MINNESOTA HOUSING

MEETINGS SCHEDULED FOR OCTOBER

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

THURSDAY, OCTOBER 22, 2020

Regular Board Meeting
1:00 p.m.

Conference Call

Toll-free dial-in number (U.S. and Canada):
1-866-899-4679

Conference code:
955-098-141

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, October 22, 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.

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MINNESOTA HOUSING

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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 October 22, 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 September 24, 2020
   B. (page 9) Special Meeting of September 29, 2020
5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**

6. **Consent Agenda**
   A. (page 11) Grant Contract Modifications, Impact Fund, Rebuilding Together – Twin Cities
   B. (page 15) Approval, Revisions to the Emergency & Accessibility Loan Program Procedural Manual
   C. (page 47) Funding Modification, Publicly Owned Housing Program (POHP)
      - Blue Mound Tower, D5973, Luverne, MN
   D. (page 51) Modification, Preservation Affordable Rental Investment Fund (PARIF) Loan;
      - Pine Bend Rice Lake Rehabilitation Project, D8224, Bagley and Lengby, MN
   E. (page 55) Waiver, Housing Infrastructure Bond (HIB) Loan
      - Anishinabe III Supportive Housing, D8222, Minneapolis
   F. (page 57) Grant Selection/Commitment, Housing Opportunities for Persons with AIDS – CARES Act (HOPWA-CV)
      - JustUs Health, D3621, Greater Minnesota
   G. (page 61) Risk Management and Internal Control Framework

7. Action Items

A. (page 85) Workforce and Affordable Homeownership Development Program and Interim Construction Loan Selections

B. (page 99) Approval, Program and Manual Changes, Home Improvement Loan Programs

C. (page 137) Commitment, Low and Moderate Income Rental Program (LMIR)
   - The Sound on 76th Street (fka 4100 Apartments), D8111, Edina

D. (page 149) Capacity Building Intermediaries Request for Proposal

E. (page 153) Resolution Authorizing Amendments to Minnesota Housing Finance Agency Direct Purchase Revolving Line of Credit Notes

F. (page 161) Request for Predictive Cost Model Waiver, 2020 Qualified Allocation Plan, Fort Snelling Upper Post Flats, D7976

8. Discussion Items

A. Covid-19 Update

9. Information Items

A. (page 173) Post-Sale Report, Residential Housing Finance Bonds (RHFB) 2020 Series FG

10. Other Business

None.

11. Adjournment

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday, September 24, 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: Chief Executive Benjamin, Chair John DeCramer, Craig Klausing, Stephanie Klinzing, Stephen Spears and Terri Thao. Auditor Blaha joined the meeting after agenda item 4.
Minnesota Housing Staff present via conference call: Tal Anderson, Ryan Baumtrog, Vi Bergquist, Sara Bunn, Kevin Carpenter, Jessica Deegan, Rachel Franco, Anne Heitlinger, Jennifer Ho, Song Lee, Kasey Kier, Greg Krenz, Summer Jefferson, Tresa Larkin, Debbi Larson, Song Lee, James Lehnhoff, Jill Mazullo, Paul Marzynski, John Patterson, Caryn Polito, Devon Pohlman, Paula Rindels, Lael Robertson, Rachel Robinson, Anne Smetak, Corey Strong, Emily Strong, Jodell Swenson, Tonya Taylor, Susan Thompson, Mike Thone, Ted Tulashie, Sarah Woodward and Kristy Zack.
Others present via conference call: Ramona Advani, Office of the Minnesota State Auditor; Anne Mavity, Minnesota Housing Partnership.

3. Agenda Review
No changes.

4. Approval
Regular Meeting Minutes of August 27, 2020
Motion: Craig Klausing moved to approve the August 27 Regular Meeting Minutes. Seconded by Terri Thao. Roll call was taken. Motion carries 6-0. All were in favor.

5. Reports
A. **Chair**
Chair DeCramer shared a story of an individual in his community who received funds from the Covid-19 Housing Assistance Program.

B. **Commissioner**
Commissioner Ho shared the following with the board:
- Welcome to Jordan Bailes, Compliance Analyst, Single Family Division.
- Visited the Jeremiah Program St Paul campus and was interviewed for a documentary about the Jeremiah Program Rochester Campus.
- Toured Cahill Place in Inver Grove Heights
- Virtually participated in the Emerging Opportunities - LISC Duluth Annual Celebration
- Potential for the December meeting to be extended by 60 minutes. More to come.
- In the Single Family Division, 11 months into the AHP, we've broken our all-time record for home mortgage production.

- Provided an update on the Covid-19 Housing Assistance Program and shared that a special board meeting will need to be scheduled to add additional grant administrators to the network.

C. **Committee**

Prior to our board meeting, the Finance and Audit Committee met to discuss the Risk Management and Internal Control Framework, a re-write of the Framework, including changing the document's name, to better reflect the Agency's current risk management and internal control strategies and activities.

6. Consent Agenda

A. Substantial Amendment of 2020 Annual Action Plan for HUD with HOPWA-CV Funds

B. Selection and Commitment, Low and Moderate Income Rental Program (LMIR)
- The Greenleaf, D6368, Minneapolis

C. Selection and Commitment, Low and Moderate Income Rental Program (LMIR) and Flexible Financing for Capital Costs (FFCC)
- Olson Redevelopment I, D0945, Minneapolis

D. Commitment, Low and Moderate Income Rental (LMIR) Program
- Sabathani Senior Housing, D8212, Minneapolis

E. Modification, Housing Infrastructure Bond (HIB) Loan
- Exodus II, D8241, Minneapolis

F. Housing Opportunities for Persons with AIDS (HOPWA) Grant Extension and Funding Modification
- JustUs Health D3621

Motion: Chief Executive Benjamin moved to approve the Consent Agenda Items. Seconded by Stephanie Klinzing. Roll Call was taken. Motion Carries 7-0.

7. Action Items

A. Approval, Revisions to the Emergency and Accessibility Loan Program Procedural Manual

Tonya Taylor presented to the board a request for approval, revisions to the Emergency and Accessibility Loan Program Procedural Manual. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers. **Motion**: Terri Thao moved Approval, Revisions to the Emergency and Accessibility Loan Program Procedural Manual. Seconded by Stephen Spears. Roll call was taken. Motion carries 7-0. All were in favor.

B. Approval, Revisions to the Low and Moderating Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) Programs Procedural Guide

Susan Thompson presented to the Board a request for approval of the revised Low and Moderate Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) Programs Procedural Guide (the "Program Guide").
Chair DeCramer opened up the discussion. There we no questions from Board members.
Motion: Stephanie Klinzing moved Approval, Revisions to the Low and Moderating Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) Programs Procedural Guide. Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 7-0. All were in favor.

C. Commitment, Low and Moderate Income Rental Loan (LMIR), and Low and Moderate Income Rental Bridge Loan (LMIRBL) - Colonial Square Apartments, D0729, Mankato

Paul Marzynski presented to the Board a request for the adoption of a resolution to increase and authorize the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to $4,185,000. Staff also recommends the selection and commitment of a Low and Moderate Income Rental Bridge Loan (LMIRBL) program commitment not to exceed $1,300,000. All commitments are subject to the terms and conditions of the agency term letter. Staff noted that there were two typos in the report. The short-term HIB amount should be $1,275,000 not $1,175,000. Two typos: Page 127 Sec I: Item E, the 2nd bullet, and page 129, Sec II, C, the 4th bullet.
Chair DeCramer opened up the discussion. There were no questions from Board members.
Motion: Auditor Blaha moved Commitment, Low and Moderate Income Rental Loan (LMIR), and Low and Moderate Income Rental Bridge Loan (LMIRBL) - Colonial Square Apartments, D0729, Mankato. Seconded by Craig Klausing. Roll call was taken. Motion carries 7-0. All were in favor.

D. Loan Selection and Commitment, Flexible Financing for Capital Costs Loan (FFCC) - Birchwood Apartments, D8198, Duluth

Sarah Woodward presented to the Board a request for approval and issuance of a deferred funding commitment in an amount up to $1,114,000 under the Flexible Financing for Capital Costs (FFCC) program to address a project funding gap. All commitments are subject to the terms and conditions of the Agency term letter.
Chair DeCramer opened up the discussion. There were no questions from Board members.
Motion: Chief Executive Benjamin moved Loan and Selection and Commitment, Flexible Financing for Capital Costs Loan (FFCC) - Birchwood Apartments, D8198, Duluth, MN. Seconded by Auditor Blaha. Roll call was taken. Motion carries 7-0. All were in favor.

8. Discussion Items

A. **Equity and Inclusion**

Jennifer Ho and Jodell Swenson shared an overview of how we are proceeding with Equity and Inclusion work at the Agency. The Agency is inviting Board Members to complete the Intercultural Development Inventory® (IDI®), with personalized coaching.

B. **Covid-19 Update**

Jennifer Ho, Rachel Robinson and Kevin Carpenter provided an update on how Covid-19 has had impacts on business operations and financial markets.

9. Information Items

A. Post Sale Report, Housing Infrastructure Bonds, 2020 Series ABCD

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:43 p.m.

____
John DeCramer, Chair

DRAFT Minutes
Minnesota Housing Special Board Meeting
Tuesday September 29, 2020
4:00 p.m.
Via Conference Call

1. **Call to Order.**
   Chair DeCramer called to order the special meeting of the Board of Minnesota Housing Finance Agency at 4:01 p.m.

2. **Roll Call.**
   Members Present via conference call: Auditor Julie Blaha, Chair John DeCramer, Craig Klausing, Stephanie Klinzing, Stephen Spears and Terri Thao.
   Minnesota Housing Staff present via conference call: Tal Anderson, Vi Bergquist**,** Kevin Carpenter**,** Rachel Franco, Darryl Henchen, Jennifer Ho, Tresa Larkin, James Lehnhoff, Rachel Robinson, Lael Robertson, Anne Smetak, Jodell Swenson, and Mike Thone.
   Others present via conference call: Ramona Advani, Office of the State Auditor.

3. **Recommendations for additional Grant Administrator Selections for the COVID-19 Housing Assistance Program**
   James Lehnhoff presented to the Board a request for adoption of the resolution authorizing the selection of eight additional grant administrators to operate the COVID-19 Housing Assistance Program that was implemented to help prevent evictions, prevent homelessness, and maintain housing stability of individuals and families impacted by COVID-19. This program launched on August 24, 2020, and was funded with up to $100 million from the federal Coronavirus Relief Fund. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers. **Motion:** Terri Thao moved to approve Recommendations for additional Grant Administrator Selections for the COVID-19 Housing Assistance Program. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

4. **Other Business**

5. **Adjournment**
   The meeting was adjourned at 4:15 p.m.

____
John DeCramer, Chair

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MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 10/22/2020

Item: Grant Contract Modifications, 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 Contracts (11-2018-21 and 11-2019-21) to expand the target area for its Critical Repair Projects for Low-Income Homeowners programs.

Fiscal Impact:
Economic Development Housing Challenge funds are a state appropriated 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.

On November 21, 2019, the Board also approved $160,000 in Challenge funds to Rebuilding Together – Twin Cities' Critical Repair Projects for Low-Income Homeowners in North and South Minneapolis, Saint Paul, and Brooklyn Center, Robbinsdale, and Crystal program through Resolution No. MHFA 19-071. The funds were provided for owner-occupied rehabilitation for 20 homeowners in North Minneapolis, South Minneapolis, Saint Paul, Brooklyn Center, Robbinsdale, and Crystal.

Contract #11-2018-21

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. Currently, they are no longer using volunteer groups and only work on projects that require limited or no contact with homeowners unless there is an emergency. Due to this change, Rebuilding Together had previously requested a target expansion to assist homeowners with roof projects. On June 25, 2020, the Board approved a target expansion to include the following target areas: Bloomington, Brooklyn Center, Mounds View, Roseville and Waconia.

Since the last board approval to expand the target area, Rebuilding Together has received two applications that came in that were outside of the approved target areas. Therefore, Rebuilding Together is requesting to add the cities of Coon Rapids and Maple Plain to their 11-2018-21 award so that they can assist these two households with their roof repair needs. These two households have roofs that are deteriorating, leaking and the repairs are critical to the integrity of the home and well-being of the households that reside there. These homeowners have not been able to find other resources to complete the roof repairs and are otherwise qualified for Rebuilding Together's program.

The expanded target area of Coon Rapids and Maple Plain have been selected based on applications that Rebuilding Together has received from homeowners needing repairs. 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.

Rebuilding Together has completed 15 units under this grant contract and have three units pending submission of required documents to Minnesota Housing. Rebuilding Together anticipates closing out their 11-2018-21 award after these last two units.

Contract #11-2019-21

Rebuilding Together is requesting to add the City of South Saint Paul to their 11-2019-21 award so that they can assist a household with roof repair needs. Rebuilding Together received an application for a homeowner in South Saint Paul that needs roof repairs. This homeowner resides in an area where the demand for projects has not been high enough to add them to the original target areas, hence why South Saint Paul was not included in the original target area. The household is currently at 30 percent of area median income (AMI).

There are not enough funds under the 11-2018-21 to complete one more roof project outside of the target area and Rebuilding Together is requesting to add this one project to their 11-2019-21 award. This will assist the homeowner with the roof repair that is critical to the integrity of the home and well-being of the household that resides there.

Rebuilding Together has completed and reported eight units under this grant contract with eight additional units completed and pending submission of required documents to Minnesota Housing.

Recommendation

Staff recommends expanding Rebuilding Together – Twin Cities' 11-2018-21 contract's target area to include Coon Rapids and Maple Plain and their 11-2019-21 contract's target area to include South Saint Paul. 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.

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MINNESOTA HOUSING

Board Agenda Item: 6.B
Date: 10/22/2020

Item: Approval, Revisions to the Emergency & Accessibility Loan Program Procedural Manual

Staff Contact(s):
Tonya Taylor 651.296.8844, Tonya.taylor@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests board approval of the revised Emergency and Accessibility Loan Program Procedural Manual.

Fiscal Impact:
None. The Emergency and Accessibility Loan Program is funded by Agency resources and state appropriations that do not earn interest for the Agency.

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

Attachment(s):
- Background
- Emergency and Accessibility Loan Program Procedural Manual

Background

The Emergency and Accessibility Loan Program (ELP) is a part of the Rehabilitation Loan Program (RLP). Minnesota Housing created RLP and ELP to complement loan programs available in the private sector to fill the financial gap that exists between low-income homeowners able to secure home improvement financing in the private sector and those homeowners unable to do so.

The Emergency & Accessibility Loan Program provides zero percent, deferred loans to owner-occupied households at or below 30 percent of the area medium income (AMI). Loans must be for improvements that directly affect an emergency condition or accessibility improvement.

Changes to the Emergency & Accessibility Loan Program Procedural Manual

While making changes to the Emergency and Accessibility Loan Program Procedural Manual that was approved by the Board on September 24, 2020, staff did not include two exceptions to the combined loan to value requirement that should have been included in the ELP Procedural Manual. The changes would align the language with the RLP Program Manual and are reflected in the redlined edits in Chapter 3: Credit Requirements.

- Adds language to include an exception for loans for accessibility improvements. Statute provides an exception specifically for accessibility improvements.
- Adds language to include an exception for loans for manufactured homes taxed as personal property due to the difficulty in accurately determining the value of manufactured homes taxed as personal property. The same exception is included in the RLP Procedural Manual.

Effective Date

Following board approval, the proposed new Emergency and Accessibility Loan Program Procedural Manual will go into effect November 1, 2020.

MINNESOTA HOUSING

Emergency and Accessibility Loan Program Procedural Manual

November ~~October~~1, 2020

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Introduction

Mission Statement

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

Background

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

The Emergency and Accessibility Loan Program (the "Program") is a part of the Rehabilitation Loan Program (RLP). Minnesota Housing created RLP and the Program to complement loan programs available in the private sector to fill the financial gap that exists between low-income homeowners able to secure home improvement financing in the private sector and those homeowners unable to do so.

Procedural Manual

This Procedural Manual sets forth for Lenders the terms and conditions under which Minnesota Housing will purchase mortgage loans originated under the Program.

Emergency and Accessibility Loan Program

Deferred, zero percent interest rate Program loans are available to low-income Minnesota homeowners through participating Lenders. Loans must be for improvements that directly affect an Emergency Condition or Accessibility Improvement.

Chapter 1 – Partner Responsibilities/Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement.

Minnesota Housing reserves the right to:

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

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing may grant waivers, alterations or revisions at its sole discretion.

1.02 Compliance with Privacy Act Statutes

The Minnesota Government Data Practices Act:

- Requires the Lender to supply Borrowers with the Tennessen Warning and the Privacy Act Notice (Appendix B) when requesting private data[1]; and
- Governs when the disclosure of the Borrower's Social Security Number is required.

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Sections 270A.01 to 270A.12) allows the disclosure of the Borrower's Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of funds held by the State, including but not limited to tax refunds, to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

1.03 Unauthorized Compensation

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

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

[1] Only the Borrower's name, address and amount of assistance received are public data and may be released to the public. All other data are private and may be released only to those authorized access by law.

In order to reduce the total Rehabilitation cost associated with an eligible property, the Lender may receive discounts from third parties involved in the project improvements. In these cases, the Lender must document in the Borrower file that the discounts received are considered typical for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered. Any discounts that exceed what is typical must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor or supplier providing the discount.

1.04 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan originated for purchase by Minnesota Housing. Minnesota Housing will perform a quality control audit of loan files purchased from the Lender and will notify the Lender if a loan is selected for audit. Upon request, the Lender must submit a complete loan package with all documentation that was used to originate and close the loan.

Audited loans are reviewed for:

- Minnesota Housing Program/policy compliance;
- Compliance with federal and state consumer lending regulations;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that may have an impact on the financial viability of the Program in part or in whole.

1.05 Termination of the Lender’s Participation

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

- This Procedural Manual;
- The Participation Agreement;
- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;
- Any federal or state Laws or Acts that protect the Borrower’s rights with regard to obtaining financing for home improvements; and
- Other applicable state and federal laws, rules and regulations.

Upon termination of a Lender’s Participation Agreement, Minnesota Housing will continue to purchase eligible loans for which a Commitment has already been issued, until the Commitment expiration date.

Minnesota Housing may, at its option, impose remedies other than termination of the Participation Agreement for Lender noncompliance.

The Lender may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate a Lender shall be at Minnesota Housing's sole discretion.

1.06 Representations and Warranties

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

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act;
- 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 and Minnesota Statutes Section 462A.065;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- Truth in Lending Act;
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H;
- Real Estate Settlement Procedures Act of 1974; and
- Code of Federal Regulations (24 CFR part 35).

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

- The Lender is the sole owner and holder of the Program loan with the right to assign it to Minnesota Housing;
- The Lender has assigned the loan free and clear of all encumbrances;
- The Lender has complied with and will continue to comply with all terms and conditions in the Participation Agreement and this Procedural Manual for each loan processed pursuant to the Program unless prior written approval is obtained from Minnesota Housing;
- The Lender is a legally constituted public or governmental agency, political subdivision, nonprofit entity, a housing and redevelopment authority, or other organization, which has as a primary purpose the provision or development of affordable housing to low-income persons or households in Minnesota;
- The Lender maintains capital and trained personnel adequate to render the services required as a part of the Lender's participation in the Program;
- The Lender follows all state and federal consumer lending laws, rules and regulations;
- The Lender has neither received nor solicited any fee or remuneration not approved by this Procedural Manual; and
- After reasonable inspection, the Lender has no knowledge that any improvement funded by the loan is in violation of applicable zoning ordinances, building ordinances, laws or regulations.

The Lender also agrees that the person who confirms on the Minnesota Housing Loan Commitment System on behalf of the Lender is fully conversant with Minnesota Housing Program requirements, and has the authority to legally bind the Lender. The Lender has complied with all terms, conditions and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions and requirements have been specifically waived in writing by Minnesota Housing.

1.07 Lender Compensation

The Lender is compensated for each loan purchased by Minnesota Housing at a rate of 10% of the loan amount or $1,200 per loan, whichever is less, and lead paint risk assessment costs if a household resident has an Environmental Intervention Blood Level (EIBLL).

1.08 Selection of Contractors

The Lender may not choose the contractor Borrowers are responsible for the selection of any contractor who will be involved in completing Rehabilitation on the property.

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 and Participation Agreement are legal contracts. The Borrower and the Lender must use the funds to engage in eligible uses or procure certain goods, or services when Minnesota Housing provides funds to the Borrower or the Lender to pay for those eligible uses, goods, or services. Regardless of the Minnesota Housing program or funding source, the Borrower or the Lender must use Minnesota Housing funds as agreed and the Borrower or the Lender 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 the Lender; or (2) A Borrower or the Lender cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or Participation Agreement.

Any Borrower or Lender (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 render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties;

- A contracting party's objectivity in carrying out their responsibilities might be otherwise impaired due to competing duties or loyalties; and/or
- 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; or
- 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, contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) represents that it 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

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., the Lenders, Borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- Minnesota Housing's Chief Risk Officer;
- Any member of Minnesota Housing's Servant Leadership Team; and/or
- EthicsPoint, the Minnesota Housing hotline reporting service.

Chapter 3 - Borrower Eligibility Requirements

3.01 Borrower

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

3.02 Borrower Age

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

3.03 Co-Signers

Co-signers are not permitted on Program loans.

3.04 Ownership Interest

For residences taxed as real property, the Borrower(s) must individually, or in the aggregate, possess at least a one-third ownership interest in the residence to be improved. For a Manufactured Home taxed as personal property, the Borrower(s) ownership interest requirement is 100%.

The Borrower(s) and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be improved.

Borrowers under this Program must have clear title to the subject property as evidenced by a title search or title opinion and a copy of the deed.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A community land trust;
- Vendee interest in a recorded contract-for-deed;
- A Manufactured Home taxed as real property; or
- A Manufactured Home taxed as personal property and located in a Manufactured Home park.

Title may be held in the following ways:

- Individually;
- Joint Tenants;
- Tenants in Common; or

- A recorded life estate, excluding remaindermen[2].

Ineligible forms of ownership include but are not limited to the following:

- Shares in a Cooperative Corporation;
- An ownership interest by any form of trust; and
- An ownership interest subject to a reverse mortgage.

3.05 Occupancy Requirements

Borrower must have owned the property and resided in the property as his/her Principal Residence for at least 6 months prior to applying for the Program loan. Further, the Borrower must maintain ownership and title to the property and regularly reside in the property as their Principal Residence during the term of the loan.

3.06 Emergency and Accessibility Loan Program Application

All Borrowers must apply for the Program through an approved Lender using the Minnesota Housing Borrower Application. Program loans shall be made only when the Lender determines that financing is not otherwise available, in whole or in part, from private lenders upon equivalent terms and conditions.

3.07 Prior Minnesota Housing Assistance

A Borrower who has previously received financing through the Program and/or the Rehabilitation Loan Program, may be eligible for additional Program funds assuming all loan requirements have been met and an Emergency Condition or Accessibility Improvement has been identified.

3.08 Emergency and Accessibility Loan Program Eligibility Income

Gross annual household income includes but is not limited to the gross annual projected household income of all residents age 18 and over that reside in the household, from whatever source derived and before taxes or withholdings – less deductible medical expenses allowed. Incidental income from after school employment of persons under 18 years of age does not need to be included. (See Income Eligibility Calculation Worksheet.) The gross household income may not exceed the amounts listed on Minnesota Housing's Website.

Gross annual projected household income includes:

- Salary, commissions, bonuses, tips, earnings from full-time, part-time and seasonal employment, including sick pay;
- Interest, dividends, gains on sale of securities;
- Annuities, pensions, royalties;

[2]Remainderman will be required to sign the Mortgage as an Accommodation Party.

- Veterans Administration compensation/benefits;
- Public assistance;
- Social Security benefits;
- Unemployment insurance;
- Net rental income;
- Net income received from business activities or investments;
- Alimony and child support;
- Estate or trust income;
- Ongoing educational grants; and
- Contract-for-deed income deducting principal, interest, taxes, and insurance paid on outstanding debt against the property. (Deductions cannot exceed the contract-for-deed income.)

If a Borrower's gross annual income is zero or a negative amount, the Borrower is ineligible for financing.

3.09 Minnesota Housing Maximum Asset Limit

The total assets of all residents in the household may not exceed $25,000.00 after deducting any outstanding indebtedness pertaining to the assets.

Assets include, but are not limited to, the following:

- Cash on hand or in checking or savings accounts;
- Securities or United States Savings Bonds;
- Market value of all interests in real estate, exclusive of the structure to be improved and a parcel of real property of not more than two contiguous platted lots or 160 continuous acres on which such structure is located;
- Cash value of life insurance policies;
- Recreational vehicles such as golf carts, snowmobiles, boats, or motorcycles;
- All land in which any resident of the household holds title and is selling on a contract-for deed. Value in this case is defined as the outstanding principal balance expected to exist on the contract one year from the date of application;
- Life estate value on a property other than the subject property; and
- All other property, excluding household furnishings, clothing, and one automobile, and real estate, equipment, supplies, and inventory used in a business.

3.10 Credit Requirements

- Borrowers must be unable to obtain financing under equivalent terms elsewhere.
- Credit reports are not required by Minnesota Housing.
- Borrower must be current on all property tax payments at the time of application
- Combined loan amounts of all loans secured by the subject property cannot exceed 110 percent of the property value at the time of loan closing. The 110 percent combined loan to value requirement does not apply to:
  - Loans for only Accessibility Improvements; and
  - Loans for Manufactured Homes taxed as personal property.
- Borrowers must be current on all mortgage loan payments at the time of application. Examples of documentation for verifying payments include, but are not limited to:
  - A verification of current mortgage payment status from the loan servicer; and
  - A mortgage statement citing the loan servicer's name and address, the most recent payment made, the date and amount of the next payment due and any past due amounts, and/or any unpaid fees.

3.11 Separated Spouses

When the Lender establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the Program loan application and note, but must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation;
- Proof of initiated divorce proceedings; and
- Verification of separate Principal Residence and absence of joint accounts.

3.12 Loans to the Lender's Employees and Affiliated Parties

The Lender may make Minnesota Housing loans to their directors, officers, agents, consultants, employees and/or their families, elected or appointed officials of the State of Minnesota as well as to Minnesota Housing employees and/or their families who are not in a position to participate in a decision making process or gain inside information with regard to the loan and do not result in a conflict of interest as outlined in Section 2.03 of this Program manual. The Borrower must meet all eligibility criteria for the Program.

Chapter 4 - Property Eligibility Requirements

4.01 Eligible Properties

Properties eligible for a loan must be located in the State of Minnesota and may include any of the following property types:

- A single family detached home;
- A duplex[3];
- An eligible unit in a Planned Unit Development (PUD);
- A unit of a condominium[4];
- A townhome[5]; or
- Certain Manufactured Homes (as outlined in Section 3.04).

4.02 Ineligible Properties

Properties ineligible for a Program loan include but are not limited to:

- Properties containing three or more units;
- Properties intended for recreational use;
- Properties intended to be used as an investment property (except the rental of a second unit in a duplex); and
- Properties primarily used for business (more than 50% of the floor space is used for the business).

4.03 Property Inspections

The Lender must conduct inspections of the property as follows:

- The first inspection determines the property's Emergency Conditions or essential Accessibility Improvements without regard to lead hazards (except if addressing lead paint due to an Environmental Intervention Blood Lead Level (EIBLL)) and is used to prepare the initial scope of work.
- Additional inspections should demonstrate that construction has been completed according to the Scope of Work and that the quality of the work is satisfactory. The Lender may conduct additional inspections as work is completed.

[3] The Borrower must occupy one unit of a duplex property.
[4] If the property is a condominium, only the portion of the real estate owned by the Borrower is eligible. Common areas owned by the association are not eligible.
[5] If the property is a townhome, only the portion of the real estate owned by the Borrower is eligible. Common areas owned by the association are not eligible.

Minnesota Housing reserves the right to inspect properties during any stage of Rehabilitation with reasonable notice.

4.04 Local Ordinances and Plans

Property improvements must conform to all applicable zoning ordinances and all appropriate permits must be obtained.

Chapter 5 – Loan/Rehabilitation Eligibility

5.01 Loan Eligibility

Minnesota Housing purchases closed loans from the Lender if the loan satisfies all the requirements of the Procedural Manual.

5.02 Program Loan Amount

- Maximum loan amount is $15,000.
- Minimum loan amount is $1,000.
- Recording fees, mortgage registration tax and title search costs may be collected from the Borrower or may be included in the loan amount as long as Program loan amount maximum is not exceeded. No other fee's may be charged to the Borrower.

5.03 Interest Rate/Amortization Requirements

Generally, loans under the Procedural Manual are interest-free, deferred loans which are forgiven at the end of the loan term. However, if the Borrower sells, transfers title or ceases to occupy the property as his/her Principal Residence during the loan term, the loan will become due and payable.

5.04 Mortgage Term

- The loan term for properties taxed as real property (including Manufactured Homes) is 15 years.
- The loan term for properties taxed as personal property and within a mobile home park is 10 years.

Prior to the expiration of the applicable periods stated above, all loans are due on sale, transfer of title, or if the property ceases to be the Borrower's Principal Residence.

5.05 Ineligible Improvements/Use of Funds

Ineligible improvements include, but are not limited to, the following:

- Public improvement assessments – Loan proceeds may not be used in whole or in part to pay public improvement assessments.
- Improvements already in place – Loan proceeds may not be used to pay for any work done prior to the date of the loan closing.
- Existing debt – Loan proceeds may not be used to pay off existing debt.

Demolition of structurally unsound outbuildings, and additions intended to accommodate a Disabled Household Resident require prior written approval by Minnesota Housing.

5.06 Security for the Loan

- All loans for properties taxed as real estate must be secured with a mortgage which must be recorded within 15 days after the date of closing. The Lender may not wait to record the mortgage until after the Rehabilitation is completed to accommodate changes in the loan amount.
- All interests in the Note and Mortgage must be assigned to Minnesota Housing when the loan is purchased and funded by Minnesota Housing.
- Loans for a Manufactured Home, taxed as personal property and located within a Manufactured Home park must be secured with a lien against the title to the Manufactured Home.

5.07 Title Verification

The Lender is required to verify the following:

- The legal description of the subject property;
- The Borrower's ownership interest by conducting a title investigation:
  - Through documented contact with the County Recorder’s Office/Registrar of Titles; or
  - Via an Owners and Encumbrances report; and
- Any existing liens, if any, on the property.

5.08 Rehabilitation Requirements

Rehabilitation in connection with a Program loan must satisfy the following requirements:

- Prior to the start of Rehabilitation, the property must be inspected and determined to be eligible under the Program.
- All proposed Rehabilitation must be outlined in a written scope of work and must address the Emergency Condition and/or Accessibility Improvement noted in the inspection report.
- At least two bids must be solicited from Minnesota-licensed contractors based on the written scope of work. Generally, the lowest, reasonable bid must be selected. If the lowest, reasonable bid is not selected, the Lender and the Borrower must provide written justification for selecting the higher bid and such bid must be approved at the sole discretion of Minnesota Housing.
- All improvements must be completed by contractors licensed by the state of Minnesota.
- A written construction contract must be executed between the Borrower and the contractor.

- Each Rehabilitation improvement must be a permanent general improvement finished in compliance with all applicable state, county and municipal health, housing, building, fire prevention and housing maintenance codes or other public standards.
- Rehabilitation improvements to Manufactured Homes must comply with Minnesota State Building Code, Section 1350.3800, which addresses the distinction between a construction alteration and a repair and the different licensing requirements attendant to each type of improvement.
- Lien waivers must be collected from all contractors upon completion of Rehabilitation.

5.09 Change Orders

After the loan has closed:

- Changes in the scope of work are not permitted unless unanticipated deficiencies identified during the Rehabilitation process will cause further damage to the home if not addressed.
- Any change in the scope of work, including the reason for the change must be documented in the file.
- In the event that a change order occurs, post-closing modification requirements must be met.

5.10 Sworn Construction Statement and Lien Waivers

General Contractors are required to execute a Sworn Construction Statement. The Lender must obtain lien waivers for all work performed and all materials supplied by:

- The general contractor(s);
- Subcontractors; and
- Materials supplier(s).

Upon completion of Rehabilitation, the Lender and the Borrower must execute the Completion Certificate provided by Minnesota Housing. Rehabilitation must be completed within 9 months of loan Commitment unless Minnesota Housing issues a written extension.

5.11 Homeowner Labor

Homeowner labor is not permitted under the Program.

5.12 Eligible Emergency Improvements

Eligible emergency improvements are repairs to a property damaged as a result of events beyond the Borrower’s control or as necessitated by a systems or structural failure such as:

- Failure of the heating, electrical, ventilation, or plumbing/septic system;

- Roof leaks that have led to significant secondary damage to the home's interior, including but not limited to electrical damage that would cause a potential fire hazard;
- A structural failure of the foundation, walls, or roof of the home that could cause collapse;
- An Environmental Intervention Blood Lead Level (EIBLL) of a household resident; or
- An accessibility need that prevents a Disabled Household Resident from inhabiting the home.

Other Emergency Conditions that could cause the home to be or become uninhabitable will be considered by Minnesota Housing on a case-by-case basis.

The Lead Based Paint Guide for Applicable Single Family Programs does not apply to Program loans unless the repairs were necessitated by a lead paint health hazard.

5.13 Non-Complying Loans

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

- Adjust the purchase price of the noncompliant loan;
- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Lender to repurchase the loan for the outstanding balance and any fees paid to the Lender;
- Terminate, suspend, or otherwise limit the Lender's Participation Agreement with Minnesota Housing; or
- Preclude the Lender from future participation in Minnesota Housing programs.

5.14 Repurchase of Loans

Minnesota Housing may, at its option, tender any loans to the Lender for repurchase if:

- Any representation or warranty of the Lender or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term or condition set forth in the Participation Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, the Lender has ten (10) business days to submit payment to Minnesota Housing for the unpaid principal balance, fees paid to the Lender in the sale of the loan and reasonable expenses incurred by Minnesota Housing, including attorney's fees. Failure to comply with this requirement may result in the termination, suspension, further legal action, and/or otherwise limit the Lender's Participation Agreement with Minnesota Housing.

Chapter 6 – Commitment/Disbursement

Minnesota Housing funds a variety of programs and initiatives and reserves the right to establish limits for any program and/or initiative during any business day such as:

- A maximum dollar amount a Lender may commit; or
- A maximum number of Commitments a Lender may commit.

The Lender commits funds on a first-come, first-served basis. Fund balances are available on the Minnesota Housing website.

Commitments are to be considered as "forward commitments" by the Lender. It is expected that the loan will be closed within the Commitment period and delivered to Minnesota Housing for purchase.

6.01 Loan Commitments

In order to obtain a Commitment to reserve funds under the Program, the Lender must reserve the loan using the Loan Commitment System.
Commitments are valid for 120 days. All Commitments will be automatically cancelled at day 121. Extensions are approved at Minnesota Housing's sole discretion.
Loans must meet eligibility requirements and gain a status of Purchase Approval via the Loan Commitment System no later than the last day a Commitment is still valid.

6.02 Modifying a Commitment

- Changes to a loan must be updated in the Loan Commitment System and will be evaluated for compliance with Program eligibility requirements.
- Any qualifying Commitment change will not alter the Commitment period originally established.
- Changes to Commitments involving the Borrower(s) and/or the property address are not permitted.
- An increase to the loan amount will be permitted only if funds are available to accommodate the change.

6.03 Canceling a Commitment

Minnesota Housing requires the Lender to cancel any Commitment that will not be used for the specified Program loan.

6.04 Minnesota Housing Disbursement of Funds

Minnesota Housing will purchase loans that, by the daily cutoff time, have been Purchased Approved in the Loan Commitment System. One hundred percent of the loan amount plus the

Lender fee will be disbursed two business days after the loan has been purchased by Minnesota Housing.

A Lender Certificate with details of each purchase transaction will be available to the Lender via the Loan Commitment System after the loan has been purchased by Minnesota Housing.

6.05 Loan Purchase Corrections

If it is determined that an adjustment to the purchase price of any purchased loan is necessary, Minnesota Housing will either invoice the Lender for any funds to be returned or disburse additional funds to the Lender.

Chapter 7 – Documentation and Reporting Requirements

7.01 Loan Processing and Closing

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

- All standard loan documents must be on Minnesota Housing forms as provided and may not be altered in any way.
- All loan documents must be complete, accurate and reviewed by the Lender at the various and appropriate stages of the loan.
- All mortgage assignments must run directly from the Lender to Minnesota Housing and use the Minnesota Uniform Conveyancing Blank.
- All mortgages and assignments must be recorded by the appropriate offices:
    - Abstract Property – County Recorder's Office
    - Torrens Property – Registrar of Titles
    - Manufactured Homes taxed as personal property and located within a Manufactured Home park require that Public Safety Form 2017 (PS2017), listing Minnesota Housing as the lien holder, be recorded with the Department of Public Safety. The form should indicate Minnesota Housing Finance Agency as the secured party and list Minnesota Housing's address: 400 Wabasha Street North, Suite 400, St. Paul, MN 55102.

7.02 Loan Modifications and Loan Corrections

The Lender must contact Minnesota Housing for documentation and process instructions, including utilizing the Modification of Note and Mortgage Agreement, and/or Modification of Note and Manufactured Home Security Agreement, in the event of loan amount corrections and/or modifications that occur after loan closing.

7.03 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal form detailing specific documentation/delivery requirements. The Lender must fully execute and deliver documents within designated timeframes as outlined on the Loan Transmittal form. In addition, the Lender must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all Minnesota Housing requirements.

Documentation not delivered to Minnesota Housing/servicer within the specified time frames, may result, at Minnesota Housing's discretion, in the Lender being required to repurchase the loan, or any such remedy as identified in this Procedural Manual or the Participation Agreement. Minnesota Housing may also, at its discretion, extend the timeframes.

7.04 Records Retention

The Lender must retain all loan documents in compliance with federal and state laws, rules, and regulations. The Lender is required to make loan records available for inspection by Minnesota Housing for a period of six (6) years after the loan is sold to Minnesota Housing. Those records that may be requested by Minnesota Housing include, but are not limited to:

- Credit related documents (e.g. paystubs, tax returns, income statements, documentation of assets, etc.);
- Compliance related documents (e.g. Borrower application, Loan Estimate (or its alternative form), Closing Disclosure (or its alternative form), Affiliated Business Arrangement documents, evidence of compliance with the Bank Secrecy/Anti-Money Laundering Act, etc.);
- Property related documents (e.g. scope of work, bids, lien waivers, change orders, fees, building permits and completion certificates, evidence of compliance with Rehabilitation and lead-based paint standards, etc.); and
- Collateral documents (e.g. title work or O&E reports, evidence of property ownership, a copy of the fully executed Note, a copy of the fully executed and recorded Mortgage, a copy of the fully executed recorded Assignment of Mortgage to Minnesota Housing, etc.).

Chapter 8 – Servicing

8.01 Servicing

Upon purchase of the loan by Minnesota Housing, the Lender must deliver documents outlined in the Loan Transmittal form to the Minnesota Housing servicer. Until the loan is purchased, the Lender assumes all loan servicing responsibilities.

8.02 Delivery of Loans to Servicer

The Lender must forward the loan package according to the requirements outlined in the Loan Transmittal form to the servicer by mail within five calendar days of Minnesota Housing's purchase of the loan. Upon receipt of the recorded mortgage, the Lender must ensure the original document is delivered to the servicer within ten business days.

8.03 Subordinations

Minnesota Housing allows subordinations only under limited circumstances and only with prior written approval. During the term of the loan, the Borrower's ability to use any equity in the property may be severely restricted. Please refer any Borrower inquiries for subordinations after the loan has been purchased by Minnesota Housing to the servicer or Minnesota Housing.

Appendix A: Definitions

All terms used in the Procedural Manual use industry standard definitions except for the following:

TERM	DEFINITION
Accommodation Party	An owner of the property who is not a Borrower on the note, such as a non-purchasing spouse.
Accessibility Improvement	An interior or exterior improvement or modification to a property, which is necessary to enable a Disabled Household Resident or a Borrower with a permanent physical or mental condition that substantially limits one or more major life activities to function in that property.
Borrower	The recipient of Program loan funds.
Commitment	A Commitment of funds from Minnesota Housing with specific terms and conditions applied to a specific Borrower and a specific property.
Disabled Household Resident	A Borrower, or household member, who has a permanent physical or mental condition, which substantially reduces the person's ability to function in a residential setting. If the disability does not require the use of a mobility device, the Borrower must provide a completed Authorization to Disclose Health Information form, or a Supplemental Security Income (SSI) award letter or Social Security Disability Insurance (SSDI) award letter.
Emergency Condition	Property damage beyond the homeowner's control or that is necessitated by a system or structural failure that has caused or could cause the home to be uninhabitable.
Environmental Intervention Blood Lead Level (EIBLL)	The level of lead in blood that requires intervention in a child under age six. This is defined as a blood lead level of 20 μg/dL (micrograms per deciliter) of whole blood or above for a single test, or blood lead levels of 15-19 μg/dL in two tests taken at least three months apart.
Lender	A lender under contract to participate in the Program.
Manufactured Home	A dwelling structure not permanently affixed to real property and used as a Principal Residence.

Minnesota Housing	The Minnesota Housing Finance Agency.
Participation Agreement	The contract executed between a Lender and Minnesota Housing that defines the terms in which the Lender agrees to participate in the Program.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.
Program	The Emergency and Accessibility Loan Program.
Rehabilitation	Necessary repairs to be completed on the Borrower's property.

Appendix B: Forms List

All forms listed in Appendix B should be fully executed, as applicable, and maintained in the loan file by the Lender. Forms may be found on the Forms Guide and Glossary. See the Loan File Requirements Checklist for additional documentation requirements.

- ☐ Accessibility Evaluation
- ☐ Authorization to Disclose Health Information
- ☐ Borrower Application
- ☐ Change Order
- ☐ Completion Certificate
- ☐ Homeowner Agreement
- ☐ Income Eligibility Calculation Worksheet
- ☐ Lead Paint Checklist
- ☐ Modification of Note and Mortgage
- ☐ Modification of Note and Mobile Home Security Agreement
- ☐ Loan Transmittal
- ☐ Mortgage
- ☐ Note
- ☐ Note and Mobile Home Security Agreement
- ☐ Signature/Record Retention Requirements
- ☐ Tennessen Warning

MINNESOTA HOUSING

Board Agenda Item: 6.C
Date: 10/22/2020

Item: Funding Modification, Publicly Owned Housing Program (POHP)
- Blue Mound Tower, D5973, Luverne, MN

Staff Contact(s):
Megan Sanders, 651.297.5142, megan.sanders@state.mn.us
Irene Ruiz-Briseno, 651.296.3837, irene.ruiz-briseno@state.mn.us

Request Type:

☒ Approval
  ☒ Motion
  ☒ Resolution

☐ No Action Needed
  ☐ Discussion
  ☐ Information

Summary of Request:
At the April 25, 2019 board meeting, deferred funding under the Publicly Owned Housing Program (POHP) was committed to Blue Mound Tower under Resolution No. 19-014 in the amount of $481,710. Agency staff completed the review of the proposed development and recommends the adoption of a resolution to increase the loan amount by $115,139 for a total POHP loan of $596,849.

Fiscal Impact:
Loans under the POHP program 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
- Resolution

Background:
On April 25, 2019, the Minnesota Housing Board selected the development, Blue Mound Tower, for a $481,710 Publicly Owned Housing Program (POHP) loan financed by State General Obligation (GO) Bond proceeds as part of the 2018 POHP Request for Proposals (RFP) selections.

The 2018 POHP application process involved a concept-based project proposal, which included preliminary cost estimates that staff understood were likely to change as projects went through further processing. When funding recommendations were made, not all the available POHP funds were awarded, leaving sufficient funds in anticipation of funding modifications due to potential variances in preliminary cost estimates provided by applicants.

The following chart summarizes changes in the composition of the proposal since selection:

Description	Selection	Current	Variance
Total Development Cost	$1,081,460	$1,286,769	$205,309
Agency Sources – POHP	$481,710	$596,849	$115,139
Non-agency Sources – Luverne HRA and Minnesota's Department of Employment and Economic Development (DEED)	$599,750	$689,920	$90,170
Total Sources	**$1,081,460**	**$1,286,769**	**$205,309**

The project includes replacement of fire pumps and fire alarms, the roof and skylight, electric baseboards, the elevator door operator, a partial window replacement, making the building Americans with Disabilities Act (ADA) accessible, upgrades to exterior security lights and interior lighting, and installation of a generator and digital thermostats. The project was competitively bid, with three bidders responding, but all bids came in higher than anticipated. The total development costs have increased by $205,309. The proposed modification increases the POHP loan commitment from $481,710 to $596,849 an increase of $115,139. The remainder of the additional funds will be provided by the Luverne HRA.

The proposed funding modification results in a 23.9% increase of the originally committed POHP loan amount. Deferred loan funding modifications that equal or exceed 15 percent of the originally committed loan amount require board approval.

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

RESOLUTION NO. MHFA 20-XX
Modifying Resolution No. MHFA 19-014

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATION
PUBLICLY OWNED HOUSING PROGRAM (POHP)

WHEREAS, the Board has previously authorized a commitment of state General Obligation (GO) bond proceeds for Blue Mound Tower through MHFA Resolution 19-014; and

WHEREAS, Agency staff have determined that there are increased development costs and recommended that the Board approve an increase in the amount of the commitment.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment for the indicated development, subject to the revisions noted:

1. The POHP loan shall not exceed $596,849;

2. All other terms and conditions of the MHFA Resolution No. 19-014 remain in effect.

Adopted this 22nd day of October 2020

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CHAIRMAN

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MINNESOTA HOUSING

Board Agenda Item: 6.D
Date: 10/22/2020

Item: Modification, Preservation Affordable Rental Investment Fund (PARIF) Loan

– Pine Bend Rice Lake Rehabilitation Project, D8224, Bagley and Lengby, MN

Staff Contact(s):
Jimena Dake, 651.296.7991, jimena.dake@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
At the November 21, 2019 Board meeting, deferred funding under the Preservation Affordable Rental Investment Fund (PARIF) program was committed to the proposed development under Resolution No. 19-072 in the amount of $1,238,943. Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution to increase the loan amount by $1,290,057 for a total PARIF loan of $2,529,000.

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

Fiscal Impact:
The Agency will not earn interest revenue, as the loan will not carry an interest rate. As the PARIF loan will be funded by state appropriations, there is also no interest expense to the Agency. The Agency will earn a construction oversight fee on the loan.

Meeting Agency Priorities:

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

Attachments:
- Background
- Resolution

Background:

At its November 21, 2019 meeting, the Minnesota Housing Board approved a loan commitment for Pine Bend Rice Lake Rehabilitation Project under the Preservation Affordable Rental Investment Fund (PARIF) program in the amount of $1,238,943. Due to cost increases as outlined below, staff recommends an increase to the PARIF loan of $1,290,057 for a total PARIF loan not to exceed $2,529,000, which is a 104% increase.

The project involves the moderate rehabilitation of 23 single-family units on scattered sites at the White Earth Reservation. At the time of selection, the estimated costs of construction were deemed reasonable. A combination of factors contributed to the increased total development budget, such as the project being subject to Tribal Employee Rights Ordinance (TERO) wages, COVID-19 related material and labor increases, the age of the homes, environmental testing/abatement, and relocation costs. As a result, the development budget increased $1.29 million, or 104%.

The proposed total development cost (TDC) per unit is $153,853, which exceeds the predictive cost model of $115,267 by 33%. Approval of a waiver to the predictive cost model threshold by the Board is required. The higher than predicted costs can be attributed to the project being subject to Tribal Employee Rights Ordinance (TERO) wages, COVID-19 related material and labor increases, the age of the homes, environmental testing/abatement, and relocation.

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the agency has previously financed or issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 64% to 79% of the variation in historical costs, it cannot capture all the components of every proposed project. As a result, if a project's proposed TDC is more than 25% over the predicted costs, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board. With respect to Pine Bend Rice Lake Rehabilitation Project the agency architect, underwriting, and research teams believe the costs are reasonable.

Agency staff has concluded that the TDC for the subject property is reasonable and recommends approval for a Board waiver from the predictive cost model 25% threshold limit.

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

RESOLUTION NO. MHFA 20-XX
Modifying Resolution No. MHFA 19-072

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATION
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) LOAN

WHEREAS, the Board has previously authorized a commitment for the Pine Bend Rice Lake Rehabilitation Project development herein named by its Resolution No. 19-072; and

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

WHEREAS, Agency staff have determined that development costs are reasonable.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment for the indicated development, subject to the revisions noted:

1. The PARIF loan shall be up to $2,529,000; and

2. All other terms and conditions of the MHFA Resolution No. 19-072 remain in effect.

Adopted this 22nd day of October 2020

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CHAIRMAN

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Board Agenda Item: 6.E
Date: 10/22/2020

Item: Waiver, Housing Infrastructure Bond (HIB) Loan

- Anishinabe III Supportive Housing, D8222, Minneapolis, MN

Staff Contact(s):
Jimena Dake, 651.296.7991, jimena.dake@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
At the November 21, 2019 Board meeting, deferred funding under the Housing Infrastructure Bond (HIB) program was committed to the proposed development under Resolution No. 19-072 in the amount of $7,236,673, subsequently increased by $108,327 approved through delegated authority, to a total loan amount of $7,345,000. Agency staff completed the underwriting and technical review of the proposed development and recommends approval of a waiver to the predictive cost model. The total development cost (TDC) per unit is $277,900 and now exceeds the predictive model by 29%. Because the percentage is over the predictive cost model threshold of 25%, the increase requires a Board approved waiver.

Fiscal Impact:
The Agency will not earn interest revenue, as the loan will not carry an interest rate. As the debt service on the HIBs to be issued to finance the HIB loan is paid via state appropriations, there is also no interest expense to the Agency. The Agency will earn origination and construction oversight fees on the loan.

Meeting Agency Priorities:

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

Attachments:

- Background

Background:

At its November 21, 2019 meeting, the Minnesota Housing Board approved a loan commitment for Anishinabe III Supportive Housing under the Housing Infrastructure Bond (HIB) program in the amount of $7,236,673 million. The original selection amount was subsequently increased by $108,327 and approved via delegated authority granted to Minnesota Housing's commissioner after review and approval by the Agency's Clearinghouse Committee and Mortgage Credit Committee. The new total loan amount will be up to $7,345,000.

The project involves the new construction of forty (40) single-room occupancy (SRO) units in a four-story elevator building. The project will provide permanent supportive housing for homeless adults, individuals with severe and persistent mental illness, chemical dependency, brain injury, or those with physical or developmental disabilities. The project will offer rental assistance through Housing Support from Hennepin County on all forty (40) units. At the time of selection, the estimated costs of construction were deemed reasonable. Upon completion of a full underwriting analysis, the total costs for construction, prevailing wage rates, and environmental abatements, as well as additional reserves required by the City of Minneapolis, came in higher than originally projected, which resulted in an increase to the development budget of $1.4 million or 14%. Additional sources to fill in funding gaps were committed to the project from Hennepin County, the Metropolitan Council and a sponsor/developer additional capital contribution.

The proposed TDC per unit is now $277,900, which exceeds the predictive cost model estimate of $215,000 by approximately 29%.

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

Agency staff has concluded that the TDC for the subject property is reasonable and seek approval for a board waiver from the predictive cost model 25% threshold limit.

MINNESOTA HOUSING

Board Agenda Item: 6.F
Date: 10/22/2020

Item: Housing Opportunities for Persons with AIDS – CARES Act (HOPWA-CV) Grant Selection/Commitment
- JustUs Health D3621

Staff Contact(s):
Erin Menne, 651.296.9953, erin.menne@state.mn.us
Joel Salzer, 651.296.9828, joel.salzer@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☒ Resolution	☐ Information

Summary of Request:
Staff requests approval of the attached Resolution authorizing a two-year grant commitment for HOPWA-CV funding in the amount of $35,647 to JustUs Health.

Fiscal Impact:
The Agency will receive HOPWA-CV formula funding for the State of Minnesota in the amount of $36,749. Minnesota Housing will retain 3% ($1,102) for the administration of this program.

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
- Resolution

Background:
Minnesota Housing is the grantee for HOPWA State of Minnesota formula funds that are appropriated annually by the U.S. Department of Housing and Urban Development (HUD). HUD HOPWA funds are distributed under a statutory formula that is based on the number of people living with HIV/AIDS as defined by the Centers for Disease Control and Prevention, as well as other factors including the share of the state's population in poverty and local housing costs. Based on this formula, Minnesota Housing received a supplemental allocation under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Pub. L. No. 116-136), which was signed into law on March 27, 2020. The supplemental funds provided under the CARES Act are to be used by HOPWA grantees as additional funding to maintain operations and for rental assistance, supportive services, and other necessary actions, in order to prevent, prepare for, and respond to COVID-19. A substantial amendment to the state's Consolidated Plan to accept the HOPWA-CV funds was approved by this Board in September 2020 and submitted to HUD on September 25, 2020.

State HOPWA formula funds serve Greater Minnesota, outside of the eleven-county metropolitan area. Low-income persons (at or below 80 percent of area median income [AMI]) who are living with HIV/AIDS, together with their families, and affected by the COVID-19 pandemic are eligible to receive HOPWA-CV assistance.

The Agency will receive HOPWA-CV formula funding for the State of Minnesota in the amount of $36,749, of which $35,647 will be available for program funding to JustUs Health. The remaining $1,102 will be applied toward Minnesota Housing administrative expenses.

Minnesota Housing will continue its partnership with JustUs Health, who is the project sponsor of the current HOPWA allocations, to administer the CARES Act funds. JustUs Health will utilize these funds to expand their existing program of short-term rent, mortgage, and utility assistance payments to prevent homelessness. Based on client need, however, JustUs Health will have discretion to approve other eligible expenses on a case by case basis, as approved by Minnesota Housing, which may include any of the following:

- Assisting HOPWA eligible households in accessing essential services and supplies such as food, water, medications, medical care, and information
- Educating eligible households on ways to reduce the risk of getting sick or spreading infectious diseases, such as COVID-19, to others
- Providing transportation services for eligible households, including costs for privately owned vehicle transportation when needed, to access medical care, supplies, and food or to commute to places of employment
- Providing nutrition services for eligible households in the form of food banks, groceries, and meal deliveries
- Providing lodging at hotels, motels, or other locations to quarantine HOPWA-eligible persons or their household members
- Providing short-term rent, mortgage, and utility (STRMU) assistance payments to prevent homelessness of a tenant or mortgagor of a dwelling for a period of up to 24 months
- Purchasing equipment that will enable the project sponsor to better serve clients remotely

JustUs Health has administered HOPWA funds throughout Greater Minnesota since 2001. In alignment with the Minnesota HIV Housing Coalition's established funding priority to sustain existing programs, Minnesota Housing considers JustUs Health to be an organization that has the combination of experience, statewide relationships, and capacity for geographic coverage to best serve low-income Minnesotans with HIV/AIDS. The selection of project sponsors under the HOPWA-CV regulations is not subject to the procurement requirements of 2 CFR part 200, subpart D (refer to 24 CFR 574.3).

JustUs Health works collaboratively with a variety of community organizations and receives referrals from the Rural AIDS Action Network (RAAN), Mayo HIV Case Management program, JustUs Health's own Duluth Case Management program, and local county social service providers. The supplemental funds will allow for additional months of short-term rent, mortgage and utility payments (STRMU) and other authorized items for eligible households adversely affected by the COVID-19 pandemic. JustUs Health anticipates serving approximately 35 individuals living with HIV/AIDS and their family members in addition to the estimated 160 households to be served with their regular FY2020 HOPWA allocation.

The Minnesota Department of Health's HIV/AIDS 2019 Prevalence and Mortality Report indicates that there are 1,587 persons living with HIV/AIDS in Greater Minnesota. Almost all persons in this area with HIV/AIDS are currently housed. Minnesota HOPWA-CV funds are predominantly needed to provide emergency assistance for mortgage, rent, and utilities payments, which in turn will help ensure that this population remains stably housed and will also help mitigate the risk of these households contracting COVID-19.

Agenda Item: 6.F
Resolution

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

RESOLUTION NO. MHFA 20-XX

RESOLUTION APPROVING SELECTION/AUTHORIZATION TO FUND HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS – CARES ACT (HOPWA-CV) GRANT

WHEREAS, the Minnesota Housing Finance Agency (Agency) anticipates receipt of funds from the U.S. Department of Housing and Development (HUD) for the purpose of funding HOPWA-CV activities for low-income persons who are living with HIV/AIDS.

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into a grant contract agreement using federal resources as set forth below, subject to modifications allowable under the HUD HOPWA-CV Program, upon the following conditions:

1. Agency staff shall approve the grantee and the total recommended amount as indicated:
   - JustUs Health (D3621): $35,647

2. This approval is contingent upon receipt of HOPWA-CV funds from HUD in a sufficient amount to fund the recommended amount and the successful execution of a contract between the Agency and HUD;

3. The issuance of a grant contract agreement in form and substance acceptable to Agency staff, with the execution of the individual grant contract agreement occurring on or around 11/1/2020 and terminating two years after the effective date of the grant contract agreement; and

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

Adopted this 22nd day of October 2020

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CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 6.G
Date: 10/22/2020

Item: Risk Management and Internal Control Framework

Staff Contact(s):
Rachel Robinson, Deputy Commissioner, 651.297.3125, Rachel.Robinson@state.mn.us
Mike Thone, Chief Risk Officer, 651.296.9813, Mike.Thone@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
At the Board Finance and Audit Committee meeting on September 24, 2020, staff presented the Risk Management and Internal Control Framework (Framework) for discussion. In response to recommendations made at the committee meeting, a few minor changes were made to the Framework. Staff now requests the Board approve the Framework.

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):
- Risk Management and Internal Control Framework (redline draft)
- Risk Management and Internal Control Framework (clean draft)

MINNESOTA HOUSING

Risk Management and Internal Control Framework

(RMC DRAFT updated with F&A Committee requested edits included 10-22-20)

Chapter 1 – Introduction and Overview

Minnesota Housing Risk Management and Internal Control Framework

Minnesota Housing (Agency) has adopted a formal Risk Management and Internal Control Framework (Framework) for managing its risks and internal controls. The Framework was established by the Agency's Board of Directors, Commissioner, and Risk Management Committee for the purpose of documenting how the Board and management will identify and respond to potential events (risks) that may impact achievement of the Agency's objectives and overall mission.

This Framework document establishes the Agency's Risk Management Policy (Chapter 2), emphasizes that managing risks and internal controls is an essential part of the management process, and outlines the Agency's key risk management and internal control strategies and processes designed to promote:

- Efficient and effective operations;
- Reliable reporting for internal and external use;
- Compliance with applicable laws and regulations;
- Safeguarding of assets, including protection of the Agency's reputation.

Terms and Definitions

Risk: The chance of something happening that may have a material impact on the Agency's achievement of its mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Management: The Agency's coordinated activities to identify, analyze, evaluate, and respond to risks.

Internal Control: A process effected by the Minnesota Housing Board, management and staff that provides reasonable assurance that the objectives of the Agency will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the Agency's mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Responses: Possible responses to identified risks are listed below.

- Acceptance - No action is taken to respond to the risk.
- Avoidance - Action is taken to stop or modify the operational process or the part of the operational process causing the risk
- Reduction/mitigation – Internal control actions are taken to reduce the likelihood or magnitude of the risk
- Sharing - Action is taken to transfer or share risks across the entity or with external parties, such as insuring against losses

Principles of the Risk Management and Internal Control Framework

The Framework is based on the following key principles. Risk management and internal control is:

- The responsibility of all appointees, managers, employees and contractors
- Part of all organizational processes
- Part of decision making
- Explicit in addressing uncertainty

- Structured, timely and cost effective
- Based on the best available information
- Transparent and inclusive
- Responsive to change
- ~~Based upon and modeled after the "Standards for Internal Control in the Federal Government" (also known as "The Green Book")~~

Categories of Risk

The risks facing the Agency can result from both internally and externally driven factors. Within four broad categories the following list identifies the risks that may be relevant to the Agency (this list is not exhaustive or all-encompassing). Furthermore, certain of the risk categories intersect with each other:

1. Strategic Risk

- Reputation
- Business Model
- Organizational Structure
- Resource Allocation
- Planning / Execution
- Competition / Industry Changes
- Legislative

2. Financial Risk

- Federal Resources
- State Appropriations
- Bond Markets
- Interest Rates
- Counterparties, such as:
  - GSEs
  - Credit Rating Agencies
  - Non-profit Partners
  - Sponsors and Developers
  - Correspondent Lenders
  - Brokers
  - Realtors®

3. Operational Risk

- Program Management
- Budgeting
- Human Resources
- Information Technology
- Integrity
- Culture
- Counterparties
  - Grantees
  - Sub-Grantees
  - Borrowers
- Vendors
- Business Continuity

4. Legal Risk

- Regulatory Compliance
- Fraud/Misuse of Funds/Conflict of Interest

Chapter 2 – Risk Management and Internal Control Policy

In support of its mission and objectives, Minnesota Housing is committed to, and places a high priority on managing its risks and internal controls strategically and systematically.

Risk management and internal control is an integral part of the Agency's approach to decision making and accountability. Implementation begins with the Board of Directors and Commissioner, and is applied through all levels of the Agency. All Agency management and staff are required to integrate sound risk management and internal control procedures and practices into their daily activities.

Risk is a fundamental component in Agency activities and is managed to produce the best outcomes for the Agency over time. The intent of risk management is not to eliminate risk but rather to assist Agency staff to manage the risks related to their responsibilities so that the Agency mission and objectives are achieved. Minnesota Housing's risk management and internal control program is managed by the Risk Management Committee (RMC) with day-to day activities coordinated by the Chief Risk Officer (CRO) and other senior staff. The RMC, together with the Finance and Audit Committee of the Board, is authorized to implement all actions necessary to ensure the Agency maintains effective risk management and internal control systems.

This Framework adopts the United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, also known as the *Green Book*, as the model and criteria the Agency will use to design, implement, and operate an effective risk management and internal control system. The Green Book identifies five internal control components and 17 principles necessary for an effective risk management and internal control system. This Framework ~~It~~ serves as a companion to the Minnesota Management and Budget (MMB) Statewide Operating Policy 0102-01, *Internal Control System*.

Chapter 3 - Responsibilities for Agency Risk Management and Internal Control

Board of Directors

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong "Tone at the Top")
- Approve the Minnesota Housing Risk Management and Internal Control Framework
- Oversee management's resource allocation and implementation and operation of the Agency's risk management and internal control processes
- If necessary, sign the annual Internal Control System Certification for submission to Minnesota Management and Budget
- Periodically review the Agency's compliance with the Risk Management and Internal Control Framework's policy requirements
- Other functions, as necessary, and as outlined in Resolution No. MHFA 12-061: Resolution Establishing a Finance and Audit Committee (See Appendix 1)

Commissioner and Deputy Commissioner

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong "Tone at the Top") and require that management and staff do the same
- Establish an organizational structure, assign responsibility, and delegate authority to achieve the Agency's objectives and mission
- Establish and maintain a culture of risk awareness and support for internal controls
- Chair the Risk Management Committee
- If necessary, sign the annual Internal Control System Certification for submission to MMB
- Provide managers and staff with support and training to effectively fulfill their risk management and internal control responsibilities

Risk Management Committee

The Risk Management Committee (RMC) meets periodically to address matters as needed. A majority of the members must be present for the purpose of conducting RMC business. Consensus decision making is the goal for the RMC. The RMC is comprised of the following members:

- Commissioner - Chair
- Deputy Commissioner –Co-Chair
- Chief Risk Officer – RMC coordinator and meeting facilitator
- General Counsel
- Chief Information Officer
- Chief Financial Officer
- Assistant Commissioner – Single Family Division
- Assistant Commissioner – Multifamily Division
- Assistant Commissioner – Policy
- Director of Human Resources

RMC responsibilities include, but are not limited to:

- Develop the Agency Risk Management and Internal Control Framework, and update as needed
- Evaluate, prioritize and approve the Agency's risk management and internal control activities
- Complete the Agency Risk Profile, including review and approval the Agency Risk Profile report for presentation to the Board
- Complete the annual Internal Control System Certification; approve certification supporting documentation (i.e., Control Self-Assessment Tool, Risk Assessment Plan) for presentation to the Board Chair for review and execution of the certification form
- Provide input for and approval of risk assessment project scopes and strategies; review risk assessment project results; approve process improvement and corrective action measures, as applicable
- Periodically examine the Agency's risk tolerances (i.e., the amounts and types of risk the Agency is willing to pursue or retain)

Chief Risk Officer

In addition to the responsibilities related to the facilitation and coordination of the RMC, the CRO will also:

- Coordinate the annual Conflict of Interest Disclosure update; present results to the Board; collaborate with the Deputy Commissioner, as needed, to determine actions required by staff to mitigate conflict of interest risk, and/or to approve staff requests for outside secondary employment and/or outside board or other employment
- Manage the Navex Global EthicsPoint (third party vendor) reporting hotline
- Collaborate with the Legal Division to triage and investigate reports of fraud, misuse of funds, conflicts of interest or other concerns; provide periodic reports regarding the status of investigations to the RMC and the Board
- Collaborate with management and staff to complete risk assessment projects as scheduled in the Agency Risk Assessment Plan
- Collaborate with the Human Resources Division to ensure all new staff complete required risk management and ethics training within 60 days of starting at the Agency, and annually thereafter; ensure all managers and staff complete annual Code of Conduct training and

certification
- Collaborate with the Human Resources and Communications Divisions to develop and update as needed, risk management and internal controls-related training for Agency staff

Managers (including members of the RMC, as applicable)

- Demonstrate a commitment to integrity and ethical values
- Demonstrate a commitment to recruit, develop, and retain competent staff
- Evaluate staff performance and hold staff accountable for their risk management and internal control responsibilities
- Define clear and measurable objectives to enable the identification of risks to those objectives
- Identify, analyze and respond to risks relating to the achievement of defined objectives
- Consider the potential for fraud when identifying, analyzing and responding to risks
- Identify, analyze and respond to significant internal and external changes that could impact the risk management and internal control systems
- Design control activities to achieve objectives and respond to risks
- Design the information system and related control activities to achieve objectives and respond to risks
- Implement control activities through policies
- Make sure that information received from internal and external sources is reliable for decision making
- Communicate accurate and reliable information internally and externally as necessary to achieve Agency objectives
- Establish activities for monitoring and evaluating Agency risk management and internal control systems and processes
- Remediate identified risk management and internal control deficiencies on a timely basis
- Coordinate with the legal division to determine if risk management and internal control processes, practices and treatments are compliant with regulatory, statutory, program rule, program guide and policy requirements
- Alert member of Servant Leadership Team (SLT), direct supervisor, or CRO of significant risk or internal control concerns
- Attend Risk Management Committee meetings as required
- Attend risk management and internal control-related training sessions as required

Staff

- Demonstrate a commitment to integrity and ethical values
- Identify, analyze, evaluate and respond to risks impacting their job objectives
- Maintain an awareness of risks (current and potential) relating to their job and areas of responsibility
- Actively support and contribute to risk management and internal control initiatives
- Alert member of SLT, direct supervisor or CRO of significant risk and internal control concerns
- Attend risk management and internal control-related training sessions as required

Chapter 4 – Key Risk Management and Internal Control Framework Components

- ~~**Standards for Internal Control in the Federal Government** (also known as "The Green Book"):~~
  - ~~This is the standard and criteria the Agency uses to model its risk management and internal control systems, pursuant to MMB Operating Procedure 0102-01, *Internal Control.*~~
  - ~~The Green Book identifies five internal control components and 17 principles necessary for an effective risk management and internal control system.~~
- **Training:** Staff complete ethics, risk management and internal control-related training within 60 days of starting employment at the agency and annually thereafter. The training includes but is not limited to the following:
  - Risk management webinar (includes ethics, fraud prevention, conflict of interest, data practices, required disclosures)
  - Code of conduct webinar and certification
  - Prohibition of harassment and sexual harassment
  - Information security
- **Policies and procedures, including program guides:** Keep current policies and procedures pertaining to key duties, tasks and responsibilities.
- **Board Reporting:** The Agency holds monthly board meetings where the Servant Leadership Team and other staff provide information to the Board regarding all aspects of the Agency's business, including, as necessary, matters relating to risk management and internal controls.
- **Agency Risk Profile:** A risk profile is the periodic identification, analysis and documentation of critical risk sources to an organization; risks that could impact the organization's ability to achieve its stated objectives over a future time period. Specifically for Minnesota Housing, the Agency Risk Profile focuses on the critical risks confronting the Agency which could negatively impact the Agency's ability to achieve the goals identified in the Minnesota Housing Strategic and Affordable Housing plan documents.
  - The primary purpose for completing the Agency Risk Profile is to assist the Commissioner and Risk Management Committee in communicating risk-related issues to the Board
  - The Agency Risk Profile is a self-assessment exercise completed by the RMC
  - The Agency Risk Profile is completed biennially, or more frequently as requested by the Board, with a formal report issued to the Board
- **Annual Financial Audit:** The Agency contracts with an independent audit firm to complete an annual financial audit. The scope of the audit includes:
  - Opinion on the accuracy and reliability of the Agency's financial statements, including related footnotes and reasonableness of accounting estimates
  - Review of the Agency's level of compliance with major federal program requirements (i.e., Single Audit)
  - Review of internal controls over financial reporting, information technology, Disaster Recovery and Continuity of Operations Plans, and other critical areas such as loans and allowance for loan loss, management override of controls, revenue recognition, interest rate swaps, and real estate owned valuation
  - Assessment of the Agency's computerized information system controls and security

- **Annual MMB Internal Control System Certification:** Minnesota Housing annually certifies to MMB that the Agency's internal control systems are compliant with statute and MMB standards, pursuant to Minnesota Statutes 16A.057. The signed certification and supporting documentation is submitted to MMB on or before July 31 each year. There currently are three certification components completed each year:
  - ➢ Control Self-Assessment Tool (CSAT) – A structured way for the Agency to review and document the effectiveness of internal controls over selected processes common for all Minnesota state agencies. The CSAT lists 14 organizational goals, a series of requirements for each goal, and identifies the existing statutes, state laws, policies and procedures relating to those goals that agencies must follow
  - ➢ Risk Assessment Plan – Identifies the risk assessment projects the Agency will attempt to complete during the coming year. The RMC updates the Plan each year
  - ➢ Certification form signed by the Commissioner and Board Chair
- **Risk Assessment Projects:** The Chief Risk Officer will collaborate with management and staff to complete the risk assessment projects as scheduled in the Agency Risk Assessment Plan. Risk assessment projects will:
  - ➢ Document the agency business process under assessment
  - ➢ Identify the inherent risks related to the business process
  - ➢ Identify and document existing control activities within the business process
  - ➢ Identify and document internal control gaps and weaknesses within the business process
  - ➢ Report identified internal control gaps and weaknesses, and recommendations for correction to the RMC
  - ➢ Develop action plans to correct identified internal control gaps and weaknesses
- **Conflict of Interest Disclosure:**
  - ➢ Staff complete conflict of interest disclosure statements at time of new employee orientation and annually thereafter. Staff also request permission to accept external secondary employment and/or outside board or other memberships
  - ➢ The Chief Risk Officer and Legal Division review Annual Conflict of Interest Disclosure forms and requests for outside employment or membership prepared by staff and collaborates with the Deputy Commissioner, as applicable, to determine actions required by staff to mitigate conflict of interest risk, and/or to approve staff requests for outside secondary employment and/or outside membership
- **Fraud/Misuse of Funds/COI monitoring, investigation, and reporting:**
  - ➢ Multiple internal retaliation-free communication channels are available for staff and stakeholders to report wrongdoing or other concerns
  - ➢ External reporting hotline - The Agency contracts with a third party vendor to maintain a reporting hotline for staff and external parties to make reports of wrongdoing or other concerns. The hotline allows reporting individuals to remain anonymous
  - ➢ Procedures are in place to document, triage, investigate and resolve all reports of wrongdoing or other concerns
  - ➢ Chief Risk Officer provides semi-annual reports to the Board regarding the status of all applicable investigations
- **Credit Risk Management:** The Agency employs a Credit Risk Management team that:
  - ➢ Evaluates borrower and grantee financial capacities to complete and support proposed affordable housing projects and activities

  - Provides information and analyses about credit risks and mitigation strategies to assist Agency decision makers to effectively manage loan and grant portfolio risks and enhance Agency financial strength
- **Review and Selection Committees:**
  - The Agency currently maintains two primary internal review committees, Mortgage Credit and Clearinghouse. Each committee meets regularly to consider a variety of matters related to multifamily affordable housing loans, grants and policies or procedures, and these meetings are attended by a broad cross section of Agency staff, with expertise in lending, underwriting, credit review, finance and accounting, legal and compliance. Other Agency matters requiring internal review that do not fit into the purview of Mortgage Credit or Clearinghouse are handled through alternate channels
  - Selection committees are designed and called to act for certain funding opportunities and cycles as required by the specific program intent and potential funding availability
- **Compliance:** Compliance impacts every part of the Agency. Minnesota Housing maintains compliance with state and federal rules and regulations through a wide variety of activities, including the following:
  - Minnesota Housing endeavors to maintain compliance with all applicable Agency policies and state or federal laws, rules and regulations. To do so, each of the Single- and Multi-Family divisions employ personnel to develop, implement, and monitor compliance practices and procedures within their divisions. Additionally, employees within the divisions coordinate with the policy, legal and finance teams as appropriate to update compliance practices and maintain consistency with applicable state and federal requirements.
  - The Minnesota Housing Employee Policies and Procedures Manual includes all of the state and federal human resources-related compliance requirements
  - Related to Data Practices, the Agency has designated a Responsible Authority, Data Practices Compliance Officer, and Division designees. The Data Practices Manual details all required compliance elements and outlines processes for agency staff to follow. Applicable staff are provided annual training on the requirements and procedures
  - Agency has designated personnel responsible for compliance with SEC and IRS rules and regulations, including disclosures to investors and potential investors in the Agency's debt securities; and has practices and procedures to comply with applicable provisions
  - The annual financial audit scope includes an assessment of the Agency's compliance with major federal program requirements (i.e., the Single Audit)
- **Continuity of Operations Plan (COOP):** The Agency maintains Disaster Recovery Plan which includes a COOP component.
  - The Disaster Recovery Plan and COOP is reviewed, updated and tested annually
  - The Agency has contracted for an alternative "hot" site processing center. The readiness and functionality of this site is included in the scope of the annual disaster recovery testing.
  - The Disaster Recovery Plan, including COOP, is reviewed and assessed during the annual financial audit

- Appendix 1: Resolution Establishing a Finance and Audit Committee

~~Will need to add the F&A Committee Resolution here as Appendix 1~~

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite #400
Saint Paul, Minnesota 55102

RESOLUTION NO. MHFA 20-039
Superseding Resolution No. MHFA 12-062

RESOLUTION REVISING AND RESTATING THE ROLE OF THE FINANCE AND AUDIT COMMITTEE

WHERAS, the members of the Minnesota Housing Finance Agency (collectively known as the "Board") previously established a Finance and Audit Committee ("Committee") through the adoption of Resolution No. 12-062.

WHERAS, the Board has determined a need to update the resolution governing that Committee to better reflect the activities and function of the Committee.

NOW THEREFORE BE IT RESOLVED:

THAT, Resolution No. 12-062 is hereby superseded by this Resolution, which updates and restates the activities and function of the Committee;

THAT, the Committee shall perform the activities designated herein:

1. Committee Members. The Board shall have a Committee consisting of all members of the Board. The Board Chair shall preside at all Committee meetings. In the Board Chair's absence, the Vice Chair shall preside. A majority of the members (excluding vacancies) shall constitute a quorum for the purpose of conducting the Committee's business and exercising its powers and for all other purposes. When a quorum is in attendance, action may be taken by the Committee upon a vote of a majority of the members present.
2. Committee Purpose. The purpose of the Committee is to receive and review, as necessary, certain financial information of the Minnesota Housing Finance Agency ("Agency") and, when necessary, recommend action by the members of the Board as a whole. The Committee is responsible for overseeing the Agency's accounting and financial reporting processes, the audit of the Agency's annual financial statements, and the overall approach to risk management and internal controls. Some of the Committee's responsibilities may be delegated in writing to Agency staff, as appropriate. The Committee shall meet as needed to address matters. The Committee shall have access to financial expertise, whether in the form of Agency staff or outside financial advisors or auditors. It may ask others to attend its meetings and provide pertinent information as necessary.

3. Committee Responsibilities The Committee shall perform the following duties unless they are performed directly by the Board:
   a) Recommend to the Board the selection and replacement of any financial advisor, investment banker and publicly registered public accounting firm (independent auditor) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Board.

b) As necessary, meet with the financial advisor, investment bankers, independent auditor and other Agency staff, review Agency financial reports, evaluate or receive evaluations of the performance of the financial advisor, the investment bankers, or the independent financial auditor, and receive reports on the sale and issuance of bonds.

c) Oversight of agency risk and internal controls, including consultation with senior management and the Chief Risk Officer

d) Review, at least annually, with the independent auditor and Agency staff:

1. The independent auditor's plan for the financial audit, and scope thereof
2. The independent auditor's report on the Agency's annual financial statements and related footnotes.
3. The independent auditor's report on the Agency's Federal Program single audit.
4. The independent auditor's required communications, including reporting on significant accounting areas and estimates.
5. The independent auditor's report on internal controls and governmental audit standards including, as necessary, any assessment or report related to the Agency's computerized information system controls and security.
6. Any other matters the independent auditor chooses to bring to the attention of the Committee

e) Review, at least annually, with Agency staff:

1. The Agency's Risk Management and Internal Control Framework.
2. Agency compliance with the Risk Management and Internal Control Framework including, but not limited to:
   - Code of conduct, ethics, and conflict of interest.
   - Procedures for the receipt, retention and treatment of reports of wrongdoing or other concerns received, and reporting on investigative activities and resolutions, if any
   - Risk assessments and other internal control reviews, including the Agency Risk Profile, Annual Internal Control System Certification, and program/business process risk assessment projects.

f) Make reports and recommendations, as necessary, to the Board.

g) Perform such other functions as assigned by the Board.

h) The Committee may create subcommittees as necessary.

Adopted this 27th day of August, 2020

Chairman

MINNESOTA HOUSING

Risk Management and Internal Control Framework

(RMC DRAFT updated with F&A Committee requested edits included 10-22-20)

Chapter 1 – Introduction and Overview

Minnesota Housing Risk Management and Internal Control Framework

Minnesota Housing (Agency) has adopted a formal Risk Management and Internal Control Framework (Framework) for managing its risks and internal controls. The Framework was established by the Agency's Board of Directors, Commissioner, and Risk Management Committee for the purpose of documenting how the Board and management will identify and respond to potential events (risks) that may impact achievement of the Agency's objectives and overall mission.

This Framework document establishes the Agency's Risk Management Policy (Chapter 2), emphasizes that managing risks and internal controls is an essential part of the management process, and outlines the Agency's key risk management and internal control strategies and processes designed to promote:

- Efficient and effective operations;
- Reliable reporting for internal and external use;
- Compliance with applicable laws and regulations;
- Safeguarding of assets, including protection of the Agency's reputation.

Terms and Definitions

Risk: The chance of something happening that may have a material impact on the Agency's achievement of its mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Management: The Agency's coordinated activities to identify, analyze, evaluate, and respond to risks.

Internal Control: A process effected by the Minnesota Housing Board, management and staff that provides reasonable assurance that the objectives of the Agency will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the Agency's mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Responses: Possible responses to identified risks are listed below.

- Acceptance - No action is taken to respond to the risk.
- Avoidance - Action is taken to stop or modify the operational process or the part of the operational process causing the risk
- Reduction/mitigation – Internal control actions are taken to reduce the likelihood or magnitude of the risk
- Sharing - Action is taken to transfer or share risks across the entity or with external parties, such as insuring against losses

Principles of the Risk Management and Internal Control Framework

The Framework is based on the following key principles. Risk management and internal control is:

- The responsibility of all appointees, managers, employees and contractors
- Part of all organizational processes
- Part of decision making
- Explicit in addressing uncertainty

- Structured, timely and cost effective
- Based on the best available information
- Transparent and inclusive
- Responsive to change

Categories of Risk

The risks facing the Agency can result from both internally and externally driven factors. Within four broad categories the following list identifies the risks that may be relevant to the Agency (this list is not exhaustive or all-encompassing). Furthermore, certain of the risk categories intersect with each other:

1. Strategic Risk

- Reputation
- Business Model
- Organizational Structure
- Resource Allocation
- Planning / Execution
- Competition / Industry Changes
- Legislative

2. Financial Risk

- Federal Resources
- State Appropriations
- Bond Markets
- Interest Rates
- Counterparties, such as:
  - GSEs
  - Credit Rating Agencies
  - Non-profit Partners
  - Sponsors and Developers
  - Correspondent Lenders
  - Brokers
  - Realtors®

3. Operational Risk

- Program Management
- Budgeting
- Human Resources
- Information Technology
- Integrity
- Culture
- Counterparties
  - Grantees
  - Sub-Grantees
  - Borrowers
- Vendors
- Business Continuity

4. Legal Risk

- Regulatory Compliance
- Fraud/Misuse of Funds/Conflict of Interest

Chapter 2 – Risk Management and Internal Control Policy

In support of its mission and objectives, Minnesota Housing is committed to, and places a high priority on managing its risks and internal controls strategically and systematically.

Risk management and internal control is an integral part of the Agency's approach to decision making and accountability. Implementation begins with the Board of Directors and Commissioner, and is applied through all levels of the Agency. All Agency management and staff are required to integrate sound risk management and internal control procedures and practices into their daily activities.

Risk is a fundamental component in Agency activities and is managed to produce the best outcomes for the Agency over time. The intent of risk management is not to eliminate risk but rather to assist Agency staff to manage the risks related to their responsibilities so that the Agency mission and objectives are achieved. Minnesota Housing's risk management and internal control program is managed by the Risk Management Committee (RMC) with day-to day activities coordinated by the Chief Risk Officer (CRO) and other senior staff. The RMC, together with the Finance and Audit Committee of the Board, is authorized to implement all actions necessary to ensure the Agency maintains effective risk management and internal control systems.

This Framework adopts the United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, also known as the *Green Book*, as the model and criteria the Agency will use to design, implement, and operate an effective risk management and internal control system. The Green Book identifies five internal control components and 17 principles necessary for an effective risk management and internal control system. This Framework serves as a companion to the Minnesota Management and Budget (MMB) Statewide Operating Policy 0102-01, *Internal Control System*.

Chapter 3 - Responsibilities for Agency Risk Management and Internal Control

Board of Directors

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong "Tone at the Top")
- Approve the Minnesota Housing Risk Management and Internal Control Framework
- Oversee management's resource allocation and implementation and operation of the Agency's risk management and internal control processes
- If necessary, sign the annual Internal Control System Certification for submission to Minnesota Management and Budget
- Periodically review the Agency's compliance with the Risk Management and Internal Control Framework's policy requirements
- Other functions, as necessary, and as outlined in Resolution No. MHFA 12-061: Resolution Establishing a Finance and Audit Committee (See Appendix 1)

Commissioner and Deputy Commissioner

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong "Tone at the Top") and require that management and staff do the same
- Establish an organizational structure, assign responsibility, and delegate authority to achieve the Agency's objectives and mission
- Establish and maintain a culture of risk awareness and support for internal controls
- Chair the Risk Management Committee
- If necessary, sign the annual Internal Control System Certification for submission to MMB
- Provide managers and staff with support and training to effectively fulfill their risk management and internal control responsibilities

Risk Management Committee

The Risk Management Committee (RMC) meets periodically to address matters as needed. A majority of the members must be present for the purpose of conducting RMC business. Consensus decision making is the goal for the RMC. The RMC is comprised of the following members:

- Commissioner - Chair
- Deputy Commissioner –Co-Chair
- Chief Risk Officer – RMC coordinator and meeting facilitator
- General Counsel
- Chief Information Officer
- Chief Financial Officer
- Assistant Commissioner – Single Family Division
- Assistant Commissioner – Multifamily Division
- Assistant Commissioner – Policy
- Director of Human Resources

RMC responsibilities include, but are not limited to:

- Develop the Agency Risk Management and Internal Control Framework, and update as needed
- Evaluate, prioritize and approve the Agency's risk management and internal control activities
- Complete the Agency Risk Profile, including review and approval the Agency Risk Profile report for presentation to the Board
- Complete the annual Internal Control System Certification; approve certification supporting documentation (i.e., Control Self-Assessment Tool, Risk Assessment Plan) for presentation to the Board Chair for review and execution of the certification form
- Provide input for and approval of risk assessment project scopes and strategies; review risk assessment project results; approve process improvement and corrective action measures, as applicable
- Periodically examine the Agency's risk tolerances (i.e., the amounts and types of risk the Agency is willing to pursue or retain)

Chief Risk Officer

In addition to the responsibilities related to the facilitation and coordination of the RMC, the CRO will also:

- Coordinate the annual Conflict of Interest Disclosure update; present results to the Board; collaborate with the Deputy Commissioner, as needed, to determine actions required by staff to mitigate conflict of interest risk, and/or to approve staff requests for outside secondary employment and/or outside board or other employment
- Manage the Navex Global EthicsPoint (third party vendor) reporting hotline
- Collaborate with the Legal Division to triage and investigate reports of fraud, misuse of funds, conflicts of interest or other concerns; provide periodic reports regarding the status of investigations to the RMC and the Board
- Collaborate with management and staff to complete risk assessment projects as scheduled in the Agency Risk Assessment Plan
- Collaborate with the Human Resources Division to ensure all new staff complete required risk management and ethics training within 60 days of starting at the Agency, and annually thereafter; ensure all managers and staff complete annual Code of Conduct training and

certification
- Collaborate with the Human Resources and Communications Divisions to develop and update as needed, risk management and internal controls-related training for Agency staff

Managers (including members of the RMC, as applicable)

- Demonstrate a commitment to integrity and ethical values
- Demonstrate a commitment to recruit, develop, and retain competent staff
- Evaluate staff performance and hold staff accountable for their risk management and internal control responsibilities
- Define clear and measurable objectives to enable the identification of risks to those objectives
- Identify, analyze and respond to risks relating to the achievement of defined objectives
- Consider the potential for fraud when identifying, analyzing and responding to risks
- Identify, analyze and respond to significant internal and external changes that could impact the risk management and internal control systems
- Design control activities to achieve objectives and respond to risks
- Design the information system and related control activities to achieve objectives and respond to risks
- Implement control activities through policies
- Make sure that information received from internal and external sources is reliable for decision making
- Communicate accurate and reliable information internally and externally as necessary to achieve Agency objectives
- Establish activities for monitoring and evaluating Agency risk management and internal control systems and processes
- Remediate identified risk management and internal control deficiencies on a timely basis
- Coordinate with the legal division to determine if risk management and internal control processes, practices and treatments are compliant with regulatory, statutory, program rule, program guide and policy requirements
- Alert member of Servant Leadership Team (SLT), direct supervisor, or CRO of significant risk or internal control concerns
- Attend Risk Management Committee meetings as required
- Attend risk management and internal control-related training sessions as required

Staff

- Demonstrate a commitment to integrity and ethical values
- Identify, analyze, evaluate and respond to risks impacting their job objectives
- Maintain an awareness of risks (current and potential) relating to their job and areas of responsibility
- Actively support and contribute to risk management and internal control initiatives
- Alert member of SLT, direct supervisor or CRO of significant risk and internal control concerns
- Attend risk management and internal control-related training sessions as required

Chapter 4 – Key Risk Management and Internal Control Framework Components

- **Training:** Staff complete ethics, risk management and internal control-related training within 60 days of starting employment at the agency and annually thereafter. The training includes but is not limited to the following:
  - Risk management webinar (includes ethics, fraud prevention, conflict of interest, data practices, required disclosures)
  - Code of conduct webinar and certification
  - Prohibition of harassment and sexual harassment
  - Information security
- **Policies and procedures, including program guides:** Keep current policies and procedures pertaining to key duties, tasks and responsibilities.
- **Board Reporting:** The Agency holds monthly board meetings where the Servant Leadership Team and other staff provide information to the Board regarding all aspects of the Agency's business, including, as necessary, matters relating to risk management and internal controls.
- **Agency Risk Profile:** A risk profile is the periodic identification, analysis and documentation of critical risk sources to an organization; risks that could impact the organization's ability to achieve its stated objectives over a future time period. Specifically for Minnesota Housing, the Agency Risk Profile focuses on the critical risks confronting the Agency which could negatively impact the Agency's ability to achieve the goals identified in the Minnesota Housing Strategic and Affordable Housing plan documents.
  - The primary purpose for completing the Agency Risk Profile is to assist the Commissioner and Risk Management Committee in communicating risk-related issues to the Board
  - The Agency Risk Profile is a self-assessment exercise completed by the RMC
  - The Agency Risk Profile is completed biennially, or more frequently as requested by the Board, with a formal report issued to the Board
- **Annual Financial Audit:** The Agency contracts with an independent audit firm to complete an annual financial audit. The scope of the audit includes:
  - Opinion on the accuracy and reliability of the Agency's financial statements, including related footnotes and reasonableness of accounting estimates
  - Review of the Agency's level of compliance with major federal program requirements (i.e., Single Audit)
  - Review of internal controls over financial reporting, information technology, Disaster Recovery and Continuity of Operations Plans, and other critical areas such as loans and allowance for loan loss, management override of controls, revenue recognition, interest rate swaps, and real estate owned valuation
  - Assessment of the Agency's computerized information system controls and security
- **Annual MMB Internal Control System Certification:** Minnesota Housing annually certifies to MMB that the Agency's internal control systems are compliant with statute and MMB standards, pursuant to Minnesota Statutes 16A.057. The signed certification and supporting documentation is submitted to MMB on or before July 31 each year. There currently are three certification components completed each year:

- Control Self-Assessment Tool (CSAT) – A structured way for the Agency to review and document the effectiveness of internal controls over selected processes common for all Minnesota state agencies. The CSAT lists 14 organizational goals, a series of requirements for each goal, and identifies the existing statutes, state laws, policies and procedures relating to those goals that agencies must follow
- Risk Assessment Plan – Identifies the risk assessment projects the Agency will attempt to complete during the coming year. The RMC updates the Plan each year
- Certification form signed by the Commissioner and Board Chair

- **Risk Assessment Projects:** The Chief Risk Officer will collaborate with management and staff to complete the risk assessment projects as scheduled in the Agency Risk Assessment Plan. Risk assessment projects will:
  - Document the agency business process under assessment
  - Identify the inherent risks related to the business process
  - Identify and document existing control activities within the business process
  - Identify and document internal control gaps and weaknesses within the business process
  - Report identified internal control gaps and weaknesses, and recommendations for correction to the RMC
  - Develop action plans to correct identified internal control gaps and weaknesses
- **Conflict of Interest Disclosure:**
  - Staff complete conflict of interest disclosure statements at time of new employee orientation and annually thereafter. Staff also request permission to accept external secondary employment and/or outside board or other memberships
  - The Chief Risk Officer and Legal Division review Annual Conflict of Interest Disclosure forms and requests for outside employment or membership prepared by staff and collaborates with the Deputy Commissioner, as applicable, to determine actions required by staff to mitigate conflict of interest risk, and/or to approve staff requests for outside secondary employment and/or outside membership
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  - The Minnesota Housing Employee Policies and Procedures Manual includes all of the state and federal human resources-related compliance requirements
  - Related to Data Practices, the Agency has designated a Responsible Authority, Data Practices Compliance Officer, and Division designees. The Data Practices Manual details all required compliance elements and outlines processes for agency staff to follow. Applicable staff are provided annual training on the requirements and procedures
  - Agency has designated personnel responsible for compliance with SEC and IRS rules and regulations, including disclosures to investors and potential investors in the Agency's debt securities; and has practices and procedures to comply with applicable provisions
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  - The Disaster Recovery Plan and COOP is reviewed, updated and tested annually
  - The Agency has contracted for an alternative "hot" site processing center. The readiness and functionality of this site is included in the scope of the annual disaster recovery testing.
  - The Disaster Recovery Plan, including COOP, is reviewed and assessed during the annual financial audit

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite #400
Saint Paul, Minnesota 55102

RESOLUTION NO. MHFA 20-039
Superseding Resolution No. MHFA 12-062

RESOLUTION REVISING AND RESTATING THE ROLE OF THE FINANCE AND AUDIT COMMITTEE

WHERAS, the members of the Minnesota Housing Finance Agency (collectively known as the “Board”) previously established a Finance and Audit Committee (“Committee”) through the adoption of Resolution No. 12-062.

WHERAS, the Board has determined a need to update the resolution governing that Committee to better reflect the activities and function of the Committee.

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THAT, the Committee shall perform the activities designated herein:

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2. Committee Purpose. The purpose of the Committee is to receive and review, as necessary, certain financial information of the Minnesota Housing Finance Agency (“Agency”) and, when necessary, recommend action by the members of the Board as a whole. The Committee is responsible for overseeing the Agency’s accounting and financial reporting processes, the audit of the Agency’s annual financial statements, and the overall approach to risk management and internal controls. Some of the Committee's responsibilities may be delegated in writing to Agency staff, as appropriate. The Committee shall meet as needed to address matters. The Committee shall have access to financial expertise, whether in the form of Agency staff or outside financial advisors or auditors. It may ask others to attend its meetings and provide pertinent information as necessary.

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b) As necessary, meet with the financial advisor, investment bankers, independent auditor and other Agency staff, review Agency financial reports, evaluate or receive evaluations of the performance of the financial advisor, the investment bankers, or the independent financial auditor, and receive reports on the sale and issuance of bonds.

c) Oversight of agency risk and internal controls, including consultation with senior management and the Chief Risk Officer

d) Review, at least annually, with the independent auditor and Agency staff:

1. The independent auditor's plan for the financial audit, and scope thereof
2. The independent auditor's report on the Agency's annual financial statements and related footnotes.
3. The independent auditor's report on the Agency's Federal Program single audit.
4. The independent auditor's required communications, including reporting on significant accounting areas and estimates.
5. The independent auditor's report on internal controls and governmental audit standards including, as necessary, any assessment or report related to the Agency's computerized information system controls and security.
6. Any other matters the independent auditor chooses to bring to the attention of the Committee

e) Review, at least annually, with Agency staff:

1. The Agency's Risk Management and Internal Control Framework.
2. Agency compliance with the Risk Management and Internal Control Framework including, but not limited to:
    - Code of conduct, ethics, and conflict of interest.
    - Procedures for the receipt, retention and treatment of reports of wrongdoing or other concerns received, and reporting on investigative activities and resolutions, if any
    - Risk assessments and other internal control reviews, including the Agency Risk Profile, Annual Internal Control System Certification, and program/business process risk assessment projects.

f) Make reports and recommendations, as necessary, to the Board.

g) Perform such other functions as assigned by the Board.

h) The Committee may create subcommittees as necessary.

Adopted this 27th day of August, 2020

____

Chairman

MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 10/22/2020

Item: Workforce and Affordable Homeownership Development Program and Interim Construction Loan Selections

Staff Contact(s):
Song Lee, 651.296.2291, song.lee.mhfa@state.mn.us
Leighann McKenzie, 651.296.8147, leighann.mckenzie@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff requests approval of funding recommendations for the Workforce and Affordable Homeownership Development Program and Interim Construction loans.

Fiscal Impact:
The Workforce and Affordable Homeownership Development Program funds are state appropriated resources provided in the form of grants that do not earn interest for the Agency. Interim Construction loans made from Pool 2 and Pool 3 are repayable and 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 and Funding Recommendations
- Map of Recommended Projects
- Project Summaries
- 2020 Single Family Workforce Development RFP Summary
- Resolution

BACKGROUND

The Workforce and Affordable Homeownership Development Program provides state-appropriated grants for single family development and rehabilitation projects as well as land development and residential housing. The funds will serve households up to 115 percent area median income (AMI) except in the case where a project directly benefits a neighborhood or development that includes individuals with a wide range of incomes, such as a manufactured home park community. The statute limits eligible program applicants to tribal governments, nonprofit organizations, cooperatives, cities (including county community development agencies), and community land trusts.

Priority was given to smaller projects in Greater Minnesota and suburban communities within the seven-county Twin Cities metropolitan area, for communities with populations of less than 10,000, and new construction projects.

Applicants requested and were also reviewed for Interim Construction loans which are short term, repayable construction loans to administrators to finance the acquisition, rehabilitation, demolition and/or construction of homes.

Proposal Review and Selection Process

Applications for the Workforce and Affordable Homeownership Development Program funds and Interim Construction loans were received through the annual Single Family Consolidated Request for Proposal (RFP) process but follow a more accelerated timeline than the Single Family RFP. All proposals were reviewed, scored and ranked based on Workforce and Affordable Homeownership Development Program and Interim Construction loan scoring and selection criteria approved by the Agency's Board on March 26, 2020. First, staff assessed the extent to which a proposal meets the Agency's funding priorities. These include workforce housing, efficient land use, location efficiency, community recovery, community economic integration, rural and tribal designation, universal design and accessibility features, large family housing, senior housing, reaching households of greatest needs, leverage, and foreclosed/vacant properties.

The Agency's leadership and program staff then scored proposals during selection committee meetings. Selection committee scores are based on an applicant's organizational capacity, project feasibility, and community need. The organizational capacity assessment includes a consideration of an applicant's financial health and ability to implement the proposed project. The project feasibility assessment includes a consideration of the economic viability of a project and the proposed project costs as compared to Impact Fund's historical cost thresholds which are based on an analysis of typical project costs under past Impact Fund awards. The community need assessment considers the identified need based on local demographics, workforce, and economic factors in the community and how the proposal meets the identified need.

The Agency received three proposals requesting a total of $805,200, comprised of $355,200 in Workforce Development grants and $450,000 in Interim Construction loans. This includes one proposal from the Twin Cities Metropolitan area requesting $85,200 and two from Greater Minnesota requesting $720,000.

FUNDING RECOMMENDATIONS

Staff recommends funding all three proposals for a total of $805,200. The chart below represents the recommendations for the Workforce and Affordable Homeownership Development Program funds and

Interim Construction loans. Two selections totaling $720,000 or 89 percent of total projects selected will serve communities in Greater Minnesota. One selection totaling $85,200 or 11 percent of total projects selected will serve the seven-county Twin Cities metropolitan area.

The Workforce and Affordable Homeownership Development grants are funded by $500,000 in state appropriations in the current biennium. The remaining $144,800 of these grant funds not awarded in this round will be made available through the regular SF Consolidated RFP to fund additional eligible projects which will be brought to the Board for consideration in December.

		Funding Type	
Applicant	**Activity**	**Workforce and Affordable Homeownership Development**	**Interim Construction Loans**
Leech Lake Development Corporation	New Construction	$ 50,000	$ 200,000
One Roof Community Housing	Acquisition, Rehabilitation, Resale	$ 220,000	$ 250,000
Scott County Community Development Agency on behalf of the Scott County Community Land Trust	New Construction	$ 85,200	$ -
	TOTAL	**$ 355,200**	**$ 450,000**

Improve the Housing System
Funding to the Leech Lake Development Corporation, an entity created by the Leech Lake Band of Ojibwe, directly invests in a growing organization led by the Indigenous community. All recommended projects will market to households of color or members of Indigenous communities and households with persons with a disability.

Preserve and Create Housing Opportunities
One Roof will preserve existing homes by acquiring, rehabilitating and reselling homes. The homes are expected to be sold at a purchase price of approximately $159,000 and will be placed into a community land trust, preserving the long-term affordability of the homes.

Make Homeownership More Accessible
All projects will reduce the homeownership disparity by marketing and providing outreach to households of color and indigenous households. Applicants will use culturally-specific and culturally-oriented radio stations and shows, promotional materials on social media, websites, newspapers and organizations in various ethnic and indigenous communities.

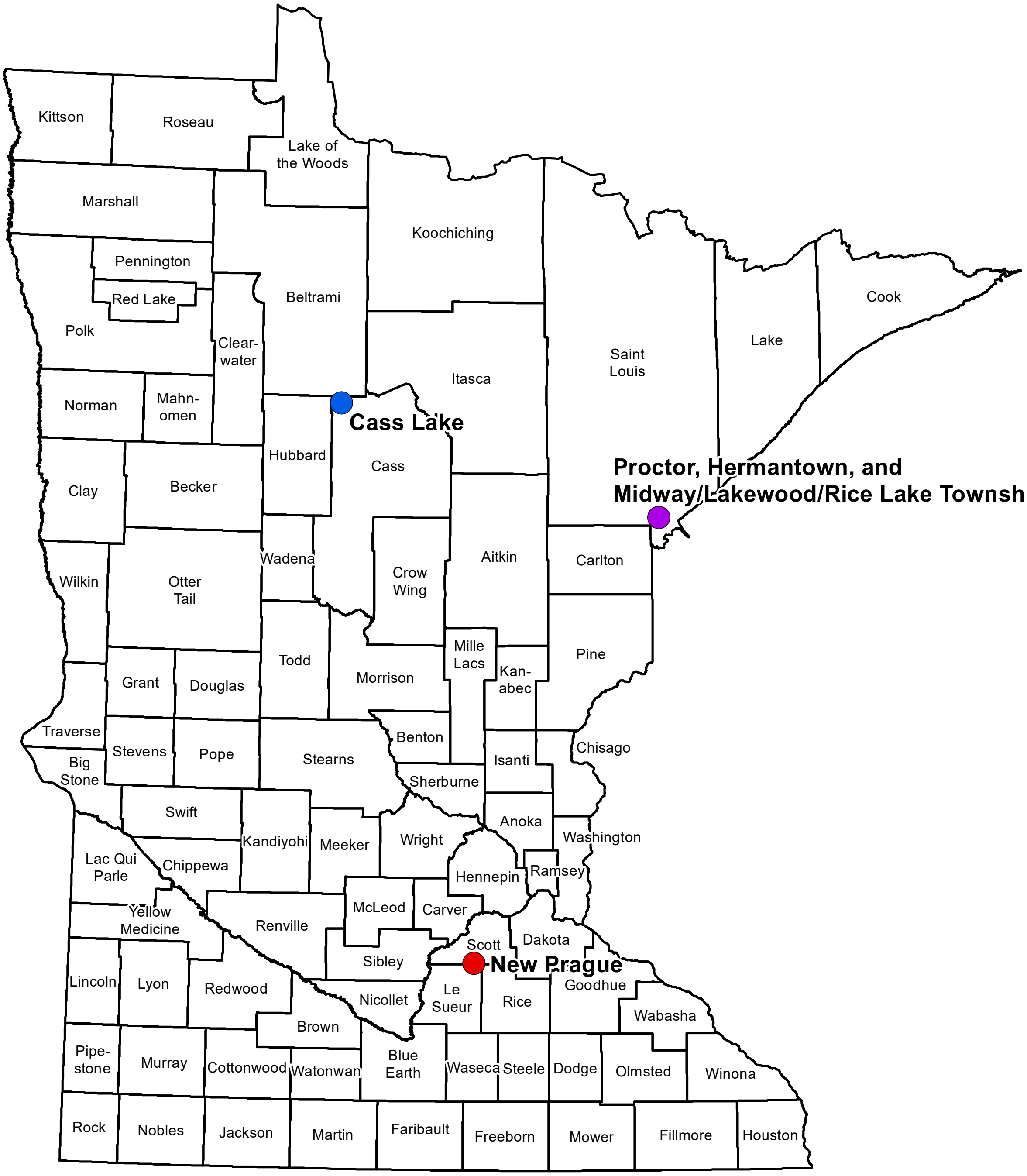
Additionally, all applicants will offer or provide resources to homebuyers to access homebuyer and financial education and counseling to support homebuyers to become successful long-term homeowners.

Strengthen Communities
The Leech Lake project will strengthen communities through supporting the Leech Lake Band of Ojibwe and investing in a community in Greater Minnesota. Additionally, if funded, this will be the first time the Leech Lake Development Corporation will receive funding through the Single Family RFP.

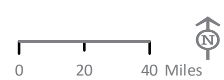
NEXT STEPS

Funding Agreements
Final funding selection letters will be sent to the organizations if funding is approved by the Agency Board. Selections are subject to the program requirements as outlined in each individual Funding Agreement. Funding Agreements will be sent to all recipients in early November.

Workforce and Affordable Homeownership Development Program



Recommended Applicant



- Leech Lake Development Corporation - New Construction
- One Roof Community Housing - Acquisition, Rehabilitation, and Resale
- Scott County Community Development Agency - New Construction

MINNESOTA HOUSING

Leech Lake Development Corporation	
Project	Leech Lake Single Family Homeownership Project
Location	City of Cass Lake
Activity	New Construction
Typical # of Bedrooms	3 bedrooms

	# of Units	Total
Funding Requested	2	$ 250,000
Funding Recommended	2	$ 250,000

Organization Information

The Leech Lake Development Corporation is a part of the Leech Lake Band of Ojibwe, a federally recognized tribe. LLDC is the applicant because it can respond more quickly to opportunities than the Tribe itself, which often requires involvement of the Tribal Council in decision making. The purpose of LLDC is to promote economic development and self-sufficiency for the tribe and tribally-enrolled members. In addition to housing, its work includes promoting tribal enterprises, providing employment opportunities, and developing and managing the tribe's financial resources.

The funding recommendation includes $50,000 in grant funds for value gap and $200,000 in interim construction loan funds for the development of the two homes.

LLDC will be the developer for this project. While it has not completed similar projects in the past, it is contracting with Mary Thompson who will provide guidance on the development of the homes and implementation of the project. Ms. Thompson has experience in housing development and directly with the Impact Fund through her work as the Operations Director of the Headwaters Regional Development Commission (HRDC). HRDC has completed similar new construction homes to those proposed in this project in recent years.

Project Description

The funds will be used to develop two single family detached homes on Leech Lake Reservation owned land in the City of Cass Lake. The applicant will serve households at or below 80 percent area median income (AMI).

Leech Lake Development Corporation (LLDC) will construct three-bedroom, two bath, slab on grade homes. The homes will be built on two infill lots. They will partner with the Leech Lake Financial Services to identify homebuyers ready to purchase the homes. This is a pilot program with the goal to develop a model that can be replicated to increase the housing stock on the reservation and tribal trust land.

LLDC intends to reach out and market to tribally-enrolled members with the proposed project. The project meets the following Agency strategic priorities: Improve the housing system, make homeownership more accessible, and strengthen communities.

Costs and Subsidy

Typical Development Cost Per Unit: $165,000
Historical High Cost Threshold: $240,871
Percent Below Historical High Cost Threshold: 38%

The anticipated per-unit construction cost of $150,000 is below the industry average of $243,408 for a unit of similar new construction in a similar geographic area. This per-unit construction cost reflects only the hard costs and does not include soft costs and land.

Typical Impact Fund Value Gap Subsidy Per Unit: $25,000
Historical High Subsidy Threshold: $55,580
Percent Below Historical High Subsidy Threshold: 55%

Community Need

There is a shortage of affordable housing on the Leech Lake Reservation. While tribal enrollment has increased by 12 percent, tribally-enrolled members living on the Leech Lake Reservation or tribal trust land has decreased by 3.2 percent. It is likely that members are moving off reservation due to the lack of affordable housing on the reservation and tribal trust land. Additionally, on the reservation and tribal trust land, the homeownership rate for non-tribally enrolled members is close to 24 percent higher than the homeownership rate for tribally enrolled members.

LLDC is targeting households with incomes between $20,000 and $49,999. Thirty-seven percent of the population has incomes within that range, suggesting that there are households that are eligible for and can afford the two homes LLDC will build. LLDC will work with the Leech Lake Financial Services to prepare households for homeownership.

There are 122 homes available to purchase in the Reservation area, but the median price sale price is $277,400, which is out of reach for many tribally enrolled members. At a sales price of $140,000, the two homes to be constructed will be much more affordable to the target population.

Additionally, the new Cedar Lakes Casino in Cass Lake is expected to create 100 to 150 new jobs in the area. Many of these new employees will have difficulty finding affordable housing in the area. The homes built through this project will help with the housing shortage.

Finally, the Cass Lake region has many lakes and recreational areas. As a result, there are many retirees and homebuyers that purchase homes to use as second homes or vacation homes. This often increases competition for homes in the area, driving up prices and making homes out of reach for tribally-enrolled members. There is a need for affordably priced homes limited to lower-income households that will not face the competition seen for other homes on the market.

One Roof Community Housing	
Project	One Roof Community Housing Acquisition-Rehab-Resale - Small Communities
Location	Cities of Proctor and Hermantown, and Townships of Midway, Lakewood and Rice Lake
Activity	Acquisition, Rehabilitation, and Resale
Typical # of Bedrooms	3 bedrooms

	# of Units	Total
Funding Requested	4	$ 470,000
Funding Recommended	4	$ 470,000

Organization Information

One Roof Community Housing is a nonprofit organization with the mission to strengthen the foundations of its community by providing housing services and building and sustaining affordable homes and healthy neighborhoods. One Roof develops affordable Community Land Trust (CLT) homes and affordable rental housing. It also offers downpayment and closing cost assistance, homebuyer education and credit counseling, loans for multifamily and owner-occupied rehabilitation and coordinates participatory community planning efforts in Duluth’s core neighborhoods.

The recommended funding includes $220,000 in grant funds for value gap and $250,000 in interim construction loan funds for the development of the homes.

Since 2015, One Roof has developed and sold 57 acquisition, rehabilitation and resale properties.

Project Description

The funds will be used to provide value gap for the acquisition-rehabilitation-resale of four units to be developed and sold through One Roof’s CLT program in Proctor and Hermantown, and the townships of Midway, Lakewood and Rice Lake will be considered if appropriate properties are found in these areas. The applicant will serve households at or below 80 percent area median income (AMI).

There are two different main areas in which One Roof plans to acquire the four properties that it is seeking Workforce & Affordable Homeownership Development Program funds for: Proctor (population: 3,057) and Hermantown (population: 9,414). Additionally, the townships of Midway (population included in the Proctor figure) and Rice Lake (population: 4,142) may also be selected if appropriate properties are found. The township of Lakewood is so small that it is not registered as a place within a state according to Census data.

This proposal meets the Agency’s strategic priority to improve the housing system. One Roof focuses on the people and places most impacted, especially children. In 2018, 52 percent of people they served were single headed households, 37 percent were households of color or Indigenous communities. In 2019, 36 percent of people served were single headed households and 18 percent were households of color or Indigenous communities.

This proposed project also meets the Agency's strategic priority to preserve and create housing opportunities. As the properties in Proctor and Hermantown are approaching advanced age, maintenance is becoming a necessity for a substantial portion of properties in the area. This proposal addresses this problem and allows for the homes to remain affordable to low-to moderate income families.

One Roof Community Housing's homebuyer education meets the strategic objective to make homeownership more accessible. All homebuyers are required to take the course before purchasing a CLT property. They also offer a post purchase program working with homeowners who may be getting behind on their bills, assisting them with maintenance issues and preventing foreclosures.

Every year about 20 percent of One Roof's new CLT homeowners are people who have a disability or who struggle with addiction. They actively seek to make homeownership a possibility for people who otherwise would not be able to purchase a home which fits the strategic priority to support people needing services.

One Roof actively engages in partnerships with local organizations. They have partnered with the Fond du Lac Band of Lake Superior Chippewa to build affordable housing for its members. This partnership fits the strategic priority to support tribal nations and indigenous communities.

Costs and Subsidy

Typical Development Cost Per Unit: $226,500
Historical High Cost Threshold: $245,500
Percent Below Historical High Cost Threshold: 8%

Typical Impact Fund Value Gap Subsidy Per Unit: $55,000
Historical High Subsidy Threshold: $54,215
Percent Above Historical High Subsidy Threshold: 1 %

Community Need

The need primarily exists along two lines: the age of housing and the lack of affordable homes. The American Community Survey (ACS) estimates the median age of the housing stock was over 40 years in two of the three census tracts this activity is oriented around with the remaining census tract shows a housing stock age of 29 years. Even assuming the home is regularly maintained, the age of the homes indicates that a need for rehabilitation work exists. The vast majority of the housing stock in these areas are not affordable to low-to-moderate income households. One Roof plans to use subsidy money to perform some needed rehabilitation work, but largely plans to use more of the subsidy money than is typical to lower the price of the house to a level that would be affordable to individuals who reside within the community recovery area census tracts.

Scott County Community Development Agency	
Project	Scott County Community Land Trust Development
Location	City of New Prague
Activity	New Construction
Typical # of Bedrooms	4 bedrooms

	# of Units	Total
Funding Requested	4	$ 85,200
Funding Recommended	4	$ 85,200

Organization Information

Scott County Community Development Agency's (CDA) is a county housing and redevelopment authority whose mission is to invest in possibilities to live and work in Scott County and to put homeownership within reach for households of lower to moderate income who otherwise would be denied such opportunities because of a lack of financial resources.

The recommended funds include $21,300 in grant funds for value gap.

Scott County CDA completed one single family home in New Prague in 2016 under a pilot First Time Homebuyer program. Scott County CDA will partner with the City of New Prague, which has worked with the CDA on six previous affordable first-time homebuyer single family and twin home units and has worked with Habitat for Humanity to bring eight homes to the city. Scott County CDA has a property portfolio of 668 units that consists of a mix of new construction and acquisition of rental apartments, single family homes, twin/townhomes, and multiplexes. Scott County CDA is also a HUD-approved homeownership counseling agency and will provide housing counseling for homebuyers.

Project Description

The funds will be used for value gap for the new construction of four single family homes in the City of New Prague. The applicant will serve households at or below 80 percent area median income (AMI).

Scott County Community Land Trust (CLT) is a newly created CLT program within Scott County CDA. The CLT was created to address the high land costs in Scott County and home value appreciation rates that exceed income growth rates. The CLT model will fill the niche for those homeowners that not only want a home that they can afford, but also have the shared vision of making their home affordable for future generations of homebuyers. The units created through this project will be one the first units added to the CLT's portfolio.

Scott County CDA will serve as the administrator and developer of the new construction units. They will work with the City of New Prague, which has experience in new construction homes. Scott County CDA will also partner with Old National Bank that has provided mortgages in the secondary market for CLT homebuyers.

Scott County CDA also requests grant funds for affordability gap. Affordability gap is not an eligible use of Workforce and Affordable Homeownership Development Program funds. As a result, Scott

County CDA's affordability gap request will be considered for funding with Economic Development Housing Challenge funds at the broader Single Family RFP Board Meeting in December.

Costs and Subsidy

Typical Development Cost Per Unit: $308,400
Historical High Cost Threshold: $398,597
Percent Below Historical High Cost Threshold: 23%

The anticipated per-unit construction cost of $260,000 is below the industry average of $305,241 for a unit of similar new construction in a similar geographic area.

Typical Impact Fund Value Gap Subsidy Per Unit: $21,300
Historical High Subsidy Threshold: $63,419
Percent Below Historical High Subsidy Threshold: 66%

Community Need

Scott County's home values have increased 19 percent while wages have increased four percent. Twenty-nine percent of homeowners are cost burdened. While 75 percent of white households are homeowners, only 39 percent of people of color are homeowners. In 2010, 36.4 percent of people lived and worked in Scott County and by 2017 that has increased to 40.4 percent.

New Prague has an employment force of 7,129. The top industries for New Prague employees are manufacturing, health care and social assistance, accommodation and food assistance, and retail trade. There are several larger employers in the city including Mayo Clinic, Chart, School District and Electromed. Although New Prague is not a long commute community according to Community Profiles, many residents may choose to live in a city within commuting distance to job cores with plentiful jobs and good wages and also has a larger stock of affordable housing. Due to the rural setting, the city has more single family homes, however many of those are older and may need significant rehabilitation.

About 49 percent of households in New Prague have incomes up to $74,999. Scott County CDA's project will address the need for more long-term affordable homeownership opportunities for current and future homebuyers of the CLT properties by assisting lower to moderate income households to bridge the gap between rental housing and traditional homeownership. This will allow homebuyers to get a foot in the door to homeownership due to the larger upfront subsidy.

2020 Workforce and Affordable Homeownership Development
Minnesota Housing Single Family Funding Selections

	Impact Fund Unit Count						Total Funding
Location - Administrator - Project Name	Exist	New	Total Units	80% AMI	Workforce & Affordable Homeownership Development	Interim Loan	Total Minnesota Housing Funding
METRO AREA							
Seven-County Metro Area							
Scott County Community Development Agency on behalf of the Scott County Community Land Trust – Scott County Community Land Trust Development	0	4	4	4	$ 85,200	$ -	$ 85,200
Total Seven-County Metro Area	**0**	**4**	**4**	**4**	**$ 85,200**	**$ -**	**$ 85,200**
Total METRO AREA	**0**	**4**	**4**	**4**	**$ 85,200**	**$ -**	**$ 85,200**
GREATER MINNESOTA							
Northeast							
One Roof Community Housing – One Roof Community Housing Acquisition-Rehab-Resale	4	0	4	4	$ 220,000	$ 250,000	$ 470,000
Total Northeast	**4**	**0**	**4**	**4**	**$ 220,000**	**$ 250,000**	**$ 470,000**
West Central							
Leech Lake Development Corporation – Leech Lake Single Family Homeownership Project	0	2	2	2	$ 50,000	$ 200,000	$ 250,000
Total West Central	**0**	**2**	**2**	**2**	**$ 50,000**	**$ 200,000**	**$ 250,000**
Total GREATER MINNESOTA	**4**	**2**	**6**	**6**	**$ 270,000**	**$ 450,000**	**$ 720,000**
Total STATEWIDE	**4**	**6**	**10**	**10**	**$ 355,200**	**$ 450,000**	**$ 805,200**

*Units may achieve multiple priorities

KEY:

Exist: Includes Acquisition/Rehabilitation/Resale **New:** Includes New Construction

Workforce Housing: Proposed units will be in communities that have had job growth, are top job centers, have seen employers significantly increase jobs, or have long commutes

80% AMI: Proposed units will serve households up to 80 percent of area median income (AMI)

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

RESOLUTION NO. MHFA 20-

RESOLUTION APPROVING SELECTION OF PROJECTS FOR GRANT FUNDS UNDER THE WORKFORCE AND AFFORDABLE HOMEOWNERSHIP DEVELOPMENT PROGRAM AND INTERIM CONSTRUCTION LOANS FUNDED THROUGH THE HOUSING INVESTMENT FUND (POOL 2 and POOL 3)

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide grant funds and construction financing for single family homeownership housing units serving persons and families of low- and moderate-income; and

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

NOW THEREFORE, BE IT RESOLVED:

The Board hereby authorizes Agency staff to enter into grant and loan contracts, for the applications and in the amounts set forth below, subject to the terms and conditions contained herein and in the respective grant and loan agreements:

2020 Applicant Name	Project/Program Name Title	Funding Source	$ Awarded
Leech Lake Development Corporation	Leech Lake Single Family Homeownership Project	Grant Loan (Pool 3)	$ 50,000 $ 200,000
One Roof Community Housing	One Roof Community Housing Acquisition-Rehab-Resale - Small Communities	Grant Loan (Pool 2)	$ 220,000 $ 250,000
Scott County Community Development Agency	Scott County Community Land Trust Development	Grant	$ 85,200
		Total Awarded:	$ 805,200

1. The execution of the grant or loan contract for all funds awarded by the Agency in form and substance acceptable to the Agency shall occur no later than nine months from the adoption date of this Resolution; all Housing Investment Funds (Pool 2 and Pool 3) must be repaid within 26 months from the effective date of the loan contract; and all other funds must be expended and all reporting of the use of funds shall be completed within 26 months from the effective date of the grant or loan contract; and

2. The applicant and any other parties that Agency staff, in its sole discretion deem necessary, shall execute all such documents relating to the grant or loan contract, to the construction of the

homeownership housing units, subject to such terms and conditions as the Agency, in its sole discretion, deems necessary.

Adopted this 22nd day of October 2020

____
CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 7.B
Date: 10/22/2020

Item: Approval, Program and Manual Changes, Home Improvement Loan Programs

Staff Contact(s):
Shannon Gerving, 651.296.3724, shannon.gerving@state.mn.us
Krissi Mills, 651.297.3121, krissi.mills@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
As a result of our annual program review process, staff requests Board approval for the following changes to the Home Improvement Loan Programs: 1.) Increase the maximum loan amounts; 2.) Increase lender compensation; 3.) Update corresponding sections in the Home Improvement Loan Programs Procedural Manual

Fiscal Impact:
Home Improvement loans are amortizing, interest bearing loans financed from pool 2, without financing expense, these loans increase the Agency's interest earnings. The program changes are expected to increase loan production.

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
- Request Details

Background:

The Home Improvement Loan Programs include the Fix Up, Community Fix Up, Energy Incentive and Accessibility Loan Programs. The programs allow homeowners to finance a variety of permanent improvements to their home with affordable repayment terms. The program is delivered through a statewide network of lenders, including private sector banks, credit unions, nonprofit organizations, and local units of government. The program went through significant changes in 2018 to improve and create efficiencies, resulting in a 40% increase in the number of households served the year after changes were implemented and a 30% increase in the current year.

Home Improvement Loan Programs Production		
Program Year (10/1-9/30)	$ Loan Volume	# of Loans
2018	$12M	620
2019	$18M	871
2020	$24M	1097

Request Details:

While production during the 2020 program year continued to increase, lenders surveyed stated that they need larger loan amounts to enable borrowers to finance more extensive improvements and/or multiple improvements and projects. Nearly 24% of secured loans closed since 2018 were for amounts of $40,000 or more, further suggesting a need for higher loan amounts. Loan amounts have not increased since 2013 despite significant increases in the cost of construction and home repairs. In order to meet the current market conditions and need, we propose increasing the maximum loan amounts as outlined below:

Loan Program	Current Maximum Loan Amount	Proposed Maximum Loan Amount
Fix Up and Community Fix Up secured	$ 50,000	$ 75,000
Fix Up unsecured	$ 15,000	$ 25,000
Energy Incentive (secured & unsecured)	$ 15,000	$ 25,000
Accessibility (secured)	$ 15,000	$ 25,000

Minnesota Housing compensates lenders upon loan purchase for each Home Improvement loan, and lenders can charge certain fees to the borrower. Lender compensation has not been increased since 2012, and the allowable document preparation fee has not been increased since 2006. Almost half of surveyed lenders indicated that higher compensation would lead them to originate more Home Improvement loans. Higher lender compensation would also likely assist in new Home Improvement lender recruitment. To provide Home Improvement lenders adequate compensation, we propose increases to the lender compensation and allowable document preparation fee, as shown in the table:

	Current Amount	Proposed Amount
Lender Compensation (secured loans)	$ 400	$ 500
Lender Compensation (unsecured loans)	$ 250	$ 350
Document Preparation Fee (secured and unsecured)	$ 50	$ 75

Following Board approval, the proposed program and manual changes will be effective January 1, 2021, contingent upon implementation of system changes.

MINNESOTA HOUSING

Home Improvement Loan Programs Procedural Manual

~~October 6~~January 1, 2021

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Introduction

Mission Statement

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

Background

Minnesota Housing was created in 1971 by the Minnesota Legislature.

Minnesota Housing offers programs that address Minnesota's housing needs by providing financial and related technical assistance opportunities so that all Minnesotans have decent, safe, affordable housing and stronger communities.

Minnesota Housing established the Fix Up and the Community Fix Up loan programs to encourage and support the preservation of existing housing.

Home Improvement Loan Programs

Fix Up Loan

Affordable interest rate home improvement loans to Borrowers throughout Minnesota.

Community Fix Up Loan

Affordable interest rate home improvement loans that are available throughout Minnesota under special initiatives with specific participating Lenders.

- The discount loan initiative allows Lenders to establish their own interest rates by buying down the standard Community Fix Up loan rate using leveraged funds.
- The value-added services initiative allows Lenders to provide or partner with non-profit or governmental organizations for value-added services to address community needs.

Incentive Rate Energy Conservation and Accessibility Improvement Loans

Reduced interest rate home improvement loans that must be used exclusively for energy conservation and accessibility improvements.

Chapter 1 – Partner Responsibilities and Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement for Minnesota Housing Programs executed between the Lender and Minnesota Housing. The Participation Agreement is incorporated into this Procedural Manual by reference.

Minnesota Housing reserves the right to:

- Change the program interest rate at any time under its sole discretion;
- Alter or waive any of the requirements;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing grants waivers, alterations or revisions at its sole discretion.

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

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Chapter 270A) allows the disclosure of the Borrower's Social Security Number to the Minnesota Department of Revenue. This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

1.03 Unauthorized Compensation

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

- Kickbacks, rebates or discounts; or
- Commissions; or
- Other compensation.

1.04 Minnesota Housing due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan purchased by Minnesota Housing. A loan file may be requested to be made available to Minnesota Housing at the Lender's Minnesota office during regular business hours or a copy forwarded to Minnesota Housing for review. Loan audits will include, but are not limited to, the following:

- A minimum of 10% of all loans purchased;
- All loans which go into early payment default (90 days or more past due) in the first 12 months; and
- Loans originated by the Lender with higher-than-average delinquency rates.

Audited loans are reviewed for:

- Minnesota Housing program/policy compliance;
- Compliance with credit/property underwriting requirements;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends or other indicators that may have an impact on the financial viability of the loan portfolio in part or in whole.

1.05 Termination of Lender Participation

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

- This Procedural Manual;
- The Participation Agreement; and
- Applicable state and federal laws, rules and regulations.

Upon termination of a Lender's contract, Minnesota Housing will:

- Continue to purchase eligible loans until the lock expiration date; and
- Not refund participation fees to the Lender.

Minnesota Housing may, at its option, impose other remedies short of contract cancellation for Lender nonperformance.

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

1.06 Representations and Warranties

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

- Minnesota Statute §47.20;
- Minnesota Statute §58.04;
- Minnesota Statute §325G.15 and §325G.16;
- Minnesota Statute §334.01;
- 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);
- Federal Trade Commission Trade Regulation Rule Concerning Preservation of Consumers' Claims and Defenses (Holder Rule), 16 CFR §433;
- 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 and Minnesota Statutes Section 462A.065;
- 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;
- Uniform Electronic Transactions Act (UETA), Minn. Stat. Ch. 325L;

- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Real Estate Settlement and Procedures Act of 1974; and
- TILA/RESPA Integrated Disclosure Rule (TRID).

In addition to the above warranties and representations, the Lender also warrants and represents the following are true and correct at the time of loan delivery to Minnesota Housing:

- The Lender is the sole owner and holder of the loan with the right to assign it to Minnesota Housing;
- The Lender assigns the loan free and clear of all encumbrances;
- The Lender has directly or indirectly collected from the Borrower, or any other person, only those fees or charges specifically permitted in this Procedural Manual;
- There are no defaults in complying with the terms of the loan;
- The Lender has no knowledge of any circumstances or conditions with respect to the loan, the property to be improved, or the Borrower's credit standing that could make the loan an unacceptable investment or cause the loan to become delinquent;
- The loan meets all applicable state and federal laws pertaining to usury and the loan is not usurious;
- The Lender has disbursed the loan proceeds to the Borrower by cash, check, money order, or crediting of a Borrower's account in a way that the Borrower will have complete access to and control of the funds at all times;
- The Lender has not advanced funds, nor induced or solicited any advance of funds by another, directly or indirectly for payment of any amount required by the loan;
- The Lender has delivered and assigned a Direct Loan and has complied with all state and federal regulations to make sure the loan is not a Dealer Loan;
- The Lender will maintain adequate capital and trained personnel for participation in the Fix Up Loan Program;
- The relevant requirements of any state or federal laws with respect to consumer credit, plain language consumer contracts, and truth-in-lending are satisfied;
- Any loan transaction subject to the right of rescission which has not been effectively waived, has been delivered after the rescission period has expired and the loan has not been rescinded;
- The Lender has no knowledge that any improvement covered by the loan is in violation of any zoning law or regulation; and

The Lender also agrees that the person who confirms on the Minnesota Housing Loan Commitment System the Lender Representations and Warranties on behalf of the Lender is fully conversant with Minnesota Housing program requirements and has the authority to legally bind the Lender; and the Lender has complied with all terms, conditions, and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions, and requirements are specifically waived in writing by Minnesota Housing.

1.07 Lender Compensation

Secured Loans

The Lender is compensated for each secured Fix Up loan or Community Fix Up loan purchased by Minnesota Housing as follows:

- A Processing fee of $5~~4~~00 for each Fix Up loan; or
- A Processing fee of $5~~4~~00 for each Community Fix Up loan; and
- The Lender may charge, and the Borrower may finance, an origination fee of not more than 1% of the principal balance of the loan, the actual cost of the title search and flood certification, and the actual cost of document preparation not to exceed $~~50~~75.
- The Lender may charge, and the Borrower may finance, the actual cost of a broker's purchase price opinion based on a Competitive Market Analysis (CMA), not to exceed $150.
- The actual cost of the credit report, recording fees and mortgage registration tax fees must be paid from the Borrower's own funds and may not be financed in the loan amount.

Unsecured Loans

- The Lender is compensated $3~~2~~50 for each unsecured Fix Up loan purchased by Minnesota Housing.[1]
- The Lender may charge, and the Borrower may finance, the actual cost of document preparation not to exceed $75~~50~~.
- The actual cost of the credit report must be paid from the Borrower's own funds and may not be financed in the loan amount.
- There are no origination fees, title search, flood certification, recording or mortgage registration tax fees for unsecured loans.

1.08 Annual Renewal Requirements and Fees

- The Lender must pay an annual renewal fee to Minnesota Housing in the amount of $250;
- Minnesota Housing may adjust the annual renewal fees at any time at its discretion; and
- The Lender must meet the minimum loan volume requirements as specified by Minnesota Housing.

1.09 Selection of Contractors

The Lender must permit the Borrower to choose the contractor(s).

1.10 Marketing Materials Terms of Use

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

[1] Community Fix Up loans must be secured by a lien in favor of Minnesota Housing.

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 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 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 render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out their responsibilities 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 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

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- Minnesota Housing's Chief Risk Officer
- Any member of Minnesota Housing's Servant Leadership Team
- EthicsPoint, the Minnesota Housing hotline reporting service vendor

Chapter 3 – Borrower Eligibility

3.01 Borrower

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

3.02 Borrower Age

The Borrower must be eighteen (18) years of age or older or be declared emancipated by a court having jurisdiction.

3.03 Co-signers

Co-signer(s) are allowed when the income and credit history of the Co-signer(s) are to be included for the purpose of qualifying the Borrower(s) for the loan pursuant to section 5.06 of this Procedural Manual.

Co-signer(s)' credit scores must meet or exceed the Borrower minimum credit scores specified in section 3.07 of this Procedural Manual.

The Fix Up Loan Note and application must be fully executed by the Borrower(s) and Co-signer(s).

3.04 Unauthorized Compensation

The Borrower may not receive kickbacks, rebates, discounts, or compensation from any subcontractor or any party to the transaction.

3.05 Ownership Interest

The Borrower(s) must individually, or in the aggregate, possess at least a one-third ownership interest in the residence to be improved.

The Borrower(s) and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be improved.

Eligible forms of ownership interest include the following:

- A fee simple estate; or
- A leasehold estate; or
- A leasehold estate subject to a Community Land Trust; or
- A home-site lease upon tribal trust land (unsecured loans only).
- Vendee interest in a recorded contract-for-deed; or
- A recorded life estate (Remaindermen to a life estate aren't eligible to be a Borrower, but remaindermen and spouses, if any, must sign the mortgage that secures the loan.)

Ineligible forms of ownership interest include but are not limited to the following:

- Shares in a Cooperative Corporation;

- Ownership by any form of trust except Community Land Trust and individual home-site lease assignments on tribal trust land; and
- Ownership subject to a reverse mortgage (except that unsecured loans may be made to a Borrower(s) whose ownership interest is subject to a reverse mortgage)

Title may be held in the following ways:

- Individually;
- Joint tenants;
- Tenants in common;

Secured Loans
Title investigation may be conducted by the Lender through documented contact with the County Recorder's Office/Registrar of Titles, title and loan closing documentation from the recent home purchase or refinance, or with an Owner's and Encumbrances report.

- All documentation used for title investigation of the loan must be dated within 90 days of the Fix Up loan closing.
- Documentation must show all existing liens against the property

Unsecured Loans
The Borrower(s) ownership interest must be documented using the most recent property tax statement.

When a property is located on tribal trust land, the Lender must obtain a copy of the Borrower's home-site lease assignment.

3.06 Principal Residence/Occupancy Requirement

The Borrower(s) must own and occupy the property as their Principal Residence at the time of Fix Up loan closing. Further, the Borrower(s) must continue to own and occupy the property as their Principal Residence during the term of the loan.

3.07 Credit Scores and Requirements

The credit report (and any supplemental information) upon which the Lender relies must be current, and must show the Borrower to be solvent with a reasonable ability to repay the obligation, and, in other respects, to be a prudent lending risk.

The Lender must have and utilize normal and prudent written underwriting standards. These standards must include, but are not limited to, the following minimum credit criteria:

- All documentation used as a basis for credit underwriting of the loan must be dated within 120 days of loan closing. This includes documentation relative to credit reporting and income verification.
- The Borrower(s), Co-Borrower(s), and Co-signer(s) must meet the minimum credit scores as follows:
  - Secured loan – minimum credit score of 620.
  - Unsecured loan – minimum credit score of 680.

- The Borrower(s), Co-Borrower(s), and Co-signer(s) requesting an unsecured loan must have a credit score(s) and those credit score(s) must be at least 680. Alternative credit sources may not be used to offset unavailable credit scores for a Borrower requesting an unsecured loan.
- If the Borrower is requesting a secured loan and If the credit report(s) for the Borrower(s), Co-Borrower(s), and Co-signer(s) indicate the credit score(s) are unavailable, the credit report(s) documenting no score(s) must be retained in the loan file; and
  - The Lender must establish an alternative credit history clearly documenting routine consistent payments were made as agreed during the most recent preceding 6-month period from at least three of the following:
    - Mortgage lenders, contract for deed vendors, or others able to verify housing expense and payment history[2];
    - Public utilities;
    - Telephone companies;
    - Cable television providers; or
    - Internet providers.
- All Qualifying Income used in calculating the monthly debt to gross income ratio (DTI) must be stable and likely to continue. Further, documentation that the income used to qualify the Borrower(s) is stable and likely to continue must be obtained and retained in the loan file.
- The Borrower(s)' monthly DTI may not exceed 48% unless there is a Co-signer and:
  - The Borrower(s)' monthly DTI does not exceed 55%; and
  - The combined monthly DTI for the Borrower(s) and the Co-signer does not exceed 48%.
- If the Borrower(s) has reported, or the credit report indicates, a bankruptcy or foreclosure, the following applies:
  - Chapter 7 Bankruptcy:
    - The fact that the bankruptcy was discharged must be verified on the credit report; and
    - The Order Discharging Debtor must be dated at least 18 months before the loan closing; and
    - If the discharge date is not clearly identified on the credit report:
    - A copy of the Order Discharging Debtor must be retained in the loan file; and
    - The Order Discharging Debtor must be dated at least 18 months before the loan closing.
  - Chapter 13 Bankruptcy:
    - The completion of repayment plan must be verified on the credit report; and
    - The date of completion of the repayment plan must be at least 18 months before the loan closing; and
    - If the completion date is not clearly identified on the credit report:

[2] If using this option, and if the Borrower was living in the subject property for less than 6 months, or a 6-month payment history is not available, rent payments at a previous address may supplement the available payment history for the subject property.

   - The Trustee must provide written verification that the repayment of debt was completed; and
   - A copy of the written verification of Chapter 13 Bankruptcy completion must be retained in the loan file.
- Foreclosure
   - The date of completion of the redemption period for the foreclosure must be at least 18 months before the loan closing; and
   - Written verification of completion of the redemption period must be retained in the loan file.

Note: Refer to section 4.04 of this Procedural Manual for age of property value documentation requirements.

3.08 Fix Up Loan Program Income Limits

The income used to qualify the Borrower(s) may not exceed the Fix Up Loan Program income limits posted on Minnesota Housing's website.
Income is defined by and calculated according to the Lender's credit underwriting guidelines (i.e. Qualifying Income).

Exception for Accessibility Improvements:

- The Fix Up Loan Program income limits may be waived with prior written approval by Minnesota Housing when the loan proceeds will be used exclusively for Accessibility Improvements.

Exception for energy conservation improvements:

- The Fix Up Loan Program income limits are waived when the loan proceeds will be used exclusively for energy conservation improvements outlined in section 6.02 of this Procedural Manual.

3.09 Separated Spouses

All spouses must sign the mortgage, even when the Lender establishes that a spouse permanently resides outside the household.

3.10 Loans to Employees and Affiliated Parties

The Lender may make Minnesota Housing loans to their directors, officers, employees, or their families as well as to builders, realtors, and their families, and any other principal with whom the Lender does business. Minnesota Housing employees and their families are eligible. The Borrower must satisfy all eligibility criteria for the program.

Chapter 4 – Property Eligibility

4.01 Eligible Properties Minnesota Housing

In order to qualify as an eligible property for a Minnesota Housing loan, the residence must be:

- Located in the State of Minnesota;
- At least 90 days old with an issued certificate of occupancy;
- A property without short term construction financing; and
- A residential property, which includes:
    - A single family detached home;
    - An individual unit in a Planned Unit Development (PUD);
    - A townhome[3];
    - A unit of a condominium[3];
    - A manufactured home permanently affixed to a foundation and taxed as real property;
    - A duplex[4];
    - A triplex[5];
    - A fourplex[5]

4.02 Manufactured Homes

Minnesota Housing distinguishes between two types of manufactured homes. Manufactured (factory-built) housing is eligible for home improvement financing under these programs if:

- Modular Homes – Homes built to state building codes and may be delivered to the site in modular sections. Modular homes are acceptable for home improvement financing.
- Mobile Homes – The homes are built on wheeled chassis, which remain a basic structural element.

Mobile homes are acceptable if they meet the following requirements:

- Must be located on land owned or being purchased by the Borrower;
- Must be on a permanent foundation with wheels and axles removed;
- All utility connections are operable so that the home is habitable;
- Unit must be assessed/taxed as real estate;
- Unit being improved meets all other eligibility requirements under this Procedural Manual; and
- Security for the loan to purchase the manufactured home is in the form of a mortgage covering the property.

[3] If the property is a townhome, only the portion of the real estate owned by the Borrower is eligible.
[4] If the property is a condominium, only the portion of the real estate owned by the Borrower is eligible.
[5] The Borrower must occupy one unit of the property.

4.03 Ineligible Properties

Properties not eligible for financing are as follows:

- A property containing more than four dwelling units;
- Recreational or seasonal homes;
- A mobile home taxed as personal property; or
- A property primarily used for business (more than 50% of the floor space is used for business).

4.04 After Improved Value Limit (Equity)

A secured Fix Up loan, when combined with all other existing indebtedness secured by the property, may not exceed 110% of the property's after-improved value. The after-improved value is determined by adding no more than 50% of the total cost of proposed improvements to the property's current market value.

Current market value may be determined using any one of the following documents:

- Estimated Market Value from the most recent property tax statement or property valuation notice for the property to be improved;
- Broker's purchase price opinion based on a CMA if the following criteria applies:
  - It must be ordered by a Lender; and
  - It must be completed by a disinterested third party within 120 days of the Fix Up loan closing;

Note: For further guidance, refer to Brokers Price Opinion/Competitive Market Analysis Guidance posted in the Resources section of the Fix Up loan program page on Minnesota Housing's website.

- The purchase price or related appraised value for the purchase of the home occurring within the past 12 months before the Fix Up loan closing
- If the Borrower(s) has/have owned the property for more than 12 months, an existing appraisal dated within the most recent preceding 12 months before the Fix Up loan closing; or
- Other methods as approved in writing by Minnesota Housing.

4.05 Right to Inspect

Minnesota Housing or its authorized representative has the right to inspect the property to be improved at any time from the date of the Fix Up Loan Note, upon giving reasonable notice to the Borrower.

4.06 Local Ordinances and Plans

Properties being improved must conform to all applicable zoning ordinances and possess all appropriate use permits.

Chapter 5 – Loan Eligibility

5.01 Eligible Loans

General Loan Eligibility Requirements

Minnesota Housing purchases closed and funded loans from Lenders under contract in Minnesota Housing loan programs. The Lender must warrant that the following criteria are met for each loan submitted for purchase:

- All loans are originated, processed, credit underwritten, closed, and disbursed in accordance with the requirements of this Procedural Manual;
- If the loan is secured by a mortgage in first lien position, the combination of the interest rate and loan repayment term may not cause the annual percentage rate (APR) for the loan to exceed the first lien position rate published on Minnesota Housing's website by more than .49%;
- All loans must be current as to monthly payments at the time of loan purchase;
- All local, state, and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending, and wrongful discrimination in residential housing are met;
- Minnesota Housing program income and property requirements are met; and
- The loan must be originated and closed in the name of the Lender that is a party to the Participation Agreement and that locked the loan on the Minnesota Housing loan commitment system.

Eligible Loan Types/Loan Amounts/Loan Terms

Fix Up Loan Type	Min. Ln. Amt.	Max. Ln. Amt.	Min. Ln. Term	Max Ln. Term
Regular - Secured Loan	$2,000	$~~50~~75,000	1 year	20 years
Regular - Unsecured Loan	$2,000	$~~15~~25,000	3 years	10 years
Energy/Accessibility Incentive-Secured Loan	$2,000	$25~~15~~,000	1 year	20 years
Community Fix Up - Secured Loan	$2,000	$75~~50~~,000	1 year	20 years

The above loan repayment terms apply subject to the following:

- The maximum possible maturity on a loan in an amount less than or equal to $10,000 is 10 years.
- The maximum possible maturity for secured loans in an amount greater than $10,000 is 20 years.
- The Lender will not make a loan term for an unreasonable length of time. Final maturity of the loan will be commensurate with the Borrower's ability to pay, including such considerations as debt-to-income ratio, size of household, and Qualifying Income.
- For properties secured by a mortgage or contract-for-deed, the term of a secured Fix Up loan may not extend beyond the balloon payment due date, if applicable.
  - The Lender must review the contract-for-deed for any terms that would be incompatible with the proposed loan or proposed improvements
- For tribal trust properties:

- the loan term may not extend beyond the term of the individual home-site lease; and
- the loan must be unsecured.

5.02 Ineligible Loans

Loans ineligible for purchase by Minnesota Housing include, but are not limited to:

- Any Fix Up or Community Fix Up loan secured by a mortgage in first lien position and having an APR that exceeds the first lien position rate published on Minnesota Housing's website by more than .49%.
- Any secured Fix Up loan or any secured Community Fix Up loan subject to a reverse mortgage.
- Any secured Fix Up loan to any Borrower(s), Co-Borrower(s), or Co-signer(s) with a minimum credit score (s) below 620.
- Any secured loan to any Borrower(s), Co-Borrower(s), or Co-signer(s) who is/are without a credit score(s) and is/are unable to establish satisfactory alternative credit with at least a 6-month history.
- Unsecured loans to a Borrower(s), Co-Borrower(s), or Co-signer(s) that have no established credit score.
- Unsecured loans to a Borrower(s), Co-Borrower(s), or Co-signer(s) with a credit score(s) below 680.
- Unsecured loans in an amount greater than $15,000 or the addition of an unsecured loan to one already existing that would cause the total outstanding unsecured Fix Up loans to exceed $15,000.
- Incentive Rate Energy Conservation and Accessibility Improvement Loans in an amount greater than $15,000 or the addition of an Incentive Rate Energy Conservation and Accessibility Improvement Loan to one already existing that would cause the total outstanding Incentive Rate Energy Conservation and Accessibility Improvement Loans to exceed $15,000.
- Secured loans on properties located on tribal trust land.
- Loans with repayment terms in excess of the terms referenced in section 5.01.

5.03 Eligible Improvements

The proceeds of a loan under this Procedural Manual will be used to finance permanent improvements which:

- Improve the basic livability or energy efficiency of the property[5], including:
  - Structural additions;
  - Alterations;
  - Renovations and repairs; or
- Bring a property into compliance with state, county, municipal health, housing, building, fire, and housing maintenance codes or other public standards applicable to housing, including but not limited to:
  - Replacement of a well; and
  - A septic system upgrade or replacement.

If the Fix Up loan will be used to reimburse the Borrower for improvements started or materials purchased before the loan closing, the Lender must document the following through the use of receipts or paid billing statements:

- The improvements were made within the 120-day period immediately preceding loan closing;
- The cost of materials and improvements; and
- The improvements are eligible under the Fix Up loan program.

Note: Further eligible and ineligible improvements may be found on the Eligible/Ineligible Improvements list, posted in the Resources section of the Fix Up loan program page on Minnesota Housing's website.

5.04 Ineligible Improvements

Ineligible improvements include, but are not limited to the following:

- Costs associated with a project which is incomplete (i.e. framing a room addition) unless accompanied by written verification of sufficient cash on deposit or approval from a supplemental funding source, to complete the project;
- Any improvement which is not a permanent fixture to the property (appliances, furniture or other personal items that are not fixtures);
- Payment, wholly or in part, of assessments for public improvements;
- Construction of or addition to existing residential garage space which will result in garage space per property exceeding 1,000 square feet;
- Improvements to a garage that is in excess of 1,000 square feet;
- Construction of or aesthetic improvements to recreational facilities including, but not limited to, gazebos, tennis courts, hot tubs, swimming pools, saunas;

[5] A property includes the main residence; its porch or deck; a garage not exceeding 1,000 square feet, attached or detached; any sidewalks, retaining walls or driveways within the property's boundaries as outlined in the legal description.

- Conversion of a nonresidential structure to a residential structure;
- Conversion of a recreational home to a year-round permanent residence;
- Costs associated with moving a house;
- Greenhouse;
- Improvements to a recreational home;
- Improvements begun more than 120 days before the loan closing;
- Improvements to the portion of buildings or real estate owned by the association in a PUD or condominium project;
- Labor costs paid to the Borrower or any resident of the household;
- Materials or permanent fixtures which exceed the quality of those in the locality of the subject property;
- New construction or expansion of an area used in a trade or business;
- Playground equipment;
- Repairs to or construction of outbuildings, including but not limited to sheds, utility buildings, shops, barns, silos; and
- Underground sprinkler systems.

Note: Further eligible and ineligible improvements may be found on the Eligible/Ineligible Improvements list, posted in the Resources section of the Fix Up Loan Program web page on Minnesota Housing's website.

5.05 Bids and Estimates for Improvements

Before making a loan, the Lender must obtain current (prior to the bid expiration date, or if no bid expiration date, no more than 120 days before the loan closing) bids and estimates having sufficient detail to show both the estimated cost and the eligibility of the improvements.

5.06 Credit Requirements

Refer to section 3.07 of this manual.

5.07 Homeowner Labor

- All labor completed by the homeowner(s) must comply with all applicable building code regulations and ordinances;
- All necessary licenses and permits must be obtained;
- Homeowner(s) and any other household residents may not be reimbursed for labor using Fix Up loan funds; and
- The Fix Up Homeowner Labor Agreement must be fully executed and included in the loan file. This form is located in the Minnesota Housing loan commitment system.

Note: Homeowners cannot complete labor with the Incentive Rate Energy Conservation loan option.

5.08 Interest Rate/Payment Requirements General Interest Rate and Payment Information

The annual simple interest rates for all loans under the Fix Up Loan Program are the rates stated on Minnesota Housing's website, as applicable.

A final payment in an amount other than the regular installment may be required but may not be more than one and one-half times the amount of the regular installment.

Secured Loans and Unsecured Loans without Monthly Automatic Payments
Level monthly payments are required with the first payment due date to be 20 to 45 days following the Fix Up Loan Note date. The monthly payment is to be based on the loan amount, loan term and loan interest rate.

Loans with Monthly Automatic Payments (excluding Incentive Rate Energy Conservation and Accessibility Improvement Loans)

- The interest rate is the rate posted on Minnesota Housing's website and is below the rate for a loan without monthly automatic payments.
- Monthly automatic payments require that the Borrower complete the Authorization Agreement for Monthly Automatic Payment[6]. The Resources section of the Fix Up Forms page of Minnesota Housing's website contains a link to this form.
- The Borrowers may choose to have the loan payment deducted from either a checking or savings account.
- The Lender must submit a void blank check or savings account deposit slip with the executed Authorization Agreement for Monthly Automatic Payment within 5 days of purchase approval. (Section 8.02)
- Level monthly payments are required with the first payment due date to be 20 to 45 days following the Fix Up Loan Note date.
- The choices for payment draft dates on the Authorization Agreement for Monthly Automatic Payment are the 5th, 10th, 15th, or 20th of the month. Borrowers must choose either the payment due date or a date preceding the payment due date as the draft date. If no date is chosen, the draft date is the 5th of each month.
- If three or more payments are rejected or returned through the Monthly Automatic Payments system within a year, or if the Borrower voluntarily terminates participation in the Monthly Automatic Payment Program, Minnesota Housing may immediately and permanently increase the interest rate on the loan to the rate applicable for loans without automatic payments on the loan commitment date.

5.09 Conventional Loans

At the time of application, conventional financing for the proposed improvements must not otherwise be available from private lenders upon equivalent terms and conditions.

[6] AmeriNat (Servicer) form.

5.10 Refinancing

Minnesota Housing will not purchase loans for the purpose of refinancing or reimbursing the Borrower(s) for expenses incurred on the subject property more than 120 days before the loan closing, except in the following circumstance:

- Consolidation of the outstanding balance(s) of previously received Minnesota Housing loans when the Borrower is applying for funds to implement new eligible improvements, subject to the following conditions:
- When consolidating the outstanding balance of previously received Fix Up or Community Fix Up loan(s), a prepayment penalty may apply (refer to the existing Fix Up Loan Note); and
  - Previously originated secured Fix Up, unsecured Fix Up, unsecured Incentive Rate Energy Conservation, and secured Incentive Rate Energy Conservation and Accessibility loans may be consolidated into a new secured Fix Up loan.
    - Previously originated unsecured Fix Up and unsecured Incentive Rate Energy Conservation loans with outstanding balances may be consolidated into a new unsecured Fix Up loan.
    - No previously originated loan may be consolidated into a new unsecured Incentive Rate Energy Conservation loan.

5.11 Maximum Outstanding Loan Limit

Total to Any One Property

- The total of outstanding and any new Minnesota Housing Fix Up, Community Fix Up, Incentive Rate Energy Conservation and Accessibility Improvement Loans, may not exceed $75~~50~~,000. The Lender must verify the outstanding Minnesota Housing loan balance for the improvement of any one property does not exceed the limit.

Total to Any One Borrower

- The total of Fix Up unsecured loans that a Borrower(s) may have outstanding at one time may not exceed $25~~15~~,000.
- The total of Incentive Rate Energy Conservation and Accessibility Improvement Loans that a Borrower(s) may have outstanding at one time may not exceed $25~~15~~,000.

5.12 Closing Costs and Pre-Paid Finance Charges

- The actual cost of the credit report may be collected by the Lender. This fee must be collected from the Borrower and may not be deducted from proceeds or financed in the loan.
- Recording fees and mortgage registration tax costs may be collected from the Borrower but may not be included in the face amount of the secured Fix Up Loan Note or paid from loan proceeds.
- The Lender may charge and the Borrower may finance in a secured Fix Up loan, an origination fee of not more than 1% of the principal balance of the loan.
- The Lender may charge and the Borrower may finance in a secured Fix Up loan, the actual cost of the title search and flood certification.

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- The Lender may charge and the Borrower may finance the actual cost of document preparation not to exceed $50.
- The Lender is required to verify the legal description of the subject property, the Borrower's ownership interest, and any existing liens, including reverse mortgages.
- If the Borrower chooses to obtain credit life and accident and health insurance, the cost of this insurance may not be included in the face amount of the Fix Up Loan Note or paid from loan proceeds.

5.13 Non-Complying Loans

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

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

5.14 Repurchase of Loans

Minnesota Housing may, at its option, tender to the Lender any loan for repurchase if:

- Any representation or warranty of the Lender or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term(s) or condition(s) described in the Participation Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, the Lender has ten (10) business days to submit payment to Minnesota Housing for the unpaid principal balance, accrued interest, and reasonable expenses incurred by Minnesota Housing, including attorney's fees. Failure to comply with this requirement may result in the termination, suspension, further legal action, or otherwise limit the Lender's Participation Agreement with Minnesota Housing.

Chapter 6 – Special Assistance Program Requirements

6.01 Community Fix Up

Community Fix Up loans must meet the loan requirements of the Fix Up loan program and the Community Fix Up initiative. The Lender is responsible to determine the Borrower meets the initiative's requirements and to verify that the value-added services and/or interest rate discount available through the specific Community Fix Up initiative.

Proposals for Community Fix Up initiatives must:

1. Address and incentivize specific community rehabilitation needs that cannot be effectively met under the statewide Fix Up loan program,
2. Provide or partner with community organizations (such as non-profits, utility companies, local governments, housing and economic development authorities) to provide:
    - Leveraged funds in the form of discounted interest rates or matching funds; or
    - Other value-added services or incentives such as donated rehabilitation advising, energy conservation rebates, or translation services
    - A Loan Loss Reserve Fund
3. Include a written plan for targeted outreach and marketing

The Lender and their community partner(s) (if applicable) must submit a Community Fix Up proposal for their initiative. Minnesota Housing staff will review and approve proposals on an ongoing basis. A pool of funds is available to the approved initiative for two years as long as the Fix Up loan program funding remains available and the Lender remains in good standing with Minnesota Housing.

- Discount Loan Initiatives:
    - Provides Lenders with the ability to offer alternative interest rates under the Community Fix Up loan program using leveraged funds to buy down the current program rate.
    - Minnesota Housing reimburses the Lender for the loan principal and processing fee and the loan is serviced at the rate and payment amount indicated on the Fix Up Loan Note.
- Value Added Services:
    - The Lender provides value-added services or partners with non-profit or governmental organizations offering value-added services to address community needs.
- Loan Loss Reserve Fund
    - The Lender is able to fund a Loan Loss Reserve as approved by Minnesota Housing.

6.02 Incentive Rate Energy Conservation and Accessibility Improvement Loans

Incentive Rate Energy Conservation and Accessibility Improvement Loans are eligible for reduced interest rates and must be used exclusively for energy conservation and Accessibility Improvements and meet all the requirements of this Procedural Manual as modified below:

- Eligible improvements for Energy Conservation Loans must meet Energy Star® requirements and are limited to:
  - Window replacement with Energy Star® Windows
  - Heating system replacement;
  - Central air conditioning replacement;
  - Water heater replacement;
  - Light fixture replacement; or
  - Insulation/attic air sealing.
- Because Energy Star® requirements change over time, the Lenders must refer to the Fix Up Loan Program Incentive Rate Energy Conservation and Accessibility Improvement Loan improvements list that may be accessed on Minnesota Housing's website for the specific, technical requirements of eligible energy improvements.
- Eligible Accessibility Improvements for reduced interest rate loans include but are not limited to:
  - Construction entrance or exit ramps;
  - Widening interior or exterior doors or hallways;
  - Moving electrical outlets and switches;
  - Installing or modifying fire alarms, smoke detectors and other alerting systems;
  - Installing handrails, grab bars or stairway lifts; or
  - Modifying hardware, doors or bathrooms.
- For other Accessibility Improvements not listed above, the Accessibility Evaluation for Reduced Interest Rate form must be used to document the accessibility needs of the Borrower(s). The Accessibility Evaluation for Reduced Interest Rate form must be submitted to Minnesota Housing for approval before commitment.

For requirements pertaining to waiver Fix Up Loan Program income limits, refer to section 3.08.

For requirements pertaining to loan amount minimums and maximums as well as loan term minimums and maximums, refer to section 5.01 of this Procedural Manual.

Chapter 7 – Commitment/Disbursement

See Minnesota Housing's website for:

- The Rate Lock Guide
- The Loan Commitment System Process Guide

Chapter 8 – Documentation Requirements

8.01 Loan Processing and Closing

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

- Loans must be closed and disbursed before completing the True and Certify process in the Minnesota Housing Loan Commitment System;
- Loans must be current as to monthly payments;
- The Lender must follow Minnesota Housing and all industry standard regulatory and compliance provisions throughout the processing of the loan;
- All loan documents must be on Minnesota Housing forms or industry standard forms that meet Minnesota Housing requirements;
- Minnesota Housing or industry standard forms may not be altered in any way other than to add a company name and logo;
- All loan documents must be complete, accurate, and reviewed by the Lender at the various and appropriate stages of the loan;
- The loan must be originated and closed in, or assigned to, the name of the Lender that is a party to the Participation Agreement and that locked the loan on the Minnesota Housing loan commitment system;
- All assignments must run directly from the Lender to Minnesota Housing; and
- All assignments must use the Minnesota Uniform Conveyancing Blank.

8.02 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal form detailing specific documentation/delivery requirements. The Lender must fully execute and deliver documents within designated timeframes. In addition, the Lender must specifically warrant the following:

- The Lender has obtained, and reviewed, applicable documentation to determine compliance with all Minnesota Housing requirements and industry standard regulations and requirements;
- The Lender has properly executed the Fix Up Loan Note bearing the simple interest rate on the loan commitment system; and
- The Lender has reviewed both the Fix Up Loan Note and Mortgage to make sure appropriate signatures were obtained and duly notarized.

Documentation not delivered to Minnesota Housing/Servicer within the specified timeframes, may result, at Minnesota Housing's discretion, in the Lender being required to repurchase the loan, or any other remedy as identified in this Procedural Manual.

8.03 Signature Requirements

Minnesota Housing accepts electronic signatures (eSignatures) on loan documents executed under the Fix Up program to the extent Lender complies with all applicable state and federal electronic signature laws, as well as any counterparty requirements (e.g. Fannie Mae, Federal Housing Administration, US Bank HFA Division). However, eSignatures are not acceptable on any document that needs to be recorded with the county. Under no circumstances may a borrower be required to use electronic signatures.

Fix Up Loan Note

- The Borrower(s) must sign the Fix Up Loan Note as the Borrower(s).
- If the Borrower's spouse or any other resident of the household with an ownership interest is included in qualifying for the loan, those person(s) must sign the Fix Up Loan Note as a Co-Borrower(s).

Mortgage
Any person with an ownership interest, whether or not they reside in the property must sign the Mortgage.

8.04 Records Retention

The Lender must retain any and all documents (including compliance with Minnesota Housing program guidelines) as may be required, including, but not limited to:

- A written verification of all major sources of income;
- The credit report and any necessary supplementary information;
- A written verification of current property ownership (if contract-for-deed, a copy of the properly recorded contract);
- The bids and estimates for all proposed improvements; and
- All compliance documents required by the Lender's regulatory authority.

Chapter 9 - Servicing

9.01 Servicing

- Each Lender is assigned a designated Servicer by Minnesota Housing.
- Minnesota Housing may, at its discretion, designate other servicers.

9.02 Delivery of Loans to Servicer

The Lender must forward the loan, along with the required documentation in the prescribed order and format, to the assigned Servicer by mail within five (5) calendar days of Minnesota Housing purchasing the loan.

9.03 Assumption

Loans are not assumable.

9.04 Due on Sale

Loans are immediately due and payable under the terms of the Fix Up Loan Note upon first occurrence of either of the following conditions:

- Sale or transfer of any or all of the Borrower's interest in the residence; or
- At the time the property is no longer used by the Borrower as a Principal Residence.

Appendix A: Definitions

All terms used in the Procedural Manual use industry standard definitions except for the following:

TERM	DEFINITION
Accommodation Party	An owner of the property who is not a Borrower on the Fix Up Loan Note, such as a non-borrowing spouse or a contract-for- deed vendor.
Accessibility Improvement	An interior or exterior improvement or modification to a property, which is necessary to enable a resident or a Borrower with a permanent physical or mental condition that substantially limits one or more major life activities to function in that property.
Borrower	A person who receives funds in the form of a loan that is, or will be, assigned to Minnesota Housing with the obligation of repaying the loan.
Co-signer	A party that is obligated to repay the loan but is not an owner-occupant of the property.
Dealer Loan	A loan where an intermediary such as a contractor, salesman or materials supplier, having a financial interest in the contract for the repair, alteration, or improvement of the Borrower's property, intervenes or participates in the application for or disbursement of the loan.
Direct Loan	A loan applied for by, and disbursed to the Borrower; and where the Credit Application, signed by the Borrower is filled out by: A. The Borrower; or, B. A maker of the Fix Up Loan Note other than a Borrower; or, C. A person acting at the direction of a Borrower who has no financial interest, directly or indirectly, in the contract for the repair, alteration, or improvement of the Borrower's property.
Incentive Rate Energy Conservation and Accessibility Improvement Loans	Those loans referenced in section 6.02 of this Procedural Manual. (As opposed to the secured Accessibility Loan under the Fix Up loan program.)
Minnesota Housing	Refers to Minnesota Housing Financing Agency.

TERM	DEFINITION
Lender	A lender under contract to participate in Minnesota Housing programs.
Order Discharging Debtor	The notice filed with the Bankruptcy Court proving the bankruptcy case was successfully completed and all debt was discharged. **Note:** If the bankruptcy case is dismissed, it means that something went wrong with the case and the debts are still owed to the creditors.
Participation Agreement	The Participation Agreement for Minnesota Housing Home Improvement Loan Program executed between the Lender and Minnesota Housing that allows the Lender to participate and offer Minnesota Housing's Fix Up loan program.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and their household.
Qualifying Income	Gross annual income that is verified and documented as stable and likely to continue. This income is used to determine: • the Debt-to-Income Ratio for the Borrower(s) and Co-signer(s); and • whether approving the loan application constitutes a prudent investment risk.
Servicer	A company selected by Minnesota Housing to service loans assigned to Minnesota Housing pursuant to its mortgage loan programs.
True and Certify	The loan-level process in Minnesota Housing's loan commitment system completed by the Lender that certifies all the information entered into the system is true and accurate.

Appendix B: Forms List

See www.mnhousing.gov for required Fix Up Loan Program forms as well as optional forms.

MINNESOTA HOUSING

Board Agenda Item: 7.C
Date: 10/22/2020

Item: Commitment, Low and Moderate Income Rental Loan (LMIR),

- The Sound on 76th Street, D8111, Edina, MN

Staff Contact(s):
Erin Coons, 651.296.9836, erin.coons@state.mn.us

Request Type:

☒ Approval
☒ Motion
☒ Resolution

☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
At the November 21, 2019 Board meeting, the proposed development was selected for financing under the Low and Moderate Income Rental (LMIR) program under Resolution Number 19-073. At that same meeting, deferred funding under the Economic Development and Housing Challenge (EDHC) program was committed under Resolution Number 19-072. 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 $6,612,000.

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. The Agency will also earn certain fee income in conjunction with the LMIR loan.

Meeting Agency Priorities:

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

Attachments:

- Development Summary
- Resolution
- Resolution Attachment: Term Letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	The Sound on 76th Street (fka 4100 Apartments)		**D#8111**	**M#18183**
Address	4100 West 76th Street			
City	Edina	**County** Hennepin		
Date of Selection	11/21/2019	**Region** Metro		

A. Project Description and Population Served

- The development involves the new construction of 70 units in a four-story elevator building with units ranging from one to three bedrooms.
- The development will provide workforce and permanent supportive housing for single/family/high priority homeless (HPH)/people with disabilities (PWD) households.
- The development will serve households with incomes that range from 30% to 60% multifamily tax subsidy projects (MTSP).
- Eight units will benefit from a Housing Support income supplement and will be deeply affordable to households at 30% MTSP.
- The project is anticipated to begin construction in December 2020 and to open for residents in March 2022.

B. Mortgagor Information

Ownership Entity:	The Sound on 76th Limited Partnership
Sponsor:	Aeon
General Partner(s)/ Principal(s):	4100 Edina LLC
Guarantor(s):	Aeon

C. Development Team Capacity Review

The developer has completed 3,892 units of affordable housing that are of similar size and scope of the proposed development. Previous experience with Minnesota Housing and internal staff experience has rated this developer as acceptable.

There are no concerns with the management company. The management and occupancy reviews (M&Os) were adjusted at selection, and the final underwriting has incorporated those changes. The rents are the same as at selection.

The service provider has experience providing services to all supportive housing populations being served. The Housing Support rental assistance is committed.

The architect team produces high quality housing with strong design skills. The site is currently underutilized for this high demand Edina area. Building construction will include historic components in reference to the site's past use as the Jimmy Jam and Terry Lewis Flyte Tyme recording studio.

The general contractor, Flannery Construction, is a women-owned business enterprise.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Permanent Amortizing	LMIR	Pool 2	$6,612,000	4.25	.125	40	Amort	End Loan

- $6,612,000 Agency LMIR first mortgage. $798,000 is supported by tax increment financing (TIF) from the City of Edina.

First Mortgage Loan to Cost: 0.28 First Mortgage Loan to Value: 0.75

E. Significant Changes Since Date of Selection

- There is a $1,087,967 increase in construction costs after receiving final pricing. This pricing includes prevailing wage, winter conditions, and COVID-19 adjustments. The total development cost (TDC) increased by $925,457, and the costs are covered by the final supportable first mortgage, a Metropolitan Council Livable Communities Demonstration Account (LCDA) loan, and a deferred developer fee.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$3,622,674	$51,572
Construction Costs	$1,6175,066	$231,072
Environmental Abatement	0	0
Professional Fees	$1,392,306	$19,890
Developer Fee	$1,100,000	$15,714
Financing Costs	$967,620	$13,823
Total Mortgageable Costs	$23,257,667	$332,252
Reserves	$497,831	$7,112
Total Development Cost	**$23,755,498**	**$339,364**

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR First Mortgage	$6,612,000	$94,457
General Partner Cash	$100	$1
HTC Equity Proceeds – US Bank	$11,295,887	$161,370
Agency Deferred Funding - EDHC	$888,634	$12,695
City of Edina – Deferred Loan	$2,400,000	$34,286
Hennepin County HOME Loan	$500,000	$7,143
Met Council LHIA	$500,000	$7,143
Met Council LCDA	$493,950	$7,056
GP Loan - Philanthropic	$206,000	$2,943
Sales Tax Rebate	$323,500	$4,621
Energy Rebate	$32,779	$468
Deferred Developer Fee	$502,647	$7,181
Total Permanent Financing	**$23,755,498**	**$339,364**

C. Financing Structure

- Minnesota Housing LMIR first mortgage. $798,000 is supported by tax increment financing (TIF) from the City of Edina. The loan will be a fully amortizing HUD risk-share loan.
- EDHC with interest anticipated to be 0% and a 40-year term. Agency's standard cash flow provision will be incorporated.
- Annual 9% housing tax credits of $1,642,126 resulting in an equity amount of $11,295,877. The term of the Land Use Restrictive Covenants (LURA) will be 40 years.

Cost Reasonableness

- The budgeted total development cost (TDC) per unit of $339,364 is 31.07% above the $258,922 predictive model estimate which requires board approval. The TDC was 23.1% over the predictive model at the time of selection. The estimated costs at the time of application were based on a summer 2020 start and did not include winter construction conditions. The cost of lumber has also increased.

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

  Agency staff has concluded that the TDC for the subject property is reasonable and recommends approval for a board waiver from the predictive cost model 25% threshold limit.

- This project did not receive cost containment points.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1BR	4	$1086	60	60	n/a
2BR	5	$1301	60	60	n/a
3BR	18	$1500	60	60	n/a
1BR	5	$892	50	50	n/a
2BR	30	$1068	50	50	n/a
1BR	4	$659	30	30	Housing Support
1BR	4	$659	30	30	Housing Support

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits

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 rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio (DCR) in year 15 of $96,163.
- The project was underwritten at 7% vacancy, with 2% income and 3% expense inflators.
- An operating reserve equal to six months of debt service and operating expenses is being required by the syndicator.
- Eight units will receive the benefit of Housing Support rental assistance.

Agenda Item: 7.C.
Resolution

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 construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	The Sound at 76^{th} Street
Sponsors:	Aeon
Guarantors:	Aeon
Location of Development:	Edina
Number of Units:	70
Amount of LMIR Mortgage: (not to exceed)	$6,612,000

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 acquisition 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 $6,612,000; and

2. The interest rate on the permanent LMIR loan shall be 4.25% per annum (subject to change, as set forth in the attached Agency term letter dated October 2020), plus .125% 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 End Loan Commitment shall be entered into on or before April 30, 2021 and shall have a 24-month term; 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. Sponsor 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

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

9. 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 22nd day of October 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

October 15, 2020

Alan Arthur
Aeon
901 3rd St N Ste 150
Minneapolis, MN 55401

RE: Term Letter
The Sound on 76th (fka 4100 Apartments), Edina
D8111, M18183

Dear Alan 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: The Sound on 76th Limited Partnership

General Partner: 4100 Edina LLC

Development Description/Purpose: Acquisition and new construction of a 70-unit affordable housing development located in Edina, Minnesota

Program	LMIR	EDHC
Loan Amount	$6,612,000	$888,643
Interest Rate	*4.25%	0%
Mortgage Insurance Premium (%)	[.125%] *(first year premium is paid in advance)*	Not Applicable
Term	40	40
Amortization/Repayment	40	Deferred lump sum payment due in 40 years; an annual payment that is equal to 20% of the amount by which Eligible Cash (as defined in the Note) exceeds $50,000.00.
Prepayment Provision	No prepayment first 10 years from date of the Note.	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan	Construction/Permanent Loan
Lien Priority	First (after pay off U.S. Bank bridge loan)	Second (after pay off U.S. Bank bridge loan)

*Subject to change. The interest rate is subject to achieving the following hurdles. Failure to meet either of the hurdles may result in the interest rate being reset at the then current rate, at Minnesota Housing's sole discretion:

- Board approval to enter into a loan commitment must be obtained by December 31, 2020; and
- The permanent loan must close by December 31, 2022.

Origination Fee:	LMIR HUD Risk Share Loan: $116,120 (Payable at the earlier of loan commitment or loan closing)
Inspection Fee:	$38,512 (payable at the earlier of loan commitment or loan closing)
Guaranty/Guarantor(s):	Repayment and operations Guaranty to be provided by: Aeon
Operating Deficit Reserve Account:	198,360 funded from an equity installment. Controlled by the limited partner and held at U.S. Bank in a partnership reserve account.
Operating Cost Reserve	A $466,331 funded from an equity installment. Controlled by the limited partner and held at U.S. Bank in a partnership reserve account.
Replacement Reserve Account:	Capitalized replacement reserve in the amount of $31,500 funded at LMIR loan closing. A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $2,625. 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:	Commitment to 10 years of affordability from the date of loan closing under the Housing Support Rental Assistance Program for 8 units.
Rent and Income Requirements:	Agency First Mortgages under the LMIR program: 70 units with incomes not exceeding 60% MTSP and rents at 60% MTSP. EDHC:

	70 units with incomes not exceeding 60% MTSP and rents at 60% MTSP. Commitment to 40 years of affordability from the date of loan closing.
Other Occupancy Requirements:	4 High Priority Homeless units that are set aside and rented to Single Adults
Other Requirements:	The EDHC loan is subject to the terms in the attached Deferred Selection Criteria.
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment.
Additional Terms:	None
Other Conditions:	None
Board Approval:	Commitment of all loans under the LMIR program and waiver of the costs above the Predictive Model threshold are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan[s].
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 Elhert, Allison.ehlert@state.mn.us on or before October 22, 2020.

If you have any questions related to this letter, please contact Erin Coons at 651.296.9836 or by e-mail at Erin.Coons@state.mn.us.

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

Sincerely,

Rachel Robinson
Deputy Commissioner

AGREED AND ACCEPTED BY:

The Sound on 76th Limited Partnership

By: ____
Alan Arthur, President

Date Accepted: __________________________

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MINNESOTA HOUSING

Board Agenda Item: 7.D
Date: 10/22/2020

Item: 2020 Capacity Building Intermediaries Request for Proposal

Staff Contact(s):
Alyssa Wetzel-Moore, 651.263.1453, Alyssa.Wetzel-Moore@state.mn.us

Request Type:

☒ Approval
  ☒ Motion
  ☐ Resolution

☐ No Action Needed
  ☐ Discussion
  ☐ Information

Summary of Request:
Staff are requesting the Board's approval of the 2020 Capacity Building Intermediaries Request for Proposal (RFP). The program will provide one-year funding to intermediaries to provide pass-through grants and/or technical assistance to develop and strengthen the capacity of communities, stakeholders, and organizations in housing planning, program development, and engagement activities.

Fiscal Impact:
The program will use up to $250,000 from Pool 3 under the Technical Assistance and Operating Support activity. Individual awards are structured as grants, which 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

Background

Minnesota Housing's Capacity Building Intermediary Program is a resource to provide pass-through grants and/or technical assistance to develop and strengthen the capacity of communities, stakeholders, and organizations in housing planning, program development, and engagement activities.

Funding intermediaries supports our strategic priority of strengthening disinvested communities. Intermediaries provide both tailored technical assistance and the targeted engagement necessary to provide communities with the tools to address their housing needs. The work of intermediaries is critical to building and sustaining a community's capacity not only through increased knowledge, but also a stronger community network aligned to address its housing needs.

Minnesota Housing will accept proposals that seek to build the capacity of organizations and communities across the state of Minnesota, with a focus on reaching the people and places most impacted by housing instability and disparities. Successful applications must demonstrate the ability to provide financial assistance through pass-through funding and/or technical assistance to organizations and communities in need of that support to reach their housing goals.

Who can apply for funding?

- Tax exempt nonprofits
- Tribal governments and tribal corporate entities
- Collaborations, if lead partner is a qualified applicant

What can funds be used for?

Funds are intended to support efforts to build the capacity of organizations and local jurisdictions to meaningfully address housing challenges with a focus on the people and places most impacted by housing instability and disparities. Funding should be used to provide direct financial support and/or direct technical assistance to organizations.

What activities are NOT eligible for funding?

- General operating support for applicant organization
- Direct housing services
- Direct housing development costs
- Lobbying or other direct political activities

What criteria will proposals be reviewed for?

- Demonstrated track record of supporting communities and organizations through pass-through grants and/or technical assistance.
- Demonstrated need for financial assistance and/or technical assistance for the organizations and communities to be served.
- Extent to which the technical and/or financial assistance will result in outcomes that will advance housing equity.

- The role of communities most impacted by housing challenges and disparities in the applicant's capacity building efforts.
- Extent to which the proposal focuses on communities most impacted by housing instability and disparities.
- Qualified staff and organizational leadership to undertake the proposed work.
- Alignment with Minnesota Housing's technical assistance and capacity building efforts.
- Financial capacity including any matching or complementary funding to provide pass-through grants and/or technical assistance.

Reporting Requirements

All Capacity Building Intermediaries grantees are required to:

- Participate in check-ins with Minnesota Housing.
- Submit a mid-year, one-page report.
- Submit a final report outlining proposed and achieved outcomes and expenditures.

What is the initiative timeline?

- By January 2021 – Request for Proposal process begins

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MINNESOTA HOUSING

Board Agenda Item: 7.E
Date: 10/22/2020

Item: Resolution Authorizing Amendments to Minnesota Housing Finance Agency Direct Purchase Revolving Line of Credit Notes

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 requests approval of the attached resolution authorizing the amendment and extension of the Agency's Direct Purchase Revolving Line of Credit Note Agreement

Fiscal Impact:
The proposed amendment does not increase the limitation on ongoing costs from the limits in the previous authorizing resolution; as before, the Agency will pay interest on any amounts drawn under the facility and the Agency will also pay a fee on the undrawn amount.

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
- Resolution

Background
At its meeting on April 26, 2018, the Board authorized the issuance and sale of Direct Purchase Revolving Line of Credit Note, as a tool to help preserve limited tax-exempt private activity bond volume cap since that volume cap is critical to supporting the Agency's financing of its homeownership and rental housing programs. The resolution adopted in April, 2018 authorized the issuance of a maximum of $200,000,000 in cumulative principal amount of Credit Notes, and the commitment of the Bond Purchaser to buy the Credit Notes expires on May 29, 2020. At its meeting on October 17, 2019, the Board authorized the execution and delivery of an amended Credit Note in the cumulative maximum principal amount of $500,000,000, and the extension of the expiration date of the credit facility for at least another two years.

As the Agency is approaching the maximum cumulative principal amount of the amended Credit Note, staff are recommending amending the Credit Note to provide for a cumulative maximum of $1,100,000,000, and with that Royal Bank of Canada as the provider of the credit facility and holder of the amended Credit Note has also agreed to extend the current expiration date from June 30, 2021 to December 31, 2021.

The initial issuance of the Credit Note in 2018 replaced the Index Flexible Drawdown Bonds the Board approved in April of 2016.

Since 2016, the Agency has used almost $800 million in "recycling" capacity under these two Agreements. These facilities have enabled the issuance of a like amount of tax-exempt bonds without consuming private activity volume cap, which remains a critical and limiting resource for financing our affordable homeownership and rental housing programs on a low-cost basis. Providing an additional $600 million in future recycling capacity continues the Agency's approach to maximizing the financial leverage provided by tax-exempt bonds as a source of capital for the Agency's critical programs.

RESOLUTION NO. MHFA 20-055

RESOLUTION RELATING TO THE APPROVAL AND AUTHORIZATION OF AN INCREASE IN PRINCIPAL AMOUNT OF A NOTE ISSUED PURSUANT TO, AND AN EXTENSION OF THE TERM OF A REVOLVING CREDIT AGREEMENT

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY (the "Agency"), as follows:

Section 1. Recitals.

1.01. Authority. The Agency is authorized under Minnesota Statutes, Chapter 462A, including, without limitation, Section 462A.08 thereof, as amended to issue bonds and notes and enter into loan agreements and request advances thereunder from time to time for the purpose of refunding any bonds or notes of the Agency then outstanding.

1.02. Purpose. Pursuant to Resolution No. MHFA 18-004, adopted April 26, 2018, the Agency determined to enter into a Revolving Credit Agreement dated as of June 1, 2018 (the "Original Revolving Credit Agreement"), between the Agency and Royal Bank of Canada (the "Bank") whereby the Agency approved the issuance and sale of a note (the "Original Note") to evidence and secure cash advances from the Bank to the Agency pursuant to the terms of the Original Revolving Credit Agreement (the "Advances"); those Advances are used to preserve funding for the Agency's program (the "Program") of purchasing mortgage loans made to low and moderate income persons and families to finance owner-occupied single family housing by refunding eligible bonds and notes of the Agency from time to time (the "Refundings"). The Original Note was issued in a maximum amount of $200,000,000 to evidence all outstanding Advances under the Original Revolving Credit Agreement. The Original Revolving Credit Agreement was amended by (i) the First Amendment to Revolving Credit Agreement, dated as of October 28, 2019 between the Agency and the Bank (the "First Amendment to Revolving Credit Agreement"), whereby the term of the Original Revolving Credit Agreement was extended from May 29, 2020 to June 30, 2021 and the amount of permissible Advances was increased from $200,000,000 to $500,000,000, and (ii) the Second Amendment to Revolving Credit Agreement, dated November 22, 2019 between the Agency and the Bank (the "Second Amendment to Revolving Credit Agreement"). Additionally, the Original Note was amended and restated on October 28, 2019 in a maximum cumulative amount of $500,000,000 (the "Restated Note").

It is determined to be in the best interests of the Agency to further amend the Original Revolving Credit Agreement by entering into (i) a Third Amendment to Revolving Credit Agreement (the "Third Amendment to Revolving Credit Agreement;" the Revolving Credit Agreement as so amended by the First Amendment to Revolving Credit Agreement, the Second Amendment to Revolving Credit Agreement and the Third Amendment to Revolving Credit Agreement is referred to in this resolution as the "Amended Revolving Credit Agreement") and (ii) an amendment and restatement of the Restated Note by the execution and delivery of a Second Amended and Restated Note (as amended and restated, the "Amended Note"), each to increase the maximum principal amount of the Restated Note from $500,000,000 to $1,100,000,000 and extend the term of the Amended Revolving Credit

Agreement from June 30, 2021 to December 31, 2021, as reflected in the terms of the Amended Note and the Amended Revolving Credit Agreement, respectively. The Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby are secured by the allocation, for federal income tax purposes, from time to time, of the transferred and replacement proceeds of each of the Refundings to the Cash Collateral Fund established by the hereinafter defined Amended Indenture as a subaccount within the Alternative Loan Fund maintained pursuant to Resolution No. MHFA 95-82, adopted August 24, 1995 (which amended and restated in whole Resolution No. MHFA 76-32, adopted July 27, 1976, as amended) (together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein, the "Bond Resolution"). Subsequent to the redemption, repayment or maturity of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby, the amounts made available from the refunding of the Amended Note at redemption, repayment or maturity will be made available for the Program.

1.03. Amended Indenture. The Amended and Restated Trust Indenture dated as of June 1, 2018 (the "Indenture"), between the Agency and Wells Fargo Bank, National Association (the "Trustee"), as amended by the First Amendment to Amended and Restated Trust Indenture, dated as of October 28, 2020, between the Agency and the Trustee, which provides security for the Restated Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby, will be further amended by the Agency and the Trustee to reflect the terms of the Amended Note and the Amended Revolving Credit Agreement, pursuant to that Second Amendment to Amended and Restated Trust Indenture (the "Second Amendment to Amended and Restated Trust Indenture") dated as of ________ (the Indenture, as so amended by the First Amendment to Amended and Restated Trust Indenture and the Second Amendment to Amended and Restated Trust Indenture is referred to in this resolution as the "Amended Indenture").

1.04. Amended Note, Amended Revolving Credit Agreement and Amended Indenture. Pursuant to the terms of the Amended Revolving Credit Agreement, the Bank will continue to make Advances to the Agency for the purpose of providing funds for the Refundings. The Amended Note will be issued by the Agency to the Bank to evidence and secure any Advances. Moneys received by the Agency pursuant to the Refundings funded by those Advances will be deposited to the Cash Collateral Fund created and held under the Amended Indenture.

The obligation to pay principal of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby when due will be payable from and secured by amounts on deposit in the Cash Collateral Fund. As security to pay principal of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby, upon any Refunding funded with any Advance, the Agency will cause funds to be transferred from the Revenue Account, Bond Principal Account and/or Redemption Account of the Bond Resolution or Resolution No. MHFA 09-71, adopted December 11, 2009 (together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein), as applicable, and such funds will be deposited into the Cash Collateral Fund. The amount of funds held in the Cash Collateral Fund will at all times be at least equal to the outstanding principal amount of the Amended Note and the principal portion of Advances under the Amended Revolving Credit Agreement evidenced thereby.

The obligation to pay interest due with respect to the Amended Note and the interest portion of the Advances under the Amended Revolving Credit Agreement evidenced thereby will be a general obligation of the Agency payable from and secured by amounts on deposit in the Cash Collateral Fund and any moneys, assets or revenues of the Agency, 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 enacting appropriating particular funds for a specified purpose. The Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby will not constitute or give rise to a pecuniary liability of the State of Minnesota (the "State") or any political subdivision thereof or constitute a debt or loan of the credit of the State or any political subdivision thereof.

1.05. Public Hearing. The Agency has conducted a public hearing, duly noticed, on the proposal that the Agency issue qualified mortgage bonds in the additional maximum principal amount of $700,000,000 as required by Section 147(f) of the Internal Revenue Code. All parties who appeared at the hearing were given an opportunity to express their views with respect to that proposal and interested persons were given the opportunity to submit written comments to the Agency prior to the date of the hearing.

1.06. Documentation. Draft forms of the following documents (collectively, the "Amended Note Documents") relating to the Amended Note have been prepared and submitted to the Agency and are hereby directed to be filed with the Agency and its agents and representatives:

(a) A proposed form of the Second Amendment to Amended and Restated Indenture; and

(b) A proposed form of the Third Amendment to Revolving Credit Agreement (which includes the proposed form of the Amended Note).

Section 2. Authorization of the Amended Note and Approval of the Amended Note Documents.

2.01. To provide sufficient funds to be used and expended for the purposes set forth in Section 1.01, it is now determined to be necessary to issue the Amended Note pursuant to the Amended Note Documents, provided that (a) the outstanding principal amount of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby may not exceed $120,000,000 at any one time, (b) the cumulative amount of Advances made pursuant to the Amended Revolving Credit Agreement and evidenced by the Amended Note may not exceed $1,100,000,000, (c) the Amended Note will mature at any time or times in the amount or amounts not later than 35 years from the date of initial issuance thereof and (d) will have a redemption or payment date not later than 2 years from the date of initial issuance thereof, unless the repayment date is otherwise extended pursuant to the Amended Note Documents. The Agency is hereby authorized to enter into the Amended Note Documents and issue and sell the Amended Note to the Bank, including any further amendments thereto conforming to the parameters set forth in the preceding sentence, in exchange for the return by the Bank and cancellation of the Restated Note, to provide funds to be used to refund outstanding bonds or notes of the Agency from time to time to preserve funding for the Program.

2.02. The forms of the Amended Note Documents and the Amended Note, the provisions of which are incorporated herein by reference, are hereby approved, subject to those modifications as are deemed appropriate and approved by an Authorized Officer (as hereinafter defined), which approval will be conclusively evidenced by execution of the Amended Note Documents by an Authorized Officer. Copies of all the documents will be delivered, filed or recorded as provided therein. An Authorized Officer is also authorized and directed to execute any other instruments as may be required to give effect to the transactions herein contemplated.

Section 3. Terms of Note.

(A) Terms. The Amended Note will be issued in a maximum principal amount of $1,100,000,000, provided that the outstanding principal amount of the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby may not exceed the lesser of $120,000,000 or the "commitment amount" set forth in the Amended Revolving Credit Agreement, and will be dated the date of its initial delivery. The Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby will be payable as to principal and interest on the dates, will bear interest at an index rate and will be subject to prepayment, repayment and mandatory purchase at times and upon the terms and conditions to be set forth in the Amended Note Documents. Unless the Amended Note and the Advances under the Amended Revolving Credit Agreement evidenced thereby is bearing interest at a default rate or a taxable rate or unless LIBOR or a successor equivalent index is no longer calculated and published by the ICE Benchmark Administration Limited (or any successor as approved by the Bank) in its current form, the interest rate on the Amended Note will not exceed a rate for any accrual period of more than the sum of the then current LIBOR plus 70 basis points. Any Authorized Officer is authorized to approve the final terms and conditions of the Amended Note, that approval to be evidenced by the execution and delivery of the Amended Note by that Authorized Officer.

(B) Registration and Transfer. The Amended Note will not be subject to registration and initially will be held directly by the Bank; the Amended Note will be subject to transfer and participation pursuant to the Amended Note Documents.

Section 4. Preparation and Execution. The Amended Note will be prepared in substantially the form prescribed in the Amended Revolving Credit Agreement, and will be executed by the manual or facsimile signature of the Chairman or Vice-Chairman, attested by the Commissioner and authenticated by manual signature of the Trustee.

Section 5. General Tax Covenant. The Agency recognizes the obligation to comply with the provisions of the Code regarding the exclusion of interest from federal gross income of the interest on the Amended Note and the Agency will not take, or permit or cause to be taken, any action that would adversely affect that exclusion of interest, and will take or cause to be taken any action necessary to maintain that exclusion from gross income and, if it should fail to take or permit, or cause to be taken, as appropriate, any of those actions, the Agency will use its best efforts to take all lawful actions necessary to rescind or correct those actions or omissions promptly upon having knowledge thereof.

Section 6. Authentication of Proceedings. The Chairman, Vice-Chairman, Commissioner, Chief Financial Officer and Director of Finance and other officers of the Agency (each an "Authorized Officer") are authorized and directed to furnish to the Trustee and bond counsel certified copies of all proceedings and records of the Agency relating to the Amended Note, and any other affidavits and certificates as may be required to show the facts relating to the legality and validity of the Amended Note as those facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all those certified copies, certificates and affidavits, including any heretofore furnished, will constitute representations of the Agency as to the truth of all statements of fact contained therein.

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Adopted by the Minnesota Housing Financing
Agency this 22nd day of October, 2020.

By:________________________________
Chairman

Attest:______________________________
Commissioner

[Signature page to Resolution No. MHFA 20-055]

MINNESOTA HOUSING

Board Agenda Item: 7.F
Date: 10/22/2020

Item: Request for Predictive Cost Model Waiver, 2020 Qualified Allocation Plan, Fort Snelling Upper Post Flats, D7976

Staff Contact(s):
Anne Smetak, 651-263-1460, anne.smetak@state.mn.us

Request Type:

☒ Approval
- ☐ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
A waiver to the predictive cost model threshold is requested for the Fort Snelling Upper Post Flats development.

Fiscal Impact:
Housing tax credits are a federal resource that do not directly impact Minnesota Housing's financial condition.

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 and Request
- Minn. Stat. 474A.22
- Documents related to costs provided by the developer
- 2018 Board resolution granting waivers to the 2019 Qualified Allocation Plan
- Resolution (to be provided at the meeting)

Fort Snelling Upper Post Flats (the "Development") is proposed to be a 191-unit, $172.5 million multifamily rental housing development located on the Fort Snelling campus in an unincorporated area of Hennepin County. The Development is before the Board for a requested waiver of the Agency's predictive cost model threshold under the 2020 Qualified Allocation Plan (QAP) related to the Developments application to the Agency for an award of federal housing tax credits.

The Development is in a unique posture and this request for a waiver to cost reasonableness standards is outside of the Agency's standard practice and procedures. As set out in more detail below, the Minnesota Legislature imposed statutory requirements intended to override the Agency's cost reasonableness standards related only to this project. The Minnesota Legislature, by statute, prohibited the Agency from considering the financial feasibility and the development costs of this Development for purposes of evaluating it for federal low-income housing tax credits. This request for a waiver is therefore brought forward in compliance with the statutory requirements imposed by the Legislature.

<u>Statutory Requirements Imposed by the Legislature</u>:
In 2018, the Minnesota Legislature enacted statutory language specific to the Fort Snelling Upper Post Flats development. The statutory language, included in the 2018 Omnibus Bonding Bill (Laws 2017, Chapter 214), was codified at Minn. Stat. 474A.22 (the "Statute") and is attached for reference. The Statute dictated two provisions that are relevant to this request: (1) it authorized a reservation of $58 million in state volume cap for private activity tax-exempt bonds to finance the Development; and (2) it prohibited Minnesota Housing from reviewing or considering the cost or the cost reasonableness of the Development.

1. Authorized State Bonding Authority

   The Statute reserved $58 million of the state's volume cap on private activity tax-exempt bonds, administered by Minnesota Management and Budget (MMB), to finance the Development. $29 million was reserved from Minnesota Housing's entitlement allocation and $29 million was reserved from the Small Issue pool, which is a pool of volume cap that can be used for eligible housing and non-housing purposes. The Hennepin County Housing and Redevelopment Authority (HRA) granted preliminary approval to the issuance by the Hennepin County HRA of bonds for the Development in the principal amount of $58 million and authorized the submission of an application for the volume cap needed to issue the bonds to MMB in August of 2018. MMB allocated the $58 million in volume cap to the Hennepin County HRA for the Development and those bonds must be issued by December 1, 2020.

   In the time since the Statute was enacted, costs of the Development increased and additional volume cap was deemed necessary to bring the Development to fruition. The Development has also experienced some modifications and includes 191 units; the initial development included approximately 176 units. In June 2019, the Hennepin County HRA authorized the submission of an application to MMB for an additional $30 million of the state's volume cap for private activity tax-exempt bonds to finance the Development. Pursuant to the procedures prescribed by Minn. Stat. Chapter 474A for allocation of the State's volume cap for residential rental housing bonds, MMB allocated to Hennepin County HRA an additional $30 million in volume cap for the Development, bringing the total volume cap allocated to the HRA for this project to $88 million.

The Hennepin County HRA must grant final approval for its issuance of private activity tax-exempt bonds in the principal amount of $88 million using the volume cap allocated to this Development in order for it to be preliminarily eligible for federal low-income housing tax credits.

2. Prohibited Use of the Agency's Cost Reasonableness Standards

The Statute also expressly prohibited Minnesota Housing from considering the cost or the cost reasonableness of the Development when processing an application for federal low-income housing tax credits.

Subdivision 4 of the Statute provides that the "redevelopment of the Fort Snelling Upper Post shall be a strategic priority of the state and the Minnesota Housing Finance Agency." It expressly provides that "[t]he issuer of the bonds . . . and not the Minnesota Housing Finance Agency shall determine the financial feasibility and the reasonableness of the development costs for the project and the Minnesota Housing Finance Agency shall not include in its review of the project any per-unit cost limitations or other similar restrictions." Finally, it provides that the "Minnesota Housing Finance Agency shall consider the legislature's determinations in evaluating the project and granting any requests or making any determinations related to the Fort Snelling Upper Post project to facilitate an allocation of low-income housing tax credits in light of the importance to the state of this unique and historic development."

<u>Federal Cost Reasonableness Requirements and Predictive Cost Model</u>:

In order for a development to be eligible to receive low-income housing tax credits from the Agency, it must comply with the Agency's Qualified Allocation Plan (QAP) for the calendar year in which the qualifying tax-exempt bonds are issued. Minnesota Housing's QAP requires an evaluation of the cost reasonableness of every development pursuant to the predictive cost model. The predictive cost model is a tool that predicts the costs of a proposed development based upon a variety of factors and helps the Agency identify and evaluate developments with higher than expected costs. The Board may waive the QAP requirement to evaluate cost reasonableness based upon the predictive cost model standard upon a showing of good cause.

Federal law requires that a development may only obtain tax credits if there is a determination made that the housing credit dollar amount does not exceed the amount "necessary for the financial feasibility" of the project and that determination must include an evaluation of the reasonableness of the development costs. 26 U.S.C. 42(m)(2).

The Statute prohibits Minnesota Housing from conducting that review and rather requires that only the issuer of the bonds – in this case Hennepin County HRA – make the required federal findings of financial feasibility and reasonableness of development costs.

<u>Costs of the Development</u>:

The current development costs of the Development are expected to be $902,893 per unit. The costs predicted by the Agency's predictive cost model are $247,108. The current costs of the Development are 265 percent over the predictive cost model threshold.

In August of 2018, the Board granted a waiver to the predictive cost model threshold for this Development, pursuant to the 2019 QAP. At that time, the expected per unit costs of the Development were $550,830, which exceeded the predictive cost model by 148 percent.

Attached are documents provided by the developer related to the costs.

Requested Waiver to the Predictive Cost Model:

In light of the limitations imposed on the Agency by Minn. Stat. 474A.22, staff ask the Board to adopt a resolution to grant a waiver of the predictive cost model threshold and cost reasonableness requirements of the 2020 QAP. Pursuant to federal law related to the tax credit program, as well as to satisfy the unique requirements of Minn. Stat. 474A.22 for this Development, staff recommend that any waiver be conditioned on a determination of the financial feasibility and reasonableness of the development costs in compliance with federal tax credit requirements, including specific criteria used in making that determination, by the Hennepin County HRA, by action by its board, as issuer of the bonds.

The requested waiver does not mitigate or override the need for the Agency to obtain and evaluate all necessary information in order to make an informed decision regarding the development's eligibility for federal low-income housing tax credits pursuant to the other provisions of the Agency's 2020 Qualified Allocation Plan and the federal requirements related to the tax credit program.

Minnesota Statutes Annotated
Public Debt; Local Government Aid (Ch. 474-477a)
Chapter 474A. Minnesota Bond Allocation Act

M.S.A. § 474A.22

474A.22. Fort Snelling national landmark redevelopment

Effective: May 31, 2018
Currentness

Subdivision 1. Fort Snelling bonding authority allocation. Notwithstanding any law, rule, or policy to the contrary, the commissioner shall reserve $29,000,000 in bonding authority allocated under section 474A.03 to the Minnesota Housing Finance Agency and $29,000,000 in bonding authority allocated under section 474A.03 to the small issue pool in 2019, and in 2020 if bonds are not permanently issued in 2019 subject to subdivision 3, for issuance of residential rental project bonds for purposes of the rehabilitation and renovation of the Fort Snelling Upper Post as a qualified residential rental project as provided in this section and section 474A.047. The qualified residential rental project shall be required to enter into a minimum 25-year agreement with the issuer to provide the applicable rental rates and incomes. Notwithstanding section 474A.091, subdivision 1, the amount reserved from the small issue pool in each year shall not be transferred to the unified pool but shall continue to be available under this section.

Subd. 2. Issuance; other issuer. Upon application by an eligible issuer on forms prescribed by the department and payment of the required application fee, the commissioner shall allocate the bonding authority under subdivision 1. An issuer receiving this allocation shall be authorized to act as the issuer regardless of its geographical area. In no event shall the bonds issued under this section be guaranteed as to payment by the state or the issuer. An issuer shall not be required to pay a refundable application deposit.

Subd. 3. Failure to permanently issue. In the event the bonds reserved or allocated under this section are not permanently issued by December 1, 2019, or December 1, 2020, as applicable, the bonding authority shall be reallocated to the Minnesota Housing Finance Agency for issuance for a qualified residential rental project.

Subd. 4. Low-income housing tax credits. The redevelopment of the Fort Snelling Upper Post shall be a strategic priority of the state and the Minnesota Housing Finance Agency. If the allocation of bonding authority under subdivision 2 makes the Fort Snelling Upper Post development preliminarily eligible for an allocation of low-income housing tax credits under section 42(h)(4) of the Internal Revenue Code of 1986, as amended, the Minnesota Housing Finance Agency shall promptly process any application or preapplication for low-income housing tax credits submitted under this subdivision pursuant to the qualified allocation plan and shall not require or impose additional criteria, requirements, regulations, or restrictions upon the Fort Snelling Upper Post project that would otherwise undermine the priorities of this section other than as required under section 42 of the Internal Revenue Code of 1986, as amended. The issuer of the bonds under this section and not the Minnesota Housing Finance Agency shall determine the financial feasibility and the reasonableness of the development costs for the project and the Minnesota Housing Finance Agency shall not include in its review of the project any per-unit cost limitations or other similar restrictions. The Minnesota Housing Finance Agency shall consider the legislature's determinations in evaluating the project and granting any requests or making any determinations related to the Fort Snelling Upper Post project to facilitate an allocation of low-income housing tax credits in light of the importance to the state of this unique and historic development.

Subd. 5. State historic structure rehabilitation tax credit. Notwithstanding the provisions of section 290.0681 or section 47(a)(2) of the Internal Revenue Code of 1986, as amended, to the extent the Fort Snelling Upper Post project qualifies for the credit as provided in section 290.0681, the amount of the credit shall be 100 percent of the credit allowed under section 47(a)(2) of the Internal Revenue Code of 1986, as amended, but shall be taken in full in the taxable year in which the qualified rehabilitation expenditures are placed in service for the Fort Snelling Upper Post project rather than ratably as described in section 47(a) of the Internal Revenue Code of 1986, as amended.

Credits

Laws 2018, c. 214, art. 3, § 2, eff. May 31, 2018.

Editors' Notes

EXPIRATION

<This section expires Dec. 31, 2020, pursuant to Laws 2018, c. 214, art. 3, § 2.>

M. S. A. § 474A.22, MN ST § 474A.22
Current with all legislation from the 2020 Regular Session and 1st, 2nd, 3rd, and 4th Special Sessions. Some statute sections may be more current, see credits for details. The statutes are subject to change as determined by the Minnesota Revisor of Statutes. (These changes will be incorporated later this year.)

End of Document

Summary of Project Cost Drivers

With this submission the applicant intends to inform Minnesota Housing Finance Agency staff of the following:

1. The unique factors responsible for the project costs
2. Cost increases that have occurred since the applicant submitted its preliminary application.

A brief narrative for each factor as well as supplemental information for both the unique factors and the cost increases that have occurred since submission of the preliminary application can be found below.

Unique factors

Historic redevelopments that preserve our nation's and state's history are inherently more expensive than building new due to a variety of factors including previous and adjacent uses and the unique expertise required.

- *Unique factors inherent with previous and adjacent uses:*
  - The site faces a variety of environmental challenges given previous uses and building materials. These challenges include but are not limited to:
    - Lead based paint
    - Asbestos
    - Contaminated soils
    - Presence of mold
  - The applicant faces a unique challenge in that the site is located adjacent to a major metropolitan airport. Due to this, additional construction work must be taken to mitigate noise. This additional scope of work includes but is not limited to:
    - Repair and upgrades to existing window assemblies
    - Improvement of roof and/or ceiling/attic assemblies
    - Use of mechanical ventilation, mitigation at roof/attic vents
    - Closure of chimneys
- *Unique Expertise Needed*
  - To meet historic requirements, the applicant has had to hire many consultants across many different disciplines. These include but are not limited to:
    - A team of archeologists
    - A geophysical surveyor
    - A masonry consulting architects
    - A building envelope consultant
    - Two different historic consulting firms
  - Additionally, unique expertise from the project's legal team are needed due to a more complicated financing structure, with the usage of both low income and historic tax credits.

Given these unique factors, any historic project will inherently have additional costs that new construction redevelopments will not have. These additional costs are justifiable as they are covered by the historic tax credit. The historic tax credits ensure that these buildings, which are an important part of our nation and country's history, are preserved for future generations.

Project Cost Factors

The primary cost that has increased since the preliminary application is the actual cost of the construction based on hard bids. At the time of our preliminary application the applicant was basing costs on internal estimates, not on hard bids from subcontractors in the market. Despite rising costs beyond initial estimates, the redevelopment is still feasible and continues to be supported by the federal and state historic tax credits.

These increases in construction costs are due to a few primary factors including the following: additional environmental costs since time of initial application, deteriorating conditions, unanticipated construction cost increases, cost increases due to historic feedback, cost increases related to the COVID-19 pandemic and pricing feedback from the market. More information on these factors and how they have lead to increased construction pricing can be found below.

- *Additional Environmental Costs*
  - Since submitting it's pre application, the applicant has encountered more elements of environmental contamination that will need to be remediated or abated.
  - Additional environmental costs that have arisen since the preliminary application include but are not limited to:
    - Additional contaminated soils that will need to be removed.
    - An increased scope of lead-based paint remediation needed to meet historic requirements
- *Condition of Buildings*
  - The condition of the buildings was much worse than initially anticipated, increasing the cost considerably.
  - Once contractors and architects were able to access the buildings, it became apparent there was much more work needed to stabilize these buildings and prep them for redevelopment into housing.
  - Since the preliminary application, the applicant has further investigated the site and uncovered some conditions different from what was originally anticipated.
- *Construction Cost Increases*
  - The cost of construction has increased over 5% per year the past several years, with some years closer to 10% increases.
  - Construction costs have risen faster than expected due to a combination of
    - Strong economy in the Twin Cities
    - Labor shortages
    - Significant price increases for building materials
- *Cost increases due to historic feedback*
  - The applicant has gotten feedback from the agencies awarding state credits that in order to qualify for historic tax credits the applicant will need to use materials and building techniques that come at a significant premium that was not originally anticipated. These include:
    - Preserving plaster in common area corridors
    - Use of slate shingles

        - Hardwood floors required in areas originally anticipated to be LVP
- *COVID-19*
    - Delays from COVID have resulted in longer review times of applications and added construction costs.
- *Pricing feedback from the market*
    - When the preliminary application was submitted the applicant did not have construction plans at a level of detail needed for the project to receive accurate construction pricing back from the market given the level of complexity and detail on the project.
    - Since this time the project has sent a construction ready set of documents out into the market and has received pricing feedback based on these construction ready documents.

Upper Post - Cost Comparison

	Upper Post Veteran's Homes	Upper Post Flats	% Difference
Closing Date	2014	2020	
Total Units	58	191	
Total Gross SF	34,300	368,553	
Per Unit	*591*	*1,930*	226.3%
Total Acres	5.76	42.8	
Units Per Acre	*10.1*	*4.5*	-55.7%
Total Bedrooms	57	384	
Total Development Cost	$ 20,425,198	$ 172,452,276	-
Per Unit	352,159	902,891	156.4%
Per Gross SF	463	468	1.1%
Per Bedroom	359,915	449,680	24.9%
Total Development Cost - Less Fees Deferred	$ 20,425,198	$ 156,095,638	
Per Unit	352,159	817,255	132.1%
Per Gross SF	463	424	-8.5%
Per Bedroom	359,915	407,029	13.1%
Hard Construction Costs	$ 15,709,298	$ 138,533,973	-
Per Unit	270,850	725,309	167.8%
Per Gross SF	356	376	5.6%
Per Bedroom	276,816	361,236	30.5%
Minnesota Housing Agency Sources			
Total Deferred Loan Sources	$ 6,019,692	$ -	
% of Total Development Cost	29.5%	0.0%	

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

RESOLUTION NO. MHFA 18-051

RESOLUTION APPROVING WAIVER REGARDING THE PREDICTIVE COST MODEL THRESHOLD AND SUBMISSION OF TAX CREDIT APPLICATION

WHEREAS, the developer of the Upper Post Flats Project, D7976 ("Development") submitted a pre-application with an initial submission date of July 27, 2018 and including any additional information submitted through August 23, 2018 (the "Pre-application") to the Minnesota Housing Finance Agency (the "Agency") pursuant to the Agency's 2019 Qualified Allocation Plan (2019 QAP); and

WHEREAS, the 2019 QAP provides that the Agency will evaluate the costs of each development that applies for federal Housing Tax Credits ("Tax Credits") using the predictive cost model developed by the Agency and if a development's costs exceed the predictive cost model estimate by 25%, bring the matter to the Board for consideration; and

WHEREAS, according to documents and information submitted as part of the Pre-application, the anticipated costs of the Development are $550,830 per unit, which exceeds the predictive cost model estimate of $221,986 by 148.14 percent; and

WHEREAS, the developer has provided information and documents as part of the Pre-application to support its assertion that the Development's high development costs are justified; and

WHEREAS, in May 2018 the Minnesota legislature enacted Minn. Stat. § 474A.22, which dictates that the "redevelopment of the Fort Snelling Upper Post shall be a strategic priority of the state and the Minnesota Housing Finance Agency" and the Agency is directed to "consider the legislature's determinations in evaluating the project and granting any requests or making any determinations related to the Fort Snelling Upper Post project to facilitate an allocation of low-income housing tax credits in light of the importance to the state of this unique and historic development"; and

WHEREAS, Minn. Stat. § 474A.22 provides that the Agency "shall promptly process any application or preapplication for low-income housing tax credits submitted under this subdivision pursuant to the qualified allocation plan"; and

WHEREAS, Minn. Stat. § 474A.22 provides that "the Minnesota Housing Finance Agency shall not include in its review of the [Upper Post] project any per-unit cost limitations or other similar restrictions"; and

WHEREAS, Section 42(m) of the Internal Revenue Code, which governs the federal tax credit program, provides that a project must comply with the housing credit agency's qualified allocation plan to be eligible for Tax Credits and Minnesota Housing's 2019 QAP requires the Agency to evaluate each project that applies for Tax Credits using the Agency's predictive cost model; and

WHEREAS, the Development must comply with the requirements of Section 42 and the Agency's 2019 QAP; and

WHEREAS, the 2019 QAP requires that an application for a preliminary determination letter for 4% Tax Credits may only be submitted following an allocation of a portion of the state's tax-exempt private activity bond volume cap ("bonding authority") to an issuer that has made a preliminary determination to issue bonds for a development; and

WHEREAS, Minn. Stat. § 474A.22 reserves for the issuer of bonds for the Development an allocation of up to $58 million in bonding authority in 2019 or 2020; and

WHEREAS, Minnesota Management and Budget ("MMB") cannot allocate bonding authority in advance of the calendar year in which it is available to each state pursuant to Section 146 of the Internal Revenue Code; and

WHEREAS, permitting the developer to submit application materials for this Development prior to 2019 would allow staff and the developer to begin to undertake a thorough evaluation of the application; and

WHEREAS, the Board may grant the requested waivers upon good cause shown.

WHEREAS, in consideration of the above, the Board takes the following actions related to the Development.

NOW THEREFORE, BE IT RESOLVED:

1. The Board waives the predictive cost model threshold based upon the information and documentation submitted as part of the Pre-application.

2. The Board waives the requirement that an application for 4% Tax Credits for a project may not be submitted until MMB has allocated bonding authority to an issuer of bonds for a project.

3. These waivers are intended to facilitate processing of the Pre-application and application for the Development and do not mitigate the requirement that the Agency receive the Certificate of Allocation from MMB, or the Agency's need to obtain and evaluate all necessary information in order to make an informed decision regarding the Development's eligibility for Tax Credits pursuant to the 2019 QAP and Section 42 of the Internal Revenue Code, prior to issuing a preliminary determination letter.

Adopted this 30th day of August 2018

CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 9.A
Date: 10/22/2020

Item: Post-Sale Report, Residential Housing Finance Bonds (RHFB) 2020 Series FG

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☐ Discussion
☐ Resolution	☒ Information

Summary of Request:
The Agency sold $125,000,000 of Residential Housing Finance Bonds on September 15, 2020 with a closing on September 29, 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

$125,000,000
Minnesota Housing Finance Agency
Residential Housing Finance Bonds
2020 Series FG

POST-SALE ANALYSIS

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. 2020 Series FG accomplished the following major objectives:

Enabled Minnesota Housing to profitably finance tax-exempt eligible production on the balance sheet and earn net annual income over future years.

By recycling past bond authority, did not require any new private activity bond volume cap.

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	$125 million of new loans in MBS securities
Leverage private activity bond volume cap	Used all 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 about $10 million of additional zero participations. Altogether, the agency has about $105 million of zero participations available for future issues.
Achieve cost-effective bond yield	The overall bond yield was 2.01%.
Create future income streams that will support Pool 3	Increases indenture's expected net present value by approx. $4 million at 150% PSA prepayment speed.

TIMING AND STRUCTURE

Timing. The bonds were priced on Tuesday, Sept. 15th. The bonds are scheduled to close on Sept. 29th.

Sizing. The issue was sized to fund a portion of the current pipeline, while carrying forward past zero participations.

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 $15.63 million of AMT bonds (Series F) as shorter serial bonds through 2028, to incur the least additional cost from AMT debt on overall bond yield.
Utilize $109.37 million of non-AMT bonds (Series G) throughout the maturity schedule, including serials in 2021, 2023 and 2028-2032, term bonds in 2035, 2040, 2045 and 2051 and a PAC bond in 2051 for a third 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.

***Retail Interest*.** This issue had excellent retail demand. There were $59 million of retail orders, including $41.7 million from Minnesota investors. This was an excellent performance, especially since the $41 million PAC bond was solely for institutional investors.

Institutional Interest. More than $317 million of institutional orders were received, so that altogether total orders were 3x the total amount of bonds.

Overall Pricing. The early AMT maturities in Series F were heavily oversubscribed and repriced lower by 5 basis points. Many of the non-AMT serial bonds were also oversubscribed and repriced lower by 5 basis points. The non-AMT regular term bonds were all heavily over-subscribed and lowered by 2.5 or 5 basis points. The PAC bond was only slightly oversubscribed – which has been typical of recent transactions -- and its yield was kept as is.

Comparable Transactions.

Series D: AMT. There are relatively few AMT single-family series. The most comparable transaction was SONYMA, two weeks before which tends to price very well given in-state demand in New York. Minnesota's spreads were similar to or in some cases 5 basis points higher than SONYMA.

Series E: Non-AMT. There were many recent Non-AMT issues, including Rhode Island, with the same rating and priced at the same time as Minnesota, as well as earlier transactions from California Veterans Affairs, Orange County Florida (with a shorter expected average life), Massachusetts and Pennsylvania. Minnesota's bonds were similar to, and in the case of the large 2045 term bond, 5 basis points tighter than Rhode Island. The PAC bond was 1 basis points tighter than Rhode Island.

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	**21,205,000**	**14,750,000**
J.P. Morgan	Co-Manager	0	0
Piper Sandler	Co-Manager	9,130,000	4,080,000
Wells Fargo	Co-Manager	10,100,000	6,435,000
Subtotal co-managers		**19,230,000**	**10,515,000**
Robert W. Baird	Selling Group	100,000	50,000
Morgan Stanley	Selling Group	0	0
UBS	Selling Group	1,125,000	1,125,000
Subtotal selling group		**1,225,000**	**1,175,000**
Total		**41,660,000**	**26,440,000**

In addition to RBC, Wells Fargo brought in $10.1 million of Minnesota retail orders and Piper Sandler brought in $9.1 million of such orders.

National retail was also important, with over $17 million of orders, including from RBC, Wells, J.P. Morgan and Baird.

While institutional orders are usually only through the senior manager, J.P. Morgan brought in $25.4 million of such orders, Piper Sandler $10 million and Wells Fargo $5.6 million, along with $280 million from RBC.

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.

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ISSUE DETAILS

Key Dates: Pricing: Tuesday, Sept. 15, 2020
Closing Date: Tuesday, Sept. 29, 2020

Economic Calendar. Almost all economic news since mid-March has been driven by the COIVID-19 pandemic. Six months into the pandemic, initial jobless claims are about 800,000, with continuing jobless claims of over 14 million and a 10% official unemployment rate. The inflation rate is about 1.3%, far below the Federal Reserve's target of 2%. The only economic news the day of the sale showed industrial production down 7.4% from a year prior, worse than analysts had been expecting.

Treasuries. Yields have dropped dramatically this year, largely due to the pandemic and resulting economic contraction. 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 at an all-time low when HFB Series D was priced in early August. Since then, Treasury yields have increased modestly and have remained very stable in the 0.65% to 0.70% range given the Federal Reserve's accommodative policy. The 10 year was 0.68% on the day 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. Starting in late April many investors returned to municipals, driving muni yields down, often by 5 to 10 basis points per day, and there have been more than 14 straight weeks of inflows. Municipal rates were near historic lows when HFB D was priced in early August – a time of year with particularly high bond redemptions and investors have cash to reinvest. Rates and have backed up slightly since then. 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 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%**
2020 HFB D	**8/6/20**	**0.55%**	**0.59%**	**107.3%**	**1.20%**	**1.28%**	**106.7%**
2020 RHFB FG	**9/15/20**	**0.68%**	**0.84%**	**123.5%**	**1.43%**	**1.58%**	**110.5%**
Change from 2020 HFB D		**+13 bp**	**+25 bp**	**+ 16.2%**	**+23 bp**	**+30 bp**	**+3.80%**

NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

Pricing Date		9/15/20		9/15/20		9/10/20		9/10/20		9/2/20		9/2/20		9/1/20	
Amount		$109,370,000		$126,540,000		$97,180,000		$8,000,000		$64,360,000		$212,140,000		$99,995,000	
Issuer		Minnesota HFA 2020		Rhode Island HMFC		California Veterans Affairs		Orange Co. HFA (FL)		Massachusetts HFA		Pennsylvania HFA		Ohio HFA 2020	
Series		Series G		Series 73-A		2020 Series A		Series 2020A		Series 218		Series 2020-133		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 / AA+ / -		Aa3 / AA / AA-		Aaa / - / -		Aa1 / AA+ / -		Aa2 / AA+ / -		Aaa / - / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Maturity Year ('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														
1	2021	0.250	+13			0.20 / 0.25	+8 / +13					0.25 / 0.28	+10 / +13	0.250	+10
2	2022					0.35 / 0.40	+22 / +27	0.600	+48 / +47			0.33 / 0.36	+17 / +20	0.35 / 0.40	+20 / +24
3	2023	0.450	+32			0.50 / 0.55	+36 / +41	0.750	+62 / +61	0.42 / 0.47	+25 / +30	0.42 / 0.45	+25 / +28	0.45 / 0.55	+29 / +38
4	2024					0.65 / 0.75	+47 / +57	0.850	+69 / +67	0.59 / 0.63	+38 / +42	0.59 / 0.61	+39 / +40	0.650	+46 / +44
5	2025			0.800	+56	0.85 / 0.90	+62 / +65	1.000	+79 / +76	0.70 / 0.74	+44 / +46	0.69 / 0.71	+44 / +44	0.75 / 0.80	+51 / +53
6	2026			0.95 / 1.00	+62 / +65	1.00 / 1.10	+65 / +74	1.150	+84 / +80	0.84 / 0.89	+48 / +52	0.82 / 0.86	+48 / +50	0.82 / 0.86	+50 / +50
7	2027			1.10 / 1.20	+63 / +70	1.25 / 1.30	+77 / +79	1.350	+89 / +86	1.05 / 1.10	+57 / +59	1.02 / 1.06	+55 / +56	1.01 / 1.09	+55 / +60
8	2028	1.450	+84	1.35 / 1.45	+75 / +83	1.45 / 1.50	+84 / +87	1.550	+95 / +93	1.21 / 1.26	+60 / +63	1.18 / 1.23	+58 / +61	1.22 / 1.29	+62 / +67
9	2029	1.50 / 1.55	+78 / +82	1.60 / 1.65	+87 / +91	1.650	+92 / +90	1.700	+98 / +96	1.60 / 1.65	+88 / +91	1.33 / 1.38	+61 / +65	1.37 / 1.44	+67 / +72
10	2030	1.70 / 1.75	+89 / +92	1.75 / 1.80	+93 / +96	1.800	+97 / +95	1.850	+103 / +101	1.75 / 1.80	+93 / +96	1.75 / 1.80	+94 / +97	1.700	+90 / +88
11	2031	1.80 / 1.85	+93 / +94	1.85 / 1.90	+96 / +99	1.90 / 1.95	+99 / +103	2.000	+111 / +109	1.90 / 1.95	+100 / +104	1.90 / 1.95	+102 / +105	1.850	+98 / +96
12	2032	1.950	+100 / +96	1.950	+98 / +96	2.000	+101 / +100	2.100	+113 / +111	2.00 / 2.05	+102 / +106	2.000	+104 / +102	1.90 / 1.95	+95 / +98
13	2033														
14	2034														
15	2035	2.100	+93	2.100	+93	2.100	+93	2.150	+98	2.100	+94	2.125	+97	2.100	+95
16	2036														
17	2037														
18	2038														
19	2039														
20	2040	2.300	+92	2.300	+92	2.300	+92	2.350	+97	2.300	+93	2.350	+98	2.250	+89
21	2041														
22	2042														
23	2043														
24	2044									2.400	+91				
25	2045	2.450	+92	2.500	+97	2.450	+92	2.500	+97			2.500	+98	2.450	+94
26	2046														
27	2047														
28	2048														
29	2049														
30	2050							2.600	+102					2.550	+99
31	2051	2.550	+97 to 30yr												
PAC 1		3.00C/0.98Y	+74 to 5yr	3.00C/0.99Y	+75 to 5yr	3.00C/0.96Y	+72 to 5yr	3.00C/1.10Y	+87 to 4.8yr	3.00C/0.99Y	+72 to 5yr	3.00C/1.02Y	+75 to 5yr	3.25C/0.95Y	+68 to 5yr
Notes		1/1/51 PAC bond has 3.00% coupon priced at 109.905 to yield 0.98% and has an average life of 5 years from 100-500% PSA		10/1/50 PAC bond has 3.00% coupon priced at 109.729 to yield 0.99% and has an average life of 5 years from 75-500% PSA		12/1/50 PAC bond has 3.00% coupon priced at 109.905 to yield 0.96% and has an average life of 5 years from 100-500% PSA		9/1/50 PAC bond has 3.00% coupon priced at 108.722 to yield 1.10% and has an average life of 4.8 years from 100-400% PSA		6/1/23-12/1/28 are 5% coupons; 12/1/50 PAC bond has 3.00% coupon at 109.737 to yield 0.99% with 5 year avg. life 100-400% PSA		4/1/21-10/1/29 are 5% coupons; 10/1/50 PAC bond has 3.00% coupon at 109.588 to yield 1.02% with 5 year avg. life 75-400% PSA		3/1/26-9/1/29 are 5% coupons; 3/1/50 PAC bond has 3.25% coupon at 111.090 to yield 0.95% with 5 year avg. life 100-400% PSA	
Maturity Dates		1/1 and 7/1	1/1/30 at	10/1 and 4/1	10/1/29	6/1 and 12/1	6/1/29	3/1 and 9/1	9/1/29 at	6/1 and 12/1	12/1/29	4/1 and 10/1	10/1/29	9/1 and 3/1	9/1/29 at
Call Provisions		par		at par		at par		par		at par		at par		par	
Mkt Index		BBI / RBI 2.22% / 2.64%		BBI / RBI 2.22% / 2.64%		BBI / RBI 2.22% / 2.64%		BBI / RBI 2.22% / 2.64%		BBI / RBI 2.20% / 2.62%		BBI / RBI 2.20% / 2.62%		BBI / RBI 2.20% / 2.62%	
Sr Manager		RBC Capital Markets		Morgan Stanley		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		J.P. Morgan	

NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

Pricing Date		9/1/20		8/20/20		8/11/20		8/6/20		8/5/20		7/28/20		7/28/20	
Amount		$102,935,000		$72,255,000		$160,000,000		$100,500,000		$40,000,000		$74,080,000		$48,520,000	
Issuer		SONYMA		Nebraska IFA 2020		Maryland DHCD 2020		Indiana HCDA 2020		Maine SHA 2020		Connecticut HFA 2020		Mississippi HC Series	
Series		Series 227 Single Family /		Series C		Series D		Series B-1		Series F		Series C-1		2020B	
Program		Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / - / -		- / AA+ / - Non-AMT		Aa1 / - / AA		Aaa / - / -		Aa1 / AA+ / -		Aaa / AAA / -		Aaa / - / -	
Tax Status		Non-AMT				Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Maturity Year ('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														
1	2021					0.15 / 0.20	+8 / +12					0.250	+12	0.200	+7 / +7
2	2022					0.25 / 0.30	+17 / +21			0.300	+17	0.300	+15	0.30 / 0.35	+15 / +20
3	2023					0.375 / 0.40	+29 / +30			0.450	+31			0.45 / 0.55	+29 / +39
4	2024					0.60 / 0.625	+49 / +50			0.650	+48	0.700	+49	0.65 / 0.75	+44 / +54
5	2025					0.70 / 0.75	+56 / +58	0.63 / 0.67	+49 / +50	0.850	+63	0.875 / 0.90	+60 / +59	0.85 / 0.90	+56 / +59
6	2026					0.950	+73 / +69	0.76 / 0.82	+55 / +55	0.950	+64	1.000	+62 / +60	1.000	+61 / +60
7	2027					1.05 / 1.10	+71 / +74	0.94 / 1.15	+60 / +78	1.150	+74	1.15 / 1.20	+67 / +70	1.10 / 1.20	+61 / +70
8	2028			1.30 / 1.40	+75 / +83	1.20 / 1.25	+77 / +80	1.25 / 1.30	+82 / +85	1.350	+85	1.40 / 1.45	+84 / +87	1.30 / 1.40	+74 / +82
9	2029			1.45 / 1.50	+81 / +84	1.35 / 1.40	+85 / +88	1.40 / 1.45	+89 / +93	1.550	+98	1.60 / 1.65	+97 / +100	1.50 / 1.60	+87 / +95
10	2030			1.60 / 1.65	+88 / +91	1.45 / 1.50	+88 / +91	1.50 / 1.55	+93 / +96	1.650	+101	1.700	+100	1.65 / 1.70	+95 / +98
11	2031			1.75 / 1.80	+96 / +99	1.60 / 1.65	+98 / +101	1.60 / 1.65	+99 / +100	1.700	+101	1.850	+110 / +108	1.75 / 1.80	+99 / +103
12	2032			1.85 / 1.90	+98 / +101	1.70 / 1.75	+101 / +104	1.70 / 1.75	+102 / +103	1.750	+99	1.900	+108 / +106	1.800	+97 / +96
13	2033														
14	2034														
15	2035	2.100	+95	2.000	+93	1.950	+107	1.950	+106	2.000	+108	1.950	+93	1.900	+88
16	2036														
17	2037											2.050	+95		
18	2038														
19	2039							2.050	+100						
20	2040	2.300	+94	2.200	+93	2.100	+102			2.150	+103			2.100	+88
21	2041														
22	2042					2.150	+101								
23	2043			2.300	+94										
24	2044														
25	2045									2.250	+98			2.250	+88
26	2046														
27	2047	2.500	+97												
28	2048														
29	2049														
30	2050									2.400	+108				
31	2051														
PAC 1		3.25C/1.02Y	+75 to 5yr	3.00C/0.95Y	+71 to 5yr	3.25C/1.00Y	+84 to 5yr	3.25C/1.00Y	+86 to 4yr			3.25C/1.08Y	+79 to 5yr	3.25C/1.07Y	+78 to 5yr
Notes		10/1/50 PAC bond has 3.25% coupon priced at 110.772 to yield 1.02% and has an average life of 4.99 years from 60-500% PSA		9/1/50 PAC bond has 3.00% coupon priced at 109.928 to yield 0.95% and has an average life of 5 years from 100-500% PSA		9/1/50 PAC bond has 3.25% coupon priced at 110.896 to yield 1.00% and has an average life of 5 years from 100-400% PSA		1/1/25-1/1/27 are 5% coupons; 7/1/49 PAC bond has 3.25% coupon at 108.728 to yield 1% with 4 year avg. life 100-500% PSA				5/15/44 PAC bond has 3.25% coupon priced at 110.457 to yield 1.08% and has an average life of 5 years from 75-400% PSA		12/1/50 PAC bond has 3.25% coupon priced at 110.534 to yield 1.07% and has an average life of 5 years from 100-500% PSA	
Maturity Dates		10/1		3/1 and 9/1		3/1 and 9/1		1/1 and 7/1		11/15		11/15 and 5/15		12/1 and 6/1	
Call Provisions		10/1/29 at par		9/1/29 at par/101.520 PAC		9/1/29 at par		7/1/29 at par		5/15/29 at par		11/15/29 at par		6/1/29 at par	
Mkt Index		BBI / RBI 2.20% / 2.62%		BBI / RBI 2.15% / 2.57%		BBI / RBI 2.02% / 2.44%		BBI / RBI 2.02% / 2.44%		BBI / RBI 2.09% / 2.51%		BBI / RBI 2.10% / 2.52%		BBI / RBI 2.10% / 2.52%	
Sr Manager		Citigroup		J.P. Morgan		RBC Capital Markets		J.P. Morgan		Citigroup		RBC Capital Markets		Raymond James	

NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

Pricing Date		7/28/20		7/28/20		7/21/20		7/15/20		7/14/20		7/8/20		6/30/20	
Amount		$266,090,000		$66,000,000		$42,820,000		$55,000,000		$15,000,000		$36,085,000		$72,500,000	
Issuer		New Jersey HMFA 2020		South Dakota HDA		Iowa FA 2020 Series		Missouri HDC 2020		Louisiana HC Series		Colorado HFA 2020		Tennessee HDA Issue	
Series		Series E		2020 Series C		D		Series C		2020B		Series E		2020-3A	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa2 / AA / -		Aaa / AAA / -		Aaa / AAA / -		- / AA+ / - Non-AMT		Aaa / - / -		Aaa / AAA / -		Aa1 / AA+ / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT				Non-AMT		Non-AMT		Non-AMT	
Maturity Year ('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														
1	2021			0.15 / 0.20	+2 / +7			0.25 / 0.30	+6 / +11	0.30 / 0.35	+11 / +16			0.35 / 0.40	+12 / +15
2	2022			0.25 / 0.35	+10 / +20			0.375 / 0.45	+17 / +24	0.45 / 0.55	+24 / +34			0.45 / 0.50	+20 / +23
3	2023			0.45 / 0.50	+29 / +34			0.55 / 0.65	+33 / +43	0.70 / 0.75	+48 / +53			0.750	+48 / +47
4	2024			0.60 / 0.65	+40 / +44			0.75 / 0.85	+49 / +58	0.90 / 0.95	+63 / +68			0.90 / 0.95	+61 / +62
5	2025			0.80 / 0.90	+52 / +59			0.95 / 1.00	+61 / +63	1.05 / 1.10	+70 / +73			1.00 / 1.05	+63 / +64
6	2026			1.000	+62 / +60			1.10 / 1.15	+64 / +67	1.25 / 1.30	+78 / +82	1.20 / 1.25	+66 / +69	1.25 / 1.30	+76 / +75
7	2027			1.125 / 1.15	+65 / +65	1.20 / 1.30	+71 / +78	1.25 / 1.35	+69 / +77	1.45 / 1.50	+88 / +92			1.45 / 1.50	+82 / +84
8	2028	1.500	+93	1.35 / 1.40	+79 / +82	1.40 / 1.50	+83 / +91	1.45 / 1.55	+81 / +89	1.60 / 1.65	+96 / +99			1.70 / 1.75	+96 / +99
9	2029	1.60 / 1.65	+97 / +101	1.55 / 1.60	+92 / +95	1.60 / 1.70	+95 / +104	1.65 / 1.75	+94 / +102	1.70 / 1.75	+99 / +102			1.80 / 1.85	+98 / +102
10	2030	1.75 / 1.80	+106 / +109	1.70 / 1.75	+100 / +103	1.75 / 1.80	+104 / +107	1.80 / 1.85	+102 / +105	1.80 / 1.85	+102 / +105			1.90 / 1.95	+102 / +105
11	2031	1.875 / 1.90	+114 / +113	1.800	+105 / +103	1.85 / 1.875	+110 / +109	1.900	+107 / +105	1.90 / 1.95	+106 / +110			2.000	+107 / +103
12	2032	1.95 / 2.00	+114 / +116	1.850	+103 / +101	1.900	+107 / +103	1.950	+104 / +102	2.00 / 2.05	+108 / +112			2.050	+104 / +100
13	2033							2.000	+100 / +98						
14	2034														
15	2035	2.050	+103			2.000	+95	2.050	+95	2.100	+100			2.100	+87
16	2036														
17	2037														
18	2038														
19	2039														
20	2040	2.250	+103			2.200	+95	2.200	+90	2.350	+105			2.350	+92
21	2041														
22	2042														
23	2043														
24	2044														
25	2045	2.400	+103					2.400	+95	2.500	+105			2.550	+97
26	2046														
27	2047														
28	2048														
29	2049														
30	2050	2.450	+103					2.500	+100	2.650	+115				
31	2051														
PAC 1		3.50C/1.19Y	+90 to 5yr	3.50C/1.07Y	+77 to 5.2yr	3.25C/1.09Y	+78 to 5yr	3.50C/1.15Y	+80 to 5yr	3.50C/1.25Y	+90 to 4.9yr	3.50C/1.20Y	+80 to 4.8yr	3.50C/1.29Y	+88 to 5yr
Notes		4/1/51 PAC bond has 3.50% coupon priced at 111.087 to yield 1.19% and has an average life of 5 years from 100-400% PSA		5/1/51 PAC bond has 3.50% coupon priced at 112.143 to yield 1.08% and has an average life of 5.2 years from 100-400% PSA		7/1/50 PAC bond has 3.25% coupon priced at 110.453 to yield 1.09% and has an average life of 5 years from 100-500% PSA		11/1/50 PAC bond has 3.50% coupon priced at 111.274 to yield 1.15% and has an average life of 5 years from 100-400% PSA		6/1/50 PAC bond has 3.50% coupon priced at 110.633 to yield 1.25% and has an average life of 4.9 years from 100-400% PSA		5/1/50 PAC bond has 3.50% coupon priced at 110.664 to yield 1.20% and has an average life of 4.8 years from 100-400% PSA		7/1/50 PAC bond has 3.50% coupon priced at 110.604 to yield 1.29% and has an average life of 5 years from 100-400% PSA	
Maturity Dates Call Provisions Mkt Index		10/1 and 4/1 4/1/29 at par/102.438 PAC BBI / RBI 2.10% / 2.52%		5/1 and 11/1 5/1/29 at par BBI / RBI 2.10% / 2.52%		1/1 and 7/1 7/1/29 at par BBI / RBI 2.12% / 2.54%		5/1 and 11/1 5/1/29 at par BBI / RBI 2.19% / 2.61%		6/1 and 12/1 6/1/29 at par/101.205 PAC BBI / RBI 2.19% / 2.61%		5/1 and 11/1 5/1/29 at par BBI / RBI 2.21% / 2.63%		1/1 and 7/1 7/1/29 at par BBI / RBI 2.21% / 2.63%	
Sr Manager		Barclays		BofA Merrill		RBC Capital Markets		Stifel		J.P. Morgan		Barclays		RBC Capital Markets	

NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

Pricing Date		6/23/20		6/9/20		1/23/20		8/20/19		11/14/18		6/7/18	
Amount		$100,000,000		$130,700,000		$149,150,000		$96,775,000		$65,200,000		$43,680,000	
Issuer		Florida HFC 2020		Minnesota HFA 2020		Minnesota HFA 2020		Minnesota HFA 2019		Minnesota HFA 2018		Minnesota HFA 2018	
Series		Series 1		Series E		Series B		Series F		Series E		Series B	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aaa / - / -		Aa1 / AA+ / -		Aa1 / AA+ / -		Aa1 / AA+ / -		Aa1 / AA+ / -		Aa1 / AA+ / -	
Tax Status		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Maturity	Year ('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
0	2020					0.950							
1	2021			0.30 / 0.35	+14 / +17	0.950	+11	1.050	+9	2.000	+11	1.700	+16
2	2022	0.50 / 0.55	+25 / +28	0.400	+22							1.80 / 1.90	+15 / +20
3	2023	0.75 / 0.80	+48 / +52									2.00 / 2.10	+23 / +29
4	2024	0.90 / 0.95	+61 / +62									2.15 / 2.20	+29 / +30
5	2025	1.05 / 1.10	+68 / +69	1.200	+82							2.30 / 2.35	+34 / +35
6	2026	1.30 / 1.35	+81 / +80	1.40 / 1.45	+93 / +92	1.450	+51	1.500	+50			2.50 / 2.55	+42 / +42
7	2027	1.50 / 1.55	+87 / +89	1.55 / 1.60	+94 / +96	1.55 / 1.60	+55 / +58	1.55 / 1.60	+53 / +56				
8	2028	1.70 / 1.75	+98 / +100	1.750	+105 / +102	1.65 / 1.70	+56 / +58	1.70 / 1.75	+63 / +65	3.000	+49		
9	2029	1.80 / 1.85	+100 / +104	1.85 / 1.90	+107 / +111	1.75 / 1.80	+58 / +61	1.80 / 1.85	+67 / +69	3.10 / 3.15	+54 / +56		
10	2030	1.90 / 1.95	+104 / +107	1.95 / 2.00	+109 / +112	1.85 / 1.90	+60 / +62	1.90 / 1.95	+71 / +73	3.30 / 3.35	+64 / +67		
11	2031			2.050	+112 / +108	2.000	+68 / +66	2.00 / 2.05	+73 / +75	3.40 / 3.45	+66 / +69		
12	2032	2.000	+95	2.15 / 2.20	+112 / +113	2.100	+74 / +72	2.10 / 2.15	+77 / +80	3.55 / 3.60	+74 / +77		
13	2033							2.25 / 2.30	+87 / +90				
14	2034												
15	2035	2.150	+92	2.250	+99	2.400	+88	2.450	+95	3.800	+81	3.450	+76
16	2036												
17	2037												
18	2038												
19	2039											3.650	+81
20	2040	2.400	+97	2.500	+103	2.625	+92	2.550	+84				
21	2041												
22	2042												
23	2043												
24	2044			2.700	+109	2.800	+97						
25	2045	2.600	+102					2.750	+90				
26	2046												
27	2047												
28	2048												
29	2049												
30	2050	2.750	+112										
31	2051												
PAC 1		3.50C/1.34Y	+93 to 5yr	3.50C/1.43Y	+105 to 5yr	3.50C/1.46Y	+60 to 5yr	3.75C/1.59Y	+61 to 5yr	4.25C/3.00Y	+71 to 5yr	4.00C/2.76Y	+77 to 5yr
Notes		7/1/51 PAC bond has 3.50% coupon priced at 110.453 to yield 1.34% and has an average life of 5.05 years from 100-500% PSA		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		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		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		1/1 and 7/1		1/1 and 7/1		7/1 and 1/1		7/1 and 1/1		7/1 and 1/1		7/1 and 1/1	
Call Provisions		7/1/29 at par		7/1/29 at par		7/1/29 at par		1/1/29 at par		1/1/28 at par		7/1/27 at par	
Mkt Index		BBI / RBI 2.21% / 2.63%		BBI / RBI 2.16% / 2.58%		BBI / RBI 2.54% / 3.04%		BBI / RBI 3.10% / 3.58%		BBI / RBI 4.36% / 4.85%		BBI / RBI 3.88% / 4.37%	
Sr Manager		Raymond James		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 6 MONTHS PLUS EARLIER MHFA

Pricing Date	9/15/20		9/2/20		9/1/20		8/20/20		8/6/20	
Amount	$15,630,000		$2,815,000		$19,245,000		$12,500,000		$12,715,000	
Issuer	Minnesota HFA 2020		Massachusetts HFA		SONYMA		Nebraska IFA 2020		Indiana HCDA 2020	
Series	Series F		Series 217		Series 228 Single Family /		Series B		Series B-2	
Program	Single Family / Negotiated		Single Family / Negotiated		Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aa1 / AA+ / -		Aa1 / AA+ / -		Aa1 / - / -		- / AA+ / - AMT		Aaa / - / -	
Tax Status	AMT		AMT		AMT				AMT	
Maturity Year ('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
0 2020										
1 2021	0.35 / 0.40	+23 / +28	0.34 / 0.44	+19 / +29	0.40 / 0.45	+25 / +30	0.30 / 0.45	+18 / +32	0.260	+17
2 2022	0.45 / 0.50	+33 / +37	0.47 / 0.52	+31 / +36	0.50 / 0.55	+34 / +39	0.55 / 0.65	+42 / +51	0.36 / 0.43	+27 / +33
3 2023	0.65 / 0.70	+52 / +56			0.65 / 0.70	+48 / +53	0.75 / 0.80	+61 / +65	0.53 / 0.64	+43 / +53
4 2024	0.85 / 0.90	+70 / +72			0.85 / 0.90	+65 / +69	0.90 / 1.00	+74 / +82	0.74 / 0.82	+63 / +68
5 2025	1.05 / 1.10	+85 / +87			1.05 / 1.10	+80 / +83	1.05 / 1.15	+84 / +91	0.880	+74
6 2026	1.25 / 1.35	+96 / +100			1.25 / 1.30	+91 / +94	1.25 / 1.35	+96 / +102		
7 2027	1.45 / 1.50	+100 / +102			1.40 / 1.45	+93 / +95	1.45 / 1.50	+104 / +106		
8 2028	1.65 / 1.70	+106 / +109			1.60 / 1.65	+100 / +103				
9 2029					1.80 / 1.85	+109 / +113				
10 2030					1.95 / 2.00	+115 / +118				
11 2031					2.10 / 2.15	+123 / +126				
12 2032										
13 2033										
14 2034										
PAC										
Notes			All 5% coupons						All 5% coupons	
Maturity Dates / Call Provisions / Mkt Index / Sr Manager	1/1 and 7/1 None BBI / RBI 2.22% / 2.64% RBC Capital Markets		6/1 and 12/1 None BBI / RBI 2.20% / 2.62% RBC Capital Markets		4/1 and 10/1 10/1/29 at par BBI / RBI 2.20% / 2.62% Citigroup		3/1 and 9/1 None BBI / RBI 2.15% / 2.57% J.P. Morgan		7/1 and 1/1 None BBI / RBI 2.02% / 2.44% J.P. Morgan	

AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 6 MONTHS PLUS EARLIER MHFA

Pricing Date		7/28/20		7/28/20		7/8/20		6/9/20		5/12/20	
Amount		$44,115,000		$46,240,000		$6,315,000		$19,300,000		$7,370,000	
Issuer		Connecticut HFA 2020		New Jersey HMFA 2020		Colorado HFA 2020		Minnesota HFA 2020		Washington SHFA 2020	
Series		Series C-2		Series F		Series D		Series D		Series 1A	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aaa / AAA / -		Aa2 / AA / -		Aaa / AAA / -		Aa1 / AA+ / -		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	2021	0.25 / 0.30	+12 / +17	0.550	+43	0.45 / 0.50	+20 / +25	0.45 / 0.50	+29 / +32	0.95 / 1.05	+41 / +51
2	2022	0.450	+30 / +30	0.700	+56	0.625 / 0.65	+36 / +38	0.60 / 0.65	+42 / +44	1.15 / 1.25	+56 / +66
3	2023	0.55 / 0.65	+39 / +49	0.850	+69	0.80 / 0.90	+52 / +62	0.85 / 0.90	+64 / +67	1.40 / 1.50	+73 / +83
4	2024	0.75 / 0.85	+55 / +64	1.050	+86	1.05 / 1.10	+73 / +77	1.050	+79 / +75	1.65 / 1.75	+89 / +99
5	2025	0.98 / 1.08	+70 / +77	1.250	+98	1.30 / 1.35	+90 / +92	1.35 / 1.40	+101 / +102	1.90 / 1.95	+105 / +110
6	2026	1.130	+75	1.50 / 1.60	+113 / +120	1.500	+96	1.625 / 1.65	+116 / +112	2.000	+110 / +109
7	2027	1.330	+85	1.70 / 1.80	+122 / +130			1.800	+119	2.20 / 2.25	+125 / +129
8	2028	1.630	+105	1.85 / 1.90	+130 / +133						
9	2029	1.73 / 1.83	+110 / +118								
10	2030	2.00 / 2.05	+130 / +133								
11	2031	2.10 / 2.15	+135 / +138								
12	2032										
13	2033										
14	2034	2.200	+123								
PAC											
Notes		2021-2029 are 5% coupons									
Maturity Dates		5/15 and 11/15		4/1/21-28, 10/1/26-28		5/1 and 11/1 None		1/1 and 7/1 None		6/1 and 12/1 None	
Call Provisions		11/15/29 at par		None		BBI / RBI 2.21% / 2.63%		BBI / RBI 2.16% / 2.58%		BBI / RBI 2.60% / 3.02%	
Mkt Index		BBI / RBI 2.10% / 2.52%		BBI / RBI 2.10% / 2.52%		Barclays		RBC Capital Markets		RBC Capital Markets	
Sr Manager		RBC Capital Markets		Barclays							

Pricing Date		1/23/20		8/20/19		3/7/19		11/14/18		6/7/18	
Amount		$20,850,000		$13,225,000		$7,865,000		$14,800,000		$28,820,000	
Issuer		Minnesota HFA 2020		Minnesota HFA 2019		Minnesota HFA 2019		Minnesota HFA 2018		Minnesota HFA 2018	
Series		Series A		Series E		Series A		Series F		Series A	
Program		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)		Aa1 / AA+ / -		Aa1 / AA+ / -		Aa1 / AA+ / -		Aa1 / AA+ / -		Aa1 / AA+ / -	
Tax Status		AMT		AMT		AMT		AMT		AMT	
Maturity	Year ('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
0	2020	1.050				1.850					
1	2021	1.10 / 1.15	+26 / +31	1.200	+24	1.950	+38	2.200	+31	1.80 / 1.90	+33 / +36
2	2022	1.25 / 1.30	+40 / +45	1.30 / 1.35	+34 / +39	2.150	+57	2.40 / 2.50	+42 / +46	2.05 / 2.20	+40 / +50
3	2023	1.350	+50 / +50	1.40 / 1.45	+43 / +48	2.250	+65	2.65 / 2.75	+58 / +64	2.35 / 2.45	+58 / +64
4	2024	1.450	+59 / +59	1.50 / 1.55	+53 / +58	2.400	+78	2.85 / 2.95	+70 / +77	2.50 / 2.55	+64 / +65
5	2025	1.550	+69 / +68	1.60 / 1.65	+63 / +67	2.450	+76	3.00 / 3.05	+78 / +80	2.65 / 2.70	+69 / +70
6	2026	1.65 / 1.70	+74 / +76	1.70 / 1.75	+72 / +75	2.625	+86	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		7/1 and 1/1		7/1		7/1 and 1/1		1/1 and 7/1	
Call Provisions		None		None		None		None		7/1/27 at par	
Mkt Index		BBI / RBI 2.54% / 3.04%		BBI / RBI 3.10% / 3.58%		BBI / RBI 4.09% / 4.56%		BBI / RBI 4.36% / 4.85%		BBI / RBI 3.88% / 4.37%	
Sr Manager		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	