

RESOLUTION NO. MHFA 09- 55

RESOLUTION AMENDING RESOLUTION NO. MHFA 07-16 REGARDING
NET ASSET REQUIREMENTS AND INVESTMENT GUIDELINES
FOR GENERAL RESERVE ACCOUNT ASSETS

WHEREAS, the Agency must remain fiscally responsible and avoid unreasonable risks in order to continue to be self-sustaining, to honor debt obligations and to achieve its mission; and

WHEREAS, proceeds from the sale of housing revenue bonds are the Agency's principal resource for providing housing loans; and

WHEREAS, housing loans made from the proceeds of housing revenue bonds are the principal revenue-generating activity of the Agency; and

WHEREAS, the loss or impairment of the ability to issue housing revenue bonds or to do so cost effectively would undermine the Agency's ability to remain financially self-sustaining and to finance housing for low- and moderate-income households; and

WHEREAS, the Agency has accumulated and maintained a balance of assets that is available to pay its debt obligations, to provide adequate reserves against loan losses, and to provide for the administration of programs, a portion of which assets must be maintained within the Agency's Bond Resolutions and the remainder of which must be maintained within the General Reserve Account; and

WHEREAS, assets in the General Reserve Account can be used only for the administration and financing of housing programs in accordance with the policy and purposes of Minnesota Statutes, Chapter 462A, as amended; and

WHEREAS, the Agency adopted Resolution MHFA No. 07-16, on April 26, 2007, to provide net asset requirements and investment guidelines in order to provide financial security for the Agency's bondholders and to provide additional resources for housing loans; and

WHEREAS, because of changes in generally acceptable accounting principles that take effect in the current fiscal year and because of the change effective September 1, 2009 to a mortgage-backed securities lending model for its single family mortgage programs, the Agency finds it desirable to amend Resolution MHFA No. 07-16 to clarify the amount of assets to be held in Pool 2 (Housing Investment Fund), effective for the fiscal year of the Agency beginning July 1, 2009.

NOW, THEREFORE, BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

1. The third paragraph of Section 1 of Resolution MHFA No. 07-16 is hereby amended to read as follows:
 - Pool 2 (Housing Investment Fund): An amount that will cause the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3 and exclusive of all unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and interest rate hedges entered into by the Agency for which the unrealized loss or gain will not be realized if the security or interest rate hedge is held to maturity or its optional termination date) to be the greater of \$615 million or the combined net assets of the same funds for the immediately preceding audited fiscal year end. Assets will be invested in investment quality housing loans or investment grade securities. Assets of Pool 2 will be held in the bond funds.
2. Except for the amendment effected in Section 1, the provisions of Resolution MHFA No. 07-16 shall remain in full force and effect.

Adopted this 24th day of September, 2009.



CHAIRMAN

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

RESOLUTION NO. MHFA 07-16

RESOLUTION AMENDING RESOLUTION NO. MHFA 88-7 REGARDING
NET ASSET REQUIREMENTS AND INVESTMENT GUIDELINES
FOR GENERAL RESERVE ACCOUNT ASSETS

WHEREAS, the Agency must remain fiscally responsible and avoid unreasonable risks in order to continue to be self-sustaining, to honor debt obligations and to achieve its mission; and

WHEREAS, proceeds from the sale of housing revenue bonds are the Agency's principal resource for providing housing loans; and

WHEREAS, housing loans made from the proceeds of housing revenue bonds are the principal revenue-generating activity of the Agency; and

WHEREAS, the loss or impairment of the ability to issue housing revenue bonds or to do so cost effectively would undermine the Agency's ability to remain financially self-sustaining and to finance housing for low- and moderate-income households; and

WHEREAS, the Agency has accumulated and maintained a balance of assets that is available to pay its debt obligations, to provide adequate reserves against loan losses, and to provide for the administration of programs, a portion of which assets must be maintained within the Agency's Bond Resolutions and the remainder of which must be maintained within the General Reserve Account; and

WHEREAS, assets in the General Reserve Account can only be used for the administration and financing of housing programs in accordance with the policy and purposes of Minnesota Statutes Chapter 462A; and

WHEREAS, the Agency finds it desirable to restructure its funds to more clearly distinguish its sustainable lending investments from its mission-intensive investments.

NOW THEREFORE, be it resolved:

1. That in order to provide financial security for the Agency's bondholders and to provide additional resources for housing loans, Resolution No. MHFA 88-7 is amended to provide for the following net asset requirements and investment guidelines for assets available to the General Reserve Account

- Pool 1 (Housing Endowment Fund): An amount equal to 1% of loans outstanding (excluding loans in Pool 3) will be invested in short-term, investment grade securities at market interest rates. Assets of Pool 1 will be held in the General Reserve Account.
- Pool 2 (Housing Investment Fund): An amount that will cause the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3) to be the greater of \$615 million or the combined net assets of the same funds for the immediately preceding audited fiscal year end. Assets will be invested in investment quality housing loans or investment grade securities. Assets of Pool 2 will be held in the bond funds.
- Pool 3 (Housing Affordability Fund): Net assets in excess of the required balances for Pools 1 and 2 may be invested in investment grade securities and used for programs not resulting in amortizing investment quality loans including, but not limited to:
 - Zero-percent loans;
 - Loans at interest rates substantially below market;
 - High risk loans;
 - Deferred loans;
 - Revolving funds; and
 - Grants and rental assistance.

Assets of Pool 3 will be held in the bond funds.

2. That the Agency will continually evaluate the investment policy contained herein in consideration of changes in the economy, credit ratings standards and the Agency's risk profile.

Adopted this 26th day of April, 2007, for implementation July 1, 2007



CHAIRMAN