Supply the borrower with a new coupon book or monthly statements with the modified loan terms

Repayment Plan
The borrower pays a specified amount plus their regular monthly payments for an agreed upon number of payments to cure the delinquency.

If the delinquency is three months or less, a repayment plan can be an oral agreement. The Servicer must document the agreement in the loan file.

If the delinquency is greater than three months, a signed repayment agreement is required. The agreement must state the payment amount, due date, and the date the delinquency will be cured.

Special Forbearance
The Servicer reduces or suspends the borrower's monthly payments for a specified period of time. When the forbearance ends, the borrower must enter into a Repayment Plan. Special forbearance may be considered for:

- The death or serious illness of the borrower or an immediate family member
- A natural disaster
- Other documented circumstances that may call for a temporary relief provision

The Servicer must request written approval from Minnesota Housing before agreeing to a special forbearance with the borrower.

The special forbearance must be in writing and state the period of reduced or suspended payments. The borrower must agree to a Repayment Plan. The term of special forbearance should end no later than six months from the date of the first reduced or suspended payment but the Servicer may consider longer terms for special circumstances.

Forgiveness or settlement
Selling Property
A loan can be partially or completely forgiven in the following circumstances when the borrower:

- Cannot sell the home for the total debt. The value must be documented with an appraisal.
- Submits a Loss Mitigation Application with a valid hardship

First mortgagee to take a deed-in-lieu
Minnesota Housing will consider releasing its lien if all of the following conditions are met:

- All collection efforts have been exhausted
- The property is worth less than what is owed to Minnesota Housing and superior lien holders based on an appraisal or other creditable evaluation method
- The borrower conveys marketable title to a first mortgage holder

The Servicer has considered redeeming the property per section 6.07 and determined it does not meet the guidelines.

- An acceptable settlement offer should be calculated using the following guidelines:
  1. The settlement amount should be based on 12% of the principal and interest amount
  2. A minimum offer will be $1,500 and an maximum amount of $3,000
  3. In addition to the above calculated amount, the borrower must not receive cash back. If the first mortgage is FHA insured, Minnesota Housing will accept the maximum junior lien settlement amount allowed by HUD. The Servicer must ask the first mortgage holder if the borrower is expected to receive consideration such as relocation assistance from HUD. If so, the Servicer must demand one half of the consideration in exchange for releasing the lien on the property in addition to the amount determined in #1 and #2 above.

  The maximum settlement amount of the above should not exceed the principal and interest amount of the loan.

The Servicer must submit the offer to Minnesota Housing for approval.

Early Forgiveness
If the borrower leaves a property secured by a forgivable loan before the maturity date, the payoff can be reduced by the prorated amount. To be eligible, the borrower must submit a Loss Mitigation Application with a valid hardship.

The proration is calculated by dividing the months the borrower lived in the property by the term of the loan in months. The resulting fraction is multiplied by the outstanding balance owed to determine the amount subtracted from total debt.

The Servicer must notify the borrower of the possibility of tax consequences if any part of the outstanding debt is forgiven and refer the borrower to IRS guidelines for more information.

The Servicer must receive the Loss Mitigation Application and written approval from Minnesota Housing prior to processing the Forgiveness.

Once a settlement or Forgiveness is approved, the Servicer must execute a release of lien and it send to the borrower. An Advice of Action (171A) must be completed after approval and sent to Minnesota Housing.

6.06 Foreclosure Analysis

After all collection and loss mitigation options have been exhausted, the Servicer should review for the possibility of foreclosure on amortizing loans by obtaining an Owner's and Encumbrances (O&E) report and a Broker's Price Opinion (BPO) report only if all of the following conditions exist:

- The loan balance is greater than $10,000

- The property is abandoned
- The borrower is unable or unwilling to make the payments
- No other workout solution is practical
- No known environmental hazards affect the security of the property
- The property has sufficient equity to justify the liquidation expense

The Servicer must notify Minnesota Housing if the O&E and BPO reports verify:

- Minnesota Housing is in first lien position: the probable sales price of the property in an "as is" condition is at least $10,000 more than the unpaid principal balance of the loan
    - Minnesota Housing is in a junior lien position: the probable sales price of the property in an "as is" condition is at least $15,000 more than the total of the unpaid principal balance of all superior liens

6.07 Redeem First Mortgage

If the Servicer receives notice of foreclosure from a senior lien holder, the Servicer must explore the possibility of redeeming only if all the following conditions are met:

- A senior lien holder started the foreclosure process
- Minnesota Housing's loan balance is greater than $2,500
- The borrower is unable or unwilling to make the payments
- The property has sufficient equity to justify the liquidation expense

If all of the preceding conditions are met, the Servicer must verify the probable sales price of the property in an "as is" condition is at least $10,000 more than the total of the cost of redemption and the unpaid principal balance of all senior liens. The Servicer must submit the following documentation to Minnesota Housing for review:

- A title or Ownership &Encumbrance report
- The market analysis or Brokers rice pinionA picture of the mortgaged property including interior pictures, if possible
- The senior lien holder's statement of the amount to redeem

When Minnesota Housing's written approval is received, the Servicer is responsible for coordinating a redemption, in accordance with all applicable laws, rules and regulations.

The Servicer must:

- Obtain an updated redemption statement two weeks before the end of the borrower's redemption period
- Send the Redemption Statement to Minnesota Housing and foreclosure counsel
- Request written approval of all attorney fees from Minnesota Housing

Minnesota Housing will:

- Send a check to the foreclosing attorney for the redemption amount
- Give the Servicer notice of the redemption within one business day of the redemption

6.08 Loan Status Change

When the Servicer has exhausted all collection and loss mitigation efforts and foreclosure is not recommended, the Servicer must recommend changing the loan status as described below. The Servicer must complete the Advice of Action (171A) form and include relevant supporting documentation with the recommendation.

Inactive Loan Status

If the borrower has stopped making payments on an amortizing loan and has either an enforceable lien or note, Inactive Loan status must be recommended. This will remove the loan from delinquency status and the loan will remain on the trial balance. A loan must be moved to an Inactive Loan status under the following conditions:

- The borrower has not demonstrated a willingness to work with the Servicer to correct the delinquency; and
- The principal and interest amount is greater than $250.

For loans that do not have an enforceable note but have a lien and a principal and interest balance of under $500, the Servicer can recommend to Minnesota Housing that the loan be moved to Noncollectable.

The Servicer must continue with the following collection activities:

- Send out a statement to the borrower every month
- Attempt telephone contact with the borrower once a year
- Follow-up with the bankruptcy trustee for loans that are in bankruptcy

Revenue Recapture

The Servicer must recommend Revenue Recapture on any loan moved to an Inactive Loan status under the following conditions:

- An enforceable note

- An amortizing loan
- The borrower is not deceased
- No active bankruptcy proceeding
- The unpaid principal and interest is more than $250. If the unpaid principal and interest is under $250, the Servicer should recommend moving the loan to Non-collectable.

Revenue Recapture claims include interest through the date of the completion of the Advice of Action (171A) form. Minnesota Housing will send intercepted funds to the Servicer.

Minnesota Housing will notify the Servicer if the Revenue Recapture claim is satisfied by intercepted funds and instruct the Servicer to write off any remaining balance.

Payments Received
The Servicer must notify Minnesota Housing of any borrower payments received that are not a result of Revenue Recapture. All funds must be applied to the loan.

The Servicer must notify Minnesota Housing when any Inactive Loan is paid in full, a borrower files bankruptcy, or if the borrower comes current through loss mitigation or otherwise. This applies to both Inactive Loans with or without Revenue Recapture.

Noncollectable Status
A loan must be moved to Non-collectable if:

- All collection efforts have been exhausted
- Unable to utilize Revenue Recapture
- Unsecured, deferred, or the lien has been extinguished

The Servicer must report amortizing loans to the credit bureaus as charged off and adjust the loan balance to zero. For Deferred Loans, no credit reporting will be needed to adjust the loan balance to zero. The Servicer must complete the Advice of Action (171A) form and include the principal balance and balance written off.

6.10 Statute of Limitations

The Servicer will cease all collection activity six years from the later of the maturity date or the borrower's last voluntary payment. The Servicer must send Minnesota Housing an Advice of Action (171A) moving the loan to Non-collectable.

Chapter 7 - Foreclosures and REO

7.01 Initiating Foreclosure

After receiving Minnesota Housing's approval, the Servicer must process foreclosures according to all applicable laws, rules, and regulations, and in compliance with all of Minnesota Housing's requirements. The Servicer must follow Minnesota Statute 500.245 "Right of first refusal for agricultural land".

The Servicer must confirm any third party counsel does not have a conflict of interest. The Servicer is held responsible for making sure the third party counsel follows required timelines and does not exceed Fannie Mae's non-judicial foreclosure fee schedule. Judicial foreclosures or other additional fees must receive prior written approval by Minnesota Housing.

The Servicer must send the borrower all notices required by the mortgage and all applicable federal and state laws, rules, and regulations regarding foreclosure.

7.02 Property Inspections

The Servicer must inspect the property before initiating foreclosure and at least once every 30 days after the foreclosure is initiated. The Servicer must notify Minnesota Housing in writing about the following for the property:

- Occupancy status and, if vacant, winterize (if between October 1 – March 31)
- Environmental hazards
- If located in a high vandalism area
- If condemned by the city
- If emergency repairs are needed (roof leak, flooding, etc.)
- If agricultural land

7.03 Reinstatements

The Servicer can accept the full amount due for reinstatement as long as a sheriff sale has not been held. The Servicer must notify Minnesota Housing of all reinstatements. The amount of the reinstatement should include:

- All outstanding principal, interest, and late charges
- Any funds advanced for emergency repairs
- All allowable fees incurred. Minnesota Housing will not reimburse fees if they could be recovered from the borrower.

7.04 Power of Attorney

A foreclosure must be completed in Minnesota Housing's name as owner of record and a power of attorney will need to be executed by Minnesota Housing for each foreclosure.

7.05 Sheriff's Sale

The sheriff's sale must be held within six months from the execution of the power of attorney unless the Servicer needs additional time to follow Minnesota Statutes. The Servicer must notify Minnesota Housing when the sheriff's sale is scheduled, postponed, held as scheduled, or canceled, and perform a property inspection within 15 days of the sale.

7.06 Bidding Instructions

The Servicer must issue bidding instructions to the foreclosing attorney. Any proceeds received from a hazard insurance loss settlement should reduce the bid amount. The bid amount must include the full amount of the indebtedness, including:

- The unpaid principal balance
- Accrued interest to the date of the sale
- Advances for taxes and insurance
- Any other foreclosure costs, including all allowable attorney fees, property preservation fees, and inspection fees

7.07 Shortening the Redemption Period on Abandoned Properties

If the property is abandoned, the Servicer must pursue shortening the redemption period to five weeks, as provided in Minnesota Statute 582.032.

7.08 Redemption Procedures

After receiving the redemption funds, the Servicer must send the funds, the Redemption Statement (114) form, and an Advice of Action (171A) form to Minnesota Housing. The Servicer is responsible for coordinating the redemption.

If additional advances are made after the sheriff's sale, the foreclosing attorney must prepare and file an Affidavit of Additional Amounts with the sheriff to add the advances to the redemption amount.

7.09 Property Maintenance During the Redemption Period

The Servicer is responsible for property maintenance to ensure the acceptable condition and appearance of the mortgaged property during the redemption period. Property maintenance includes, but is not limited to, winterization and snow removal (between October 1 and March 31), grass cutting, and exterior or hazardous trash removal. Fees that exceed Fannie Mae's Property Preservation Matrix must have prior written approval from Minnesota Housing.

The Servicer must secure abandoned mortgaged property by:

- Changing all exterior locks
- Securing all windows and exterior doors
- Arranging for utilities to be transferred to and paid by the Servicer

If the property needs to be boarded up, due to a high vandalism area, contact Minnesota Housing for approval.

The Servicer must maintain the property until Minnesota Housing assigns a real estate agent.

Property Preservation Fees

Property preservation fees in excess of $500 need prior written approval from Minnesota Housing.

7.10 Hazard and Flood Insurance

The Servicer must make sure adequate insurance is maintained on the property throughout the foreclosure process until Minnesota Housing sells the property. If the Servicer has a reasonable basis to believe the borrower has failed to maintain adequate insurance, the Servicer should proceed with notification and assessment of force-placed insurance, in accordance with all relevant laws, rules and regulations.

7.11 Insurance Losses

If the Servicer becomes aware of an insurance loss, they must promptly notify Minnesota Housing. If there is a superior lien, the Servicer must contact the lien holder to confirm they will be managing the insurance loss.

If Minnesota Housing is in first lien position, the Servicer must obtain complete details of the damage, confirm the borrower has filed an insurance claim, and determine if the borrower intends to repair the property. If the Servicer is unable to contact the borrower, they should contact the insurance carrier to determine if the borrower has submitted a claim.

If the borrower has not filed an insurance claim, the Servicer is responsible for filing a loss claim in accordance with the insurance policy and collecting the insurance proceeds on Minnesota Housing's behalf.

Handling the Insurance Loss Settlements

The proceeds of an insurance settlement, including any excess proceeds after restoration, must be applied in accordance with provisions contained in the mortgage. The Servicer must document all facts about the loss and the application of proceeds in the loan file. Minnesota Housing must be named as payee on all insurance loss drafts. The Servicer will endorse the loss drafts on Minnesota Housing's behalf.

- Loss of $10,000 or less: The Servicer is required to obtain a copy of the insurance adjuster's worksheet, a copy of the contractor's estimate, and a signed affidavit from the borrower agreeing to apply the insurance proceeds to the restoration of the damaged property. If there is no delinquency or other servicing problem, the Servicer will disburse the proceeds to the borrower and document the plans for restoration.
- Loss exceeding $10,000: The Servicer will place all insurance proceeds in a suspense account. The Servicer must to obtain a copy of the insurance adjuster's worksheet and an executed affidavit from the borrower agreeing to apply the insurance proceeds to the restoration of the damaged property. A stipulated sum agreement form, or similar document, must be executed between the owner of the property and the contractor(s) selected to restore the property. The Servicer must review the stipulated sum agreement form to make sure it provides, at a minimum, the following:
    - The dwelling, as repaired or restored, will not reduce Minnesota Housing's security interest
    - The construction will be completed within 90 days from commencement
    - The contractor maintains adequate fire, hazard, liability, and workmen's compensation insurance coverages
    - The contractor will deliver lien waivers and sworn construction statements for each requested draw
    - The disbursements will be in amounts that protect MInnesota Housing's interest. An analysis is required to make sure the draw request is reasonable. The final disbursement must only be made after a physical inspection verifying the successful completion of construction.

- A total loss: if the property sustains a total loss or near total loss the proceeds must be applied against the outstanding debt in accordance with the mortgage

The Servicer must adhere to all applicable laws, rules, and regulations regarding the application of insurance proceeds and prudent practices relating to notification, inspection, and approval. The Servicer must take reasonable action to protect the priority of the mortgage, such as obtaining lien waivers.

Uninsured Losses: In the event of an uninsured loss to the mortgaged property, the Servicer will:

- Determine the extent of the damage
- Secure the property, if it is abandoned
- Send a complete report of the damage to Minnesota Housing

7.12 Real Estate Owned (REO) Management

The Servicer must discontinue ordering property inspections once the redemption period expires or Minnesota Housing has redeemed a first mortgage and appointed a real estate agent to assume certain property management responsibilities. The Servicer will continue to be responsible for:

- Arranging eviction proceedings with the foreclosing attorney
- Advancing funds to pay:
  - Real estate taxes
  - Insurance premiums
  - Utility bills
  - Reimbursement for authorized vendor and broker expenses

Minnesota Housing may ask the Servicer to do property management work normally assigned to a real estate agent.

When Minnesota Housing has sold and closed the REO property, Minnesota Housing will notify the Servicer to cancel the insurance coverage and send the statement of expenses (108 form).

7.13 REO Servicer Responsibilities

- If a property is occupied, the Servicer must send a vacate reminder to the occupants of the property 30 days before the end of redemption. Two weeks before the end of redemption, the Servicer must inspect the property to determine the occupancy status.
- When the property becomes vacant, the Servicer is responsible for winterizing the property. Winterization on all of Minnesota Housing's vacant Acquired Properties must be completed beginning October 1 through March 31.
- If the property continues to be occupied when the redemption period expires, the Servicer must prepare and send a vacate letter to the occupants within three business

days of the redemption expiration. If necessary, the Servicer must arrange for an eviction with the foreclosing attorney.

- The Servicer must keep adequate hazard insurance coverage on the property. The Servicer must advance all insurance premiums and property taxes.
- If the REO property is part of a condominium or Home Owners Association (HOA), the Servicer must contact the management company to ensure all future bills for owner's association, assessment, or other fees are sent to the Servicer. The Servicer must determine the allowable amount and period of time Minnesota Housing is liable for payment of the HOA dues under Minnesota Statutes sections 515B.3-116. All HOA payments must be approved by Minnesota Housing prior to payment.

7.14 Reimbursement of Expenses

Approved third party vendors (real estate agents, contractors, attorneys, etc.) will request reimbursement of their expenses by submitting supporting documentation to the Servicer for payment.

The Servicer must disburse the reimbursement within five business days of receipt of the request.

7.15 REO Loan Removal

The Servicer must remove the principal balance from its trial balance when:

- Minnesota Housing receives all outstanding funds
- The Servicer receives final reimbursement of its expenses

7.16 Statement of Expenses (108 Form)

The Servicer may request reimbursement of any funds advanced on behalf of Minnesota Housing during the loss mitigation or foreclosure process by sending Minnesota Housing a statement of expense (108 Form).

- The request must be within 60 days of the REO sale.
- If warranted, a supplemental statement of expense may be submitted for unforeseen expenses that occur after the first statement of expense has been paid.

Chapter 8 - Accounting and Reporting

8.01 Loan Payment Records

The Servicer must keep permanent accounting records for each loan. The records must clearly indicate Minnesota Housing's ownership and loan number.

The Servicer's loan accounting system must be capable of producing an account history for each loan. The account history must be listed in chronological order and give the following information:

- The date each payment was received, the amount of the payment, how the payment was applied (principal, interest, etc.) and the date the payment was paid through
- The cumulative amount of interest paid
- The transaction date, the amount and nature of each disbursement, adjustment or any other transaction affecting the current outstanding principal

The accounts and records relating to a loan must be kept under sound and generally accepted accounting practices, and in a manner that will let the representative or designee of Minnesota Housing, at any time, examine and audit the accounts and records.

8.02 Custodial Accounts

The Servicer must set-up and keep a separate custodial bank account for Minnesota Housing. The custodial account must be at a depository institution that is FDIC insured or insured by another federal institution. Each custodial account name must be as follows:

- "(Servicer name), trustee for Minnesota Housing Finance Agency"

Only one custodial account is required by Minnesota Housing. All funds (principal, interest) held for the account of Minnesota Housing can be deposited into this one account. The Servicer must credit all receipts to the custodial account no later than the first business day following receipt.

8.03 Application of Payments

The Servicer's procedures for applying and accounting for individual loan payments must follow the procedures described below. No modification, deviation, or exception in any form or manner to the procedures described below on applying payments is permitted unless previously approved in writing by Minnesota Housing. The procedures specified provide the necessary accounting control.

For all loans except MPL Standalone and DPL Standalone (Projects 1914 and 1915), interest calculations must be made using a simple interest, 365-day year formula calculated from the date of the last payment to the date of the current payment.

For MPL Standalone and DPL Standalone (Projects 1914 and 1915), interest calculation must be compounded (as is usual for a first mortgage lien).

Regular Monthly Payments

The regular monthly loan payment must equal or exceed the monthly constant of principal and interest.

An individual payment must first be applied to interest and the rest of the payment must be used to reduce the unpaid principal balance.

The Servicer must contact the borrower if they have a question about applying a payment received in excess of the full monthly payment. If the borrower is unresponsive, use the excess funds to reduce the unpaid principal balance.

Partial Prepayments

Partial Prepayments of principal in any amount can be accepted by the Servicer at any time without prior notice, as long as the loan is current.

For delinquent loans, funds are applied first to interest owed and the rest of the payment is used to reduce the principal balance.

A payment from a Minnesota Housing lender as a return of undisbursed principal must be applied to the principal reduction without extending the due date.

Prepayment in Full

The Servicer must determine and accept the amount required to completely prepay the loan. The payoff amount and amount remitted to Minnesota Housing must include:

- The unpaid principal balance
- Unpaid Interest (charged up to, but not including, the date of the payoff of the loan)

No Prepayment penalties exist on any Minnesota Housing loans and cannot be charged.

Reapplication of Prior Payments

The Servicer cannot, without the prior written approval of Minnesota Housing, reapply Prepayments to pay delinquent installments.

8.04 Remitting Funds and Servicing Fees

Principal and interest collections and payoffs should be remitted to Minnesota Housing the first business day following receipt. The summary forms should breakdown each wire by loan program. Minnesota Housing will provide the program and account numbers. Remittance summary forms should be emailed to the trustee and Minnesota Housing.

Amortized loans
Funds are wired directly to the trustee, Wells Fargo Bank, unless other arrangements are approved by Minnesota Housing.

Deferred loans
Funds are wired directly to the state of Minnesota, unless other arrangements are approved by Minnesota Housing.

Servicing fees
The Servicer must submit a written invoice for this fee to Minnesota Housing for payment. If the Servicer is entitled to additional fees, they must be detailed by line item for each loan on the monthly servicing invoice.

8.05 Investor Reporting

Minnesota Housing needs certain reports prepared at definite times. The cut-off date for monthly reporting is the last business day of the month. All reports must be sent electronically in a format acceptable to Minnesota Housing. The reports are due within two business days of the cut-off date. The Servicer must make sure that all reports are prepared correctly and submitted promptly. The reports must be separated by program and then by category within the program. Minnesota Housing's Accounting Department will give specific guidance if needed.

Failure to follow the reporting schedule is considered a violation of the Servicer's responsibilities and is a violation of the Agreement and this Manual. The following is the list of required reports:

- Trial Balances
- New Loans – Monthly
- Service Fee Statement
- Alphabetical Active Borrower(s)
- Delinquency Summary
- Delinquency Summary by Lender
- Prepayments
- Cash Flow
- Weighted Averages
- Cumulative Cash Receipts
- Reconciliation Report
- Monthly Remittance

- Monthly Remittance Summary
- Weighted Average Life of Loan

The Servicer must provide other reports or data interfaces as reasonably requested by Minnesota Housing.

Appendix A: Definitions

TERM	DEFINITION
REO	A property Minnesota Housing has title to through foreclosure or acceptance of a deed-in-lieu of foreclosure.
Cash Out	Proceeds used to pay any item that is not a lien against the property. Net to and from borrower, as listed on the Closing Disclosure, is not to exceed one percent of the new first mortgage amount on no-Cash Out refinances.
Contractor Warranty	A document where the contractor warrants workmanship of home improvements.
Deferred Loan	A non-amortized loan that is due and payable at a later date or upon the occurrence of an event at a later date and which may have provisions that allow the principal amount to be partially or totally forgiven.
Forgiveness	Debt that is considered fully or partially satisfied without monetary payment.
Loss Mitigation Application	A package containing requested financial information about the borrower. The package is used to evaluate the borrower for loss mitigation, settlement, or other Minnesota Housing considerations. Items requested include: • A written statement from borrower explaining circumstance • A copy of recent paystub including year to date information • The last two years of tax returns • The last two months of bank statements • Financial statement signed by the borrower
Inactive Loan	A non-performing loan with an enforceable lien or promissory note where foreclosure is not a practical option.
Noncollectable	Loans that, after the application of any remedies outlined in this Manual, do not result in collection on the note.
Prepayments	Principal Prepayments received on a loan before the maturity date that brings the loan balance to

	$10 or less.
Revenue Recapture	A way of collecting state agency debts by intercepting state income and property tax refunds or credits and lottery winnings.
Suspense Account	Any account that the Servicer uses to hold unapplied funds on a borrower's account.

Appendix B: Subordination Details

Subordination Details[2]	**Programs**									
	Amortizing			**Deferred**						
	FUF	CFUF	MF Rental Rehab	Rehab	Disaster	Impact Fund	HOME Help	FPAP/HECAT	ECHO	Maple Grove
Limited to refinances of the first mortgage at prevailing market rates and fees	X	X	X	X		X	X	X	X	
Proposed rates and fees must be the lowest for the borrower's risk category	X	X	X	X	X	X	X	X	X	
The loan must be current and not in default of its terms (i.e. occupancy status, past maturity)	X	X	X	X	X	X	X	X	X	
Proposed Combined Loan-to-Value (CLTV) ratio does not exceed 110 percent	X	X	X	X		X		X	X	
Property taxes must be current	X	X	X	X	X	X	X	X	X	
If balloon	X	X	X							

[2] Minnesota Housing may approve or deny a subordination on a case-by-case basis due to extenuating circumstances.

mortgage, the balloon payment must be due after the current maturity date										
Cash Out Conditions										
No Cash Out: Net to borrower not to exceed one percent of the new first mortgage							X	X	X	
Debt consolidation: All debts to be paid off documented and are paid through the Closing Disclosure	X	X								
Home improvements: All improvements must be itemized	X	X	X							
Used for basic home repairs or improvements, given an escrow account is set-up to handle disbursements				X		X				
No cash out restrictions					X					X

Appendix C: 1099-C Filing Matrix

	Require a 1099-C due to Statute of Limitations (SoL)	**Require a 1099-C due to Forgiveness, settlement or short sale (Agreement)**	**Require a 1099-C due to Noncollectable (Policy)**	**Require a 1099-C due to Bankruptcy (Business Only)**	**Report to Credit**
MPL Standalone	Yes, unless BK*	Yes, unless BK	Yes, unless BK	No	Yes
DPL Standalone	Yes, unless BK	Yes, unless BK	Yes, unless BK	No	Not Reported
Deferred forgivable programs	No	Yes, unless BK	Yes, unless BK	If business, Yes	Not Reported
Deferred nonforgivable programs	Yes, unless BK	Yes, unless BK	Yes, unless BK	If business, Yes	Not Reported
FUF/CFUF amortizing loans	Yes, unless BK	Yes, unless BK	Yes, unless BK	No	Yes
Rental Rehab - MF (Business)	Yes, unless BK	Yes, unless BK	Yes, unless BK	Yes	Yes

*BK means Bankruptcy

Appendix D: Forms List

Loan Modification and Extension Agreement
Advice of Action (171A)
Redemption Statement (114)

This page intentionally left blank.

MINNESOTA HOUSING

Board Agenda Item: 7.B
Date: 6/25/2020

Item: Resolution Authorizing Issuance and Sale of Rental Housing Bonds, 2020 Series A (Hilltop Cottages)

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@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:
Staff is requesting authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed $4,610,000, and will be used to acquire and finance the acquisition and construction of a 35-unit rental housing development located in Pine City, Minnesota. The Agency expects to price and issue these Rental Housing bonds in late July; the attached Preliminary Official Statement describes the entire transaction.

Fiscal Impact:
The Agency will earn an interest rate spread while these bonds are outstanding, and will also receive certain fee income as part of the closing of the bridge loan financed with the bonds proceeds. In addition, the Agency will receive additional interest earnings and certain fee income in conjunction with providing a long-term end loan as part of the permanent financing for the project.

Meeting Agency Priorities:
☐ Improve the Housing System
☒ Preserve and Create Housing Opportunities
☐ Make Homeownership More Accessible
☐ Support People Needing Services
☐ Strengthen Communities

Attachment(s):
- Preliminary Official Statement
- Resolution

PRELIMINARY OFFICIAL STATEMENT DATED JULY __, 2020

NEW ISSUE

Ratings: Moody's: "__"
S&P: "__"

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

MINNESOTA HOUSING

$4,610,000*
MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2020 Series A (Non-AMT)

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

Tax Exemption	Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)
Redemption	The Agency may redeem all or a portion of the Series Bonds by optional or special redemption 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 a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")
Interest Payment Dates	February 1 and August 1, commencing February 1, 2021.*
Denominations	$5,000 or any integral multiple thereof.
Closing/Settlement	On or about July ___, 2020* through the facilities of DTC in New York, New York.
Bond Counsel	Kutak Rock LLP.
Underwriter's Counsel	Dorsey & Whitney LLP.
Trustee	Wells Fargo Bank, National Association, in Minneapolis, Minnesota.
Book-Entry-Only System	The Depository Trust Company. (See Appendix F herein.)

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

RBC Capital Markets

The date of this Official Statement is

__, 2020.

*Preliminary; subject to change.

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

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE AND PRICE*

$4,610,000* 2020 Series A Bonds

Maturity Date	Principal Amount	Interest Rate	Price	CUSIP**
August 1, 2022*	**$4,610,000***	**____%**	**100%**	

*Preliminary, subject to change.

**CUSIP number has been assigned by an organization not affiliated with the Agency and is included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of this CUSIP number, nor is any representation made as to its 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.

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

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

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter 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.

TABLE OF CONTENTS

INTRODUCTION 4
THE AGENCY 5
THE DEVELOPMENT 14
THE SERIES BONDS 15
SECURITY FOR THE BONDS 16
THE RENTAL HOUSING PROGRAM 19
OTHER PROGRAMS 27
TAX EXEMPTION AND RELATED CONSIDERATIONS 28
LITIGATION 30
LEGAL MATTERS 31
FINANCIAL ADVISOR 31
RATINGS 31
UNDERWRITING 31
MISCELLANEOUS 32

APPENDIX A
DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS AND MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION INCLUDING THOSE INTENDED TO BE FINANCED WITH PROCEEDS OF THE SERIES BONDS A-1

APPENDIX B
AUDITED FINANCIAL STATEMENTS OF THE AGENCY AS OF JUNE 30, 2019 ..... B-1

APPENDIX C
FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY (EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS) AS OF MARCH 31, 2019 AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED) C-1

APPENDIX D
SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING D-1

APPENDIX E
SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION E-1

APPENDIX F
BOOK-ENTRY-ONLY SYSTEM F-1

APPENDIX G
FORM OF OPINION OF BOND COUNSEL G-1

OFFICIAL STATEMENT

relating to
$4,610,000*
MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2020 Series A (Non-AMT)

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the "Agency") of its Rental Housing Bonds, 2020 Series A (the "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 February 25, 1988 (as amended and supplemented in accordance with its terms, the "Bond Resolution"), and a series resolution of the Agency adopted June 25, 2020 (the "Series Resolution"). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the "Resolutions.")

The Rental Housing Bonds Outstanding in the aggregate principal amount of $50,055,000 as of June 30, 2020, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the "Bonds"), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B to this Official Statement at pages 59 and 60 under the heading "Net Position — Restricted by Covenant."

The global outbreak of the coronavirus COVID-19 ("COVID-19") and measures taken by federal, state and local governments in response thereto are impacting individuals and businesses in a manner that to an unknown extent will have negative effects on economic activity across the country and the State, including mortgage loan repayments. For descriptions of certain of these measures, their impacts on the Agency and the Agency's responses, see "The Agency—COVID-19 Economic Disruption" herein.

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the "Program"). The multifamily division of the

*Preliminary, subject to change.

Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans ("Mortgage Loans"), and, under certain circumstances, subordinate mortgage loans ("Subordinate Mortgage Loans"), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the "Developments"). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading "The Rental Housing Program."

The Agency intends to use the proceeds of the Series Bonds to fund a short-term first lien mortgage loan, to a private owner, that will finance a portion of the costs of acquisition, construction and equipping of a multifamily housing development in Pine City, Minnesota. (See "The Development.") The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See "The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.")

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See "Security for the Bonds.")

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 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 of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building

industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chair 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, Chair — Term expires January 2024, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha — Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2021, Onamia, Minnesota – Consultant

Craig Klausing, Member — Term expires January 2023, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2023, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2022, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expires January 2024, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 265 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

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

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

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.

Rachel Robinson — Deputy Commissioner, appointed March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

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.

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

[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.]

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

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, 2019, included in this Official Statement as Appendix B, 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, 2019. 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 B as of and for the fiscal year ended June 30, 2019 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board ("GASB") .

Information regarding the Minnesota State Retirement System ("MSRS"), to which the Agency contributes, is included in Appendix B in the Notes to Financial Statements at pages 61 through 63 under the heading "Defined Benefit Pension Plan." The Agency's allocable portion of net pension liability reported at June 30, 2019 with respect to MSRS is $10.441 million.

In Appendix C 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 nine months ended March 31, 2020. The Agency has prepared the information in Appendix C 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 C 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 D 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, 2020, 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 D — 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 D — Summary of Continuing Disclosure Undertaking." The Agency has made these covenants to assist the Underwriter 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 semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency's website at http://www.mnhousing.gov (click on tab "Investors"), but no information on the Agency's website is incorporated

into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency's request.

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

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as "Pool 1") and the Agency's net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as "Pool 2") and the Housing Affordability Fund (also referred to as "Pool 3"). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

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

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

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is $769.582 million, representing the combined net position of these funds so calculated as of June 30, 2019. 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, 2019 appears in the Notes to Financial Statements of the Agency included in Appendix B to this Official Statement at pages 59 and 60 under the heading "Net Position — Restricted by Covenant."

[The remainder of this page is intentionally left blank.]

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 nine-month period ended March 31, 2020 (unaudited) (in thousands):

	Nine months Ended March 31, 2020 (unaudited)	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Revenues			
Fees earned and other income[1]	$ 9,933	$11,212	$11,936
Interest earned on investments	495	704	419
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement[2], [3]	23,787	27,730	24,479
Total revenues	34,215	39,646	36,834
Expenses			
Salaries and benefits	21,705	15,117	33,114
Other general operating expenses	4,848	5,359	6,338
Total expenses	26,553	20,476	39,452
Revenues over expenses	7,662	19,170	(2,618)
Non-operating transfer of assets between funds[4]	(9,374)	(19,320)	5,192
Change in net position	(1,712)	(150)	2,574
Net position beginning of period	14,469	14,619	12,045[5]
Net position end of period	$12,757	$14,469	$14,619

(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 B 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, 2013, 2015, 2017 and 2019, the total appropriations to the Agency aggregated approximately $392 million. For the biennium ending June 30, 2021, the Legislature has appropriated approximately $120.6 million to the Agency, including an increase of approximately 9.5 percent to the Agency's base budget for State appropriations.

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 June 30, 2020:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	11	2049	$ 53,585	$ 50,055
Residential Housing Finance Bonds	52	2050	2,540,795	1,712,955
Homeownership Finance Bonds	61	2050	2,510,059	1,639,009
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	13,240
Totals	125		$5,119,439	$3,415,259

*Does not include series of bonds or the original principal amount of any bonds that had been, as of June 30, 2020, 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 or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to 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.

Certain of the swap agreements obligate the Agency to make periodic fixed rate payments and entitle the Agency to receive periodic payments based on the United States dollar-denominated London Interbank Offered Rate ("USD LIBOR"). In 2017, the Financial Conduct Authority, a United Kingdom regulatory body which supervises USD LIBOR's administrator, stated that it would not attempt to persuade or compel panel banks that currently submit interest rate information used in the setting of USD LIBOR rates to continue to do so after December 31, 2021. The Federal Reserve System and the Federal Reserve Bank of New York (the "NY Fed") convened its Alternative Reference Rate Committee ("ARRC") in 2014, consisting of public and private United States capital market participants, to identify alternative reference rates as an alternative to USD LIBOR, identify best practices for contract robustness in the interest rate market, and create an implementation plan to support an orderly adoption of new references rates. The ARRC is currently attempting to address issues related to the anticipated transition from reliance upon USD LIBOR for various market sectors. With respect to derivative agreements, ARRC is proceeding in conjunction with the International Swap Dealer's Association ("ISDA"). Each of the NY Fed and ISDA has made certain information concerning their respective activities relating to USD LIBOR and alternative reference rates on their respective websites. There can be no assurance as to the timing or outcome of these and other USD LIBOR-related regulatory developments, or as to the effects of market reaction to such developments. It is possible that such regulatory developments, or that a cessation of USD LIBOR publication, might affect the determination of certain scheduled and, if applicable, termination payment obligations upon those derivatives agreements.

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 $315,000,000. The Agency has issued 19 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2019 in an aggregate principal amount of $182,050,000 under a separate indenture of trust.

On October 28, 2019, the Agency issued its Amended and Restated Bank Note (the "Amended Bank Note") to Royal Bank of Canada (the "Bank"), pursuant to a Revolving Credit Agreement dated as of June 1, 2018, as amended by a First Amendment to Revolving Credit Agreement dated as of October 28, 2019 (the "Amended Revolving Credit Agreement"), as further amended from time to time, 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 Homeownership Finance Bonds and Residential Housing Finance Bonds previously issued by the Agency (collectively, the "Single Family Housing Bonds"). Upon the refunding of Single Family Housing Bonds with amounts advanced to the Agency pursuant to the Amended Revolving Credit Agreement as evidenced by the Amended Bank Note, 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, as amended, between the Agency and Wells Fargo Bank, National Association, as trustee, as security for the repayment of the principal amount of the Amended Bank Note that has been advanced to the Agency. The Bank agrees to make advances until June 30, 2021, a later date if extended by the Bank or an earlier date upon an event of default or a termination pursuant to the terms of the Amended Revolving Credit Agreement or if the Agency elects an earlier termination. The amount of the advances outstanding and not repaid with respect to the Amended Bank Note bear interest at a variable interest rate equal to one month LIBOR plus a spread (currently 0.30%) and may not exceed $120,000,000, or the lesser amount then specified in the Amended Revolving Credit Agreement, at any time, and the cumulative amount of the advances made may not exceed $500,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Amended Bank Note is a general obligation of the Agency. As of the date hereof, the Agency has requested advances in the aggregate principal amount of $349,116,932, $0 of which is outstanding.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency's ability to conduct its business. A prolonged disruption in the Agency's operations could have an adverse effect on the Agency's financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the "Plan"). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency's operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency's efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not

limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

COVID-19 Economic Disruption

The recent global outbreak of COVID-19, a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization, is affecting the national capital markets and may negatively impact the State's housing market and its overall economy. The threat from the Pandemic is being addressed on a national, federal, state and local level in various forms, including executive orders and legislative actions.

On March 13, 2020, the President of the United States declared a national emergency with respect to the Pandemic. In addition, the United States Congress recently enacted several COVID-19-related bills, including the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020, which provides over $2 trillion of direct financial aid to American families, payroll and operating expense support for small businesses, and loan assistance for distressed industries, as well as providing funds to and directing the Federal Reserve System to support the capital markets.

With respect to multifamily housing mortgage loans which are (a) insured, guaranteed, supplemented or assisted in any way by the federal government (including any HUD program or related program) or administered by any federal agency or (b) purchased or securitized by Fannie Mae or Freddie Mac (collectively, "Federal Multifamily Loans"), the CARES Act also provides that, if a Federal Multifamily Loan was current as of February 1, 2020 and is not for temporary financing (i.e., not a construction loan), then until the earlier of the termination of the Pandemic or December 31, 2020, the borrower may request a 30-day payment forbearance, and up to two additional 30-day forbearances. During the period of any such forbearance, the borrower may not evict any tenant solely for nonpayment of rent. Such relief follows actions previously taken by the Federal Housing Finance Agency, which announced that Fannie Mae and Freddie Mac would offer mortgage loan forbearance to multifamily property owners on the condition that they suspend all evictions for renters who cannot pay their rent because of COVID-19. [As of ___, 2020, the Agency has granted forbearance approvals for __ Mortgage Loans financed under the Program in an aggregate principal amount of $_____. Of the forbearance approvals, ___ in an aggregate principal amount of $_____ are financed by, or pledged as additional security for, the Bonds, which is approximately _____ percent of the principal amount of Mortgage Loans held under the Bond Resolution. It may receive and approve additional forbearance requests relating to Mortgage Loans during the Pandemic.] The Agency also has provided loans that secure outstanding bonds of the Agency under its single family housing program, many of which loans are covered

by the relief provisions of the CARES Act, and has granted forbearance approvals when required. The Agency's loans provided under its home improvement program and its monthly payment loan program, as well as some loans for single family housing that are not pledged as security for any debt of the Agency, are not affected by the relief provisions of the CARES Act. However, the Agency has granted and may choose to grant forbearance approvals for certain of these loans during the Pandemic. (See "Other Programs")

The CARES Act directs the Federal Reserve Bank to provide liquidity to the financial system through a new facility to purchase certain new issuances of securities by eligible issuers, including housing finance agencies and other state and local governments. Such injection of liquidity follows recent actions by the Federal Reserve Bank, including the purchase of U.S. Treasury securities and the Government National Mortgage Association ("GNMA"), Fannie Mae and Freddie Mac mortgage-backed securities, facilitating the flow of credit to municipalities by expanding its Money Market Mutual Fund Liquidity Facility to include a wider range of securities, including municipal variable rate demand notes (such as variable rate demand obligations of housing finance agencies).

On March 13, 2020, the Governor of the State declared a peacetime emergency with respect to the Pandemic. By various executive orders, which have the force and effect of law during a peacetime emergency, the Governor has directed: residents of the State to first stay at home and shelter in place and subsequently permitting residents to conduct limited activities outside the home; the closure of schools for the remainder of the current school year; the closure and then partial re-opening of restaurants, bars, other public accommodations and certain non-essential businesses; and the suspension of evictions and lease terminations; in each instance subject to further change. The Governor has extended the peacetime emergency beyond the initial 30-day period, may extend it further and may issue additional executive orders pursuant to his authority during that emergency. The peacetime emergency, since extended beyond 30 days, may be terminated by majority vote of both houses of the legislature of the State.

An executive order of the Governor designated the operation of the Agency as a critical service and Agency personnel, though almost exclusively teleworking, are continuing all operations in order to provide the Agency's programs (see "Agency Continuity of Operations Plan" above). At this time the Agency cannot predict (i) the duration or extent of the Pandemic; (ii) the duration or expansion of any foreclosure or eviction moratorium affecting the Agency's ability to foreclose and collect on delinquent mortgage loans; (iii) the number of mortgage loans that will be in forbearance or default as a result of the Pandemic and subsequent federal, state and local responses thereto, including the CARES Act; (iv) whether and to what extent the Pandemic may disrupt the local or global economy, real estate markets, manufacturing, or supply chain, or whether any of those types of disruption may adversely impact the Agency or its operations; (v) whether or to what extent the Agency or other government agencies may provide additional deferrals, forbearances, adjustments, or other changes to payments on mortgage loans; or (vi) the effect of the Pandemic on the State budget, or whether any such effect may adversely impact the Agency or its programs. The Agency is monitoring and assessing the impact on its programs, operations and financial position, including its ability to continue to make and finance Mortgage Loans. However, the continuation of the Pandemic and the resulting containment and mitigation efforts could have a material adverse effect on the Agency's programs, operations and finances.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series Bonds to make a short-term first lien bridge Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, to be known as Hilltop Cottages, will be the acquisition and construction of a one-story townhome building, located in Pine City, Minnesota. The Development will have 35 residential units. The total development cost is estimated to be approximately $9.57 million. The Development is expected to be completed by February 2022. The Development will be acquired and constructed by Hilltop Cottages, LLC, a Wisconsin limited liability company, or another entity affiliated with Commonwealth Development Corporation of America, a Wisconsin corporation.

The Agency expects to use the proceeds of the Series Bonds to be deposited in the Mortgage Loan Account to make the bridge Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The bridge Mortgage Loan, in the principal amount of $4.61 million,* will mature in full on July 1, 2022.* The bridge Mortgage Loan will not be insured by FHA or secured by any other third-party credit enhancement, but the Agency expects it to be repaid from a long-term end loan from the Agency in the principal amount of $1.326 million, a portion of a deferred repayment loan from the Agency in the aggregate principal amount of approximately $4.84 million, a loan from Greater Minnesota Housing Fund in the amount of $0.75 million and a portion of the equity contributions from the tax credit investor, which is purchasing the low income housing tax credits described below. The bridge Mortgage Loan will be secured in part by a guaranty from each of Commonwealth Holdings, LLC, Commonwealth Construction Corporation and Commonwealth Development Corporation of America.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 40 years.

Eight of the dwelling units will be benefitted by a Housing Support contract, four of which will be reserved for households who have experienced long-term homelessness and four for persons with persons with disabilities. The Housing Support contract will be provided by Pine County Health and Human Services.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:	
Principal Amount of Series Bonds	$4,610,000*
Funds Available to the Agency	_____
Total Sources of Funds	$ _____.
Uses:	
Series A Mortgage Loan Account	$4,610,000*
Revenue Fund	
Costs of Issuance	_____
Total Uses of Funds	$ _____.

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Bond Resolution.

The Series Bonds will be issued in the denominations of $5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the date and in the amount set forth on the inside front cover hereof.

The Series Bonds bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2021,* at the rate set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. As long as the Series Bonds are in book-entry form, 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, and DTC will redistribute that interest. (See Appendix F – "Book-Entry-Only System.")

*Preliminary, subject to change.

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.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development; or (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix E) relating to the Development. The Agency will apply any unexpended proceeds or Recovery Payments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments.

Optional Redemption

The Agency may redeem the Series Bonds at its option, in whole or in part, on any date on or after February 1, 2022,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

Any Series Bonds to be redeemed will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the principal amount of the Series Bonds to be redeemed. If less than all Series Bonds are to be redeemed, the Series Bonds to be redeemed are to be selected in $5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed 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 the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds 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, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

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

*Preliminary, subject to change.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption "Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments" in Appendix E hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of December 31, 2019 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

No funds will be credited to the Debt Service Reserve Fund with respect to the Series Bonds (and the Debt Service Reserve Requirement in respect of the Series Bonds will be $0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the bridge loan funded by the Series Bonds will be secured as described under "The Development."

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately $1,386,006 and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund 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 the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as 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 may not 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 that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so 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, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing Mortgage Loans for Developments under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix E – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders 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 Bondholders 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 those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

—Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)

—Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

—Apartment Renovation Mortgage Program

—Market Rate Mortgage Loan Program

[The remainder of this page is intentionally left blank.]

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of December 31, 2019 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of December 31, 2019

Program	Number of Loans	Number of Units	Outstanding Loan Amount	Percentage of Total Amount
Section 8 Housing Assistance Payments Program*	34	1,731	$ 28,016,179	16.96%
Apartment Renovation Mortgage Program	1	48	120,168	0.07
Low and Moderate Income Rental Program**	51	4,042	135,402,719	81.97
Market Rate Mortgage Loan Program	4	216	1,650,051	1.00
	90	6,037	$165,189,117	100.00%

*Includes 6 HUD Risk-Sharing loans for Developments with 613 aggregate units and an aggregate outstanding loan amount of $20,528,716.

**Includes 32 HUD Risk-Sharing loans for Developments with 2,765 aggregate units and an aggregate outstanding loan amount of $76,426,426 and seven bridge mortgage loans for Developments with 363 units and an aggregate outstanding loan amount of $34,685,000.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the "LMIR Program") is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency's administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans ("HUD Risk-Sharing Program"). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of the Department of Housing and Urban Development ("HUD") to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a "qualified HFA" under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Agency's participation in the HUD Risk-Sharing Program. The Agency has a "Level I" and "Level II" approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program loan. "Level I" approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture,

payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA's reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration ("TCA") Annual Contributions Contracts ("ACC"s) with HUD and Section 8 Housing Assistance Payments Contracts ("HAP Contracts") with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the

first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See "Certain Recent Developments.")

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum

commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes "the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts." Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the "Old Regulation HAP Contract"). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency's TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency's understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act ("MAHRA"), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency's priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD's programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See "Adjustments in Contract Rents.") It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to "market rents," but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD's changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD's structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the "overall limitation" provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged

for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year's rent levels through the use of comparability studies, and that the "initial difference" referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD's Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to "market rents." This Guidebook also provides the opportunity for debt restructuring by HUD's Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor ("OCAF") rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under "Adjustments in Contract Rents," Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD's Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent ("FMR") or payment standard. The Agency has found that the HUD-published FMR or payment standard is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract ("ACC") with HUD as a Performance-Based Contract Administrator ("PBCA") for the contract administration of a portion of HUD's project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11

states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through January 31, 2021. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals ("RFPs") that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. HUD reserved the right to terminate the ACC with 120 days' notice if HUD completes or anticipates completing the RFP solicitation process before the end of the extension term. Under the terms of the most recent extension, HUD may also opt to extend the ACC two additional six-month terms, until January 31, 2022.

Apartment Renovation Mortgage Program

The purpose of this Program is to maintain and improve the rental housing in Minnesota that is affordable to low and moderate income households. Developments were financed under this Program from 1987 to 1991 using taxable bond financing, all of which has since been redeemed. The Agency is not presently making any Mortgage Loans pursuant to this Program.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency's Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency's Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent's proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section

begins to monitor the implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections*. After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements*. Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

  The Agency generally receives the following financial information related to each Development:

  (i) Monthly Operating Report—due the 15th day of the following month;

  (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;

  (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;

  (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and

  (v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

  For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.
- *Training Sessions*. The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

OTHER PROGRAMS

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

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which that noncompliance is ascertained or occurs.

The Bond and Series Resolutions, and loan documentation pertaining to the Development financed by the Series Bonds, contain provisions (the "Tax Covenants"), including covenants of the Agency and the owner, pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any Series Bond for any period during which the Series Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Series Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax under the Code.

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

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

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

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds. Interest on the Series Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

The foregoing is a brief discussion of certain collateral Federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner

of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which that noncompliance occurs or is discovered. The Agency will covenant that it will do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing Federal tax requirements with the issuance of the Series Bonds that will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require owners to make certain covenants in the Mortgage Loan documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for Federal income tax purposes.

Low Income Set-Aside Requirements under the Code

Each series of bonds issued under the Bond Resolution with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes ("Tax-Exempt Bonds"), including the Series Bonds, must satisfy the applicable requirements of the Code. In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code of August 16, 1986, are fully subject to the applicable requirements of the Code, including the more restrictive low income set-aside requirements under the Code. The Series Bonds are fully subject to the low income set-aside requirements of the Code. This section includes brief summaries of certain low income set-aside requirements and other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50 percent of the area median income (with adjustments for family size), or (ii) at least 40 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60 percent of the area median income (with adjustments for family size). The Agency will make elections on the applicable low income set-aside requirements with respect to the Development expected to be financed with the proceeds of the Series Bonds prior to the issuance date of the Series Bonds. In addition, all of the units in the Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10 percent of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50 percent of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140 percent of the applicable income limitation. Generally, upon an increase of a tenant's income over 140 percent of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable

Development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140 percent of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Certain State Tax Legislation

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

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

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

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

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 litigation 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 the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix G hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

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 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.

RATINGS

The Series Bonds are rated "__" by Moody's Investors Service, Inc., and "__" by Standard & Poor's Ratings Services. The ratings reflect only the views of 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. The Agency cannot give any 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 of this Official Statement, investors should not assume that the 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 D to this Official Statement), or to contest any revision or withdrawal.

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") will purchase the Series Bonds. The Underwriter is to be paid a fee of $_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter 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 its own account and for the accounts of its 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 the Agency.

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 statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders 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

_____, 2020.

APPENDIX A

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION, INCLUDING THOSE INTENDED TO BE FINANCED WITH PROCEEDS OF THE SERIES BONDS

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF DECEMBER 31, 2019

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

Development Name	Location	Mortgage Loan Interest Rate	Outstanding Mortgage Loan Balance (1)	Undisbursed Mortgage Amount	Development Reserves (2)	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
APEX TOWNHOMES	Detroit Lakes	3.35 %	$ 3,520,000	$ -	$ -	07/01/20	LMIR/BRIDGE	(4)	4	30
BOSSEN PARK APTS	Minneapolis	6.68	1,595,263	-	73,011	02/01/30	LMIR/HRS	N/A	0	110
BOULEVARD	Mounds View	3.00	6,980,000	-	-	07/01/20	LMIR/BRIDGE	(4)	4	60
CASCADE	Fergus Falls	0.00	122,224	-	(5)	12/01/21	HAP/AMP	05/31/38	36	36
CHEROKEE PLACE	North Branch	2.40	5,550,000	5,108,970	-	01/01/22	LMIR/BRIDGE	(4)	5	48
CONCORDIA ARMS	Maplewood	5.75	3,496,500	-	806,812	07/01/49	LMIR/HRS/HAP	12/31/32	125	125
DOVER HILL	Golden Valley	6.07	6,295,043	-	1,161,406	03/01/41	LMIR/HRS	N/A	0	234
DUBLIN HEIGHTS	Mankato	2.40	6,275,000	4,985,041	-	07/01/21	LMIR/BRIDGE	(4)	17	45
EASTGATE	Montevideo	0.00	141,235	-	33,794	09/01/21	HAP	07/31/20	46	46
FIFTEEN HUND PERKINS	Windom	0.00	99,686	-	326,975	03/01/21	HAP	02/12/20	48	48
GENEVA VILLAGE	Oakdale	7.21	2,244,397	-	451,128	01/01/28	LMIR	N/A	0	175
GREYSOLON PLAZA	Duluth	6.50	5,568,062	-	1,936,150	05/01/47	HAP/HRS	11/25/20	150	150
HILLSIDE HOMES	Spring Valley	2.00	77,041	-	79,133	12/01/21	HAP	12/31/21	37	37
HILLSIDE TERRACE	Long Lake	6.72	1,408,121	-	320,312	08/01/34	LMIR/HRS	01/15/31	44	44
HYLANDS	Rochester	2.88	4,090,000	-	96,020	01/01/21	LMIR/BRIDGE	03/31/38	100	100
JACKSON PLACE	Elk River	5.63	865,504	-	111,528	04/01/38	LMIR	N/A	0	32
KENTUCKY LANE	Crystal	5.00	1,805,456	-	149,233	12/01/31	LMIR/HRS	N/A	0	67
LAKE CRYSTAL	Lake Crystal	7.25	128,544	-	459,280	03/01/21	HAP	06/30/24	43	43
LARSON COMMONS	Cloquet	6.52	2,110,717	-	860,800	06/01/37	HAP/HRS	03/06/20	85	85
LORING TOWERS APARTMENTS	Minneapolis	6.14	5,397,707	-	795,586	04/01/35	LMIR/HRS	12/31/32	187	230
LYNDALE GREEN	Minneapolis	6.05	3,124,947	-	330,402	03/01/52	LMIR/HRS	N/A	0	63
MANITOU RIDGE	White Bear Lake	6.63	2,446,520	-	105,988	03/01/33	LMIR/HRS	N/A	0	118
MAPLE RIDGE MANOR	Alexandria	0.00	58,284	-	218,632	11/01/20	HAP	07/31/21	40	40
MAPLE RIDGE MANOR	Alexandria	0.00	460,000	-	See above	12/31/21	HAP/AMP	See above	See above	See above
MARSHALL SQUARE APTS	Marshall	6.45	1,233,955	-	104,225	02/01/36	LMIR/HRS/HAP	08/24/25	90	90
MATTHEWS PARK	Minneapolis	0.00	46,393	-	425,617	12/01/21	HAP	10/31/36	24	24
MILL POND VIEW	Pelican Rapids	7.25	117,521	-	481,268	09/01/20	HAP	09/19/24	66	66
MOWER COUNTY	LeRoy	6.50	48,756	-	652,910	10/01/20	HAP	08/31/39	30	30
MUNGER TERRACE	Duluth	0.00	148,878	-	431,748	12/01/21	HAP	05/31/37	45	45
MUNGER TERRACE	Duluth	0.00	177,516	-	See above	12/01/21	HAP	See above	See above	See above
NORTH 44 fka TODD 27	Long Prairie	2.00	138,798	-	199,496	12/01/21	HAP	06/25/20	44	44
NORTH MORA	Mora	0.00	79,773	-	23,257	05/01/21	HAP	12/31/38	35	35
NORTH STAR	Roseau	7.25	18,577	-	366,668	02/01/20	HAP	05/31/24	51	51
OAKWOOD HOMES	Karlstad	7.25	52,654	-	62,259	12/01/21	HAP	03/12/20	45	45
OAKWOOD HOMES	Karlstad	0.00	165,810	-	See above	12/01/21	HAP	See above	See above	See above
PENNEL PARK APARTMENTS	Duluth	6.20	2,199,601	-	1,380,956	07/01/35	LMIR/HRS	05/31/24	100	101
RIVERSIDE MANOR	Dawson	0.00	30,328	-	131,785	09/01/20	HAP	(6)	24	24
RIVERTOWN COMMONS	Stillwater	6.15	2,388,963	-	246,579	03/01/38	LMIR/HRS	04/02/20	96	96
ROCHESTER SQUARE APTS	Rochester	5.75	1,876,055	-	298,068	07/01/44	LMIR/HRS/HAP	02/17/34	95	104
ROSEMOUNT TOWNHOUSES	Rosemount	1.00	91,408	-	38,473	10/01/21	LMIR/HAP	01/31/28	28	28
SOUTHVIEW TERRACE	Hibbing	2.00	252,719	-	621,210	12/01/21	HAP	11/30/36	43	145
SUNRISE ESTATES	Jackson	0.00	250,000	-	130,050	01/01/22	HAP/AMP	01/01/22	40	40
THE CROSSROADS fka SOUTH PARK MANOR	Dodge Center	0.00	159,150	-	107,675	05/01/22	HAP	10/31/37	37	37
THE CROSSROADS fka SOUTH PARK MANOR	Dodge Center	0.00	260,000	-	See above	05/01/22	HAP/AMP	See above	See above	See above
TOWN SQUARE	East Grand Forks	2.00	331,113	-	377,079	12/01/21	HAP	(6)	81	81
VADNAIS HIGHLANDS	Vadnais Heights	6.60	1,276,025	-	104,425	03/01/34	LMIR/HRS/HAP	07/31/23	35	35

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF DECEMBER 31, 2019

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

Development Name	Location	Mortgage Loan Interest Rate	Outstanding Mortgage Loan Balance (1)	Undisbursed Mortgage Amount	Development Reserves (2)	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
VICTORY APTS fka MERIDIAN APTS	Duluth	0.00 %	$ 86,986.56	$ -	$ 408,648	12/01/21	HAP	06/30/38	39	39
WEST BIRCH TH	Princeton	2.60	3,125,000	2,038,961	-	07/01/21	LMIR/BRIDGE	N/A	0	40
WHITE OAK ESTATES	Baxter	2.35	5,145,000	4,503,038	-	07/01/21	LMIR/BRIDGE	(4)	20	40
WHITTIER COOP	Minneapolis	0.00	143,154	-	590,573	12/01/21	HAP	09/14/30	45	45
WHITTIER COOP	Minneapolis	0.00	944,000	-	See above	12/01/21	HAP/AMP	See above	See above	See above
WOODCREST MANOR	Mora	1.00	118,862	-	197,674	08/01/21	HAP	01/31/37	42	42
YORKDALE	Edina	5.00	3,837,120	-	184,285	06/01/48	HAP/HRS	06/30/39	90	90
Subtotal			$ 88,604,363	$ 16,636,010	$ 15,881,119				2216	3383

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF DECEMBER 31, 2019

MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

Development Name	Location	Mortgage Loan Interest Rate	Outstanding Mortgage Loan Balance (1)	Undisbursed Mortgage Amount	Development Reserves (2)	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
ANDREWS POINT	Burnsville	5.00 %	$ 1,916,894	$ -	$ 127,947	05/01/42	LMIR/HRS	N/A	0	57
BLOOMING GLEN	Bloomington	6.17	2,668,508	-	211,078	10/01/38	LMIR/HRS	12/30/31	50	50
CAPITOL CITY	St. Paul	5.15	1,004,813	-	149,682	11/01/37	LMIR	N/A	0	69
CARRIAGE HOUSE	Moorhead	6.50	128,629	-	15,878	07/01/21	MR	N/A	0	36
CENTRAL TOWERS	Rochester	5.00	4,148,290	-	864,195	08/01/43	LMIR/HRS	12/31/31	105	105
CHARTER OAKS TH	Stillwater	5.00	3,110,061	-	255,800	04/01/43	LMIR/HRS	12/31/27	60	60
CHERRY RIDGE APTS	Mankato	6.39	1,117,149	-	353,230	02/01/39	LMIR/HRS	N/A	0	83
CITY FLATS	Shakopee	5.86	387,295	-	177,184	06/01/37	LMIR	N/A	0	27
CITY PLACE LOFTS	Minneapolis	4.75	2,998,867	-	221,256	10/01/44	LMIR/HRS	N/A	0	55
COMPASS POINTE TH	New Hope	5.25	2,487,833	-	113,710	02/01/46	LMIR/HRS	N/A	0	68
CORNERSTONE VILLAGE	St. Michael	5.63	1,819,577	-	134,204	10/01/28	LMIR	N/A	0	42
EAST VILLAGE NORTH	Minneapolis	4.90	1,545,410	-	237,386	01/01/21	LMIR	N/A	0	70
EASTEN TH	Moorhead	5.74	649,008	-	332,275	09/01/37	LMIR/HRS	N/A	0	38
EVERGREEN APTS	Hutchinson	5.50	2,049,353	-	421,500	12/01/41	LMIR/HRS	12/27/31	62	62
FIRST AVENUE FLATS	Rochester	4.50	4,870,402	-	71,844	10/01/34	LMIR	N/A	0	68
GEORGETOWNE HOMES	Shakopee	6.50	3,108,789	-	276,904	08/01/31	LMIR	N/A	0	100
LAKEVILLE COURT	Lakeville	5.00	2,718,365	-	70,048	08/01/42	LMIR/HRS	N/A	0	52
LIBERTY PLAZA	St. Paul	6.50	3,722,658	-	970,300	02/01/34	LMIR/HRS	09/30/24	78	173
MEADOWS WEST	Austin	5.00	2,083,443	-	206,301	10/01/43	LMIR/HRS	12/31/31	60	60
NORTHGATE WOODS	Blaine	5.50	2,829,463	-	237,494	10/01/52	HAP	10/30/20	75	75
PARK MANOR ESTATES	Detroit Lakes	4.75	3,946,759	-	421,594	05/01/44	HAP/HRS	09/12/19	97	97
PARK PLAZA St. fka 830 13th STREET	St. Cloud	8.50	120,168	-	28,005	02/01/21	ARM	N/A	0	48
PARKVIEW VILLA	Columbia Heights	5.25	2,126,975	-	524,593	04/01/47	LMIR/HRS	N/A	0	142
PASSAGES (3)	Minneapolis	5.00	47,297	-	107,011	09/01/21	MR	N/A	0	17
PINE RIDGE APTS	Grand Rapids	5.25	2,496,748	-	127,482	07/01/46	HAP/HRS	02/28/38	60	100
RIVERSIDE APTS.	St. Cloud	5.74	2,123,108	-	360,592	02/01/37	LMIR/HRS	N/A	0	85
RIVERSIDE TERRACE	Thief River Falls	4.75	2,255,788	-	278,029	07/01/43	LMIR/HRS	05/01/30	66	66
RIVERTOWN COMMONS	St. Paul	5.18	2,822,419	-	552,269	11/01/25	LMIR	04/30/39	28	139
RUSSELL ARMS/BENTON HEIGHTS	Sauk Rapids	5.15	2,569,311	-	380,363	09/01/37	HAP/HRS	05/31/22	71	91
SLATER SQUARE	Minneapolis	5.00	569,021	-	391,791	11/01/36	MR	N/A	0	163
SLATER SQUARE	Minneapolis	5.00	905,104	-	See above	11/01/36	MR	See above	See above	See above
THE RIDGE APTS	Minnetonka	4.75	2,487,464	-	1,097,105	12/01/44	LMIR/HRS	N/A	0	64
VICKSBURG COMMONS	Plymouth	6.40	884,947	-	136,572	03/01/38	LMIR	N/A	0	50
VILLAGE COMMONS	Savage	5.00	1,881,020	-	133,630	11/01/43	LMIR/HRS	N/A	0	66
WASHINGTON CROSSING	Winona	5.75	1,337,486	-	266,009	01/01/36	LMIR/HRS	N/A	0	62
WEST VIEW ESTATES	Plymouth	5.00	3,322,406	-	323,399	09/01/42	LMIR	N/A	0	67
WILLOW RIDGE	St. Paul	6.39	1,323,927	-	118,489	04/01/38	LMIR	N/A	0	47
Subtotal			$ 76,584,754	$ -	$ 10,695,149				812	2,654
Total			$ 165,189,117	$ 3,815,679	$ 26,576,268				3,028	6,037

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS INTENDED TO BE FINANCED WITH PROCEEDS FROM RENTAL HOUSING BONDS 2020 SERIES A

Development Name	Location	Estimated Mortgage Loan Rate	Estimated Mortgage Loan Amount	Estimated Development Reserves	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
Hilltop Cottages	Pine City	%	$4,610,000		7/1/2022	LMIR/ Bridge Loan	10 years after completion	8	35

Notes:

(1) All loans can be prepaid subject to Agency approval.

(2) Amounts listed under the heading "reserves" are pledged by the project owner under the project regulatory agreement. The reserve can be applied for project purposes under the regulatory agreement, and are paid to the owner when the mortgage loan is paid or prepaid in full. The reserves are not pledged as security under the Bond Resolution. The real estate tax and insurance reserves are excluded.

(3) This loan was originated under the Market Rate program. After a November 2007 loan modification and assumption, however, the development became permanent supportive housing.

(4) Subsidy expiration date will not be determined until development is placed in service.

(5) $165,540 in development reserves are pledged in connection with an Agency loan that is not security under the Bond Resolution.

(6) Subsidy expired; extension in progress.

***Program Type Legend**

AMP = Asset Management Program
ARM = Apartment Renovation Mortgage Program
HAP = Section 8 Housing Assistance Payment Program (Uninsured Developments)
HRS = FHA Risk Share Insurance
LMIR = Low And Moderate Income Rental Program
MR = Market Rate Loan Program

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX C

FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY (EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS) AS OF MARCH 31, 2020 AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)

As prepared by the Agency's Accounting Department

APPENDIX D

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 "Bondholders") 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 Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

"*Annual Financial Information Disclosure*" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption "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 which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

"*Commission*" means the Securities and Exchange Commission.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*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 such 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 D.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Participating Underwriter*" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

"*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

"*Rule*" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"*Undertaking*" means the obligations of the Agency described under the headings "Annual Financial Information Disclosure" and "Listed Events Disclosure" in this Appendix D.

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, 2020, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency's fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency's fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

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 Bondholder 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 Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders 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

The Undertaking of the Agency shall be terminated 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 this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States; (iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home

Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, 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 (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of 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 $50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency).

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any

other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency's program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not "impair" the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency's interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans previously made from the proceeds of Notes, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note

Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

(i) the name of the Mortgagor to, and Development for, which the payment is to be made;

(ii) the amount to be paid; and

(iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy;

and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

(a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:

(i) the unpaid principal balance of the Mortgage Loan: plus

(ii) accrued interest to the date of the Prepayment; plus

(iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and

(b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

(a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;

(b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and

(c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

(a) obtained all governmental approvals required by law for the acquisition and construction of the Development;

(b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance

therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;

(c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

(a) receipt of full Prepayment conforming to the requirements stated below;

(b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;

(c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;

(d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;

(e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;

(f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or

(g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best

interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

(a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;

(b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;

(c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and

(d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and

things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

(a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;

(b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and

(c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

(a) Revenues to the Revenue Fund:

(b) Prepayments and Recovery Payments to the Redemption Fund; and

(c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

(a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be

applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service

Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better 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 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve 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 into the Revenue Fund 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 the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 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 or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any

money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common

trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and

the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

(a) that it is has received the documents listed above; and

(b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a "Supplemental Resolution").

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or

the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of "Events of Default" above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of "Events of Default" above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York ("DTC"), is to act as securities depository for the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds 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, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or anther 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 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 the 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 are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor 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 interest on the Series Bonds will be made to Cede & Co., or another nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter 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 Underwriter 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 Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for the Series Bonds. In that event, the Series Bonds are to be delivered as described in the Resolutions.

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

_____, 2020

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2020 Series A

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2020 Series A, in the aggregate principal amount of $_____ (the "2020 Series A Bonds"), which are issuable only as fully registered bonds of single maturities in denominations of $5,000 or any integral multiple thereof.

The 2020 Series A Bonds are dated, mature on the date, bear interest at the rate and are payable as provided in the Series Resolution referenced below. The 2020 Series A Bonds are subject to optional and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Bond Resolution adopted February 25, 1988, as amended and supplemented (the "Bond Resolution"), and the Series Resolution relating to the 2020 Series A Bonds adopted June 25, 2020 (the "Series Resolution"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2020 Series A Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2020 Series A Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are 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, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2020 Series A 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 2020 Series A 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 such Debt Service Reserve Fund; and (5) the interest payable on the 2020 Series A Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, that we express no opinion as to the exclusion from federal gross income and Minnesota taxable net income of interest on any 2020 Series A Bond for any period during which such 2020 Series A Bond is held by a person who is a "substantial user" of the Development financed by the 2020 Series A Bonds or a "related person" thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code").

Interest on the 2020 Series A 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 2020 Series A 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 2020 Series A Bonds. All owners of 2020 Series A 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 2020 Series A Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2020 Series A Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2020 Series A Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2020 Series A Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

RESOLUTION NO. MHFA 20-026

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN PINE CITY, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the "Bond Resolution"), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of a series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one Mortgage Loan (the "Mortgage Loan") to a Mortgagor (the "Mortgagor") for the purposes of financing the acquisition and construction of the multifamily housing development (the "Development") described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the "Series Resolution." The Mortgage Loan to the Mortgagor shall be evidenced by a Mortgage Note to be executed by the Mortgagor to the Agency and a Mortgage to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgage (collectively, the "Loan Documents").

Section 2. Authorization of Series Bonds.

(a) *Purpose*. To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue one series of Bonds pursuant to the Bond Resolution, which is designated as "Rental Housing Bonds, 2020 Series," in the principal amount to be determined pursuant to Section 2(E) (the "Series Bonds"). The "2020" in the designation of the Bonds may be changed to "2021" and "Series" followed by an uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

(i) For the financing of the Mortgage Loan to the Mortgagor; and

(ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue*. Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the "Regulations"), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the "Issue."

(c) *Pledge*. The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements*. Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer's Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents*. The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the "Underwriter") pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the "Preliminary Official Statement"), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer or the Finance Director (each an "Authorized Officer") is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters:

(i) the principal amount of the Series Bonds; provided that the principal amount of the Series Bonds is not in excess of $4,610,000;

(ii) the maturity date of the Series Bonds; provided that the Series Bonds mature at any time in such amount not later than 3 years from the Issue Date thereof;

(iii) the interest rate borne by the Series Bonds; provided that the interest rate on the Series Bonds shall not exceed 3.50%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the "Purchaser") by such Authorized Officer. The terms of the Series Bonds, including the purchase price, shall be set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the "Bond Purchase Agreement"). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking*. The Agency has also 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.

Section 3. Forms.

(a) *Generally*. The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds*. The Series Bonds shall be in substantially the form of Exhibit B hereto (which is hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations and Interest Payment Dates*. The Issue Date of the Series Bonds shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of $5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing February 1, 2021, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption*. The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption*. All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee*. The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, the Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date*. For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution*. The Series Bonds shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chairman and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository*.

(i) For purposes of this section the following terms shall have the following meanings:

"Beneficial Owner" shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person's subrogee.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

"Participant" shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series Bond shall be issued in the principal amount of each stated maturity of the Series Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any person or entity claiming a

beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to the Series Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of Series Bonds in the form of certificates. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to the Series Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event Series Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series Bonds, or another securities depository as registered owner of all the Series Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series Bonds.

(c) *Opinion and Officer's Certification*. The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and constructed for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period

during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single "development" and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, (ii) any property not part of the Development, or (iii) any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice-skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility or racetrack.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) [Reserved].

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 25 years.

(g) In order to qualify the Mortgage Note and Mortgage received from the Mortgagor as "program investments" within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any "related person" thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Note and Mortgage as part of a "program" under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Note and Mortgage.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loan within three years after the date of issue of the Issue and not more than

50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law (i) carried forward from calendar year 2019, (ii) for calendar year 2020 or (iii) a combination of (i) and (ii). The Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to "preliminary expenditures" for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the "issue price" of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loan purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loan must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loan in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing Finance Agency this 25th day of June, 2020.

By: _____
Chairman

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 20-026]

EXHIBIT A

DESCRIPTION OF MORTGAGOR AND DEVELOPMENT

Mortgagor	Name	Location	Number of Units
Hilltop Cottages, LLC	Hilltop Cottages	Pine City, MN	35

EXHIBIT B

FORM OF SERIES BONDS

No.____ $_____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2020] SERIES __

Interest Rate	**Maturity**	**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, as amended, 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 hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing _____, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series Bond is not a debt of the State.

This Series Bond is one of a duly authorized series of Rental Housing Bonds, [2020] Series __, issued in the original aggregate principal amount of $_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Pine City, Minnesota (the "Development"). The Series Bonds are issued under and pursuant to the Agency's Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 20-026, adopted June 25, 2020, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series Bonds, and the terms upon which the Bonds, including the Series Bonds, are issued, delivered and secured.

The Series Bonds are issuable only in fully registered form and comprise current interest bonds of a single stated maturity. The Series Bonds are issued in denominations of $5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series Bonds are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to the special redemption of the Series Bonds in addition to the allocable amount of Recovery Payments.

The Series Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after _____, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series Bonds, a new Series Bond will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series Bonds will be mailed to the registered Holders of the Series Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series Bonds not affected by such failure or defect. Notice having been so mailed, the Series Bonds or portions of Series Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds 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 (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of 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, 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. Every Holder hereof is deemed by purchase and retention of this Series Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any 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 shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Wells Fargo Bank, National Association, in Minneapolis, Minnesota, the Trustee thereunder, 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. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series Bond, so long as this Series Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series Bond, and shall give all notices with respect to this Series Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series Bond to be executed by the facsimile signatures of its Chairman and Commissioner, the Agency having no corporate seal, and has caused this Series Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

WELLS FARGO BANK, NATIONAL ASSOCIATION, Minneapolis, Minnesota, as trustee

By:_____
Authorized Representative

MINNESOTA HOUSING FINANCE AGENCY

By: _____
Chairman (Facsimile Signature)

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

_____
(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within 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 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: 6/25/2020

Item: 2020 Legislative Session

Staff Contact(s):
Ryan Baumtrog, 651.296.8920, ryan.baumtrog@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
The 2020 Special Legislative Session started on Friday, June 12. Staff will provide an update of legislative actions at the Board meeting.

Fiscal Impact:
Results of the Special Legislative Session will be shared at the meeting, if applicable.

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

This page intentionally left blank.

MINNESOTA HOUSING

Board Agenda Item: 8.B
Date: 6/25/2020

Item: Minnesota Housing Administrative Budget, State Fiscal Year 2021

Staff Contact(s):
Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
The Agency's administrative budget is presented to the Board annually. Presentation of the administrative budget is informational and no action by the Board is required.

Fiscal Impact:
The Agency's administrative budget represents the projected expenditures necessary to support the level of program and other activities which the Agency anticipates utilizing in fiscal year 2021.

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
- Administrative Budget FY 2021
- Administrative Budget History

Background

The Agency administrative budget for fiscal year 2021 (July 1, 2020 – June 30, 2021) is $41.5 million. This budget covers all Agency administrative and operational expenses. The 2021 budget is 2.5% greater than the 2020 administrative budget, and approximately 10% greater than forecasted actual expenditures for 2020.

Actual expenditures for 2020 are forecast to be approximately $2.3 million (6%) under the 2020 budget, due in part to reduced spending with outside vendors (technology and others). In addition, as is typical, the employee turnover rates contributed to slightly less salary and personnel expense than was provided for in the budget.

The FTE count included in the 2021 administrative budget is 268, up by 2 positions from the year-end approved headcount for the Agency.

MINNESOTA HOUSING
2021 MHFA ADMINISTRATIVE BUDGET
$ Change

EXPENSE CATEGORY	Total Agency 2021 Budget	Total Agency 2021 Budget to 2020 Forecast	Total Agency 2020 Budget	Total Agency 2021 Budget to 2020 Budget	Prior Year Comparable 2020 Forecast	Prior Year Comparable 2020 Budget to 2020 Forecast	Prior Year Comparable 2019 Actual
Full Time Salaries	30,473,000	1,662,000	29,301,000	1,172,000	28,811,000	490,000	27,137,485
Part Time & Temp Salaries	41,000	(119,000)	40,000	1,000	160,000	(120,000)	139,702
Overtime	132,000	31,000	138,000	(6,000)	101,000	37,000	162,061
Separation Expenses	189,000	44,000	222,000	(33,000)	145,000	77,000	144,371
Space Rental	1,874,000	99,000	1,799,000	75,000	1,775,000	24,000	1,608,167
Printing /Advertising	182,000	98,000	181,000	1,000	84,000	97,000	129,665
Postage/Telephone	182,000	82,000	164,000	18,000	100,000	64,000	114,260
Travel-In State	174,000	(4,000)	217,000	(43,000)	178,000	39,000	190,745
Travel-Out State	163,000	34,000	196,000	(33,000)	129,000	67,000	113,357
Employee Development	362,000	97,000	469,000	(107,000)	265,000	204,000	247,084
Other Benefits	145,000	(9,000)	162,000	(17,000)	154,000	8,000	79,260
Repairs & Maintenance	54,000	(8,000)	52,000	2,000	62,000	(10,000)	52,604
Computer & Systems Services	2,671,000	320,000	3,240,000	(569,000)	2,351,000	889,000	1,945,408
Supplies	310,000	48,000	391,000	(81,000)	262,000	129,000	148,172
Equipment Rentals	28,000	0	61,000	(33,000)	28,000	33,000	21,455
Equipment Purchases	736,000	620,000	292,000	444,000	116,000	176,000	135,621
Other Operating Expenses	262,000	8,000	270,000	(8,000)	254,000	16,000	208,491
	0	0	0	0	0	0	
Pool 2 Contracts	783,000	(324,000)	710,000	73,000	1,107,000	(397,000)	869,722
Prof & Tech w/Outside Vendors	1,434,000	1,045,000	1,833,000	(399,000)	389,000	1,444,000	462,937
Prof & Tech Computer System Dev.	0	(335,000)	125,000	(125,000)	335,000	(210,000)	543,633
Prof & Tech w/State Agencies	750,000	264,000	363,000	387,000	486,000	(123,000)	260,489
State Indirect Costs	536,000	299,000	237,000	299,000	237,000	0	138,120
State Board of Investments	6,000	(2,000)	6,000	0	8,000	(2,000)	0
Attorney General Costs	14,000	0	12,000	2,000	14,000	(2,000)	7,403
open	0	0	0	0	0	0	0
TOTALS	41,501,000	3,950,000	40,481,000	1,020,000	37,551,000	2,930,000	34,860,212

MINNESOTA HOUSING

MINNESOTA HOUSING FINANCE AGENCY
ADMINISTRATIVE BUDGET HISTORY
($000's)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Budgeted	25,612	26,884	28,132	30,538	33,509	36,657	37,852	39,298	40,481	41,501
Actual***	23,786	25,776	26,790	29,838	30,813	35,649	35,938	34,860	37,551	
Variance	1,826	1,108	1,342	700	2,696	1,008	1,914	4,438	2,930	41,501
Budget FTE Count	*215.7*	*227.7*	*231.1*	*237.6*	*242.4*	*249.6*	*253.6*	*258.9*	*266.0*	*268.0*
Actual Spend per FTE	*$110.3*	*$113.2*	*$115.9*	*$125.6*	*$127.1*	*$142.8*	*$141.7*	*$134.6*	*$141.2*	*$0.0*
Expense actual change % year/year		8.37%	3.93%	11.38%	3.27%	15.69%	0.81%	-3.00%	7.72%	N/A
Expense actual change $$ year/year		1,990	1,014	3,048	975	4,836	289	(1,078)	2,691	N/A

Notes:
*** Actual expense is gross amount not reduced by overhead recoveries. FY2020 is forcasted amount

MINNESOTA HOUSING

Board Agenda Item: 9.A
Date: 6/25/2020

Item: Post-Sale Report, Homeownership Finance Bonds (HFB) 2020 Series BC

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

Summary of Request:
The Agency sold $55,979,046 of Homeownership Finance Bonds on May 13, 2020 with a closing on May 27, 2020. In accordance with the Debt and Balance Sheet Management Policy the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact:
None.

Meeting Agency Priorities:

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Post-Sale Report

CSG | advisors

Via Email Delivery

M E M O R A N D U M

Date: **May 18, 2020**

To: **Minnesota Housing Finance Agency**

From: **Gene Slater, Tim Rittenhouse, David Jones, Eric Olson**

Re: **Post-Sale Report**
$55,979,046 Homeownership Finance Bonds (HFB)
2020 Series B (Tax-Exempt) and Series C (Taxable)

BOND CRITERIA

The 2020 Series B/C Homeownership Finance Bonds financed single-family new production with $18,000,062 tax-exempt Series B and $37,978,984 Series C taxable pass-through bonds.

The key criteria for issuing the debt were:

1. ***Avoid major interest rate risk*** by continuing to hedge pipeline production until loans are either sold or permanently financed by bond issues.

2. ***Maintain high ratings on all Minnesota Housing single-family bonds***, with this issue rated Aaa.

3. ***Enable Minnesota Housing to continue ongoing contributions to key state housing needs*** by strengthening its long-term sustainability.

4. ***Use bond volume cap as efficiently and sparingly as possible,*** to continue both its single-family and multi-family programs.

KEY RESULTS FOR MINNESOTA HOUSING

Key Measurable Objectives. Minnesota Housing's objectives for each issue reflect its overall goal: Maintain a long-term sustainable program that continues to finance production on the balance sheet so long as this is the best execution. Minnesota Housing therefore seeks to:

1. Obtain a present value return for Minnesota Housing at least similar to selling the same MBS in the secondary market, assuming a reasonable prepayment speed.

2. Obtain, if possible, the 1.125% spread on the overall issue that the IRS would allow if the issue were all tax-exempt.

3. Balance the amount of (a) new volume cap needed in financing such production and (b) the amount of zero participations required, so that the Agency can continue its program in future years.

4. Where possible, use opportunities to balance the impact of hedge gains and losses across transactions on Agency current year income.

Accomplishments. The results were extraordinarily successful in meeting Minnesota Housing's objectives:

- ***Leveraging Limited Volume Cap.*** The issue was structured so that Minnesota Housing could finance $55.979 million of new mortgages on-balance-sheet with only $0.001 million of new money volume cap. Recycled volume cap was used for almost all of Series B and taxable debt for Series C.

- ***Spread and Zero Participations***. The issue used $4.5 million of zero participations in helping obtain an overall spread of 1.31% (or .98% after taking into account the hedge loss).

- ***Attractive Bond Yield.*** The average bond yield was 2.42%, very similar to the results in March, just before the COIVID-19 national emergency (which was 2.365% on an all-taxable issue).

- ***Economic Return to Minnesota Housing.*** The relative benefits to Minnesota Housing from issuing the bonds depend on how long the mortgages remain outstanding. The break-even prepayment speed[1] compared to selling the loans was 118% PSA.

- The net present value to Minnesota Housing (after net service release premiums and hedge losses) is projected to be approximately $532,000 at 150% PSA prepayment speed.

- ***Hedging.*** The loan production pipeline remained fully hedged until bonds were sold. Minnesota Housing incurred a loss of $1.517 million when it terminated the hedges.

- ***Sizing and Investor Demand.*** The issue was sized based on the available pipeline.

Implications. Key implications include:

- ***Pass-Through Approach*.** Minnesota Housing continues to be the national leader in issuing single-family pass-through bonds to help finance production on-balance-sheet. The net financial benefit from pass-through bonds compared to traditionally structured bonds varies from issue to issue. Given varying levels of demand for such bonds, the Agency has been timing and sizing the mix of tax-exempt and taxable pass-through series based on the demand from investors.

[1] The break-even speed measures how fast mortgages can prepay while still assuring Minnesota Housing at least the same present value as an MBS sale.

- ***Balance Sheet Management.*** Minnesota Housing continues to be able to finance tax-exempt eligible production as the best execution return to the Agency.

- ***Volume Cap.*** Minnesota Housing's single-family production together with demand for multi-family issuance in the State remains so great that private activity volume cap is a major constraint on tax-exempt issuance. To help address this, the Agency was able to issue the bonds using recycled volume cap and taxable debt.

TIMING AND STRUCTURE

Timing. The issue was priced on Wednesday, May 13, for closing on Wednesday, May 27th.

Major Design Decisions. Key decisions by Minnesota Housing were to:

- Continue to include a 10-year par call at Minnesota Housing's option, so that the Agency can potentially take advantage of interest rates in the future to either refund the bonds or sell the MBS and pay off the bonds.

- Include GNMA, FNMA and FHLMC MBS in the issue, with no percentage limit on any category. This provides Minnesota Housing the ability to adjust to the actual mix of loans in its pipeline.

Rating. Bonds under the HFB indenture are rated Aaa by Moody's.

BOND SALE RESULTS. Key highlights are:

1. ***Investor Interest.*** Given the varying demand for tax-exempt and taxable series of pass-through bonds, the bonds were pre-marketed to multiple investors, and the final sizing of the series, adjusted to reflect investor demand. The taxable series was oversubscribed by 4.8 times and was increased in size, while the tax-exempt series was reduced from $28 million to $18 million due to light investor demand.

2. ***Treasuries.*** The 10-year Treasury has been the key barometer of perceived risk in both the national and global economy, and reaction to the COVID-19 pandemic. Starting in late February, coronavirus news led to an extraordinary and rapid flight to quality. The 10-year dropped from 1.52% on February 20th to 1.02% on March 3rd and then with dramatic plunge in oil prices, plunged far below the 1.0% threshold, to 0.54% on March 9th when Series A was priced.

   Since then, Treasuries briefly rose as high as 1.18% on March 18, but with Federal Reserve action and economic lock-downs across the country dropped back to +/- 60 basis points. The yield was 0.64% on the date of sale of Series B/C.

Such yields on Treasuries reflected an extraordinary level of global economic uncertainty. In this environment, spreads widened for other securities. Those buying and selling taxable and tax-exempt bonds and corporate debt have done so based on a level of absolute rates, rather than nominal spreads to Treasuries.

3. ***Municipals.*** The municipal market index has dramatically underperformed Treasuries during the pandemic. While there has been a global flight to quality to Treasuries and mortgage-backed securities (boosted by the Federal Reserve's own purchases of each), municipal bond investors have generally pulled back from the market and required higher spreads than prior to the crisis. Municipal yields are slightly higher than they were when Series A was priced, and the ratios to Treasuries are at record levels.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/Treasury Ratio
2018 HFB G/H	10/17/18	3.19%	2.72%	85.3%
2018 RHFB EFGH	11/14/18	3.12%	2.70%	86.5%
2018 HFB IJ	12/13/18	2.91%	2.40%	82.5%
2019 HFB AB	2/7/19	2.65%	2.14%	80.8%
2019 RHFB ABCD	3/7/19	2.64%	2.08%	78.8%
2019 HFB CD	5/14/19	2.42%	1.73%	71.5%
2019 HFB E	6/13/19	2.10%	1.66%	79.0%
2019 HFB F	7/16/19	2.13%	1.58%	74.2%
2019 RHFB EFGH	8/20/19	1.55%	1.23%	79.4%
2019 HFB G	11/13/19	1.88%	1.58%	84.0%
2019 HFB H	12/11/19	1.79%	1.42%	79.3%
2020 RHFB ABC	1/23/20	1.74%	1.25%	71.8%
2020 HFB A	**3/9/20**	**0.54%**	**0.78%**	**144.4%**
2020 HFB BC	**5/13/20**	**0.64%**	**1.09%**	**170.3%**
Change from 2020 HFB A		**+10 bp**	**+31 bp**	**+ 25.9%**

4. ***Comparison to GNMA Yields.*** Investors compare yields on pass-through issues to current-coupon GNMAs, although pass-through bonds provide much less liquidity in the global markets. GNMA yields dropped by 23 basis points since the last taxable pass-through, 2020A, while Minnesota Housing's taxable bond yield rose by 8.5 basis points. The spread to GNMA's was 61 basis points, compared to 29.5 basis points on its last taxable pass-through issue.

Recent Minnesota Taxable Pass-Through Transactions

	2019 B Feb. 19	2019 D May 19	2019 E June 19	2019 F July 19	2019 G Nov. 19	2020 A Mar. 20	2020 C May 13
Minn. Housing bond yield **Taxable**	3.80%	3.55%	3.25%	3.23%	3.02%	**2.365%**	**2.45%**
Yield on GNMA I, 3.0 current coupon, at dealer prepay speed	3.15%	2.92%	2.71%	2.70%	2.58%	**2.07%**	**1.84%**
Minn. Housing v. GNMA **Taxable**	+65 bp	+63 bp	+54 bp	+53 bp	+44 bp	**+29.5 bp**	**+61 bp**

5. ***Comparable Pass-Through Transactions:*** Aside from Minnesota Housing, other issuers of pass-throughs include Colorado and Virginia. There have been taxable pass-through issues recently from other HFAs. While spreads to Treasury and GNMA indices have shifted dramatically during the pandemic, yields needed to attract pass-through buyers have remained relatively stable.

State HFA Taxable New Money Pass-Through Transactions

	Colo. 2019 BB-2	VA 2019 A	Minn. 2019 G	Colo. 2019 CC	VA 2020 A	Minn. 2020 A	Colo. 2020 AA	Colo. 2020 BB	Minn. 2020 C
Size (mill.)	$25.0	$108.5	$90.3	$65.0	$120.8	$44.0	$55.0	$45.4	$38.0
Rating	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Pricing Date	8/13	10/21	11/13	11/20	1/17	3/9	3/11	4/14	5/13
Price	Par	Par	Par	Par	Par	101	Par	Par	Par
Ave. Life at 150% PSA (years)	8.9	8.8	8.7	8.9	8.6	8.7	8.8	8.8	8.6
Yield	2.85%	2.95%	3.02%	2.907%	2.85%	2.365%	2.35%	2.60%	2.45%
Spread to 10yr US Treas. (bp)	+117	+115	+114	+115	+101	+183	+153	+184	+181

Spread to 3% GNMA (at Dealer Prepay Speed) (bp)	+39	+45	+44	+46	+37	+30	+0	+122	+61
Underwriter	RBC	Wells	RBC	RBC	BofA	RBC	RBC	RBC	RBC

State HFA Tax-Exempt Pass-Through Transactions

	Colo. 2018 BB-1	**Minn. 2018 I**	**Minn. 2019 A**	**Minn. 2019 C**	**Minn. 2019 H***	**Minn. 2020 B**
Size (mill.)	$46.7	$23.0	$35.6	$13.7	$48.3	$18.0
Rating	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Pricing Date	10/18/18	12/13/18	2/7/19	5/14/19	12/11/19	5/13/20
Price	102.935	Par	Par	Par	Par	Par
Ave. Life at 150% PSA (years)	8.4	8.9	8.9	8.9	6.7	8.6
Yield	3.80%**	3.60%	3.45%	3.15%	2.47%	2.35%
Spread to 10yr US Treas. (bp)	+64	+69	+80	+73	+184	+171
Spread to 10 yr MMD (bp)	+107	+120	+131	+142	+105	+126
Spread to 3% GNMA (at Dealer Prepay Speed)	+9	+18	+30	+23	+4	+51
Underwriter	RBC	RBC	RBC	RBC	RBC	RBC

* 89% refunding and 11% new money
** at 125% PSA

Underwriters. RBC was the senior manager; regular co-managers were J.P. Morgan, Piper Sandler and Wells Fargo. Monthly pass-through bonds are sold only to institutional investors, so there was no selling group.

Underwriter Fees. Management fees were appropriate, consistent with industry standards, in the same range as fees for other housing issues of similar size and structure.

****

ISSUE DETAILS

Economic Calendar. Almost all economic news since mid-March has been driven by the COIVID-19 pandemic, including over 20 million added to unemployment rolls in April. In the days leading up to the sale, the ISM Manufacturing index CPI dropped from 52.5% in March to 41.8% in April; consumer credit dropped by almost $32 billion; and the consumer price dropped by 0.8%.

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS directly or buying Minnesota Housing's bonds backed by MBS. As described above, bond purchasers look as much to the spread between Minnesota Housing's pass-through bonds and MBS as they do to the spread between Minnesota Housing bonds and Treasuries or MMD.

Type	Delivery	Coupon	Measure	Feb 7, 2019	May 14, 2019	Jun 13, 2019	July 16, 2019	Nov 13, 2019	Dec. 11, 2019	Mar. 9, 2020	May 13 2020
GNMA	Current	3.0	Price	99.08	100.45	101.48	101.52	102.08	102.72	**103.58**	**105.36**
			Yield*	3.15%	2.92%	2.71%	2.70%	2.58%	2.43%	**2.07%**	**1.84%**
			Dealer Forecast % PSA	147%	173%	195%	205%	210%	224%	**303%**	**306%**
FNMA	Current	3.5	Price	100.30	101.27	102.11	102.11	102.36	102.69	**104.14**	**105.48**
			Yield*	3.45%	3.24%	3.00%	2.85%	2.78%	2.61%	**1.31%**	**0.80%**
			Dealer Forecast % PSA	133%	224%	284%	383%	407%	443%	**735%**	**774%**
10yr US Treas.	n/a	n/a	Yield	2.65%	2.42%	2.10%	2.13%	1.88%	1.79%	**0.54%**	**0.64%**
10yr MMD	n/a	n/a	Yield	2.14%	1.73%	1.66%	1.58%	1.58%	1.42%	**0.78%**	**1.09%**
GNMA to 10-Year Treasury	n/a	n/a	Yield*	118.9%	120.7%	129.0%	126.8%	137.2%	135.8%	**383.3%**	**287.5%**
GNMA to 10-Year MMD	n/a	n/a	Yield*	147.2%	168.8%	163.3%	170.9%	163.3%	171.1%	**265.4%**	**168.8%**

Minnesota Housing	Tax-exempt/ Taxable	n/a	Yield	3.60% 4.00%	3.45% 3.80%	3.15% 3.55%	n.a. 3.25%	n.a. 3.02%	2.47% n.a.	**n.a.** **2.365%**	**2.35%** **2.45%**

* Yield at dealer forecast prepayment speed

TAX-EXEMPT PASS-THROUGH HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	5/13/20		12/11/19		5/14/19		2/7/19		12/13/18		10/17/18	
Amount	$18,000,062		$48,324,326		$13,727,617		$35,629,502		$22,971,005		$31,783,596	
Issuer	Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA	
Series	2020 Series B		2019 Series H		2019 Series C		2019 Series A		2018 Series I		2018 Series G	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT	
Use of Funds	New Money		Refunding & New Money		New Money		New Money		New Money		New Money	
Maturity	2050		2050		2049		2049		2049		2048	
Price	100.000		100.000		100.000		100.000		100.000		100.000	
Coupon/Yield	2.350		2.470		3.150		3.450		3.600		3.750	
Indicator	Indicative Yield 5/13/20	Spread	Indicative Yield 12/11/19	Spread	Indicative Yield 5/14/19	Spread	Indicative Yield 2/7/19	Spread	Indicative Yield 12/13/18	Spread	Indicative Yield 10/17/18	Spread
5-Year US Treasury	0.31	+204	1.64	+83	2.20	+95	2.46	+99	2.75	+85	3.04	+71
7-Year US Treasury	0.50	+185	1.74	+73	2.30	+85	2.54	+91	2.83	+77	3.13	+62
10-Year US Treasury	0.64	+171	1.79	+68	2.42	+73	2.65	+80	2.91	+69	3.19	+56
3% GNMA I @ 100% PSA	2.37	-2	2.63	-16	2.94	+21	3.13	+32	3.35	+25	3.61	+14
3% GNMA I @ Dlr Forecast	1.84 (306%)	+51	2.43 (224%)	+4	2.92 (173%)	+23	3.15 (147%)	+30	3.42 (148%)	+18	3.72 (146%)	+3
9-Year MMD	1.02	+133	1.35	+112	1.66	+149	2.04	+141	2.33	+127	2.64	+111
10-Year MMD	1.09	+126	1.42	+105	1.73	+142	2.14	+131	2.40	+120	2.72	+103
MBS PREPAY HISTORY (%PSA)												
Past 3 months	-		191%		-		-		-		-	
Past 6 months	-		201%		-		-		-		-	
Past 12 months	-		162%		-		-		-		-	
Since issuance	-		191%		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	10.5		8.1		11.0		11.0		10.9		10.9	
At 150% PSA	8.6		6.7		8.9		8.9		8.9		8.8	
At 200% PSA	7.2		5.7		7.5		7.5		7.4		7.3	
At 300% PSA	5.4		4.3		5.6		5.6		5.5		5.5	
WEIGHTED AVERAGE MORTGAGE RATE	3.70%		4.68%		4.78%		5.24%		5.05%		5.07%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.15%		4.40%		4.33%		4.56%		4.55%		4.50%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	357		252		359		358		357		357	
Notes			Refunding portion is $43.394MM or 90% of total par; prepay history shown above relates to refunding portion only									
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

TAX-EXEMPT PASS-THROUGH HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	8/16/18		4/12/18		2/13/18	
Amount	$47,757,180		$30,326,457		$38,247,496	
Issuer	Minnesota HFA		Minnesota HFA		Minnesota HFA	
Series	2018 Series E		2018 Series C		2018 Series A	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT	
Use of Funds	New Money		New Money		New Money	
Maturity	2048		2048		2048	
Price	100.000		100.000		100.000	
Coupon/Yield	3.450		3.300		3.300	
Indicator	Indicative Yield 8/16/18	Spread	Indicative Yield 4/12/18	Spread	Indicative Yield 2/13/18	Spread
5-Year US Treasury	2.75	+70	2.67	+63	2.54	+76
7-Year US Treasury	2.82	+63	2.78	+52	2.74	+56
10-Year US Treasury	2.87	+58	2.83	+47	2.83	+47
3% GNMA I @ 100% PSA	3.29	+16	3.22	+8	3.27	+3
3% GNMA I @ Dlr Forecast	3.35 (149%)	+10	3.27 (153%)	+3	3.32 (153%)	-2
9-Year MMD	2.37	+108	2.35	+95	2.35	+95
10-Year MMD	2.43	+102	2.40	+90	2.42	+88
MBS PREPAY HISTORY (%PSA)						
Past 3 months	-		-		-	
Past 6 months	-		-		-	
Past 12 months	-		-		-	
Since issuance	-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)						
At 100% PSA	11.0		10.7		10.7	
At 150% PSA	8.9		8.7		8.7	
At 200% PSA	7.4		7.2		7.3	
At 300% PSA	5.5		5.4		5.4	
WEIGHTED AVERAGE MORTGAGE RATE	5.12%		4.33%		4.41%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	4.39%		3.67%		3.62%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	358		357		357	
Notes						
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

TAXABLE NEW MONEY PASS-THROUGH HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	5/13/20		4/17/20		4/14/20		4/14/20		3/11/20	
Amount	$37,978,984		$75,470,076		$45,396,705		$150,659,258		$55,000,000	
Issuer	Minnesota HFA		Missouri HDC		Colorado HFA		Virginia HDA		Colorado HFA	
Series	2020 Series C		2020 Series B		Series 2020BB		2020 Series B		Series 2020AA	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		- / AA+ / -		Aaa / - / -		Aaa / AAA / -		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	New Money		Refunding		New Money		Refunding		New Money	
Maturity	2050		2043		2050		2046		2050	
Price	100.000		100 / 101.944		100.000		100.000		100.000	
Coupon/Yield	2.450		2.25 / 2.625C/2.25Y		2.600		2.750		2.350	
Indicator	Indicative Yield 5/13/20	Spread	Indicative Yield 4/17/20	Spread	Indicative Yield 4/14/20	Spread	Indicative Yield 4/14/20	Spread	Indicative Yield 3/11/20	Spread
5-Year US Treasury	0.31	+214	0.36	+189	0.42	+218	0.42	+233	0.66	+169
7-Year US Treasury	0.50	+195	0.53	+172	0.61	+199	0.61	+214	0.78	+157
10-Year US Treasury	0.64	+181	0.65	+160	0.76	+184	0.76	+199	0.82	+153
3% GNMA I @ 100% PSA	2.37	+8	2.17	+8	2.18	+42	2.18	+57	2.66	-31
3% GNMA I @ Dlr Forecast	1.84 (306%)	+61	1.35 (319%)	+90	1.38 (319%)	+122	1.38 (319%)	+137	2.35 (294%)	-
9-Year MMD	1.02	+143	0.99	+126	0.99	+161	0.99	+176	1.13	+122
10-Year MMD	1.09	+136	1.07	+118	1.07	+153	1.07	+168	1.19	+116
MBS PREPAY HISTORY (%PSA)										
Past 3 months	-		134%		-		-		-	
Past 6 months	-		186%		-		-		-	
Past 12 months	-		203%		-		-		-	
Since issuance	-		223%		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)										
At 100% PSA	10.5		7.9		10.8		8.0		10.8	
At 150% PSA	8.6		6.6		8.8		6.7		8.8	
At 200% PSA	7.2		5.6		7.3		5.6		7.4	
At 300% PSA	5.4		4.2		5.5		4.2		5.5	
WEIGHTED AVERAGE MORTGAGE RATE	3.70%		4.58%		4.06%		4.57%		4.22%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.15%		4.08%		3.60%		-		3.90%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	357		248		359		254		359	
Notes			Included a par bond at 2.25% C/Y and a 101.944 premium bond at 2.625%C / 2.25%Y at 200% PSA							
Sr Manager	RBC Capital Markets		Stifel		RBC Capital Markets		Wells Fargo		RBC Capital Markets	

TAXABLE NEW MONEY PASS-THROUGH HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	3/9/20		1/17/20		11/20/19		11/13/19		10/30/19	
Amount	$43,964,432		$120,813,950		$65,000,000		$90,294,924		$6,481,473	
Issuer	Minnesota HFA		Virginia HDA		Colorado HFA		Minnesota HFA		Escambia County HFA	
Series	2020 Series A		2020 Series A		Series 2019CC		2019 Series G		2019 Series C	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / AAA / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	New Money		New Money		New Money		New Money		New Money	
Maturity	2050		2049		2050		2049		2049	
Price	101.000		100.000		100.000		100.000		100.000	
Coupon/Yield	2.50C/2.365Y at 150% PSA		2.850		2.907		3.020		3.000	
Indicator	Indicative Yield 3/9/20	Spread	Indicative Yield 1/17/20	Spread	Indicative Yield 11/20/19	Spread	Indicative Yield 11/13/19	Spread	Indicative Yield 10/30/19	Spread
5-Year US Treasury	0.46	+191	1.63	+122	1.58	+133	1.69	+133	1.61	+139
7-Year US Treasury	0.56	+181	1.73	+112	1.66	+125	1.79	+123	1.69	+131
10-Year US Treasury	0.54	+183	1.84	+101	1.757	+115	1.88	+114	1.78	+122
3% GNMA I @ 100% PSA	2.52	-15	2.67	+18	2.63	+28	2.72	+30	2.65	+35
3% GNMA I @ Dlr Forecast	2.07 (303%)	+30	2.48 (230%)	+37	2.45 (210%)	+46	2.58 (210%)	+44	2.44 (237%)	+56
9-Year MMD	0.73	+164	1.22	+163	1.42	+149	1.50	+152	1.47	+153
10-Year MMD	0.78	+159	1.29	+156	1.50	+141	1.58	+144	1.55	+145
MBS PREPAY HISTORY (%PSA)										
Past 3 months	-		-		-		-		-	
Past 6 months	-		-		-		-		-	
Past 12 months	-		-		-		-		-	
Since issuance	-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)										
At 100% PSA	10.6		10.7		10.9		10.8		10.8	
At 150% PSA	8.7		8.6		8.9		8.7		8.8	
At 200% PSA	7.3		7.2		7.4		7.3		7.3	
At 300% PSA	5.5		5.4		5.6		5.4		5.4	
WEIGHTED AVERAGE MORTGAGE RATE	3.81%		4.16%		4.38%		4.80%		4.69%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.20%		-		4.00%		4.26%		4.09%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	358		356		359		356		357	
Notes					The 10-year UST indication above was the on-the-run UST at the time of verbal award. The closing CMT was 1.73%, which is a spread of +118.					
Sr Manager	RBC Capital Markets		BofA		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

TAXABLE NEW MONEY PASS-THROUGH HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	10/21/19		8/13/19		8/13/19		7/16/19		7/11/19		6/13/19	
Amount	$106,477,770		$49,861,602		$25,000,000		$59,850,816		$59,202,830		$45,949,045	
Issuer	Virginia HDA		Colorado HFA		Colorado HFA		Minnesota HFA		Colorado HFA		Minnesota HFA	
Series	2019 Series A		Series 2019BB-1		Series 2019BB-2		2019 Series F		Series 2019AA		2019 Series E	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / AAA / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	New Money		New Money		New Money		New Money		New Money		New Money	
Maturity	2049		2049		2049		2049		2049		2049	
Price	100.000		103.000		100.000		100.000		100.000		100.000	
Coupon/Yield	2.950		3.60C/3.19Y at 150% PSA		2.850		3.230		3.180		3.250	
Indicator	Indicative Yield 10/21/19	Spread	Indicative Yield 8/13/19	Spread	Indicative Yield 8/13/19	Spread	Indicative Yield 7/16/19	Spread	Indicative Yield 7/11/19	Spread	Indicative Yield 6/13/19	Spread
5-Year US Treasury	1.61	+134	1.57	+162	1.57	+128	1.88	+135	1.88	+130	1.84	+141
7-Year US Treasury	1.70	+125	1.62	+157	1.62	+123	2.00	+123	1.99	+119	1.96	+129
10-Year US Treasury	1.80	+115	1.68	+151	1.68	+117	2.13	+110	2.13	+105	2.10	+115
3% GNMA I @ 100% PSA	2.69	+26	2.66	+53	2.66	+19	2.80	+43	2.81	+37	2.80	+45
3% GNMA I @ Dlr Forecast	2.50 (237%)	+45	2.46 (232%)	+73	2.46 (232%)	+39	2.70 (205%)	+53	2.72 (205%)	+46	2.71 (195%)	+54
9-Year MMD	1.42	+153	1.23	+196	1.23	+162	1.51	+172	1.51	+167	1.59	+166
10-Year MMD	1.50	+145	1.30	+189	1.30	+155	1.58	+165	1.58	+160	1.66	+159
MBS PREPAY HISTORY (%PSA)												
Past 3 months	-		-		-		-		-		-	
Past 6 months	-		-		-		-		-		-	
Past 12 months	-		-		-		-		-		-	
Since issuance	-		-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	10.8		11.0		11.0		10.9		11.0		11.0	
At 150% PSA	8.8		8.9		8.9		8.9		8.9		8.9	
At 200% PSA	7.3		7.5		7.5		7.4		7.4		7.4	
At 300% PSA	5.5		5.6		5.6		5.6		5.6		5.6	
WEIGHTED AVERAGE MORTGAGE RATE	4.79%		4.90%		4.90%		4.72%		4.89%		4.81%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	-		4.48%		4.48%		4.31%		4.50%		4.38%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	356		359		359		359		359		359	
Notes												
Sr Manager	Wells Fargo		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

TAXABLE NEW MONEY PASS-THROUGH HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	5/14/19		2/7/19		12/13/18		10/17/18		8/16/18	
Amount	$30,555,019		$30,351,057		$37,500,014		$31,783,596		$52,573,028	
Issuer	Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA	
Series	2019 Series D		2019 Series B		2018 Series J		2018 Series H		2018 Series F	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	New Money		New Money		New Money		New Money		New Money	
Maturity	2049		2049		2049		2048		2048	
Price	100.000		100.000		100.000		100.000		100.000	
Coupon/Yield	3.550		3.800		4.000		4.100		3.800	
Indicator	Indicative Yield 5/14/19	Spread	Indicative Yield 2/7/19	Spread	Indicative Yield 12/13/18	Spread	Indicative Yield 10/17/18	Spread	Indicative Yield 8/16/18	Spread
5-Year US Treasury	2.20	+135	2.46	+134	2.75	+125	3.04	+106	2.75	+105
7-Year US Treasury	2.30	+125	2.54	+126	2.83	+117	3.13	+97	2.82	+98
10-Year US Treasury	2.42	+113	2.65	+115	2.91	+109	3.19	+91	2.87	+93
3% GNMA I @ 100% PSA	2.94	+61	3.13	+67	3.35	+65	3.61	+49	3.29	+51
3% GNMA I @ Dlr Forecast	2.92 (173%)	+63	3.15 (147%)	+65	3.42 (148%)	+58	3.72 (146%)	+38	3.35 (149%)	+45
9-Year MMD	1.66	+189	2.04	+176	2.33	+167	2.64	+146	2.37	+143
10-Year MMD	1.73	+182	2.14	+166	2.40	+160	2.72	+138	2.43	+137
MBS PREPAY HISTORY (%PSA)										
Past 3 months	-		-		-		-		-	
Past 6 months	-		-		-		-		-	
Past 12 months	-		-		-		-		-	
Since issuance	-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)										
At 100% PSA	11.0		11.0		10.9		10.9		11.0	
At 150% PSA	8.9		8.9		8.9		8.8		8.9	
At 200% PSA	7.5		7.5		7.4		7.4		7.4	
At 300% PSA	5.6		5.6		5.5		5.5		5.5	
WEIGHTED AVERAGE MORTGAGE RATE	4.78%		5.24%		5.05%		5.07%		5.12%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	4.33%		4.56%		4.55%		4.50%		4.39%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	359		358		357		357		358	
Notes										
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

This page intentionally left blank.

MINNESOTA HOUSING

Board Agenda Item: 9.B
Date: 6/25/2020

Item: Post-Sale Report, Residential Housing Finance Bonds (RHFB) 2020 Series DE

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

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

Summary of Request:
The Agency sold $150,000,000 of Residential Housing Finance Bonds on June 9, 2020 with a closing anticipated on June 24, 2020. In accordance with the Debt and Balance Sheet Management Policy the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact:
None.

Meeting Agency Priorities:
☒ Improve the Housing System
☒ Preserve and Create Housing Opportunities
☐ Make Homeownership More Accessible
☐ Support People Needing Services
☐ Strengthen Communities

Attachment(s):
- Post-Sale Report

$150,000,000
Minnesota Housing Finance Agency
Residential Housing Finance Bonds
2020 Series DE

POST-SALE ANALYSIS

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. 2020 Series DE accomplished the following major objectives:

1. Enabled Minnesota Housing to profitably finance tax-exempt eligible production on the balance sheet and earn net annual income over future years.

2. Leveraged a limited amount of new private activity bond volume cap, $51.4 million, approximately 3 to 1 times.

3. Achieved full spread, financed new loans without using any of Minnesota Housing's existing zero participations and created additional zero participations for future bond issues.

Key Measurable Objectives and Accomplishments. The results of the issue were very successful:

Objective	***Result***
Finance new production on balance sheet	$150 million of new loans in MBS securities
Leverage private activity bond volume cap	Used $51.4 million of new money PAB (together with $98.6 million of recycled bond authority).
Provide at least a similar return to the Agency as selling new loans on the secondary market	Higher return from including loans in the new issue than from selling them (based on average prepayment speeds the Agency has recently experienced on similar loans).
Strengthen the RHFB indenture going forward	Increases expected net present value to the Agency.
Achieve full spread on the overall transaction	Agency earned full spread.
Preserve and carry forward existing zero participations	Carried forward zero participations to benefit future single-family bond issues and borrowers.
Minimize use of and/or create zero participations	The issue created $7 million of zero participations, providing approx. $97 million of zero participations for future issues.
Achieve cost-effective bond yield	The overall bond yield was 2.23%.
Create future support for Pool 3.	Increases indenture's expected net present value by approx. $5.5 million at 150% PSA prepayment speed.

TIMING AND STRUCTURE

Timing. The bonds were priced on Tuesday, June 9th. The bonds are scheduled to close on June 24th.

Sizing. The issue was sized to fund the current pipeline.

Major Design Decisions. Key decisions by Minnesota Housing were to:

- Preserve and extend existing zero participations – a key resource that issuers are allowed under the IRS tax code –to help the agency and borrowers on future bond issues. This resource can only be extended in conjunction with a large enough amount of new tax-exempt debt.
- Structure the $19.3 million of AMT bonds (Series D) as shorter serial bonds through 2027, to incur the least additional cost from AMT debt on overall bond yield.
- Utilize $130.7 million of non-AMT bonds (Series E) throughout the maturity schedule, including serials through 2032, term bonds in 2035, 2040, 2044 and a tax-exempt PAC bond in 2050 for 30% of the entire issue.

Rating. Bonds under the RHFB indenture are rated Aa1 by Moody's and AA+ by S & P.

BOND SALE RESULTS

The sale took place near historic lows in the bond market, with some investors particularly for PAC bonds becoming concerned about the low absolute level of interest rates.

1. ***Retail Interest.*** This issue had excellent retail demand. On the $64.2 million of bonds made available to retail investors, there were $74.9 million of retail orders, including $58.5 million from Minnesota investors. This was an excellent performance.

2. ***Institutional Interest.*** More than $786 million of institutional orders were received, an extraordinary performance.

3. ***Overall Pricing.*** Almost all the AMT maturities in Series D were heavily oversubscribed and repriced lower by 5 basis points. Many of the non-AMT serial bonds were also oversubscribed and repriced lower by approximately 5 basis points. The non-AMT term bonds were all heavily over-subscribed and lowered by 5 basis points, and in the case of the 2044 maturity, 10 basis points. The PAC bond was oversubscribed by almost 8 times and its yield was reduced by 8 basis points (in addition to a reduction of 2 basis points before the order period) .

4. ***Comparable Transactions.***

   Series D: AMT. The only recent comparable AMT transaction was Washington State, approximately a month before. Minnesota's spreads were approximately 5, and on some maturities 10, basis points tighter to MMD than Washington.

   Series E: Non-AMT. There were many recent Non-AMT issues, including AAA-rated West Virginia as well as Michigan Aa2/AA+ and Maine (identical to Minnesota at Aa1/AA+), all priced the prior week. The bonds had similar spreads as West Virginia, and tighter than Michigan and Maine. The PAC bond priced an extraordinary 11 basis points tighter than the only other PAC bond, from Michigan. The spread was the lowest by any HFA since the beginning of the pandemic.

UNDERWRITING

Underwriters. RBC was the senior manager, with J.P. Morgan, Piper Sandler and Wells Fargo as co-managers.

Retail Sales. As indicated above, this RHFB issue received excellent retail demand.

Member	Role	Minnesota Retail Orders	Minnesota Retail Allotments
RBC	Senior Manager	**34,720,000**	**19,940,000**
J.P. Morgan	Co-Manager	560,000	560,000
Piper Sandler	Co-Manager	11,500,000	2,655,000
Wells Fargo	Co-Manager	8,745,000	3,030,000
Subtotal co-managers		**20,745,000**	**6,245,000**
Robert W. Baird	Selling Group	25,000	25,000
Morgan Stanley	Selling Group	1,475,000	895,000
UBS	Selling Group	1,550,000	1,250,000
Subtotal selling group		**3,050,000**	**2,170,000**
Total		**58,515,000**	**28,355,000**

In addition to RBC, Piper Sandler brought in $11.5 million of Minnesota retail orders and Wells Fargo brought in $8.7 million of such orders.

There were also $16.4 million of national retail orders, especially from RBC, Wells Fargo, J.P. Morgan, UBS and Morgan Stanley, that received a total of $2.8 million of allotments.

Underwriter Fees. Management fees were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.

****

ISSUE DETAILS

Key Dates: Pricing: Tuesday, June 9, 2020
Closing Date: Wednesday, June 24, 2020

Economic Calendar. Almost all economic news since mid-March has been driven by the COIVID-19 pandemic, including over 33 million people added to unemployment rolls. During the week prior to the sale, April factory orders dropped by 13%, there were 1.88 million initial jobless claims (a reduction from prior weeks), and consumer credit contracted by $69 billion compared to $12 billion in April. However, non-farm payrolls were much stronger than expected, increasing by 2.5 million versus the consensus forecast of negative 7.25 million. This surprisingly positive news led to an increase in Treasury yields.

Treasuries. Yields have dropped dramatically this year, largely due to the pandemic. The 10 year UST fell from 1.88% at the beginning of January and was 0.54% when HFB Series A was priced on March 9th.

Since then, the 10 year UST has fluctuated in a relatively narrow range. It was 0.77% a week before the sale, peaked at 0.91% as a result of the non-farm payroll report, and was at 0.84% on the Tuesday of the sale.

Municipals. The municipal market index has outperformed Treasuries in 2019 and into 2020 before the pandemic. With the global flight to quality starting in March, Treasuries dramatically outperformed municipals, leading to record ratios of MMD to Treasury. Over the last month, many investors have returned to municipals, driving muni yields down, often by 5 to 10 basis points per day. For example, since HFB 2020 BC on May 13th, the 10 year Treasury rose by 20 basis points and the 10 year MMD fell by 21 basis points. Muni yields are still relatively high compared to Treasuries, but far below the peak ratios reached earlier in the pandemic.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury	30-Year Treasury	30-Year MMD	MMD/ Treasury
2018 RHFB ABCD	6/7/18	2.93%	2.46%	84.0%	3.08%	2.98%	96.8%
2018 HFB E/F	8/16/18	2.87%	2.43%	84.7%	3.03%	3.01%	99.3%
2018 HFB G/H	10/17/18	3.19%	2.72%	85.3%	3.35%	3.39%	101.2%
2018 RHFB EFGH	11/14/18	3.12%	2.70%	86.5%	3.35%	3.38%	100.9%
2018 HFB IJ	12/13/18	2.91%	2.40%	82.5%	3.16%	3.17%	100.3%
2019 HFB AB	2/7/19	2.65%	2.14%	80.8%	3.00%	3.00%	100.0%
2019 RHFB ABCD	3/7/19	2.64%	2.08%	78.8%	3.03%	2.92%	96.4%
2019 HFB CD	5/14/19	2.42%	1.73%	71.5%	2.86%	2.39%	83.6%
2019 HFB E	6/13/19	2.10%	1.66%	79.0%	2.61%	2.35%	90.0%
2019 HFB F	7/16/19	2.13%	1.58%	74.2%	2.63%	2.29%	87.1%
2019 RHFB EFGH	8/20/19	1.55%	1.23%	79.4%	2.04%	1.90%	93.1%
2019 HFB G	11/13/19	1.88%	1.58%	84.0%	2.36%	2.19%	92.8%
2019 HFB H	12/11/19	1.79%	1.42%	79.3%	2.23%	2.02%	90.6%
2020 RHFB ABC	1/23/20	1.74%	1.25%	71.8%	2.18%	1.90%	87.2%
2020 HFB A	3/9/20	0.54%	0.78%	144.4%	0.99%	1.38%	139.4%
2020 HFB BC	5/13/20	0.64%	1.09%	170.3%	1.35%	1.90%	140.7%
2020 RHFB DE	**6/9/20**	**0.84%**	**0.88%**	**104.8%**	**1.59%**	**1.68%**	**105.7%**
Change from 2020 HFB BC		**+20 bp**	**-21 bp**	**-65.5%**	**+24 bp**	**-22 bp**	**-35.0%**

NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

Pricing Date		6/9/20		6/4/20		6/3/20		6/2/20		6/2/20		5/27/20		5/27/20	
Amount		$130,700,000		$30,000,000		$127,045,000		$35,000,000		$58,365,000		$47,905,000		$117,965,000	
Issuer		Minnesota HFA		West Virginia HDA		Michigan SHDA		Maine SHA		Rhode Island HMFC		Oregon HCSD		Pennsylvania HFA	
Series		2020 Series E		2020 Series A		2020 Series A		2020 Series D		Series 72-A		2020 Series A		Series 2020-132A	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / AA+ / -		Aaa / AAA / -		Aa2 / AA+ / -		Aa1 / AA+ / -		Aa1 / AA+ / -		Aa2 / - / -		Aa2 / AA+ / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Year	Maturity ('20 pricings)	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2020					0.300									
1	2021	0.30 / 0.35	+14 / +17	0.35 / 0.40	+19 / +24	0.35 / 0.45	+24 / +34			0.400	+24	0.300	+19	0.30 / 0.35	+19 / +24
2	2022	0.400	+22	0.50 / 0.55	+32 / +36	0.60 / 0.65	+44 / +49			0.550	+36	0.40 / 0.50	+29 / +34	0.50 / 0.55	+35 / +39
3	2023			0.70 / 0.75	+48 / +52	0.80 / 0.85	+57 / +62			0.750	+52	0.55 / 0.70	+35 / +47	0.65 / 0.75	+43 / +52
4	2024			0.85 / 0.90	+56 / +60	0.90 / 1.00	+60 / +70	0.900	+60	0.900	+60	0.875 / 0.90	+62 / +60	0.85 / 0.95	+56 / +65
5	2025	1.200	+82	1.15 / 1.20	+78 / +82	1.25 / 1.30	+87 / +92	1.150	+77	1.200	+82	1.10 / 1.15	+76 / +77	1.15 / 1.25	+78 / +87
6	2026	1.40 / 1.45	+93 / +92	1.40 / 1.45	+90 / +93	1.50 / 1.55	+99 / +103	1.450	+93	1.450	+93	1.375 / 1.45	+93 / +94	1.45 / 1.50	+95 / +98
7	2027	1.55 / 1.60	+94 / +96	1.55 / 1.60	+95 / +98	1.65 / 1.75	+104 / +113	1.600	+98	1.625	+101	1.50 / 1.60	+92 / +99	1.60 / 1.65	+100 / +103
8	2028	1.750	+105 / +102	1.70 / 1.75	+102 / +104	1.85 / 1.90	+117 / +119	1.750	+104	1.750	+105	1.625 / 1.70	+97 / +101	1.75 / 1.80	+107 / +110
9	2029	1.85 / 1.90	+107 / +111	1.85 / 1.90	+111 / +114	1.95 / 2.00	+121 / +124	1.900	+114	1.850	+110	1.75 / 1.80	+102 / +106	1.85 / 1.90	+111 / +115
10	2030	1.95 / 2.00	+109 / +112	1.95 / 2.00	+111 / +114	2.050	+121 / +119	2.000	+114	1.950	+110			1.95 / 2.00	+111 / +115
11	2031	2.050	+112 / +108	2.05 / 2.10	+112 / +115	2.10 / 2.15	+116 / +120	2.100	+115	2.100	+115			2.05 / 2.10	+112 / +115
12	2032	2.15 / 2.20	+112 / +113	2.125 / 2.15	+110 / +110			2.200	+115	2.200	+115			2.15 / 2.20	+112 / +115
13	2033														
14	2034														
15	2035	2.250	+99	2.250	+102	2.300	+107	2.300	+107	2.300	+107			2.300	+107
16	2036														
17	2037														
18	2038														
19	2039														
20	2040	2.500	+103	2.500	+106	2.550	+111	2.550	+111	2.570	+113				
21	2041													2.550	+107
22	2042														
23	2043														
24	2044	2.700	+109												
25	2045			2.750	+115	2.800	+120	2.800	+120	2.800	+120				
26	2046														
27	2047														
28	2048														
29	2049														
30	2050			2.800	+115	2.850	+120								
31	2051														
PAC 1		3.50C/1.43Y	+105 to 5yr			3.50C/1.54Y	+116 to 5yr			3.50C/1.55Y	+117 to 5yr	3.50C/1.60Y	+122 to 5yr	3.50C/1.50Y	+120 to 4yr
Notes		7/1/50 PAC bond has 3.50% coupon priced at 109.871 to yield 1.43% and has an average life of 5 years from 100-500% PSA				12/1/40 is 2.50% coupon; 12/1/50 PAC bond has 3.50% coupon at 109.326 to yield 1.54% with 5 year avg. life 100-500% PSA				10/1/40 is 2.55% coupon; 10/1/50 PAC bond has 3.50% coupon at 109.729 to yield 1.55% with 5 year avg. life 100-500% PSA		1/1/51 PAC bond has 3.50% coupon priced at 109.009 to yield 1.60% and has an average life of 5 years from 100-400% PSA		4/1/51 PAC bond has 3.50% coupon priced at 107.705 to yield 1.50% and has an average life of 4 years from 75-500% PSA	
Maturity Dates		1/1 and 7/1		5/1 and 11/1		12/1 and 6/1		11/15		10/1 plus 4/1/45		7/1 and 1/1		4/1 and 10/1	
Call Provisions		7/1/29 at par		5/1/29 at par		6/1/29 at par		5/15/29 at par		10/1/29 at par		1/1/29 at par/101.316 PAC		10/1/29 at par	
Mkt Index		BBI / RBI 2.16% / 2.58%		BBI / RBI 2.16% / 2.58%		BBI / RBI 2.16% / 2.58%		BBI / RBI 2.16% / 2.58%		BBI / RBI 2.16% / 2.58%		BBI / RBI 2.37% / 2.79%		BBI / RBI 2.37% / 2.79%	
Sr Manager		RBC Capital Markets		Raymond James		RBC Capital Markets		Barclays		J.P. Morgan		BofA Merrill		Wells Fargo	

NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

Pricing Date		5/19/20		5/12/20		5/12/20		5/12/20		5/7/20		5/6/20		4/30/20	
Amount		$125,290,000		$42,145,000		$25,000,000		$34,395,000		$37,200,000		$120,000,000		$139,050,000	
Issuer		Nebraska IFA		Massachusetts HFA		Massachusetts HFA		Washington SHFA		Montana BOH		North Carolina HFA		Georgia HFA	
Series		2020 Series A		Series 215		Series 216		2020 Series 1N		2020 Series B		Series 44		2020 Series A	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		- / AA+ / -		Aa1 / AA+ / -		Aa1 / AA+ / -		Aaa / - / -		Aa1 / AA+ / -		Aa1 / AA+ / -		- / AAA / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Year ('20 pricings)	Maturity	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2020	0.400		0.650						0.750				1.000	
1	2021	0.45 / 0.55	+17 / +26	0.750	+21					0.80 / 0.90	+10 / +20	0.875 / 0.90	+15 / +15	1.05 / 1.10	+24 / +29
2	2022	0.70 / 0.80	+37 / +45	0.950	+36					1.00 / 1.15	+25 / +40	1.05 / 1.125	+30 / +33	1.25 / 1.30	+34 / +39
3	2023	0.90 / 1.00	+49 / +58	1.200	+53					1.25 / 1.35	+46 / +56	1.25 / 1.30	+43 / +46	1.45 / 1.50	+48 / +53
4	2024	1.15 / 1.30	+68 / +81	1.400	+64					1.45 / 1.55	+59 / +69	1.45 / 1.50	+57 / +60	1.60 / 1.65	+57 / +62
5	2025	1.45 / 1.50	+89 / +92	1.650	+80	1.850	+100			1.70 / 1.75	+77 / +82	1.60 / 1.70	+67 / +74	1.75 / 1.80	+65 / +70
6	2026	1.60 / 1.65	+92 / +94	1.750	+84					1.80 / 1.85	+82 / +86	1.75 / 1.80	+77 / +79	1.90 / 1.95	+73 / +77
7	2027	1.75 / 1.80	+97 / +100	1.900	+94			2.000	+104	2.000	+97 / +96	1.95 / 2.00	+90 / +94	2.10 / 2.15	+85 / +89
8	2028	1.85 / 1.90	+101 / +103	2.000	+97			2.05 / 2.10	+105 / +107	2.10 / 2.15	+102 / +104	2.05 / 2.10	+96 / +98	2.20 / 2.25	+87 / +89
9	2029	1.95 / 2.00	+104 / +108	2.100	+102			2.15 / 2.20	+109 / +112	2.20 / 2.25	+106 / +109	2.15 / 2.20	+99 / +103	2.30 / 2.35	+90 / +93
10	2030	2.05 / 2.10	+107 / +110	2.200	+105			2.250	+112 / +110	2.300	+109 / +107	2.250	+103 / +101	2.400	+93 / +91
11	2031	2.15 / 2.20	+108 / +110	2.300	+106			2.30 / 2.35	+107 / +111	2.35 / 2.375	+104 / +106	2.30 / 2.35	+100 / +101	2.450	+88 / +87
12	2032	2.25 / 2.30	+108 / +110	2.350	+101			2.400	+107 / +106	2.400	+99 / +98	2.375 / 2.40	+98 / +96	2.600	+93 / +92
13	2033											2.45 / 2.50	+95 / +96		
14	2034														
15	2035	2.350	+97					2.450	+93	2.500	+90	2.550	+92	2.750	+89
16	2036														
17	2037														
18	2038														
19	2039														
20	2040	2.550	+96					2.650	+92	2.750	+94	2.850	+101	3.050	+98
21	2041														
22	2042														
23	2043	2.700	+100					2.800	+96						
24	2044													3.150	+94
25	2045									3.000	+103				
26	2046											3.000	+99		
27	2047														
28	2048														
29	2049														
30	2050									3.050	+103				
31	2051														
PAC 1		3.50C/1.85Y	+100 to 5yr	4.00C/1.97Y	+112 to 5yr			4.00C/1.95Y	+110 to 5yr	4.00C/2.09Y	+116 to 5yr	4.00C/2.13Y	+117 to 5yr	4.00C/2.28Y	+118 to 5yr
Notes		9/1/50 PAC bond has 3.50% coupon priced at 107.713 to yield 1.85% and has an average life of 5 years from 100-500% PSA		12/1/50 PAC bond has 4% coupon priced at 109.495 to yield 1.97% and has an average life of 5 years from 100-500% PSA		12/1/50 maturity shown at 6/1/25 mandatory tender above		12/1/50 PAC bond has 4% coupon priced at 109.622 to yield 1.95% and has an average life of 5 years from 100-500% PSA		12/1/50 PAC bond has 4% coupon priced at 108.871 to yield 2.09% and has an average life of 5 years from 100-400% PSA		7/1/50 PAC bond has 4% coupon priced at 108.744 to yield 2.13% and has an average life of 5 years from 100-500% PSA		6/1/50 PAC bond has 4% coupon priced at 107.984 to yield 2.28% and has an average life of 5 years from 75-500% PSA	
Maturity Dates		9/1 and 3/1		12/1		12/1		12/1 and 6/1		12/1 and 6/1		1/1 and 7/1		12/1 and 6/1	
Call Provisions		3/1/29 at par/101.808 PAC		6/1/29 at par		12/1/24 at par		6/1/29 at par		6/1/29 at par		7/1/29 at par		6/1/29 at par	
Mkt Index		BBI / RBI 2.48% / 2.90%		BBI / RBI 2.60% / 3.02%		BBI / RBI 2.60% / 3.02%		BBI / RBI 2.60% / 3.02%		BBI / RBI 2.60% / 3.02%		BBI / RBI 2.56% / 2.98%		BBI / RBI 2.56% / 2.98%	
Sr Manager		J.P. Morgan		Morgan Stanley		Morgan Stanley		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		Citigroup	

NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

Pricing Date		4/22/20		4/21/20		4/21/20		4/20/20		4/16/20		4/16/20		1/23/20	
Amount		$95,385,000		$100,000,000		$50,000,000		$115,000,000		$38,955,000		$100,000,000		$149,150,000	
Issuer		Wyoming CDA		North Dakota HFA		Oklahoma HFA		South Carolina SHFDA		Maine SHA		Wisconsin HEDA		Minnesota HFA	
Series		2020 Series 1		2020 Series A		Series 2020A		Series 2020A		2020 Series C		2020 Series A		2020 Series B	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / AA+ / -		Aa1 / - / -		Aaa / - / -		Aaa / - / -		Aa1 / AA+ / -		Aa2 / AA / -		Aa1 / AA+ / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Year ('20 pricings)	Maturity	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2020	1.050										1.150		0.950	
1	2021	1.10 / 1.20	+26 / +36	1.15 / 1.20	+31 / +36	1.10 / 1.20	+26 / +36	1.200	+38			1.20 / 1.30	+38 / +48	0.950	+11
2	2022	1.25 / 1.30	+38 / +43	1.25 / 1.35	+38 / +48	1.25 / 1.30	+38 / +43	1.25 / 1.30	+40 / +45	1.350	+50	1.35 / 1.40	+50 / +55		
3	2023	1.40 / 1.50	+50 / +60	1.45 / 1.50	+56 / +61	1.40 / 1.50	+51 / +61	1.40 / 1.45	+53 / +58	1.450	+59	1.40 / 1.50	+54 / +64		
4	2024	1.55 / 1.60	+63 / +68	1.55 / 1.60	+65 / +70	1.55 / 1.60	+65 / +70	1.50 / 1.55	+62 / +67	1.500	+64	1.55 / 1.60	+69 / +74		
5	2025	1.625 / 1.65	+68 / +70	1.65 / 1.70	+74 / +78	1.625 / 1.65	+72 / +73	1.625 / 1.65	+74 / +75	1.650	+77	1.60 / 1.65	+73 / +77		
6	2026	1.75 / 1.80	+76 / +80	1.800	+86 / +85	1.75 / 1.80	+81 / +84	1.75 / 1.80	+84 / +88	1.750	+85	1.75 / 1.80	+87 / +90	1.450	+51
7	2027	1.85 / 1.90	+82 / +86	1.900	+93 / +92	1.85 / 1.90	+88 / +91	1.85 / 1.875	+91 / +93	1.850	+93	1.85 / 1.90	+95 / +98	1.55 / 1.60	+55 / +58
8	2028	1.95 / 2.00	+87 / +89	1.950	+95 / +92	1.95 / 2.00	+94 / +96	1.90 / 1.95	+94 / +96	2.000	+103	1.95 / 2.00	+102 / +104	1.65 / 1.70	+56 / +58
9	2029	2.05 / 2.10	+92 / +95	2.00 / 2.05	+95 / +99	2.05 / 2.10	+100 / +103	2.00 / 2.05	+99 / +103	2.050	+103	2.05 / 2.10	+106 / +109	1.75 / 1.80	+58 / +61
10	2030	2.15 / 2.20	+96 / +99	2.15 / 2.20	+105 / +108	2.15 / 2.20	+104 / +107	2.10 / 2.15	+104 / +107	2.150	+105	2.15 / 2.20	+108 / +111	1.85 / 1.90	+60 / +62
11	2031	2.25 / 2.30	+96 / +100	2.30 / 2.35	+110 / +113	2.25 / 2.30	+104 / +107	2.20 / 2.25	+104 / +107	2.300	+111	2.300	+113 / +111	2.000	+68 / +66
12	2032	2.35 / 2.40	+96 / +100	2.40 / 2.45	+110 / +113	2.35 / 2.40	+104 / +107	2.35 / 2.40	+109 / +112	2.500	+121	2.45 / 2.50	+118 / +121	2.100	+74 / +72
13	2033														
14	2034														
15	2035	2.625	+105	2.700	+119	2.650	+114	2.650	+118	2.700	+123	2.700	+123	2.400	+88
16	2036														
17	2037														
18	2038														
19	2039											2.920	+125		
20	2040	2.950	+113	2.950	+120	2.950	+120	2.920	+121	2.950	+124			2.625	+92
21	2041														
22	2042	3.020	+112			3.000	+119								
23	2043														
24	2044			3.050	+118									2.800	+97
25	2045							3.050	+120						
26	2046														
27	2047														
28	2048														
29	2049														
30	2050														
31	2051														
PAC 1		4.00C/2.13Y	+118 to 5yr	4.00C/2.13Y	+121 to 5yr	4.00C/2.09Y	+117 to 5yr	4.00C/2.10Y	+120 to 5.3yr	4.00C/2.10Y	+123 to 5yr	3.50C/2.10Y	+123 to 5yr	3.50C/1.46Y	+60 to 5yr
Notes		12/1/40 & 12/1/42 are 3% coupons; 12/1/50 PAC is 4% coupon at 108.716 to yield 2.13% with 5 year avg. life 100-500% PSA		7/1/40 is 3% coupon; 1/1/51 PAC is 4% coupon at 108.732 to yield 2.13% with 5 year avg. life 100-400% PSA		9/1/40 is 3% coupon; 3/1/50 PAC is 4% coupon at 108.912 to yield 2.09% with 5 year avg. life 100-400% PSA		7/1/40 is 3% coupon; 7/1/50 PAC is 4% coupon at 109.312 to yield 2.10% with 5.26 year avg. life 100-400% PSA		11/15/40 is 3% coupon; 11/15/50 PAC is 4% coupon at 108.927 to yield 2.10% with 5.02 year avg. life 100-500% PSA		3/1/39 is 3% coupon; 9/1/50 PAC is 3.50% coupon at 106.514 to yield 2.10% with 5 year avg. life 100-400% PSA		7/1/50 PAC bond has 3.50% coupon priced at 109.724 to yield 1.46% and has an average life of 5 years from 100-500% PSA	
Maturity Dates		12/1 and 6/1		1/1 and 7/1		3/1 and 9/1		7/1 and 1/1		11/15		9/1 and 3/1		7/1 and 1/1	
Call Provisions		6/1/29 at par		7/1/29 at par		3/1/29 at par/101.37 PAC		7/1/29 at par/100.923 PAC		5/15/29 at par/100.923 PAC		9/1/29 at par		7/1/29 at par	
Mkt Index		BBI / RBI 2.25% / 2.75%		BBI / RBI 2.25% / 2.75%		BBI / RBI 2.25% / 2.75%		BBI / RBI 2.25% / 2.75%		BBI / RBI 2.25% / 2.75%		BBI / RBI 2.25% / 2.75%		BBI / RBI 2.54% / 3.04%	
Sr Manager		BofA Merrill		RBC Capital Markets		BofA Merrill		Citigroup		Citigroup		RBC Capital Markets		RBC Capital Markets	

NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

Pricing Date		8/20/19		11/14/18		6/7/18	
Amount		$96,775,000		$65,200,000		$43,680,000	
Issuer		Minnesota HFA		Minnesota HFA		Minnesota HFA	
Series		2019 Series F		2018 Series E		2018 Series B	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / AA+ / -		Aa1 / AA+ / -		Aa1 / AA+ / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT	
	Maturity	Coupon/	Spread	Coupon/	Spread	Coupon/	Spread
Year ('20 pricings)		Yield	to iMMD	Yield	to iMMD	Yield	to iMMD
0	2020						
1	2021	1.050	+9	2.000	+11	1.700	+16
2	2022					1.80 / 1.90	+15 / +20
3	2023					2.00 / 2.10	+23 / +29
4	2024					2.15 / 2.20	+29 / +30
5	2025					2.30 / 2.35	+34 / +35
6	2026	1.500	+50			2.50 / 2.55	+42 / +42
7	2027	1.55 / 1.60	+53 / +56				
8	2028	1.70 / 1.75	+63 / +65	3.000	+49		
9	2029	1.80 / 1.85	+67 / +69	3.10 / 3.15	+54 / +56		
10	2030	1.90 / 1.95	+71 / +73	3.30 / 3.35	+64 / +67		
11	2031	2.00 / 2.05	+73 / +75	3.40 / 3.45	+66 / +69		
12	2032	2.10 / 2.15	+77 / +80	3.55 / 3.60	+74 / +77		
13	2033	2.25 / 2.30	+87 / +90				
14	2034						
15	2035	2.450	+95	3.800	+81	3.450	+76
16	2036						
17	2037						
18	2038						
19	2039					3.650	+81
20	2040	2.550	+84				
21	2041						
22	2042						
23	2043						
24	2044						
25	2045	2.750	+90				
26	2046						
27	2047						
28	2048						
29	2049						
30	2050						
31	2051						
PAC 1		3.75C/1.59Y	+61 to 5yr	4.25C/3.00Y	+71 to 5yr	4.00C/2.76Y	+77 to 5yr
Notes		1/1/50 PAC bond has 3.75% coupon priced at 110.268 to yield 1.59% and has an average life of 5 years from 100-500% PSA		1/1/49 PAC bond has 4.25% coupon priced at 105.663 to yield 3.00% and has an average life of 5 years from 100-500% PSA		7/1/48 PAC bond has 4% coupon priced at 105.68 to yield 2.76% and has an average life of 4.98 years from 100-500% PSA	
Maturity Dates		7/1 and 1/1		7/1 and 1/1		7/1 and 1/1	
Call Provisions		1/1/29 at par		1/1/28 at par		7/1/27 at par	
Mkt Index		BBI / RBI 3.10% / 3.58%		BBI / RBI 4.36% / 4.85%		BBI / RBI 3.88% / 4.37%	
Sr Manager		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 9 MONTHS PLUS EARLIER MHFA

Pricing Date		6/9/20		5/12/20		2/26/20		1/29/20		1/23/20	
Amount		$19,300,000		$7,370,000		$46,685,000		$29,955,000		$20,850,000	
Issuer		Minnesota HFA		Washington SHFA		SONYMA		Connecticut HFA		Minnesota HFA	
Series		2020 Series D		2020 Series 1A		Series 226		2020 Series A-2		2020 Series A	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / AA+ / -		Aaa / - / -		Aa1 / - / -		Aaa / AAA / -		Aa1 / AA+ / -	
Tax Status		AMT		AMT		AMT		AMT		AMT	
Year ('20 pricings)	Maturity	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2020					1.000		1.00 / 1.05		1.050	
1	2021	0.45 / 0.50	+29 / +32	0.95 / 1.05	+41 / +51	1.000	+25	1.10 / 1.15	+28 / +33	1.10 / 1.15	+26 / +31
2	2022	0.60 / 0.65	+42 / +44	1.15 / 1.25	+56 / +66	1.125 / 1.15	+37 / +39	1.25 / 1.30	+42 / +47	1.25 / 1.30	+40 / +45
3	2023	0.85 / 0.90	+64 / +67	1.40 / 1.50	+73 / +83	1.25 / 1.30	+49 / +54	1.35 / 1.40	+52 / +57	1.350	+50 / +50
4	2024	1.050	+79 / +75	1.65 / 1.75	+89 / +99	1.350	+59	1.45 / 1.50	+61 / +66	1.450	+59 / +59
5	2025	1.35 / 1.40	+101 / +102	1.90 / 1.95	+105 / +110	1.50 / 1.55	+72 / +76	1.55 / 1.60	+70 / +73	1.550	+69 / +68
6	2026	1.625 / 1.65	+116 / +112	2.000	+110 / +109	1.60 / 1.65	+80 / +83	1.65 / 1.53	+74 / +60	1.65 / 1.70	+74 / +76
7	2027	1.800	+119	2.20 / 2.25	+125 / +129	1.70 / 1.75	+87 / +90	1.60 / 1.65	+63 / +66		
8	2028					1.80 / 1.85	+92 / +94	1.68 / 1.73	+64 / +66		
9	2029					1.90 / 1.95	+96 / +99	2.000	+88 / +86		
10	2030							2.05 / 2.15	+85 / +92		
11	2031							2.20 / 2.25	+93 / +97		
12	2032							2.350	+104		
13	2033										
14	2034										
PAC						3.50C/1.42Y	+65 to 5yr				
Notes						10/1/50 PAC bond has 3.50% coupon priced at 109.936 to yield 1.42% and has an average life of 5 years from 60-500% PSA		11/15/26 through 11/15/28 have 5% coupons, with prices ranging from 122.127 to 126.404			
Maturity Dates		1/1 and 7/1		6/1 and 12/1		10/1 and 4/1		5/15 and 11/15		7/1 and 1/1	
Call Provisions		None		None		10/1/29 at par		5/15/29 at par		None	
Mkt Index		BBI / RBI 2.16% / 2.58%		BBI / RBI 2.60% / 3.02%		BBI / RBI 2.46% / 2.96%		BBI / RBI 2.54% / 3.04%		BBI / RBI 2.54% / 3.04%	
Sr Manager		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		Citigroup		RBC Capital Markets	

AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 9 MONTHS PLUS EARLIER MHFA

Pricing Date		1/16/20		12/11/19		11/14/19		11/7/19		10/17/19	
Amount		$4,975,000		$4,495,000		$13,800,000		$5,530,000		$3,695,000	
Issuer		Colorado HFA		Massachusetts HFA		Pennsylvania HFA		Washington SHFC		Colorado HFA	
Series		2020 Series A		Series 213		Series 2019-131B		2019 Series 2A		2019 Series J	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aaa / AAA / -		Aa1 / AA+ / -		Aa2 / AA+ / -		Aaa / - / -		Aaa / AAA / -	
Tax Status		AMT		AMT		AMT		AMT		AMT	
	Maturity	Coupon/	Spread	Coupon/	Spread	Coupon/	Spread	Coupon/	Spread	Coupon/	Spread
Year ('20 pricings)		Yield	to iMMD	Yield	to iMMD	Yield	to iMMD	Yield	to iMMD	Yield	to iMMD
0	2020	1.150									
1	2021	1.25 / 1.30	+36 / +41	1.25 / 1.30	+22 / +26	1.55 / 1.60	+44 / +49	1.50 / 1.55	+38 / +43	1.375 / 1.45	+27 / +33
2	2022	1.400	+50 / +50	1.40 / 1.50	+35 / +45	1.70 / 1.75	+59 / +64	1.65 / 1.70	+52 / +57	1.55 / 1.60	+44 / +49
3	2023			1.60 / 1.625	+55 / +58	1.85 / 1.90	+73 / +78	1.75 / 1.80	+61 / +66	1.65 / 1.70	+54 / +59
4	2024			1.65 / 1.70	+59 / +64	1.95 / 2.00	+81 / +86	1.85 / 1.90	+69 / +74	1.750	+63 / +63
5	2025					2.000	+82	2.00 / 2.05	+80 / +84	1.80 / 1.875	+67 / +74
6	2026							2.10 / 2.15	+85 / +88	1.950	+78
7	2027							2.20 / 2.25	+86 / +90		
8	2028							2.350	+95		
9	2029										
10	2030										
11	2031										
12	2032										
13	2033										
14	2034										
PAC											
Notes											
Maturity Dates		11/1 and 5/1		6/1 and 12/1		4/1 and 10/1		6/1 and 12/1		5/1 and 11/1	
Call Provisions		None		None		None		None		None	
Mkt Index		BBI / RBI 2.56% / 3.06%		BBI / RBI 2.77% / 3.24%		BBI / RBI 2.85% / 3.33%		BBI / RBI 2.86% / 3.34%		BBI / RBI 2.70% / 3.18%	
Sr Manager		RBC Capital Markets		RBC Capital Markets		Jefferies		RBC Capital Markets		Barclays	

AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 9 MONTHS PLUS EARLIER MHFA

Pricing Date		10/8/19		10/3/19		9/10/19		8/20/19		3/7/19	
Amount		$11,115,000		$46,815,000		$66,740,000		$13,225,000		$7,865,000	
Issuer		Connecticut HFA		Nebraska IFA		SONYMA		Minnesota HFA		Minnesota HFA	
Series		2019 Series F-4		2019 Series E		Series 221		2019 Series E		2019 Series A	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aaa VMIG 1 / A-1+ / -		- / AA+ / -		Aa1 / - / -		Aa1 / AA+ / -		Aa1 / AA+ / -	
Tax Status		AMT		AMT		AMT		AMT		AMT	
Year ('20 pricings)	Maturity	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2020									1.850	
1	2021	1.450	+36			1.30 / 1.35	+20 / +25	1.200	+24	1.950	+38
2	2022					1.45 / 1.50	+35 / +40	1.30 / 1.35	+34 / +39	2.150	+57
3	2023					1.60 / 1.65	+49 / +54	1.40 / 1.45	+43 / +48	2.250	+65
4	2024					1.70 / 1.75	+58 / +63	1.50 / 1.55	+53 / +58	2.400	+78
5	2025					1.80 / 1.85	+67 / +72	1.60 / 1.65	+63 / +67	2.450	+76
6	2026					1.90 / 1.95	+75 / +79	1.70 / 1.75	+72 / +75	2.625	+86
7	2027					2.000	+81				
8	2028										
9	2029										
10	2030										
11	2031										
12	2032										
13	2033										
14	2034										
PAC				3.75C/1.96Y	+83 to 4.1yr	3.50C/1.88Y	+75 to 5yr				
Notes		11/15/41 maturity but shown at 11/15/20 manatory tender above		9/1/49 PAC bond has 3.75% coupon priced at 106.904 to yield 1.96% and has an average life of 4.1 years from 100-500% PSA		10/1/32 PAC bond has 3.50% coupon priced at 107.639 to yield 1.88% and has an average life of 5 years from 60-400% PSA					
Maturity Dates		5/15		9/1		4/1 and 10/1		7/1 and 1/1		7/1	
Call Provisions		5/15/20 at par		3/1/29 at par		4/1/29 at par		None		None	
Mkt Index		BBI / RBI 2.62% / 3.10%		BBI / RBI 2.62% / 3.10%		BBI / RBI 2.97% / 3.45%		BBI / RBI 3.10% / 3.58%		BBI / RBI 4.09% / 4.56%	
Sr Manager		J.P. Morgan		J.P. Morgan		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 9 MONTHS PLUS EARLIER MHFA

Pricing Date		11/14/18		6/7/18	
Amount		$14,800,000		$28,820,000	
Issuer		Minnesota HFA		Minnesota HFA	
Series		2018 Series F		2018 Series A	
Program		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / AA+ / -		Aa1 / AA+ / -	
Tax Status		AMT		AMT	
Year ('20 pricings)	Maturity	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
0	2020				
1	2021	2.200	+31	1.80 / 1.90	+33 / +36
2	2022	2.40 / 2.50	+42 / +46	2.05 / 2.20	+40 / +50
3	2023	2.65 / 2.75	+58 / +64	2.35 / 2.45	+58 / +64
4	2024	2.85 / 2.95	+70 / +77	2.50 / 2.55	+64 / +65
5	2025	3.00 / 3.05	+78 / +80	2.65 / 2.70	+69 / +70
6	2026	3.10 / 3.15	+81 / +83	2.85 / 2.90	+77 / +77
7	2027	3.25 / 3.30	+89 / +90	3.00 / 3.05	+79 / +80
8	2028	3.40 / 3.50	+93 / +99	3.15 / 3.25	+84 / +90
9	2029			3.35 / 3.40	+98 / +100
10	2030			3.45 / 3.50	+102 / +104
11	2031				
12	2032				
13	2033				
14	2034			3.625	+99
PAC					
Notes					
Maturity Dates		7/1 and 1/1		1/1 and 7/1	
Call Provisions		None		7/1/27 at par	
Mkt Index		BBI / RBI 4.36% / 4.85%		BBI / RBI 3.88% / 4.37%	
Sr Manager		RBC Capital Markets		RBC Capital Markets	

This page intentionally left blank.