



REVISED 4/18/25

MEETINGS SCHEDULED FOR APRIL

Date: 04/24/25, 1 p.m.

HYBRID OPTION AVAILABLE:

In Person: Minnesota Housing, Mille Lacs Conference Room, 400 Wabasha Street N. Suite 400 St. Paul, MN 55102

Conference Call: Toll Free: 1.877.309.2074 Access Code: 864-540-762

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, April 24, 2025.

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

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

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Agenda: Minnesota Housing Board Meeting

Date: 04/24/2025, 1 p.m.

Our Mission and Vision

Mission: Housing is foundational to a full life and a thriving state, so we equitably collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

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

1. Call to Order

2. Roll Call

3. Agenda Review

4. Approval of Minutes

- a. (page 7) Regular meeting of March 27, 2025

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

- A. (page 11) Modification of Loan Term, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL)– Trailside Apartments (fka Mayowood Senior II), D8520, Rochester

7. Action Items

- A. (page 23) Approval, Single Family Rehab Program Revisions to Emergency and Accessibility Loan Program and Rehabilitation Loan Program Manuals **Revised**
- B. (page 101) Approval, Selection and Commitment, Bridges and Bridges Regional Treatment Center (RTC) Rental Assistance Programs Funds
- C. (page 109) Funding Modification, Bridges Rental Assistance Grant, Lakes and Pines Community Action Council, Inc.
- D. (page 113) Approval, Additional Funding and Extension, Regional Planning Grant to Prevent and End Homelessness
- E. (page 119) Funding Modification, Housing Infrastructure Loan (HI) and Forgiveness, Minnesota Families Affordable Rental Investment Fund (MARIF), Housing Trust Fund (HTF), and Affordable Rental Investment Fund Program (ARIF), Jackson Street Village, D2939, Saint Paul
- F. (page 147) Approval, Community Stabilization: Distressed Multifamily Rental Building Program Guide
- G. (page 191) Approval, Funding Modification, Rental Rehabilitation Deferred Loan-Upsala Swanville Apartments, D8638, Upsala and Swanville

8. Discussion Items

- A. (page 197) Key housing issues and trends and developing the 2026-2027 Affordable Housing Plan

9. Information Items

- A. (page 263) 2024 Conflict of Interest Disclosure Report
- B. (page 267) Risk Management and Internal Control Framework
- C. (page 285) Post Sale Report, Residential Housing Finance Bonds, Series 2025 AB
- D. (page 297) Post Sale Report, Rental Housing Bonds, Series 2025 B (Welch Place)

10. Other Business

None.

11. Adjournment

None.

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Draft Meeting Minutes: Minnesota Housing Board Meeting

Date: Thursday, March 27, 2025, at 1 p.m.

1. Call Attendance

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

2. Roll Call

Members present via hybrid: Auditor Julie Blaha, Chief Melanie Benjamin, Eric Cooperstein, Chair John DeCramer, Stephanie Klinzing, Stephen Spears and Terri Thao.

Minnesota Housing staff present via hybrid: Arin Adebayo, Tal Anderson, Tom Anderson, Ryan Baumtrog, Jennifer Bergman, Susan Bergmann, Judd Berthiaume, Scott Beutel, Judd Berthiaume, Laura Bolstad Grafstrom, Sondra Breneman, Sarah Broich, Stacie Brooks, Sara Bunn, Cassandra Busch, Deran Cadotte, Eric Chapin, Cindy Diel, Matt Dieveney, Diane Elias, Peter Elwell, Kathy Engstrom, Jennifer Finessgard, Sarah Foley, Jessica Fowler, Rachel Franco, Mark Freeman, Emily Fulton-Foley, Sara Gomoll, Jody Hanson, Vanessa Haight, Jody Hanson, Amanda Hedlund, Anne Heitlinger, Kang Her, Hattie Hiler, Adam Himmel, Jennifer Ho, Jon Holmseth John Hudson, Laura Jacobson, Summer Jefferson, Will Jensen-Kowski, Hannah Jirak, Dylan Johnson, Irene Kao, Tiffany Kibwota, Joshua Kirk, Greg Krenz, Laurie Krivitz, Sue Ladehoff, Debbi Larson, Ger Lee, James Lehnhoff, Ed LeTourneau, Sarah Matala, Dylan Mato, Eric Mattson, Jillian Mazullo, Don McCabe, David McGee, Leighann McKenzie, Colleen Meier, Amy Melmer, Benjamin Miles, Gary Mortensen, Judi Mortenson, Jennifer Nelson, Michael Nguyen, Matt O'Brien, Andrew Orth, John Patterson, Caryn Polito, Melissa Pugh, Rinal Ray, Cassie Reissmann-Doring, Brittany Rice, Cheryl Rivinius, Rachel Robinson, Danielle Salus, Kayla Schuchman, Nellie Sears, , Lauren Stelter, Kim Stuart, Jodell Swenson, Susan Thompson, Mike Thone, Ayo Universe, Nancy Urbanski, Kayla Vang, Teresa Vaplon, Alyssa Wetzel-Moore, Lakisha Whitson, Carole Wohlk, and Kristy Zack.

Others present via hybrid: Ramona Advani, Office of the Legislative Auditor; Melanie Johnson, CFA, Piper Sandler & Co.

3. Agenda Review

None.

4. Approval

A. Regular Meeting Minutes of February 27, 2025

Motion: Eric Cooperstein moved to approve the February 27, 2025, Regular Meeting Minutes. Seconded by Chief Benjamin. Stephen Spears abstained. Roll call was taken. Motion carries 6-0. All were in favor.

5. Reports

Chair

None.

Commissioner

Commissioner Ho shared the following with the Board:

- Welcome new employees
- Meetings
- Program Updates

Committee

None.

6. Consent Agenda

A. Board Delegation Modifications from Chief Financial Officer to Executive Finance Officer

Motion: Eric Cooperstein moved the Consent Agenda Item. Seconded by Auditor Blaha. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 6-0. All were in favor.

7. Action Items

A. Forgiveness, Urban Indian Housing Program (UIHP), Little Earth of United Tribes, D0871, Minneapolis

Adam Himmel presented to the board a request for the adoption of a resolution authorizing the forgiveness of the \$300,000 Urban Indian Housing Program loan for the Little Earth of United Tribes development. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Chief Benjamin moved Forgiveness, Urban Indian Housing Program, Little Earth of United Tribes, D0871, Minneapolis. Seconded by Terri Thao. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 6-0. All were in favor.

B. Approval, Waivers to the Workforce Housing Development Program (WHDP) Guide, City of Sandstone, D8321

Sara Bunn presented to the board a request for adoption of a resolution to waive the following funding terms from Chapter 3.02 of the Workforce Housing Development Program (WHDP) Guide for the \$3,950,000 deferred loan to the City of Sandstone for the Sandstone School Workforce Housing Project. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Stephanie Klinzing moved Approval, Waivers to the Workforce Housing Development Program Guide, City of Sandstone, D8321. Seconded by Chief Benjamin. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 6-0. All were in favor.

C. Approval, Funding Modification, Workforce Housing Development Program, City of Plainview, D8484

Sara Bunn presented to the board a request for adoption of a resolution to increase the loan amount for the City of Plainview by \$300,000, increasing the total WHDP loan from \$1,304,000 to \$1,604,000. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Terri Thao moved Approval, Funding Modification, Workforce Housing Development Program, City of Plainview, D8484. Seconded by Eric Cooperstein. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 6-0. All were in favor.

D. New Auditor Recommendation

Debbi Larson presented to the board a request for approval of the selection of Eide Bailly to perform audit services as detailed in the RFP for fiscal year 2025, with option to extend 3 additional years. Board members asked questions, and staff provided answers.

Motion: Auditor Blaha moved New Auditor Recommendation. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 7-0. All were in favor.

8. Discussion Items

A. Second Quarter FY25 Financial Update

9. Information Items

A. Single Family Annual Report of Actions Taken under Delegated Authority for CY2024

B. Multifamily Annual Report of Actions Taken under Delegated Authority for CY2024

C. Housing Stability Annual Report of Actions Taken under Delegated Authority for CY2024

D. Update FY 2024 Corrective Action Plans-Audit Findings

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:25 p.m.

John DeCramer, Chair



Item: Modification of Loan Term, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL) – Trailside Apartments (fka Mayowood Senior II), D8520, Rochester

Consent Item: 6.A
Date: 04/24/2025
Staff Contacts: Adam Himmel, 651.284.3171, adam.himmel@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the February 27, 2025 meeting, the Minnesota Housing board approved the proposed development for a commitment of financing under the LMIR program in the amount of up to \$1,595,000 and a BL in the amount of up to \$4,665,000 in Resolution No. MHFA 25-011. Agency staff recommends adoption of a resolution authorizing a modification to:

1. Reduce the term of the LMIR loan from 24 months (construction) plus 40 years to 15 months (construction) plus 40 years; and
2. Reduce the term of the BL from July 1, 2027, to July 1, 2026, and the earliest prepayment date from January 1, 2027, to January 1, 2026.

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

Fiscal Impact:

Minnesota Housing will earn interest rate spread income on the LMIR and the BL, as well as additional fee income from originating the loans for this project.

Agency Priorities:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments:

- Development Summary
- Map and Picture
- Resolution
- Second Amended and Restated Term letter

DEVELOPMENT SUMMARY

A. Project Description

Trailside Apartments is a new construction development of 36 units in Rochester sponsored and developed by Olmsted County Housing and Redevelopment Authority (Olmsted HRA). The project will provide general occupancy housing for senior households, with seven units serving High Priority Homeless (HPH) households. Thirty-six units will benefit from rental assistance from Olmsted HRA. Eighteen units will be deeply affordable to households at 30% Multifamily Tax Subsidy Projects (MTSP).

The development was approved for the commitment of a Low and Moderate Income Rental (LMIR) loan in the amount of up to \$1,595,000 and a Bridge Loan (BL) in the amount of up to \$4,665,000 in Resolution No. MHFA 25-011 at the February 27, 2025, board meeting. The term of the LMIR loan was approved to be 24 months (construction) plus 40 years. The BL was approved to be due in a balloon payment on July 1, 2027. The Term Letter provided for a prepayment date of January 1, 2027, at the earliest.

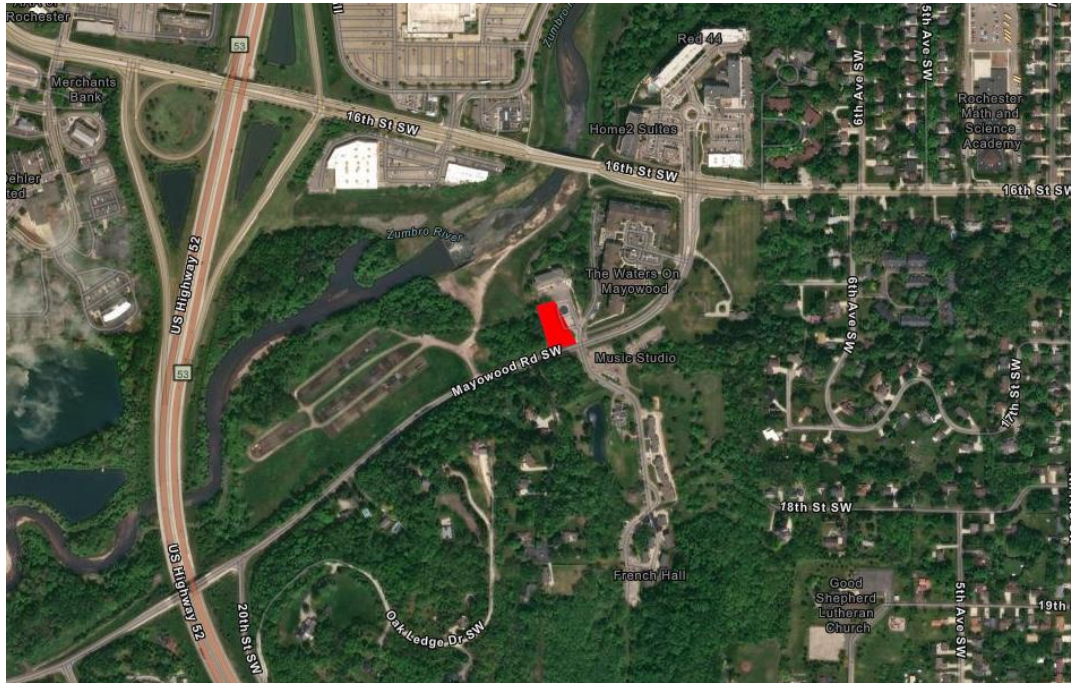
B. Recommendation

The developer received an early start acknowledgement letter from the Agency on October 31, 2024, allowing them to begin construction prior to final loan approval by the Agency. Construction on the project is now expected to be completed by late summer 2025.

Due to the accelerated construction timeline, the LMIR and BL no longer require the length of the terms previously approved by the Minnesota Housing board. If approved, the term of the LMIR will be shortened to 15 months (construction) plus 40 years, and the BL will be due on July 1, 2026. The optional prepayment date of the BL, which is specified in the Second Amended and Restated Term Letter, will be January 1, 2026. The reduced construction period is estimated to save the development approximately \$250,000 of interest expense.

The term of the Housing Infrastructure Loan will be aligned with the term of the LMIR. There are no other changes to the project.

Map of 1001 Mayowood Road SW, Rochester, MN 55902



Rendering of 1001 Mayowood Road SW, Rochester, MN 55902



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

**RESOLUTION NO. MHFA 25-xxx
Modifying Resolution No. MHFA 23-078 and MHFA 25-011**

**RESOLUTION APPROVING MORTGAGE LOAN TERM MODIFICATION
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
BRIDGE LOAN (BL) PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received a request to modify the loan term for a multifamily housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development: Trailside Apartments
Sponsors: Olmsted County Housing and Redevelopment Authority
Guarantors: Olmsted County Housing and Redevelopment Authority
Location of Development: Rochester
Number of Units: 36
Amount of LMIR Mortgage: \$1,595,000
(not to exceed)
Amount of BL: \$4,665,000
(not to exceed)

WHEREAS, the Minnesota Housing board approved the proposed development for selection and further underwriting of financing under the LMIR loan program in the amount of up to \$2,410,000 and BL in the amount of \$3,960,000 in Resolution No. MHFA 23-078; and

WHEREAS, the Minnesota Housing board approved the proposed development for a commitment of financing under the LMIR loan program in the amount of up to \$1,595,000 and BL in the amount of \$4,665,000 in Resolution No. MHFA 25-011; and

WHEREAS, Agency has determined that the LMIR Mortgage and BL terms should be modified; 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 modify the LMIR and BL commitment for the indicated development as follows:

1. The term of the permanent LMIR loan shall remain unchanged at 40 years and the construction period shall not exceed 15 months instead of a 24-month construction period; and
2. The principal on the BL will be due in a balloon payment on July 1, 2026, instead of July 1, 2027; and
3. The mortgagor shall comply with the terms set forth in the attached Second Amended and Restated Term Letter. The Commissioner is authorized to approve non-material modifications to those terms; and
4. All other terms and conditions of Resolution No. MHFA 23-078 and MHFA 25-011 remain in effect.

Adopted this 24 day of April 2025

CHAIR



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

April 24, 2025

Trailside Apartments Limited Partnership
Olmsted County Housing and Redevelopment Authority
David Dunn, Executive Director
2117 Campus Drive SE
Rochester, MN 55904

RE: Second Amended and Restated Term Letter*
Trailside Apartments
Development #D8520, Project #M19257

Dear David Dunn:

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: Trailside Apartments Limited Partnership

General Partner(s) Olmsted Holding I LLC
Managing Member(s):

Development New construction of a 36-unit affordable housing development
Description/Purpose: located in Rochester, Minnesota

*This Term Letter amends and restates, in its entirety, the previous Amended and Restated Term Letter dated February 14, 2025.

April 24, 2025

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Program	Low and Moderate Income Rental Program (LMIR) –tax-exempt bond funded*	Bridge Loan–tax-exempt bond funded *	Housing Infrastructure Appropriation (HIA)
Loan Amount	\$ 1,595,000	\$ 4,665,000	\$ 6,175,000
Interest Rate	6.375%**	Bond financing rate + 1.0% (est. 5.00%)	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable	Not Applicable
Term	Approx. 15 months (construction) + 40 years	July 1, 2026	Approx. 15 months (construction) + 40 years
Amortization / Repayment	Interest only during construction based on the full amount of the loan; 40 years	Interest only during term based on the full amount of the loan	Deferred lump sum payment due in approx. 15months (construction) + 40 years.
Prepayment Provision	No prepayment first 10 years from date of the Note.	No prepayment until January 1, 2026.	Prepay at any time with prior written approval.
Nonrecourse or Recourse	Nonrecourse	Recourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan	Construction Bridge Loan	Construction to Permanent Loan
Lien Priority	First	Second (during construction period only)	Second (3 rd during construction period)

*Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

** The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 6.375% in consultation with the Finance Division. The rate is subject to being reset at the then market rates if the loan does not close by July 30, 2025.

Origination Fees:	<ul style="list-style-type: none">• LMIR Loan: \$31,900• Bond-funded Bridge Loan: \$23,325 (payable at the earlier of loan commitment or loan closing)
Bond Issuance Fee	<ul style="list-style-type: none">• \$150,938 (payable at loan closing)
LMIR Interest Rate Extension Fee	Not applicable.
Construction Oversight Fee:	\$75,000 (payable at loan closing)
End Loan Commitment:	Not applicable.
Guarantee / Guarantor(s):	<ul style="list-style-type: none">• Bridge Loan: Completion, Repayment and Operations Guarantee from Olmsted County Housing and Redevelopment Authority• LMIR Permanent Loan: Completion, Repayment and Operations Guarantee from Olmsted County Housing and Redevelopment Authority
Operating Deficit Escrow Reserve Account:	\$47,850 to be funded on the day of closing of the LMIR loan by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Reserve Account:	Capitalized operating reserve in the amount of \$205,398 (as required by the syndicator) funded after construction completion anticipated from the third equity installments. The operating reserve will be held by Minnesota Housing.
Lease-up Reserve Account:	Capitalized lease-up reserve in the amount of \$102,696 funded after construction completion anticipated from the second equity installment. The lease-up reserve will not be held by Minnesota Housing.
Replacement Reserve Account:	Monthly replacement reserve deposits will be required in the amount of \$900. The replacement reserve will be held by Minnesota Housing.

April 24, 2025

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Escrows:	Real estate tax escrow and property insurance escrow to be established after completion of construction (outside of the development budget) and will be 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.
Rent and Income Requirements:	<p>LMIR 1st Mortgage: 36 units restricted as follows:</p> <ul style="list-style-type: none"> • 15 units with rents and incomes not exceeding 60% MTSP; • 9 units with unrestricted incomes • 12 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD. • Commitment to affordability in effect while the loan is outstanding. <p>Housing Infrastructure Appropriation Loan:</p> <ul style="list-style-type: none"> • 36 rents not exceeding 50% MTSP. The income cannot exceed 50% of the Metropolitan area median income for persons in the Metropolitan Area, or Statewide median income for persons outside the Metropolitan Area. • Commitment to construction period plus 50 years of affordability from the date of loan closing.
HAP or Other Subsidy Agreement:	Commitment to construction period plus 15 years of affordability from the date of loan closing under rental subsidy through Olmsted County Housing and Redevelopment Authority for 36 units.
Other Occupancy Requirements:	<p>HIA - Senior</p> <ul style="list-style-type: none"> • “Senior” is defined as a person 55 years of age or older, units in the project must be leased to a Senior Households with one or more Senior members and with an annual combined income not greater than 50 percent of: (i) the metropolitan area median income for persons in the metropolitan area; or (ii) the statewide median income for persons outside the metropolitan area.

- 100% of the units must be intended for and initially occupied by Seniors and at least 80% of those units must be occupied by Seniors for the term of the loan.

Other Requirements: The HIA loan is subject to the terms in the attached 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 July 30, 2025 or loan closing.

Additional Terms: Not applicable.

Other Conditions: None.

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

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 Kang Her at kang.her@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Adam Himmel at adam.himmel@state.mn.us.

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

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

April 24, 2025
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AGREED AND ACCEPTED BY:

TRAILSIDE APARTMENTS LIMITED PARTNERSHIP

By:

David Dunn, Secretary and Treasurer, Olmsted
Holding I LLC

Date Accepted: _____

Item: Approval, Single Family Rehab Program Revisions to Emergency and Accessibility Loan Program and Rehabilitation Loan Program Manuals

Action Item: 7.A
Date: 04/24/2025
Staff Contacts: Shawn James, 651-297-9509, shawn.james@state.mn.us
 Vanessa Haight, 651-297-3624, vanessa.haight@state.mn.us
Request Type: Approval, Motion

Request Summary

For the Emergency and Accessibility Loan Program (ELP), staff requests board approval to permanently increase the ELP maximum loan amount from \$15,000 to \$27,000, which was approved by the board on a temporary basis in 2020, and requests approval to make minor changes to the ELP manual for consistency and clarification purposes. In addition, staff requests board approval to make minor changes to the Rehabilitation Loan Program (RLP) manual for consistency and clarification purposes.

Fiscal Impact

The ELP Loan Program provides zero percent deferred loans, and is largely funded by state appropriations and Pool 3. The 2024-25 Affordable Housing Plan (AHP) projected \$15.5 million in resources for Rehabilitation Loan Program (RLP) and ELP program over the two-year period.

We do not anticipate an impact to production by formalizing the maximum loan amount of \$27,000 since it has been in place via a temporary waiver since 2020.

Agency Priorities

- | | |
|---|---|
| <input type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background & Request Details
- Proposed Amendments to RLP Procedural Manual
- Proposed Amendments to ELP Procedural Manual

Background

The Emergency and Accessibility Loan Program (ELP) provides funding for eligible low-income homeowners, through participating lenders, for improvements that directly address an emergency condition or fund an accessibility improvement.

In 2020, the board approved temporarily waiving the \$15,000 maximum loan limit to allow homeowners to borrow up to the statutory limit of \$27,000. The ongoing rise of materials, labor and overall projects had resulted in homeowners needing more financial resources to ensure the safety, habitability, energy efficiency and accessibility of their home. During the 2024 AHP, approximately 62% of ELP loans were greater than \$15,000. By increasing the ELP loan limit, homeowners have been able to quickly address health and safety hazards in their homes and remain housed. The ELP program serves households at or below 30% Area Median Income (AMI) and in many cases the ELP program can be the homeowner's last and or only option to address their housing repair needs.

We anticipate the proposed changes will be received positively by lenders as they will increase efficiency and predictability, eliminating the need for them to contact staff for a system override. The proposed program changes are also anticipated to support households with limited resources and the most need.

Request Details

The changes below are recommended for the ELP Manual:

- Permanently increase the ELP maximum loan amount from \$15,000 to \$27,000. This maximum loan amount falls within the maximum amount of \$37,500 set by Minnesota Statute Section 462A.05, subd. 14a.
- Rehabilitation must be completed within 12 months of loan closing unless Minnesota Housing issues a written extension.
 - Currently the ELP manual states that the improvements must be completed within 12 months of the loan commitment. Staff recommends revising this to require completion of the improvements within 12 months of loan closing, to align with the RLP manual.
- The Agency's current eSignature Policy, Legal Addendum, Values Statement, and document accessibility best practices.
- Minor clarifications and non-substantive edits by the Legal division.

Additionally, staff requests approval of updates to the RLP Manual to reflect the following:

- The Agency's current eSignature Policy, Legal Addendum, Values Statement, and document accessibility best practices in both manuals.
- Minor clarifications and non-substantive edits by the Legal division.

If the proposed changes are approved for the RLP and ELP manuals, staff anticipates implementing them on May 1, 2025.



Rehabilitation Loan Program Procedural Manual

May 1, 2025



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

An equal opportunity employer.

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

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Chapter 1 – Introduction

1.01 Background

The Minnesota Legislature created Minnesota Housing, the state’s housing finance agency, in 1971. We finance housing that low and moderate-income Minnesotans can afford while helping Minnesotans buy and fix up their homes

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

Minnesota Housing created the Rehabilitation Loan Program (the “Program”) to complement loan programs available in the private sector by filling 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.

1.02 Mission Statement

Housing is foundational to a full life and a thriving state, so we equitably collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

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

1.03 Values Statement

All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making,
- Listen and share the power we have,
- Honor, respect and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.

1.04 Procedural Manual

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

1.05 Rehabilitation 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 the safety, habitability, livability, or energy efficiency of the home, or for the replacement of Manufactured Homes.

- Safety: Rehabilitation improvements which address conditions in the home that can cause danger or risk of injury.
- Habitability & Livability: Rehabilitation improvements which address basic needs and are of average/median grade or quality.
- Energy Efficiency: Rehabilitation improvements which reduce overall energy use while providing the same or a higher level of performance, comfort and convenience.

Existing residential housing is inspected using Minnesota Housing's Single Family Rehabilitation Standard ("Rehabilitation Standard" see [Forms Guide and Glossary](#)). Deficiencies cited in any property inspection under the Rehabilitation Standard must be prioritized and addressed- as funding allows. Homeowners requiring assistance of an emergency nature will be referred to the Minnesota Housing Emergency and Accessibility Loan Program.

~~Rehabilitation improvements which address conditions in the home that can cause danger or risk of injury.~~

~~Rehabilitation improvements which address basic needs and are of average/median grade or quality.~~

~~Rehabilitation improvements which reduce overall energy use while providing the same or a higher level of performance, comfort and convenience.~~

Chapter 2 – Partner Responsibilities and Warranties

2.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Rehabilitation Loan Program Participation Agreement (the “Participation Agreement”) executed between the Lender and Minnesota Housing. 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 may grant waivers, alterations or revisions at its sole discretion.

2.02 Compliance with Privacy Act Statutes

The Minnesota Government Data Practices Act:

- Requires the Lender to supply Borrower(s) with the Tennesen Warning and the Privacy Act Notice when requesting private data; 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.

2.03 Unauthorized Compensation

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

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

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.

2.04 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. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased.

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.

2.05 Termination of a 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 the 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 the Lender's nonperformance.

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

2.06 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, or laws 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);
- Data Privacy - Minnesota Statutes Chapter 13;
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- 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; and
- Real Estate Settlement Procedures Act of 1974.

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

- The Lender will comply with the [Minnesota Housing Lead Based Paint Guidebook](#), found on the Minnesota Housing website;
- 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 and will continue to comply with all terms and conditions in the Participation Agreement and this Procedural Manual for each loan processed 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;
- 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; and

The Lender ~~also~~ agrees that the person who ~~confirms on~~ accesses 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; ~~and~~ . When a Lender completes the True and Certify process in the loan commitment system, the Lender ~~has~~ certifies that it 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.

2.07 Lender Compensation

The Lender is compensated for each loan purchased by Minnesota Housing at a rate of \$2,500, plus 5% of the loan amount per loan.

2.08 Selection of Contractors

The Lender may not choose the contractor. Borrower(s) are responsible for the selection of any contractor who will be involved in completing rehabilitation improvements on the property.

Chapter 3 – Borrower Eligibility

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.

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

3.02 Co-Signers

Co-signers are not permitted on Program loans.

3.03 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.

Borrower(s) under this Program must have clear title to the subject property as outlined in Section 5.06 of this Procedural Manual.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A community land trust;
- Vendee interest in a recorded contract-for-deed;
- An approved tribal residential lease on tribal lands;
- A Manufactured Home taxed as real property;
- A Manufactured Home taxed as personal property and located in a Manufactured Home park;
- or
- A Manufactured Home with an approved tribal residential lease located on tribal lands.

In the case of a contract-for-deed, the Borrower(s) must get prior approval from contract for deed vendor. Vendor will be required to sign the Mortgage as an Accommodation Party

Title may be held as follows:

- Individually;

- Joint Tenants;
- Tenants in common; or
 - A recorded life estate, excluding remainderman.
 - Remainderman will be required to sign the Mortgage as an Accommodation Party.

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

- Shares in a ~~€~~cooperative ~~€~~corporation;
- Ownership by any form of trust; or ~~and~~
- Ownership subject to a reverse mortgage.

3.04 Occupancy Requirements

The Borrower(s) must have owned and occupied the property as their Principal Residence for at least six months prior to applying for the Program loan. Further, the Borrower(s) must maintain ownership and title to the property and reside in the property as their Principal Residence during the term of the loan.

3.05 Rehabilitation Loan Program Application

All Borrower(s) must apply for the Program through an approved Lender.

3.06 Prior Minnesota Housing Assistance

A Borrower who has previously received financing through the Program for ~~r~~Rehabilitation or manufactured home replacement is ineligible to receive further financing through this Program for rehabilitation for five years from the loan closing date with exceptions for emergency situations as determined in the sole discretion of Minnesota Housing.

A Borrower who has previously received financing through the Program for only rehabilitation is eligible to receive financing through this Program for Manufactured Home replacement.

3.07 Eligibility Income

Gross annual household income includes, but is not limited to, the gross annual projected household income of all residents ages ~~18~~ eighteen and over who reside in the household, before taxes or withholdings less deductible expenses allowed.

The Lender must use the [Income Eligibility Calculation Worksheet](#) to calculate the gross annual household income. The Income Eligibility Calculation Worksheet must be retained in the loan file. The gross household income may not exceed the amounts listed on [Minnesota Housing's website](#) as of the date of the loan application.

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

Documentation of the gross annual household income must be verified at the time of the loan application. The Lender does not need to reverify documentation of the gross annual household income if the Lender closes the loan within 12 months of Borrower application. The Borrower(s) must execute the Borrower Attestation within 10 days of the loan closing date attesting that there has not been a substantial change to the gross annual household income as stated on the loan application. If the Lender closes the loan 12 months or later after Borrower application, the Lender must reverify the gross annual household income and the Borrower(s) must submit updated documentation of the gross annual household income.

3.08 Maximum Asset Limit

The total assets of all residents in the household may not exceed \$25,000 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 or the replacement Manufactured Home 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.

Documentation of the household resident(s) assets of all residents eighteen years of age or older who reside in the household. The household resident(s) assets must be verified at the time of the loan application. The Lender does not need to reverify documentation of the Borrower's assets if the Lender closes the loan within 12 months of Borrower application. The Borrower(s) must execute the Borrower Attestation within 10 days of the loan closing date attesting that there has not been a substantial change to the Borrower's assets. If the Lender closes the loan 12 months or later after Borrower application, the Lender must reverify the Borrower's assets and the Borrower must submit updated documentation of the Borrower's assets.

3.09 Credit Requirements

Credit reports are not required by Minnesota Housing.

Borrower(s) must be current on all property tax payments, mortgage loan payments and on any liens against the subject property 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;
- 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.

There are no additional credit requirements. A Borrower's credit history outside of their mortgage should not be used to determine the Borrower's eligibility.

3.10 Separated Spouses

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

Examples of separated spouse documentation include:

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

Chapter 4 – Property Eligibility

4.01 Eligible Properties

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

- Single- family detached home;
- Duplex;
- One-~~unit dwelling in a~~ planned unit development (PUD) unit;
- Condominium unit;
- Townhome; or
- Manufactured Homes that meet the requirements outlined in Section 3.034.

The Borrower must occupy one unit of a duplex property. Any improvements that benefit only the rental unit of a duplex must have prior written approval by Minnesota Housing.

If the property is a condominium or townhome, only the portion of the real estate owned by the Borrower is eligible for financing under this Program. The common areas owned by an association are not eligible.

4.02 Ineligible Properties

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

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

4.03 Property Inspections

The Lender must conduct inspections of the property as follows:

- The first inspection must be made using the Rehabilitation Standards in the [Forms Guide and Glossary](#) in order to determine the property’s deficiencies without regard to lead-based paint hazards. The results of the inspection are used to prepare the initial scope of work.
- If required, lead-based paint inspections or tests must be completed according to the [Lead-Based Paint Guide for Applicable Single Family Programs](#). If required per the Lead-Based Paint

Guide for Applicable Single Family Programs, lead-based paint hazard reduction must be added to the scope of work.

- Additional inspections must 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.

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

4.04 Local Ordinances and Plans

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

Chapter 5 – Loan and Rehabilitation Eligibility

5.01 Loan Eligibility

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

5.02 Interest Rate and Amortization

Generally, loans under this Procedural Manual are interest-free, deferred loans which are forgiven at the end of the loan term. However, if the Borrower(s) sell, transfer title or cease to occupy the property as their Principal Residence during the loan term, the loan will become due and payable.

5.03 Loan Amounts

~~The m~~Minimum loan amount is \$1,000.

~~The m~~Maximum loan amount ~~may not exceed is~~ \$37,500.

5.04 Mortgage Term

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

- The loan term for properties taxed as real estate is 15 years.
- The loan term for Manufactured Homes:
 - Taxed as real property is 15 years;
 - Taxed as personal property and located within a Manufactured Home park is 10 years;
or
 - Taxed as personal property with an approved tribal residential lease located on tribal lands is 10 years.

5.05 Loan Security

Any mortgage for a property taxed as real estate must be recorded within 30 days after the closing date. The Lender must 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 must be secured with a lien against the title to the Manufactured Home.

In the event there are changes in the loan amount, the Lender must follow the change order requirements in Section [45.08](#).

5.06 Title Requirements

The Lender is required to verify:

- 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
 - Through documentation of ownership provided by tribal government; or
 - Via an Owners and Encumbrances report; and
- Existing liens, if any, on the property.

5.07 Rehabilitation Requirements

Each rehabilitation improvement must be a permanent general improvement made in compliance with all applicable state, county and municipal or tribal government health, housing, building, fire prevention and housing maintenance codes or other public standards.

Prior to rehabilitation, properties must be inspected to the Rehabilitation Standard ([Forms Guide and Glossary](#)) to determine any deficiencies.

Rehabilitation must comply with the [Lead-Based Paint Guide for Applicable Single Family Programs](#).

All rehabilitation improvements must be prioritized in a written scope of work and must correlate to the deficiencies identified during the Rehabilitation Standard ([Forms Guide and Glossary](#)) inspection and includes all applicable lead-based paint hazard reduction activities.

At least two bids from Minnesota-licensed building contractors must be solicited based on the written scope of work. Bids from Tribal government approved contractors are allowed if the property is located on tribal lands. In general, the lowest, reasonable bid should be selected. If the lowest, reasonable bid is not selected, the Lender and Borrower must document written justification for not selecting the lowest, reasonable bid.

All rehabilitation improvements must be completed by contractors licensed in the State of Minnesota or Tribal government approved contractors except a homeowner need not be licensed when homeowner labor is involved.

A written construction contract must be executed between the contractor and the Borrower.

All rehabilitation improvements must comply with the [Green Communities Scope of Work Addendum](#).

Rehabilitation improvements to Manufactured Homes must comply with Minnesota State Building Code (Minnesota Rules Part 1350.3800) which addresses the distinction between a Construction Alteration and a Repair and the different licensing requirements attendant to each improvement.

After completion of rehabilitation, eligible properties must:

- The funds received may not necessarily bring the home up to code or address all deficiencies.
- Any rehabilitation must meet the description of the work provided by the inspector on the Rehabilitation Standard.
- Meet the lead-based paint requirements in the [Lead-Based Paint Guide for Applicable Single Family Programs](#), if applicable.

5.08 Change Orders

After the loan has closed changes in the scope of work are not allowed unless unanticipated deficiencies are found during the rehabilitation which will cause further damage to the home if not addressed. Any changes to 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 as referenced in Section [76.02](#) of this Procedural Manual.

5.09 Sworn Construction Statement and Lien Waivers

General contractors are required to execute a sworn construction statement.

The Lenders must obtain lien waivers for all work performed and all materials supplied by:

- General contractors;
- Subcontractors; [and](#)
- Materials suppliers~~(s)~~.

5.10 Completion Certificate

Upon completion of rehabilitation, the Lender and the Borrower must execute the Completion Certificate provided by Minnesota Housing. Rehabilitation must be completed within 12 months of loan closing unless Minnesota Housing issues a written extension.

5.11 Homeowner Labor

Homeowner labor is permitted provided the Lender is satisfied the Borrower is capable of and willing to perform the labor.

The Borrower must execute a [Work Program Agreement](#). The materials list must include evidence of the actual cost of the materials required to complete the necessary improvements.

The Lender must perform at least one interim inspection in addition to the initial and final inspections otherwise required.

The Borrower may not be paid or be reimbursed for the cost of labor performed by the Borrower or other household residents.

5.12 Eligible Improvements

Eligible rehabilitation improvements must be directly related to the habitability (address basic needs), safety (conditions that can cause danger or risk of injury in the home), and be of average or medium grade or quality.

Eligible improvements include, but are not limited to:

- Accessibility-related improvements;
- Energy efficiency-related improvements which reduce overall energy use while providing the same or a higher level of performance and comfort;
- Lead hazard mitigation;
- Radon mitigation;
- Smoke detectors/alarms;
- Carbon monoxide detectors/alarms;
- Structural improvements;
- Electrical improvements;
- Plumbing improvements;
- Drainage, grading, and gutters;
- Roofing, soffits, and fascia,
- Siding;
- Windows and doors;
- Insulation;
- Furnaces and other heating systems;
- Wall and ceiling repair;
- Flooring; or
- Other improvements as approved in writing by Minnesota Housing.

The following rehabilitation improvements are eligible only under the circumstances described below. Prior written approval is not necessary to complete the improvements below if the circumstances described are met. The Lender must document in the file that the improvement was necessary due to one or more of the circumstances below.

- Replacement of kitchen cabinets or bathroom vanities when an accessibility need exists; lead hazards cannot be addressed any other way; the repair of existing cabinets or vanities is not feasible or cost reasonable; or, existing kitchen cabinets do not allow for adequate food storage.
- Replacement of kitchen counter tops when an accessibility need exists, the existing countertop presents a clear health or safety hazard; or there is not adequate space for food preparation.
- Replacement of decorative trim when lead hazard reduction is required.
- Work on existing garages when a medical or accessibility need exists; lead hazard reduction is required; or, required by the local building code and evidence of the code violation is presented.
- Reconstruction of existing garages when a medical or accessibility need exists.
- Demolition of outbuildings when lead hazard reduction is required; or required by the local building code and evidence of the code violation is presented.
- Construction or reconstruction of sidewalks and driveways when existing conditions present a clear and imminent safety hazard. Repair is limited to the portion of sidewalks and driveways on the Borrower's property.
- New central air conditioner installation when a medical or accessibility need exists.
- Walk-in bathtubs when a medical or accessibility need exists.

Home Additions are reviewed on a case-by-case basis. The following list details circumstances under which Minnesota Housing might approve a Home Addition:

- An accessibility-related Home Addition when a medical or accessibility need exists
- A bathroom Home Addition when the home has an inadequate bathroom
- A kitchen Home Addition when the home's existing kitchen facilities are a health or safety hazard
- A bedroom Home Addition when over-crowding exists because there is an average of more than one person per room (excluding the bathroom and kitchen)

Exceptions are at Minnesota Housing's sole discretion. The Lender must demonstrate that alternative remedies have been evaluated and are not feasible. If an exception is granted, Minnesota Housing will provide the approval in writing. The written approval from Minnesota Housing must be retained in the loan file.

5.13 Ineligible Improvements

Ineligible rehabilitation improvements include but are not limited to:

- Construction of garages (except when a medical or an accessibility need exists);
- Installation of new decorative trim (except when replacement of existing decorative trim is necessary for lead hazard reduction);

- Hard-wired microwave ovens;
- “Luxury” improvements, which are improvements of a type exceeding that customarily used in the locality for properties of the same type as the property to be rehabilitated (swimming pool, outdoor hot tub, etc.);
- Public improvement assessments;
- Improvements that do not become a part of the real property, including but not limited to, appliances such as freestanding refrigerators and stoves; or
- Any improvements already in place.
- Loan proceeds may not be used to pay off any existing debt.

5.14 Manufactured Home Replacement

The purchase of a replacement Manufactured Home that is free of deficiencies that would affect the safety, habitability, and livability of a home is an eligible use of funds.

The following uses related to the replacement of a Manufactured Home include, but are not limited to:

- Demolition and removal of the existing Manufactured Home;
- Transportation and installation of a replacement Manufactured Home; and
- Utility connections of replacement Manufactured Home.

The replacement Manufactured Home must be in compliance with all applicable federal, state, county and municipal manufactured home safety and construction codes, regulations, or other public standards including the Minnesota Manufactured Home Building Code.

All aspects of Manufactured Home replacement must be completed, including installation and utility connections of the replacement manufactured home within six months from the date of closing. Extensions are at Minnesota Housing’s sole discretion. The Lender must request an extension and provide a good cause for the extension. If an extension is granted, Minnesota Housing will provide the approval in writing. The written approval from Minnesota Housing must be retained in the loan file.

5.15 Other Eligible Costs

Other eligible improvements may include, but are not limited to:

- The costs of required radon tests, pre-rehabilitation energy audits, post-rehabilitation blower-door tests, lead-based paint inspections and remediation,
- Recording fees, mortgage registration tax and title search costs may be collected from the Borrower or ~~may~~ be included in the loan amount so as long as the Program loan amount maximum is not exceeded. No other fees may be charged to the Borrower.

5.16 Non-Complying Loans

Minnesota Housing shall have the right to take one or more of the following actions in the event the 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 outstanding balance and any fees paid to the Lender;
- Terminate, suspend, or otherwise limit the Participation Agreement with Minnesota Housing;
or
- Preclude the Lender from future participation in Minnesota Housing programs.

5.17 Repurchase of Loans

Minnesota Housing at its option, may tender any loan 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 business days to submit payment to Minnesota Housing for the unpaid principal balance, submit payment for fees paid to the Lender in the sale of the loan, and submit payment for reasonable expenses incurred by Minnesota Housing, including attorney 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 – Commitment and Disbursement

6.01 Program Funds

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

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

The Lender commits funds on a first-come, first-served basis.

Individual 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.

6.02 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 cCommitment sSystem](#) no later than the last day a Commitment is valid.

6.03 Modifying a Commitment

- Changes to a loan must be updated in the [Loan cCommitment sSystem](#) 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 and/or the property address are not permitted.
- An increase in the loan amount will be allowed only if funds are available to accommodate the change.

6.04 Canceling a Commitment

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

6.05 Minnesota Housing Disbursement of Funds

Minnesota Housing will purchase loans that, by the daily cutoff time, have been Purchase 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.

The 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.

6.06 Loan Purchase Corrections

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

Chapter 7 – Documentation Requirements

7.01 Loan Processing and Closing

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

- Loans must be closed and required pre-close review documents must be reviewed for compliance by Minnesota Housing prior to completing the True and Certify process in the [Loan Commitment System](#).
- Minnesota Housing forms must be used as outlined in the [Forms Guide and Glossary](#).
- 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
 - Tribal government and Bureau of Indian Affairs
 - Manufactured Homes taxed as personal property and located within a Manufactured Home park require a completed Public Safety Form 2017 (PS2017) 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 Modification and Loan Corrections

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

7.03 Minnesota Housing Documentation and 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 allowed by law. Minnesota Housing may also, at its discretion, extend the timeframes.

7.04 Documentation and Data Requirements

The Lenders participating in the Program are required to track all applicants and maintain sufficient documentation to show compliance with federal Fair Housing laws. The following data must be gathered for each transaction:

- Application date;
- Applicant's full name;
- Single head of household information; and
- Reason the loan commitment is canceled, if applicable.

To better understand and address the disparity gap, the agency is required to collect, on a voluntary basis, demographic information regarding race, color, national origin, and sex of applicants for Agency programs intended to benefit homeowners and homebuyers.

All forms listed in the [Loan File Requirements Checklist](#) 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](#).

7.05 Records Retention

The Lender must retain all loan documents in compliance with federal regulatory guidelines. The Lender is required to make loan records available for inspection by Minnesota Housing for a period of six 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.

Appendix A: Defined Terms

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

Table 1: Defined terms used in the RLP Program [Procedural Manual](#)

Term	Definition
Accommodation Party Parties	An owner of the property who is not a Borrower on the note, such as a non-purchasing spouse.
Borrower	The recipient of loan funds from the Program.
Commitment	A Commitment of funds from Minnesota Housing with specific terms and conditions applied to a specific Borrower and a specific property.
Construction Alteration (Manufactured Housing)	Pursuant to the Minnesota State Building Code (Minnesota Rules Part 1350.0100) "... replacement, addition, modification or removal of any equipment or installation which may affect the construction, plumbing, heating, cooling, fuel-burning system, electrical system or the functioning of any of these in manufactured homes subject to the code".
Home Addition	The addition of livable space which is achieved through an actual expansion of square footage to the home, or by finishing off unfinished or partially unfinished square footage in an existing area of the home.
Lender	A lender under contract to participate in the Program.
Manufactured Home	Manufactured Home as defined in Minn. Stat. 327.31, subd. 6.
Minnesota Housing	Refers to Minnesota Housing Finance Agency.
Participation Agreement	The contract executed between the Lenders 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 the Borrower's household.
Program	The Rehabilitation Loan Program.
Rehabilitation Standard	Refers to the Single Family Rehabilitation Standard form.
Remainderman	The person who inherits property when someone passes away and has executed a life estate deed.
Repair (Manufactured Housing)	Any improvement other than those outlined in the definition of Construction Alteration including, (according to Minnesota State Building Code (Minnesota Rules Part 1350.3800))" repairs with approved components or parts; conversion of listed fuel-burning appliances in accordance with the terms of their listing, adjustment and maintenance of equipment or replacement of equipment in kind."
Servicer	A company selected by Minnesota Housing to service loans assigned to Minnesota Housing pursuant to its mortgage loan programs.
Sworn Construction Statement	A document where a contractor, lists all supplies and labor on a project, along with the amounts due

Term	Definition
<u>True and Certify</u>	<u>The loan-level process in the loan commitment system completed by the Lender that certifies all the information entered into the system is true and accurate.</u>

Appendix B: Legal Addendum

B.01 Conflict and Control

In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.

B.02 Fraud

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

Any person or entity (including its employees and affiliates) that enters into a contract 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 communication channels described in section B.07.

B.03 Misuse of Funds

A contracting party that receives funding from Minnesota Housing promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

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

Any recipient (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 communication channels described in section B.07.

B.04 Conflict of Interest

A conflict of interest – Actual, Potential or Appearance of a Conflict of Interest – 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 Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.

- Actual Conflict of Interest: An Actual Conflict of Interest occurs when a person’s decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- Potential Conflict of Interest: A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- Appearance of a Conflict of Interest: The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person’s personal interest, affiliation or relationship inappropriately influenced that person’s action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes 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 Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- Business: Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- Family Member: A person’s current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person’s household.
- Friend: A person with whom the individual has an ongoing personal social relationship. “Friend” does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. “Friend” does not include mere acquaintances (i.e., interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- Outside Interest: An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- Partner: A person’s romantic and domestic partners and outside Business partners.
- Relative: Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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 a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section B.07.

B.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section B.04;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section B.04.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section B.07.

B.06 Suspension

By entering into any contract 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 contract) 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 (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

B.07 Disclosure and Reporting

Minnesota Housing promotes a “speak-up, see something, say something” culture whereby internal staff must immediately report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (e.g., administrators, grantees or Borrower(s)) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation using these same communication channels.

- Minnesota Housing’s Chief Risk Officer at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;
- Any member Minnesota Housing’s Servant Leadership Team, as denoted on Minnesota Housing’s current organizational chart (Go to mnhousing.gov, scroll to the bottom of the screen and select About Us, select Servant Leadership Team); or
- Report Wrongdoing or Concerns (mnhousing.gov) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

B.08 Electronic Signatures

Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

B.09 Fair Housing Policy

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

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real-estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

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

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

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

B.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.



Emergency and Accessibility Loan Program Procedural Manual

May 1, 2025



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

An equal opportunity employer.

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

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Chapter 1 – Introduction

Background

The Minnesota Legislature created Minnesota Housing, the state’s housing finance agency, in 1971. We finance housing that low and moderate-income Minnesotans can afford while helping Minnesotans buy and fix up their homes.

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

The Emergency and Accessibility Loan Program (ELP) (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, and 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.

Mission Statement

Housing is foundational to a full life and a thriving state, so we equitably collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

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

Values Statement

All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making,
- Listen and share the power we have,
- Honor, respect and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.

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 ~~ELP~~ 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 2 – Partner Responsibilities and Warranties

2.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Emergency and Accessibility Loan Program Participation Agreement (the “Participation Agreement”) executed between the Lender and Minnesota Housing.

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 may grant waivers, alterations or revisions at its sole discretion.

2.02 Compliance with Privacy Act Statutes

The Minnesota Government Data Practices Act:

- Requires the Lender to supply Borrower(s) with the Tennesen Warning and the Privacy Act Notice when requesting private data; 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.

2.03 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.

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.

2.04 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. 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 the complete loan package with all documentation that was used to originate and close the loan. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased.

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.

2.05 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; or
- 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.

2.06 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);
- Data Privacy - Minnesota Statutes Chapter 13;
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- 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; and
- Real Estate Settlement Procedures Act of 1974.

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;
- After reasonable inspection, the Lender has no knowledge that any improvement funded by the loan are in violation of applicable zoning ordinances, building ordinances, laws or regulations; and

The Lender ~~also~~ agrees that the person who ~~confirms on~~ accesses the ~~Minnesota Housing L~~ loan ~~C~~ commitment S system on behalf of the Lender is fully conversant with Minnesota Housing Program requirements, and has the authority to legally bind the Lender; ~~and the~~ When a Lender completes the True and Certify process in the loan commitment system, the Lender ~~has~~ certifies that it 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.

2.07 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.

2.08 Selection of Contractors

The Lender may not choose the contractor. Borrower(s) are responsible for the selection of any contractor who will be involved in completing rehabilitation on the property.

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.

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

~~Borrower Age~~

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

3.02 Co-Signers

Co-signers are not permitted on Program loans.

3.03 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.

Borrower(s) 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;
- An approved tribal residential lease on tribal lands;
- A Manufactured Home taxed as real property;
- A Manufactured Home taxed as personal property and located in a Manufactured Home park;
- or
- A Manufactured Home with an approved tribal residential lease located on tribal lands.

~~In the case of a contract-for-deed, the Borrower(s) must get prior approval from contract for deed vendor, The Vendor will be required to sign the Mortgage as an Accommodation Party.~~

Title may be held in the following ways:

- Individually;
- Joint Tenants;
- Tenants in Common; or
- A recorded life estate, excluding remaindermen
 - Remaindermen will be required to sign the Mortgage as an Accommodation Party.

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

- Shares in a ~~Co~~operative ~~Co~~poration;
- An ownership interest by any form of trust; or
- An ownership interest subject to a reverse mortgage.

3.04 Occupancy Requirements

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

3.05 Emergency and Accessibility Loan Program Application

All Borrower(s) must apply for the Program through an approved Lender.

3.06 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 ELP funds assuming all loan requirements have been met and an Emergency Condition or Accessibility Improvement has been identified.

3.07 Eligibility Income

Gross annual household income includes, but is not limited to, the gross annual projected household income of all residents ages ~~18~~ eighteen and over ~~who that~~ reside in the household, before taxes or withholdings less deductible expenses allowed.

The Lender must use the [Income Eligibility Calculation Worksheet](#) calculate the gross annual household income. The Income Eligibility Calculation Worksheet must be retained in the loan file. The gross annual household income may not exceed the amounts listed on [Minnesota Housing's website](#) as of the date of loan application. If a Borrower's gross annual household income is zero or a negative amount, the Borrower is ineligible for financing.

Documentation of the gross annual household income must be verified at the time of the loan application. The Lender does not need to reverify documentation of the gross annual household income if the Lender closes the loan within 12 months of Borrower application. The Borrower(s) must execute the Borrower Attestation within 10 days of the loan closing date attesting that there has not been a substantial change to the gross annual household income. If the Lender closes the loan 12 months or later after Borrower application, the Lender must reverify the gross annual household income and the Borrower(s) must submit updated documentation of the gross annual household income.

3.08 ~~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 ~~S~~savings ~~B~~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.

Documentation of the household resident(s) Borrower's assets of all residents eighteen years of age or older who reside in the household. The household resident(s) assets must be verified at the time of the loan application. The Lender does not need to reverify documentation of the Borrower's assets if the Lender closes the loan within 12 months of Borrower application. The Borrower(s) must execute the Borrower Attestation within 10 days of the loan closing date attesting that there has not been a substantial change to the Borrower's assets. If the Lender closes the loan 12 months or later after

Borrower application, the Lender must reverify the Borrower's assets and the Borrower(s) must submit updated documentation of the Borrower's assets.

3.09 Credit Requirements

Credit reports are not required by Minnesota Housing.

Borrower(s) must be current on all property tax payments, mortgage loan payments, and on any liens against the subject property projects 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; or
- 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.

There are no additional credit requirements. A Borrower's credit history outside of their mortgage may not be used to determine the Borrower's eligibility.

3.10 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~~ or
- Verification of separate Principal Residence and absence of joint accounts.

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~~sSingle-family detached home;
- ~~A~~dDuplex;
- ~~An eligible unit in a~~One planned unit development (PUD) unit;
- ~~A unit of a~~cCondominium unit;
- ~~A~~tTownhome; or
- ~~Certain~~ Manufactured Homes that meet the requirements outlined in Section 3.034.

The Borrower must occupy one unit of a duplex property. 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.-

If the property is a condominium or townhome, only the portion of the real estate owned by the Borrower is eligible. The common areas owned by the association are not eligible.

4.02 Ineligible Properties

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

- Properties containing three or more units;
- Properties intended to be used as an investment property (except the rental of a second unit in a duplex); and
- Properties intended for recreational use;
- 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 and is used to prepare the initial ~~S~~scope of ~~W~~work.
- Additional inspections must demonstrate that construction has been completed according to the ~~S~~scope of ~~W~~work and that the quality of the work is satisfactory. The Lender may conduct additional inspections as work is completed.

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 necessary permits must be obtained.

Chapter 5 – Loan ~~and~~ 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 Interest Rate ~~and~~ 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(s) sell, transfer title or cease to occupy the property as ~~his/her~~ their Principal Residence during the loan term, the loan will become due and payable.

5.03 Program Loan Amount

Minimum loan amount is \$1,000.

Maximum loan amount is ~~\$27,000~~ 15,000.

5.04 Mortgage Term

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

- The loan term for properties taxed as real property is 15 years.
- The loan term for Manufactured Homes:
 - Taxed as real property is 15 years;
 - Taxed as personal property and located within a Manufactured Home park is 10 years;
 - or
 - Taxed as personal property with an approved tribal residential lease located on tribal lands is 10 years.

5.05 ~~Security for the Loan~~ Security

All loans for properties taxed as real estate must be secured with a mortgage which must be recorded within 30 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 must be secured with a lien against the title to the Manufactured Home.

In the event there are changes in the loan amount, the Lender must follow the Exchange Order requirements in Section 5.08.

5.06 Title Requirements

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
 - Through documentation of ownership provided by tribal government approved by Minnesota Housing; or
 - Via an Owners and Encumbrances report; and
- Any existing liens, if any, on the property.

5.07 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 or tribal government approved 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 or tribal government approved contractors.
- 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 or tribal government 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.

5.08 Change Orders

After the loan has closed ~~C~~changes in the ~~S~~scope of ~~W~~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 ~~S~~scope of ~~W~~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 as referenced in Section 7.02 of this Procedural Manual.

5.09 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 g~~General contractors;
- Subcontractors; and
- Materials suppliers.

5.10 Completion Certificate

Upon completion of rehabilitation, the Lender and the Borrower must execute the Completion Certificate provided by Minnesota Housing. Rehabilitation must be completed within 12 months of loan ~~Commitment closing~~ unless Minnesota Housing issues a written extension.

5.11 Homeowner Labor

Homeowner labor is not permitted ~~with 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 Household Resident with a Disability from inhabiting the home.

Other Emergency Conditions that could cause the home to be or become uninhabitable, including demolition of structurally unsound outbuildings and home additions intended to accommodate a Household Resident with a Disability 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 Ineligible ~~Rehabilitation~~ Improvements

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

- Installation of new decorative trim (except when replacement of existing decorative trim is necessary for lead hazard reduction);
- Hard-wired microwave ovens;
- “Luxury” improvements, which are improvements of a type exceeding that customarily used in the locality for properties of the same type as the property to be rehabilitated (swimming pool, outdoor hot tub, etc.);
- Public improvement assessments;
- Improvements that do not become a part of the real property, including but not limited to, appliances such as freestanding refrigerators and stoves; and
- Any improvements already in place. Loan proceeds may not be used to pay off existing debt.

5.14 Other Eligible Costs

~~Other eligible improvements could include, but are not limited to:~~

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 the Program loan amount maximum is not exceeded. No other fees may be charged to the Borrower.

5.15 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.

5.16 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, submit payment for fees paid to the Lender in the sale of the loan, and submit payment for reasonable expenses incurred by Minnesota Housing, including attorney 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 ~~and~~ Disbursement

6.01 Program Funds

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.

6.02 Loan Commitments

~~In order to~~ 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 valid.

6.03 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.

6.04 Canceling a Commitment

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

6.05 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.

The 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.

6.06 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 Requirements

7.01 Loan Processing and Closing

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

- Minnesota Housing forms must be used as outlined in the [Forms Guide and Glossary](#).
- 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
 - Tribal government and Bureau of Indian Affairs
 - 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 and/or after the loan has been recorded.

7.03 Minnesota Housing Documentation and 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 other such remedy as identified in this Procedural Manual or the Participation Agreement. Minnesota Housing may also, at its discretion, choose to extend the timeframes.

7.04 Documentation and Data Requirements

The Lenders participating in the Program are required to track all applicants and maintain sufficient documentation to show compliance with federal Fair Housing laws. The following data must be gathered for each transaction:

- Application date;
- Applicant's full name;
- Single head of household information; and
- Reason the loan commitment is canceled, if applicable.

To better understand and address the disparity gap, the agency is required to collect, on a voluntary basis, demographic information regarding race, color, national origin, and sex of applicants for agency programs intended to benefit homeowners and homebuyers.

All forms listed in the [Loan File Requirements Checklist](#) 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](#).

7.05 Records Retention

The Lender must retain all loan documents in compliance with federal regulatory guidelines. The Lender is required to make loan records available for inspection by Minnesota Housing for a period of six 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., ~~W~~Scope of ~~W~~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.

Appendix A: ~~Definitions~~ Defined Terms

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

Table 1. Defined terms used in the ELP Program ~~Procedural~~ Manual

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 Household Resident with a Disability 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 loan funds.
Commitment	A Commitment of funds from Minnesota Housing with specific terms and conditions applied to a specific Borrower and a specific property.
Construction Alteration (Manufactured Housing)	Pursuant to the Minnesota State Building Code (Minnesota Rules Part 1350.0100) "... replacement, addition, modification or removal of any equipment or installation which may affect the construction, plumbing, heating, cooling, fuel-burning system, electrical system or the functioning of any of these in manufactured homes subject to the code".
<u>Emergency Condition</u>	<u>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.</u>
Household Resident with a Disability	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.
Lender	A lender under contract to participate in the Program.
Manufactured Home	Manufactured Home as defined in Minn. Stat. 327.31, subd. 6.
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 the Borrower's household.
Program	The Emergency and Accessibility Loan Program.

Term	Definition
<u>Remainderman</u>	<u>The person who inherits property when someone passes away and has executed a life estate deed.</u>
Repair (Manufactured Housing)	Any improvement other than those outlined in the definition of Construction Alteration including, (according to Minnesota State Building Code (Minnesota Rules Part 1350.3800))” repairs with approved components or parts; conversion of listed fuel-burning appliances in accordance with the terms of their listing, adjustment and maintenance of equipment or replacement of equipment in kind.”
<u>Servicer</u>	<u>A company selected by Minnesota Housing to service loans assigned to Minnesota Housing pursuant to its mortgage loan programs.</u>
<u>Sworn Construction Statement</u>	<u>A document where a contractor, lists all supplies and labor on a project, along with the amounts due</u>
<u>True and Certify</u>	<u>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.</u>

Appendix B: Legal Addendum

B.01 Conflict and Control

In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.

B.02 Fraud

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

Any person or entity (including its employees and affiliates) that enters into a contract 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 communication channels described in section B.07.

B.03 Misuse of Funds

A contracting party that receives funding from Minnesota Housing promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

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

Any recipient (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 communication channels described in section B.07.

B.04 Conflict of Interest

A conflict of interest – Actual, Potential or Appearance of a Conflict of Interest – 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 Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.

- Actual Conflict of Interest: An Actual Conflict of Interest occurs when a person’s decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- Potential Conflict of Interest: A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- Appearance of a Conflict of Interest: The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person’s personal interest, affiliation or relationship inappropriately influenced that person’s action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes 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 Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- Business: Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- Family Member: A person’s current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person’s household.
- Friend: A person with whom the individual has an ongoing personal social relationship. “Friend” does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. “Friend” does not include mere acquaintances (i.e., interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- Outside Interest: An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- Partner: A person’s romantic and domestic partners and outside Business partners.
- Relative: Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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 a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section B.07.

B.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section B.04;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section B.04.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section B.07.

B.06 Suspension

By entering into any contract 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 contract) 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 (Go to

mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

B.07 Disclosure and Reporting

Minnesota Housing promotes a “speak-up, see something, say something” culture whereby internal staff must immediately report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (e.g., administrators, grantees or borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation using these same communication channels.

- Minnesota Housing’s Chief Risk Officer at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;
- Any member Minnesota Housing’s Servant Leadership Team, as denoted on Minnesota Housing’s current organizational chart (Go to mnhousing.gov, scroll to the bottom of the screen and select About Us, select Servant Leadership Team); or
- Report Wrongdoing or Concerns (mnhousing.gov) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

B.08 Electronic Signatures

Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

B.09 Fair Housing Policy

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

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

and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

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

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

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

B.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a

request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

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Item: Approval, Selection and Commitment, Bridges and Bridges Regional Treatment Center (RTC) Rental Assistance Programs Funds

Action Item: 7.B
Date: 04/24/2025
Staff Contacts: Ellie Miller, 651.215.6236, ellie.miller@state.mn.us
Joel Salzer, 651.296.9525, joel.salzer@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests adoption of the attached resolution authorizing \$13,588,530 of Bridges and Bridges Regional Treatment Center (RTC) program funds. These funds will allow the Agency to execute 19 Grant Contract Agreements with 16 administrators from July 1, 2025, through June 30, 2027, to serve an estimated 648 households each month.

Fiscal Impact

Bridges and Bridges RTC are state appropriated resources, with individual awards structured as grants, which do not earn interest for the Agency.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background and Request
- Resolution

Background and Request

Program Overview:

The Bridges and Bridges RTC programs aim to support individuals with complex housing and health challenges to access housing in their communities. They will do this by providing rental subsidies and connecting them to mental health services. Funds available under the Bridges and Bridges RTC programs provide direct assistance for:

- temporary rental subsidy payments
- security deposits
- housing application fees
- utility connection fees
- financial assurance or risk mitigation program fees
- damage claims
- vacancy payments

Bridges RTC specifically supports individuals experiencing mental illness verified by a mental health professional. These individuals have low incomes and may be in transition from state and regional treatment centers to community.

Both the Bridges and Bridges RTC programs support Minnesota Housing's contributions to the state's Olmstead Plan and the Minnesota Interagency Council on Homelessness' Crossroads to Justice Plan. The programs are jointly managed by Minnesota Housing and the Department of Human Services (DHS) Behavioral Health Division, with collaboration from regional, county and Tribal agencies.

In FY2022, the Bridges and Bridges RTC programs served 650 households with an average assistance amount of \$7,590. In FY2024, programs served 588 households with an average assistance amount of \$9,059. The amount of assistance has increased as rents have increased, which reduces the number of households the program can serve. The Agency received increased state appropriations which will enable us to serve more households, and bring the number of households served back up to the FY2022 levels. To encourage transition off the program, participants are required to register for a permanent rental subsidy, primarily housing choice vouchers, when the waiting lists are open.

Currently, 34% of participants are Black, Indigenous or households of color. The Bridges and Bridges RTC programs have the same priority population and the total funding for the 2026–2027 Request for Proposals (RFP) will be used to support both programs.

Request for Proposals: Minnesota Housing issued a competitive RFP for up to \$15,000,000 on October 21, 2024 that closed on December 4, 2024. The available funding is comprised of \$14,616,000 from Minnesota Housing and of \$384,000 from the Department of Human Services. The RFP was open to housing agencies currently operating a Bridges and/or Bridges RTC program, as well as new applicants. Minnesota Housing received 19 proposals requesting a total of \$14,165,251. Selections in the attached

Resolution are contingent on the 2025 Minnesota Legislature approving the Bridges and Bridges RTC state appropriations, and Minnesota Housing's receipt of funds from DHS.

Table 1: Number of Proposals and Amount Requested

Number of Proposals	Bridges	Bridges RTC	Totals
19	\$ 13,416,123	\$ 749,128	\$ 14,165,251

All but two proposals were submitted by current Bridges or Bridges RTC grantees. Touchstone Mental Health is a new applicant, and Blue Earth County Economic Development Authority reapplied after not being an administrator for two contract terms.

Three applicants, Carver County Community Development Agency, Scott County Community Development Agency and Mental Health Resources Inc., submitted for Bridges RTC funding and were awarded their requested amount to continue serving households referred from the regional treatment centers.

Two of the current grantees, Duluth Housing and Redevelopment Authority and White Earth Nation, did not submit an application under this RFP. Staff contacted these two entities, and each have plans to transition the current households to other mainstream vouchers they operate or other Bridges administrators.

The scoring methodology includes 65 points scored by application reviewers and 35 points based on current performance, as scored by the staff program manager. The point categories are:

- Priority populations
- Program design and implementation
- Equity
- Foundational service practices
- Services
- A category specific to the Bridges RTC applicants.

Minnesota Housing staff, DHS staff and community nonprofit members assessed proposals based on demonstrated experience to serve the priority population, program design and regional partnerships. They also evaluated inclusivity of diverse populations impacted by homelessness and discussed housing/mental health collaborations and access to services for Bridges participants.

Per Minnesota Statute 16B.981 and Minnesota's Office of Grants Management Policy 08-06, Minnesota Housing conducted a Pre-Award Risk Assessment of potential grantees requesting grant awards of \$50,000 or more. All potential grantees passed without conditions.

Recommendations for Funding Selection: The funding recommendations include committing a total of \$13,588,530 to serve approximately 648 households (\$12,839,402 of Bridges and \$749,128 of Bridges RTC) to 16 administrators with 19 contracts (separate contracts for Bridges and Bridges RTC awards). In funding recommendations, staff considers housing availability in service areas and the organization's capacity to administer to the requested number of households. Staff recommends funding for most applicants at their requested amount for the target number of households. For one new applicant, staff recommends funding at a lower number of households than proposed for the first contract term as a new administrator. For eight of the applicants, the amount needed to be adjusted as they submitted an incorrect administration fee for their region on their application.

Table 2: Bridges Recommendations for Funding Selection

Bridges Administrator	Requested Funding	Target HH (Household)	Recommended Funding	Target HH (Household)
Housing and Redevelopment Authority of Bemidji	\$ 278,480	20	\$ 278,480	20
Brainerd Housing and Redevelopment Authority	\$ 258,596	13	\$ 258,284	13
Carver County Community Development Agency	\$ 389,862	15	\$ 389,862	15
Douglas County Housing and Redevelopment Authority	\$ 310,974	20	\$ 308,184	20
Itasca County Housing and Redevelopment Authority	\$ 479,232	25	\$ 478,662	25
Mental Health Resources, Inc.	\$ 5,047,560	210	\$ 5,047,560	210
Olmsted County Housing and Redevelopment Authority	\$ 906,240	40	\$ 855,980	40

Bridges Administrator	Requested Funding	Target HH (Household)	Recommended Funding	Target HH (Household)
Owatonna Housing and Redevelopment Authority	\$ 810,382	51	\$ 810,214	51
Red Wing Housing and Redevelopment Authority	\$ 417,299	18	\$ 368,280	18
Lakes and Pines Community Action Council, Inc.	\$ 742,015	25	\$ 742,015	25
St. Cloud Housing and Redevelopment Authority	\$ 927,445	47	\$ 927,445	47
Scott County Community Development Agency	\$ 385,934	16	\$ 385,934	16
Tri-Valley Opportunity Council, Inc.	\$ 243,203	13	\$ 234,417	13
Washington County Community Development Agency	\$ 746,600	35	\$ 746,600	35
Touchstone Mental Health	\$ 985,200	60	\$ 569,684	40
Blue Earth County Economic Development Authority	\$ 487,101	25	\$ 437,801	25

Bridges Administrator	Requested Funding	Target HH (Household)	Recommended Funding	Target HH (Household)
Total for Bridges	\$ 13,416,123	633	\$ 12,839,402	613

Table 3: Bridges RTC Recommendations for Funding

Bridges RTC Administrator	Requested Funding	Target HH (Household)	Recommended Funding	Target HH (Household)
Carver County Community Development Agency	\$ 53,869	2	\$ 53,869	2
Mental Health Resources, Inc.	\$ 622,011	30	\$ 622,011	30
Scott County Community Development Agency	\$ 73,248	3	\$ 73,248	3
Totals for Bridges RTC	\$ 749,128	35	\$ 749,128	35

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

RESOLUTION NO. MHFA 25-XXXX

**RESOLUTION APPROVING SELECTION/COMMITMENT
BRIDGES AND BRIDGES REGIONAL TREATMENT CENTER (RTC) RENTAL ASSISTANCE
PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide rental assistance across the state to prevent and end homelessness through the Bridges and Bridges Regional Treatment Center programs; and

WHEREAS, Agency staff have reviewed the applications and recommend the selection of grantees; and

WHEREAS, Agency staff have determined that the applications are in compliance with the Agency’s rules, regulations and policies; 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 Grant Contract Agreements using state and Agency resources outlined in this resolution, subject to changes allowable under Agency and Board policies:

1. Agency staff shall review and approve the following recommended grantees for up to the total recommended amount for the grant period of July 1, 2025 to June 30, 2027;

Bridges Recommendations for Funding Selection

Bridges Administrator	2026–2027 Award
Housing and Redevelopment Authority of Bemidji	\$ 278,480
Brainerd Housing and Redevelopment Authority	\$ 258,284
Carver County Community Development Agency	\$ 389,862
Douglas County Housing and Redevelopment Authority	\$ 308,184
Itasca County Housing and Redevelopment Authority	\$ 478,662
Mental Health Resources, Inc.	\$ 5,047,560
Olmsted County Housing and Redevelopment Authority	\$ 855,980
Owatonna Housing and Redevelopment Authority	\$ 810,214

Bridges Administrator	2026–2027 Award
Red Wing Housing and Redevelopment Authority	\$ 368,280
Lakes and Pines Community Action Council, Inc.	\$ 742,015
St. Cloud Housing and Redevelopment Authority	\$ 927,445
Scott County Community Development Agency	\$ 385,934
Tri-Valley Opportunity Council, Inc.	\$ 234,417
Washington County Community Development Agency	\$ 746,600
Touchstone Mental Health	\$ 569,684
Blue Earth County Economic Development Authority	\$ 437,801
Total	\$ 12,839,402

Bridges RTC Funding Recommendations

Bridges RTC Administrator	2026–2027
Carver County Community Development Agency	\$ 53,869
Mental Health Resources, Inc.	\$ 622,011
Scott County Community Development Agency	\$ 73,248
Total	\$ 749,128

2. This approval is contingent on legislative approval of Bridges and Bridges RTC appropriations in sufficient amounts to fund the awards; and
3. The Bridges RTC awards are contingent on signed Interagency Agreement between Minnesota Housing and the Minnesota Department of Human Services (DHS) and the transfer of Bridges RTC funds to the Agency; and
4. The issuance of Grant Contract Agreements in form and substance acceptable to Agency staff and the executing of the Grant Contract Agreements shall occur no later than six months from the adoption date of this Resolution; and
5. The grantees and such other parties shall sign all such documents relating to said grants, as the Agency, in its sole discretion, deems necessary.

Adopted this 24th day of April 2025

CHAIR



Item: Funding Modification, Bridges Rental Assistance Grant, Lakes and Pines Community Action Council, Inc.

Action Item: 7.C
Date: 04/24/2025
Staff Contacts: Ellie Miller, 651.215.6236, ellie.miller@state.mn.us
Lauren Stelter, 651.296.3600, Lauren.stelter@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests approval to amend the Lakes and Pines Community Action Council, Inc. Bridges rental assistance grant agreement to increase the funding amount from \$193,843 to \$218,843. The amendment does not exceed their original requested amount listed in their application. Uncommitted Bridges funds are available to cover the increase. The term of the grant agreement would remain February 1, 2024, to June 30, 2025.

Fiscal Impact

None.

Agency Priorities

- | | |
|---|---|
| <input type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Background

Background

Through its Resolution No. MHFA 23-067 on November 16, 2023, the board approved an assignment from St. Cloud Housing and Redevelopment Authority to Lakes and Pines Community Action Council, Inc. (Lakes and Pines) for \$143,843 to support 17 households. At this time, it was believed that the number of households served would be reduced from 17 to 14 through attrition.

By early 2024, none of the 17 households had transitioned off the program, and Lakes and Pines reported households would not likely make a transition in the near future. To avoid running out of funds, the Clearinghouse Committee on November 27, 2024 and Mortgage Credit Committee on December 4, 2024, approved a \$50,000 funding modification, the maximum allowed under Delegated Authority No. 15 for a total of \$193,843. While this funding modification helped Lakes and Pines temporarily, it is not enough to sustain support for all the households through the remainder of the grant term.

While Lakes and Pines has continued to minimize program expenses, support households with planning to secure alternative assistance and seek supplemental funding, no households have transitioned off the program due to a lack of permanent subsidy availability in the region. Without additional funding, Lakes and Pines will run out of resources before the grant term ends on June 30, 2025.

Therefore, staff requests approval of an additional \$25,000 funding modification to the Lakes and Pines contract to support the 17 households through the remainder of the contract term that ends June 30, 2025.

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

**RESOLUTION NO. MHFA 25-XXX
MODIFYING RESOLUTION NO. MHFA 23-067**

RESOLUTION APPROVING BRIDGES RENTAL ASSISTANCE MODIFICATION

WHEREAS, on November 16, 2023, the Minnesota Housing Finance Agency Board (Board) approved an assignment of Bridges rental assistance from the St. Cloud Housing and Redevelopment Authority to Lakes and Pines Community Action Council, Inc. for \$143,843 to serve 17 households by its Resolution No. MHFA 23-067; and

WHEREAS, the grant period for this assignment was February 1, 2024, to June 30, 2025; and

WHEREAS, under Delegated Authority No. 15, the Minnesota Housing Clearinghouse Committee at its November 27, 2024 meeting and Mortgage Credit Committee at its December 4, 2024 meeting approved a funding modification to add \$50,000 to the 2024-2025 Lakes and Pines Community Action Council, Inc. Bridges rental assistance grant contract; and

WHEREAS, Agency staff has determined that additional funding is required to serve these households for the remainder of the grant term; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the Bridges Grant Contract Agreement using state and Agency resources outlined in this resolution, subject to changes allowable under Agency and board policies:

1. Agency staff shall review and approve the following grantee for up to the total recommended amount for the grant period of February 1, 2024, to June 30, 2025; and

BRIDGES ADMINISTRATOR	TARGET HH (Household)	RECOMMENDED FUNDING
Lakes and Pines Community Action Council, Inc.	17	\$ 218,843

2. The issuance of a Grant Contract Agreement Amendment in form and substance acceptable to Agency staff and the execution of the Grant Contract Agreement Amendment shall occur no later than three months from the adoption date of this Resolution; and
3. The grantee and such other parties shall execute all such documents relating to said amendment, as the Agency, in its sole discretion, deems necessary.

Adopted this 24th day of April 2025

CHAIR



Item: Approval, Additional Funding and Extension, Regional Planning Grant to Prevent and End Homelessness

Action Item: 7.D
Date: 04/24/2025
Staff Contacts: Ji-Young Choi, 651.296.9839, ji-young.choi@state.mn.us
Request Type: Approval, Resolution

Request Summary:

Staff requests adoption of the attached resolution authorizing a grant term extension and funding modification for the existing seven Regional Planning Grant contracts. This action will allow the Agency to support the planning capacity of Greater Minnesota's six Continuums of Care (CoCs) and the Minnesota Tribal Collaborative (MTC) to prevent and end homelessness in their collaboration with state agencies.

Fiscal Impact:

Individual awards are structured as grants, which do not earn interest for the Agency.

Agency Priorities:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments:

- Background and Request
- Resolution

Background and Request

The Regional Planning Grant helps Greater Minnesota's six Continuums of Care (CoCs) and the Minnesota Tribal Collaborative (MTC) secure U.S. Department of Housing and Urban Development (HUD) funding while supporting their efforts to prevent and end homelessness in partnership with state agencies. This collaboration helps improve the homeless response system, promote equity, and advance the goals of the Minnesota Interagency Council on Homelessness' [Crossroads to Justice Plan](#). By strengthening partnerships and creating new strategies, we aim to make the homeless response system more effective and equitable for everyone.

In 2023, the Agency issued a Request for Proposals (RFP) and, in May 2023, awarded one-year grants totaling \$350,000 to the seven grantees (Resolution No. MHFA 23-022). On May 24, 2024, the Board approved extensions of these grants for one additional year, through June 30, 2025, with an additional \$350,000 (Resolution No. MHFA 24-038).

Over the past year, staff and leadership have focused on strengthening collaboration, improving resource allocation and building regional partnerships while supporting local systems. As part of this effort, we developed a plan to conduct a program evaluation, analyze the data and use relevant results to redesign the Regional Planning Grant RFP. So that we can fully complete this evaluation and release a new RFP in accordance to grant-related requirements and timelines, staff recommends amending the current contracts to extend the grant term by one year (July 1, 2025 - June 30, 2026) with additional funding amount of \$350,000:

- \$295,000 from state appropriated Capacity Building funds (pending final approval by the 2025 legislature) and
- \$55,000 from Pool 3 (\$50,000 granted from the Greater Minnesota Housing Fund and \$5,000 from Agency funds).

The grantees have demonstrated capacity to advance contracted goals to date and additional time and resources allow them to continue advancing contract goals. The extension and funding modification allow staff to complete the program assessment, redesign the RFP and issue it in late summer 2025 with the new contracts starting July 1, 2026.

Table 1: Regional Planning Grant to Prevent and End Homelessness

Grantee	Continuums of Care (CoC)/Tribes	Originally Contracted Amount (7/1/2023 – 6/30/2024)	1st Amended Amount (7/1/2024 – 6/30/2025)	Recommended Amount (7/1/2025 – 6/30/2026)	Total Contract Amount (7/1/2023 – 6/30/2026)
Institute for Community Alliances	MN-502 – Rochester/Southeast Minnesota CoC	\$ 45,000	\$ 45,000	\$ 45,000	\$ 135,000
Patty Beech Consulting Inc.	MN-504 – Northeast Minnesota CoC	\$ 55,000	\$ 55,000	\$ 55,000	\$ 165,000
Central Minnesota Housing Partnership, Inc.	MN-505 – St. Cloud/Central Minnesota CoC	\$ 40,000	\$ 40,000	\$ 40,000	\$ 120,000
The Northwest Minnesota Foundation	MN-506 – Northwest Minnesota CoC	\$ 50,000	\$ 50,000	\$ 50,000	\$ 150,000
Lakes and Prairies Community Action Partnership (through assignment from Housing and Redevelopment Authority of Clay County)	MN-508 – Moorhead/West Central Minnesota CoC	\$ 50,000	\$ 50,000	\$ 50,000	\$ 150,000
Southwest Minnesota Housing Partnership	MN-511 – Southwest Minnesota CoC	\$ 50,000	\$ 50,000	\$ 50,000	\$ 150,000
Red Lake Reservation Housing Authority	Minnesota Tribal Collaborative	\$ 60,000	\$ 60,000	\$ 60,000	\$ 180,000
TOTAL		\$ 350,000	\$ 350,000	\$ 350,000	\$ 1,050,000

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

RESOLUTION NO. MHFA 25-XXXX
Modifying Resolutions No. MHFA 23-022 and No. MHFA 24-038

**RESOLUTION APPROVING COMMITMENT MODIFICATIONS AND EXTENSIONS OF
REGIONAL PLANNING GRANTS TO PREVENT AND END HOMELESSNESS**

WHEREAS, at their meeting on May 25, 2023, the Board selected the seven Regional Planning Grant grantees across greater Minnesota and approved a total commitment of \$350,000 for a grant term of July 1, 2023, through June 30, 2024 by its Resolution No. MHFA 23-022; and

WHEREAS, at their meeting on May 23, 2024, the Board approved a grant term extension from July 1, 2024 through June 30, 2025 and an additional commitment of \$350,000 to the seven Regional Planning Grant grantees by its Resolution No. MHFA 24-038; and

WHEREAS, the Minnesota Housing Finance Agency (Agency) staff have determined a need to amend the grant contract agreements to extend the current grant term and provide additional funding for the seven grantees to support local planning and coordination efforts to engage with the state to help the regional homeless response system be more equitable and to strengthen resources that will help prevent and end homelessness throughout the state; and

WHEREAS, Agency staff have determined that the grant term extension and additional commitment are in compliance with Agency's rules, regulations and policies and that the extension and additional commitment will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to amend the existing Grant Contract Agreements under Resolutions No. MHFA 23-022 and No. MHFA 24-038 and amend Grant Contract Agreements using state and Agency resources as set forth below, subject to available appropriated funding and changes allowable under Agency and Board policies:

1. Agency staff shall review and approve a one-year extension for the grant period beginning July 1, 2025 through June 30, 2026 to the following grantees for up to \$350,000.

Grantee	Continuums of Care (CoC)/Tribes	Recommended Amount
Institute for Community Alliances	MN-502 – Rochester/Southeast Minnesota CoC	\$ 45,000

Grantee	Continuums of Care (CoC)/Tribes	Recommended Amount
Patty Beech Consulting Inc.	MN-504 – Northeast Minnesota CoC	\$ 55,000
Central Minnesota Housing Partnership, Inc.	MN-505 – St. Cloud/Central Minnesota CoC	\$ 40,000
The Northwest Minnesota Foundation	MN-506 – Northwest Minnesota CoC	\$ 50,000
Lakes and Prairies Community Action Partnership	MN-508 – Moorhead/West Central Minnesota CoC	\$ 50,000
Southwest Minnesota Housing Partnership	MN-511 – Southwest Minnesota CoC	\$ 50,000
Red Lake Reservation Housing Authority	Minnesota Tribal Collaborative	\$ 60,000
TOTAL		\$ 350,000

2. The issuance of the Grant Contract Agreement Amendments in form and substance acceptable to Agency staff and the execution of the Grant Contract Agreement Amendments shall occur no later than six months from the adoption date of this Resolution; and

3. The grantees and such other parties shall provide such information and execute all such documents relating to said Grant Contract Agreement Amendments as the Agency, in its sole discretion, deems necessary.

Adopted this 24th day of April 2025

CHAIR

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Item: Funding Modification, Housing Infrastructure Loan (HI) and Forgiveness, Minnesota Families Affordable Rental Investment Fund (MARIF), Housing Trust Fund (HTF), and Affordable Rental Investment Fund Program (ARIF)-Jackson Street Village, D2939, Saint Paul

Action Item: 7.E
Date: 04/24/2025
Staff Contacts: Sarah Foley, 651.297.5145, sarah.foley@state.mn.us
Request Type: Approval, Resolution

Request Summary

At the December 14, 2023 meeting, the Minnesota Housing board approved the selection of Jackson Street Village for deferred funding up to \$5,840,000 from the Emergency Rental Assistance 2 (ERA2) Capital Funding program under Resolution No. MHFA 23-077.

Subsequently, under Board Delegation No. 005, the ERA2 loan was replaced with a Housing Infrastructure (HI) loan of \$5,840,000.

Agency staff completed the underwriting and technical review of the proposed development and recommends adoption of two resolutions:

- Increasing the HI loan from \$5,840,000 to a maximum of \$6,205,000; and
- Authorizing forgiveness of principal and interest of three existing loans as follows:
 - 1) Minnesota Families Affordable Rental Investment Fund (MARIF) loan in the amount of \$1,630,641; and
 - 2) Housing Trust Fund (HTF) loan in the amount of \$265,010 and approximately \$59,878 in accrued interest; and
 - 3) Affordable Rental Investment Fund Program (ARIF) loan in the amount of \$236,985 and approximately \$53,545 in accrued interest.

Fiscal Impact

Minnesota Housing will not earn interest revenue of the HI loan. Minnesota Housing will earn additional fee income from originating the HI loan for this project.

Agency Priorities

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

Attachments:

- Development Summary
- Map and Picture
- Resolution
- Term letter

DEVELOPMENT SUMMARY**SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS**

Project Information			
Development Name	Jackson Street Village	D#2939	M#19450
Address	1499-1515 Jackson Street		
City	Saint Paul	County	Ramsey
Date of Selection	12/14/2023	Region	Metro

A. Project Description and Population Served

- The development involves the substantial rehabilitation of 25 units in four two-story townhome buildings with units ranging from two to four bedrooms.
- The development will provide permanent supportive housing for family households including high priority homeless (HPH) and people with disabilities (PWD) households.
- Ten units will serve HPH for families with children. Six units will serve PWD households, and eight units will serve other permanent supportive housing populations. Referrals will be made through coordinated entry.
- The development will serve households with incomes that range from 30% to 60% Multifamily Tax Subsidy Projects (MTSP).
- Twenty-four units will benefit from Project-based Section 8 rental assistance. One unit is a common space unit used as an employee unit.
- Eight units will be deeply affordable to households at 30% MTSP, as restricted by other lenders. In addition, 24 units benefit from project-based Section 8 and will ensure that households pay no more than 30% of their income toward rent.
- In addition to the existing Agency loans discussed below, the project received 2001 federal low-income housing tax credits (HTCs) and is currently in year eight of the extended use period. The buildings were originally placed in service in 2003.

B. Mortgagor Information

Ownership Entity:	Saint Paul Family Project Limited Partnership
Sponsor:	RS EDEN
General Partner:	RS EDEN Jackson Street Village GP LLC
Guarantor:	RS EDEN

C. Development Team Capacity Review

- The sponsor and developer are RS EDEN. The sponsor has one additional project in progress with the Agency, Portland Village. RS EDEN has completed projects of similar size and scope.
- The management company is RS EDEN. The management company currently manages the property and other properties with layered financing and compliance requirements.
- Supportive services are provided by RS EDEN. Staff have no concerns about the service provider capacity.
- The management company is RS EDEN. There are no compliance concerns with the management company.
- Frerichs Construction Company is the general contractor, and LHB, Inc. is the project architect. There are no concerns about contractor or architect capacity.
- RS EDEN is the project developer as well as the property management company and service provider. RS EDEN is a Women-owned Business Enterprise.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Deferred	Housing Infrastructure (HI) Program	Housing Infrastructure Bond Repayments & Housing Infrastructure Appropriations	\$6,205,000	0%	NA	Approx 6 mos (construction) +30 years	NA	Construction to Permanent

- The HI program loan will be comprised of \$4,293,000 of Housing Infrastructure Bond Repayments and \$1,912,000 of HIA.
- The deferred HI loan is anticipated to carry a 0% interest rate, but if requested by borrower, up to 1% may be allowed.

Deferred Mortgage Loan to Cost: 97%

Deferred Mortgage Loan to Value: 147%

E. Significant Changes Since Date of Selection

Total project costs increased by about \$433,000. Construction costs account for \$307,000 of the cost increase, and the second main cost driver is additional capitalized reserves. These cost increases were offset by the \$365,000 increase in the Housing Infrastructure loan, a decrease in professional fees, and the addition of an environmental grant and incorporation of existing reserve balances in the project budget. Since the construction scope is all considered critical work and important for long term success the original scope remains largely unchanged since application. Additional capitalized replacement reserves were added to the budget to help ensure that scheduled improvements would have sufficient funds through at least ten years.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	\$ 150,000	\$ 6,000
Construction Costs	\$ 4,316,018	\$ 172,641
Environmental Abatement	\$ 0	\$ 0
Professional Fees	\$ 573,036	\$ 22,921
Developer Fee	\$ 782,147	\$ 31,286
Financing Costs	\$ 150,800	\$ 6,032
Total Mortgageable Costs	\$ 5,972,001	\$ 238,880
Reserves	\$ 457,930	\$ 18,317
Total Development Cost	\$ 6,429,931	\$ 257,197

*Individual categories may not sum to exact total due to rounding.

B. Permanent Capital Sources

Description	Amount	Per Unit
Minnesota Housing Deferred Housing Infrastructure Loan	\$ 6,205,000	\$ 248,200
Ramsey County Site Assessment Grant	\$ 24,896	\$ 996
Existing Operating Reserve	\$ 36,000	\$ 1,440
Sales Tax Rebates	\$ 114,811	\$ 4,592
Energy Rebates	\$ 12,290	\$ 492
Deferred Developer Fee	\$ 36,934	\$ 1,477
Total Permanent Financing	\$ 6,429,931	\$ 257,197

*Individual categories may not sum to exact total due to rounding.

C. Financing Structure

In addition to the permanent capital sources stated in Section II B. above, the project will still be monitored by compliance for the existing 2003 HTC's that are in their extended use period. The existing indebtedness previously described in the Background section will also be maintained:

- \$387,500 St. Paul Housing Redevelopment Authority HOME Loan
- \$500,000 Ramsey County Housing Endowment Fund Loan
- \$400,000 Family Housing Fund Loan

D. Cost Reasonableness

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 to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 56% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

- In accordance with Board Policy No. 15, if a project's proposed total development cost (TDC) is more than 25% higher than the predicted cost for new construction or 35% for preservation and adaptive reuse developments, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.
 - Currently, the TDC per unit is \$257,197, which is below the predictive cost model estimate of \$266,579 by 2.9%.

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
2BR	3	\$ 1,000	50%	30%	Section 8
3BR	16	\$ 900	50%	30%	Section 8
4BR	5	\$ 1,000	50%	30%	Section 8
2BR	1	\$ 1,546	Common Space	None	None

*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.
- The project was underwritten at 10% vacancy, with 1.5% income and 3% expense inflators.
- The project has a Section 8 rental assistance contract on 24 of the 25 units. The current contract is on its fourth renewal which expires in 2028. However, the borrower has received an early contract renewal for an additional 5 years, making the current expiration date in 2033.
- Replacement reserves are budgeted from operations at \$450 per unit per year. In addition, replacement reserves will be capitalized in the amount of \$200,000 at construction closing and held by Minnesota Housing. The capitalized reserve is to help ensure the project can sustain needed improvements anticipated in the first 10 years post rehabilitation.
- A property operating cost reserve is currently held by Minnesota Housing and will continue to be held by Minnesota Housing. There is an estimated existing reserve balance of \$36,000 and new deposits of \$221,930 from loan proceeds at initial loan closing will bring the total capitalized amount of approximately \$257,930. No additional annual deposits are required.

SECTION IV: DEBT FORGIVENESS

Existing indebtedness on the property is over \$4.27 million, of which over \$2.24 million is comprised of three loans from Minnesota Housing. Existing debt on the property is detailed as follows:

Lender (In order of priority)	Program Name	Interest Rate	Term	Maturity Date	Original Principal Loan Amount	Current Balance (Principal + estimated accrued interest)
Minnesota Housing	MARIF	0%	30	7/24/2032	\$1,630,641	\$1,630,641
St. Paul HRA	HOME	2%	30	7/24/2032	\$387,500	\$543,972
Ramsey County HRA	Endowment Fund	2%	30	7/24/2032	\$500,000	\$723,233
Family Housing Fund	Loan	1%	30	7/24/2032	\$400,000	\$500,068
Minnesota Housing	HTF	1%	30	7/24/2032	\$265,010	\$324,888
Minnesota Housing	ARIF	1%	30	7/24/2032	\$236,985	\$290,530
Total					\$3,420,136	\$4,013,332

Total recommended loan forgiveness is approximately \$2,132,636, which includes estimated accrued interest of approximately \$113,423. The actual amount of interest forgiveness will depend on the loan closing date of the new Housing Infrastructure loan.

After reviewing the project and the considerations for debt forgiveness, this request meets the following:

No Reasonable Expectation of Repayment (full or partial)

The total of new and existing debt of \$10,479,009 would exceed the value of the property. The as-is restricted appraised value of the property is \$4,210,000. After forgiveness of the recommended Minnesota Housing debt as well as forgiveness of accrued interest from Ramsey County and Family Housing Fund, total recommended debt of \$7,619,601 still exceeds the value of the property. As proposed, there are no excess sources, and the projected cash flow diminishes over time and does not support repayment.

Forgiveness is Part of a Larger Preservation Effort

As part of the consideration for providing new financing, each of the existing public funders completed a separate assessment on maturity extension or forgiveness of their existing debt. Other funders have indicated their intentions as follows:

- Ramsey County Housing and Redevelopment Authority (HRA) will reduce their interest rate from 2% to 0% and forgive accrued interest estimated at \$203,233. The maturity date of the existing loan will be extended to be coterminous with Minnesota Housing's new debt and the loan will be subordinate to Minnesota Housing's new debt.
- St. Paul HRA will reduce their interest rate from 2% to 0%. The maturity date of the existing loan will be extended to be coterminous with Minnesota Housing's new debt and the loan will be subordinate to Minnesota Housing's new debt. The St. Paul HRA is still reviewing a request for interest forgiveness.
- Family Housing Fund will reduce their interest rate from 1% to 0% and forgive accrued interest estimated at \$100,068. The maturity date of the existing loan will be extended to be coterminous with Minnesota Housing's new debt and the loan will be subordinate to Minnesota Housing's new debt.

Maintains Affordability

The proposed Housing Infrastructure funding will preserve 24 units of federal rental assistance. The assistance ensures the tenants pay no more than 30% of their actual income toward rent. The project has an existing HAP (Housing Assistance Payments) contract for project-based voucher assistance through the St. Paul Public Housing Agency ensuring tenants pay no more than 30% of their income toward rent. According to the Agency's subsidy declaration, the owner must continue renewals of existing project-based rental assistance contract for as long as the assistance is available in the minimum subsidy period of 50 years. In addition, the MARIF affordability declaration is required to remain in place until July 24, 2032.

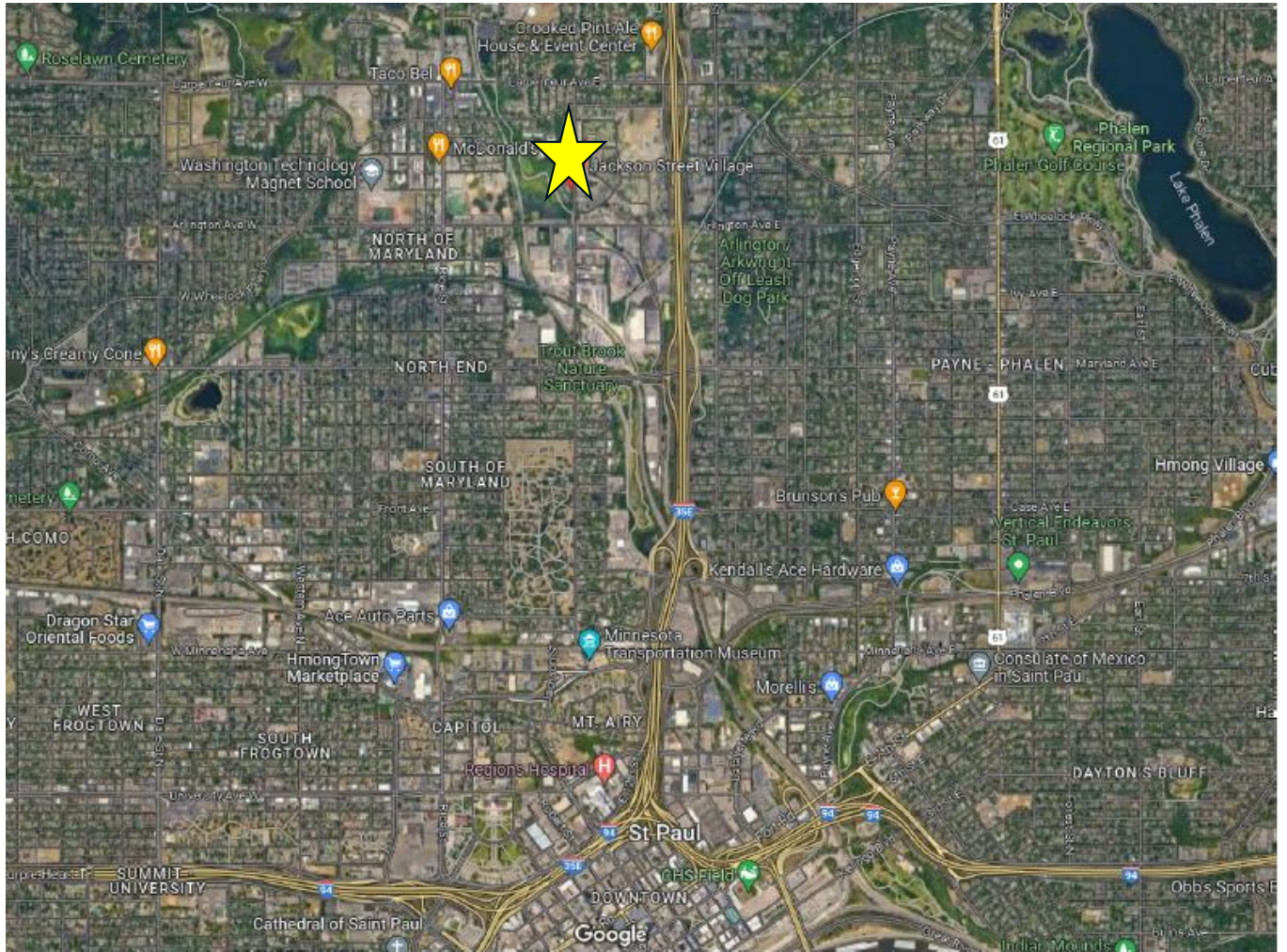
Meets Agency Mission and Strategic Priorities

The re-capitalization of this project provides the rehabilitation and preservation of permanent supportive housing that offers two-, three- and 4-bedroom unit types for families.

Reduces Administrative Burden

Debt forgiveness benefits the property and Agency by removing additional layers of compliance requirements, which reduces administrative costs without materially compromising the property's affordability.

Map of (1499-1515 Jackson St., 1481-1495 Jackson St., & 1465-1479 Jackson St.)



Picture of (1499-1515 Jackson St., 1481-1495 Jackson St., & 1465-1479 Jackson St.)



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

**RESOLUTION NO. MHFA 25-XXX
Modifying Resolution No. MHFA 23-077**

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
HOUSING INFRASTRUCTURE (HI) PROGRAM**

WHEREAS, the Board has previously authorized a commitment for the Jackson Street Village development for \$5,840,000 of the Emergency Rental Assistance 2 (ERA2) Capital Funding program by its Resolution No. MHFA 23-077; and

WHEREAS, under Board Delegation No. 005 the Mortgage Credit Committee on December 4, 2024, exchanged the ERA2 Capital Funding program funds for Housing Infrastructure funds; and

WHEREAS, Agency staff has determined that there are increased development costs; and

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The Housing Infrastructure loan shall not exceed \$6,205,000; and
2. All other terms and conditions of Resolution No. MHFA 23-077 remain in effect.

Adopted this 24th day of April 2025

CHAIR

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

RESOLUTION NO. MHFA 25-XXX

**RESOLUTION APPROVING FORGIVENESS
MINNESOTA FAMILIES AFFORDABLE RENTAL INVESTMENT FUND PROGRAM (MARIF) LOAN
HOUSING TRUST FUND PROGRAM (HTF) LOAN
AFFORDABLE RENTAL INVESTMENT FUND PROGRAM (ARIF) LOAN**

WHEREAS, the Board has previously authorized commitments for Jackson Street Village for MARIF Loan of \$1,630,641, HTF Loan of \$265,010, and ARIF Loan of \$236,985; and

WHEREAS, the property does not have the resources to repay the loan; and

WHEREAS, the affordability will be preserved through the new Housing Infrastructure loan and existing loans; and

WHEREAS, the debt forgiveness is in conjunction with an upcoming rehabilitation and preservation of the project; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes:

1. Forgiveness of the MARIF loan in the amount of \$1,630,641; and
2. Forgiveness of the HTF loan in the amount of \$265,010 as well as all accrued interest as of the date of this resolution; and
3. Forgiveness of the ARIF loan in the amount of \$236,985 as well as all accrued interest as of the date of this resolution.

Adopted this 24th day of April 2025

CHAIR

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April 1, 2025

Saint Paul Family Project Limited Partnership
Caroline Hood
C/O RS Eden
1931 Broadway Ave. W Suite 101
Minneapolis, MN 55411

RE: Term Letter
Jackson Street Village, Saint Paul
Development #D2939, Project #M19450

Dear Caroline Hood:

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: Saint Paul Family Project Limited Partnership

General Partner(s) RS EDEN Jackson Street Village GP LLC
Managing Member(s):

Development Rehabilitation of a 25-unit affordable housing development
Description/Purpose: located in Saint Paul, Minnesota

April 1, 2025
2025 Page 2

Program	Housing Infrastructure - Preservation
Loan Amount	\$6,205,000
Interest Rate	0%
Mortgage Insurance Premium (%)	Not Applicable
Term	Approx. 6 months (construction) + 30 years
Amortization / Repayment	Deferred lump sum payment due in approx. 6 months (construction) + 30 years.
Prepayment Provision	Prepay at any time with prior written approval.
Nonrecourse or Recourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan
Lien Priority	1 st Priority

Origination Fees:

Not applicable.

Bond Issuance Fee

Not applicable.

LMIR Interest Rate Extension Fee

Not applicable.

Construction Oversight Fee:

\$75,000 (payable at loan closing)

End Loan Commitment:

Not applicable.

Guarantee / Guarantor(s):

- Deferred Loan: Completion Guaranty from RS EDEN.

Operating Deficit Escrow Reserve Account:

Not applicable.

Operating Cost Reserve Account: Capitalized operating reserve in the approximate amount of \$257,930. This is a combination of an estimated \$36,000 of existing reserves and \$221,930 funded at initial loan closing from loan proceeds. Monthly operating reserve deposits will be required in the amount of \$0/unit/annum. The operating reserve will be held by Minnesota Housing.

Replacement Reserve Account: Capitalized replacement reserve in the amount of \$200,000 funded at initial loan closing from loan proceeds.

Monthly replacement reserve deposits will be required in the amount of \$937.50. The replacement reserve will be held by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established on the day of closing of the Housing Infrastructure loan (outside of the development budget) and will be 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.

Rent and Income Requirements:

- 25 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
- One of the assisted units may be treated at non-assisted to accommodate site or employee needs.
- Commitment to construction period plus 50 years of affordability from the date of loan closing.

HAP or Other Subsidy Agreement: Commitment to construction period plus 30 years of affordability from the date of loan closing under the St. Paul Public Housing Agency Section 8 Program for 24 units.

Other Occupancy Requirements:

- Not applicable.

Other Requirements: The Housing Infrastructure loan is subject to the terms in the attached Selection Criteria.

April 1, 2025

Page 4

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 September 30, 2025 from the date of this letter or loan closing/end loan commitment.

Additional Terms: Not applicable.

Other Conditions: Not applicable.

Board Approval: Commitment of the loans under the Housing Infrastructure program are subject to Minnesota Housing’s board approval and adoption of a resolution authorizing the commitment of the loans.

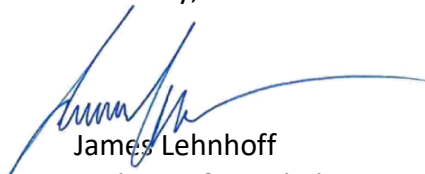
Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower’s ability to obtain all necessary financing for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

Please sign this letter and return it to Kang Her at kang.her@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Sarah Foley at sarah.foley@state.mn.us.

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

Sincerely,



James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

SAINT PAUL FAMILY PROJECT LIMITED
PARTNERSHIP

By: RS EDEN Jackson Street Village GP LLC
Its General Partner

Caroline Hood, Its President and Chief Executive
Officer

Date Accepted: _____

Selection Criteria Related to 2023 RFP/2024 HTC Round 1

Project Name: Jackson Street Village

Project City: Saint Paul

Property Number (D#): D2939

Project Number: M19450

Deeper Rent Targeting A

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit.	At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit.	<u>1</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or Declaration of Land Use Restrictive Covenants Agreement (LURA).

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Units with project-based rental assistance count toward this requirement.

Deeper Rent Targeting B

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard as determined by the responsible entity in the jurisdiction. The units must be evenly distributed by bedroom type.	At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard as determined by the responsible entity in the jurisdiction. The units must be evenly distributed by bedroom type.	<u>1</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or LURA.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Units with project-based rental assistance count toward this requirement.

Large Family Housing

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
75% two or more bedrooms and 1/3 of the 75% contain three or more bedrooms	<u>12</u>	75% two or more bedrooms and 1/3 of the 75% contain three or more bedrooms	<u>12</u>	<u>4</u> 2 Bedrooms Units <u>16</u> 3 Bedrooms Units <u>5</u> 4 Bedrooms Units
Loan/HTC Commitment and Compliance Monitoring				<u>0</u> 5 Bedrooms Units <u>0</u> 6 Bedrooms

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or LURA.

The project will provide family housing that is not restricted to persons 55 years or older in which at least 75% of the affordable units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. The Owner agrees to market to families with minor children.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Large Family Housing - 1/3 Units Four or More Bedrooms

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
1/3 of three or more bedrooms required above must contain four or more bedrooms.	<u>3</u>	1/3 of three or more bedrooms required above must contain four or more bedrooms.	<u>3</u>	<u>5</u> 4 Bedrooms Units <u>0</u> 5 Bedrooms Units <u>0</u> 6 Bedrooms Units

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration and/or LURA.

The project will provide family housing that is not restricted to persons 55 years or older in which at least one-third of the required three or more bedrooms contain four or more bedrooms.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
10% to 49.99% of the total units, but no fewer than 7 units	<u>10</u>	10% to 49.99% of the total units, but no fewer than 7 units	<u>10</u>	<u>10</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required and performance requirements to meet this criterion for the term of the deferred loan Declaration/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and may be incorporated into the loan and HTC documents.

The Owner agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents.

The Owner agrees units will be set aside and rented to High Priority Homeless who are a household prioritized for permanent supportive housing by Coordinated Entry System (HPH units). Minnesota Housing, at its sole discretion, in consultation with the owner and the local community, will consider requests for an alternative referral and prioritization process for populations that have a need for supportive housing but are not included in the Coordinated Entry System. Final approval must be in writing by Minnesota Housing.

The Owner agrees to pursue and continue renewal of rental assistance, operating subsidy, or service funding contracts for as long as the funding is available.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities units (Tier 1 or Tier 2) must be distinct and cannot be layered.

The Owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

People with Disabilities – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
15% to 25% of the total units, but no fewer than 6 units	<u>10</u>	15% to 25% of the total units, but no fewer than 6 units	<u>10</u>	<u>6</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the deferred loan Declaration/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and may be incorporated into the loan and/or HTC documents.

The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the

required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and/or HTC documents. Page 141 of 302

Units cannot be restricted to persons of a particular age group and must be provided in an integrated setting for the term of declaration

The units must be set aside and rented to persons with at least one of the following disabilities in a manner consistent with Minnesota Statutes, Section 462A.222, subdivision 3, subparagraph (d)(3):

- a. A serious and persistent mental illness as defined in MN Statutes Section 245.462, Subdivision 20, Paragraph C; or
- b. A developmental disability as defined in United States Code, Title 42, Section 6001, Paragraph (5), as amended; or
- c. Assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.02, Subdivision 2; or
- d. A brain injury as defined in MN Statute Section 256B.093, Subdivision 4, Paragraph (a); or
- e. Permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the Project are accessible as provided under Minnesota Rules, Chapter 1341.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Preservation - Existing Federal Rental Assistance – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
75.01% - 99.99% of the total units	<u>32</u>	75.01% - 99.99% of the total units	<u>32</u>	<u>24</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may require the Owner to continue renewals of existing project-based housing subsidy payment contracts(s) for as long as the assistance is available. Except for “good cause,” the Owner must not evict existing subsidized residents and must continue to renew leases for those residents.

Preservation units cannot be used to satisfy the Rental Assistance criterion; units must be separate and distinct. Preservation Tier 1 units cannot be used to satisfy the Serves Lowest Income criterion; units must be separate and distinct.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the deferred loan Declaration and/or LURA.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Long-term affordability for a minimum of 50 years	<u>9</u>	Long-term affordability for a minimum of 50 years	<u>9</u>

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and the Qualified Contract provision in Section 42 does not apply to the project for the applicable term, and/or the deferred loan project will extend the term of the deferred loan declaration beyond 30 years.

Need for More Affordable Housing Options

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2 Tracts or Cities	<u>8</u>	Tier 2 Tracts or Cities	<u>8</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Top Job Center or Net Five Year Job Growth Community	<u>6</u>	Top Job Center or Net Five Year Job Growth Community	<u>6</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Transit and Walkability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One quarter mile of a high service public transportation fixed stop	<u>4</u>	One quarter mile of a high service public transportation fixed stop	<u>4</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Community Development Initiative

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
----------------------------	--------------------------	---------------------------	-----------------------

Contributes to active implementation of a Community Development Initiative

3

Contributes to active implementation of a Community Development Initiative

3

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Equitable Development

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Evidence that Communities Most Impacted by housing disparities have a role in the project proposal and qualifying stakeholder groups.	<u>3</u>		<u>0</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through deferred loan post construction and/or 8609.

QCT/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
QCT Community Revitalization Area, Tribal Equivalent Area, or Opportunity Zone	<u>3</u>	QCT Community Revitalization Area, Tribal Equivalent Area, or Opportunity Zone	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprise - Ownership

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Owner non-profit Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	<u>4</u>	Owner non-profit Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	<u>4</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the deferred loan construction completion and/or 8609.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Two or more entities are Women-owned Business Enterprises or a combination of Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	<u>4</u>	Two or more entities are Women-owned Business Enterprises or a combination of Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	<u>4</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the deferred loan construction completion and/or 8609.

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
10.51% or more of funding secured	<u>16</u>	10.51% or more of funding secured	<u>16</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted permanent funding commitments indicated in the project's application. The Funding commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Other Contributions

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
1.0 to 3.4%	<u>2</u>	1.0 to 3.4%	<u>2</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted commitments indicated in the project's application. The commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Intermediary Costs

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
20.1 to 25%	<u>2</u>	20.1 to 25%	<u>2</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Total Developer Claimed: 131 Total Agency Awarded: 128

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Item: Approval, Community Stabilization: Distressed Multifamily Rental Building Program Guide

Action Item: 7.F
Date: 4/24/2025
Staff Contacts: Beverly Wilharm, 651.284.0077, bev.wilharm@state.mn.us
Anne Heitlinger, 651.296.9832, anne.heitlinger@state.mn.us
Margaret King, 651-296-6305, Margaret.king@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval of a new Community Stabilization: Distressed Multifamily Rental Building Program Guide (Program Guide).

Fiscal Impact

This program is funded by state appropriations. Minnesota Housing will earn fee income when originating a Distressed Multifamily Rental Building loan and will retain appropriations to cover administrative costs for funding selections structured as grants.

The Agency does not anticipate earning interest on the loans.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Community Stabilization: Distressed Multifamily Rental Building Program Guide dated April 2025

Background

Community Stabilization was established pursuant to [Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 29](#) and [Minnesota Laws 2023, chapter 37, article 2, section 6](#) as a one-time program to preserve naturally occurring affordable housing and to provide a one-time grant to Aeon for Huntington Place. [Minnesota Laws 2024, chapter 127, article 14, section 11](#) amended the Community Stabilization legislation and appropriations to create three separate programs and two legislatively named grants:

- Distressed Buildings Program (Program) - \$50,000,000 (of this amount, \$15,000,000 is for the preservation or recapitalization of housing that includes supportive housing)
- Naturally Occurring Affordable Housing – Multifamily - \$41,750,000
- Naturally Occurring Affordable Housing – Single Family - \$10,000,000
- Legislatively named grant – Aeon for Huntington Place - \$10,000,000
- Legislatively named grant – Wilder Park Association - \$3,250,000

The two legislatively named grants are fully executed and underway. The program guide for Naturally Occurring Affordable Housing – Multifamily was approved by the board on February 27, 2025. The Single Family Division will prepare a program guide for their portion of the program.

Engagement

In preparation for designing this Program Guide, Minnesota Housing, in partnership with the Family Housing Fund, conducted informal interviews with stakeholders to gather information on program needs, structure and prioritization. After the informal interviews, we hosted an in-person stakeholder feedback engagement session (virtual option was available) with 11 organizations in January 2025 that included representatives from nonprofit and for-profit housing organizations from Greater Minnesota and the metropolitan area.

Out of the engagement sessions, a few themes emerged:

- Interest from both nonprofit and for-profit organizations to access the funding;
- A need for both grant and loan options;
- Prioritizing proposals that can achieve neutral or positive net operating income within five years;
- Going broader to provide less funding to more properties instead of providing more funding to fewer properties; and
- Recognizing that the \$50 million of available funding will almost certainly be oversubscribed and the funding is not a permanent fix for the properties.

Minnesota Housing also conducted five engagement sessions in 2024 on strengthening supportive housing. Both in-person and virtual engagement sessions were held between March and October 2024,

and included over 130 people with representation from Greater Minnesota, Tribal and metropolitan developers, management agents, service providers, community partners and people with lived experience of homelessness. This engagement work included a Tribal supportive housing listening session to receive feedback specific to the experience of Tribal supportive housing partners.

A primary theme that emerged, relevant to the use of the \$15,000,000 earmarked for the preservation or recapitalization of housing that includes supportive housing, was the need to quickly deploy flexible funds to fill current operating and service gaps that support supportive housing residents, staff and organizations providing site-based supportive housing.

Community Stabilization: Distressed Multifamily Rental Building Program Guide (Program Guide)

Many of the Program Guide parameters were defined in the Community Stabilization legislation, including the definition of a Distressed Building, which was incorporated into Section 2.01 Eligible Properties of the Program Guide. The legislation also outlined the eligible uses (Section 2.03), program priorities (Section 3.01), rent and income limit requirements (Section 3.02), private lender participation requirements (Section 4.03) and allowed both loans and grants to be offered (Chapters 8 and 9). The law specified that publicly owned housing is not eligible for funding under this Program.

Eligible Properties (Section 2.01). The law states that the appropriation was to support the “Recapitalization of Distressed Buildings.” The definition of Distressed Building was written into the law and is found in Appendix A of the Program Guide. Section 2.01 of the Program Guide incorporates this definition, along with additional requirements of the property.

Eligible Uses (Section 2.03). The definition of Recapitalization was also written into the law and is found in Appendix A of the Program Guide and led to the creation of section 2.03 Eligible Uses of the Program Guide. The Program Guide includes additional detail regarding uses that support the purpose of these eligible uses.

Relatedly, Section 2.04 of the Program Guide prohibits using Program funding for permanent relocation expenses to avoid displacement. Because this is a preservation focused program, the Program funds cannot be used for new construction, adding new units or adding new luxury amenities.

Priorities (Section 3.01): The law requires that preference be given to properties that meet the requirements of one or more of the below criteria:

- (a) Buildings where resident household incomes are at or below 30% area median income (AMI);
- (b) Buildings at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability;
- (c) Applicants who have a path to achieve neutral or positive net operating income within five years;
- (d) Applicants who keep subject properties affordable; or

(e) Buildings that are not eligible or not prioritized for other Agency programs.

The Program Guide includes additional qualification information for each of the criteria.

The statutory priorities will be reflected in the application materials and incorporated into the weight of the scoring.

Rent and Income Limit Requirements (Section 3.02): To qualify for Program funding, the law requires that all the units must be affordable to households at or below 60% of AMI as determined by HUD. The law does not require new rent or income restrictions, and the Program Guide does not include adding new rent or income restrictions beyond what is already required by existing declarations and regulatory agreements. Selected applicants will be required to preserve any existing affordability consistent with the recorded declaration, covenant, land use restrictive agreement or other documentation as provided by Minnesota Housing for at least the term of the loan or for at least five years after the Grant Contract Agreement is fully signed.

Private Lenders Participation (Section 4.03): The law states that the refinance or repayment of private debt is an eligible use if the private debt lender provided loan concessions meaningful to the property as determined by Minnesota Housing. Prior to executing a Loan Agreement or Grant Contract Agreement, the grantee/borrower must secure a signed commitment from the private debt lender for the loan concessions.

Funding Structure (Chapter 8 & 9): The feedback from the stakeholder feedback engagement session was that both grants and loans were needed depending on the funding structure of the project. For-profit organizations were concerned about the tax consequence of accepting a grant or accepting a forgivable loan and wanted to be sure that the award structure would be acceptable to federal low-income housing tax credit investors. The nonprofit organizations had an interest in both grants and loans depending on the financial structure of the property.

Offering both grants and loans creates a more complex program that will take more time to review and process; however, the stakeholder feedback was clear and consistent on this topic. The Program Guide includes both options.

Funding Limits: Minnesota Laws 2024, chapter 127, article 15, section 40 states that the Agency may establish funding limits per eligible recipient and require priority rankings of eligible recipient proposals. In the engagement session, an award sizing concept of up to \$40,000 per unit and a maximum of 20% of available funding to any one sponsor was determined to be reasonable. The award sizing limits will be in the request for proposal (RFP) materials.

Supportive Housing: The law sets aside \$15,000,000 for supportive housing, which is a core part of this new Program and is not considered a funding limit. The RFP materials will include provisions to prioritize supportive housing properties and related eligible uses.

Other Program Design Items:

Property Stabilization Plan: As noted, the law includes a priority for properties that can achieve neutral or positive net operating income within five years, and the stakeholders identified this particular item as a priority as well. The RFP materials will include parameters for the stabilization based on the Program Guide and will strive to consider proposals that address such topics as enhancing cash flow over time, addressing critical physical needs and stabilizing supportive services.

Reporting: Compliance reporting will be required, and staff are thinking through how this Program may also help gather information on where organizations are successful and the strategies they are using that may be beneficial to other organizations.

Next Steps

If the Program Guide is approved, staff will draft forms and procedures for an RFP that will be launched in second quarter 2025. The application release and due dates will be available soon on the Agency's website. Project selections are subject to board approval.

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Community Stabilization: Distressed Multifamily Rental Building Program

Program Guide

Adopted: April XX, 2025



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

An equal opportunity employer.

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

April 2025

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Values Statement

All Minnesotans live and thrive in a stable, safe, and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making,
- Listen and share the power we have,
- Honor, respect, and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.

Chapter 1 – Introduction

1.01 Program Purpose and Authorizing Statute

The Community Stabilization Program was established pursuant to [Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 29](#) and [Minnesota Laws 2023, chapter 37, article 2, section 6](#) as a one-time program to preserve naturally occurring affordable housing.

[Minnesota Laws 2024, chapter 127, article 14, section 11](#) and [Minnesota Laws 2024, chapter 127, article 15, section 38](#) amended the appropriation for the Community Stabilization Program, specifying that \$50,000,000 is to be used to provide loans or grants for the Recapitalization of Distressed Buildings. Of this amount, up to \$15,000,000 is for preservation or Recapitalization of housing that includes Supportive Housing.

These funds will be available through Minnesota Housing’s Community Stabilization: Distressed Multifamily Rental Building Program (the Program) and will be distributed through a competitive Request for Proposals (RFP) process for loans or grants. Funds provided as grants will be subject to the policies established by the [Minnesota Department of Administration Office of Grants Management](#).

Minnesota Housing will retain a portion of the available funding that is structured as grants to cover administrative costs in accordance with [Minnesota](#) Statutes, section 462A.05, subdivision 8.

1.02 Program Guide

This Program Guide, including subsequent changes and additions, will be incorporated into the Grant Contract Agreement or the Loan Agreement. Compliance with this Program Guide will be a requirement of receiving loan or grant funds. If there are any conflicts between the terms of this Program Guide and the Grant Contract Agreement or Loan Agreement, the Grant Contract Agreement or Loan Agreement will control.

For the purposes of this Program Guide, the Borrower or Grantee are collectively referred to as the Recipient.

1.03 Terms and Definitions

Appendix A: Terms and Definitions of this Program Guide includes definitions of capitalized terms used in this Program Guide.

1.04 Legal Addendum

Any Recipient of an award pursuant to the Program agrees to comply with the additional requirements and obligations as described in Appendix B: Legal Addendum of this Program Guide.

Chapter 2 – Eligibility Requirements

2.01 Eligible Properties

To be eligible for funding, the property must meet all the following threshold requirements:

- Be owned or controlled by an Eligible Recipient*
- Have all units restricted to households with incomes at or below 60% of the area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD), adjusted for household size, and this household income limit requirement must be documented in a recorded declaration, covenant, land use restrictive agreement, or other similar recorded document deemed acceptable at Minnesota Housing’s sole discretion
- Have eight or more units
- Have been placed in service on or before December 31, 2023

Additionally, the property must meet at least one of the following qualifying requirements:

- Be at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability
- Have two or more years of negative net operating income (NOI), exclusive of financial or in-kind operating support from the owner of the property
- Have two or more years with a debt service coverage ratio less than one
- Have necessary costs of repair, replacement, or maintenance that exceed revenues and the project reserves available for those purposes

*Although a local unit of government is an Eligible Recipient, Program funds can not be used for publicly owned housing. In these cases, the local unit of government may be awarded Program funds, but cannot have a direct ownership interest in the Distressed Building. The local unit of government may, however, have an ownership interest in the non-public ownership entity of the Distressed Building. It is highly recommended that all local units of government applying for Program funds obtain Minnesota Housing approval of the ownership structure as early as possible in the application process.

Only permanent residential rental housing, including Supportive Housing, is eligible for this Program. Assisted living facilities, nursing homes, shelters, transitional housing, and other similar facilities are not eligible for this Program.

2.02 Eligible Recipients

An Eligible Recipient is one of the following:

- A private for-profit developer, which includes but is not limited to a Limited Liability Company (LLC), Limited Partnership (LP), or other similar ownership entity with approval from Minnesota Housing at its sole discretion
- A tax-exempt Nonprofit Organization established under section 501(c)(3) of the Internal Revenue Code; a Nonprofit Organization may apply on behalf of the LLC, LP, or other similar organization provided the Nonprofit Organization controls at least 50% of the combined ownership of all general partners in the ownership entity of the property
- A Federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity
- Local unit of government (subject to the limitations described in section 2.01).

The Eligible Recipient must own or control the property, which is demonstrated by meeting one of the following criteria:

- The property is directly owned by the Eligible Recipient.
- The property is owned by an LLC, LP, or other similar ownership entity with approval from Minnesota Housing at its sole discretion, and the Eligible Recipient is the managing general partner or member of the LLC, LP, or other similar ownership entity. If there is more than one general partner or member, the Eligible Recipient must control at least 50% of the combined ownership of all general partners or members in the ownership entity.
- The Eligible Recipient has site control of the property as defined in Community Stabilization: Distressed Multifamily Rental Building RFP Application Instructions.
- The Eligible Recipient can demonstrate ownership or control of the property at Minnesota Housing's sole discretion.

If the property is not directly owned by the Recipient, the owner must agree to execute and record a recorded declaration, covenants, land use restrictive agreement, or other documentation, as described in section 3.02 of this Program Guide, and any other documentation as determined by Minnesota Housing at its sole discretion.

2.03 Eligible Uses

Program funds may be used for financing the physical and financial needs that are necessary to stabilize an Eligible Property, which includes:

- Debt Restructure that stabilizes or improves property cash flow
- Deferred maintenance and rehabilitation, including costs related to the purpose of rehabilitation, such as:
 - Architecture and design costs, general contractor costs, and permits
 - Environmental reviews and remediation, including lead-based paint, asbestos, and radon mitigation

- Closing costs, including legal, title, survey, and loan fees
- Temporary relocation expenses incurred as a result of the rehabilitation
- Project management fees that are the lesser of 5% of the total project costs or \$100,000
- Property operating costs including, but not limited to, property insurance, front desk, security/safety, tenant service coordination, Supportive Services, case management, program staff, and one-time or short-term staff retention incentives. Reporting, compliance and monitoring costs detailed below are considered operating costs.
- Capitalized replacement, operating, and/or Supportive Service reserves; See section 6.02 (Supporting Documentation) of this Program Guide for additional information
- Financing to sell or transfer ownership of a property to a qualified owner that will commit to long-term affordability, as determined by Minnesota Housing at its sole discretion
- Costs associated with required reporting, compliance, and monitoring, including third-party auditors and accountants

Minnesota Housing may approve, at its sole discretion, other uses that support the physical and financial needs of the property.

For funding selections structured as a grant, only costs of Eligible Uses incurred after the Grant Contract Agreement is fully executed are eligible for reimbursement. For funding selections structured as loans, the Recipient may be reimbursed for costs of Eligible Uses incurred prior to executing a Loan Agreement with Minnesota Housing's approval at its sole discretion.

2.04 Ineligible Uses

Ineligible uses of funds include but are not limited to:

- New construction; for example, adding units or buildings
- Adding new amenities that are not already part of the property; for example, pools, fitness centers, basketball courts, and other luxury amenities
- Permanent relocation expenses

Approval or disapproval of any use of funds is at the sole discretion of Minnesota Housing.

Chapter 3 – Program Requirements

3.01 Statutory Priorities

Priority shall be given to properties that meet the requirements of one or more of the following criteria:

- (a) Buildings where resident household incomes are at or below 30% AMI;
- (b) Buildings at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability;
- (c) Applicants who have a path to achieve neutral or positive net operating income within five years;
- (d) Applicants who keep subject properties affordable; or
- (e) Buildings that are not eligible or not prioritized for other Minnesota Housing programs.

Minnesota Housing, at its sole discretion, will determine if the evidence substantiates qualification under any of the criteria.

Buildings Where Resident Household Incomes are at or Below 30% AMI

For the purposes of this Program, this criterion will be evaluated based on the occupied units rented to households with annual income, according to the most recent income certification as of March 1, 2025, that are at or below 30% AMI as determined by HUD, adjusted for household size. The most recent income certification may have occurred in a prior calendar year including initial move-in.

Buildings at Imminent Risk of Foreclosure, Closure, or Sale that would Result in Permanent Loss of Affordability

The Applicant must provide evidence of bankruptcy, insolvency, default, foreclosure action, unpaid taxes and assessments, ongoing lack of compliance with lenders or terms of federal assistance, or self-determination by a Nonprofit Organization board that are severe enough to put the property at significant risk of not remaining decent, safe, and affordable.

Under this criterion, Minnesota Housing may, at its sole discretion, require the property be transferred to an unrelated party to be eligible for funding under this Program.

Applicants who Have a Path to Achieve Neutral or Positive Net Operating Income within Five Years

On a form provided by Minnesota Housing, the Applicant shall provide a Property Stabilization Plan and supporting documentation demonstrating how the property will achieve this criterion if selected for funding under this Program. The Property Stabilization Plan will be evaluated based on such factors

as the quality and completeness of the plan, financial feasibility, property staffing, and addressing critical financial needs. Minnesota Housing, at its sole discretion, will determine if the evidence substantiates qualification under this criterion.

Applicants who Keep Subject Properties Affordable

To qualify, the Applicant must commit to maintaining all of the property's Affordability Requirements, as documented in a land use restrictive agreement, declaration, covenant, or other documentation acceptable to Minnesota Housing for the Affordability Period.

Buildings that are Not Eligible or Not Prioritized for Other Minnesota Housing Programs

For the purposes of this Program, other Minnesota Housing programs include:

- The Annual Multifamily Consolidated RFP, including Housing Tax Credit (HTC) Round 1 and Round 2 and all deferred loan programs included in the Annual Multifamily Consolidated RFP
- 4% HTC due to an application submitted for tax-exempt volume limited bonds to Minnesota Management and Budget
- The Rental Rehabilitation Deferred Loan Program
- The Publicly Owned Housing Program

A property will have been considered not prioritized for other Minnesota Housing programs if an application was submitted to any of the above programs in calendar year 2020 or after and not selected for capital funding.

3.02 Rent and Income Limit Requirements

All units shall have gross rents that are at or below 60% [Multifamily Tax Subsidy Projects \(MTSP\) Rent Limits](#).

All units shall have household income at or below 60% MTSP Income Limits, adjusted for household size.

The rent restrictions and the income restrictions, collectively the Affordability Requirements, shall be demonstrated in the form of a recorded declaration, covenants, land use restrictive agreement, or other documentation as provided by Minnesota Housing at its sole discretion that remains in place for the term of the Affordability Period.

Units occupied by households benefited by project-based or tenant-based rental assistance such as Section 8 or a similar state or local government rental assistance program or a housing support agreement are deemed to satisfy the rent and income restrictions.

3.03 Affordability Period

The Affordability Period shall be at least five years after the Grant Contract Agreement is fully signed or for the term of the loan, as applicable.

3.04 Utility Allowances

Tenant-paid utility allowances are included in gross rent. Generally, acceptable utility allowances are those provided by public housing authorities on a Section 8 utility allowance schedule. Utility allowances must be updated annually.

3.05 Voucher Acceptance

Rental properties that receive funds under this Program may not reject an applicant based solely on their status as a holder of a rental subsidy, including but not limited to vouchers under section 8 of the United States Housing Act of 1937, as amended.

3.06 Design and Construction Requirements

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost-effective materials and systems that minimize the consumption of natural resources both during rehabilitation and for long-term maintenance and operations.

For rehabilitation projects, Recipients are required to comply with each of the following:

- The most recently adopted edition of the Minnesota State Building Code
- Other local, state, and national codes and standards in effect; the most restrictive codes and regulations will apply
- If applicable based on the scope of rehabilitation, Minnesota Housing's Limited Scope Project Sustainability Requirements, which can be found on Minnesota Housing's [Building Standards](#) webpage

3.07 Tenant Selection Plan

Minnesota Housing is committed to creating equitable, affordable, and accessible housing for all Minnesotans. Tenant selection plans and tenant screening criteria that reduce barriers to housing access are critical to these efforts. It is recommended that all Recipients selected for Program funds follow Minnesota Housing's [Tenant Selection Plan Guidelines](#).

Chapter 4 – Application Information

4.01 Financial and Organizational Capacity

Applicants must submit the required qualification forms. The qualification forms, along with additional information and instructions for submittal, can be found on Minnesota Housing’s [Development Team Qualification Forms](#) webpage.

4.02 Management and Operating Budget

The budget submitted in the application is reviewed and compared to the historical operating performance and budget(s) of comparable Minnesota Housing financed developments.

Minnesota Housing reserves the right to reject or adjust the operating and maintenance figures based on the information provided specific to development type, circumstances, and significant changes to the economics of the development’s current marketplace.

4.03 Private Lender Participation

A property cannot use Program funds to refinance or repay Private Debt without meaningful loan concessions from the Private Debt lender.

Applicants proposing to use Program funds for the purpose of refinancing or to repay some or all the Private Debt on a property must include a detailed description of the proposed transaction in the application, including how the refinancing will help stabilize the property and a term letter signed by the Private Debt lender detailing the loan concessions the lender will provide if the application is selected for funding. Concessions include but is not limited to restructuring and forgiveness of amortizing and deferred debt, principal and interest paydown, interest-rate write-down, deferral of debt payments, and mortgage payment forbearance. The value of the lender concessions must be clearly stated in the letter along with any conditions of approval.

The value of the loan concessions must be meaningful to the property, which shall be determined at the sole discretion of Minnesota Housing.

Prior to executing a Loan Agreement or Grant Contract Agreement, the Recipient must secure a signed commitment from the Private Debt lender for the loan concessions. Any changes to the loan concessions are subject to approval by Minnesota Housing. Failure to receive the loan concession commitment may result in a reduced, modified or cancelled Program funding award.

4.04 Property Stabilization Plan

All applications shall demonstrate financial need where an infusion of new funding will allow the Applicant to stabilize the property for at least five years. A Property Stabilization Plan shall be

submitted which ties to the proposed use of Program funds. The Property Stabilization Plan may include but is not limited to the following:

- Identification of how the property will achieve neutral or positive net operating income within five years
- At least five year cash flow projections if selected for funding, including identifying any cost savings
- Staffing plan
- Critical capital needs
- How capitalized reserves will be used, if applicable
- Refinancing of existing debt, if applicable

4.05 Relocation Plan

Proposals that include temporary relocation must submit a relocation plan. The Applicant must thoroughly assess the potential for displacement.

The plan must include each of the following:

- A description of the project
- A list of any other funding source(s) that will require compliance with the Uniform Relocation Act (URA) or a statement that no other funding source(s) will require compliance with the URA
- A description of any temporary relocation, if any, that will or may occur based on the scope of work
- A description of how tenants' needs will be accommodated while they are temporarily displaced
- A description of how tenants with disabilities will be accommodated
- A description of what the development team will do to help displaced tenants who have additional challenges when facing temporary or permanent voluntary displacement; for example, households with a large family size
- A description of the assistance and compensation that will be offered to tenants who will either be temporarily relocated or permanently and voluntarily displaced
- An estimated budget identifying relocation/displacement expenses and an identified funding source
- A relocation plan timeline

Minnesota Housing prohibits permanent involuntary displacement of residents from developments receiving Minnesota Housing funding.

4.06 Program Fees

For project selections structured as loans, please review the Multifamily Loan Programs and Housing Tax Credit Fee Schedule for applicable fees.

Chapter 5 – Application Process, Review Criteria, and Selections

Funding for this Program will be allocated through a competitive Request for Proposals (RFP) process.

Applications requesting grants are subject to applicable policies established by the [Minnesota Department of Administration's Office of Grants Management](#).

Minnesota Housing will make scoring criteria, application forms, and instructions available on its website at such times and for such duration as it deems necessary and appropriate to fulfill the goals of the Program.

Funding selections are subject to approval by Minnesota Housing's board of directors. Minnesota Housing's award decisions are final and are not subject to appeal.

5.01 Minimum Threshold Criteria

To meet the minimum threshold criteria, each of the following must be true:

- The building is an eligible property as described in section 2.01 (Eligible Properties) of this Program Guide.
- The Applicant is an Eligible Recipient as described in section 2.02 (Eligible Recipients) of this Program Guide.
- The application is for an eligible use as described in section 2.03 (Eligible Uses) of this Program Guide.
- The application provides documentation demonstrating that it meets at least one of the statutory priorities in section 3.01 (Statutory Priorities) of this Program Guide.
- The project will not result in permanent displacement of households.
- The application is complete.
- The application is submitted by the deadline.

Minnesota Housing, at its sole discretion, reserves the right to request additional information or to deem an error related to an application to be immaterial.

5.02 Selection Criteria

In conjunction with application scores, Minnesota Housing will evaluate Program RFP applications on such criteria as:

Project Feasibility

Applications must demonstrate and satisfy the following project feasibility requirements, as applicable:

- The costs of rehabilitating the housing are reasonable based on market conditions and/or justifiable as determined by Minnesota Housing at its sole discretion.
- The operating and maintenance costs are reasonable based on market conditions and/or justifiable as determined by Minnesota Housing at its sole discretion.
- The housing is economically viable and sustainable.
- There is demonstrated organizational capacity as determined by Minnesota Housing at its sole discretion.

Applications determined to not meet feasibility requirements will not be processed further in the applicable funding cycle. An application's financial structuring may be revised by Minnesota Housing during this review to help ensure financial feasibility and/or meet required components of the applicable underwriting standards. A reduction to the application's scoring may occur as a result of these revisions.

Property Stabilization Plan

The application shall include a plan that demonstrates how the Program funding will be used to stabilize the property for at least five years, which may include operational costs, physical needs, and Supportive Services.

Amount of Funding Requested

Minnesota Housing considers the amount of funding requested in comparison to available resources in order to fully fund or nearly fully fund as many projects as reasonably feasible, which may result in not selecting higher scoring projects. This includes instances where insufficient resources are available to fully fund or nearly fully fund a project.

Minnesota Housing may establish funding limits per eligible Recipient and per unit funding limits. Any funding limits will be set at Minnesota Housing's sole discretion.

Private Lender Participation

If applicable, the application includes the information required in section 4.03 (Private Lender Participation) of this document, and the proposed Private Debt loan concessions are deemed meaningful to the property, which shall be determined at the sole discretion of Minnesota Housing. Where applicable, Minnesota Housing will apply the [Multifamily Underwriting Standards](#) to evaluate the terms of the Debt Restructure.

Geographic Distribution

Minnesota Housing considers geographic distribution, including Tribal Reservations, of resources and the resulting amount and type of anticipated housing production throughout the state when making the Program selection decisions.

5.03 Selection Notification

After selection, the Applicant will receive a funding selection letter with the anticipated loan or grant amount, terms, and due diligence requirements.

Chapter 6 – Disbursement Requests

6.01 Disbursement Requests

The Recipient shall submit disbursement requests using the template provided by Minnesota Housing. The disbursement request must include the supporting documentation as further detailed in section 6.02 (Supporting Documentation) of this Program Guide.

Disbursements will only be made to the Recipient or their designated title agent as approved by Minnesota Housing.

Disbursement requests will not be processed more than once per month.

6.02 Supporting Documentation

Based on the expense category, the Recipient shall include the required documentation¹ with the reimbursement request. The submitted documentation must clearly indicate the applicable eligible expense category.

Table 1: Required Documentation for each Expense Use Category

Expense Use Category	Required Documentation
Deferred maintenance and rehabilitation	Invoice from the vendor with a description of the services and the cost. The invoice must include the applicable property name, property address, and time period of the activity. These expenses are disbursed on a reimbursement basis only.
Property operating costs	Invoice from the vendor with a description of the services, the time period of the activity, and how the total cost was determined. These expenses are disbursed on a reimbursement basis only.
Supportive Services costs	Invoice from the vendor with a description of the services, the time period of the activity, and how the total cost was determined. These expenses are disbursed on a reimbursement basis only.
Capitalized operating reserves	To be determined based on funding selection.
Capitalized replacement reserves	To be determined based on funding selection.
Capitalized Supportive Services reserves	To be determined based on funding selection.
Closing costs (loans only)	Invoice from the vendor with a description of the services and the cost. The invoice must include the applicable property name, property address, and time period of the activity. These expenses are disbursed on a reimbursement basis only.

¹ Alternative documentation may be accepted at the sole discretion of Minnesota Housing.

Expense Use Category	Required Documentation
Additional expenses for financing the physical and financial needs of the property that have been pre-approved by Minnesota Housing in writing.	To be determined based on the pre-approved expense.
Refinancing	To be determined based on the pre-approved expense.
Financing to sell or transfer ownership of the property	To be determined based on the pre-approved expense.
Costs associated with required reporting, compliance and monitoring	<p>Invoice from the independent accounting firm/auditor that includes the accounting firm's/auditor's license number, legal name, and address of the business conducting the audit, and the name and title of the person completing the audit; if applicable, also include an invoice for the actual cost of staff time to help prepare required compliance, monitoring, financial reporting and/or financial auditing.</p> <p>If a third party provider is assisting in preparing required reporting, compliance and monitoring documentation, please include an invoice that states legal name of provider, address, name and title of person conducting the work.</p>

Minnesota Housing may request additional documentation as needed to verify expenses. The Recipient shall retain all backup documentation related to the reimbursement request, which may include invoices from private contractors, employee timesheets, etc.

Chapter 7 – Compliance, Monitoring, Reporting, and Record Keeping

7.01 Compliance Monitoring Requirement

Minnesota Housing performs periodic inspections of the projects financed. The frequency of physical inspections is determined by several factors such as type, term, and amount of funding award. Recipients will be notified in advance of any inspection. Grantees will need to comply with Minnesota Department of Administration Office of Grants Management [Policy 08-10](#).

7.02 Compliance Reporting Requirement

Recipients are required to provide annual reporting in a form and manner directed by Minnesota Housing. An annual Certification of Compliance and occupancy data on all units in the property must be submitted. Owners must maintain year-end operating (financial) reports and make them available upon request. Grantees will need to comply with Minnesota Department of Administration Office of Grants Management [Policy 08-10 and Policy 08-09 regarding Grant Progress reports](#).

7.03 Compliance Term

All projects funded with Program loans or grants are required to comply with Affordability Requirements and are subject to monitoring and reporting for the term of the Affordability Period. Recipients must retain files for six years after the expiration or termination of the Affordability Period.

7.04 Quarterly Reporting

The Recipient shall provide quarterly reports on project status that includes, as applicable:

- Funds spent by eligible use
- Status of rehabilitation work and work completed
- Staffing
- Supportive Services
- Refinancing activities
- Occupancy
- Quarterly financial reports

The minimum reporting requirements may be modified depending on the uses of the Program funds. If the Recipient fails to submit the quarterly report within 30 days after the end of the quarter, Minnesota Housing may withhold any additional disbursements.

7.05 Final Reporting and Financial Reconciliation

In addition to the quarterly reporting requirements in section 7.04 (Quarterly Reporting) of this Program Guide, a financial reconciliation that meets Minnesota Department of Administration Office of Grants Management [Policy 08-10](#) shall be completed before the final payment is made. Minnesota Housing may require the Recipient to engage with a third-party accounting or auditing firm to conduct the financial reconciliation.

7.06 Corrections and Funding Repayment

If Minnesota Housing or the independent accounting firm/auditor identifies any ineligible expenses or other irregularities in the reconciliation, Minnesota Housing will:

- Review the report and financial audit to determine if corrections or funding repayment is necessary
- Notify the Recipient of the correction requirements and/or repayment requirements

The Recipient shall have 10 business days to respond to Minnesota Housing to appeal the determination and submit any supporting documentation that supports its appeal or return the improperly invoiced funds. Minnesota Housing may extend the appeal period at its sole discretion. Grantees that fail to comply and/or return funds for ineligible uses within 10 business days may be subject to consequences, including a finding of unacceptable practices in future RFPs, suspension from doing business with Minnesota Housing, and/or any other disciplinary or legal action Minnesota Housing deems appropriate and as determined at Minnesota Housing's sole discretion.

7.07 Record Keeping

Recipients are responsible for maintaining records that document the use of all Program funds. Recipients must save copies of all books, records, Program files, documents, and accounting procedures related to the grant or loan in a secure and organized format. Recipients must maintain these documents for a minimum of six years from the end of the Affordability Period for the Grant Contract Agreement or Loan Agreement.

Minnesota Housing reserves the right to review all records during this six-year period, and records must be made available to Minnesota Housing, the Office of Legislative Auditor and/or the Office of the State Auditor upon request.

Documents to save and retain include, but are not limited to:

- Executed Grant Contract Agreement, Loan Agreements, and any amendments
- Reports submitted by the Recipient to Minnesota Housing
- Invoices and supporting invoice documentation (receipts, proof of payment, etc.)
- Written approvals from Minnesota Housing

Chapter 8 – General Loan Characteristics

8.01 Funding Source

Funds for the Program are appropriated by the Minnesota Legislature.

8.02 Loan Terms

For Applicants that select the loan option, the loan will be structured as a deferred, forgivable, or amortizing loan with fixed or cash flow payments depending on the needs and financial structure of the project. An interest rate is not required but can be included if necessary for the financial structure of the project.

Alternative loan structures may be considered but are subject to approval at Minnesota Housing's sole discretion. For example, an alternative loan structure may include a loan to a Borrower which is a Nonprofit Organization that subsequently loans or contributes the funds to one or more properties owned or controlled by the Borrower.

Minnesota Housing may also allow non-recourse debt on secured loans to single asset entities.

The Borrower must close on the loan within 20 months after the Minnesota Housing board selection date. If the Borrower requests an End Loan, the Borrower must enter into a loan commitment within 20 months after the Minnesota Housing board selection date.

8.03 Prepayment

The loan may be prepaid in full at any time. Minnesota Housing may charge a prepayment fee to cover the approximate administrative costs incurred by Minnesota Housing in processing the prepayment.

Chapter 9 – Grant Contracting Requirements

9.01 Funding Source

Funds for the Program are appropriated by the Minnesota Legislature.

9.02 Grantee Requirements

The Grantee is a party to the Grant Contract Agreement and shall adhere to the following requirements which include, but are not limited to, the activities listed below.

- Execute the Grant Contract Agreement(s) with Minnesota Housing outlining the eligible uses. The Grantee may also be responsible for completing the proposal, budget, work plan, and/or other exhibits to the Grant Contract Agreement(s).
- Complete and submit all invoices and required reports on time in a manner determined by Minnesota Housing.
- Have a written conflict of interest policy and take necessary steps to prevent individual and organizational conflicts of interest. All suspected, disclosed, or discovered conflicts of interest must be reported to Minnesota Housing in a timely manner.
- Comply with applicable contracting and bidding requirements defined in the Grant Contract Agreement.
- Comply with all affirmative action and non-discrimination requirements defined in the Grant Contract Agreement.
- Comply with all applicable state statutes, rules, and policies, including the 13 policies required by the [Minnesota Department of Administration Office of Grants Management](#).

9.03 Grantee Loans

Grantees may loan the Program funds to the project with prior approval from Minnesota Housing.

9.04 Subgrantees

Subgrantees are not permitted.

9.05 Budget Modifications

Work plan and budget modifications require pre-approval at the sole discretion of Minnesota Housing.

Budget modifications may require an amendment to the Grant Contract Agreement. In such cases, expenses incurred before the amendment to the Grant Contract Agreement is fully executed are ineligible for reimbursement.

Chapter 10 – Transfer of Ownership

The following transactions need to be pre-approved in writing by Minnesota Housing during the Affordability Period:

- Sale of the property to another eligible entity
- Transfers of general partner or member interests
- Assumptions and subordinations of the loan
- Assignment of the Grant Contract Agreement

Approval must be requested through the Request for Action (RFA) Process. Approval is at Minnesota Housing's sole discretion and will only be considered (but not guaranteed to be approved) if each of the following are true:

- The Recipient is not in default of any of its agreement(s) with Minnesota Housing
- The new entity has the capacity to successfully operate the property, in Minnesota Housing's sole opinion
- The new entity assumes all contractual obligations with Minnesota Housing
- Payment of an assumption, subordination, and/or assignment fee is submitted, if required

Appendix A: Terms and Definitions

Table 2: Terms and Definitions

Terms	Definitions
Affordability Period	The period of time, established by Minnesota Housing, that the Recipient agrees to comply with rent, income, and compliance reporting and monitoring requirements for the project as outlined in section 3.03 (Affordability Period) of this Program Guide.
Affordability Requirement	The rent and income restrictions, that the Recipient agrees to comply with, outlined in section 3.02 (Rent and Income Limit Requirements) of this Program Guide.
Annual Multifamily Consolidated RFP	The Annual Multifamily Consolidated RFP is a competitive funding round, offered once per year, which provides a means of "one stop shopping" by consolidating and coordinating multiple multifamily housing capital funding resources into one application process.
Applicant	Individual or entity that applies for Program funds.
Borrower	An Eligible Recipient that has been selected for Program loan funding by Minnesota Housing.
Community Stabilization Program	Program established by Minnesota Laws 2023, ch. 37, art. 2, sec. 6 and amended by Minnesota Laws 2024, ch. 127, art. 14, sec. 11. and Minnesota Laws 2024, ch. 127, art. 15, sec. 38 – 43.
Debt Restructure	<p>Debt Restructure includes but is not limited to:</p> <ul style="list-style-type: none"> • Restructuring and forgiveness of amortizing and deferred debt • Principal and interest paydown • Interest rate write-down • Deferral of debt payments • Mortgage payment forbearance
Distressed Building	<p>An existing multifamily rental housing building in which the units are restricted to households at or below 60% of the area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD), adjusted for household size that:</p> <ol style="list-style-type: none"> 1. Is at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability; 2. Has two or more years of negative net operating income, exclusive of financial or in-kind operating support from the owner of the property; 3. Has two or more years with a debt service coverage ratio less than one; or 4. Has necessary costs of repair, replacement, or maintenance that exceed the project reserves available for those purposes.

Terms	Definitions
Eligible Property	An Eligible Property pursuant to the Program as further described in section 2.01 (Eligible Property) of this Program Guide.
Eligible Recipient	An Eligible Recipient pursuant to the Program as further described in section 2.02 (Eligible Recipients) of this Program Guide.
End Loan	A permanent long-term loan that is used to pay off a short-term rehabilitation loan or other form of interim financing.
Grant Contract Agreement	The Grant Contract Agreement signed between Minnesota Housing Finance and the Grantee for the Program.
Grantee	An Eligible Recipient selected by the Minnesota Housing to receive grant Program funding.
Housing Tax Credit Round 1	Housing Tax Credit (HTC) Round 1 is offered through the Multifamily Consolidated RFP and uses a forward selection process with selections taking place late in the calendar year preceding the allocation year of the HTCs.
Housing Tax Credit Round 2	Housing Tax Credit (HTC) Round 2 establishes a waiting list for projects that do not receive an initial allocation. If additional HTCs become available, Minnesota Housing will pull projects from this list for a feasibility review to evaluate further allocations.
Loan Agreement	The Loan Agreement between Minnesota Housing and the Borrower and any related documents evidencing a loan pursuant to the Program.
Minnesota Housing	The Minnesota Housing Finance Agency
Minnesota State Building Code	<p>Adopted by the Minnesota Department of Labor and Industry and designed to promote cost-effective ways of ensuring building safety and efficiency.</p> <p>The Minnesota State Building Code is the minimum construction standard throughout all of Minnesota including all cities, townships, and counties. Although it isn't enforceable by municipalities unless it is adopted by local ordinance, the Minnesota State Building Code creates a level playing field for the construction industry by establishing the construction standard for all buildings in the state.</p>
Multifamily Rental Building	A single residential property with eight or more housing units that are available for rent.
Multifamily Tax Subsidy Project (MTSP)	<p>Income limits published annually by HUD that are used to determine qualification levels as well as set maximum rental rates for projects funded with tax credits authorized under section 42 of the Internal Revenue Code and projects financed with tax exempt housing bonds issued to provide qualified residential rental development under section 142 of the Internal Revenue Code.</p> <p>Such limits must follow the hold-harmless policy established in section 3009 of the Housing and Economic Recovery Act of 2008</p>

Terms	Definitions
	based on the limits in effect on the date of the funding application or, for projects receiving Low-Income Housing Tax Credits under section 42 of the Internal Revenue Code, the placed in service date.
Nonprofit Organization	A tax-exempt Nonprofit Organization under section 501(c)(3) of the Internal Revenue Code that was established before January 1, 2025, as demonstrated by registration or filing of organizational documents with the state of origin.
One Minnesota	The One Minnesota Plan is a vision for what our state can be and how we can make this vision a reality.
Private Debt	A debt owed to a non-public, non-governmental entity. The loan needs to be secured by the Distressed Building and be between two or more unrelated and unaffiliated parties acting independently and in their self-interest.
Program	Community Stabilization: Distressed Multifamily Rental Building Program
Program Guide	This Community Stabilization: Distressed Multifamily Rental Building Program Program Guide
Property Stabilization Plan	A plan that demonstrates how the Program funding will be used to stabilize the property for at least five years, which may include operational costs, physical needs, and supportive services.
Publicly Owned Housing Program	The Publicly Owned Housing Program was first established by the Minnesota Legislature in 2005 to offer assistance to Housing and Redevelopment Authorities, Public Housing Authorities, and Community Development Agencies that provide public housing to individuals and families (households with children) and is implemented through Minn. Stat. 462A.202 .
Recapitalization	Financing for the physical and financial needs of a Distressed Building, including restructuring and forgiveness of amortizing and deferred debt, principal and interest paydown, interest rate write-down, deferral of debt payments, mortgage payment forbearance, deferred maintenance and rehabilitation, funding of reserves, and property operating costs including but not limited to Supportive Services, security services, and property insurance. Recapitalization may include financing to sell or transfer ownership of a property to a qualified owner that will commit to long-term affordability as determined by the Commissioner.
Recipient	Borrower or Grantee
Rental Rehabilitation Deferred Loan Program	Minnesota Housing's authority to operate Rental Rehabilitation Deferred Loan Program is found in Minn. Stat. 462A.05, subdivision 14 and Minn. Stat. 462A.33 . The Rental Rehabilitation Deferred Loan Program provides financing options for moderate

Terms	Definitions
	<p>rehabilitation to owners of existing smaller scale, permanent rental housing in Minnesota.</p> <p>The overarching Rental Rehabilitation Deferred Loan Program goal is to repair and preserve rental housing stock with federal project-based rent assistance or permanent rental housing that is naturally affordable to the local workforce and convenient to jobs, transportation, and essential services.</p>
Request for Action (RFA) Process	<p>The process which must be used for all servicing requests including, but not limited to, assumptions, ownership/management company changes, subordinations, and payoffs. Refer to Minnesota Housing's RFA and Change Notifications webpage for information on how to complete this process.</p>
Request for Proposals (RFP)	<p>The competitive process of applying for Program funds.</p>
Section 8	<p>HUD's housing choice voucher program for assisting very low-income families, the elderly, and people with disabilities to afford decent, safe, and sanitary housing in the private market.</p>
Supportive Housing	<p>Supportive Housing is permanent housing affordable to the people served and provides access to an array of services designed to foster housing stability and improve health and quality of life.</p>
Supportive Services	<p>Supportive Services include, but is not limited to, such activities as case management, mental health services, educational services, employment services, life skills training, children's services and activities, and support groups.</p>
Tribally Designated Housing Entity	<p>Entities that meet the requirements defined by United States Code, title 25, section 4103(22).</p>
Uniform Relocation Act (URA)	<p>The Uniform Relocation Act applies to federally funded projects involving rehabilitation or acquisition. The URA provides displaced persons with fair, equitable treatment and protection from disproportionate injury by projects designed to benefit the public. The URA requirements must be adhered to by the owner. If the borrowing entity will be displacing or temporarily relocating tenants, a tenant relocation plan that conforms to all URA requirements is mandatory and must include an outline of how tenants will be accommodated during construction, an overview of construction activities, a project timeline, an estimated budget, and whether or not the scope of work will require temporary or permanent relocation.</p>

Appendix B – Legal Addendum

1.01 Conflict and Control

In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.

1.02 Fraud

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

Any person or entity (including its employees and affiliates) that enters into a contract 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 communication channels described in section 1.07.

1.03 Misuse of Funds

A contracting party that receives funding from Minnesota Housing promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

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

Any recipient (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 communication channels described in section 1.07.

1.04 Conflict of Interest

A conflict of interest – Actual, Potential or Appearance of a Conflict of Interest – 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 Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person’s decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person’s personal interest, affiliation or relationship inappropriately influenced that person’s action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes 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 Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person’s current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person’s household.
- **Friend:** A person with whom the individual has an ongoing personal social relationship. “Friend” does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. “Friend” does not include mere acquaintances (that is, interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person’s romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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 a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 1.07.

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

1.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section 1.04;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section 1.07.

1.06 Suspension

By entering into any contract 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 contract) 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](#) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

1.07 Disclosure and Reporting

Minnesota Housing promotes a “speak-up, see something, say something” culture whereby internal staff must immediately report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (for example, administrators, grantees or borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation using these same communication channels.

- Minnesota Housing’s Chief Risk Officer at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;
- Any member Minnesota Housing’s [Servant Leadership Team](#), as denoted on Minnesota Housing’s current organizational chart (Go to mnhousing.gov, scroll to the bottom of the screen and select About Us, select Servant Leadership Team); or
- [Report Wrongdoing or Concerns \(mnhousing.gov\)](#) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

1.08 Electronic Signatures

Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

1.09 Fair Housing Policy

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

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

and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

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

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

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

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

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

1.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

1.11 Prevailing Wage

Under certain circumstances, awards of Minnesota Housing funds may trigger state prevailing wage requirements under [Minnesota Statutes Chapter 177](#) or [Minnesota Statutes Section 116J.871](#). In broad terms, Minnesota Statutes Chapter 177 applies to an award of \$25,000 or greater for housing that is publicly owned. Minnesota Statutes Section 116J.871 applies to awards for non-publicly owned housing that meet the following conditions: (1) new housing construction (not rehabilitation of existing housing); (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds; or (3) allocations or awards of low-income housing tax credits, for which tax credits are used for multifamily housing projects consisting of more than ten units.

Minnesota Statutes Section 116J.871 sets out several exceptions to the applicability of prevailing wage including (1) rehabilitation of existing housing; (2) new housing construction in which total financial assistance at a single project site is less than \$100,000; and (3) financial assistance for the new construction of fully detached single-family affordable homeownership units for which the financial assistance covers no more than ten fully detached single-family affordable homeownership units.

Entities receiving funding from Minnesota Housing as described in this section shall notify all employers on the project of the recordkeeping and reporting requirements in Minnesota Statutes Section 177.30, paragraph (a), clauses (6) and (7). Each employer shall submit the required information to Minnesota Housing.

Questions related to submission of required information to Minnesota Housing may be directed to: mhfa.prevailingwage@state.mn.us.

All questions regarding state prevailing wages and compliance requirements should be directed to the Minnesota Department of Labor and Industry as follows:

Division of Labor Standards and Apprenticeship
State Program Administrator

443 Lafayette Road N, St. Paul, MN 55155
651.284.5091 or dli.prevwage@state.mn.us

If a contractor or subcontractor fails to adhere to prevailing wage laws, then that contractor or subcontractor could face civil and/or criminal liability.

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Item: Funding Modification, Rental Rehabilitation Deferred Loan – Upsala Swanville Apartments, D8638, Upsala and Swanville

Action Item: 7.G
Date: 04/24/2025
Staff Contacts: Susan Bergmann, 651.296.3797, susan.bergmann@state.mn.us
Request Type: Approval, Resolution

Request Summary

At the September 28, 2023 meeting, Upsala Swanville Apartments was selected by the Minnesota Housing board for \$493,000 in Rental Rehabilitation Deferred Loan (RRDL) funds per Resolution No. MHFA 23-051.

Agency staff completed the underwriting and technical review of the proposed development and recommends adoption of a resolution modifying the loan under the RRDL program, from \$493,000 to a maximum of \$697,000.

Fiscal Impact

RRDL Loans are funded with state appropriations and earn no interest for the Agency.

Agency Priorities:

- | | |
|---|---|
| <input type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments:

- Background
- Maps and Pictures
- Resolution

Background

Upsala Swanville Apartments consist of two two-story, walk-up buildings. Both buildings are in Morrison County with one in Upsala and the other in Swanville. Each building has 16 units for a total of 32 units. There is Rural Development (RD) rental assistance on 23 of the units. This development serves the designated population of elderly and disabled.

On September 28, 2023, Upsala Swanville Apartments, LLC was selected by the Minnesota Housing board per Resolution No. MHFA 23-051 to receive \$493,000 in a 2023 Rental Rehabilitation Deferred Loan (RRDL) to install an elevator in each building, replace the roof in Upsala, and replace windows in Swanville. Once the project was selected and the scope of work was better defined, it became evident that installing elevators in each building created unique structural modifications that the owner was not aware of when the application was submitted. Due to these building modifications necessary for elevator installation, the roof and window replacement scopes of work became alternates.

The RRDL RFP uses a concept-based application and project costs are not expected to be final at the time of application. All bids received did exceed the original estimate. The increased total development costs reflect several factors:

- The unforeseen modifications added costs to install the elevators, as mentioned above.
- The contingency was increased to the maximum allowable percentage (10%). The contingency was reviewed by the assigned Minnesota Housing architect and deemed necessary due to the nature of this project and the uncertainty in the construction market regarding tariffs.
- The project management fees increased, exceeding the amount allowed under the RRDL program. The owner will be contributing \$8,750 from the property's operating budget to cover these additional fees. (Note the project management fees contribute to the increase in soft costs listed in the table below.)

Although the owner did select the lowest bidder and removed the alternates (roof at Upsala and windows at Swanville), the greater total development costs requires an increase in the RRDL loan amount of \$204,000.

The following table provides a financial comparison of the sources and uses at the time of selection and the current proposed amount.

Table 1: Sources and Uses

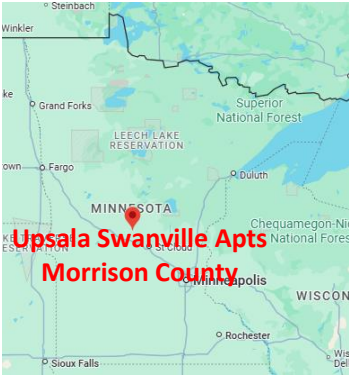
Sources	Amount at Selection	Proposed Amount
RRDL Loan	\$ 493,000	\$ 697,000
Property Operating Budget	\$ 0	\$ 8,750
TOTAL	\$ 493,000	\$ 705,750

Uses	Amount at Selection	Proposed Amount
Construction	\$ 422,257	\$ 560,710
Contingency	\$ 29,962	\$ 56,399
Soft Costs	\$ 40,781	\$ 88,641
TOTAL DEVELOPMENT COSTS*	\$ 493,000	\$ 705,750

* Total Development Cost is final. Individual line item amounts may change until closing.

Map and Pictures

Map 1: Upsala Swanville Apartments



Located in the center of the state.
Swanville is ten miles north of Upsala.

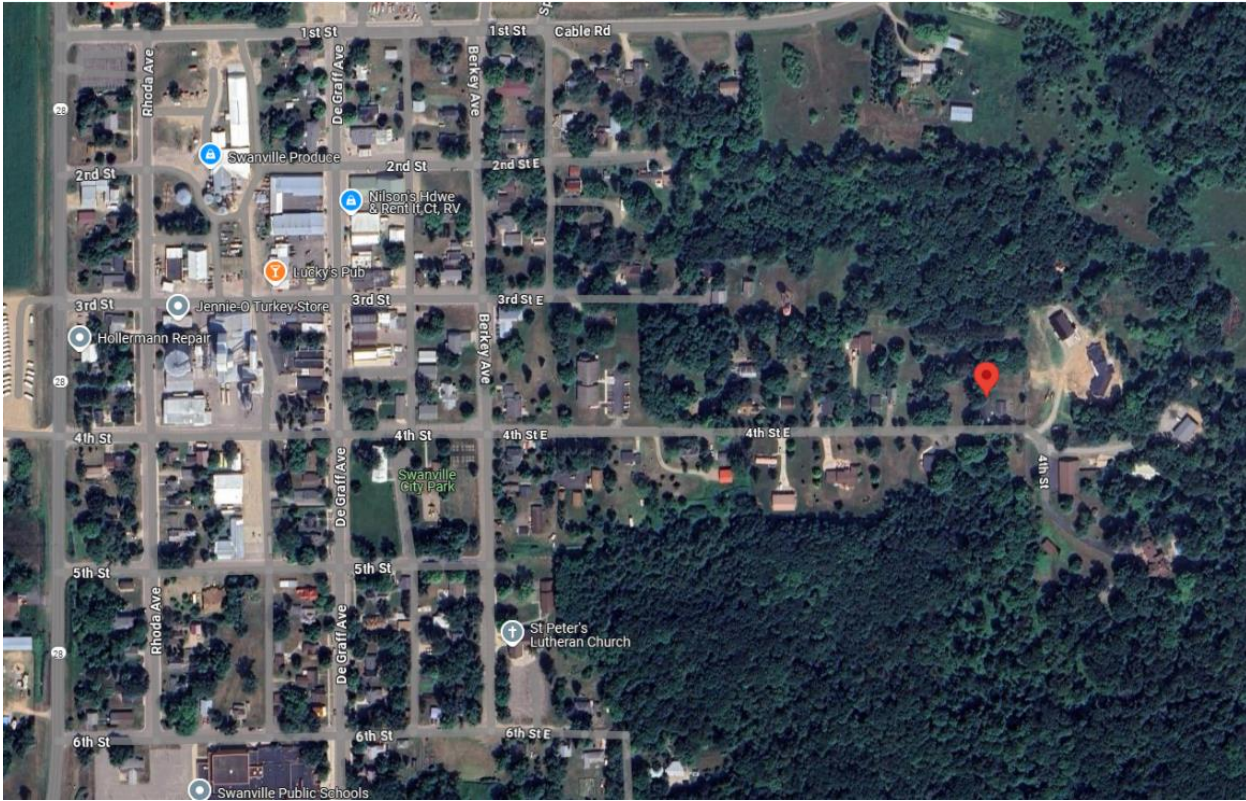
Map 2: Upsala Apartments, located on the western edge of town



Picture 1: Upsala Apartments



Map 3: Swanville Apartments, located on the eastern edge of town



Picture 2: Swanville Apartments



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

**RESOLUTION NO. MHFA 25-XXX
Modifying Resolution No. MHFA 23-051**

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
RENTAL REHABILITATION DEFERRED LOAN (RRDL)**

WHEREAS, the Minnesota Housing Finance Agency Board (Board) at its September 28, 2023 meeting, previously authorized a commitment for the development Upsala Swanville Apartments for \$493,000 in a Rental Rehabilitation Deferred Loan (RRDL) by its Resolution No. MHFA 23-051; and

WHEREAS, Agency staff has determined that there are increased development costs; and

WHEREAS, the development continues to be in compliance with Minnesota Statute chapter 462A and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

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

1. The Rental Rehabilitation Deferred Loan (RRDL) shall not exceed \$697,000; and
2. All other terms and conditions of Resolution No. MHFA 23-051 remain in effect.

Adopted this 24th day of April 2025

CHAIR



Item: Key housing issues and trends and the 2026-2027 Affordable Housing Plan

Discussion Item: 8.A
Date: 04/24/2025
Staff Contacts: John Patterson, 651.296.0763, john.patterson@state.mn.us
Request Type: No Action, Discussion

Request Summary

Staff are providing a report on key housing issues and trends for the board's review and discussion. Staff are using this document to start developing the 2026-2027 Affordable Housing Plan (AHP), our business plan for implementing the last two years of the [2024-2027 Strategic Plan](#). This analysis affirms that the Strategic Plan's direction and priorities still hold true and the Agency should continue to move forward as planned. In the next few months, staff will:

- Assess our progress in implementing the strategies and actions in the Strategic Plan, and
- Identify the policy, program and operational initiatives that we will need to complete the implementation of the Strategic Plan, focusing on areas with more limited progress, and
- Draft the next AHP (for context, here is a link to the [2024-2025 AHP](#)).

The 2026-2027 AHP will take into account the Agency's current liquidity constraints and federal funding uncertainty.

Fiscal Impact

None.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input checked="" type="checkbox"/> Support People Needing Services |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Strengthen Communities |
| <input checked="" type="checkbox"/> Make Homeownership More Accessible | |

Attachments

- Key 2025 Housing Trends and Issues: Chartbook



Key 2025 Housing
Issues & Trends

CHART BOOK



This report is a chart book that highlights and documents key housing issues and trends in Minnesota.

It provides a lot of information, but readers can review it at various levels of detail. The charts are largely self-explanatory with sidebar headlines, so the reader can quickly review them; however, for those who want to study them more closely, each chart includes explanatory notes and additional context.

For readers who would like to use the chart book as a reference document, they can jump to a specific issue or trend. The following summary includes the page numbers of each key issue and trend.

CHAPTER

1

Minnesota has a severe shortage of housing that is affordable.

There are several key drivers of the affordable housing shortage:

During and following the Great Recession, Minnesota underproduced housing, which created an overall shortage and has driven up rents and home prices across the market. [Page 10](#)

When housing is being built, only a small share of it is affordable. [Page 18](#)

Since 2019, for the lowest-income renter households, incomes have not kept pace with rents. [Page 22](#)

While current homeowners greatly benefited by refinancing their mortgages to lower interest rates between 2011 to 2021, homeownership has become out of reach for many people with the rise in interest rates after 2021 and sustained high home prices. [Page 24](#)

Other factors are contributing to the shortage, including the cost of new construction, cost of property insurance, pricing of low-income housing tax credits, and others. [Page 27](#)

CHAPTER

2

While the lack of affordable housing is pervasive, some communities have been impacted more than others.

Lower-income households are more likely to face housing instability. [Page 33](#)

Homelessness, which is the most severe form of housing instability, is a persistent problem with more and more people sleeping outside. [Page 37](#)

Indigenous, Black and people of color experience large disparities across the housing continuum, from homelessness to homeownership. [Page 39](#)

While lower-income households have few, if any, housing choices, lower-income people with disabilities have even fewer, which leads to isolation and segregation. [Page 48](#)

The growing number of people who are age 75 and older is creating housing needs and challenges. [Page 51](#)

CHAPTER

3

Minnesota is at risk of losing its existing stock of affordable housing.

Minnesota has a large stock of affordable housing that needs rehabilitation and preservation, which is at risk of being lost due to deterioration or rehabilitation with rent/home-price increases. [Page 57](#)

CHAPTER

4

With climate change, the housing stock needs to become far more sustainable and resilient.

Residential greenhouse gas emissions are rising in Minnesota. [Page 62](#)

Housing insurance costs are rising with an increasing number of catastrophic climate and weather events. [Page 63](#)



SUMMARY OF KEY 2025 HOUSING ISSUES & TRENDS

CHAPTER

1

Minnesota has a severe shortage of housing that is affordable.

642,000

households in Minnesota are cost burdened by spending 30% or more of their income on housing.

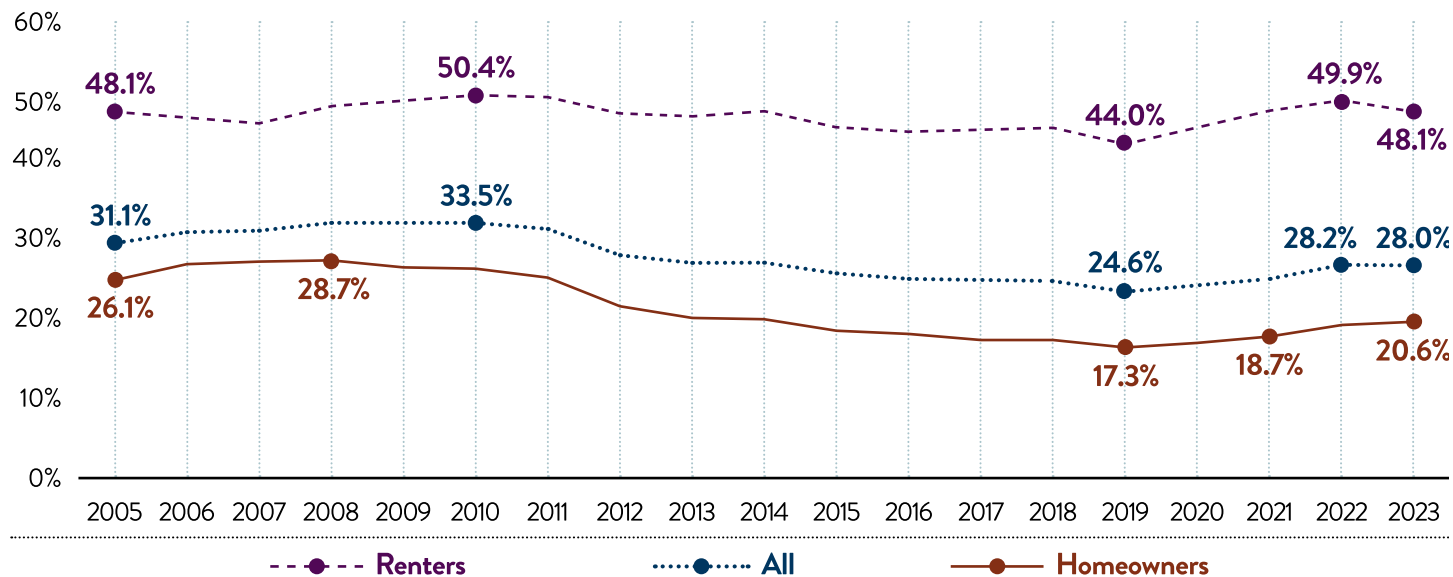


The following charts document the severe shortage of housing that is affordable in Minnesota. While the shortage has been pervasive and persistent, the issue has evolved with changes in the housing market, production, rents, home prices, interest rates, household incomes and other driving factors.

Over a quarter of all households are cost burdened by their housing, similar to the share in 2005.

This chart shows the percentage of Minnesota households that were cost burdened over the last 19 years, spending 30% or more of their income on housing.

Share of Households that are Cost Burdened



Source: Census Bureau, American Community Survey (2005-2023, 1-yr samples). Quality data are not available for 2020 because of the COVID pandemic.

KEY POINTS

- The share of *all* households who are cost burdened (middle line) reached a peak of 33.5% in 2010 but then declined to 24.6% by 2019. In the last four years, it increased to 28.0%.
- The share of *renters* who were cost burdened (top line) reached a peak of 50.4% in 2010 but then declined to 44.0% in 2019. It is now up to 48.1%.

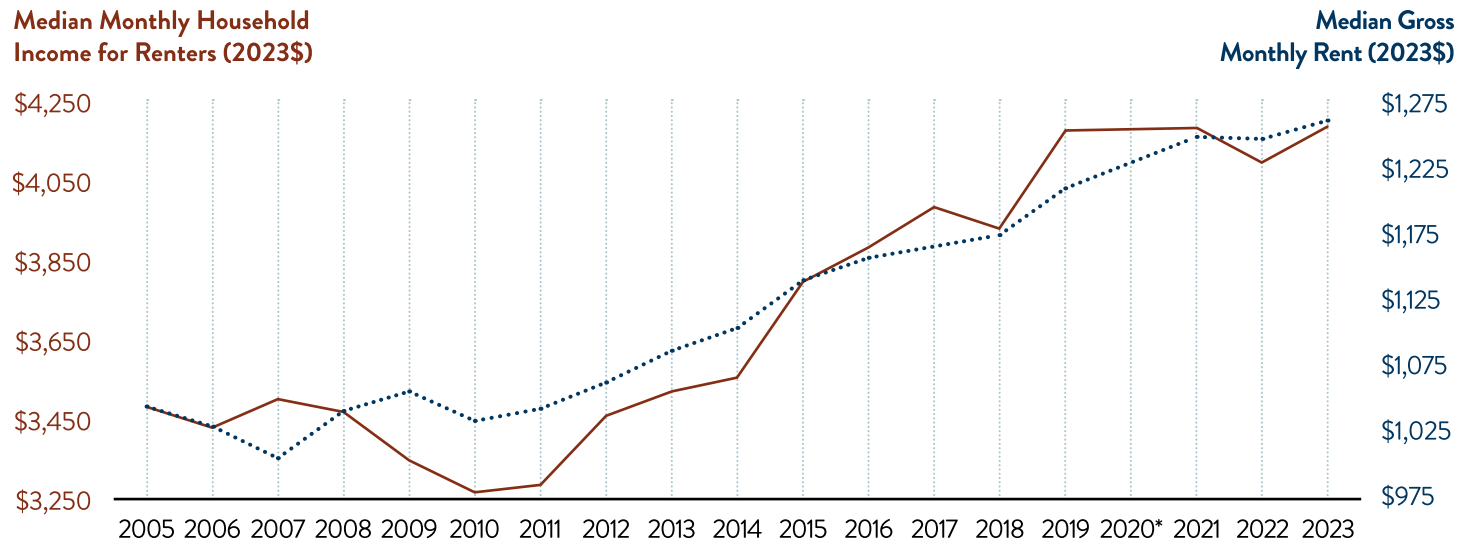
- The share of *homeowners* (bottom line) reached a peak of 28.7% in 2008 but then declined to 17.3% by 2019. It is now up to 20.6%.

IMPLICATIONS

- Being cost burdened is a pervasive problem, affecting hundreds of thousands of households.
- The share of households who are cost burdened dropped from 2010 through 2019 but has increased since then.
- The cost-burden situation is more severe for renters, with nearly half lacking housing that is affordable.

Median renter incomes have kept pace with median rents since 2005.

This chart shows median renter incomes and rents for the last 19 years. Rents and incomes are the two factors that determine if a renter is cost burdened.



Source: Minnesota Housing analysis of data from the Census Bureau’s American Community Survey (2005-2021, 1-yr samples).
 *Quality data are not available for 2020 because of the COVID pandemic.

READING THE CHART

- The figures in the chart are adjusted for inflation, presenting all the data in 2023 dollars.
- This graph has two vertical axes—one on the left and one on the right. The brown income numbers on the left apply to the brown line, and the blue rent amounts on the right apply to the blue dotted line.

KEY POINTS

- Excluding some short-term differences, increases in median incomes largely kept pace with and offset increases in median rents. This applies to the typical or median renter, not all renters.

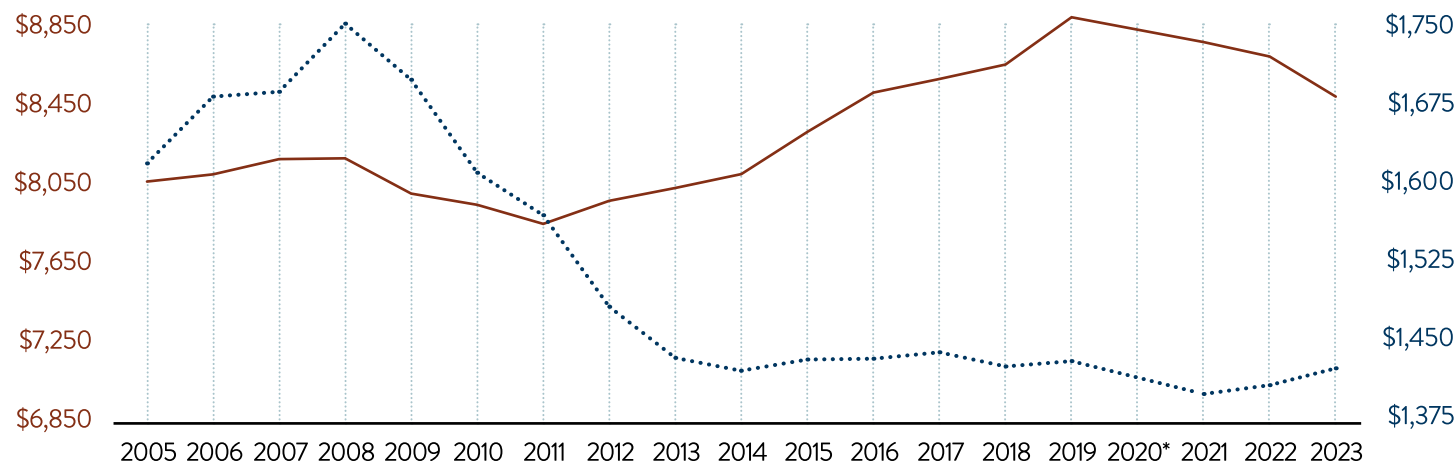
IMPLICATIONS

- For the median renter, income increases have essentially matched rent increases since 2005. As a result, the share of cost-burdened renters has not changed much since 2005, staying around 48%, as shown in the previous chart.

Housing costs for homeowners improved significantly with a large drop in interest rates.

This chart shows median incomes and housing costs for homeowners over the last 19 years. Homeowner costs include principal and interest payments for mortgages, taxes, insurance and utilities.

Median Monthly Household Income for Homeowners (2023\$)



Source: Minnesota Housing analysis of data from the Census Bureau's American Community Survey (2005-2021, 1-yr samples).
*Quality data are not available for 2020 because of the COVID pandemic.

READING THE CHART

- Just like the previous chart, this chart has two axes with monthly income and housing costs.

KEY POINTS

- Homeowner costs (blue dotted line) dropped significantly from 2008 to through 2013. Data provided later in this report will show that home prices dropped substantially during the Great

Recession but have increased significantly since then. The decline in monthly homeownership costs was largely driven by a decline in mortgage interest rates to historic lows, which stayed low through 2021. This not only made mortgages for new homeowners more affordable, but it also lowered the interest costs for existing homeowners, who refinanced their mortgages to the lower rates.

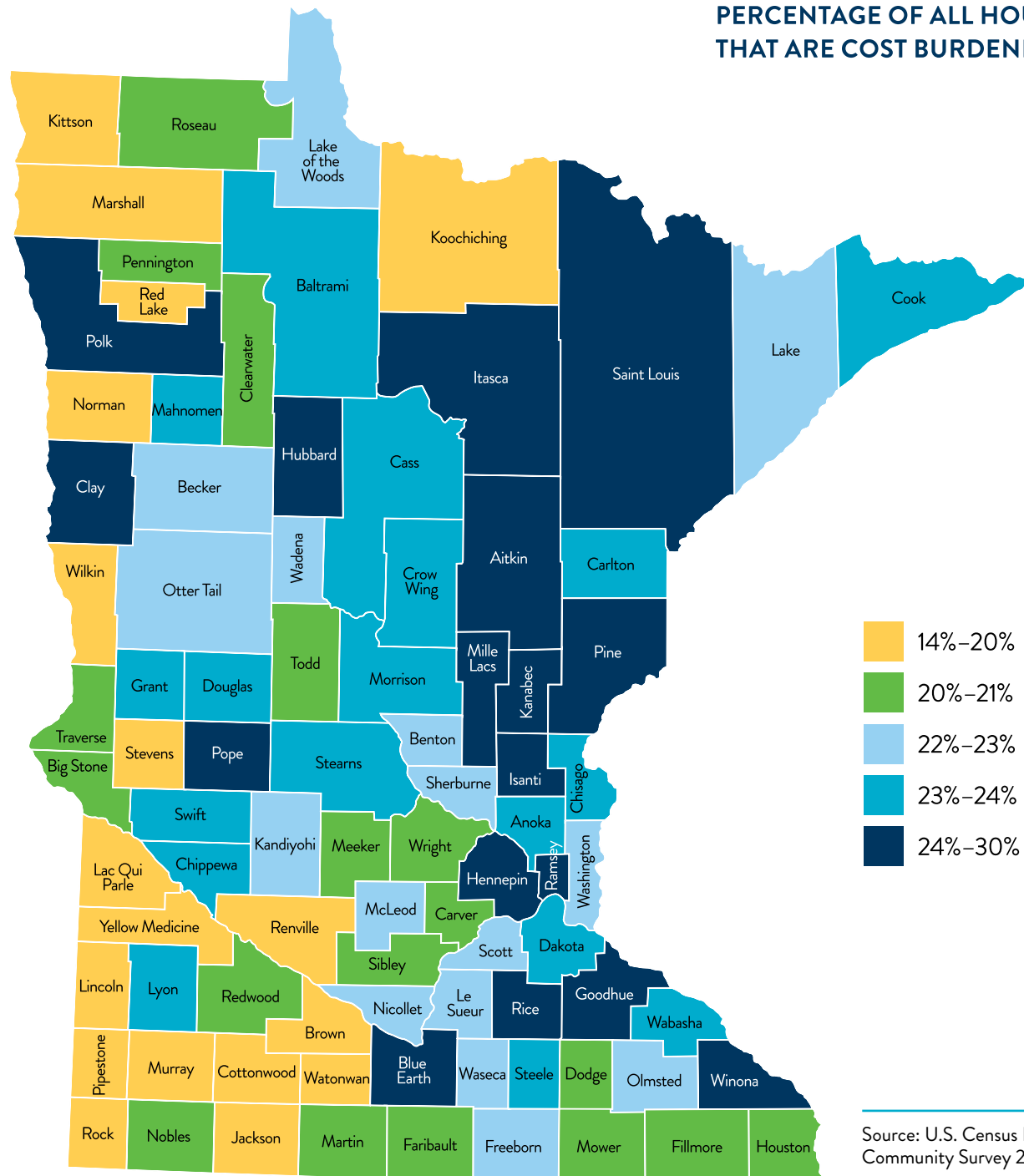
IMPLICATIONS

- Higher incomes and lower housing costs (driven by low interest rates) resulted in a smaller share of homeowners being cost burdened; however, as will be shown in later charts, higher interest rates since 2021 have made homeownership far less affordable for new homebuyers.

The share of households that are cost burdened by their housing varies around the state.

This map shows the percentage of households who are cost burdened in each county of Minnesota, which varies from 14% to 30%.

PERCENTAGE OF ALL HOUSEHOLDS THAT ARE COST BURDENED, 2023



Source: U.S. Census Bureau, American Community Survey 2017-2023.

Several key factors have driven the severe shortage of affordable housing.

The following charts document the key drivers of the severe shortage of housing that is affordable.

- 1** Underproduction of housing during and after the Great Recession
- 2** Only a small share of new housing is affordable
- 3** In recent years, the incomes of lower-income households have not kept pace with rents
- 4** High interest rates after 2021, which has put homeownership out of reach for many people who have tried to buy since then
- 5** Other factors, including the cost of new construction, property insurance costs and the price of Low-Income Housing Tax Credits

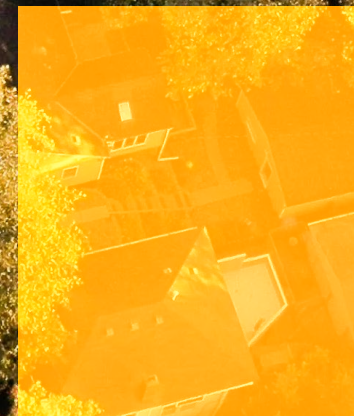


Severe Shortage of Housing that is Affordable

KEY DRIVER

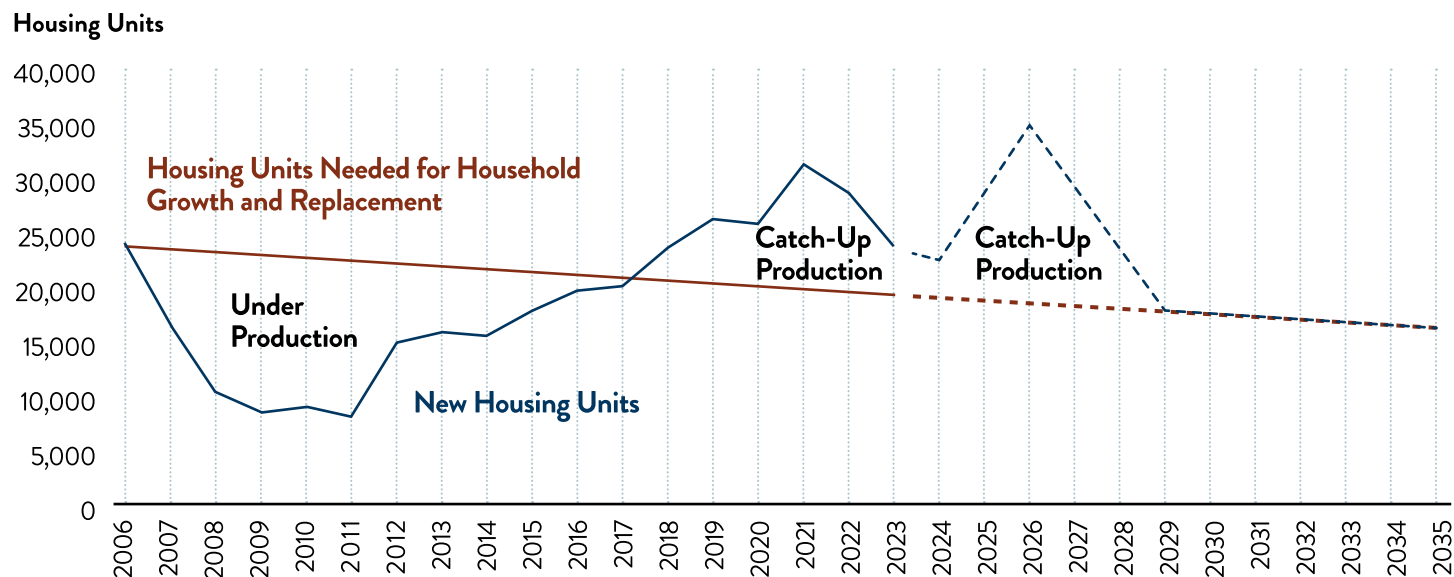
1

Under-production of housing during and after the Great Recession



Minnesota needs 45,000 more housing units to fill the production gap created during and after the Great Recession.

This chart compares housing construction with the number of new units needed to address household growth and the replacement of housing that has deteriorated or is in the wrong location.



Source: Minnesota Housing modeling based on data from a wide range of sources, including the Minnesota Demographers Office, the U.S. Census Bureau's American Community Survey, Marquette Advisors, CoStar and HUD.

READING THE CHART

- The solid segment of the lines reflects actual activity, and the dashed segments reflect what will be needed in the future.
- When the housing construction line (blue) was below the housing need line (brown), the state was underproducing housing.

KEY POINTS

- From 2006 through 2017, Minnesota underproduced housing by 85,000 units. Since 2017, Minnesota has produced enough units to start catching up and fill the gap. Overall, the state remains 45,000 units short.

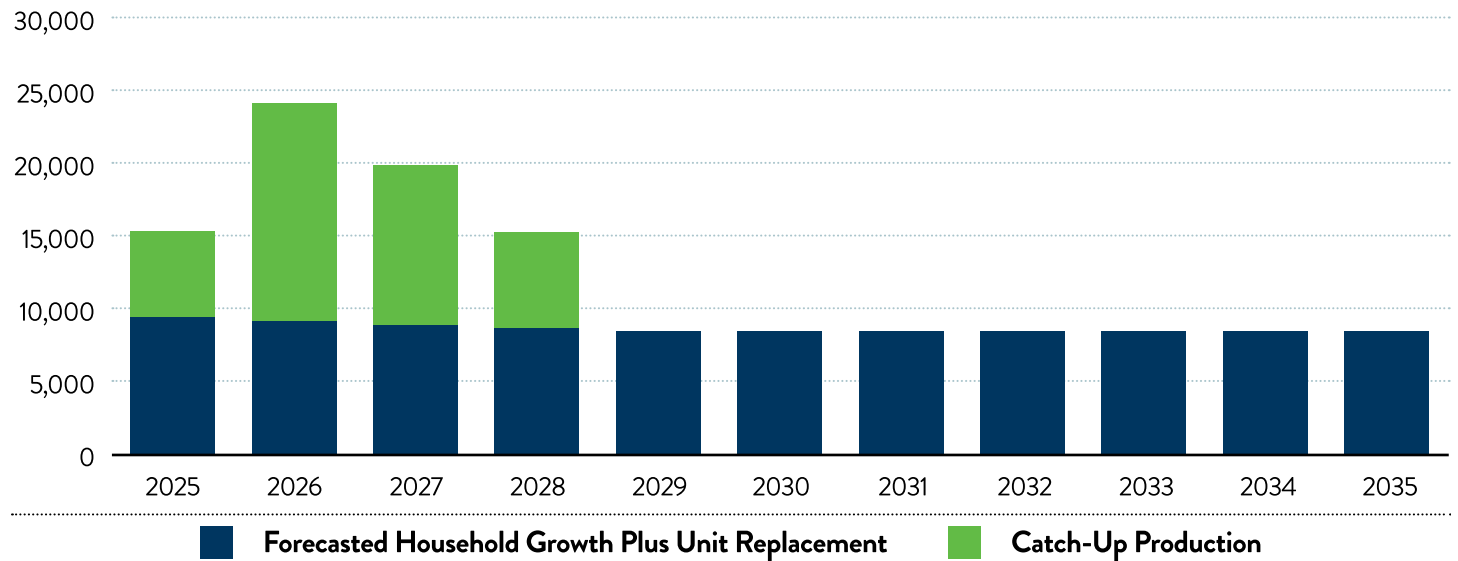
IMPLICATIONS

- This shortage kept the rental vacancy rate below 5% and the months-supply of homes for sale below 5.5 months, which will be discussed in more detail in later charts.
- The state needs another spike in housing construction to address the 45,000-unit shortage.

To close the homeownership supply gap, Minnesota needs 40,000 more units for homeowners.

This chart shows the number of homeowner housing units that Minnesota needs by year to: (1) address household growth and the replacement of housing that is deteriorated or in the wrong location, and (2) finish filling the production gap created between 2005 and 2017.

Homeowner Housing Units



Source: Minnesota Housing modeling based on data from a wide range of sources, including the Minnesota Demographers Office, the U.S. Census Bureau’s American Community Survey, Marquette Advisors, CoStar and HUD.

READING THE CHART

- This chart is based on the same data as the previous one but focuses just on the production needs for homeowners going forward (2025 through 2035).

KEY POINTS

- There is a particularly severe shortage of homes available for ownership as reflected by a low inventory of homes for sale, which will be discussed in a few charts after this one.
- A large share of the catch-up production between 2018 and 2024 (see previous graph) was concentrated in rental production, not homeownership.

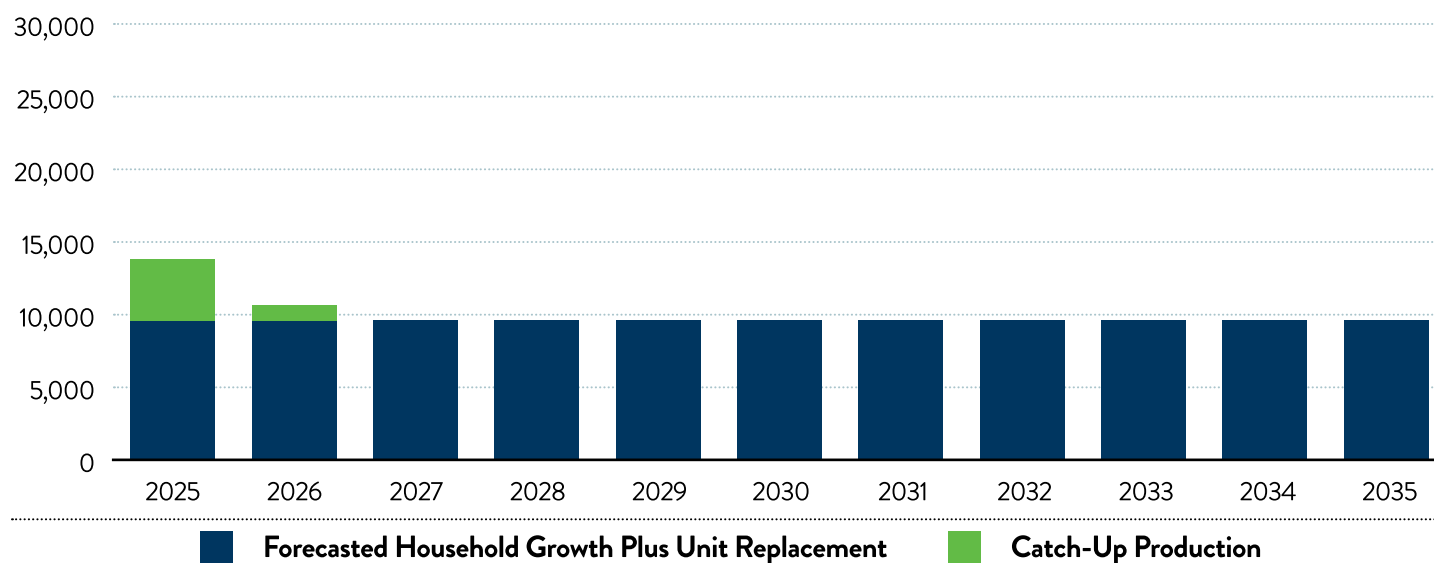
IMPLICATIONS

- The severe shortage has driven up home prices, making homeownership less affordable.
- Higher interest rates in recent years have made homeownership more expensive and limited the number of people who can become homeowners, limiting demand for homeownership housing.

To close the rental supply gap, Minnesota needs 5,000 more housing units for renters.

This chart shows the number of rental units that Minnesota needs by year to: (1) address household growth and the replacement of housing that has deteriorated or is in the wrong location, and (2) fill the production gap created between 2005 and 2017.

Rental Housing Units



Source: Minnesota Housing modeling based on data from a wide range of sources, including the Minnesota Demographers Office, the U.S. Census Bureau's American Community Survey, Marquette Advisors, CoStar and HUD.

READING THE CHART

- This chart is the same as the previous one but provides data on rental needs.

KEY POINTS

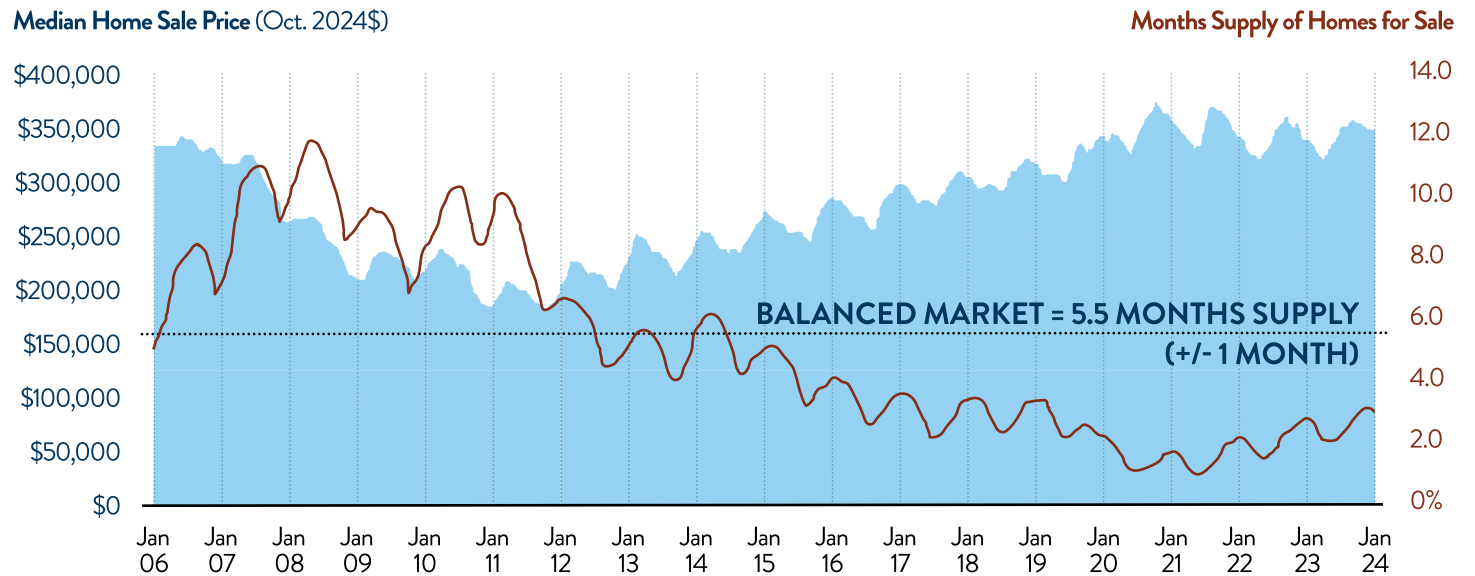
- To have a balanced market, Minnesota needs a rental vacancy rate of about 5%. As will be discussed in upcoming charts, the state is getting close to achieving that desired level. Thus, the rental market has substantially less catch-up production.

IMPLICATIONS

- As the rental market has approached a 5% vacancy, rents have flattened, which will be discussed later. Having a balanced market means that there is enough housing overall, but it does not mean there is enough affordable housing.
- If high interest rates and home prices substantially limit homeownership going forward, there will be a shift to more renting, which would reduce the level of demand for homeownership housing and increase the level of demand for rental housing shown in this chart.

Minnesota has a small inventory of homes for sale, which is driving up home prices.

This chart shows median home prices in Minnesota and the months-supply of homes for sale. The months-supply reflects how quickly it would take to clear the current inventory of homes for sale at the current sales rate.



Source: Minnesota Housing analysis of data from the Minnesota Realtors.

KEY POINTS

- The homebuying market is balanced when there is 5.5 months of supply. This means that there is enough supply to meet the demand, but not too much supply.
- When the supply (the brown line) is consistently below 5.5 months (the black horizontal dotted line), there is not enough supply and home prices (the light blue shaded area) generally rise.
- When the months-supply is consistently above 5.5 months, home prices generally fall.

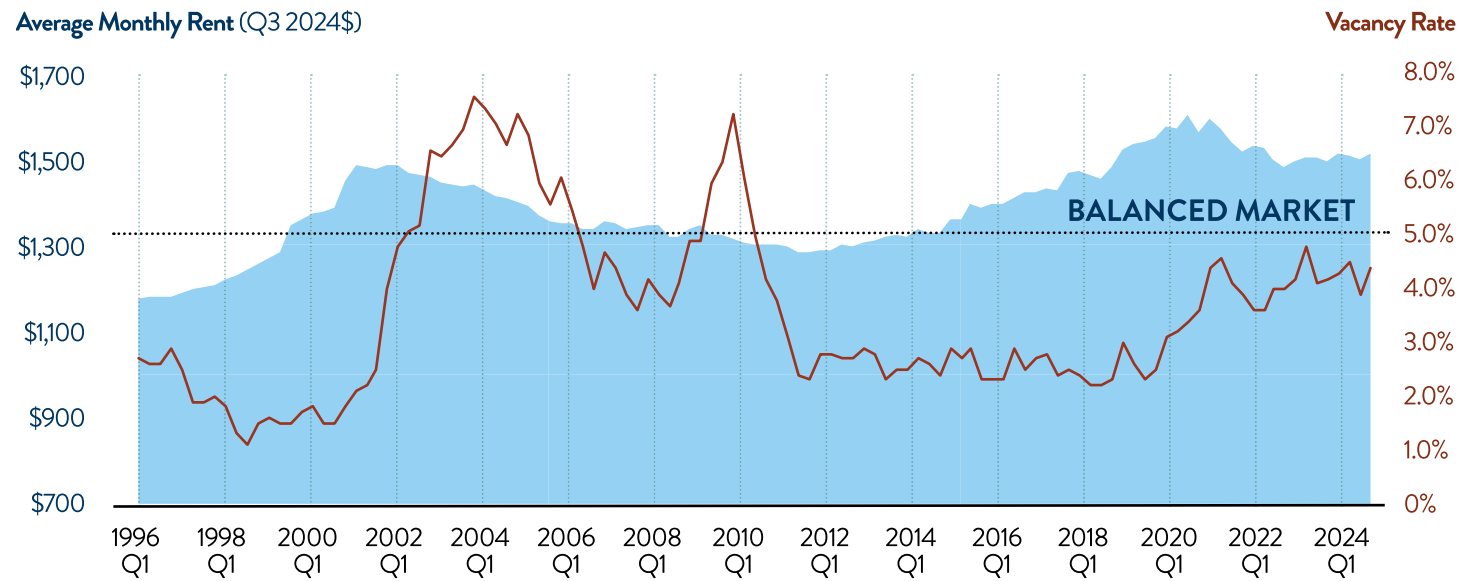
IMPLICATIONS

- Minnesota has had a tight homebuying market for the last decade (supply below 5.5 months).
- The lack of new home construction has contributed to the lack of supply.
- In recent years, high interest rates have also contributed to the low inventory. Existing homeowners, who would otherwise put their homes on the market, do not want to give up the low-interest rate they have on their current mortgages and are staying in their homes.

- An influx of affordable new homes would help free up the market, which is currently stuck.

The rental market is approaching balance with a 5% vacancy rate, which is stabilizing rents.

This chart shows average monthly rents in the Twin Cities metro area and the rental vacancy rate.



Source: Minnesota Housing analysis of data from Marquette Advisors' Apartment Trends.

KEY POINTS

- The rental market is balanced when the vacancy rate is about 5% (4% to 6%).
- When the vacancy rate (the brown line) is consistently below 5% (the black horizontal line), rents (the light blue shaded area) generally rise.

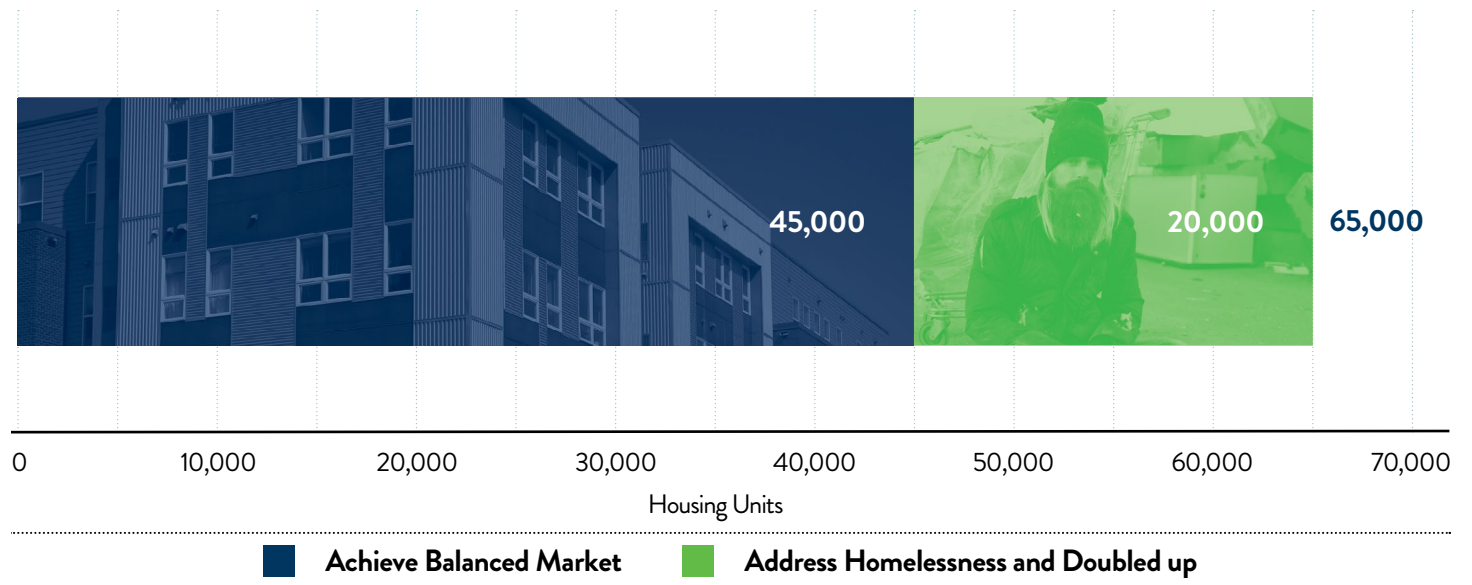
- When the vacancy rate is consistently above 5%, rents generally fall.
- From 2011 to about 2020, vacancies were well below 4%, and rents increased.
- With the vacancy rate getting close to 5% in the last few years, average rents have leveled off in the \$1,500 range.

IMPLICATIONS

- Minnesota only needs a small increase in the rental supply to have a balanced market across the state.
- Having a balanced market means there are enough open units available to rent to meet demand, but not too many; however, it does not mean there is enough affordable housing.

Minnesota needs an additional 20,000 housing units to address homelessness and people being doubled up.

This chart shows the number of housing units that Minnesota needs to: (1) achieve a balanced market (5% rental vacancy and 5.5-month supply of homes for sale), and (2) address homelessness or people being doubled up.



Source: Minnesota Housing analysis of data from various sources. The homelessness and doubled-up estimate is based largely on data from the Center for Budget and Policy Priorities, *Hidden Housing Instability* (September 2022).

KEY POINTS

- In Minnesota, there are about 20,000 potential households that have not technically formed because they are experiencing homelessness or doubled up by living with another household.

- These potential households have not technically formed because they do not have their own housing because the current supply is not affordable. This is both a supply and affordability issue. Adding to the general supply of housing with market-rate rents will not help them. They need housing they can afford in order to secure it and formally establish a household.

IMPLICATIONS

- On top of the 45,000 units needed to create a balanced housing market, Minnesota needs an additional 20,000 new affordable units to fully address the supply shortage.

The housing industry has a specific way of assessing and talking about household incomes.

Household income is typically talked about as a percentage of the area median income or AMI. Most housing programs' eligibility and income limits are set at a percent of AMI; for example, the income limit for apartments financed with Low-Income Housing Tax Credits is generally about 60% of AMI.



Location	2024 30% of AMI		2024 Poverty Guidelines	
	3-Person Household	5-Person Household	3-Person Household	5-Person Household
Twin Cities Metro	\$33,550	\$40,250	\$25,820	\$36,580
Aitkin County	\$25,820	\$36,580		

If an area's median income (AMI) is \$100,000, 50% of AMI is \$50,000.

AMIs vary by household size and location (typically county).

Income levels:

- 80% of AMI is classified as low income
- 50% of AMI is classified as very low income
- 30% of AMI is classified as extremely low income

CONTEXT

- This table shows a couple of examples of 30% of AMI and the poverty guidelines for comparison. The poverty guidelines are national and do not vary by location. Note: HUD sets 30% of AMI as the higher of: (1) the calculated 30% AMI figure, or (2) the federal poverty guidelines.

IMPLICATIONS

- The following charts will provide information on the affordability of housing and refer to housing that is affordable to households with an income at a specified percent of the AMI.

Severe
Shortage
of Housing
that is
Affordable

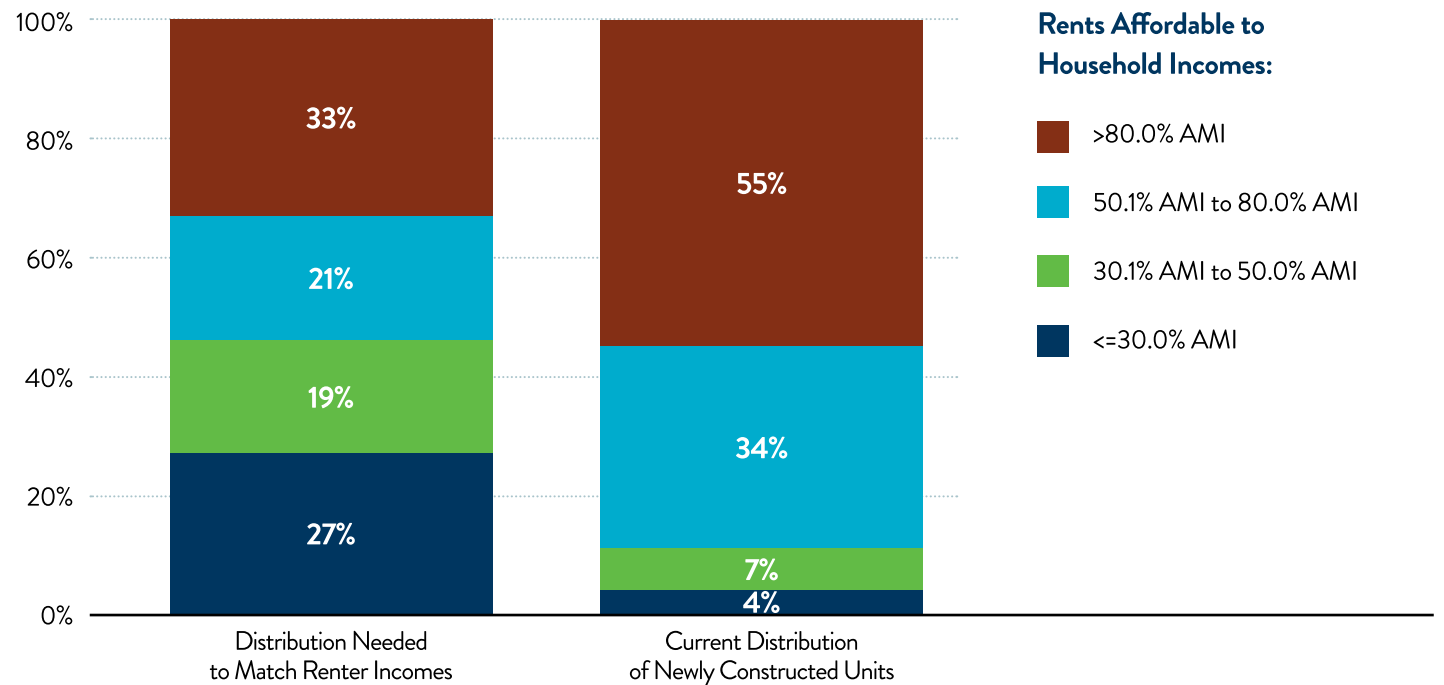
**KEY
DRIVER**

2

Only a small
share of new
housing is
affordable

Only a small fraction of new rental housing is affordable to households with the lowest incomes.

This chart compares the share of new rental housing that is needed to match the incomes of renters across Minnesota with the share of new units actually produced.



Source: Minnesota Housing analysis based on data from the Met. Council (2022–2023 construction) and of HUD’s 2017–2021 CHAS (Comprehensive Housing Affordability Strategy) data.

READING THE CHART

- The stacked bar on the left shows the income distribution of renters in Minnesota as a percentage of the area median income (AMI).
- The stacked bar on the right shows the share of newly constructed housing with rents affordable at each income level. The rents reflect the full contract rent and do not account for the availability of rental assistance, which would make additional units affordable.

KEY POINTS

- There is a large mismatch between the incomes of renters and the rents of newly constructed housing. For example, while 27% of renters have incomes at or below 30% AMI, only 4% of the newly constructed units have rents affordable at 30% of AMI.

IMPLICATIONS

- Minnesota is not producing nearly enough new rental housing that is affordable to the lowest income households.

Increasing the production of units with rents affordable at 30% of AMI by 2,300 would annually cost \$805 million.

Minnesota needs to produce roughly 10,000 new rental units each year. If rent affordability is to match the incomes of renters, 2,700 of the units need to be affordable at 30% of AMI, which is 2,300 units more than the 400 currently produced.

2,300
Additional Rental Units Affordable at 30% of AMI Annually Produced

(Increase annual production from 400 to 2,700)



\$350,000
Subsidy per Unit



\$805 Million
Annually

(at a minimum)

CONTEXT

- Rents collected from units affordable at 30% of AMI struggle to even cover a property's ongoing maintenance and operating costs. These units cannot take on any amortizing debt to finance the development. They do not produce the rent revenue needed to pay off any debt.
- Financing rental housing that is affordable at 30% of AMI and costs \$350,000 per unit to develop would require a \$350,000 subsidy in the form of zero-interest, deferred loans and/or equity generated by federal Low-Income Housing Tax Credits.
- Annually producing an additional 2,300 deeply affordable units at \$350,000 per unit would cost at least \$805 million.

The cost of a modest 1,600 sq. ft. starter home (\$400,000) is about \$100,000 more than a typical homebuyer can afford (\$300,000).

In June 2024, only 4% of newly constructed homes in Minnesota were selling for less than \$300,000.

1,000 Additional 1,600 sq. ft. Starter Homes Annually Produced

X

\$100,000 per Home Affordability Gap Subsidy (Difference between the \$400,000 total development cost and \$300,000 affordable mortgage)

=

\$100 Million Annually

CONTEXT

- In today's market, a new, modest 1,600 square-foot starter home can cost \$400,000 or more.
- The median homeowner income in Minnesota is \$102,000. A homebuyer with this income can afford about a \$300,000 home at a current interest rate of 6.75%.

- Thus, there is a \$100,000 affordability gap between what it costs to develop a modest starter home (\$400,000 or more) and what a typical homebuyer can afford (\$300,000).
- Annually producing 1,000 new starter homes that would sell for \$300,000 but cost \$400,000 to develop would annually require about \$100 million in subsidy.

- These 1,000 homes would represent just 12.5% of the 8,000 new homes that Minnesota will annually need in the long run (see page 12).

Severe
Shortage
of Housing
that is
Affordable

**KEY
DRIVER**

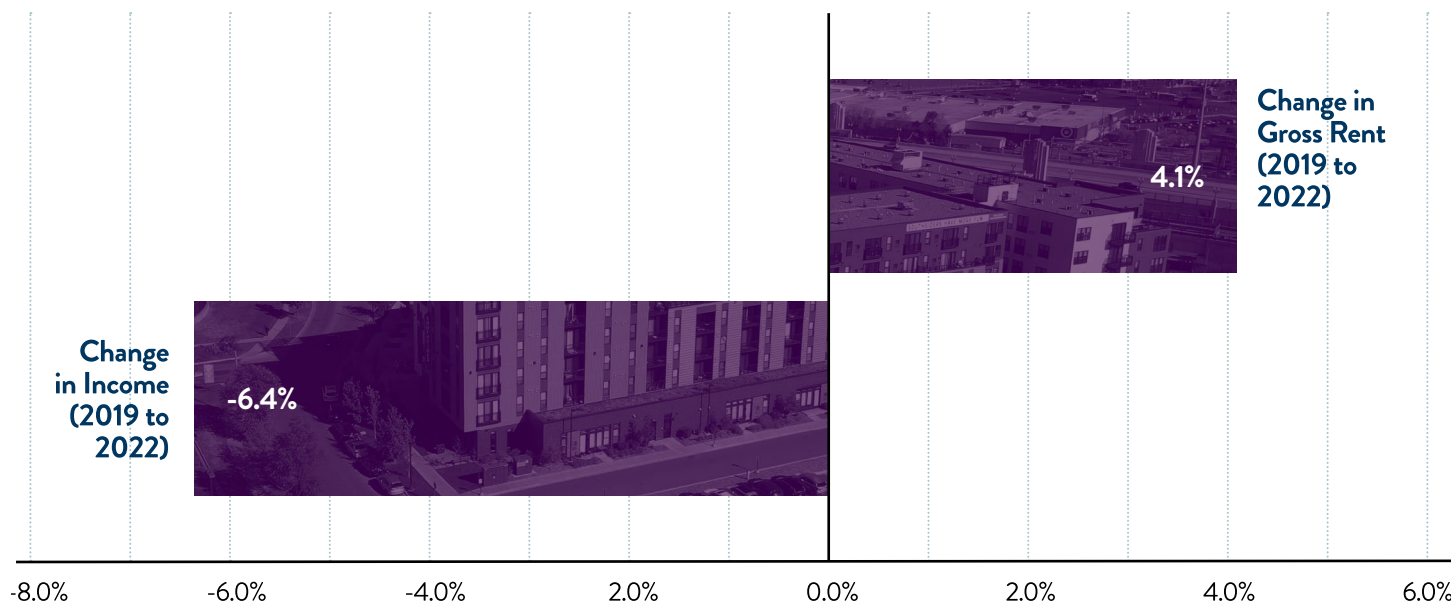
3

For lowest-income renter households, incomes have not kept pace with rents in recent years



In recent years, rental housing has become less affordable for lower-income households.

This chart shows the change in rents and incomes (after adjusting for inflation) between 2019 and 2022 for renter households at the 25th percentile.



Source: Minnesota Housing analysis data from the U.S. Census Bureau's American Community Survey (2019 to 2022, 1-year samples, microdata from IPUMS).

READING THE CHART

- This chart applies to rents and incomes at the 25th percentile, which is the bottom 25% of rents and incomes. In both 2019 and 2022, 75% of renters had rents and incomes above the analyzed level.

KEY POINTS

- Between 2019 and 2022, the 25th percentile gross rent increased 4.1% from \$778 to \$810, and the 25th percentile renter income decreased 6.4% from \$23,400 to \$21,900. (All figures are adjusted for inflation to 2022 dollars.)

IMPLICATIONS

- In recent years, rental housing has become less affordable for lower-income households because rents rose faster than inflation, but incomes did not keep pace with inflation.

Severe Shortage of Housing that is Affordable

KEY DRIVER

4

High interest rates after 2021



Until recently, historically low interest rates made home-ownership more affordable.

This chart shows the average interest rate on 30-year, fixed-rate mortgage in the U.S. since 2005.

U.S. Mortgage Interest Rates



Source: Freddie Mac, *Weekly Mortgage Survey*.

KEY POINTS

- Historically, a 7% mortgage interest rate has been considered typical. Since 1971, the median rate has been 7.35%.
- Between March 2011 and 2022, interest rates were historically low (below 5%, and at times, below 3%), making homeownership more affordable.

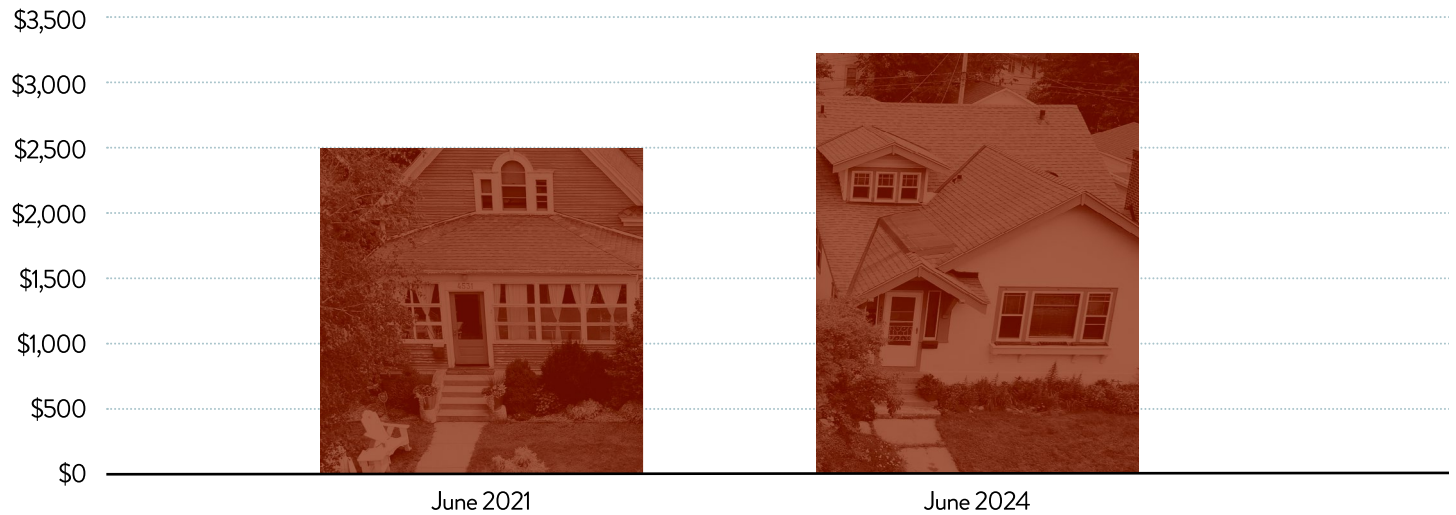
IMPLICATIONS

- As shown in the chart on page 7, the low interest rates significantly lowered monthly homeownership costs for both new buyers and existing homeowners who refinanced their mortgages to lower rates.
- While existing homeowners who have a low-interest rate on their mortgages continue to benefit, current higher rates are preventing many households from buying homes.

Because of higher interest rates, the cost of buying a median-priced home increased by \$700 per month.

This chart shows the monthly mortgage payment (principal, interest, taxes and insurance) for the median-priced home in 2021 and 2024.

Monthly Mortgage Payment on Median-Priced Home
(adjusted for inflation to 2024\$)



Source: Minnesota Housing analysis of data from the Minnesota Realtors, Freddie Mac and other sources.

KEY POINTS

- The monthly payment for buying the median-priced home in Minnesota increased by \$700 from \$2,500 to \$3,200 because interest rates increased from 2.93% in June 2021 to 6.95% in June 2024.
- The increase in monthly mortgage payments was partially offset by a reduction in the median home price during that period from \$373,500 to \$355,000 (adjusted for inflation to 2024 dollars).

IMPLICATIONS

- The increase in costs is preventing many households from becoming homeowners.
- In 2021, a household needed an annual income of \$100,000 (adjusted to 2024 dollars) to afford the median-priced home at a 2.93% interest rate while a household in 2024 would need an income of \$128,000 to afford the median-priced home at a 6.95% interest rate.

- Households with incomes between \$100,000 and \$128,000 are getting priced out from buying a median-priced home.

Severe
Shortage
of Housing
that is
Affordable

**KEY
DRIVER**

5

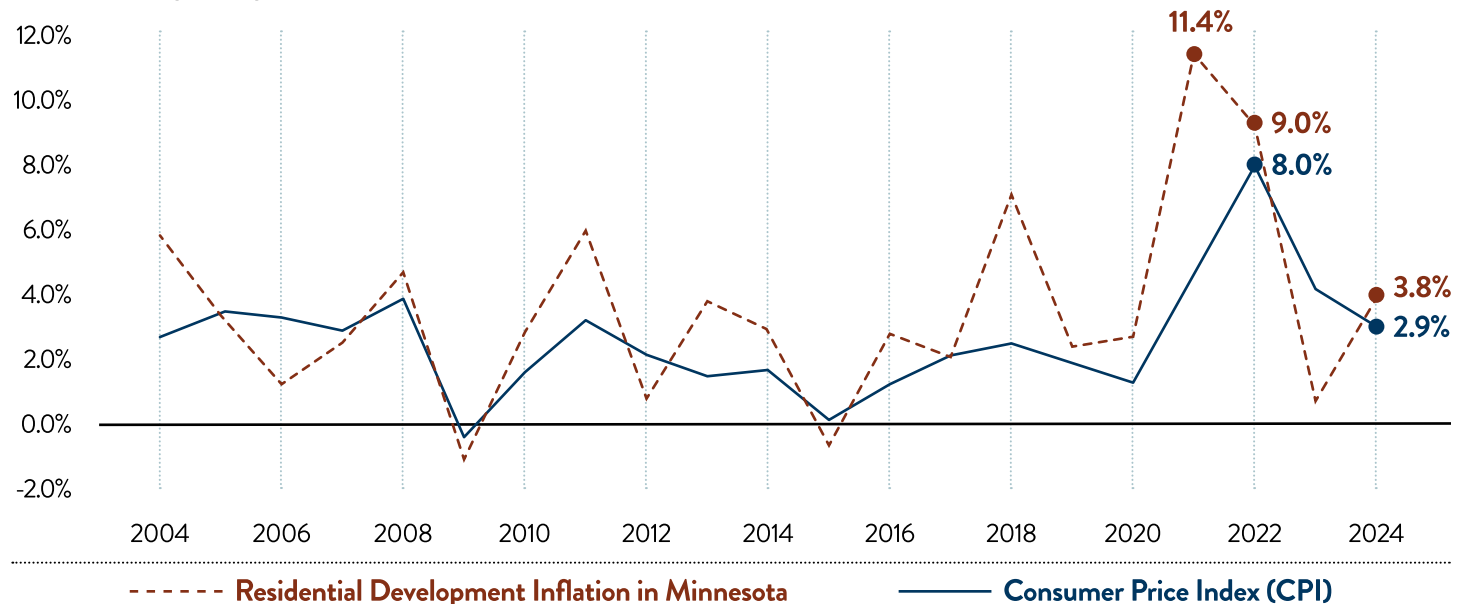
Other factors, including the cost of new construction, cost of property insurance, pricing of federal Low-Income Housing Tax Credits, and others



Residential development costs rose rapidly in 2021 and 2022, making new housing much more expensive.

This chart shows residential development and consumer inflation over the last 20 years.

Annual Percentage Change in Costs



Source: Minnesota Housing analysis based on data from the Bureau of Labor Statistics, the Minnesota Department of Employment and Economic Development and others.

KEY POINTS

- From 2004 through 2021, consumer inflation had been very stable at about 2%, but there was a large spike in 2021 through 2023, reaching an 8% peak in 2022.
- For the last 20 years, residential development inflation has been more volatile (larger ups and downs) than general consumer inflation.

- On average, residential development inflation has been 1.5 times higher than consumer inflation. When consumer inflation was averaging 2%, residential development inflation was averaging 3%.
- Residential development inflation in Minnesota peaked at 11.4% and 9.0% respectively in 2021 and 2022.

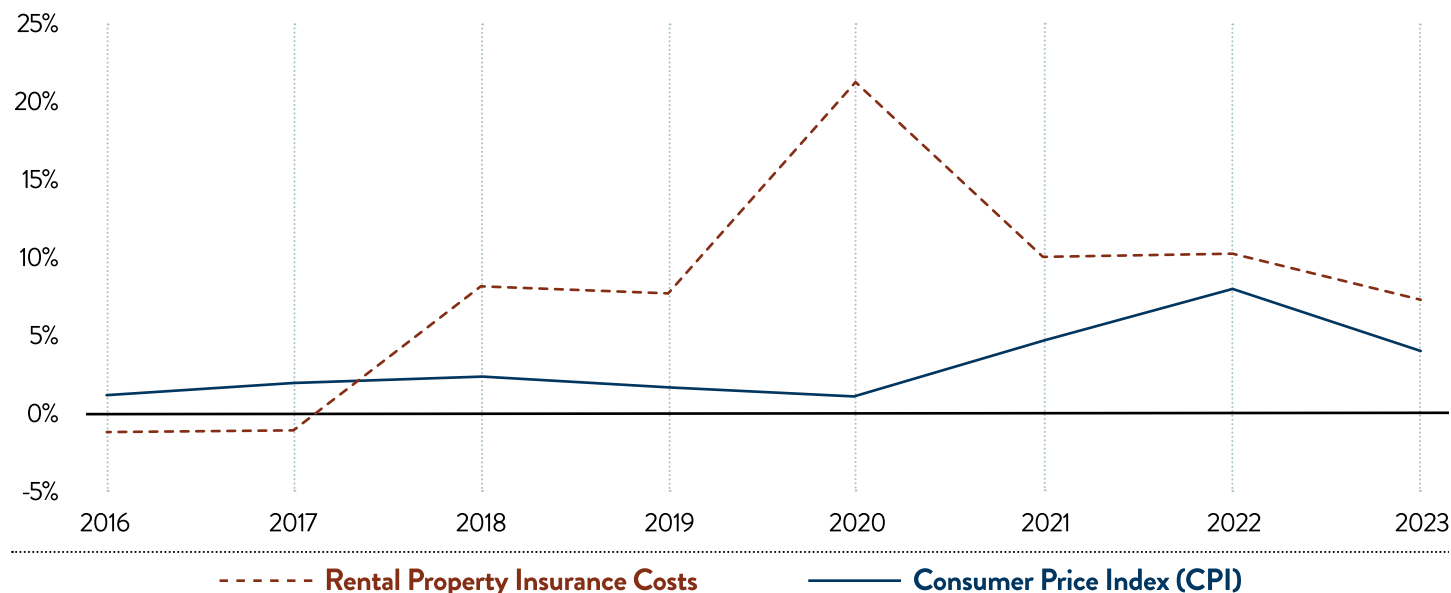
IMPLICATIONS

- The very large increase in residential development costs in 2021 and 2022 has made new housing much more expensive.

Insurance costs for rental properties have been rapidly increasing over the last six years, with a 21% increase in 2020.

This chart shows the annual percentage increase in the median per-unit property insurance costs for the properties in Minnesota Housing's first mortgage portfolio and compares it with the general rate of inflation.

Annual Percentage Change in Costs



Source: Minnesota Housing analysis of rental properties in its first mortgage portfolio.

KEY POINTS

- Increases in insurance costs have outpaced general inflation and peaked at 21% in 2021.
- While the data in this chart only applies to properties in Minnesota Housing's first mortgage portfolio, the increases are broad based. According to the accounting firm Novogradac, insurance costs in properties financed with Low-Income Housing Tax Credits

increased by 22.9%, 12.1%, and 25.7% in 2020, 2021 and 2022 respectively across the Midwest region of the U.S.

- Costs associated with severe weather and climate events, including tornadoes and hail events, are cited as a key driver of the insurance cost increases in the Midwest.

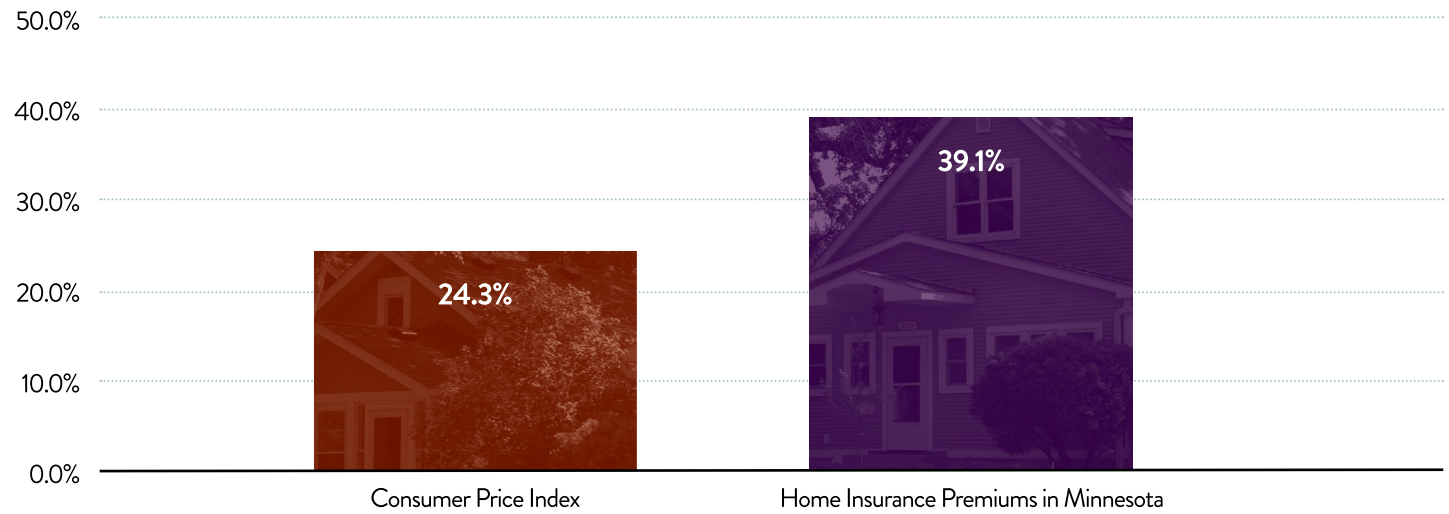
IMPLICATIONS

- Rising insurance and other operating costs are creating a challenging environment for rental properties and putting upward pressure on rents.
- Rent restrictions in affordable housing limit the extent to which rents can be raised to cover those costs.

Property insurance costs for homeowners is also rapidly increasing.

This chart compares the percent change in homeowners' insurance premiums in Minnesota with the percentage change in overall consumer prices between 2017 and 2023.

Percent Change (2017 to 2023)



Source: Minnesota Housing analysis of data from the Minneapolis Federal Reserve Bank, *Homeowners Insurance Costs are Growing Fast, but Coverage is Shrinking* (August 28, 2024), and the Bureau of Labor Statistics (CPI-U).

KEY POINTS

- While general consumer prices increased by 24.3% between 2017 and 2023, home insurance premiums increased by a higher 39.1%.
- The insurance industry is also experiencing “shrinkflation,” which is a term used in the food industry to capture smaller packaging and less food. Similarly, homeowners are getting less coverage in their policies while also seeing their premiums increase.

- Just like the rental market, costs associated with severe weather and climate events are the primary driver of these increases.

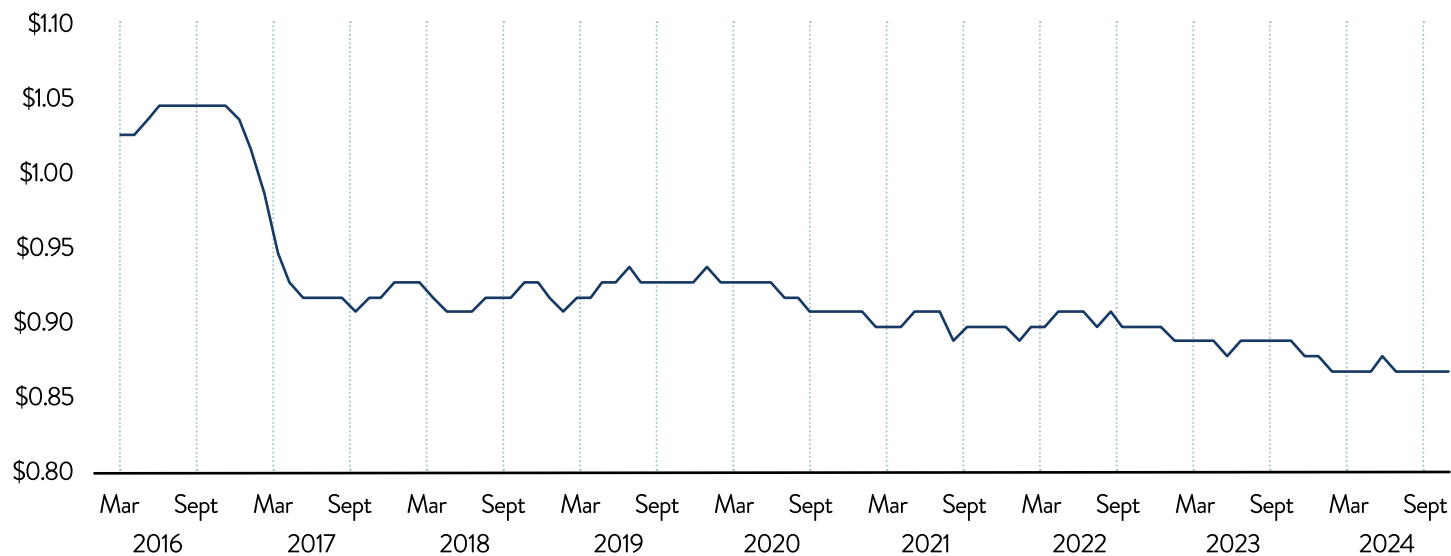
IMPLICATIONS

- The increases are making housing less affordable.
- Households with incomes between \$100,000 and \$128,000 are getting priced out from buying a median-priced home.

The price of federal Low-Income Housing Tax Credits has been declining since 2016.

This chart shows the pricing for Low-Income Housing Tax Credits since 2016. These are national average prices. Pricing varies by location and housing projects. As of winter 2025, the price of credits in Minnesota has been around \$0.80.

Average Tax Credit Price (3-month U.S. average)



Source: Novogradac, LIHTC Equity Pricing Trends.

CONTEXT

- Federal Low-Income Housing Tax Credits are a key tool for financing affordable housing. Minnesota Housing awards the credits to developers, who then sell the credits to investors through a syndication process. The syndication proceeds are invested in the housing, and in exchange, the investors get a direct reduction in their federal tax liability for 10 years. Five hundred

thousand dollars in credits over 10 years provides \$5 million in tax reductions, but depending on the market, credits typically sell for less than \$1 per credit because of uncertainty, risk and the time value of money.

IMPLICATIONS

- In the example above, \$5 million of tax breaks will generate \$4.75 million of syndication proceeds when the credit price is \$0.95.

In contrast, the proceeds are \$4.15 million when the price is \$0.83, which is a \$600,000 (13%) reduction in available resources.

- Lower credit prices generate less funding for affordability housing and limits the amount of housing that can be developed or rehabilitated with existing resources.

CHAPTER

2

While the Lack of Affordable Housing is Pervasive, Some Communities Have been Impacted More than Others

Housing instability in Minnesota has had a disproportionate impact on some communities.

Minnesota Housing’s 2024-2027 Strategic Plan recognizes that some communities of shared identities, experience or geographies disproportionately face housing instability and experience disparities in access and outcomes. These include the lowest-income, people of color, people with disabilities, single parents, large families, and older adults. These communities are our priority because the current market is not working for them, and they experience barriers in accessing and navigating affordable housing.

The following charts document the disproportionate impact housing instability has had on: (1) people with the lowest income, (2) people experiencing homelessness, (3) Indigenous, Black and people of color, (4) people with disabilities and (5) older adults.



Most Impacted Communities

KEY DRIVER

6

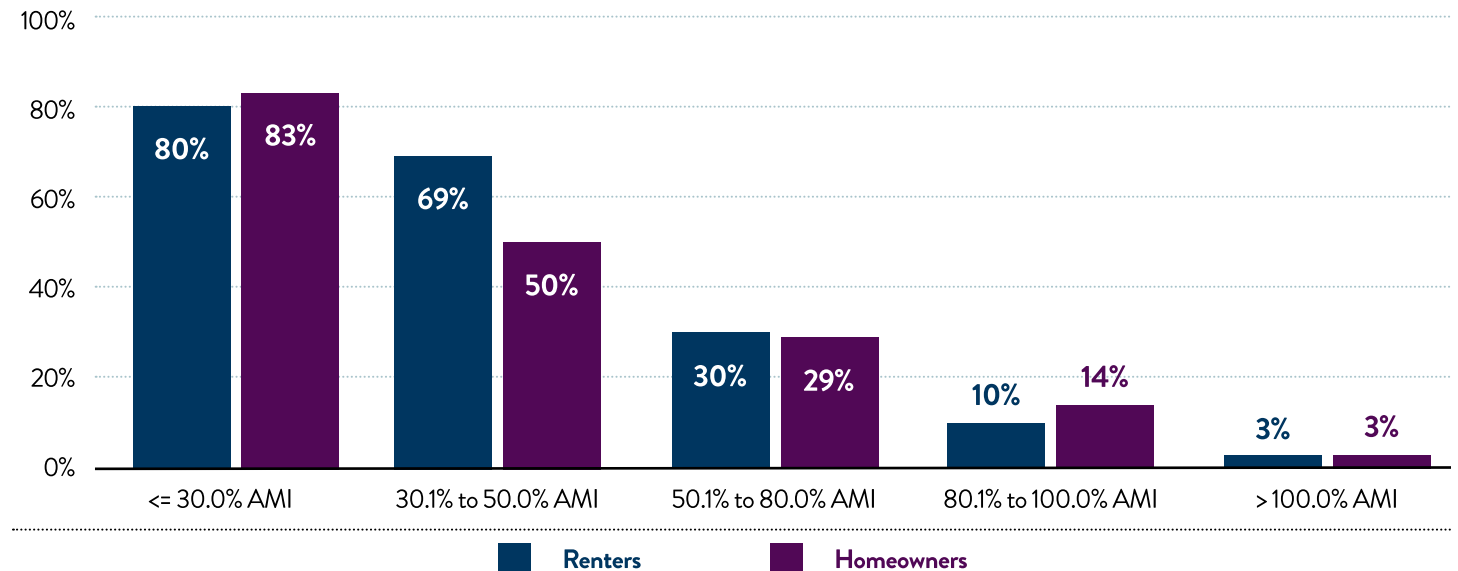
Lower-income households are far more likely to face housing instability.



The vast majority of households with incomes at or below 30% of AMI are cost burdened.

This chart shows the share of households that are cost burdened, broken out by income level and type of household (renter vs. homeowner).

Share of Households that Are Cost Burdened



Source: Minnesota Housing analysis of HUD’s 2017–2021 CHAS (Comprehensive Housing Affordability Strategy) data.

KEY POINTS

- While 80% of renters with incomes at or below 30% of AMI are cost burdened, only 3% of renters with incomes above 100% AMI are.
- Similarly, 83% of homeowners with incomes at or below 30% of AMI are cost burdened, and only 3% of homeowners with incomes above 100% AMI are.

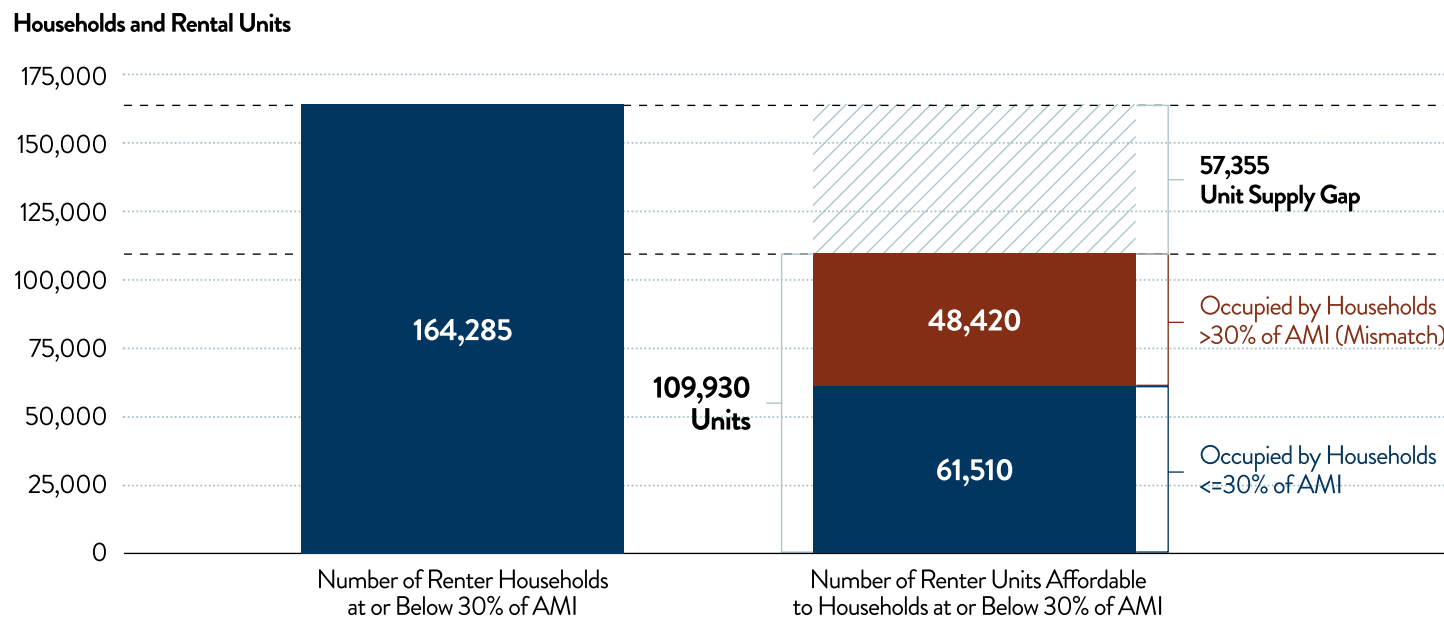
- As shown in a previous chart (page 5), renters are more likely to be cost burdened overall than homeowners. While the cost-burdened rates are similar at each income level, homeowners as a group have higher incomes than renters and are less likely to be cost burdened.

IMPLICATIONS

- Minnesota Housing’s vision statement is: “All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice.”
- For this vision to become a reality, the state needs to focus on people with the lowest incomes.

There is a severe shortage of rental housing available to households with incomes at or below 30% of AMI.

This chart shows number of renter households in Minnesota with incomes at or below 30% of AMI compared with the available stock of rental housing with rents affordable at or below 30% of AMI.



Source: Minnesota Housing analysis of HUD's 2017–2021 CHAS (Comprehensive Housing Affordability Strategy) data.

KEY POINTS

- While Minnesota has just over 164,000 renter households with incomes at or below 30% of AMI, the state only has about 110,000 affordable units at that income level (a 54,000-unit shortage).
- In addition, 48,000 of the 110,000 affordable units are occupied by people with incomes above 30% of AMI, leaving about

62,000 units for households with incomes at or below 30% of AMI.

- The outcome is 80% of renters with incomes at or below 30% of AMI being cost burdened.

IMPLICATIONS

- The shortage of affordable housing for renters with the lowest incomes is more of an affordability problem than a shortage of rental

units. As shown earlier on page 13, Minnesota needs about 5,000 more units to reach a statewide 5% rental vacancy rate and have a balanced market, which is much smaller than the affordability shortage shown in this chart. To address the affordability issue, the state primarily needs to make existing housing more affordable.

Providing rental assistance to all eligible households with incomes at or below 50% of AMI would be a major investment.

Providing rental assistance is a critical strategy for making existing rental housing affordable. For rental assistance to work effectively, we also need to address the supply shortage discussed on pages 13 and 15.

213,000
Renter Households in Minnesota with Incomes <= 50% of AMI and Are Cost Burdened



\$10,000
Annual Rent Subsidy



\$2.1 Billion
Annually

KEY POINTS

- There are roughly 213,000 renter households in Minnesota with incomes at or below 50% of AMI who are cost burdened by their housing payments. From the chart on page 34, this combines the 80% of renters with incomes at or below 30% of AMI and the 69% with incomes between 30% and 50% of AMI who are cost burdened.

- If all these cost-burdened households were to receive rental assistance, where the recipient contributes 30% of their income to housing and the assistance covers the remaining costs, the average annual subsidy per household would be approximately \$10,000.
- Providing rental assistance to all 213,000 would annually cost about \$2.1 billion, excluding administrative costs.

KEY IMPLICATIONS

- Providing rental assistance to all eligible households would be a major investment by the state.
- With the new Bring it Home rental assistance, the state is annually providing roughly \$60 million to meet this annual need.

Most Impacted Communities

KEY DRIVER

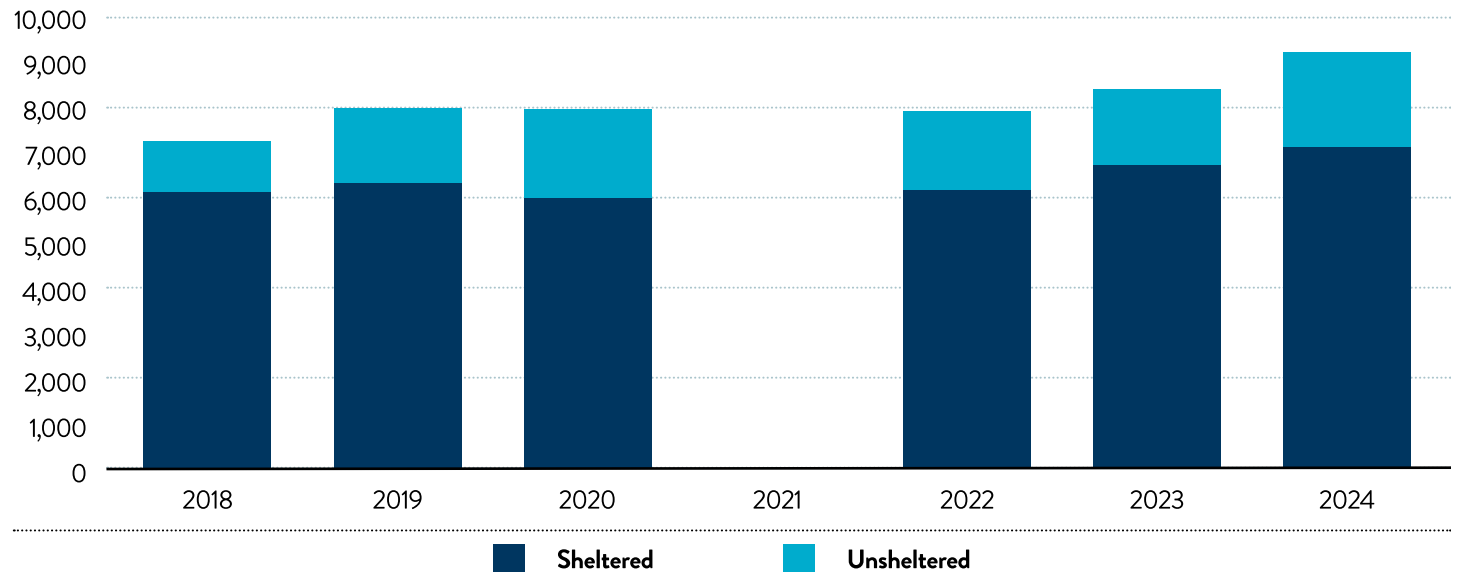
7

Homelessness, which is the most severe form of housing instability, is a persistent problem with more and more people sleeping outside.

The number of people experiencing homelessness in Minnesota has been increasing over the last several years.

This chart shows the number of people experiencing homelessness during a day in January of each year.

Number of People Experiencing Homelessness



Source: U.S. Department of Housing and Urban Development (HUD), Point-in-Time Count.

KEY POINTS

- Homelessness is a pervasive and persistent problem in Minnesota.
- While the HUD Point-in-Time count shows 9,000 people experiencing homelessness on a day in January 2024 (which is an undercount), Wilder Research estimates that roughly 50,000 people experience homelessness at some point during a year (2018 estimate).

- While sheltered homelessness increased by 16% between 2018 and 2024, unsheltered homelessness increased by 86%.
- A full count for January 2021 is not available because of the COVID-19 pandemic.

IMPLICATIONS

- More and more people are experiencing the most severe form of housing instability.
- The severe shortage of housing affordable for the lowest-income households is a key driver of the homelessness crisis.
- Providing rental assistance as outlined in the previous chart would make housing affordable for the lowest-income households, including those experiencing homelessness.

Most Impacted Communities

KEY DRIVER

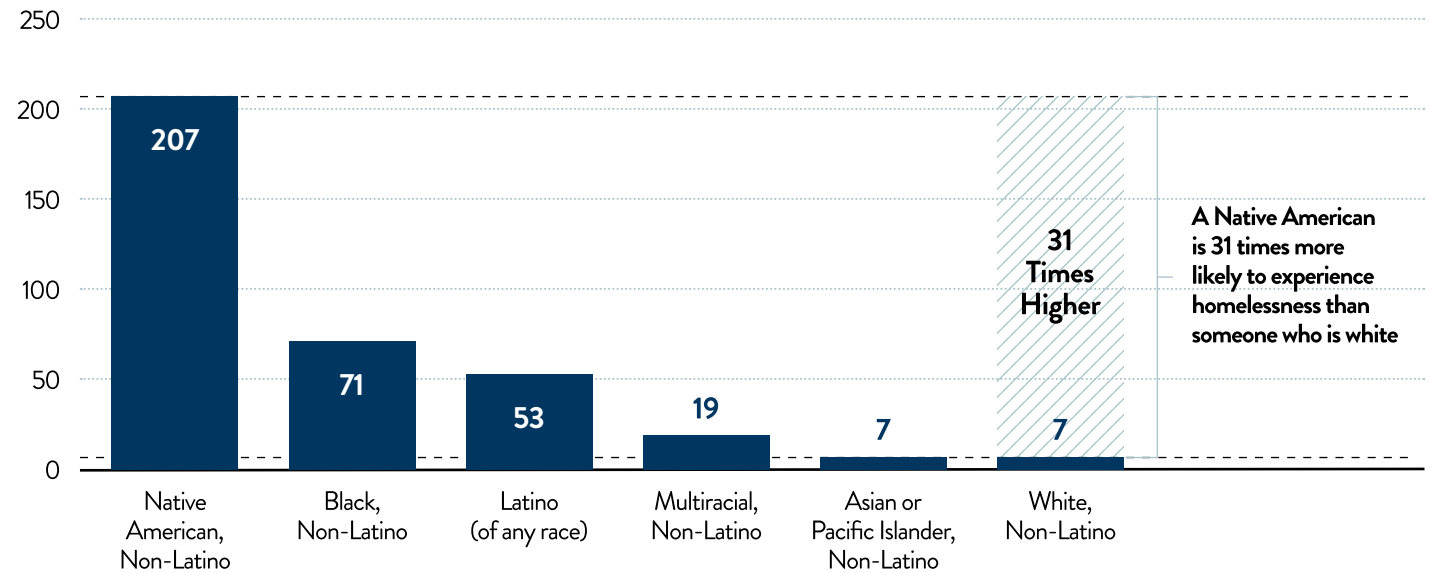
8

Minnesota has large racial/ethnic disparities across the housing continuum from homelessness to homeownership.

A Native American is 31 times more likely to experience homelessness than someone who is white.

This chart shows the rate of homelessness in Minnesota by race and Latino ethnicity.

People Experiencing Homelessness per 10,000



Source: Minnesota Housing analysis of data from HUD’s Point-in-Time Count and the Census Bureau’s American Community Survey.

KEY POINTS

- Overall, the rate of homelessness in Minnesota is 16 people per 10,000, but there are some extreme racial/ethnic disparities. While the rate for the white population is 7 per 10,000, it is 207 per 10,000 for Native Americans, which is 31 times higher.

- In other words, a Native American is 31 times more likely to experience homelessness than someone who is white.

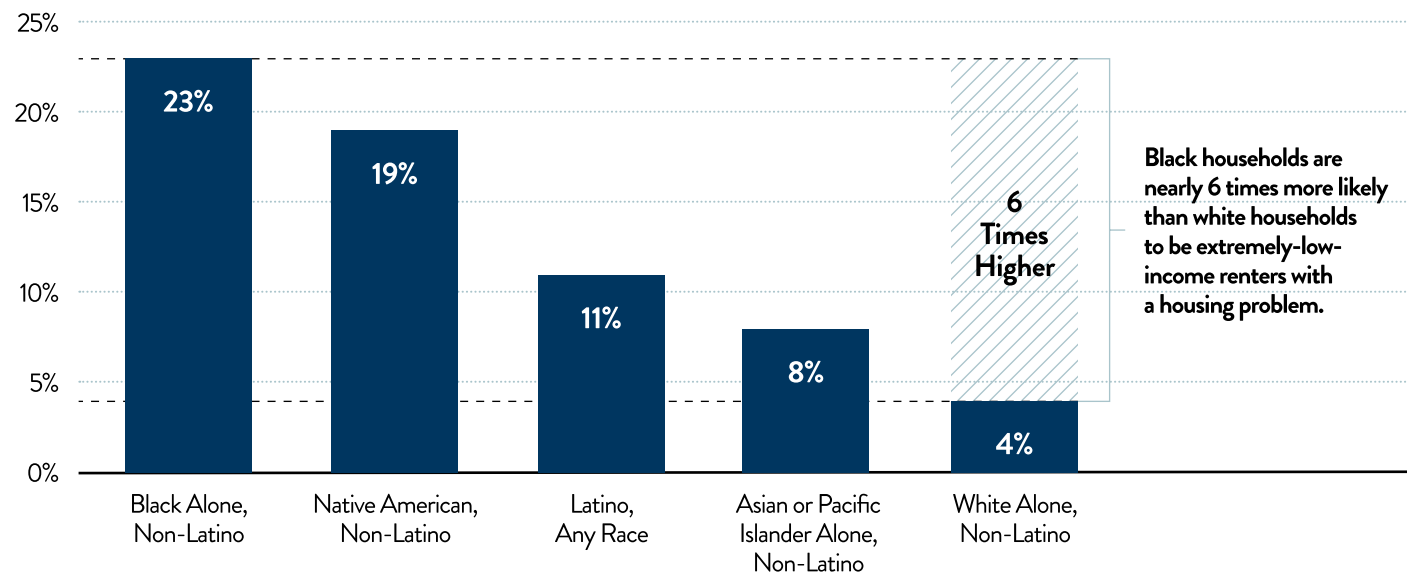
IMPLICATIONS

- This is the area where the state is falling the shortest in providing stable, safe housing that is affordable so that *all* Minnesotans can live and thrive.

Indigenous, Black and households of color are far more likely to struggle accessing decent, stable, affordable housing.

This chart shows the share of all households in Minnesota who are renters with incomes at or below 30% of AMI and have at least one of four housing problems (cost burdened, overcrowded, no kitchen and/or no plumbing).

Share of All Households



Source: Minnesota Housing analysis of HUD's 2017-2021 CHAS (Comprehensive Housing Affordability Strategy) data.

KEY POINTS

- While 4% of white households are extremely-low-income renters with at least one housing problem, 23% of Black households are, which is nearly a six-fold difference.
- Similarly, Native American households are nearly five times more likely to be extremely-low-income renters with a housing problem than white households.
- While these housing-specific disparities are large, they are smaller than the disparities in the rate of homelessness.

IMPLICATIONS

- Being extremely low income and lacking decent, stable, affordable housing are primary contributors to homelessness and its resulting disparities, but it is not the only contributor.
- Homelessness and its disparities reflect system-wide failures, including in employment, earnings, housing, education, health care, services, and racial discrimination.

Housing problems:

Cost-burdened, spending more than 30% on housing

Overcrowded

No kitchen

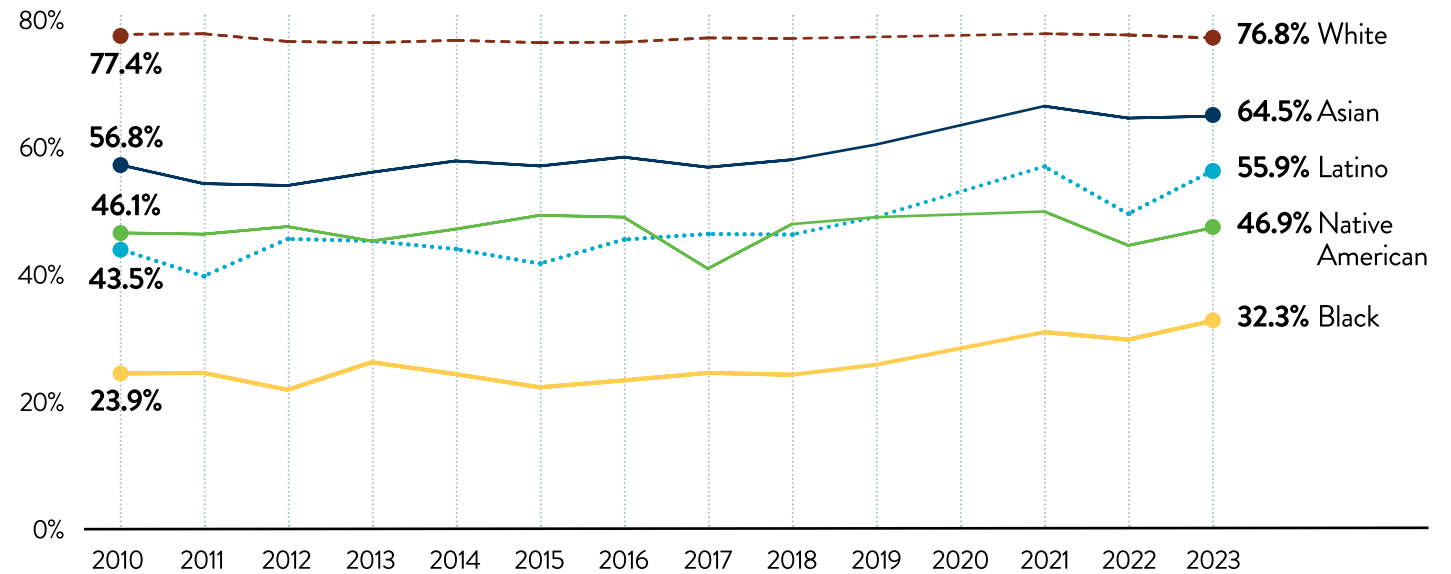
No plumbing

Minnesota has some of the largest disparities in homeownership rates in the country.

This chart shows the share of households who are homeowners in Minnesota, broken out by race and Latino ethnicity.

Homeownership provides some of the most stable housing and best opportunities for wealth generation.

Homeownership Rate



Source: Census Bureau, American Community Survey (2010 to 2023, 1-yr samples).

KEY POINTS

- Minnesota has the ninth highest overall homeownership rate in the country (72.0%) and for white households (76.8%).
- The state’s homeownership rate for Indigenous, Black and households of color (51.1%) is the 32nd highest, resulting in the 11th largest disparity between white households and communities of color.

- The homeownership rate for Black households (32.3%), which is the 38th highest nationally, is particularly troubling.
- Since 2010, Indigenous, Black and households of color have experienced small improvements in their homeownership rates.

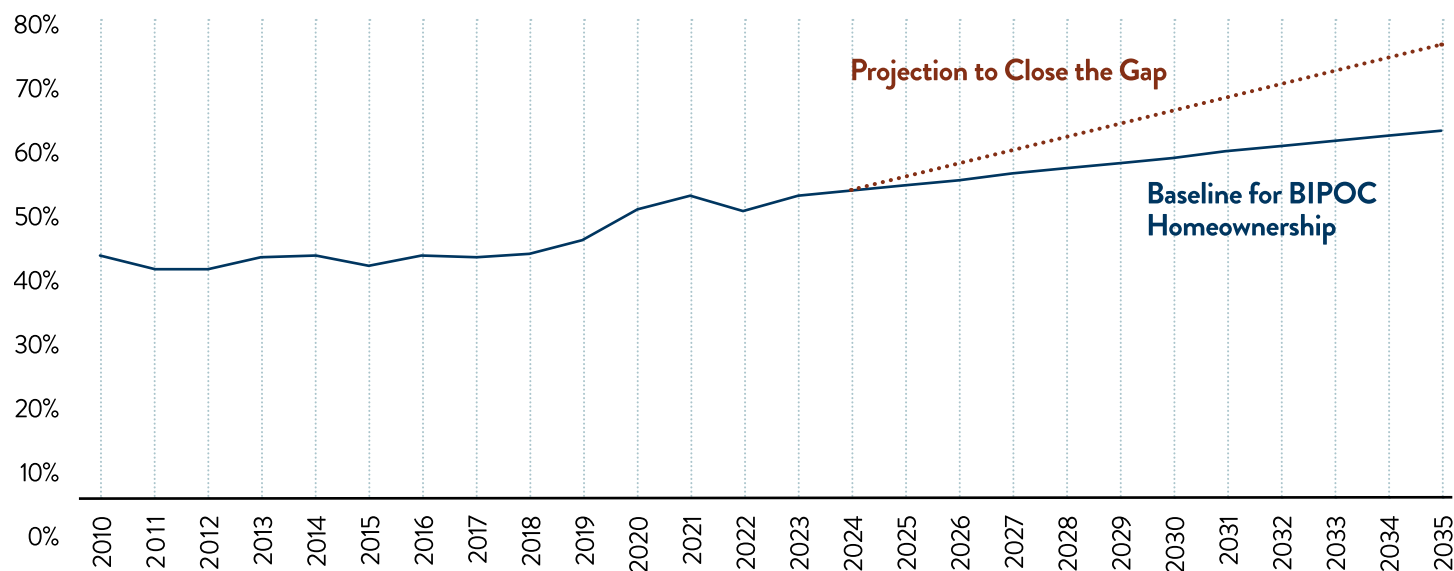
IMPLICATIONS

- More intensive and concerted efforts are needed to close the gap.

More intensive and concerted efforts are needed to close the homeownership gap for Black, Indigenous and households of color.

This chart compares: (1) the baseline homeownership rate if current approaches continue, and (2) the increase in the rate that is needed to close the gap by 2035.

Homeownership Rate



Source: Minnesota Housing modeling based on data from the U.S. Census Bureau's American Community Survey, FFIEC's Home Mortgage Disclosure Act (HMDA), Mortgage Bankers Association and others.

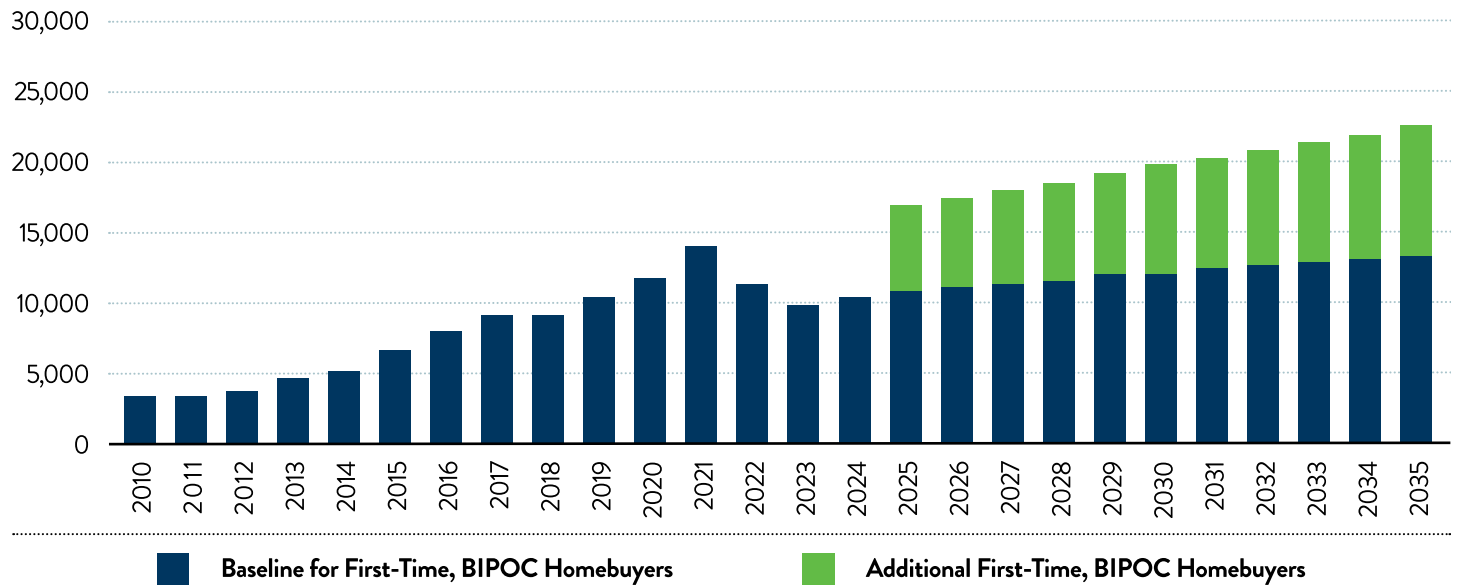
KEY POINTS

- For the last several years, the BIPOC homeownership rate has been on an upward trend. If the trend continues, it would be insufficient to close the homeownership gap by 2035 and reach 76.8% (the rate for white households).
- There needs to be a sizable shift in the rate to close the gap by 2035.

To close the homeownership gap, the state needs 83,000 additional first-time, BIPOC homebuyers over the next 11 years.

This chart shows the number of additional first-time BIPOC homebuyers the state needs above the baseline level to close the homeownership gap.

Number of First-Time Homebuyers



Source: Minnesota Housing modeling based on data from the U.S. Census Bureau’s American Community Survey, FFIEC’s Home Mortgage Disclosure Act (HMDA), Mortgage Bankers Association and others.

KEY POINTS

- The blue segments of the stacked bars in the chart reflect the number of first-time, BIPOC homebuyers Minnesota has had and will have if current approaches to close the gap continue.
- With historically low interest rates between 2011 and 2021, Minnesota saw a sizable increase in the number of first-time homebuyers who are BIPOC.

- Now, with interest rates closer to historical norms, the number of first-time, BIPOC homebuyers dropped off.
- The green segments reflect the additional first-time BIPOC homebuyers (83,000) that the state will need over the next 11 years to reach a 76.8% homeownership rate for BIPOC households.

IMPLICATIONS

- Increasing the number of BIPOC households who are becoming homeowners by 83,000 will take a concerted and sustained effort.
- Given their large disparity, Black households need to be a focus of this effort.

Providing downpayment assistance to help close the home-ownership gap would cost roughly **\$2.9 billion.**

A lack of savings is a primary barrier for homeownership. In addition, home prices at current interest rates are out of reach for many people, and downpayment assistance reduces the size of the mortgage that someone needs to buy a home.

83,000
Additional
First-Time
Homebuyers
Who Are
BIPOC



\$35,000
Downpayment
Assistance
per Homebuyer



**\$2.9
Billion**
or \$264 Million
per Year Spread
Over 11 Years

KEY POINTS

- As the previous chart shows, Minnesota needs 83,000 additional first-time homebuyers who are BIPOC. This is the amount above the baseline that reflects the current approach.
- Minnesota Housing currently provides on average roughly \$15,000 in downpayment assistance per borrower in its standard program.

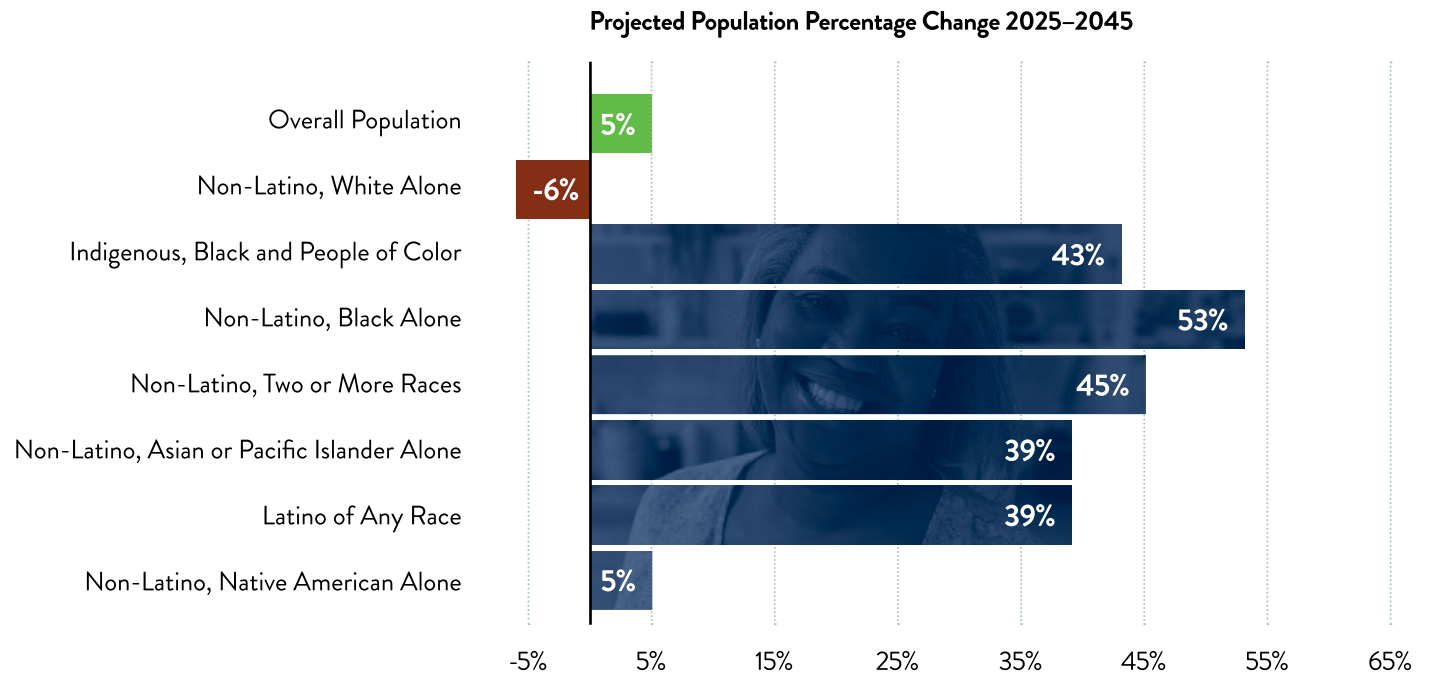
- Given current home prices and interest rates, \$15,000 of downpayment assistance is unlikely to increase the number of first-time, BIPOC homebuyers much above the baseline. To achieve the needed increase, something to closer to \$35,000 per homebuyer that Minnesota Housing's recent (one-time) First-Generation Homebuyer Loan Program provided will likely be needed.

IMPLICATIONS

- Providing enough downpayment assistance to close the homeownership gap would be a major investment by the state.
- The exact amount is uncertain, but this analysis provides an estimate of the relative magnitude. In addition, this assistance would be available to all eligible homebuyers of all races and ethnicities, adding to the costs.

While communities of color in Minnesota will grow over the next 20 years, the white population is expected to shrink.

This chart shows the expected percentage increase in the population for various racial and ethnic groups in Minnesota between 2025 and 2045.



Source: Minnesota State Demographic Center, Long-Term Population Projections for Minnesota (May 2024).

KEY POINTS

- In the 20 years between 2025 and 2045, Minnesota’s overall population is expected to grow by just 5%.
- While Indigenous, Black and communities of color are expected to grow by 43%, the white population is expected to shrink by 6%.
- The Black population is expected to grow the fastest (53%).

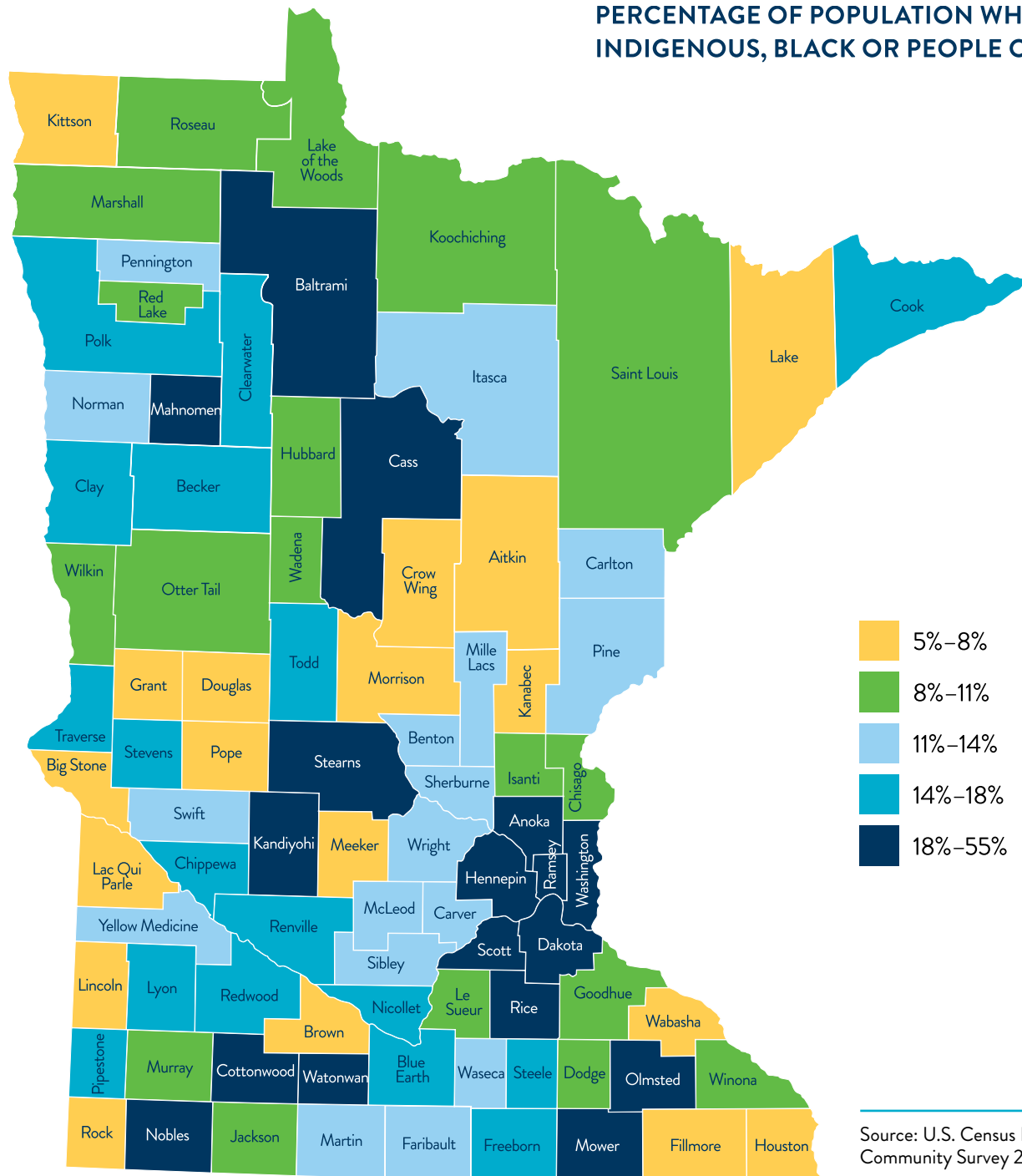
IMPLICATIONS

- If the state is to serve Minnesota in a way that everyone thrives, it must address the large housing disparities.
- The importance of this goal will increase as the state becomes more diverse. This does not diminish the challenges that Indigenous, Black and people of color have faced in the past and are experiencing today, but a

growing share of the population will experience them going forward if action is not taken.

PERCENTAGE OF POPULATION WHO ARE INDIGENOUS, BLACK OR PEOPLE OF COLOR, 2023

The share of Minnesotans who are Indigenous, Black or people of color varies significantly around the state. Some of the state's rural counties are quite diverse.



Source: U.S. Census Bureau, American Community Survey 2019–2023.

Most-Impacted Communities

KEY DRIVER

9

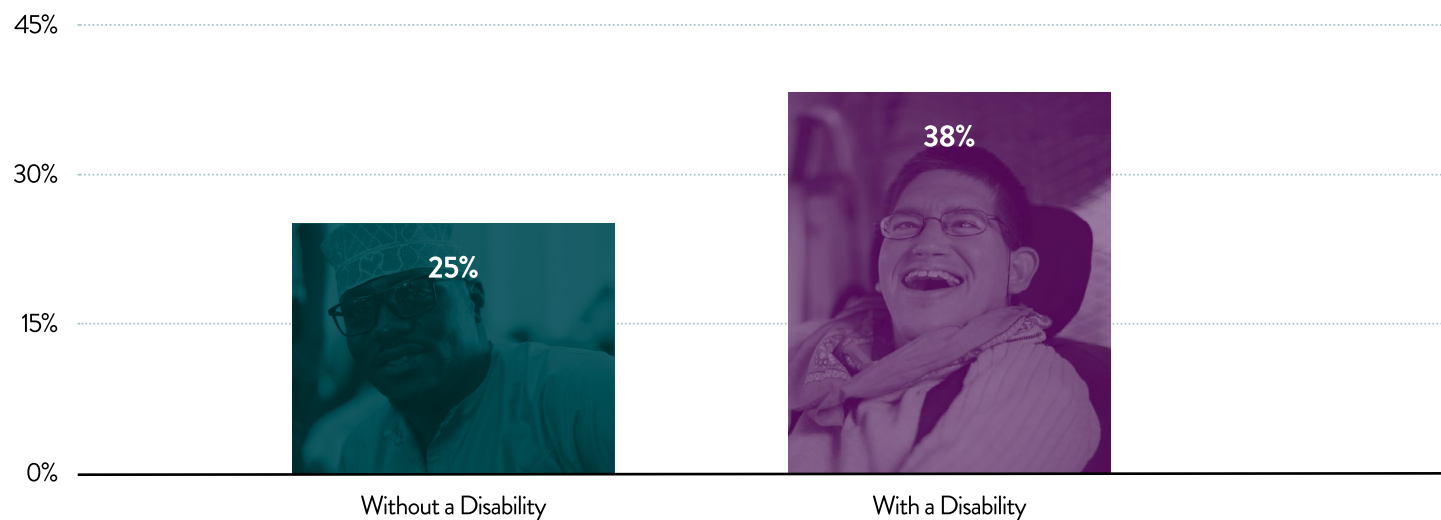
While lower-income households have few, if any, housing choices, lower-income people with disabilities have even fewer, which leads to isolation and segregation.



Households with a disability are more likely to be cost burdened by their housing than those without a disability.

This chart shows the percentage of households that are cost burdened, broken out by whether the head of household or their spouse/partner has or does not have a disability.

Share of Households that Are Cost Burdened



Source: Census Bureau, American Community Survey (2023, 1-yr sample)

KEY POINTS

- While 25% of households without a disability are cost burdened by their housing payments, 38% of households with a disability are cost burdened.

IMPLICATIONS

- Having a disability increases the likelihood of facing housing instability and being able to afford/access housing choices.

Beyond affordability, people with disabilities face additional barriers in finding housing.

This information was gathered by Minnesota Housing when it developed its current Strategic Plan and by the Olmstead Implementation Office as it creates the state’s next plan to better serve and integrate people with disabilities into the community.



HOUSING NEEDS FOR PEOPLE WITH DISABILITIES

Accessible Housing Physical features, including elevators, ramps, counter/cabinet heights, roll-in showers, etc.

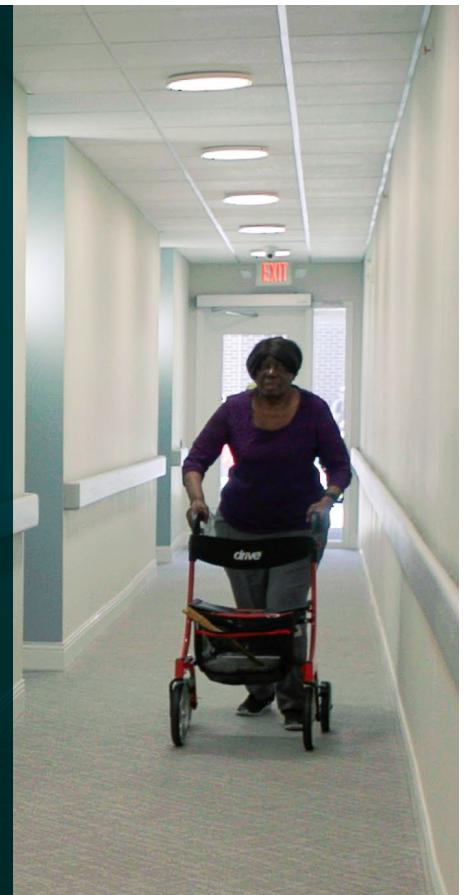
Other accommodations, including door-bells that flash, soundproofing for people who are hard of hearing or autistic, etc.

Applications and Procedures that are Accessible Rental, mortgage and other applications that have been remediated to be accessible

Allowing renters with disabilities to visit and test out a specific unit before renting to make sure that it works for them.

Access to public transportation

Larger housing to accommodate family and caregivers



KEY POINTS

- People with disabilities need housing that is not only affordable but also meets their daily needs.
- The majority of the state’s affordable housing stock is older with limited amenities, including accessibility.

IMPLICATIONS

- Having a disability can be isolating because of ableism, discrimination and the way society treats people with disabilities.
- An inadequate supply of truly accessible and affordable housing, which limits choices and options, further isolates and segregates people with disabilities.

- In a “tight” rental market where competition for housing is high, property owners/managers can be highly selective regarding with whom they rent and can rent units very quickly, leaving people with disabilities behind.



Most- Impacted Communities

KEY DRIVER

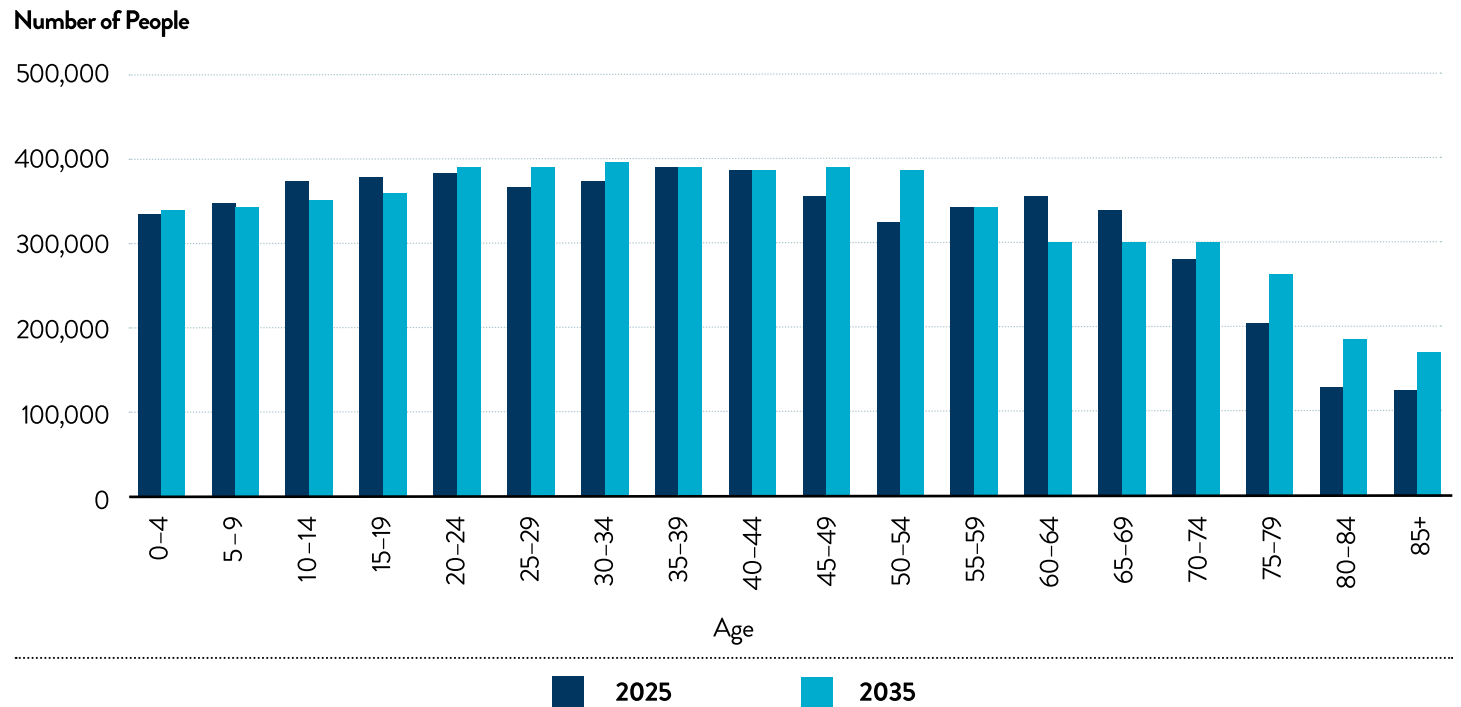
10

The growing number of people who are age 75 and older is creating housing needs and challenges.



Over the next 10 years, the number of Minnesotans ages 75 and older will increase by 164,000 (35%).

This chart shows the number of Minnesotans by age in 2025 (blue bars) and 2035 (teal bars).



Source: Minnesota Housing analysis of data from Minnesota Demographer’s Office (May 2024 release).

KEY POINTS

- The overall age distribution in 2025 and 2035 are quite similar, but with a big difference in the number of people ages 75 and older.
- In 10 years, Minnesota will have 164,000 more people ages 75 and older, which is a 35% increase.

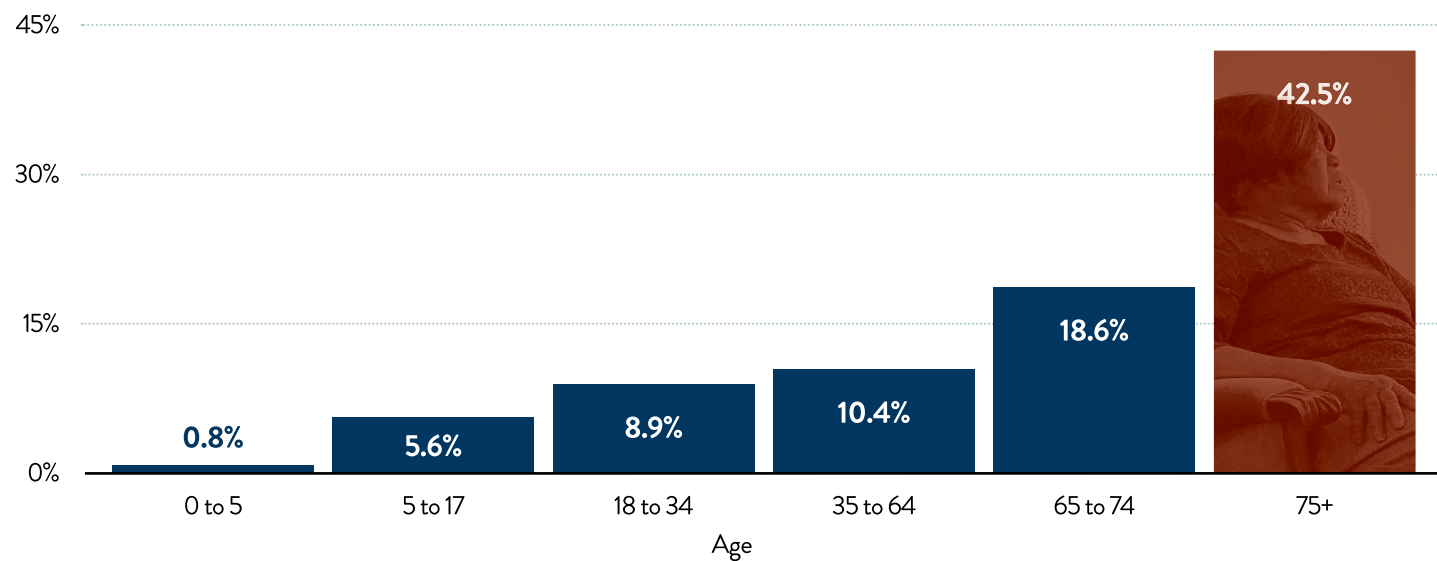
IMPLICATIONS

- As the following charts will show, age plays a role in how people want to and are able to live.

The share of Minnesotans with a disability substantially increases after age 74.

This chart shows the share of Minnesotans who have a disability, broken out by age.

Share of People with a Disability



Source: Census Bureau, American Community Survey (2023, 1-yr sample)

KEY POINTS

- The share of people with a disability increases as people age, making modest increases through age 64.
- There is a substantial increase after age 64, jumping from 10.4% to 18.6%, and an even larger increase after age 74, jumping to 42.2%.

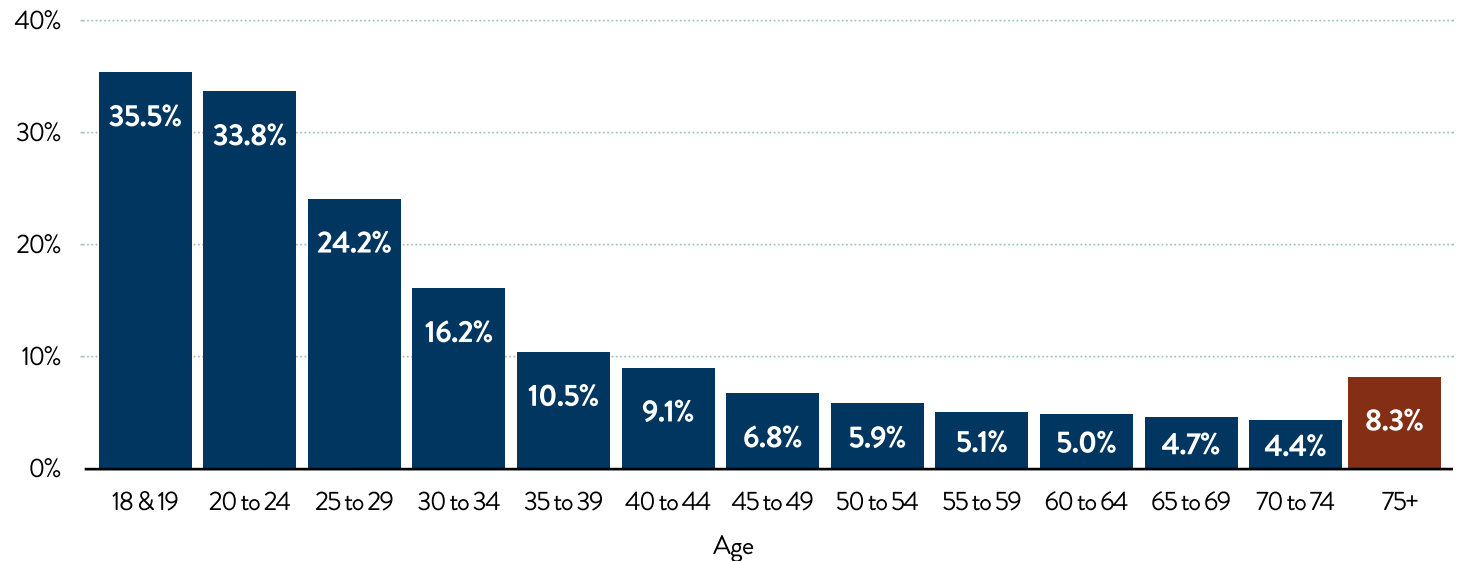
IMPLICATIONS

- As the disability rate increases, home modifications (grab bars, zero-step showers, etc.) and in-home services become more important.

People between the ages of 65 and 74 are the least likely to move, with a substantial increase in moving after age 74.

This chart shows the share of Minnesotans who moved in the last year, broken out by age.

Share of People who Moved in the Last Year



Source: Census Bureau, American Community Survey (2023, 1-yr sample)

KEY POINTS

- As adults age and become more established, they become less and less likely to move.
- In the 10 years after reaching the traditional retirement age of 65, people are the least likely to move.
- The rate of moving nearly doubles from 4.4% to 8.3% after age 74.

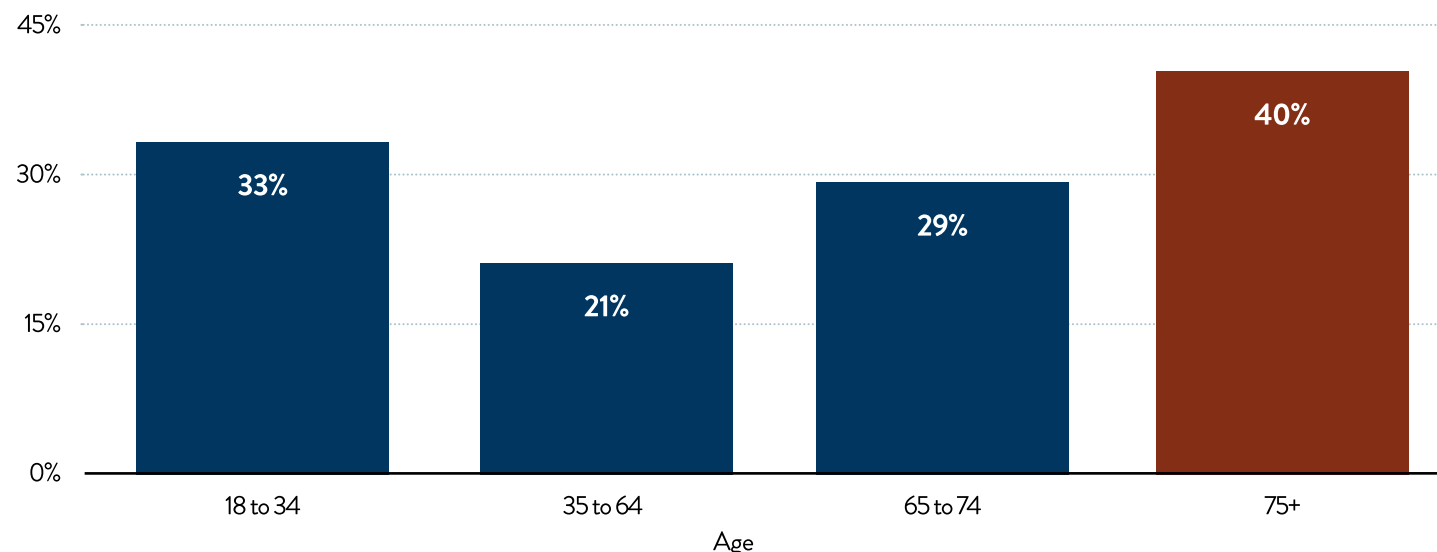
IMPLICATIONS

- During the initial retirement years, the vast majority of people age in place, with very few moving.
- As the rate of disability substantially increases after age 74 and some people do not have the support they need to age in place, the rate of moving increases.
- Given that 42% of the people ages 75 and over have a disability and only 8.3% of them move each year, many older adults with a disability age in place, making home modifications and in-home services critical. Housing and service coordination become more and more important.

Older adults are more likely to be cost burdened by their housing.

This chart shows the percentage of households in Minnesota who are cost burdened, broken out by age.

Share of Households who are Cost Burdened



Source: Census Bureau, American Community Survey (2023, 1-yr sample)

KEY POINTS

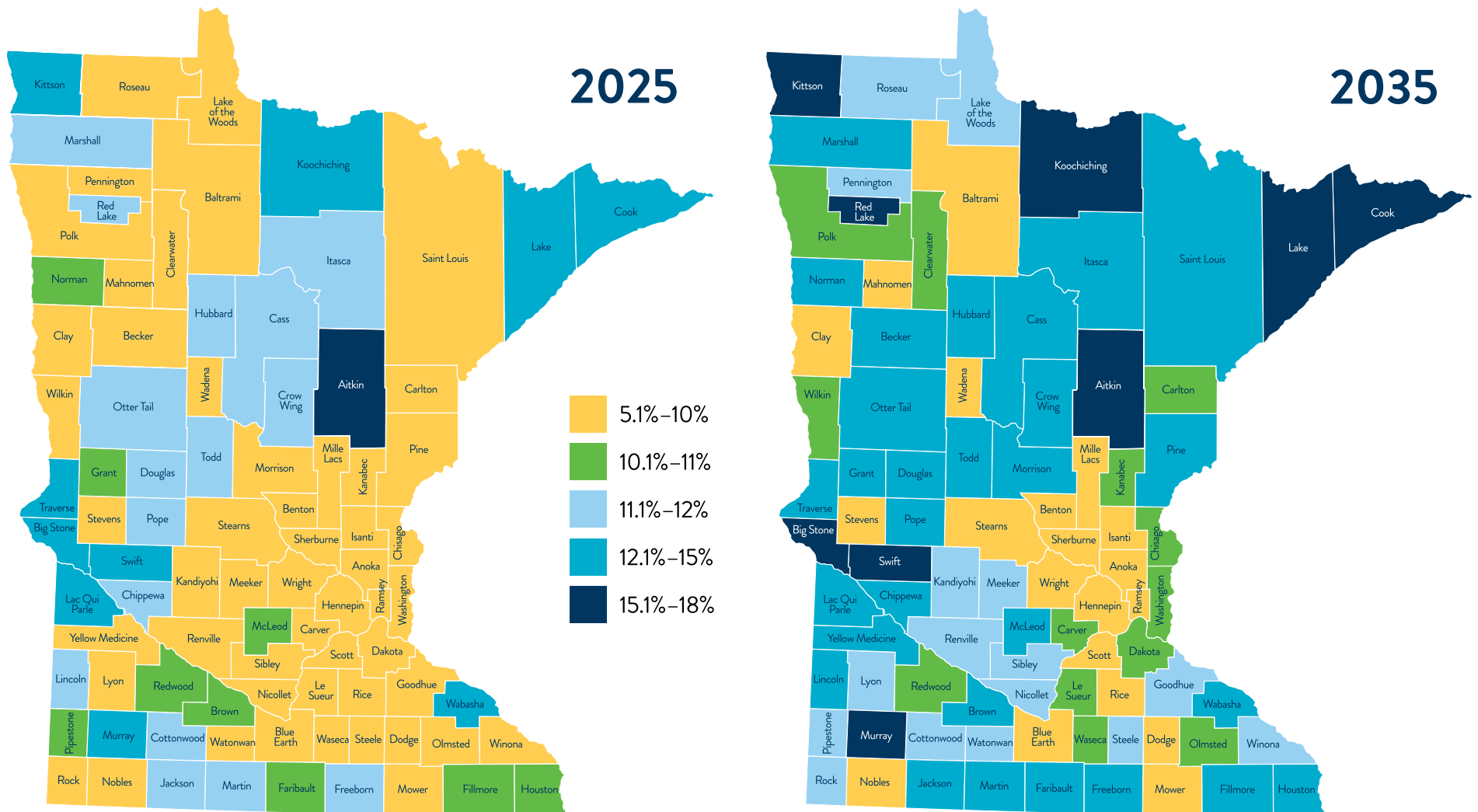
- After the age of 64, the share of households who are cost burdened goes up.
- Statewide, 40% of households age 75 and older are cost burdened by their housing. For comparison, the cost-burdened share is 21% for households ages 35 to 64.

IMPLICATIONS

- At the same time the housing needs of older adults become more complex, their ability to pay for their housing declines.

The growth of the population age 75+ will occur across the state.

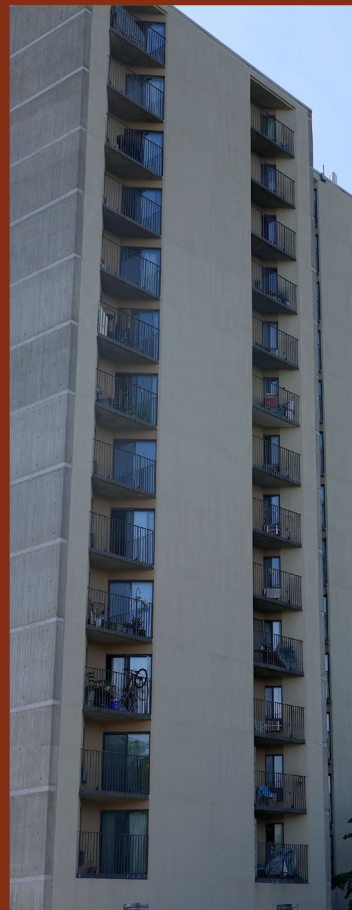
SHARE OF THE POPULATION AGE 75 AND OLDER



CHAPTER

3

Minnesota is at Risk of Losing its Existing Stock of Affordable Housing



Minnesota has an aging housing stock that has substantial rehabilitation needs.



Of Minnesota's 2.3 million housing units, roughly 380,000 are rental units affordable to households with incomes less than 60% of the area median income and 620,000 are owner-occupied homes with a value of \$250,000 or less. Much of this housing stock is older and likely in the need of repair and rehabilitation.

Minnesota is at risk of losing many affordable rental units, which are older and need rehabilitation.

The information provided here is derived from multiple sources, including the U.S. Census Bureau's American Community Survey, HousingLink's STREAMS database, HUD's Picture of Affordable Housing and others.



KEY POINTS

- Minnesota has roughly 380,000 rental units affordable to households with incomes at or below 60% of the area median income. These units fall into three categories:
 - Those with rental assistance tied to the unit (e.g., Project-based Section 8, Public Housing, and USDA-Rural Development).

- Units built or rehabilitated with government funding that comes with income and rent restriction requirements but no rental assistance (e.g., Low-Income Housing Tax Credits).
- Naturally Occurring Affordable Housing (NOAH), which is affordable without subsidies because it is typically dated, lacks amenities, and/or needs repairs or rehabilitation.

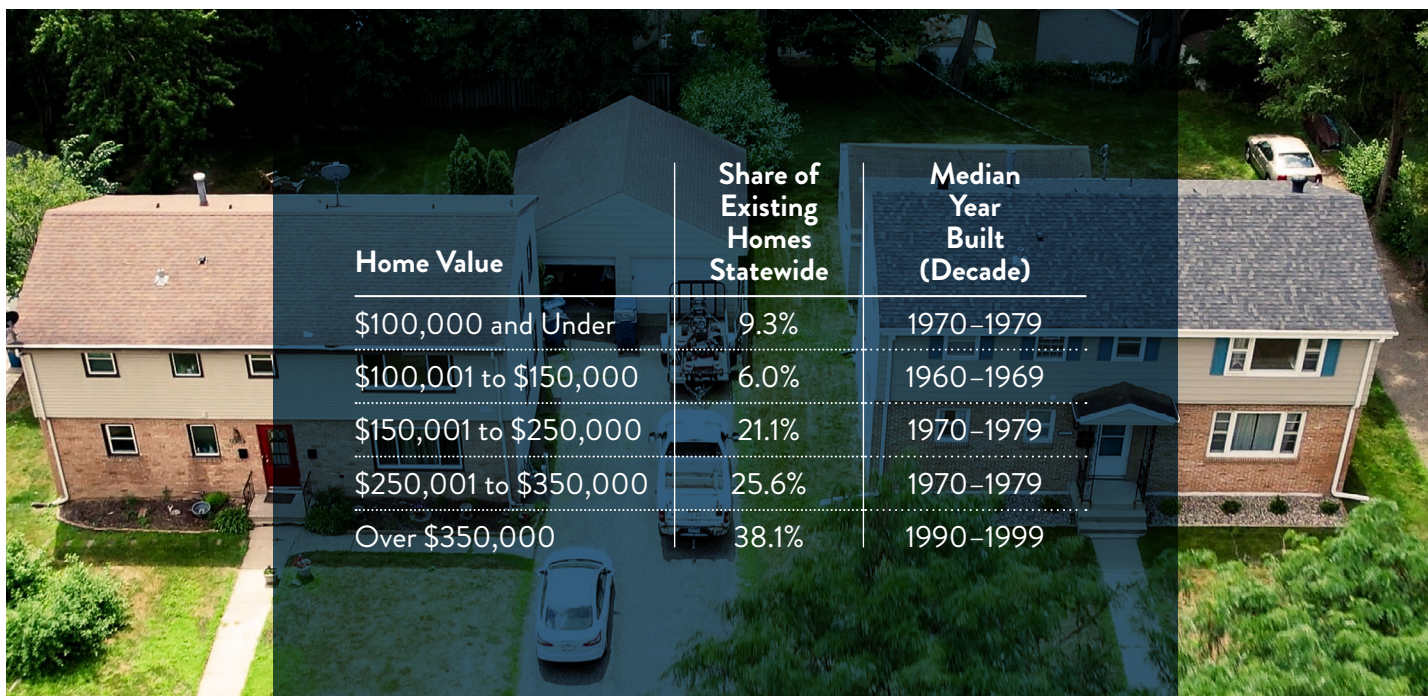
- A large share of the state's affordable rental stock likely needs repairs or rehabilitation with much of it falling in the NOAH category.

IMPLICATIONS

- The state is at risk of losing many of these units to deterioration or property owners rehabilitating them and then increasing the rents such that they are no longer affordable.

36% of Minnesota's owner-occupied housing stock has a value of \$250,000 or less and is often over 50 years old.

This table shows the share of owner-occupied homes broken out by home values, along with the median year that the homes were built.



Home Value	Share of Existing Homes Statewide	Median Year Built (Decade)
\$100,000 and Under	9.3%	1970–1979
\$100,001 to \$150,000	6.0%	1960–1969
\$150,001 to \$250,000	21.1%	1970–1979
\$250,001 to \$350,000	25.6%	1970–1979
Over \$350,000	38.1%	1990–1999

Source: Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2023, 1-Yr Sample)

KEY POINTS

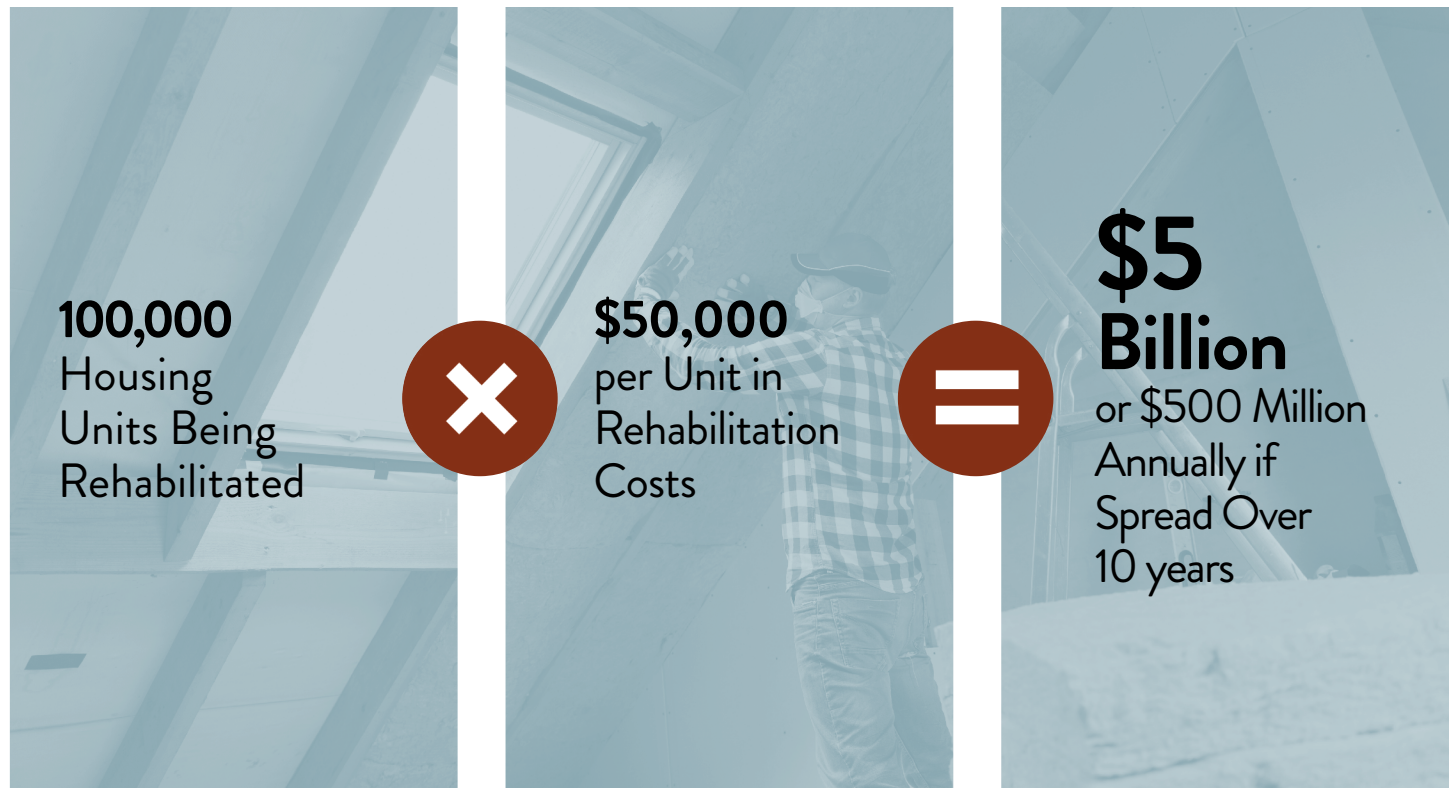
- Of Minnesota's 1.7 million owner-occupied homes, 36% are affordable with a value of \$250,000 or less:
 - 15% with a value of \$150,000 and under, and
 - 21% with a value from \$150,001 to \$250,000.
- Only 5% of the homes currently on the market for sale have an asking price of \$150,000 or less when they account for 15% of the housing stock.
- 24% of the homes with a value of \$100,000 or less are manufactured homes.

IMPLICATIONS

- Older homes with lower values are likely in need of repair and rehabilitation.
- A home may not support a mortgage if it has major structural, safety or health issues, which could include outdated electrical systems, plumbing problems or a roof that needs to be replaced. This may help explain why so few homes with a value of \$150,000 or less are for sale.

Minnesota has large housing rehabilitation needs.

This information is not based on a precise estimate of specific rehabilitation needs but is rather a ballpark estimate based on the nature and general characteristics of the housing to show the relative magnitude of the need.



KEY POINTS

- Given the data in the previous two charts, at least 100,000 affordable housing units in Minnesota likely have rehabilitation needs, which is about 4% of the state’s 2.3 million housing units. Specifically, Minnesota has about:
 - 245,000 NOAH rental units, a sizable share of which likely needs rehabilitation, and
 - 260,000 owner-occupied units with a value of \$150,000 or less, a sizable share of which also likely needs rehabilitation.
- A rehabilitation cost of \$50,000 per unit would be a conservative estimate for a mix of owner-occupied and rental housing.
- The total cost would be around \$5 billion.

IMPLICATIONS

- To keep this housing affordable, these costs need to be subsidized. If not, property owners would try to increase the rent or price of the home to get a return on their investment.

CHAPTER

4

With climate change, the housing stock needs to become far more sustainable and resilient



Climate change needs to be addressed when making housing investments.

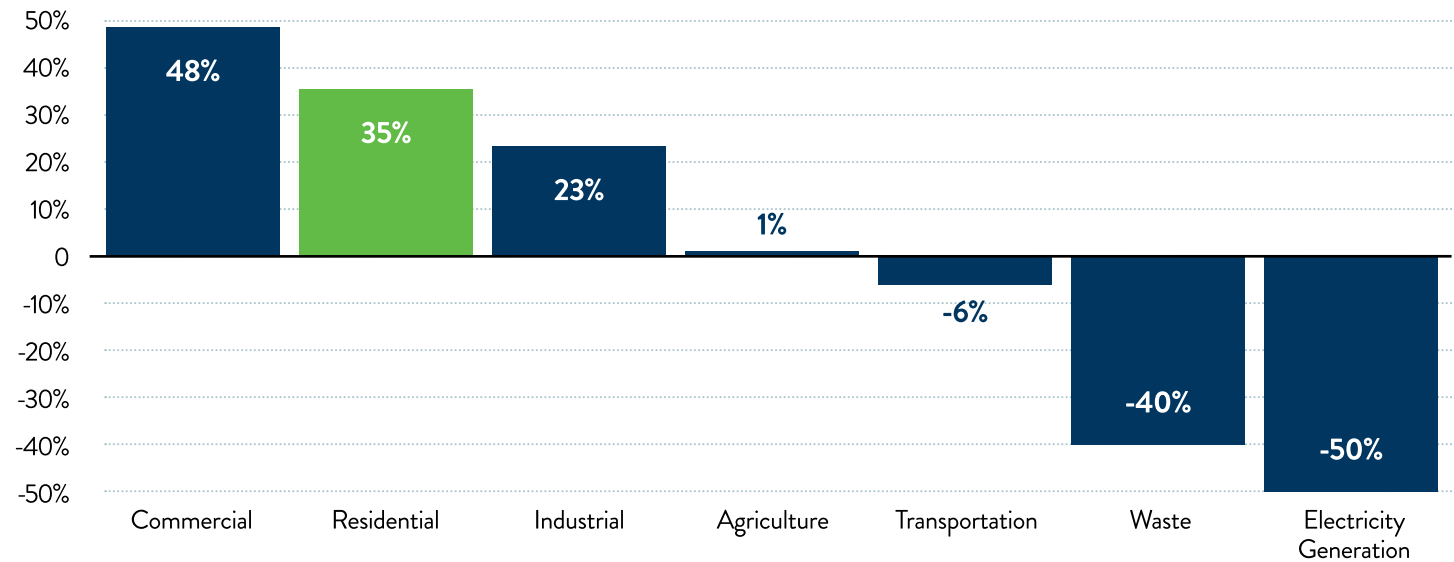


Climate change will pose an existential threat in the coming years as average temperatures continue to rise and extreme climate and weather events became more common and larger. While concerted and widespread efforts are needed to slow climate change through greater sustainability, society also needs to adapt by becoming more resilient to the extreme climate and weather events. Housing needs to play a key role in this conversion.

Since 2005, the residential sector has experienced some of the largest increases in greenhouse gas emissions.

This chart shows the percentage change in greenhouse gas emissions in Minnesota between 2005 and 2022, by economic sector.

Percentage Change in Greenhouse Gas Emissions (2005 to 2022)



Source: Minnesota Pollution Control Agency and Department of Commerce, *Greenhouse Gas Emissions in Minnesota 2005-2022* (January 2025).

KEY POINTS

- The residential sector in Minnesota had the second-largest increase (35%) in greenhouse gas emissions between 2005 and 2022.
- Of the economic sectors, the residential sector had the fifth-highest level of annual emissions (about 10 million metric tons) in 2022. For comparison, the transportation sector had just under 40 million, and the waste sector had around 3 million.

- The primary residential contributor to the greenhouse gas emissions is the burning of natural gas by furnaces/boilers, hot water heaters and clothes driers.
- Electricity use in housing is captured in the electricity generation sector.

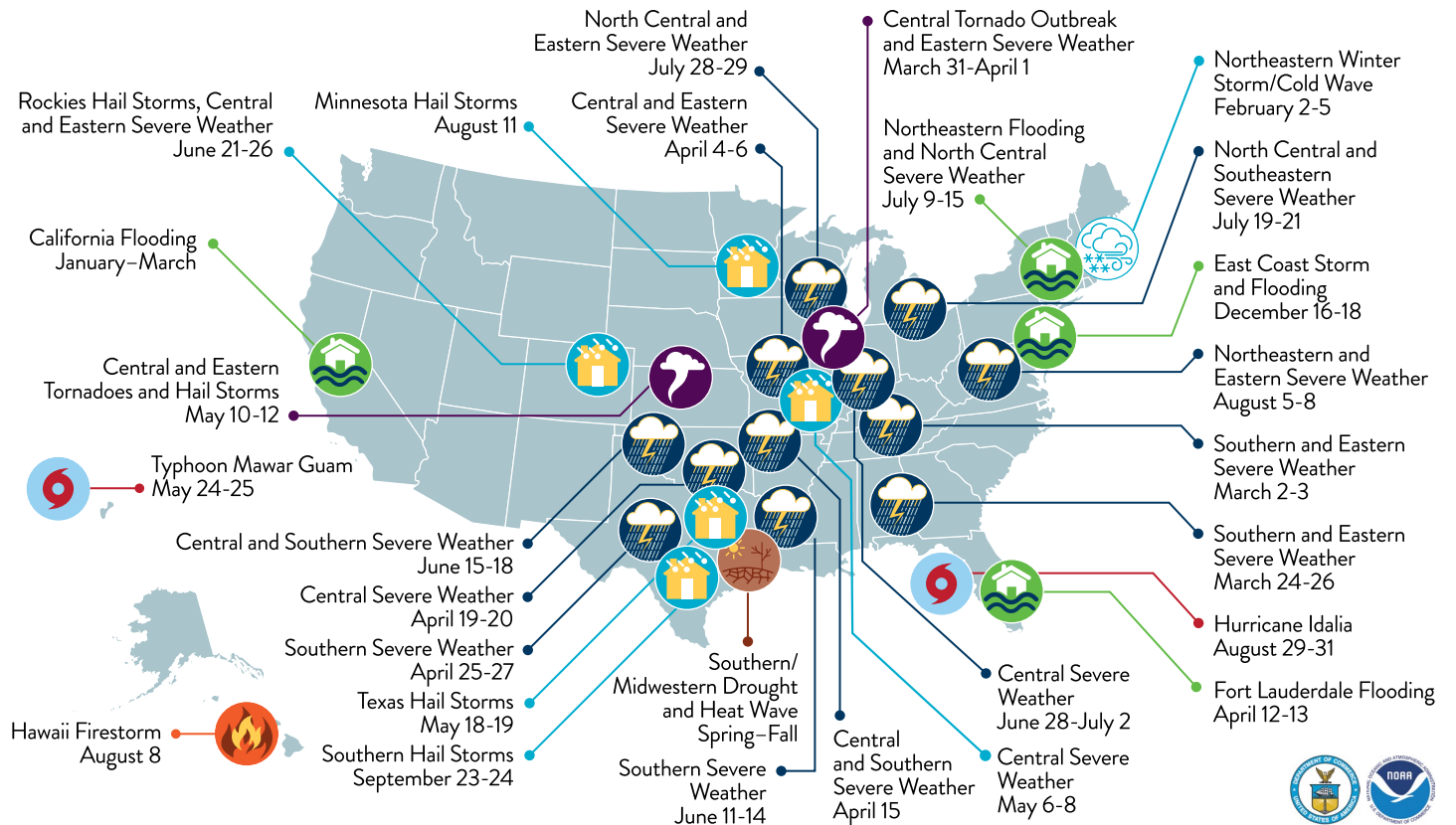
IMPLICATIONS

- If Minnesota is to address climate change, we will need to substantially reduce residential greenhouse gas emissions.
- This will require more efficient and sustainable homes and a conversion to renewable energy.

The number of large climate and weather disasters associated with climate change is increasing.

This graphic shows the billion-dollar weather and climate disasters in the United States during 2023.

Source: Novogradac paper on insurance costs.



Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-dollar Weather and Climate Disasters (2024). This map denotes the approximate location for each of the 28 separate billion-dollar weather and climate disasters that impacted the United States in 2023.

KEY POINTS

- In the 2010s, the annual number of climate and weather disasters costing one billion or more dollars averaged 13 events. Since 2019, it has averaged 20 annually, with 28 in 2023.

IMPLICATIONS

- It is these types of events that are driving up insurance costs, as shown on pages 29 and 30.
- As climate change progresses, the number and magnitude of these events will increase.

- Housing needs to be made more resilient to extreme climate and weather events by adopting measures like hail-resistant shingles, fire-resistant building materials and others.



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formats by contacting mn.housing@state.mn.us.

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Item: 2024 Conflict of Interest Disclosure Report

Information Item: 9.A
Date: 4/24/25
Staff Contacts: Mike Thone, 651.296.9813, Mike.Thone@state.mn.us
Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us
Request Type: No Action, Information

Request Summary

The purpose of this agenda item is to give a brief overview of the conflict of interest disclosure processes and provide the board with the results of the 2024 conflict of interest disclosure reviews.

The last Conflict of Interest Disclosure Report was presented to the board September 26, 2024, for calendar year 2023. The next report is expected to be delivered March or April 2026.

Fiscal Impact

None.

Agency Priorities

- | | |
|--|---|
| <input type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Background
- 2024 conflict of interest disclosure review results

Background:

It is Minnesota Housing's policy that all Agency employees, including contractors and interns, be aware of, and make every effort to avoid actual and potential conflicts of interest (COI), including the "appearance" of conflicts of interest. Effective January 1, 2022, Minnesota Management and Budget (MMB) issued HR/LR Policy #1445, Code of Ethical Conduct. The MMB policy provides standards and requirements that all executive agencies and employees must comply with. The policy also includes a Code of Ethical Conduct Acknowledgement form and a COI Disclosure form which must be completed annually by all executive agency staff and management personnel. The policy further requires the Agency to conduct COI screening for outside employment or other conflicts during the background check process prior to hiring new employees. The policy also requires the Agency to formally designate an Agency Ethics Officer. Minnesota Housing designated the General Counsel as the Agency's Ethics Officer with the Chief Risk Officer serving as back-up. These MMB policy standards have been incorporated into the Agency's ethics and conflict of interest policies and procedures documented in the Minnesota Housing Employee Policies & Procedures Manual.

Annually, all employees are required to complete the MMB COI Disclosure as part of the MMB Code of Ethical Conduct Training and Acknowledgement assignment. The disclosure form asks employees to disclose all external affiliations and business interests they and their immediate family members have (companies, partnerships, boards, councils, second employment, consulting contracts, or other applicable entities), which may present conflicts with their official Agency duties. Any employees who identify personal or familial affiliations that present COI risk, as determined by the Deputy Commissioner, General Counsel and Chief Risk Officer, are issued a COI Actions Memorandum outlining actions the individual and their immediate supervisor must follow to avoid or mitigate the conflict risk. The employee's immediate supervisor, General Counsel, Deputy Commissioner and Director of Human Resources are copied on the memorandum.

Agency COI procedures also require employees to request approval prior to accepting external employment or other external affiliation (e.g., board membership). For each request, the General Counsel and Chief Risk Officer evaluate the request for COI risk. If determined that COI risk is present, the request may be denied or approved with issuance of a COI Actions Memorandum outlining the actions the employee and immediate supervisor must follow to avoid or mitigate the conflict risk.

Results of the 2024 Conflict of Interest Disclosure Review:

- Beginning late fall of 2024, through early 2025, 309 Agency employees and contract staff electronically completed COI Disclosures as part of the MMB 2024 annual Code of Ethical Conduct Training and Acknowledgement assignment.
- Thirty-eight of the 309 employees and contract staff identified personal or familial affiliations, or other situations, that were evaluated for COI risk. Thirty-one of those 38 employees were issued a COI Actions Memorandum.
- During calendar 2024, 15 requests to accept external employment or other external membership were received. Fourteen of the requests were approved and one request was

denied because it would have resulted in COI risk the Agency could not mitigate. Twelve of the 14 approvals were coupled with a COI Actions Memorandum.

- During calendar 2024, 68 Human Resource (HR) job finalists completed the HR Finalist or other pre-hire COI Disclosure form. Twelve of these 68 individuals were issued a COI Actions Memorandum as a condition of hire.
- Three staff provided updates to their 2023 year-end COI disclosure form during calendar year 2024. All three of those individuals were issued a COI Actions Memorandum to mitigate the new conflicts identified from the previous year.

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Item: Risk Management and Internal Control Framework

Information Item: 9.B
Date: 04/24/24
Staff Contacts: Mike Thone, 651.296.9813, Mike.Thone@state.mn.us
Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us
Request Type: No Action, Information

Request Summary

The Chief Risk Officer is informing the board about administrative updates made to the Risk Management and Internal Control Framework document and non-compliance with one of the Framework's annual risk management training requirements.

Fiscal Impact

None.

Agency Priorities

- | | |
|--|---|
| <input type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Background, including Framework compliance review results
- Redline DRAFT of updated Risk Management and Internal Control Framework document

Background:

Board Resolution No. MHFA 24-017 requires, in part, that Agency staff annually review with the Board/Finance and Audit Committee:

1. Updates made to the Agency's Risk Management and Internal Control Framework (Framework) document.
2. Agency compliance with Framework requirements.

The Risk Management Committee (RMC) reviewed the Framework document at its January 14, 2025, meeting and identified a small number of administrative edits and updates. The most significant update is a technical change by removing the Chief Financial Officer and replacing with Executive Finance Officer and Executive Investment Officer. The updated Framework document was approved by the RMC on February 11, 2025. The updates were administrative only and therefore board approval is not required, as determined by the Agency General Counsel.

The Framework outlines many specific actions that must be completed by Agency staff, some within specific timeframes. The Chief Risk Officer reviewed the Framework to identify those specific compliance requirements and determine if staff completed those tasks within required timeframes.

The Framework requires that that new employees complete Agency-specific risk management training within 60 days of hire date as part of the new staff orientation program. All existing staff must complete the same "refresher" training annually. The following exception to this requirement was identified:

- New staff hired in 2024 completed the risk management training as part of the new staff orientation, as required. However, the annual "refresher" training was not completed by tenured staff in 2024. Further, it was discovered that annual refresher training has not been completed by staff for the past few years due to miscommunication between the Chief Risk Officer and the HR team. The risk management training content is in-process of being updated. After the revision is complete, annual refresher training for all tenured staff will resume ensuring compliance in 2025 and beyond.



DRAFT

Risk Management and Internal Control Framework

(Effective March 28, 2024)

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 (RMC) 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, identifies risk management and internal control responsibilities (Chapter 3), and outlines the Agency's key risk management and internal control components (Chapter 4) designed to promote:

- Efficient and effective operations;
- Reliable reporting for internal and external use;
- Compliance with applicable laws and regulations; and
- 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). It is important to note that risk categories can and do intersect with each other.

1. Strategic Risk	2. Financial Risk	3. Operational Risk	4. Legal & Audit Risk
<ul style="list-style-type: none"> • Reputation • Business Model • Organizational Structure • Resource Allocation • Planning / Execution* • Competition / Industry Changes • Legislative* 	<ul style="list-style-type: none"> • Federal Resources • State Appropriations • Capital Markets* • Interest Rates* • Loan Performance • Counterparties*, such as: <ul style="list-style-type: none"> ○ Government-Sponsored Enterprises ○ Credit Rating Agencies ○ Non-profit Partners ○ Sponsors and Developers ○ Correspondent Lenders 	<ul style="list-style-type: none"> • Program Management • Budgeting • Human Resources / Operational Capacity* • Information Technology* • Cyber Security* • Integrity • Culture • Counterparties*, such as: <ul style="list-style-type: none"> ○ Grantees ○ Sub-Grantees ○ Borrowers ○ Brokers and Realtors • Vendors • Business Continuity 	<ul style="list-style-type: none"> • Regulatory Compliance* • Fraud/Misuse of Funds/Conflict of Interest • External Audits (e.g., Minnesota Office of the Legislative Auditor, Agency financial and Single Audit, Housing and Urban Development, and other external party audits or evaluations)

* Denotes risks assessed by the RMC during completion of the most recent Board Risk Assessment (see Chapter Four for information about the Board Risk Assessment).

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 RMC with day-to-day activities coordinated by the Chief Risk Officer 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 MMB
- 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 24-017: Role of the 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
- Establish retaliation-free mechanisms and communication channels for staff to report suspected violations of the Code of Ethical Conduct Policy, internal control weaknesses, irregularities or illegal conduct, and determine and follow the Agency’s process for investigating and resolving such reports.
- Notify law enforcement and/or the Office of the Legislative Auditor as required by law, rule, regulation or policy; and pursuant to Minnesota Statute 43A.39, subdivision 2, report to the Office of the Legislative Auditor in writing when there is probable cause that a substantial violation of Minnesota Statute 43A.38 (Code of Ethics) has occurred.
- Pursuant to Minnesota Statute 3.971, subdivision 9, notify the Office of the Legislative Auditor if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by or provided to a person without lawful authorization.
- Chair the RMC.
- 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 (RMC)

The RMC meets regularly 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
- [Executive Finance Officer](#)
- [Executive Investment Officer](#)
- ~~[Chief Financial Officer](#)~~
- Assistant Commissioner – Single Family Division
- Assistant Commissioner – Multifamily Division
- Assistant Commissioner – Housing Stability 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.

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- Evaluate, prioritize and approve the Agency's risk management and internal control activities.
- Complete the Board Risk Assessment, including review and approval of the Board Risk Assessment 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

The Chief Risk Officer reports functionally and administratively to the Deputy Commissioner, and also has a dotted reporting line to the board. In addition to the responsibilities related to the facilitation and coordination of the RMC, the Chief Risk Officer will also:

- Demonstrate a commitment to integrity and ethical values.
- Coordinate the annual Conflict of Interest Disclosure update; present results to the board; collaborate with the General Counsel and Deputy Commissioner, as needed, to determine actions required by staff to mitigate conflict of interest risk, and/or to approve staff requests for external employment and/or external board or other membership.
- Manage the Agency internal fraud, misuse of funds and other wrongdoing 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 MMB's required annual Code of Ethical Conduct training and acknowledgement, including Conflict of Interest training and disclosure.
- 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 members of Servant Leadership Team, direct supervisor, or Chief Risk Officer of significant risk or internal control concerns.
- Notify a member of the Servant Leadership Team or the Chief Risk Officer when there is probable cause that a substantial violation of Minnesota Statute 43A.38 (Code of Ethics) has occurred.
- Notify a member of the Servant Leadership Team or the Chief Risk Officer if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by or provided to a person without lawful authorization.
- If applicable, attend RMC meetings.
- 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 responsibilities.
- 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 members of Servant Leadership Team, direct supervisor or Chief Risk Officer if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by or provided to a person without lawful authorization.
- Alert members of Servant Leadership Team, direct supervisor or Chief Risk Officer 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. The training includes but is not limited to the following:
 - Risk management webinar (includes ethics, fraud prevention, data practices, and required disclosures).
 - Code of Ethical Conduct webinar and acknowledgement (also required annually).
 - Prohibition of harassment and sexual harassment (also required annually).
 - Information security (also required annually).
- **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.
- **Board Risk Assessment:** The periodic identification, analysis and documentation of critical risk sources to the Agency; risks that could impact the Agency's ability to achieve its stated objectives over a future time period. Specifically, the Board Risk Assessment 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 Board Risk Assessment is to assist the Commissioner and RMC in communicating risk-related issues to the board.
 - The Board Risk Assessment is a self-assessment exercise completed by the RMC.
 - The Board Risk Assessment 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 typically 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, 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 Minnesota Statute 16A.057. The signed certification and supporting documentation are submitted to MMB

within the timeframe determined by MMB each year. Currently, there 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 identifies a number of organizational goals, a series of internal control 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.
- Certification form signed by the commissioner and Board Chair.
- **Risk Assessment Projects:** The Chief Risk Officer will collaborate with applicable management and staff to complete the risk assessment projects as scheduled in the Agency Risk Assessment Plan.
- **Conflict of Interest Disclosure:**
 - Staff complete conflict of interest disclosure statements prior to being hired by the Agency or a lateral or promotional move within the Agency and annually thereafter. Staff also request permission for acceptance of secondary external employment and/or acceptance of an external board or other membership.
 - The Chief Risk Officer and General Counsel review Conflict of Interest Disclosure forms and requests for external employment or external board or other membership prepared by staff, and collaborates with the Deputy Commissioner, as applicable, to determine actions required by staff to mitigate conflict of interest risk.
 - The Chief Risk Officer provides the board with an annual overview of the internal conflict of interest policies and procedures, and the results of the annual conflict of interest disclosure reporting.
- **Fraud/Misuse of Funds/Conflict of Interest Monitoring, Investigation and Reporting:**
 - Multiple internal communication channels are available for staff and stakeholders to report wrongdoing or other concerns.
 - Reporting hotline - The Agency has developed reporting hotline for staff and external parties to make reports of wrongdoing or other concerns, which allows reporting to be anonymous.
 - Procedures are in place to document, triage, investigate and resolve all reports of wrongdoing or other concerns received.
 - Chief Risk Officer provides semi-annual reports to the board regarding the status of all applicable investigations.
- **Credit Risk Management:** The Agency employs a **Financial Services** function 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 evaluate Agency financial sustainability.
- **Review and Selection Committees:**
 - The Agency's Grants and Programs Committee evaluates new program design, acts as a forum for input on program design, and conducts other Agency business related to establishing and approving new programs and selections.
 - The [Multifamily Division Agency](#) currently maintains two primary internal review committees: Mortgage Credit and Clearinghouse. [The Single-Family Division](#)

[maintains one internal review committee: Escalations and Decision-making.](#) Each committee meets regularly to consider a variety of

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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 ~~these committees 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:
 - The Agency Operations Department provides centralized services related to state of Minnesota enterprise policies, facilities and leasing, equipment, records management and other compliance activities.
 - The Single-Family, Multifamily, Housing Stability, Policy, Local Government Housing Programs, and Finance/Accounting Divisions employ personnel to develop, implement and monitor compliance with federal, state and Agency requirements. Additionally, these Divisions coordinate with the policy, legal and finance teams 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, Data Practices attorney and Division designees. The Data Practices Manual details required compliance elements and outlines processes for Agency staff to follow.
 - The Minnesota Housing Information Protection Policies and Procedures document outlines how Minnesota Housing will protect both its electronic and physical data sources. It also outlines staff roles and responsibilities for protecting these assets, including sensitive, confidential and other not-public information and data.
 - The 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 a COOP which includes a Disaster Recovery Plan component.
 - The Disaster Recovery Plan, is reviewed, updated and tested annually.
 - The National Institute of Standards and Technology (NIST) cybersecurity framework is currently being implemented to supplement our Disaster Recovery Plan, enhancing our management of cybersecurity risks. Our process/workflow now reflects the core NIST Framework Functions.
 - 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 COOP, including Disaster Recovery Plan, may be reviewed and assessed during the

annual financial audit.

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Appendix 1 Resolution on Role of the Finance and Audit Committee

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

**RESOLUTION NO. MHFA 24-017
Modifying Resolution No. MHFA 20-039**

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

WHEREAS, 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. MHFA 12-062, which was superseded by Resolution no. MHFA 20-039.

WHEREAS, 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. MHFA 20-039 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 ethical 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 Board Risk Assessment, 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 28th day of March 2024



Chair

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Item: Post Sale Report, Residential Housing Finance Bonds, Series 2025 AB

Information Item: 9.C
Date: 4/24/2025
Staff Contacts: Matt Dieveney, 651.282.2577, matt.dieveney@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Request Type: No Action, Information

Request Summary

The Agency priced \$85,000,000 of its Series 2025 AB Residential Housing Finance Bonds on February 4, 2025. Series A and Series B are taxable bond issues. Series A is a fixed rate issue while Series B is a variable rate issue. All series closed February 20, 2025. In accordance with the board's Policy No. 1 (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.

Agency Priorities

- | | |
|---|--|
| <input checked="" type="checkbox"/> Improve the Housing System | <input checked="" type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Post-Sale Report

\$85,000,000
Minnesota Housing Finance Agency
Residential Housing Finance Bonds
\$70,000,000 2025 Series A (Taxable)
\$15,000,000 2025 Series B (Variable-Rate, Taxable)

POST-SALE ANALYSIS

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. 2025 Series AB accomplished the following major objectives:

1. Enabled Minnesota Housing to profitably finance Step Up first mortgages and Monthly Payment Loans on its balance sheet and earn net income over future years.
2. Issued 100% of the debt as taxable, and utilized no volume cap.
3. Achieved a direct spread on the bond issue of 1.43%. There were no hedge gains or losses associated with the issue.

Key Measurable Objectives and Accomplishments. This issue was very successful despite a volatile market environment.

<i>Objective</i>	<i>Result</i>
Finance new production on balance sheet	\$80.75 million of new Step Up first-mortgage loans in MBS securities and \$4.25 million of Monthly Payment Loans
Leverage private activity bond volume cap by efficiently incorporating taxable debt	No volume cap used, as the issue was 100% taxable
Maximize spread on the overall transaction	Achieved a direct spread of 1.43% on the bond issue. There were no hedge gains or losses associated with the issue.
Minimize use of and/or create zero participations (interest subsidies under IRS rules), and preserve them for future issues	Use/Creation of zeros is not applicable to all-taxable bond issues. <i>Note: There are no zeros left in the Agency's indenture as the remaining balance was utilized in the 2024LMN transaction.</i>
Achieve cost-effective bond yield	Overall bond yield is projected to be approximately 5.32%
Create future income streams that will support Pool 3	Increased indenture's expected net present value by approximately \$3.78 million at 150% PSA prepayment speed, after accounting for net service release premiums
Maintain high bond ratings	RHFB bonds are rated Aa1/AA+

TIMING AND STRUCTURE

Timing. The bonds were priced on Tuesday, February 4th.

Sizing. The issue was sized to fund pipeline lending.

Major Design Decisions

- 1. Bond finance Step Up loans.** Starting in 2023, TBA sales have become much less economically beneficial. The Agency has been a pioneer in moving to finance non-tax-exempt-qualified loans with taxable bonds.
- 2. Finance Monthly Payment Loans.** The bond issue was designed to finance approximately \$4.25 million of Monthly Payment Loans, as well as Step Up first mortgages.
- 3. Issue variable-rate debt.** In order to finance Step Up loans at or above full spread, the Agency issued Series B (18% of the entire issue) as variable-rate demand bonds. For RHF as a whole, the total amount of variable-rate debt remains about 18.7%, well below the 30% of total indenture bonds outstanding often used as a benchmark for comparisons among HFAs and presentations to rating agencies.
- 4. Appropriately hedge the variable-rate debt.** For the \$15 million of variable-rate Series B bonds, the Agency entered into an interest rate swap with Royal Bank of Canada (Aa1/AA-) at a rate of 4.2535%. Minnesota Housing can terminate the swap at no cost to the Agency starting on July 1, 2035.
- 5. Time and size the issue to address volatile interest rates.** To deal with fluctuations in the bond and mortgage markets, Minnesota Housing has been (a) actively adjusting interest rates for new loan reservations to help keep pace with the market and (b) issuing bonds frequently and quickly, in relationship to the amount of loans reserved, to help reduce interest rate risk. This approach, which has worked well for the Start Up loan pipeline, is being used for Step Up as well.

Bond Structure Decisions

- 1. Series A.** The \$70 million of taxable fixed-rate bonds included \$21.9 million of serial maturities due between 2026 and 2037, \$23.515 million of term bonds due between 2040 and 2046, and \$24.585 million of planned amortization class (PAC) bonds due in 2055.
- 2. Series B.** The \$15 million of taxable variable-rate demand bonds are covered by an initial 5-year standby bond purchase agreement from Federal Home Loan Bank of Des Moines (effective February 20, 2025), assuring investors they can tender their bonds with reasonable notice if desired. The cost of the liquidity facility to the Agency is 26 basis points (bps) per year.

BOND SALE RESULTS

- 1. Market Environment.** Entering 2025, the municipal bond market saw strong demand and issuance of municipal debt in January reaching \$35 billion, an 11% increase in volume from January 2024. Consensus muni issuance expectations for the year are approaching \$500 billion with strong fundamentals supporting investor confidence.

Post-Sale Analysis: Minnesota Housing \$85,000,000 RHFB Series 2025AB
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The yield on 10-year Treasury bonds continued its downward trajectory that started in mid-November, reaching 4.15% on December 6th, and then began climbing through year-end, reaching 4.8% on January 13th. This decline and rebound was largely driven by a smaller-than-expected rate cut (25 bps)—accompanied by messaging indicating a slower pace of cuts in 2025 than previously anticipated—at the Federal Reserve’s December 19th meeting. Further, uncertainty surrounding potential changes to tax policy under the new administration (including the possible alteration of the municipal interest exemption), as well as potential tariffs on goods from Canada, Mexico, and China, introduced some volatility. By the time 2025AB priced on February 4th, however, the 10-year Treasury yield had fallen from its early January high to 4.43%, exactly where it was on November 12th when 2024TUVW priced.

2. **Institutional Interest.** Investor interest in the taxable Series A bonds was mixed, with the serials performing better than the term and PAC offerings. The 9 shorter-term serials (through January 2030) performed very well, with oversubscription between 2x and 4x, resulting in spread reductions of 2-4 bps. The longer-term serials were generally 1x to 3.1x subscribed, leading to spread reductions of 2-3 bps on 8 of 15 maturities. Among the serial maturities, only the July 2030 and January 2032 bonds were undersubscribed, leading underwriters to purchase \$1.08 million of unsold balances.

The 2040 term bond was fully subscribed, while the 2042 and 2046 term bonds and the 2055 PAC bonds were largely undersubscribed. Underwriters purchased \$21.49 million of unsold term-bond balances with no change in spread. Given a 0.5x initial subscription level, the spread on the PAC bonds was increased by 2 bps to ensure all bonds sold.

3. **Comparable Transactions.** The most comparable taxable offerings were North Carolina (on 2/5), Indiana (on 1/29), Colorado (on 1/28), and Iowa and Virginia (both on 1/27). Minnesota’s spreads to treasuries on shorter maturities (i.e., 2026-2028) priced 1 to 3 bps wider than North Carolina and comparable to Colorado. Later maturities were even with or up to 5 bps tighter than North Carolina and Colorado (with the exception of the 2033 maturity, which priced 8 bps wider). Compared to Indiana, the Series A bonds priced equal to or up to 5 bps tighter on all maturities, with the largest favorable spread on the 2028 bonds (5 bps tighter). Iowa and Virginia, both rated ‘AAA’, priced 1 to 9 bps tighter throughout the comparable maturities.

Minnesota’s spreads to treasuries on term bonds were generally the same as or tighter than comparable offerings, however, there are only directly comparable offerings for the 2040 maturity. The 2040 maturity (\$6.73 million) priced the same as North Carolina, Nebraska, and Virginia, 2 bps wider than Indiana, and 1 bp tighter than Colorado and Iowa. The 2042 maturity (\$5.20 million) was originally part of the 2046 term and has no comparable transactions. The 2046 maturity (\$11.58 million) has no comparable transactions, but it priced equal to Nebraska’s 2045 maturity, 5 bps tighter than North Carolina’s 2045, and 2 bps wider than Indiana’s 2045.

Finally, Minnesota’s \$24.585 million of PAC bonds priced 100 basis points over the 7-year Treasury—2 basis points wider than Colorado (+98 to 7-year), and 9 basis points wider than Nebraska and Indiana (+91 to 5-year).

UNDERWRITING

Underwriters. RBC was senior manager. Morgan Stanley, Northland Securities, Piper Sandler, and Wells Fargo served as regular co-managers. As an all-taxable issue to be sold to institutional investors, a selling group for retail orders was not included.

Sales by Underwriter. As is customary for senior managers, RBC brought in most institutional orders. For the Series A bonds, excluding stock orders, RBC brought in \$76.115 million of total orders, Northland brought in \$2.055 million, and Piper Sandler brought in \$300,000.

Underwriter Fees. Management fees were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.

ISSUE DETAILS

Economic Calendar. At the time of pricing for the 2025AB bonds, the fed funds rate had remained unchanged since December 2024, when it was cut by 25 bps. During its meeting a few days prior to pricing on January 30th, the Federal Reserve maintained its cautious stance on interest rate cuts, indicating that rates would remain at the current level as inflation continues to be monitored. The annual inflation rate cooled to 2.9% in December, however, the economy's resilience has persisted with core inflation ticking up to 3.3% in January 2025, higher than expectations.

The Fed's hesitancy to implement further rate cuts stems from several factors:

- *Robust economic growth.* The U.S. economy continued to show strength throughout 2024.
- *Low unemployment.* The job market remained tight, with unemployment staying below 4%.
- *Inflation concerns.* While inflation has moderated, it remains above the Fed's 2% target.

Market predictions for rate cuts in 2025 are now down to two or three, from as high as six in recent months. This cautious approach by the Fed, combined with ongoing economic uncertainty, suggests that market volatility may continue in the near term as investors adjust their expectations and react to new economic data.

Treasuries. At market close on February 4th, the day of the 2025AB bond pricing, the 10-year Treasury yield was 4.43%, the same as when 2024TUVW priced on November 12, 2024.

The yield curve has largely normalized in 2025. On February 4th, the 2-year treasury was at 4.17%, the 10-year was 26 bps higher at 4.43%, and the 30-year was at 4.64%. This is a significant change since early 2023, when the 2-year Treasury had been as much as 100 basis points above the 10-year Treasury.

Municipals. Municipal issuance in January was 11% higher than a year prior, and the expectation for total issuance during 2025 is approximately \$500 billion (with some forecasts as high as \$740 billion), indicating a material increase over the past few years. Factors driving this expected increase include capital plans expanding with rising travel demand, stimulus funds becoming depleted, and inflation continuing to drive up project costs.

In 2023, the supply of new-issue municipal bonds was the lowest since 2018 at just \$380 billion, though the amount of housing bonds issued was a multiyear high. Interest rates reached highs not seen in more than a decade, creating more demand from investors while fewer bonds were available, thus resulting in lower MMD to Treasury ratios by the end of 2023. MMD to Treasury ratios dropped further in 2024, hitting the 50% range, as the Fed began to cut rates and there was a more favorable tone to investor demand in the muni market due to lower supplies of new bond issues coupled with investors looking to reinvest recent bond redemptions.

On the date of pricing for 2025AB, the 10-year MMD/Treasury ratio was 65.2%, compared to ratios in the 80% range in late 2022, but up from the 50% range in early 2024. This relatively low MMD/treasury ratio continues a trend of lower borrowing rates for issuers compared to taxable alternatives. However, as muni supply increases, the fed continues to cut rates, and proposed federal tax cuts begin to take shape, upward pressure on the MMD/Treasury ratio is likely to increase.

Post-Sale Analysis: Minnesota Housing \$85,000,000 RHFB Series 2025AB
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TABLE 1: COMPARISON OF RATES IN RECENT MHFA SINGLE-FAMILY TRANSACTIONS

Issue	Date	10-Year Treasury	10-Year MMD	MMD/Treasury	30-Year Treasury	30-Year MMD	MMD/Treasury
2022 RHFB AB	2/1/22	1.79%	1.50%	83.8%	2.11%	1.91%	91.1%
2022 RHFB CD	3/3/22	1.73%	1.61%	93.1%	2.16%	2.03%	94.0%
2022 RHFB EF	4/13/22	2.70%	2.46%	91.1%	2.81%	2.81%	100.0%
2022 RHFB GH	6/8/22	3.02%	2.45%	81.1%	3.17%	2.92%	92.1%
2022 RHFB IJK	9/13/22	3.42%	2.81%	82.1%	3.51%	3.62%	103.1%
2022 RHFB LMN	11/9/22	3.83%	3.26%	85.1%	4.31%	4.06%	94.2%
2023 RHFB ABC	2/7/23	3.68%	2.23%	60.6%	3.71%	3.24%	87.3%
2023 RHFB DE	4/19/23	3.60%	2.36%	65.6%	3.79%	3.40%	89.7%
2023 RHFB FG	6/18/23	3.72%	2.57%	69.1%	3.84%	3.50%	91.1%
2023 RHFB HI	6/29/23	3.85%	2.56%	66.5%	3.90%	3.49%	89.5%
2023 RHFB JK	7/27/23	4.01%	2.52%	62.8%	4.06%	3.51%	86.5%
2023 RHFB LM	8/23/23	4.19%	2.95%	70.4%	4.27%	3.91%	91.6%
2023 RHFB NOPQ	9/12/23	4.27%	2.98%	69.8%	4.35%	3.92%	90.1%
2023 RHFB RST	11/8/23	4.49%	3.20%	71.3%	4.64%	4.20%	90.5%
2023 RHFB UV	11/15/23	4.53%	3.10%	68.4%	4.68%	4.12%	88.0%
2024 RHFB ABC	1/23/24	4.14%	2.46%	59.4%	4.38%	3.61%	82.4%
2024 RHFB DE	3/11/24	4.10%	2.40%	58.5%	4.26%	3.57%	83.8%
2024 RHFB FGHI	4/9/24	4.36%	2.65%	60.8%	4.50%	3.81%	84.7%
2024 RHFB JK	5/16/24	4.38%	2.75%	62.8%	4.52%	3.76%	83.2%
2024 RHFB LMN	6/11/24	4.39%	2.92%	66.5%	4.53%	3.79%	83.7%
2024 RHFB OPQ	7/30/24	4.15%	2.82%	67.9%	4.40%	3.68%	83.6%
2024 RHFB RS	8/20/24	3.82%	2.71%	70.9%	4.07%	3.59%	88.2%
2024 RHFB TUVW	11/12/24	4.43%	2.96%	66.8%	4.58%	3.79%	82.8%
2025 RHFB AB	2/4/2025	4.43%	2.89%	65.2%	4.64%	3.90%	84.1%
Change from RHFB 2024 TUVW		+ 0 bps	- 7 bps	- 1.6%	+ 6 bps	+ 11 bps	+ 1.3%

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST MONTH PLUS EARLIER MHFA

Pricing Date	2/4/25			2/5/25			2/4/25			1/29/25		
Amount	\$70,000,000			\$206,500,000			\$64,150,000			\$49,440,000		
Issuer	Minnesota HFA			North Carolina HFA			Nebraska IFA			Indiana HCDA		
Series	2025 Series A			Series 57-B			2025 Series B			2025 Series A-2		
Program	Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)	Aa1 / AA+ / -			Aa1 / AA+ / -			- / AAA / -			Aaa / - / -		
Tax Status	Taxable			Taxable			Taxable			Taxable		
Maturity	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread
Yr (25 pricings)	Jan1 / Jul1	(if diff.)	to UST	Jan1 / Jul1	(if diff.)	to UST	Sep1	(if diff.)	to UST	Jan1 / Jul1	(if diff.)	to UST
0 2025										4.483	-	+25 to 2yr
1 2026	4.438 / 4.438	-	+22 / +22 to 2yr	4.385	-	+20 to 2yr				4.493 / 4.493	-	+26 / +26 to 2yr
2 2027	4.478 / 4.548	-	+26 / +33 to 2yr	4.435 / 4.435	-	+25 / +25 to 2yr				4.523 / 4.593	-	+29 / +36 to 2yr
3 2028	4.585 / 4.585	-	+33 / +33 to 3yr	4.448 / 4.498	-	+25 / +30 to 3yr				4.652 / 4.652	-	+38 / +38 to 3yr
4 2029	4.624 / 4.624	-	+30 / +30 to 5yr	4.594 / 4.594	-	+35 / +35 to 5yr				4.685 / 4.685	-	+33 / +33 to 5yr
5 2030	4.684 / 4.754	-	+36 / +43 to 5yr	4.644 / 4.694	-	+40 / +45 to 5yr				4.735 / 4.785	-	+38 / +43 to 5yr
6 2031	4.887 / 4.947	-	+46 / +52 to 7yr	4.812 / 4.852	-	+48 / +52 to 7yr				4.929 / 4.969	-	+48 / +52 to 7yr
7 2032	4.977 / 4.997	-	+55 / +57 to 7yr	4.882 / 4.932	-	+55 / +60 to 7yr				4.999 / 5.029	-	+55 / +58 to 7yr
8 2033	5.155 / 5.195	-	+63 / +67 to 10yr	5.071 / 5.121	-	+65 / +70 to 10yr				5.201 / 5.251	-	+65 / +70 to 10yr
9 2034	5.255 / 5.325	-	+73 / +80 to 10yr	5.171 / 5.221	-	+75 / +80 to 10yr				5.301 / 5.351	-	+75 / +80 to 10yr
10 2035	5.355 / 5.405	-	+83 / +88 to 10yr	5.271 / 5.321	-	+85 / +90 to 10yr				5.401 / 5.451	-	+85 / +90 to 10yr
11 2036	5.445 / 5.445	-	+92 / +92 to 10yr	5.341 / 5.371	-	+92 / +95 to 10yr				5.461 / 5.481	-	+91 / +93 to 10yr
12 2037	5.485 / 5.505	-	+96 / +98 to 10yr				4.831	-	+41 to 7yr	5.501 / 5.521	-	+95 / +97 to 10yr
13 2038												
14 2039												
15 2040	5.595	-	+107 to 10yr	5.491	-	+107 to 10yr	5.587	-	+107 to 10yr	5.601	-	+105 to 10yr
16 2041												
17 2042	5.774	-	+100 to 30yr									
18 2043												
19 2044												
20 2045				5.748	-	+110 to 30yr	5.811	-	+105 to 30yr	5.827	-	+103 to 30yr
21 2046	5.824	-	+105 to 30yr									
22 2047												
23 2048												
24 2049												
25 2050				5.798	-	+115 to 30yr						
26 2051												
27 2052												
28 2053												
29 2054												
30 2055												
31 2056				5.848	-	+120 to 30yr						
32 2057												
PAC	6.125	5.427	+100 to 7yr				6.00	5.23	+91 to 5yr	6.00	5.265	+91 to 5yr
PAC AvgLf, Price	6yrs 75-400% PSA, \$103.411						5yrs 50-700% PSA, \$103.273			5yrs 50-700% PSA, \$103.138		
Notes												
Par Call	7/1/33			7/1/33			9/1/33 (+adj PAC)			1/1/33		
Sr Manager	RBC Capital Markets			Wells Fargo			J.P. Morgan			RBC Capital Markets		

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST MONTH PLUS EARLIER MHFA

Pricing Date	1/28/25			1/28/25			1/27/25			1/27/25			1/23/25		
Amount	\$160,000,000			\$10,000,000			\$54,150,000			\$150,000,000			\$48,000,000		
Issuer	Colorado HFA			Missouri HDC			Iowa FA			Virginia HDA			New Mexico MFA		
Series	2025 Series D-1			2025 Series B			2025 Series B			2025 Series A			2025 Series B		
Program	Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated		
Rating(s)	Aaa / AAA / -			- / AA+ / -			Aaa / AAA / -			Aaa / AAA / -			Aaa / - / -		
Tax Status	Taxable			Taxable			Taxable			Taxable			Taxable		
Maturity Yr	Coupon (25 pricings)	Yield (if diff.)	Spread to UST	Coupon Nov1	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Spread to UST	Coupon Mar1 / Sep1	Yield (if diff.)	Spread to UST	
0	2025														
1	2026	4.47	-	+26 to 2yr			4.471 / 4.461	-	+27 / +26 to 2yr	4.445	+25 to 2yr	4.587	-	+30 to 2yr	
2	2027	4.52	-	+31 to 2yr	4.57	-	+38 to 2yr	4.521 / 4.581	-	+32 / +38 to 2yr	4.495 / 4.545	+30 / +35 to 2yr	4.637 / 4.687	-	+35 / +40 to 2yr
3	2028	4.585	-	+33 to 3yr	4.62	-	+37 to 3yr	4.632 / 4.622	-	+38 / +37 to 3yr	4.588 / 4.638	+35 / +40 to 3yr	4.749 / 4.749	-	+40 / +40 to 3yr
4	2029	4.654	-	+31 to 5yr	4.66	-	+33 to 5yr	4.659 / 4.669	-	+32 / +33 to 5yr	4.698 / 4.748	+37 / +42 to 5yr	4.797 / 4.797	-	+35 / +35 to 5yr
5	2030	4.794	-	+45 to 5yr	4.76	-	+43 to 5yr	4.739 / 4.789	-	+40 / +45 to 5yr	4.778 / 4.778	+45 / +45 to 5yr	4.897 / 4.897	-	+45 / +45 to 5yr
6	2031	4.921	-	+48 to 7yr	4.91	-	+48 to 7yr	4.916 / 4.936	-	+48 / +50 to 7yr	4.878 / 4.928	+45 / +50 to 7yr	5.027 / 5.047	-	+48 / +50 to 7yr
7	2032	4.991 / 6.00	4.991 / 4.694	+55/+35 to 7/5yr	5.00	-	+57 to 7yr	4.986 / 5.036	-	+55 / +60 to 7yr	4.978 / 5.028	+55 / +60 to 7yr	5.097 / 5.147	-	+55 / +60 to 7yr
8	2033	6.00 / 5.249	5.099 / 5.249	+55 / +70 to 10yr	5.21	-	+66 to 10yr	5.188 / 5.238	-	+65 / +70 to 10yr	5.18 / 5.23	+65 / +70 to 10yr	5.292 / 5.342	-	+65 / +70 to 10yr
9	2034	5.299 / 5.349	-	+75 / +80 to 10yr	5.31	-	+76 to 10yr	5.288 / 5.338	-	+75 / +80 to 10yr	5.25 / 5.30	+72 / +77 to 10yr	5.392 / 5.442	-	+75 / +80 to 10yr
10	2035	5.379 / 5.429	-	+83 / +88 to 10yr	5.45	-	+90 to 10yr	5.358 / 5.398	-	+82 / +86 to 10yr	5.35 / 5.40	+82 / +87 to 10yr	5.492 / 5.542	-	+85 / +90 to 10yr
11	2036	5.469 / 5.499	-	+92 / +95 to 10yr				5.448 / 5.498	-	+91 / +96 to 10yr	5.45 / 5.50	+92 / +97 to 10yr	5.622 / 5.582	-	+98 / +94 to 10yr
12	2037	5.529 / 5.539	-	+98 / +99 to 10yr				5.518 / 5.538	-	+98 / +100 to 10yr	5.55 / 5.55	+102 / +102 to 10yr			
13	2038														
14	2039														
15	2040	5.629	-	+108 to 10yr	5.625	-	+107.5 to 10yr	5.618	-	+108 to 10yr	5.60	+107 to 10yr	5.742	-	+110 to 10yr
16	2041														
17	2042														
18	2043														
19	2044	5.838	-	+104 to 30yr											
20	2045				5.85	-	+107 to 30yr	5.857	-	+107 to 30yr	5.856	+108 to 30yr	5.976	-	+110 to 30yr
21	2046														
22	2047														
23	2048														
24	2049														
25	2050				5.94	-	+116 to 30yr	5.897	-	+111 to 30yr	5.926	+115 to 30yr	6.026	-	+115 to 30yr
26	2051														
27	2052														
28	2053														
29	2054														
30	2055				6.00	-	+122 to 30yr			5.976	+120 to 30yr	6.066	-	+119 to 30yr	
31	2056														
32	2057														
PAC	6.25	5.421	+98 to 7yr				6.25	5.269	+93 to 5yr			6.25	5.477	+93 to 7yr	
PAC AvgLf, Price	6yrs 75-500% PSA, \$104.097						5yrs 50-700% PSA, \$104.187					5.6yrs 75-400% PSA, \$103.571			
Notes	5/32 priced to 7yr, 11/32 priced to 5yr											PAC spread would be +103 if measured to 5yr rather than 7yr			
Par Call	5/1/33 (+adj PAC)			11/1/33			1/1/34			1/1/33			3/1/33 (+adj PAC)		
Sr Manager	RBC Capital Markets			Raymond James			RBC Capital Markets			Morgan Stanley			RBC Capital Markets		

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST MONTH PLUS EARLIER MHFA

Priming Date	1/22/25			1/22/25			1/16/25			1/15/25		
Amount	\$199,995,000			\$40,000,000			\$4,120,000			\$64,645,000		
Issuer	Connecticut HFA			South Dakota HDA			Colorado HFA			Colorado HFA		
Series	2025 Series A-2			2025 Series B			2025 Series B (Hughes)			2025 Series C-1		
Program	Single Family / Negotiated			Single Family / Negotiated			Multifamily / Negotiated			Single Family / Negotiated		
Rating(s)	Aaa / AAA / -			Aaa / AAA / -			Aaa / AAA / -			Aaa / AAA / -		
Tax Status	Taxable			Taxable			Taxable			Taxable		
Maturity Yr	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread
(25 pricings)	May15 / Nov15	(if diff.)	to UST	May1 / Nov1	(if diff.)	to UST	12/1/27	(if diff.)	to UST	May1 / Nov1	(if diff.)	to UST
0	2025											
1	2026			4.55 / 4.59	-	+25 / +29 to 2yr				4.518 / 6.00	4.518 / 4.518	+25 / +25 to 2yr
2	2027			4.65 / 4.68	-	+35 / +38 to 2yr	4.595	-	+30 to 3yr	4.588 / 6.00	4.588 / 4.633	+32 / +29 to 2yr
3	2028			4.724 / 4.754	-	+37 / +40 to 3yr				4.683 / 6.00	4.683 / 4.781	+34 / +33 to 3yr
4	2029	4.76	-	+33 to 5yr	4.798	-	+36 to 5yr			4.851 / 6.00	4.851 / 4.821	+40 / +37 to 5yr
5	2030	4.83 / 4.86	-	+40 / +43 to 5yr	4.888	-	+45 to 5yr			4.891 / 6.00	4.891 / 4.965	+44 / +41 to 5yr
6	2031	4.975 / 5.045	-	+46 / +53 to 7yr	5.026 / 5.076	-	+50 / +55 to 7yr			5.045 / 5.085	-	+49 / +53 to 7yr
7	2032	5.095 / 5.115	-	+58 / +60 to 7yr	5.096 / 5.126	-	+57 / +60 to 7yr			5.085 / 5.257	-	+53 / +60 to 7yr
8	2033	5.231 / 5.281	-	+63 / +68 to 10yr	5.263 / 5.313	-	+65 / +70 to 10yr			5.307 / 5.357	-	+65 / +70 to 10yr
9	2034	5.351 / 5.391	-	+75 / +79 to 10yr	5.353 / 5.403	-	+74 / +79 to 10yr			5.457 / 5.507	-	+80 / +85 to 10yr
10	2035	5.421 / 5.481	-	+82 / +88 to 10yr	5.443 / 5.483	-	+83 / +87 to 10yr			5.557 / 5.607	-	+90 / +95 to 10yr
11	2036	5.531 / 5.571	-	+93 / +97 to 10yr	5.533 / 5.563	-	+92 / +95 to 10yr			5.637 / 5.657	-	+98 / +100 to 10yr
12	2037	5.631 / 5.651	-	+103 / +105 to 10yr								
13	2038											
14	2039											
15	2040	5.671	-	+107 to 10yr						5.757	-	+110 to 10yr
16	2041											
17	2042											
18	2043											
19	2044									5.985	-	+110 to 30yr
20	2045											
21	2046	5.953	-	+113 to 30yr								
22	2047											
23	2048											
24	2049											
25	2050											
26	2051											
27	2052											
28	2053											
29	2054											
30	2055											
31	2056											
32	2057											
PAC	5.41	-	+98 to 5yr							6.50	5.505	+95 to 7yr
PAC AvgLf, Price	5yrs 75-500% PSA, \$100									6yrs 75-500% PSA, \$104.851		
Notes										11/26, 11/27, 11/28, 11/29, and 11/30 are 6% coupon (lockout)		
Par Call	5/15/33 (+adj PAC)			5/1/33			None			5/1/33 (101.46 PAC)		
Sr Manager	RBC Capital Markets			BofA			Jefferies			Jefferies		

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST MONTH PLUS EARLIER MHFA

Pricing Date	1/14/25			1/14/25			1/8/25			1/8/25			
Amount	\$10,000,000			\$15,000,000			\$60,000,000			\$25,000,000			
Issuer	Pinellas Co HFA (FL)			Wyoming CDA			Kentucky HC			New Hampshire HFA			
Series	2025 Series B			2025 Series 2			2025 Series B			2025 Series B			
Program	Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			
Rating(s)	Aaa / - / -			Aa1 / AA+ / -			Aaa / - / -			Aaa / - / -			
Tax Status	Taxable			Taxable			Taxable			Taxable			
Maturity Yr	(25 pricings)	Coupon Mar1 / Sep1	Yield (if diff.)	Spread to UST	Coupon Jun1 / Dec1	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST
0	2025	4.615	-	+25 to 2yr	4.565	-	+20 to 2yr						
1	2026	4.665 / 4.715	-	+30 / +35 to 2yr	4.565 / 4.615	-	+20 / +25 to 2yr	4.545 / 4.595	-	+25 / +30 to 2yr	4.545 / 4.585	-	+26 / +30 to 2yr
2	2027	4.735 / 4.745	-	+37 / +38 to 2yr	4.665 / 4.705	-	+30 / +34 to 2yr	4.615 / 4.712	-	+32 / +35 to 2yr	4.635 / 4.675	-	+35 / +39 to 2yr
3	2028	4.879 / 4.899	-	+41 / +43 to 3yr	4.789 / 4.819	-	+32 / +35 to 3yr	4.732 / 4.85	-	+37 / +38 to 3yr	4.713 / 4.743	-	+37 / +40 to 3yr
4	2029	5.032 / 5.052	-	+44 / +46 to 5yr	4.93 / 4.96	-	+34 / +37 to 5yr	4.87 / 4.90	-	+40 / +43 to 5yr	4.867 / 4.897	-	+40 / +43 to 5yr
5	2030	5.062 / 5.092	-	+47 / +50 to 5yr	4.98 / 5.01	-	+39 / +42 to 5yr	4.92 / 5.082	-	+45 / +50 to 5yr	4.917 / 4.947	-	+45 / +48 to 5yr
6	2031	5.249 / 5.279	-	+55 / +58 to 7yr	5.166 / 5.196	-	+47 / +50 to 7yr	5.132 / 5.162	-	+55 / +58 to 7yr	5.132 / 5.152	-	+55 / +57 to 7yr
7	2032	5.299 / 5.349	-	+60 / +65 to 7yr	5.216 / 5.236	-	+52 / +54 to 7yr	5.182 / 5.339	-	+60 / +65 to 7yr	5.172 / 5.212	-	+59 / +63 to 7yr
8	2033	5.488 / 5.538	-	+70 / +75 to 10yr				5.389 / 5.439	-	+70 / +75 to 10yr	5.373 / 5.433	-	+68 / +74 to 10yr
9	2034	5.618 / 5.678	-	+83 / +89 to 10yr				5.489 / 5.539	-	+80 / +85 to 10yr	5.483 / 5.543	-	+79 / +85 to 10yr
10	2035	5.728 / 5.778	-	+94 / +99 to 10yr				5.589 / 5.639	-	+90 / +95 to 10yr	5.583 / 5.643	-	+89 / +95 to 10yr
11	2036							5.689 / 5.709	-	+100 / +102 to 10yr	5.693 / 5.713	-	+100 / +102 to 10yr
12	2037												
13	2038										5.763	-	+107 to 10yr
14	2039												
15	2040	5.958	-	+117 to 10yr				5.814	-	+112.5 to 10yr			
16	2041												
17	2042												
18	2043												
19	2044												
20	2045	6.272	-	+128 to 30yr				6.158	-	+123 to 30yr			
21	2046												
22	2047												
23	2048												
24	2049												
25	2050	6.342	-	+135 to 30yr				6.208	-	+128 to 30yr			
26	2051												
27	2052												
28	2053							6.258	-	+133 to 30yr			
29	2054												
30	2055	6.372	-	+138 to 30yr									
31	2056												
32	2057												
PAC								6.75	5.52	+105 to 5yr			
PAC AvgLf, Price								5yrs 50-400% PSA, \$105.209					
Notes													
Par Call	3/1/33			6/1/33			1/1/33 (100.636 PAC)			7/1/33			
Sr Manager	RBC Capital Markets			BofA			BofA			RBC Capital Markets			

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST MONTH PLUS EARLIER MHFA

Pricing Date	1/8/25			11/12/24			8/20/24			7/30/24			
Amount	\$151,000,000			\$92,550,000			\$60,000,000			\$110,000,000			
Issuer	Utah HC			Minnesota HFA			Minnesota HFA			Minnesota HFA			
Series	2025 Series B			2024 Series V			2024 Series R			2024 Series P			
Program	Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			Single Family / Negotiated			
Rating(s)	Aa2 / - / -			Aa1 / AA+ / -			Aa1 / AA+ / -			Aa1 / AA+ / -			
Tax Status	Taxable			Taxable			Taxable			Taxable			
Maturity Yr	(25 pricings)	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST	Coupon Jul 1	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST	Coupon Jan1 / Jul1	Yield (if diff.)	Spread to UST
0	2025												
1	2026	4.479 / 4.529	-	+20 / +25 to 2yr				4.557	-	+55 to 2yr	4.711	-	+35 to 2yr
2	2027	4.549 / 4.631	-	+27 / +28 to 2yr				4.447 / 4.447	-	+44 / +44 to 2yr	4.741 / 4.741	-	+38 / +38 to 2yr
3	2028	4.661 / 4.788	-	+31 / +33 to 3yr				4.258 / 4.308	-	+45 / +50 to 3yr	4.553 / 4.553	-	+38 / +38 to 3yr
4	2029	4.798 / 4.818	-	+34 / +36 to 5yr				4.237 / 4.247	-	+53 / +54 to 5yr	4.468 / 4.468	-	+43 / +43 to 5yr
5	2030	4.828 / 4.976	-	+37 / +40 to 5yr				4.247 / 4.257	-	+54 / +55 to 5yr	4.498 / 4.538	-	+46 / +50 to 5yr
6	2031	5.026 / 5.056	-	+45 / +48 to 7yr				4.341 / 4.391	-	+60 / +65 to 7yr	4.619 / 4.669	-	+55 / +60 to 7yr
7	2032	5.076 / 5.239	-	+50 / +55 to 7yr				4.491 / 4.541	-	+75 / +80 to 7yr	4.689 / 4.739	-	+62 / +67 to 7yr
8	2033	5.289 / 5.339	-	+60 / +65 to 10yr				4.676 / 4.726	-	+85 / +90 to 10yr	4.893 / 4.943	-	+75 / +80 to 10yr
9	2034	5.419 / 5.489	-	+73 / +80 to 10yr				4.806 / 4.876	-	+98 / +105 to 10yr	4.973 / 5.023	-	+83 / +88 to 10yr
10	2035	5.539 / 5.589	-	+85 / +90 to 10yr				4.926 / 4.976	-	+110 / +115 to 10yr	5.093 / 5.143	-	+95 / +100 to 10yr
11	2036	5.639 / 5.659	-	+95 / +97 to 10yr	4.977	-	+60 to 7yr	5.026 / 5.056	-	+120 / +123 to 10yr	5.193 / 5.223	-	+105 / +108 to 10yr
12	2037												
13	2038												
14	2039												
15	2040	5.769	-	+108 to 10yr	5.626	-	+120 to 10yr	5.14	5.176	+135 to 10yr	5.393	-	+125 to 10yr
16	2041												
17	2042												
18	2043												
19	2044												
20	2045	6.12	-	+118 to 30yr	5.875	-	+130 to 30yr	5.483	-	+140 to 30yr	5.794	5.858	+145 to 30yr
21	2046												
22	2047							5.533	-	+145 to 30yr			
23	2048												
24	2049										5.85	5.908	+150 to 30yr
25	2050	6.17	-	+123 to 30yr	5.925	-	+135 to 30yr						
26	2051												
27	2052										5.958	-	+155 to 30yr
28	2053												
29	2054												
30	2055	6.22	-	+128 to 30yr									
31	2056												
32	2057												
PAC		6.75	5.428	+97 to 5yr				6.00	5.041	+130 to 7yr			
PAC AvgLf, Price		5yrs 100-500% PSA, \$105.585						6yrs 75-500% PSA					
Notes						7/1/35 is lock-out							
Par Call		1/1/33 (101.147 PAC)			35-39: 1/33; 44-49: 1/34			1/1/33 at par			1/1/33 at par		
Sr Manager		BofA			RBC Capital Markets			RBC Capital Markets			RBC Capital Markets		

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Item: Post Sale Report, Rental Housing Bonds, Series 2025 B (Welch Place)

Information Item: 9.D
Date: 4/24/2025
Staff Contacts: Matt Dieveney, 651.282.2577, matt.dieveney@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Request Type: No Action, Information

Request Summary

The Agency priced \$7,195,000 of its Series 2025 B Rental Housing Bonds on March 12, 2025. These short-term bonds will mature in 2027. In accordance with the board's Policy No. 1 (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.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Post-Sale Report

POST-SALE REPORT

\$7,195,000

Minnesota Housing Finance Agency Rental Housing Bonds, 2025 Series B (Welch Place)

Minnesota Housing issued its \$7,195,000 2025 Series B Rental Housing Bonds to provide funding for the 30-unit Welch Place development in Duluth. RBC Capital Markets, acting as sole manager, priced the bonds on March 12, 2025. The transaction closed on March 20, 2025.

The issue was structured as a short-term tax-exempt bridge bond, making the development eligible for 4% low income housing tax credits. The bonds are expected to be repaid from the proceeds of two zero percent deferred payment loans from the Agency and low income housing tax credit equity contributions. The short-term borrowing rate to the development is 4.10%. Moody's and Standard & Poor's rated the bonds "Aa1" and "AAA", respectively. The bonds mature on February 1, 2027, which represents a weighted average life of 1.861 years (or 1.361 years if optionally redeemed at their earliest par call date of August 1, 2026).

On the day before pricing, RBC proposed an offering level of 3.15%. But after group discussion RBC agreed to reduce that to 3.10% or +57 basis points spread to the interpolated Municipal Market Data (MMD) index. On pricing day, RBC generated \$15.64 million in orders (2.2x subscription level, including two orders for all the bonds) for the 3.10% preliminary coupon priced at par. Based on the modest subscription level, RBC left the coupon unchanged. The market was deteriorating significantly over the course of the day, with MMD index levels ending 5 basis points higher for early years including 2027 and 12 basis points higher for maturities out 9-30 years. The 3.10% coupon on the bonds represents a spread of +52 basis points to the MMD index set at the end of the day (or +57 to the prior day's level).

As shown in the table below, the +52 basis points spread on 2025 Series B is below the +57 to +79 range achieved on all but one of MHFA's Rental transactions since 2022. (The outlier is 24B Edge at +40bps). The 2025 Series B pricing level compares favorably to similar HFA transactions recently in the market, especially those limited to short-term bridge financings only, as shown in the attached exhibit.

MINNESOTA HOUSING RENTAL HOUSING SHORT-TERM BOND TRANSACTIONS: 1/1/22 TO PRESENT

Pricing Date	Series	Development Name	Par Amount (\$ millions)	Weighted Average Life (yrs) First Call / Maturity	Yield	Spread to iMMD (bps)	
						Prior Day	Pricing Day
6/14/22	22B	WOTW Theodore	8.200	1.606 / 2.106	2.85%	+83	+77
8/2/22	22A	Spring Creek II	7.190	1.472 / 1.972	2.30%	+69	+69
10/4/22	22C	Lumin at Highland Br.	10.495	1.800 / 2.300	3.80%	+73	+78
2/14/23	23A	Horizon Heights	5.150	1.439 / 1.939	3.15%	+75	+73
3/21/23	23B	Brewery Creek	10.640	1.342 / 1.842	3.30%	+79	+79
5/4/23	23C	Cambridge Apts.	9.665	1.222 / 1.722	3.45%	+73	+76
7/20/23	23D	Calvary Center Apts.	7.940	1.011 / 1.511	3.65%	+75	+72
8/10/23	23E	Phalen Village	5.720	1.456 / 1.956	3.875%	+75.5	+77.5
5/1/24	24A2	Walnut Towers	4.060	1.731 / 2.231	3.875%	+67.5	+67.5
7/24/24	24B2	Edge Apartments	5.640	1.000 / 1.503	3.25%	+40	+40
8/12/24	24C2	Carver Place	5.195	1.114 / 1.947	3.30%	+66	+66
12/11/24	24F2	Maple Hills	9.350	1.117 / 2.117	3.25%	+75	+73
12/11/24	24G2	Gladstone Village II	8.350	1.534 / 2.617	3.25%	+75	+73
1/21/25	25A2	Views on 7th	7.300	1.425 / 2.008	3.35%	+53	+57
3/12/25	25B	Welch Place	7.195	1.361 / 1.861	3.10%	+57	+52

NON-AMT MULTIFAMILY HOUSING BOND PRICING COMPARABLES, PAST 2 MONTHS

Pricing Date	3/12/25			3/11/25			3/11/25			3/7/25			3/6/25			3/6/25			3/4/25		
Amount	\$7,195,000			\$135,095,000			\$107,725,000			\$30,000,000			\$231,000,000			\$15,000,000			\$172,520,000		
Issuer	Minnesota HFA			New York City HDC			New York City HDC			California SCDA			New York SHFA			Oklahoma HFA			Virginia HDA		
Series	2025 S. B (Welch Place)			2025 Series A-1			2025 Series A-2			2025 S. A (Heritage Park)			2011 S. A (160 W. 62nd) Rmkt			S. 2025 (Trinity Trails)			2025 Series A		
Program	Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated		
Rating(s)	Aa1 / AAA / -			Aa2 / AA+ / -			Aa2 / AA+ / -			Aaa / - / -			Aaa / - / -			Aaa / - / -			Aa1 / AA+ / -		
Tax Status	Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT		
Maturity Yr	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread
(25 pricings)	2/1/27	(if diff.)	to iMMD	May1 / Nov1	(if diff.)	to iMMD	11/1/64	(if diff.)	to iMMD	4/1/35	(if diff.)	to iMMD	11/1/44	(if diff.)	to iMMD	10/1/42	(if diff.)	to iMMD	Mar1 / Sep1	(if diff.)	to iMMD
0	2025																				
1	2026																				
2	2027	3.10	-	+52															3.00	-	+46
3	2028																				
4	2029						3.25	-	+63							3.20	-	+60	3.05 / 3.10	-	+47 / +51
5	2030				3.30	-	+60												3.25 / 3.25	-	+64 / +64
6	2031				3.40 / 3.40	-	+67 / +67												3.25 / 3.30	-	+62 / +66
7	2032				3.50 / 3.55	-	+73 / +75												3.35 / 3.40	-	+69 / +74
8	2033				3.625 / 3.625	-	+80.5 / +79.5						3.60	-	+82				3.45 / 3.50	-	+76 / +78
9	2034				3.65 / 3.70	-	+75 / +77												3.55 / 3.60	-	+81 / +84
10	2035				3.75 / 3.80	-	+78 / +82			3.70	-	+74							3.625 / 3.65	-	+80.5 / +80
11	2036				3.90 / 3.95	-	+88 / +90												3.70 / 3.75	-	+83 / +86
12	2037				3.95 / 4.00	-	+87 / +89												3.80 / 3.85	-	+90 / +92
13	2038																		3.90 / 3.95	-	+94 / +96
14	2039																				
15	2040				4.15	-	+84												4.10	-	+90
16	2041																				
17	2042																				
18	2043																				
19	2044																				
20	2045				4.60	-	+78												4.45	-	+74
21	2046																				
22	2047																				
23	2048																				
24	2049																				
25	2050				4.75	-	+75												4.60	-	+73
26	2051																				
27	2052																				
28	2053																				
29	2054																				
30	2055				4.80	-	+73												4.65	-	+72
31	2056																				
32	2057																				
33	2058																				
34	2059																				
35	2060				4.85	-	+78												4.75	-	+82
36	2061																				
37	2062																				
38	2063																				
39	2064				4.85	-	+78														
40	2065																				
41	2066																				
42	2067																				
43	2068																		4.85	-	+92
44	2069																				
Notes																			3/29 optionally callable at par 3/1/26; 9/29 optionally callable at par 9/1/26		
Par Call	8/1/26			5/1/33			7/1/28			10/1/34			4/1/31			8/1/26			3/1/34 except 3/29 & 9/29		
Mandatory Tender	N/A			N/A			7/2/29 (used for spread)			N/A			4/1/32 (used for spread)			4/1/28 (used for spread)			N/A		
Sr Manager	RBC Capital Markets			Loop Capital Markets			Loop Capital Markets			Stifel			Wells Fargo			Raymond James			Raymond James		

NON-AMT MULTIFAMILY HOUSING BOND PRICING COMPARABLES, PAST 2 MONTHS

Pricing Date	2/27/25	2/26/25	2/20/25	2/18/25	2/13/25	2/11/25	2/11/25	2/11/25	
Amount	\$9,455,000	\$41,253,000	\$13,675,000	\$7,800,000	\$23,500,000	\$24,910,000	\$3,651,000	\$2,420,000	
Issuer	South Carolina SHFDA	California MFA	Ohio HFA	Michigan SHDA	Ohio HFA	Colorado HFA	Michigan SHDA	Michigan SHDA	
Series	S. 2025 (Poplar Square)	S. 2024A,B (Bell Ranch) Rmkt	2025 (Franklin)	S. 2025 (4401 Rosa Parks)	S. 2025 (Beechwood Apts)	2025 S. C-1,2 (Gateway Vill)	S. 2025 (Old Mill Pond)	S. 2025 (Westbury Apts)	
Program	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	
Rating(s)	Aaa/VMIG-1 / - / -	Aaa / - / -	Aaa / - / -	Aaa/VMIG-1 / - / -	Aaa/VMIG-1 / - / -	Aaa / AAA / -	Aaa/VMIG-1 / - / -	Aaa/VMIG-1 / - / -	
Tax Status	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	
Maturity Yr ('25 pricings)									
	Coupon 4/1/28	Yield (if diff.)	Spread to iMMD	Coupon 4/1/41	Yield (if diff.)	Spread to iMMD	Coupon 3/1/28	Yield (if diff.)	Spread to iMMD
0 2025									
1 2026								3.35	- +75
2 2027	5.00	3.16	+62				5.00	3.35	+67
3 2028				3.05	-	+47			
4 2029							3.35*	3.15	- +70*, +49
5 2030							3.20 / 3.25	-	+52 / +56
6 2031							3.30 / 3.35	-	+59 / +63
7 2032							3.40 / 3.45	-	+67 / +72
8 2033							3.50 / 3.55	-	+72 / +74
9 2034							3.60 / 3.65	-	+75 / +79
10 2035							3.70 / 3.75	-	+80 / +82
11 2036							3.80 / 3.80	-	+84 / +82
12 2037							3.85 / 3.875	-	+84 / +84.5
13 2038							3.90 / 3.90	-	+85 / +83
14 2039									
15 2040							4.10	-	+83
16 2041				4.55	-	+112			
17 2042									
18 2043									
19 2044				4.48	-	+85			
20 2045							4.50	-	+74
21 2046									
22 2047									
23 2048									
24 2049									
25 2050							4.60	-	+70
26 2051									
27 2052									
28 2053									
29 2054									
30 2055							4.65	-	+68
31 2056									
32 2057									
33 2058									
34 2059									
35 2060									
36 2061									
37 2062									
38 2063									
39 2064									
40 2065							4.70	-	+73
41 2066									
42 2067									
43 2068									
44 2069									
Notes		Fannie Mae MBS-secured; A: \$25.12MM 6/44; B: \$16.13MM 12/64 w 6/28 mand tndr	Fannie Mae MBS-secured				* C-2 is \$15,300,000 maturing 7/1/28		
Par Call	4/1/27	B: 6/1/28	None	None	None	4/1/33	9/1/26	9/1/26	
Mandatory Tender	4/1/27 (used for spread)	B: 6/1/28 (used for spread)	N/A	2/1/27 (used for spread)	3/1/27 (used for spread)	N/A	9/1/26 (used for spread)	9/1/26 (used for spread)	
Sr Manager	Stifel	Lument	Stifel	Sturges	Lument	Jefferies	Stifel	Stifel	

NON-AMT MULTIFAMILY HOUSING BOND PRICING COMPARABLES, PAST 2 MONTHS

Pricing Date	2/11/25			2/10/25			2/5/25			1/29/25			1/21/25			1/16/25			1/16/25			1/16/25		
Amount	\$61,000,000			\$47,105,000			\$19,000,000			\$65,265,000			\$9,880,000			\$16,340,000			\$19,780,000			\$42,110,000		
Issuer	Mississippi HC			Connecticut HFA			Michigan SHDA			Colorado HFA			Minnesota HFA			Colorado HFA			District of Columbia HFA			District of Columbia HFA		
Series	S. 2025-1 (Jackson Portf)			2025 Series B-1,2			S. 2025 (North Port Apts)			2025 S. E-1,2 (Marshall Pt)			2025 S. A (Views on 7th)			2025 S. A-1,2 (Hughes)			District of Columbia HFA Series 2025A (Belmont)			District of Columbia HFA Series 2025B (Belmont)		
Program	Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated			Multifamily / Negotiated		
Rating(s)	Aaa / - / -			Aaa / AAA / -			Aaa/VMIG-1 / - / -			Aaa / AAA / -			Aa1 / AAA / -			Aaa / AAA / -			Aaa / - / -			Aaa/VMIG-1 / - / -		
Tax Status	Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT			Non-AMT		
Maturity Yr (25 pricings)	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread
	4/1/42	(if diff.)	to iMMD	May15 / Nov15	(if diff.)	to iMMD	8/1/27	(if diff.)	to iMMD	Apr1 / Oct1	(if diff.)	to iMMD	2/27, Aug1	(if diff.)	to iMMD	Apr1 / Oct1	(if diff.)	to iMMD	9/1/45	(if diff.)	to iMMD	3/1/29	(if diff.)	to iMMD
0	2025			2.85	-																			
1	2026			2.90 / 2.90	-	+32 / +32	5.00	3.381	+80.1															
2	2027			2.95 / 3.00	-	+35 / +40							3.35	-	+57	3.30, 3.35*	+45, +47*							
3	2028			3.05, 3.30* / 3.10	-	+42, +67* / +45										3.35 / 3.40	+47 / +51				5.00	3.53	+65	
4	2029			3.125 / 3.20	-	+46.5 / +52				3.25/3.30, 3.35	-	+50/+54, +59*				3.45 / 3.50	+54 / +58							
5	2030			3.20 / 3.20	-	+51 / +50				3.35 / 3.40	-	+56 / +60				3.55 / 3.60	+60 / +64							
6	2031			3.30 / 3.35	-	+60 / +65				3.45 / 3.50	-	+64 / +69				3.65 / 3.70	+67 / +72							
7	2032			3.45 / 3.45	-	+71 / +68				3.60 / 3.65	-	+77 / +79				3.80 / 3.85	+79 / +81							
8	2033			3.55 / 3.60	-	+74 / +78				3.70 / 3.70	-	+80 / +79				3.90 / 3.95	+82 / +86							
9	2034			3.65 / 3.70	-	+78 / +80				3.80 / 3.85	-	+85 / +87				4.00 / 4.00	+87 / +84							
10	2035			3.70 / 3.75	-	+77 / +81				3.90 / 3.90	-	+89 / +87	4.00	-	+87	4.05 / 4.05	+86 / +84							
11	2036			3.85 / 3.875	-	+88 / +87.5				3.95 / 3.95	-	+89 / +87				4.10 / 4.10	+86 / +84							
12	2037			3.875 / 3.875	-	+86.5 / +83.5				3.95 / 4.00	-	+85 / +88				4.125 / 4.125	+84.5 / +82.5							
13	2038																							
14	2039																							
15	2040			4.05	-	+82				4.125	-	+80.5				4.25	+78							
16	2041																							
17	2042	4.55	-	+105																				
18	2043																							
19	2044																							
20	2045			4.45	-	+73				4.50	-	+74	4.60	-	+79	4.60	+72	4.875	-	+99.5				
21	2046																							
22	2047																							
23	2048																							
24	2049																							
25	2050			4.55	-	+69				4.65	-	+75				4.75	+75							
26	2051																							
27	2052																							
28	2053																							
29	2054																							
30	2055			4.60	-	+67				4.70	-	+73	4.80	-	+80	4.80	+73							
31	2056																							
32	2057																							
33	2058																							
34	2059																							
35	2060			4.65	-	+72				4.75	-	+78				4.85	+78							
36	2061																							
37	2062																							
38	2063																							
39	2064																							
40	2065															4.90	+83							
41	2066																							
42	2067												4.85	-	+85									
43	2068									4.80	-	+83												
44	2069																							
Notes	Fannie Mae MBS-secured			* 5/15/28 includes \$190,000 3.05% B-1 & \$13,550,000 3.30% B-2 w/ 5/15/60 mat., 5/15/28 mand. tender, 5/15/27 par call			None			* 10/1/29 includes \$275,000 of E-1 at 3.30% and all \$9,500,000 of E-2 at 3.35%			A1 is \$2,580,000 8/35, 8/45, 8/55, & 2/67 maturities & 8/33 call; A2 is \$7,300,000 2/27 maturity & 7/26 call			* A-2 is \$4,120,000 maturing 12/1/27			Fannie Mae MBS-secured			2/1/28		
Par Call	None			B1: 5/15/2033, B2: 5/15/27			None			4/1/33			A1: 8/1/33; A2: 7/1/26			4/1/33			None			2/1/28		
Mandatory Tender	N/A			B2: 5/15/28			8/1/26 (used for spread)			N/A			N/A			N/A			N/A			2/1/28 (used for spread)		
Sr Manager	Stifel			Morgan Stanley			Sturges			Jefferies			RBC Capital Markets			Jefferies			Stifel			Stifel		

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