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, March 21, 2019.

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

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.
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AGENDA
Minnesota Housing Board Meeting
Thursday March 21, 2019
1:00 p.m.

1. Call to Order
2. Roll Call
3. Agenda Review
4. Approval of Minutes
   A. Regular Meeting of February 21, 2019
5. Reports
   A. Chair
   B. Commissioner
   C. Committee
6. Consent Agenda
   A. Funding Modification, Publicly Owned Housing Program (POHP), Columbia & Rouchleau, Virginia, D8051
   B. Funding Modification, Publicly Owned Housing Program (POHP), Dow Towers, Hopkins, D6379
   C. Administrative Extension, Rental Rehab Deferred Loan (RRDL), Arrowhead Economic Opportunity Agency (AEOA), Virginia Rotary Apartments, Virginia, D2118
   D. Homebuyer Education Counseling and Training (HECAT), Reallocation of Funding
7. Action Items
   A. Approval, Homeownership Capacity program manual
   B. Approval, HECAT program manual
   C. Approval, Selection, Rental Rehabilitation Deferred Loan (RRDL), River Bluff Apartments, Springfield, D8081
   D. Approval, Housing Infrastructure Bonds (HIB) Guide
   E. Approval, Selection, Asset Management Loan, Frontier Townhomes, Staples, D1635
   F. Approval, Loan commitment for Noah Impact Fund II
8. Discussion Items
   A. 2nd quarter fiscal year 2019 Financial Reporting Package
9. Information Items
   A. Post-sale report, Homeownership Finance Bonds, 2019 Series AB
10. Other Business
    None.
11. Adjournment
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1. **Call to Order.**
   Chair John DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance agency at 1:03 p.m.

2. **Roll Call.**
   
   **Members Present:** John DeCramer, Craig Klausing, Julie Blaha and Terri Thao. Joe Johnson and Damaris Hollingsworth via conference call.
   
   **Minnesota Housing Staff present:** Ryan Baumtrog, Wes Butler, Kevin Carpenter, Jessica Deegan, Alison Ehlert, Rachel Franco, Brian Haefner, Darryl Henchen, Jennifer Ho, El Karnwie-Tuah, Kasey Kier, David Lange, Tresa Larkin, Brad LeBlanc, Nira Ly, Eric Mattson, Blake McCarthy-Cray, Katie Moore, Tom O’Hern, John Patterson, Tony Peleska, Devon Pohlman, Paula Rindels, Danielle Salus, Anne Smetak, Barb Sporlein, Emily Strong, Kim Stuart, Jodell Swenson, Mike Thone, and Jennifer Wille.
   
   **Others present:** Laura Jankes, RBC; Melanie Lien, Piper Jaffray; Anne Mavity, Minnesota Housing Partnership; Rhonda Skoby, Dorsey & Whitney.

3. **Agenda Review**
   None.

4. **Approval of Minutes**
   A. **Regular Meeting of January 24, 2019**
   B. **Special Meeting of February 4, 2019**
   
   **Motion:** Craig Klausing moved to approve the minutes. Seconded by Terri Thao. Roll Call was taken, All were in favor. Motion carries 6-0.

5. **Reports**
   A. **Chair**
      None.
   B. **Commissioner**
      Commissioner Ho shared the following with the board:
      - Continuing to meet with internal staff and learning more about what staff does
      - Continuing to meet with Legislative leaders
      - Reviewed the Governor’s Budget. Board members were presented with a handout which highlighted the significant funding for affordable housing.
      - Conflict of Interest training for board members will take place in the near future.

   **New Employee Introductions:**
   - Emily Strong introduced El Karnwie-Tuah, Lending Partners Customer Service Specialist, Single Family Division
   - Tony Peleska introduced Brad LeBlanc, Enterprise Architect Supervisor, BTS Division
   - Tony Peleska introduced Blake Cray, Technology Specialist, BTS Division
   - Brad LeBlanc introduced David Lange, Contractor, BTS Division
   - Darlene Zangara introduced Zoua Vang, Communications Specialist, Olmstead Implementation Office

   C. **Committee**
      None.

6. **Consent Agenda**
   A. **Approval, Housing Trust Fund (HTF) Operating Subsidy (OS) Grant Extensions**
   B. **Approval, Reinstatement of the City of Thief River Falls Community Homeownership Impact Fund Award**
Motion: Julie Blaha moved to approve the minutes. Seconded by Terri Thao. Roll Call was taken, All were in favor. Motion carries 6-0.

7. Action Items
A. Approval, Home Investment Partnership (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide Policy Change
Jennifer Wille presented to the board a request motion to approve the Home Investment Partnerships (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide. This will replace the current version of the program guide and will provide updated policies that govern the two programs. Chair DeCramer opened up the discussion. Terri Thao inquired on the number of units in the program.

Motion: Craig Klausing moved Approval, Home Investment Partnership (HOME) and National Housing Trust Fund (NHTF) Combined Program Guide Policy Change. Seconded by Julie Blaha. Roll Call was taken, All were in favor. Motion carries 6-0.

B. Approval, Waiver from the Predictive Cost Model 25% Threshold, Unity Place Townhomes, D0232, Brooklyn Center
Paul Marzynski presented to the board a request for approval of a waiver of the predictive cost model 25% threshold for the above stated project. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers.

Motion: Terri Thao moved Approval, Waiver from the Predictive Cost Model 25% Threshold, Unity Place Townhomes, D0232, Brooklyn Center. Seconded by Julie Blaha. Roll call was taken, All were in favor. Motion carries 6-0.

C. Approval, Selection and Commitment, Low and Moderate Income Rental Loan (LMIR), Rolling Ridge Townhomes, D3133, Rochester
Paul Marzynski presented to the board a request for adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in an amount not to exceed $1,400,000, subject to the review and approval of the mortgagor, and the terms and conditions of Minnesota Housing’s term letter. Chair DeCramer opened up the discussion. There were no questions from the board.

Motion: Julie Blaha moved Approval, Selection and Commitment, Low and Moderate Income Rental Loan (LMIR), Rolling Ridge Townhomes, D3133, Rochester. Seconded by Craig Klausing. Roll call was taken, All were in favor. Motion carries 6-0.

D. Approval, Community Homeownership Impact Fund Program Procedural Manual
Nick Boettcher presented to the board a request for approval of the Community Homeownership Impact Fund (Impact Fund) Program Procedural Manual. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers.

Motion: Craig Klausing moved Approval, Community Homeownership Impact Fund Program Procedural Manual. Seconded by Joe Johnson. Roll call was taken, All were in favor. Motion carries 6-0.

E. Approval, Community Homeownership Impact Fund Scoring Revisions for the 2019 Single Family Request for Proposals
Song Lee presented to the board a request for approval of the proposed changes to the scoring criteria for the 2019 Single Family Request for Proposals (RFP) and Community Homeownership Impact Fund (Impact Fund). Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers.

Motion: Julie Blaha moved Approval,
Community Homeownership Impact Fund Scoring Revisions for the 2019 Single Family Request for Proposals. Seconded by Craig Klausing. Roll call was taken, All were in favor. Motion carries 6-0.

**F. Amendment to Resolution authorizing the issuance and sale of fixed rate Minnesota Housing Finance Agency, Residential Housing Finance Bonds**

Kevin Carpenter presented to the board a request for approval to the amendment of the Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency fixed rate Residential Finance Housing Bonds. Michelle Adams from Kutak Rock joined the meeting via conference call. Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Craig Klausing moved Approval of the amendment to Resolution authorizing the issuance and sale of fixed rate Minnesota Housing Finance Agency, Residential Housing Finance Bonds. Seconded by Terri Thao. Roll call was taken, All were in favor. Motion carries 6-0.

**G. Approval, Resolution authorizing the issuance and sale of variable rate Minnesota Housing Finance Agency, Residential Housing Finance Bonds, 2019 Series D**

Kevin Carpenter presented to the board a request for approval of the resolution authorizing the issuance and sale of variable rate Minnesota Housing Finance Agency, Residential Housing Finance Bonds, 2019 Series D. Michelle Adams, Kutak Rock provided an overview of the resolution. Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Terri Thao moved Approval of the amendment to Resolution authorizing the issuance and sale of fixed rate Minnesota Housing Finance Agency, Residential Housing Finance Bonds, 2019 Series D. Seconded by Joe Johnson. Roll call was taken, All were in favor. Motion carries 6-0.

8. **Discussion Items**

A. **Developing Minnesota Housing’s 2020-23 Strategic Plan**

Alyssa Wetzel-Moore and John Patterson provided the board with an overview of the outline and process for developing the 2020-2023 Strategic Plan.

9. **Information Items**

A. 2018 Annual Conflict of Interest Disclosure Reporting
B. Semi-annual Variable Rate Debt and Swap Performance Report, as of January 1, 2019
C. 2019 Affordable Housing Plan and 2016-19 Strategic Plan: First Quarter Progress Report

10. **Other Business**

None.

11. **Adjournment**

The meeting was adjourned at 2:47 p.m.

________________________
John DeCramer, Chair
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Item: Funding Modification, Publicly Owned Housing Program (POHP)
- Columbia and Rouchleau Apartments, Virginia, D8051

Staff Contact(s):
Megan Sanders, 651.297.5142, megan.sanders@state.mn.us
David Schluchter, 651.296.8161, david.schluchter@state.mn.us

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

Summary of Request:
Staff requests adoption of a resolution authorizing a modification to increase the Publicly Owned Housing Program (POHP) loan commitment from $443,709 to $562,330 for Columbia and Rouchleau Apartments (D8051).

Fiscal Impact:
None

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota’s Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Resolution
Background:
On April 26, 2018, Minnesota Housing selected the development, Columbia and Rouchleau Apartments, for a $443,709 Publicly Owned Housing Program (POHP) loan utilizing state General Obligation (GO) Bond proceeds as part of the 2017 POHP RFP selections.

The 2017 POHP application process included a more concept-based application process. The process included preliminary cost estimates that Minnesota Housing staff knew were likely to change as projects were further processed. When funding recommendations were made, not all of the available POHP funds were awarded, leaving sufficient funds in anticipation of funding modifications due to the preliminary cost estimates provided by the applicants.

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

<table>
<thead>
<tr>
<th>DESCRIPTION:</th>
<th>SELECTION</th>
<th>CURRENT</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Development Cost</td>
<td>$ 767,910</td>
<td>$ 973,031</td>
<td>$ 205,121</td>
</tr>
<tr>
<td>Agency Sources:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>POHP</td>
<td>$ 443,709</td>
<td>$ 562,330</td>
<td>$ 118,621</td>
</tr>
<tr>
<td>Non-agency Sources:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virginia HRA</td>
<td>$ 324,201</td>
<td>$ 410,701</td>
<td>$  86,500</td>
</tr>
<tr>
<td>Total Permanent Sources</td>
<td>$ 767,910</td>
<td>$ 973,031</td>
<td>$ 205,121</td>
</tr>
</tbody>
</table>

The project includes replacement of the fire alarm systems as mandated by the local fire marshal in order to address fire safety issues, which has proven to be a more complex project than originally anticipated. The total development costs have increased by $205,121. The proposed modification increases the POHP loan commitment from $443,709 to $562,330 (27 percent). The remainder of the increase will be funded by additional capital fund contributions from the Virginia Housing and Redevelopment Authority (HRA). The HRA will maintain the 42 percent leverage proposed at application.

The proposed funding modification results in a 27 percent increase of the originally committed POHP loan amount. Deferred loan funding modifications that equal or exceed 15 percent of the originally committed loan amount require board approval.
RESOLUTION NO. MHFA 19-xx
Modifying Resolution No. MHFA 18-006

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

WHEREAS, the Minnesota Housing Finance Agency Board ("Board"), at its April 26, 2018
meeting, previously authorized a commitment for the development hereinafter named by its Resolution
18-006; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby increases the funding commitment on the development noted below
and hereby confirms the renewal of said commitment, subject to any revisions noted:

1. Columbia and Rouchleau Apartments, D8051: The amount of the Publicly Owned Housing Program
   funding commitment shall be increased from $443,709 to $562,330;

2. All other provisions of Resolution 18-006 remain unchanged by this resolution.

Adopted this 21st day of March 2019

___________________________________
CHAIRMAN
Item: Funding Modification, Publicly Owned Housing Program (POHP)  
   - Dow Towers, Hopkins, D6379

Staff Contact(s):  
Megan Sanders, 651.297.5142, megan.sanders@state.mn.us  
David Schluchter, 651.296.8161, david.schluchter@state.mn.us

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

Summary of Request:  
Staff requests adoption of a resolution authorizing a modification to increase the Publicly Owned Housing Program (POHP) loan commitment from $292,048 to $393,005 for Dow Towers (D6379).

Fiscal Impact:  
None.

Meeting Agency Priorities:  
☒ Address Specific and Critical Local Housing Needs  
☐ Finance Housing Responsive to Minnesota’s Changing Demographics  
☒ Preserve Housing with Federal Project-Based Rent Assistance  
☐ Prevent and End Homelessness  
☐ Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):  
• Background  
• Resolution
Background:
On April 26, 2018, Minnesota Housing selected the development, Dow Towers, for a $292,048 Publicly Owned Housing Program (POHP) loan utilizing state General Obligation (GO) Bond proceeds as part of the 2017 POHP RFP selections.

The 2017 POHP application process included a more concept-based application process. The process included preliminary cost estimates that Minnesota Housing staff knew were likely to change as projects were further processed. When funding recommendations were made, not all of the available POHP funds were awarded, leaving sufficient funds in anticipation of funding modifications due to the preliminary cost estimates provided by the applicants.

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

<table>
<thead>
<tr>
<th>DESCRIPTION:</th>
<th>SELECTION</th>
<th>CURRENT</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Development Cost</td>
<td>$ 417,212</td>
<td>$ 569,572</td>
<td>$ 152,360</td>
</tr>
<tr>
<td>Agency Sources:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>POHP</td>
<td>$ 292,048</td>
<td>$ 393,005</td>
<td>$ 100,957</td>
</tr>
<tr>
<td>Non-agency Sources:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hopkins HRA</td>
<td>$ 125,164</td>
<td>$ 176,567</td>
<td>$ 51,403</td>
</tr>
<tr>
<td>Total Permanent Sources</td>
<td>$ 417,212</td>
<td>$ 569,572</td>
<td>$ 152,360</td>
</tr>
</tbody>
</table>

Multiple bids for the critical need replacement of the water heater storage tank came in higher than anticipated, which increased the total development costs by $152,360. The proposed modification increases the POHP loan commitment from $292,048 to $393,005 (35 percent). The remainder of the increase will be funded by additional capital fund contributions from the Hopkins Housing and Redevelopment Authority (HRA). The HRA will maintain the 30 percent leverage proposed at application.

The proposed funding modification results in a 35 percent increase of the originally committed POHP loan amount. Deferred loan funding modifications that equal or exceed 15 percent of the originally committed loan amount require board approval.
MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota  55102

RESOLUTION NO. MHFA 19-xx
Modifying Resolution No. MHFA 18-006

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

WHEREAS, the Minnesota Housing Finance Agency Board ("Board"), at its April 26, 2018 meeting, previously authorized a commitment for the development hereinafter named by its Resolution 18-006; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby increases the funding commitment on the development noted below and hereby confirms the renewal of said commitment, subject to any revisions noted:

1. Dow Towers, D6379: The amount of the Publicly Owned Housing Program funding commitment shall be increased from $292,048 to $393,005;

2. All other provisions of Resolution 18-006 remain unchanged by this resolution.

Adopted this 21st day of March 2019

___________________________________
CHAIRMAN
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**Board Agenda Item: 6.C**  
**Date: 3/21/2019**

**Item:** Administrator Extension, Rental Rehab Deferred Loan (RRDL), Arrowhead Economic Opportunity Agency  
- Virginia Rotary Apartments, Inc., Virginia, D1675

**Staff Contact(s):**  
David S Schluchter, 651.296.8161, david.schluchter@state.mn.us  
Irene Ruiz-Briseno, 651.296.3837, irene.ruiz-briseno@state.mn.us

**Request Type:** Select from one column only. Resolutions always require a motion.  
☒ Approval  
☐ No Action Needed  
☒ Motion  
☐ Discussion  
☐ Resolution  
☐ Information

**Summary of Request:**  
Staff is recommending a three-month extension in the Rental Rehab Deferred Loan (RRDL) Administrator Agreement for a current RRDL administrator, Arrowhead Economic Opportunity Agency. The extension will allow the administrator additional time to complete due diligence items necessary to close on the RRDL loan for Virginia Rotary Apartments, Inc.

**Fiscal Impact:**  
No fiscal impact is associated with this request

**Meeting Agency Priorities:**  
☒ Address Specific and Critical Local Housing Needs  
☐ Finance Housing Responsive to Minnesota’s Changing Demographics  
☒ Preserve Housing with Federal Project-Based Rent Assistance  
☐ Prevent and End Homelessness  
☐ Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

**Attachment(s):**  
- Background
Background:
The Arrowhead Economic Opportunity Agency (AEOA) has been working with the nonprofit owner of Virginia Rotary Apartments, Inc. to gather all remaining outstanding due diligence items related to a $300,000 RRDL loan to be made by AEOA to the owner of the Apartments. Final documents are being processed and the project file is expected to move to Minnesota Housing’s closing department by mid-March 2019. Currently, Minnesota Housing staff anticipates the closing of this RRDL loan to take place in late April 2019. Virginia Rotary Apartments has a partial Section 8 contract, which benefits 20 of the 31 units; this development has been in need of repairs for the past few years.

Staff is recommending a three-month extension to AEOA’s current Rental Rehab Deferred Loan Administrator Agreement, which expires on April 1, 2019; if approved, the new expiration date would be June 30, 2019, and should provide ample time to close on the loan to the Apartment owner.
Item: Homebuyer Education Counseling and Training (HECAT) Fund, Reallocation of Funds

Staff Contact(s):
Que Vang, 651.296.7613, que.vang@state.mn.us

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

Summary of Request:
Staff requests approval of modification of the HECAT 2018 - 2019 awards for Olmsted County Housing Redevelopment Authority, Lutheran Social Services of MN (LSS) and Three Rivers Community Action.

Fiscal Impact:
HECAT funding is supported by state appropriations and committed co-funder leverage. The program does not generate income to the Agency but supports the strategic priority of reducing Minnesota's racial and ethnicity homeownership disparity.

Meeting Agency Priorities: select all that apply
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota’s Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):
• Background
• Request Details (Single Family, others)
• Resolution
BACKGROUND:
The Homeownership Education, Counseling and Training (HECAT) Fund provides yearly financial support for comprehensive homebuyer training which includes in-person homebuyer education and counseling (financial wellness and pre-purchase), home equity conversion counseling, and foreclosure prevention counseling. The Community Initiatives team accepted HECAT Applications for Funding for the 2018-2019 program year May 2018. Minnesota Housing and its Funding Partners (the Minnesota Homeownership Center, the Greater Minnesota Housing Fund, and Family Housing Fund) awarded HECAT program funding to 34 grantees in various parts of the state.

REQUEST DETAILS:
The HECAT contract period began on Oct 1, 2018. At the end of November 2018, Olmsted County HRA had staff turnover and decided to discontinue their homeownership program, which include in-person homeownership education, pre-purchase counseling, and foreclosure counseling services. Olmsted County HRA, between October and the end of November, served 15 households and expended $4,750 of their original award.

With Olmsted’s withdrawal from all HECAT services, the Funding Partners identified Lutheran Social Services of MN (LSS) and Three Rivers (Three Rivers) Community Action to fill the service gaps in Southeast Minnesota.

LSS has been a long-time grantee of HECAT having the capacity, infrastructure and experience in providing homebuyer counseling (financial wellness and pre-purchase), reverse mortgage counseling and foreclosure counseling services. Minnesota Housing staff propose reallocating a portion of Olmsted County’s homebuyer counseling and all of the foreclosure counseling goals and award to LSS.

Three Rivers has also been a long-time HECAT grantee with a strong homeownership program in providing homeownership education and homebuyer counseling (financial wellness and pre-purchase). Minnesota Housing staff propose reallocating all of Olmsted County’s homebuyer education and a portion of the homebuyer counseling goals and award to Three Rivers.

RESOLUTION:
Staff recommends reallocating Olmsted County’s HECAT award in the amount of $23,750 to LSS and Three Rivers, as reflected in the chart below:

<table>
<thead>
<tr>
<th>Grantee</th>
<th>Current Award</th>
<th>Current Household Served Goal</th>
<th>Amount Reallocated</th>
<th>Revised Award</th>
<th>New Household Served Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olmsted County</td>
<td>$28,500.00</td>
<td>140</td>
<td>-$23,750</td>
<td>$4,750.00</td>
<td>15</td>
</tr>
<tr>
<td>LSS</td>
<td>$216,000.00</td>
<td>1050</td>
<td>$11,600</td>
<td>$227,600.00</td>
<td>1085</td>
</tr>
<tr>
<td>Three Rivers</td>
<td>$46,000.00</td>
<td>226</td>
<td>$12,150</td>
<td>$58,150.00</td>
<td>271</td>
</tr>
</tbody>
</table>

The remainder of the 2018-2019 HECAT awards will remain the same.
Item: Approval, Homeownership Capacity Program Manual

Staff Contact(s):
Ruth DuBose, 651.297.3128, ruth.dubose@state.mn.us

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

Summary of Request:
The Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity Program) is designed to expand the efforts of organizations that currently provide intensive financial empowerment education and coaching to those with the goal of homeownership. The goal of this program is to increase the probability of successful homeownership, especially among households of color and low-income individuals, and to address the homeownership gap between white/non-Hispanic and households of color. The pilot status for this program was removed in July 2018 when funding recommendations for the 2018-2019 program year were presented to the Board.

Staff requests board approval of the Homeownership Capacity Program Manual.

Fiscal Impact:
There is no fiscal impact with this request.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota’s Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):
• Background
• Homeownership Capacity Manual
BACKGROUND:
The Homeownership Capacity program concept was approved at the April 2014 Board meeting. As noted in the Program Concept, organizations will provide financial empowerment services that include, but are not limited to:

- Asset building (e.g. savings, retirement plans, home ownership, higher education, etc.)
- Credit report education, repair and re-building
- Development of spending plans, including discussion of financial best practices
- Consumer protection training and education (e.g. banks, credit unions, insurance companies, predatory financial scams, and identity theft)
- Filing taxes

The program was launched in response to Minnesota’s large disparities in homeownership rates between white/non-Hispanic households and households of color. This program aligns with the Agency’s strategic priority of reducing Minnesota’s racial and ethnicity homeownership disparity.

The Homeownership Capacity program was in pilot status between August 2014 and July 2018. In spring/summer 2018, an evaluation was completed on the first three years of the pilot program. The board approved removing the pilot status of this program in July of 2018.

With the removal of the pilot status and preparations for the next cycle of funding, it was an appropriate time to create a manual for the program. The manual format is similar to other Agency programs and pulls in content from what were previously exhibits to the grant contract. This results in a much more user-friendly format for grantees.

The manual covers grantee requirements including tracking and use of funds, defines eligible households and activities, describes the different phases of the program, identifies client file and reporting requirements, and outlines how performance is measured. Grantees are also supplied with sample forms to use with clients.

Approval of this manual aligns with the upcoming release of the Homeownership Capacity Request for Proposal (RFP); it is expected that award recommendations for the next cycle will be brought to Board in July 2019.
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Introduction

Background
The Minnesota Housing Finance Agency (Minnesota Housing) was created in 1971 by the Minnesota Legislature. We believe housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity Program)
Minnesota Housing offers funding through a Request for Proposal (RFP) to eligible organizations that deliver intensive Financial Education and Financial Coaching to low-income renters and households of color. The goal is to increase the probability of successful homeownership and household stability through intensive financial empowerment and homeowner training.

This Manual sets forth the terms and conditions under which Minnesota Housing will award Grant Funds to Grantees.
Chapter 1 – Grantee Requirements/Warranties

Grantees will comply with all of the terms, conditions, provisions, covenants, requirements and/or warranties contained in the Grant Contract, the Application for Funds, the Act, any rules promulgated pursuant to the Act and all amendments.

1.01 Manual

This Manual, including subsequent changes and additions, is a supplement to the Grant Contract, the Act and all amendments executed between the Grantee and Minnesota Housing.

Minnesota Housing reserves the right to:

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

Minnesota Housing grants exceptions, alterations or revisions at its sole discretion. Grantees may request, in writing to Minnesota Housing, exceptions, alterations or revisions to this Manual.

In the case of a conflict between the Application for Funds and this Manual or the Grant Contract, this Manual or the Grant Contract control.

1.02 The Grant Contract

If a Grantee submits its Application for Funds to Minnesota Housing and is selected to receive Grant Funds through a Homeownership Capacity Award, Minnesota Housing and the Grantee will execute a Grant Contract outlining the legal relationship and responsibilities between the Grantee and Minnesota Housing.

1.03 Evidence of Misconduct Referred to Attorney General

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

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

1.04 Unauthorized Compensation

The Grantee may receive fees approved in this Manual. However, the Grantee shall not receive or demand from any other party to the transaction:

- Kickbacks
- Commissions
- Other compensation
1.05 Termination of Grantee Participation
Minnesota Housing may terminate the participation of any Grantee under this Manual at any time and may preclude Grantee’s future eligibility for reasons included, but not limited to, nonconformance with:

- This Manual;
- The Grant Contract;
- The procedural manuals and agreements of other Minnesota Housing programs;
- The Application for Funds;
- Applicable state and federal laws, rules and regulations.

Minnesota Housing may impose remedies other than termination of the Grant Contract for Grantee nonperformance.

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

1.06 Representations and Warranties
The Grantee agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders.

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

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

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

Organizational conflicts of interest occur when:

- A Grantee is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties.
- A Grantee’s objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties.
- A Grantee has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors.
Once notified or otherwise made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing Homeownership Capacity Awards. Determinations could include:

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

1.08 Fraud Disclosure
The Grantee must report all known or suspected instances of fraud in connection with the making or receipt of Grant Funds to Minnesota Housing’s Chief Risk Officer as soon as evidence of fraud is discovered by the Grantee. Fraud is an intentional deception made for personal gain or to damage another.

1.09 Suspension
By entering into any agreement with Minnesota Housing, accepting any award of funds from Minnesota Housing, or otherwise conducting any business with Minnesota Housing, the Grantee represents that the Grantee, or any principal of the Grantee, has not been suspended from doing business with Minnesota Housing pursuant to the Minnesota Housing Finance Agency Board of Directors Participant Suspension Policy. A principal is defined as:

a. an officer, director, owner, partner, principal investigator, or other person within an organization or entity doing business with Minnesota Housing with management or supervisory responsibilities; or

b. a consultant or other person, who:
   1. is in a position to handle Minnesota Housing funds;
   2. is in a position to influence or control the use of those funds; or
   3. occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to be performed under contract with Minnesota Housing.

The Grantee must review Minnesota Housing’s suspensions webpage for a list of all suspended individuals and organizations.

1.10 Fair Housing
It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation. Minnesota Housing’s fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance.
Chapter 2 – Grantee Requirements

2.01 Grantee and Staff Standards
The Grantee must certify that:

- It is either a nonprofit organization as defined in Minn. Stat. 462A.03 Subd. 22, as such may subsequently be amended, modified or replaced, or a political subdivision.
  - If a non-profit organization:
    - It also has a current 501(c)(3) determination letter from the Internal Revenue Service;
    - It is in good standing and authorized to do business in Minnesota.

- At least one staff person has obtained the Financial Capability Certification provided by NeighborWorks America®. A copy of the certification must be provided to Minnesota Housing no later than the effective date on the Grant Contract.

- It will have Program staff attend all required trainings, Grantee check-in meetings and one-on-one check-ins required by Minnesota Housing. Minnesota Housing will provide the date, time and location information.

2.02 Program Delivery
The Grantee must certify that:

- Homeownership Advisors will have no conflicts of interest due to involvement or other relationships with servicers, real estate agencies, mortgage lenders or other entities that may stand to benefit from Client home purchase decisions.
  - If a conflict exists, it must be fully disclosed to the Client on the Coaching Agreement/Disclosure Form. The Coaching Agreement/Disclosure Form must meet all the requirements outlined in the Housing Counseling Grantee Disclosure & Privacy Act Notice.

- It has offices and services that are accessible to people with disabilities, or has a referral list for Clients that need accessibility if Grantee’s building does not provide access.

- It has Homeownership Advisors fluent in the language potential Clients speak or will use translation services to ensure non-English speaking Clients can obtain Program services.

- If it charges fees to Clients for services obtained under the Program, the fees charged will be reasonable and allowable and be used only to pay for expenses that are not covered by Grant Funds.
  - If it charges fees to Clients, its fee policy must be provided to Minnesota Housing.

- It will not engage in exclusivity agreements with Clients seeking Program services or interested parties such as servicers or lenders. It will not engage in practices which exclude other Program Grantees from working with its Clients that willingly seek assistance from another Grantee.

- If it provides loan origination services, staff working in loan origination will not also provide services in any capacity under the Program and vice versa.
• It provides Program services for the duration of the Grant Contract year and beyond for any Clients still actively participating in Program services.

• If changes to the Program service delivery are anticipated, communication must be submitted to Minnesota Housing in writing, and Minnesota Housing reserves the right to accept or deny those changes, at its sole discretion.

2.03 **Budget and Grant Funds Tracking**
The Grantee must:

• Use generally accepted accounting principles in the maintenance of financial records.

• Track and keep record of Program income and expenses, as well as any Client Fees charged, separately from all other income and expenses. Maintain a separate budget for the Program with all Grant Funds to be used exclusively to fund Program-related expenses.

• Obtain pre-approval for all out-of-state travel. Contact the Authorized Representative referenced in the Grant Contract for further guidance and approval. Grantee must obtain proof of the approval and supporting documentation for expenses paid with the Grant Funds.

• Document and retain in the Grant Contract file any verbal quotes obtained as part of the contracting and bidding requirements outlined in the Grant Contract. Verbal quote documentation may include but is not limited to notes, invoices and emails. All verbal quotes obtained must include: date the quote was received; name and contact of vendor; amount for service(s) requested; service(s) included in the quote; and date range of the service(s), if applicable.

2.04 **Data Privacy, Authorization and Disposal**
See the Grant Contract for requirements.

2.05 **File Documentation and Maintenance**
The Grantee must maintain files with proper documentation and the files must be made available to Minnesota Housing upon request.

2.06 **Records Retention**
The Grantee must establish and follow a records retention policy in accordance with applicable laws that meets the minimum standards established in the Grant Contract.

2.07 **Monitoring**
Minnesota Housing reserves the right to make site visits, review Grantee’s records and Client files and conduct quality control audits. Items requested must be made available to Minnesota Housing at the Grantee’s office during regular business hours, or via remote submission, if so requested by Minnesota Housing.

Items that may be collected include but are not limited to:

• The complete Client file;

• Expense documentation (e.g., any and all books, records, invoices and receipts);
- Other Program-related documents and accounting procedures and practices relevant to the Grant Contract and this Manual.

Files are reviewed for:
- Program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction.

### 2.08 Additional Requirements

The Grantee must certify that:

- It has the capacity to track, report and furnish Client level and aggregate data. Reporting must be done via the Data Collection System (DCS).
- It has, or will secure at its own expense, all personnel required for the performance of the Grant Contract.
- It remains liable for accounting and full repayment of all unexpended Grant Funds to Minnesota Housing once all Clients that enter the Program during the Grant Contract year have satisfied all reporting requirements.
Chapter 3 – Program Requirements

3.01 Eligible Households
Upon initial Client Intake as described by Grantees in their Application for Funds, a Household is eligible to receive Program services if they:

- Reside in Minnesota at the time of Intake;
- Have expressed an interest in obtaining homeownership or improving their homeownership situation as a primary household goal, have demonstrable barriers to achieving homeownership and a likely path to addressing such barriers. (Generally it is anticipated that households served will address barriers within three years of working with Grantee);
- Have adequate income needed to support homeownership or will achieve adequate income through the support of Program services;
- Are willing to make a commitment to working with Grantee in a timeframe agreed upon by the Client and provider to increase Household financial empowerment and the probability of successful homeownership through both Financial Education and Coaching;
- Agree to take comprehensive homebuyer education services (i.e., Home Stretch, Framework, Realizing the American Dream) if they decide to pursue homeownership.

3.02 Eligible Activities
There are three categories of eligible activities:

- Financial Education
- Financial Coaching
- Post-Purchase

Financial Education
Financial Education builds financial skills and knowledge in Clients. Financial Education may be offered in person, by phone or online.

Financial Coaching
One-on-one Financial Coaching is a requirement for all Clients receiving Program services. Coaching must be available to Clients in person or by phone and focus on behavioral change.

The following topics must be covered in Financial Education, Financial Coaching, or both and include but are not limited to:

- Asset building
- Credit report education
- Development of spending plans, including discussions of financial best practices and pitfalls
- Consumer protection training and education
- Other financial empowerment services could include or be referred for the following, as applicable:
Workforce development
Technology training
Entrepreneurship opportunities
Career development
Educational opportunities
Community responsibility of homeownership

Post-Purchase
Post-Purchase services must include educational opportunities specific to post home purchase (i.e., home maintenance basics, home insurance coverage, etc.) as well as continued one-on-one Financial Coaching for all Clients regardless of the Outcome. These services must be available to Clients in person or by phone.

Descriptions outlining the Client’s progress through the Program are in Chapter 4 and documentation and reporting requirements are in Chapter 5.

3.03 Eligible Use of Funds
For any Client receiving Program services, all file documentation and reporting requirements must be followed according to the Program requirements.

Grantee may use the Grant Funds to provide administrative support or support for activities specific to the Program. Costs associated with Program services can include:

- Salaries for those providing Program services or in a Program support or oversight role
- Consultant or professional fees
- Credit reports (soft pull reports only)
- Rent for classroom to provide Financial Education
- Marketing materials
- Education materials
- Staff development/training
- Office supplies
- Travel
- Equipment
- Printing/Copying
- Telephone/Fax
- Postage
- Rent and utilities
- Indirect costs (may only be included if not represented elsewhere in the budget and must include an explanation of how indirect costs were calculated)

Grantee may use the Grant Funds to provide administrative support or support for activities specific to the Program.
Grant Funds may only be used to cover the cost to serve the Client. Clients may not be served under the Program if the funds received from all sources to serve the Client exceed the cost to serve the Client.

The Grant Funds received are for Clients that enter into the Program during the Program Year. The Grant Funds must cover costs to serve the Client through their entire participation in the Program including collection and reporting of Outcome data (see Chapter 5 for further details). Grantee must report on Clients for up to one year after Program Completion or until an Outcome is collected and reported, even if this activity occurs after the Program Year that they began receiving Program services. If funding is available in subsequent years, all funding requests must be for new Clients that will enter into the Program with an Intake date within that Program Year.

Grantee may carry over a reasonable amount of Grant Funds to cover Program expenses for Clients that start receiving services during the Program Year, and still require Program services or reporting after the Program Year has ended. Grantee must continue to report on the use of these remaining Grant funds until they have been fully expended, even if that is beyond the current Program Year.

3.04 Ineligible Use of Funds
Grant Funds cannot be used:

- For borrower financial incentives (e.g., down payment assistance, gift cards, loans of any kind);
- To cover all of a Grantee’s indirect costs;
- To pay for a Client previously served under the Program that are less than six months from the “Client Stopped Communication” date.
- If the Client was listed as “Client Stopped Communication” (as described in 4.05) under the Program at any time and wishes to start receiving Program services again at least six months after the date listed for “Client Stopped Communication,” the Grantee may consider that Client as a new Client and enter them as such in the Data Collection System (DCS).
Chapter 4 – Coaching Activities

The following must be followed by all Grantees. The descriptions below outline the Client’s progress through the Program. The lists of Client file and reporting requirements for each phase are in Chapter 5. There are four phases with the option to enter a Client as “stopped communication” at any point after Intake:

- Intake
- Annual after Intake
- Program Completion
- Outcome

Program services are to be provided until the Client reaches Program Completion and for up to one year after Program Completion. This may go beyond the Program Year identified in the Grant Contract.

4.01  Intake
The Grantee determines that the Client has met all of the requirements outlined in 3.01. The Client completes the Intake process with the Grantee for participation in the Program.

4.02  Annual after Intake
The Grantee conducts follow up with Clients on a more frequent basis, but collects Client progress data annually from the date of Intake.

4.03  Program Completion
Once the Client and Homeownership Advisor determined that all identified barriers to homeownership have been addressed, Clients will either:

- Pursue homeownership
- Not pursue homeownership within the next 9+ months

If the Client is pursuing homeownership, they are referred to pre-purchase homebuyer education and counseling.

Program Completion can occur any time after Intake.

4.04  Outcome
Grantee collects Outcome data within one year from the Program Completion date.

If the Client is pursuing homeownership at Program Completion, the Homeownership Advisor must continue to engage with the Client for up to one year after Program Completion or until one of the following Outcomes occur for the Client:

- Purchases a home
- Decides to no longer pursue homeownership
- Still pursuing homeownership one year after Program Completion
4.05 Client Stopped Communication

At any point after Intake, a Client may be entered as “Client Stopped Communication.” This option should only be selected once the Homeownership Advisor has made at least two documented attempts (which should be noted in the case notes) to reach the Client after no communication with the Client for at least six months. The two attempts must be within 30 days and may be by phone, email or mail. Refer to 3.04 for direction regarding Clients that re-engage more than six months after the “Client Stopped Communication” date. If the Client re-engages less than 6 months after the “Client Stopped Communication” date, the Grantee must contact Minnesota Housing to remove the “Client Stopped Communication” status in the Data Collection System (DCS) so the Grantee can continue to report in the existing Client file.
Chapter 5 – Documentation, Reporting and Standards and Measures

5.01 Client File and Data Collection System (DCS) Requirements

Grantee agrees to:

- Track and report Client progress and Outcomes in the DCS at Intake, a minimum of every year after Intake into the Program (aka Annual), at Program Completion (includes the Client Survey) and the Outcome.
  - All Client data must be reported on an annual basis from the last reported date in the DCS. Subsequent data updates may be Annual, Program Completion, Outcome or Client Stopped Communication and will depend on the Client’s progress.
  - Annual and Program Completion data must be collected within 30 days of the required reporting date. If the data is older than 30 days, new data will need to be collected, retained in the Client file and used for reporting in the DCS.
  - Satisfy all reporting requirements for Clients from any Program Year that have not exited the Program as of the start of the current Program Year. Reporting requirements outlined in this Manual should be followed for all Clients, including those from previous Program Years. Satisfaction of Client reporting includes completion of the Outcome or Client Stopped Communication option in the DCS.
- Support data reported in the DCS with documentation retained in the Client file. Grantees are not required to use the forms provided by Minnesota Housing (referenced below) but must meet the Client file documentation requirements should they choose to use their own forms.
- Follow the requirements identified in the Homeownership Capacity Data Collection System User Guide.
- Submit data in the DCS following the reporting period and due dates outlined in the Reporting Schedule (exhibit to the Grant Contract).

Further information is in the Client File and DCS Reporting Chart and DCS Reporting – Intake, Annual, Program Completion documents.

5.02 Required Documentation: What, Where and How to Submit

Coaching Agreement/Disclosure Form and Combined Privacy Act Notice/Tennesen Warning

When: Intake

Where: Client file

How:

- Provide the Client with the Coaching Agreement/Disclosure Form and Combined Privacy Act Notice/Tennesen Warning at Intake;
- Document by signature that the forms were provided;
- Provide copies of the forms to the Client.

A Client cannot be served or reported under the Program until the signature requirements are met and the forms are retained in the Client file.
Resources: Further requirements and sample forms can be found in the Housing Counseling Grantee Disclosure and Privacy Act Notice.

**Intake, Annual Reporting and Program Completion Data**

*When:* Intake, Annual, Program Completion  
*Where:* Client file, DCS  
*How:* See the DCS Reporting – Intake, Annual, Program Completion chart for DCS reporting requirements. Grantees must support what is reported in the DCS at each phase with documentation in the Client file. This may include but is not limited to Intake forms, budgets, bank statements, pay stubs, etc.

**Resources:** Grantees may use the Spending Plan available on Minnesota Housing’s website.

**Credit Report**

*When:* Intake, Annual, Program Completion  
*Where:* Client file, DCS  
*How:* The credit report must be a soft pull report pulled at Intake, at each Annual check in and at Program Completion. The credit reports must be from Equifax, Transunion and/or Experian. Copies of all credit reports used for DCS reporting must be retained in the Client file.

See the DCS Reporting – Intake, Annual, Program Completion chart for details specific to reporting Client credit scores.

**Action Plan**

*When:* Intake, Program Completion  
*Where:* Client file  
*How:* The Homeownership Advisor will provide the Client with:

- An Action Plan at Intake and at Program Completion. It can be provided on a more frequent basis at the discretion of the Homeownership Advisor. 
  
  o The Action Plan at Intake will include a summary of items the Client will work on during their involvement in the Program.
  
  o The Action Plan at Program Completion must include the following, at a minimum:
    
    ▪ Offering one-on-one budget counseling in addition to other services that continue to be available to the Client (e.g., job coaching, Post-Purchase classes).
    
    ▪ If the Client decides to pursue homeownership, the Homeownership Advisor will refer Clients to pre-purchase homebuyer education and counseling as evidenced by the Program Completion Action Plan. This ensures Clients are aware of all available resources to obtain homeownership.
    
  o All other items included in the both the Intake and Program Completion Action Plans are at the discretion of the Homeownership Advisor.

- A copy of both the Intake and Program Completion Action Plans. A copy must be retained in the Client file.
Resources: Grantees may use the Action Plan available on Minnesota Housing’s website.

Client Survey
When: Program Completion
Where: Client file, DCS
How: At Program Completion, the Homeownership Advisor will ask the Client complete the questions contained in the Client Survey. A copy of the Client Survey questions and Client responses must be retained in the Client file. Grantees are required to report in the DCS the responses to the statements contained in the Client Survey.

Resources: Grantees may use the Client Survey available on Minnesota Housing’s website.

Outcome
When: Up to one year following Program Completion date
Where: Client file, DCS
How: The Homeownership Advisor will obtain further information to one of the three following Outcomes for all Clients that reach Program Completion:

- Purchased a Home
- Client Decided not to Purchase
- Still Pursuing Homeownership

A copy of the Outcome questions and Client responses must be retained in the Client file and report in the DCS. There are no additional Client reporting requirements once an Outcome is reported for the Client.

Resources: Grantees may use the Outcome Data Form available on Minnesota Housing’s website.

Client Stopped Communication
When: Any time after Intake that the Client has not communicated with their Homeownership Advisor for at least six months from their last communication date
Where: Client file, DCS
How: The Homeownership Advisor can close the Client as “Client Stopped Communication” after they have made at least two documented attempts within 30 days to reach the Client. Attempts can be made by phone, email or mail with each attempt documented in the case notes.

The Homeownership Advisor will be asked to verify in the DCS the following:

- If the Client stopped communication;
- If the Homeownership Advisor made at least two documented attempts within one month to reach the Client after no communication with the Client for at least six months.

There are no additional reporting requirements if the Client is entered as “Client Stopped Communication.”
Case Notes
When: Throughout participation in the Program
Where: Client file
How: The Homeownership Advisor will maintain case notes on each Client, including a summary of all interactions with the Client.

Expenditure Report
When: The reporting period and due dates can be found in the Reporting Schedule (exhibit to the Grant Contract).
Where: Determined by Minnesota Housing
How: Applicants are asked to provide a proposed budget for the Grant Funds in their Application for Funds. If an applicant is awarded Grant Funds, they are asked to provide a revised budget based off the Homeownership Capacity Award. Grantees are required to report on income, expenditures and leverage following the reporting format provided by Minnesota Housing.

Resources: See the Expenditure Report.

Narrative Report
When: The reporting period and due dates can be found in the Reporting Schedule (exhibit to the Grant Contract).
Where: Determined by Minnesota Housing
How: Grantees are required to respond to questions related to the Program according to the due dates identified in the Reporting Schedule. Those questions may include but are not limited to the following:

- Describe the Post-Purchase services that your organization has provided over the last six months. Please be specific about the topics covered and the way that it was delivered (i.e., classroom, one-on-one, etc.).
  - Indicate the number of Clients that participated in each of the following Post-Purchase services:
    - Classroom
    - One-on-one
- Identify what is and is not working under the Program. Items may include Program requirements, reporting, Client engagement, outreach, etc.
- What can Minnesota Housing do to help you improve Program services (i.e., training, technical assistance, etc.)?
- Share a Homeownership Capacity Program success story.
- Report the number of phone calls and appointments from Minnesota Housing referral partner relationships (i.e., CommonBond).

Resources: See the Narrative Report.

5.03 Standards and Measures
Grantees will be measured against the Program results outlined in the Standards and Measures.
Chapter 6 – Grant Funds

6.01 Disbursement Schedule
See the Disbursement Schedule (exhibit to the Grant Contract) for details.

6.02 Incentive Funds
The Incentive Fund provides additional funding for Grantees who have met their original households served goals. Grantee may apply for the Incentive Fund if available during the Program Year. Eligibility criteria are outlined in the Incentive Fund Application Form.
# Appendix A: Definitions

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<thead>
<tr>
<th>TERM</th>
<th>DEFINITION</th>
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<tr>
<td>Act</td>
<td>Minnesota State Statutes Section 462A.209.</td>
</tr>
<tr>
<td>Annual</td>
<td>Described in 4.02</td>
</tr>
<tr>
<td>Application for Funds</td>
<td>The application for funds prepared by a Grantee and submitted in response to the Request for Proposal (RFP) as accepted electronically by Minnesota Housing including conditions, restrictions, or limitations contained in the Grant Contract.</td>
</tr>
<tr>
<td>Client</td>
<td>An Individual(s) receiving Program services.</td>
</tr>
<tr>
<td>Client Fee(s)</td>
<td>A specified amount of money paid by the Client to the Grantee to receive Program services.</td>
</tr>
<tr>
<td>Client Stopped Communication</td>
<td>Described in 4.05</td>
</tr>
<tr>
<td>Data Collection System (DCS)</td>
<td>The web-based data reporting tool required for use by Grantees.</td>
</tr>
<tr>
<td>Financial Coaching</td>
<td>Described in 3.02</td>
</tr>
<tr>
<td>Financial Education</td>
<td>Described in 3.02</td>
</tr>
<tr>
<td>Grant Contract</td>
<td>A legal contract executed between Minnesota Housing to a Grantee.</td>
</tr>
<tr>
<td>Grant Funds</td>
<td>The funds that Minnesota Housing reserves and makes available to the Grantee for eligible activities under the Grant Contract.</td>
</tr>
<tr>
<td>Grantee(s)</td>
<td>A nonprofit or a governmental entity recipient of funds awarded under the Program and with which Minnesota Housing, in its sole discretion, enters into a Grant Contract for local administration of the Program.</td>
</tr>
<tr>
<td>Homeownership Advisor</td>
<td>An Individual providing Program services on behalf of the Grantee.</td>
</tr>
<tr>
<td>Homeownership Capacity Award</td>
<td>Grant Funds awarded to a Grantee by Minnesota Housing for a specific purpose and governed by a Grant Contract.</td>
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<tr>
<td>Incentive Fund</td>
<td>Grant Funds set aside for Grantees who exceed the original goal stated in the Grant Contract and have additional Clients that could be served in the Program Year.</td>
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<tr>
<td>Intake</td>
<td>Described in 3.01 and 4.01</td>
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<tr>
<td>Minnesota Housing</td>
<td>Grantor of Grant Funds.</td>
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<td>Outcome</td>
<td>Described in 4.04</td>
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<tr>
<td>Post-Purchase</td>
<td>Described in 3.02</td>
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<tr>
<td>Program</td>
<td>The Homeownership Capacity program.</td>
</tr>
<tr>
<td>Program Completion</td>
<td>Described in 4.03</td>
</tr>
<tr>
<td>Program Year</td>
<td>A period of time identified in the Grant Contract.</td>
</tr>
<tr>
<td>Request for Proposal (RFP)</td>
<td>The process by which the Single Family Division of Minnesota Housing solicits Grantee Applications for Funding under the Program.</td>
</tr>
</tbody>
</table>
Appendix B: Forms List

The forms listed below are available on Minnesota Housing’s Homeownership Capacity webpage.

Action Plan
Client File and DCS Reporting Chart
Data Collection System (DCS) User Guide
Client Survey
DCS Reporting - Intake, Annual, Program Completion
Expenditure Report
Housing Counseling Grantee Disclosure & Privacy Act Notice
Incentive Fund Application Form
Outcome
Spending Plan
Standards and Measures
Item: Approval, Homeownership Education Counseling and Training Fund Manual

Staff Contact(s):
Que Vang, 651.296.7613, que.vang@state.mn.us

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

Summary of Request:
The Homeownership Education, Counseling and Training (HECAT) Fund provides yearly financial support for comprehensive homebuyer training which may include education and counseling in a variety of areas, including in-person homebuyer education and counseling (pre-purchase and financial wellness), home equity conversion counseling, and foreclosure prevention counseling.

Staff requests approval of the HECAT Fund Manual, which will guide the use and management of funds awarded to HECAT Grantees.

Fiscal Impact:
There is no direct fiscal impact. The HECAT Fund is supported by state appropriations and committed co-funder leverage. The program does not generate income to the Agency but supports the strategic priority of reducing Minnesota's racial and ethnicity homeownership disparity.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota’s Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
• Background
• Homeownership Education Counseling and Training (HECAT) Fund Manual
BACKGROUND:
Since 1995, Minnesota Housing and its Funding Partners (Minnesota Home Ownership Center, the Greater Minnesota Housing Fund, and the Family Housing Fund) have operated the Homeownership Education Counseling and Training Fund (HECAT), offering funding statewide via a Single Family Request for Proposals (RFP). The HECAT Funds support efforts toward establishing and coordinating a statewide partnership delivery model for the continuum of services needed to promote successful and sustainable homeownership and awards organizations that demonstrate strong experience, leveraging ability and targeting efforts in accordance with the Agency’s program outreach goals and strategic direction.

The HECAT Fund Manual was created to standardize practices and to clarify existing procedures and language. The content of the Manual historically existed in the Grant Contracts, Application of Funds, and other various locations. All content is now centralized in the Manual to be more user friendly. Below is a summary of the HECAT Fund Manual.

HECAT FUND MANUAL:
Chapter 1: Grantee Requirements & Warranties
  1.01: Manual
  1.02: Grant Contract
  1.03: Evidence of Misconduct Referred to Attorney General
  1.04: Unauthorized Compensation
  1.05: Termination of Grantee Participation
  1.06: Representations and Warranties
  1.07: Conflicts of Interest
  1.08: Fraud Disclosure
  1.09: Suspension
  1.10: Fair Housing

Chapter 2: Grantee & Grant Requirements
  2.01: Grantee and Staff Standards
  2.02: HECAT Eligible Households
  2.03: HECAT Eligible Activities
  2.04: Grant Funds Tracking
  2.05: Eligible Use of Grant Funds
  2.06: Ineligible Use of Grant Funds
  2.07: Data Privacy, Authorization and Disposal
  2.08: File Documentation and Maintenance
  2.09: Records Retention
  2.10: Monitoring
  2.11: Additional Requirements

Chapter 3: Disbursements & Reporting
  3.01: Disbursement Schedule
  3.02: Financial Reports
  3.03: Narrative and Client Data Reporting

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Introduction

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

Background
The Minnesota Housing Finance Agency (Minnesota Housing) was created in 1971 by the Minnesota Legislature. We believe housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Homeownership Education Counseling and Training (HECAT) Fund
Minnesota Housing and its Funding Partners (Family Housing Fund, Greater Minnesota Housing Fund, Minnesota Home Ownership Center) offer funding through an Application for Funds to support a statewide partnership delivery model for the continuum of services needed to promote successful and sustainable homeownership. The Homeownership Education, Counseling and Training (HECAT) Fund awards organizations that demonstrate strong experience, leveraging ability and targeting efforts to help meet the HECAT goals of:

- Providing financial support for the continuum of homeownership education and counseling services.
- Supporting cooperative relationships and partnerships that provide clients access to a full range of homeownership education and counseling activities.

This Manual sets forth the terms and conditions under which Minnesota Housing will award Grant Funds to Grantees.
Chapter 1 – Grantee Requirements/Warranties

A Grantee will comply with all of the terms, conditions, provisions, covenants, requirements and/or warranties contained in the Grant Contract, the Application for Funds, the Standards Guide, the Act, any rules promulgated pursuant to the Act and all amendments.

1.01 Manual

This Manual, including subsequent changes and additions, is a supplement to the Grant Contract, the Act and all amendments executed between the Grantee and Minnesota Housing. Minnesota Housing reserves the right to:

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

Minnesota Housing grants exceptions, alterations or revisions at its sole discretion. Grantees may request, in writing to Minnesota Housing, exceptions, alterations or revisions to this Manual.

In the event there is a conflict between this Manual and the Application for Funds, Grantees must comply with the Manual. In the event the Grant Contract or this Manual conflicts with the Standards Guide, the Grantee must comply with the Grant Contract or this Manual.

1.02 Grant Contract

If a Grantee submits its Application for Funds to Minnesota Housing and is selected to receive Grant Funds through HECAT, Minnesota Housing and the Grantee will execute a Grant Contract outlining the legal relationship and responsibilities between the Grantee and Minnesota Housing.

1.03 Evidence of Misconduct Referred to Attorney General

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

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

1.04 Unauthorized Compensation

The Grantee may receive fees approved in this Manual. However, the Grantee may not receive or demand from any other party to the transaction:

- Kickbacks
- Commissions
- Other compensation not in the Standards Guide
1.05 Termination of Grantee Participation

Minnesota Housing may terminate the participation of any Grantee under HECAT at any time and may preclude Grantee’s future eligibility for reasons included, but not limited to, nonconformance with:

- This Manual;
- The Grant Contract;
- The manuals and agreements referring to other Minnesota Housing funding and programs;
- The Application for Funds;
- The Standards Guide;
- Applicable state and federal laws, rules and regulations.

Minnesota Housing may impose remedies other than termination of the Grant Contract for Grantee noncompliance.

1.06 Representations and Warranties

The Grantee agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders.

1.07 Conflicts of Interest

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

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

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

Organizational conflicts of interest occur when:

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

Once notified or otherwise made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further Grant Funds. Determinations could include:

- Revising the Grantee’s responsibilities to mitigate the conflict.
- Allowing the Grantee to create firewalls that mitigate the conflict.
- Asking the Grantee to submit an organizational conflict of interest mitigation plan.
- Terminating the Grantee’s participation.
1.08  Fraud Disclosure
The Grantee must report all known or suspected instances of fraud in connection with the making or receipt of Grant Funds to Minnesota Housing’s Chief Risk Officer as soon as evidence of fraud is discovered by the Grantee. Fraud is an intentional deception made for personal gain or to damage another.

1.09  Suspension
By entering into any Grant Contract with Minnesota Housing, accepting any award of funds from Minnesota Housing, or otherwise conducting any business with Minnesota Housing, the Grantee represents that the Grantee, or any principal of the Grantee, has not been suspended from doing business with Minnesota Housing pursuant to the Minnesota Housing Finance Agency Board of Directors Participant Suspension Policy. A principal is defined as:

- an officer, director, owner, partner, principal investigator, or other person within an organization or entity doing business with Minnesota Housing with management or supervisory responsibilities; or
- a consultant or other person, who:
  - is in a position to handle Minnesota Housing funds;
  - is in a position to influence or control the use of those funds; or
  - occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to be performed under contract with Minnesota Housing.

The Grantee must review Minnesota Housing’s suspensions webpage for a list of all suspended individuals and organizations.

1.10  Fair Housing
It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation. Minnesota Housing’s fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance.
Chapter 2 – Grantee and Grant Requirements

2.01 Grantee and Staff Standards
The Grantee must certify that:

- It is either a nonprofit organization as defined in Minn. Stat. 462A.03 Subd. 22 (as such may subsequently be amended, modified or replaced) or a political subdivision.
  - If a nonprofit organization:
    - It also has a current 501(c)(3) determination letter from the Internal Revenue Service;
    - It is in good standing and authorized to do business in Minnesota.
- See the Standards Guide for additional Grantee staff standards.

2.02 HECAT Eligible Households
Upon initial Client intake as described by Grantees in their Application for Funds, a Household is eligible to receive Program services if they reside in Minnesota at the time of intake. See the Standards Guide for additional requirements.

2.03 HECAT Eligible Activities
Homebuyer Services, including:

- In person group Homebuyer Education (workshops or clubs) to educate Household(s) on the home buying process and prepare the Household(s) for successful home ownership. Workshops or clubs must utilize approved curriculums.
- One-on-one (1:1) Homebuyer Services, including Financial Wellness and Homebuyer Counseling. Both types of 1:1 Homebuyer Services assess mortgage readiness, determine affordability, provide home buying information and referrals, and develop customized action plans. Financial Wellness is designed for anyone considering buying a home as a primary residence who has significant barriers to mortgage readiness. Homebuyer Counseling is designed for those who have few or no barriers to mortgage readiness.

Home Equity Conversion Mortgage Counseling, including:

- Tailored one-on-one counseling to help consumers make informed decisions regarding Home Equity Conversion Mortgage and Reverse Mortgage Programs.

Foreclosure Prevention Counseling, including:

- Providing information to homeowners regarding the foreclosure process, prevention options and referral services.
- Triage, assessment and development of action plans with homeowners, and communication with lenders/servicers regarding workout options.

2.04 Grant Funds Tracking
The Grantee must:

- Use generally accepted accounting principles in the maintenance of financial records.
• Track, keep record and report on the Grant Funds income and expenses, as well as any Client fees charged. Grant Funds must be used exclusively to fund Program-related expenses. Client fees charged should be considered income when reporting leverage. See the Standards Guide for additional resources.
• Accurately reflect all costs for operating the Program, report credit report fees as income/leverage and credit report costs as expenses when tracking Program expenditures.
• Obtain pre-approval for all out-of-state travel. Contact the Authorized Representative referenced in the Grant Contract for further guidance and approval. Grantee must obtain proof of the approval and supporting documentation for expenses paid with the Grant Funds.
• Document and retain in the Grant Contract file any verbal quotes obtained as part of the contracting and bidding requirements outlined in the Grant Contract. Verbal quote documentation may include but is not limited to notes, invoices and emails. All verbal quotes obtained must include: date the quote was received; name and contact of vendor; amount for service(s) requested; service(s) included in the quote; and date range of the service(s), if applicable.

2.05 Eligible Use of Grant Funds
For any Client receiving HECAT services, all file documentation and reporting requirements must be followed.

Grantee may use the Grant Funds to provide administrative support or program support for activities specific to the Program. Costs paid with Grant Funds can include the items listed on the Expenditure Report which is attached to the Grant Contract.

The Grant Funds and services must be provided and expended within the Program Year.

2.06 Ineligible Use of Grant Funds
Grant Funds cannot be used:
• For borrower financial incentives (e.g., down payment assistance, gift cards, loans of any kind);
• To cover all of a Grantee’s indirect costs;
• As carryover into the next Program Year. All unexpended Grant Funds must be returned to Minnesota Housing.

2.07 Data Privacy, Authorization and Disposal
See the Grant Contract for requirements and the Standards Guide for additional guidance.

2.08 File Documentation and Maintenance
The Grantee must maintain files with proper documentation and the files must be made available upon request. See the Standards Guide for additional requirements.
2.09 Records Retention
The Grantee must establish and follow a records retention policy in accordance with applicable laws and must meet the minimum standards established in the Grant Contract. See the Standards Guide for additional guidance.

2.10 Monitoring
Minnesota Housing and Funding Partners reserve the right to make site visits, review Grantee’s records and Client files, and conduct quality control audits. Items requested must be made available to Minnesota Housing and/or funding partners at the Grantee’s office during regular business hours, or via remote submission, if so requested by Minnesota Housing or Funding Partners.

Items that may be collected include but are not limited to the following:

- The complete Client file;
- Expense documentation (e.g., any and all books, records, invoices and receipts);
- Other Program-related documents and accounting procedures and practices relevant to the Grant Contract and this Manual.

Files are reviewed for:

- Minnesota Housing and funding partner Program/funding policy compliance;
- The Standards Guide compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction.

2.11 Additional Requirements
The Grantee must certify that:

- It has, or will secure at its own expense, all personnel required for the performance of the Grant Contract.
- It remains liable for accounting and full repayment of all unexpended Grant Funds to Minnesota Housing.
Chapter 3 – Disbursement and Reporting

3.01 Disbursement Schedule
Grantee will be disbursed Grant Funds according to the Disbursement Schedule, which is attached to the Grant Contract.

3.02 Financial Reports
Grantee must submit regular financial reports to the Minnesota Housing. Financial reporting will consist of both, the Grant Funds and Grantee’s overall Program income(s) and expenditure(s) covering the duration of the Program Year. See the Expenditure Report for the template each Grantee is required to submit and the cost items that may be paid for by the Grant Funds. See the Grant Contract for the Reporting Schedule.

3.03 Narrative and Client Data Reporting
The Minnesota Home Ownership Center will request reports from the Grantee. More information about format and schedule will be provided by the Minnesota Home Ownership Center. See the Standards Guide for more details.

The reporting requirements in this section will survive the expiration or cancellation of the Grant Contract and remain in full force and effect until all requirements have been complied with fully. See the Standards Guide for additional resources.
# Appendix A: Definitions

<table>
<thead>
<tr>
<th>TERM</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act</td>
<td>Minnesota Statutes Section 462A.209.</td>
</tr>
<tr>
<td>Application for Funds</td>
<td>The process by which the Single Family Division of Minnesota Housing solicits Grantee applications for the Grant funds.</td>
</tr>
<tr>
<td>Client</td>
<td>An Individual(s) receiving Program services.</td>
</tr>
<tr>
<td>Client Fees</td>
<td>Payment made by the Client to the Grantee for the Program services.</td>
</tr>
<tr>
<td>Funding Partners</td>
<td>Co-grantors who contribute funds to a pool of HECAT Grant Funds</td>
</tr>
<tr>
<td>Grant Contract</td>
<td>The legal document signed by both the Grantee and Minnesota Housing, in which the Grantee will agree to perform duties and services while following the requirements set forth by Minnesota Housing.</td>
</tr>
<tr>
<td>Grant Funds</td>
<td>The funds that Minnesota Housing and the funding partners reserve and make available to the Grantee for eligible activities under HECAT.</td>
</tr>
<tr>
<td>Grantee</td>
<td>A nonprofit or a governmental entity recipient of funds awarded under HECAT and with which Minnesota Housing, in its sole discretion, enters into a Grant Contract for local administration of the Program(s).</td>
</tr>
<tr>
<td>Household</td>
<td>An individual or group of persons, that reside together, seeking homeownership services related to obtaining or sustaining homeownership.</td>
</tr>
<tr>
<td>HECAT</td>
<td>The Homeownership Education Counseling and Training Grant Funds.</td>
</tr>
<tr>
<td>Manual</td>
<td>This HECAT Manual.</td>
</tr>
<tr>
<td>Minnesota Housing</td>
<td>The Minnesota Housing Finance Agency.</td>
</tr>
<tr>
<td>Program</td>
<td>The eligible services under the HECAT Grant Funds.</td>
</tr>
<tr>
<td>Program Year</td>
<td>The timeframe which the Grant Contract is active.</td>
</tr>
<tr>
<td>Request for Proposal (RFP)</td>
<td>The process by which the Single Family Division of Minnesota Housing solicits Grantee Applications for Funding under HECAT.</td>
</tr>
<tr>
<td>Standards Guide</td>
<td>The Minnesota Home Ownership Center document which sets standards to ensure high-quality and efficient program services.</td>
</tr>
</tbody>
</table>
Appendix B: Attachments

- Standards Guide
- Expenditure Reports
Item: Approval, Selection, Rental Rehabilitation Deferred Loan (RRDL) - River Bluff Apartments, Springfield D8081

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

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

Summary of Request:
Minnesota Housing staff has completed the underwriting and technical review of the proposed development and requests the adoption of a resolution authorizing selection and approval of a Rental Rehabilitation Deferred Loan (RRDL) in the amount up to $300,000. This includes a requested waiver of the RRDL loan-to-value (LTV) ratio requirement contained in the terms and conditions of Minnesota Housing’s Rental Rehabilitation Deferred Loan Pilot (RRDL) Program Guide.

Fiscal Impact:
None

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota’s Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):
• Background
• Development Summary
• Resolution
Program Background:
The Rental Rehabilitation Deferred Loan Pilot Program was approved by Minnesota Housing’s board in October 2011. The program provides loans to owners of affordable rental housing developments in Greater Minnesota who have limited access to other financing and are not competitive in the Multifamily Consolidated Request for Proposals (RFP). RRDL funds are used to make necessary improvements to correct health and safety items, increase energy efficiency, and prevent future deterioration, thereby preserving affordable rental housing stock.

Project Summary and Scope of Work:
River Bluff Apartments is a partner substitution/rehabilitation project. The proposed scope of work includes upgrades that will improve and maintain the quality of the property for an additional 15 years.

Development Summary:
Development: D8081
Application: M20130
Name: River Bluff Apartments
Address: 200 Riverside Drive
City: Springfield
County: Brown
Region: South central

Mortgagor:
Ownership Entity: Springfield Apartments Limited Partnership
General Partners/Principals: Southwest Minnesota Housing Partnership (SWMHP)

Development Team:
General Contractor: Salonek Concrete & Construction, Inc.
Architect: N/A
Attorney: N/A
Management Company: SMR Management
Service Provider: N/A

Current Funding Request/Program and Terms:
Amount and Program: $300,000 Rental Rehabilitation Deferred Loan
Funding Source: State appropriations
Interest Rate: 0%
Term (Years): 30

RENT GRID:

<table>
<thead>
<tr>
<th>UNIT TYPE</th>
<th>NUMBER</th>
<th>GROSS RENT</th>
<th>AGENCY LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Bedroom</td>
<td>6</td>
<td>$642</td>
<td>$820</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>4</td>
<td>$728</td>
<td>$984</td>
</tr>
<tr>
<td>Three Bedroom</td>
<td>2</td>
<td>$796</td>
<td>$1,137</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Eleven of twelve units are assisted by United States Department of Agriculture (USDA) Section 515 rental assistance, which limits the tenant-paid rents to 30 percent of the household’s income; RRDL will require that the rental assistance remain in place for the term of the loan.

NOTE: Under RRDL, all units will be restricted to 80% of the greater of state or area median income (AMI) for a family of four, not adjusted for family size.

Purpose of Property:
River Bluff Apartments is a 12-unit, two-story apartment building located in the city of Springfield, Minnesota. Eleven of twelve units are assisted by USDA Section 515 rental assistance. The development meets the strategic priority of preserving federally assisted units. RRDL will be used to rehabilitate the property. Since the partner substitution occurred in October 2017, new ownership has increased rental assistance utilization by decreasing vacancy rates.

Populations Served:
This development is general occupancy/family housing. Population figures in Springfield and Brown County are stable to slightly declining; however, the project is the only general occupancy rental housing with project-based rent assistance in the community.

Project Feasibility:
The project is feasible as proposed. Development financing includes a NeighborWorks America loan to be issued by the owners in the amount of $83,625 and a $300,000 RRDL from Minnesota Housing. The development cash flows at the proposed rent levels, and the project is consistent with program underwriting guidelines with the exception of the LTV ratio.

The LTV for Minnesota Housing’s RRDL and loans in superior position is 145%, which exceeds the RRDL guideline of 125%. Program staff believes that two factors mitigate the higher than desired LTV: 1) the leveraging of the RRDL to the federal rental assistance; and 2) the proposed renovations will improve the value of the development as well as the marketability of the units.

Development Team Capacity:
Southwest Minnesota Housing Partnership was established in 1992 as a nonprofit 501(c) (3) community development corporation. Staff has the training and experience needed to successfully own and manage River Bluff Apartments. Their portfolio is a mix of Section 8, USDA Rural Development, and housing tax credit unit developments located across southern Minnesota. The property management company, SMR Management, has the capacity to manage this development.

Physical and Technical Review:
Salonek Concrete & Construction, Inc. is the selected general contractor and has the capacity to effectively rehabilitate the project. They have successfully completed other affordable housing developments in partnership with SWMHP. Minnesota Housing staff has reviewed the scope of work and has determined that the repairs are needed in order to maintain the building. The scope of work includes replacement of two boilers, replacement/update of the main fire panel, renovations to common areas of the building, unit improvements including kitchen and bathroom upgrades, accessibility improvements to meet current code, and exterior improvements, including replacement of windows, air conditioning sleeves, exterior doors, roofing, and landscape corrections. Energy efficiency
and water conservation measures are incorporated throughout the scope, including low-flow plumbing fixtures/faucets, LED lighting, and improved efficiency of the HVAC system.

**Market Feasibility:**
Springfield is located in south central Minnesota in Brown County. CoStar data shows a vacancy rate of 3.6 percent for Brown County. Properties within 15 miles of River Bluff Apartments have a vacancy rate of 5.9 percent. Springfield is located within 25 miles of other job centers including Sleepy Eye, New Ulm, Redwood Falls, Jackpot Junction, Windom, and St. James.

**DEVELOPMENT COST SUMMARY:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Development Cost</strong></td>
<td>$392,625</td>
<td>$32,719</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>$335,550</td>
<td>$27,962</td>
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<tr>
<td>General Requirements/Contractor</td>
<td>$26,408</td>
<td>$2,201</td>
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<tr>
<td>Overhead and Profit</td>
<td></td>
<td></td>
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<tr>
<td>Soft Costs and Contingency</td>
<td>$30,667</td>
<td>$2,556</td>
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<tr>
<td><strong>Agency Deferred Loan Sources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental Rehabilitation Deferred Loan</td>
<td>$300,000</td>
<td>$25,000</td>
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<tr>
<td><strong>Other Non-agency Sources</strong></td>
<td></td>
<td></td>
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<tr>
<td>NeighborWorks America</td>
<td>$83,625</td>
<td>$6,969</td>
</tr>
<tr>
<td>Owner Equity</td>
<td>$9,000</td>
<td>$750</td>
</tr>
<tr>
<td><strong>Total Non-agency Sources</strong></td>
<td>$92,625</td>
<td>$7,719</td>
</tr>
</tbody>
</table>
RESOLUTION NO. MHFA 19-XX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
RENTAL REHABILITATION DEFERRED LOAN PROGRAM

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

Name of Development: River Bluff Apartments
Sponsors: Springfield Apartments Limited Partnership
Location of Development: Springfield, MN
Number of Units: 12
Amount of Development Cost: $392,625
Amount of RRDL Mortgage: $300,000

WHEREAS, Agency staff has determined that such application is eligible under the program guidelines and thresholds of the Rental Rehabilitation Deferred Loan program.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a selection and approval letter to provide a Rental Rehabilitation Deferred Loan funded by state appropriations to said applicant for the indicated development, upon the following terms and conditions:

1. The amount of the loan shall not exceed $300,000;
2. The interest rate of the loan shall be 0 percent;
3. The term of the loan shall be 30 years;
4. The RRDL LTV requirement of 125% will be waived;
5. The loan closing must occur within 12 months of the date of this Resolution;
6. The proposed rehab work must be completed within 18 months of the loan closing and any funds not used by the end of this period shall be determined to be unneeded and ineligible for disbursement;
7. The mortgagor shall agree with the terms set forth in Minnesota Housing’s Rental Rehabilitation Deferred Loan Program Guide; and
8. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff.

Adopted this 21st day of March 2019

_____________________________________
CHAIRMAN
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Item: Approval, Housing Infrastructure Bonds Guide

Staff Contact(s):
William Price, 651.296.9440, william.price@state.mn.us

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

Summary of Request:
Staff requests approval of the Housing Infrastructure Bonds (HIB) Guide. Staff created this guide to assist developers and community partners to structure multifamily rental projects to meet requirements for loans financed by the issuance of Housing Infrastructure Bonds.

Fiscal Impact:
None

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota’s Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☐ Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):
• Background and Summary
• Housing Infrastructure Bonds Guide
Background:
In 2012, the Minnesota Legislature authorized Minnesota Housing to issue Housing Infrastructure Bonds (HIBs). HIBs are limited obligation tax-exempt bonds, the principal and interest of which are paid from appropriations from the general fund of the state, and the proceeds are used to fund loans that finance the creation and preservation of low- to moderate-income housing projects of specific uses. Since 2012, over $178 million in HIBs have been issued to create and preserve 2,628 housing units.

Summary:
Minnesota Housing issues HIBs for specific eligible multifamily uses, including:

- Acquisition, construction and rehabilitation of permanent supportive housing for individuals and families without a permanent residence
- Acquisition and rehabilitation of federally assisted rental housing and the refinancing of costs of construction, acquisition and rehabilitation, including providing funds to refund, in whole or in part, outstanding bonds previously issued by Minnesota Housing or another government unit to finance or refinance those costs
- Acquisition and rehabilitation of foreclosed or abandoned housing to be used for affordable rental housing
- New construction of rental housing on abandoned or foreclosed property where the existing structures will be demolished or removed

The 2018 bonding bill added two new eligible uses for HIB proceeds, including:

- Acquisition, construction and rehabilitation of permanent supportive housing for people with behavioral health needs
- Acquisition, rehabilitation, adaptive reuse or new construction of senior housing

The HIB guide outlines requirements for developers and community partners in one Guide; previously information on the eligible uses of HIB proceeds was in multiple places. The chapters and key highlights of the guide are outlined below.

**Eligible Uses and Eligibility Criteria**

- Eligible applicants include nonprofit and for-profit entities, governmental entities and tribes or tribal housing corporations.
- Permanent Supportive Housing – Homeless
  - Eligible populations include High Priority Homeless households, persons with a disability, individuals exiting an institution, and homeless populations not prioritized through the Coordinated Entry (CE) system.
- Permanent Supportive Housing – Behavioral Health
  - Eligible populations include individuals with mental illness or substance use disorders.
- Senior Housing
  - Individuals age 55 or older with an income at or below 50% of the metropolitan area median or statewide area median.
Agenda Item: 7.D

Background and Summary

- Statutory preference for senior households at or below 30% of the metropolitan area median.
- Applicants must submit a service plan or a senior narrative that outlines access to services for seniors that support aging in place.
- Projects must meet Universal Design Standards and be appropriately sized for the targeted population.

- Preservation
  - Eligible projects must meet the Preservation Strategic Priority as defined in the Housing Tax Credit Qualified Allocation Plan (QAP) of the year of the funding application, meet a specific risk of loss and preserve existing federal assistance or critical affordable units.

- Foreclosed Properties
  - Eligible properties must meet at least one Strategic Priority as defined in the Housing Tax Credit Self-scoring Worksheet.

- Household income must be at or below 80% of the statewide median or area median income.
- Maximum gross rents may not exceed the Affordable to Local Workforce rent limits published by Minnesota Housing.

HIB Loan Characteristics

- HIB loans are typically structured as zero percent deferred payment loans with a 30-year term.
- Loans may be structured three different ways, depending on the borrower, and may utilize volume limited tax-exempt bonds allowing a project to seek 4% low-income housing tax credits.
- At application, projects requesting HIB must document that the project meets multiple bond analysis tests and adheres to state and federal bond restrictions and requirements.
- Loans made from HIB proceeds are processed in the same manner as a deferred loan, initially selected by Minnesota Housing’s board and given final approval by Minnesota Housing’s internal Mortgage Credit Committee.
- Bonds are typically issued at one time for multiple projects via Minnesota Housing board resolutions, which will identify each loan authorized to be financed with the proceeds of those bonds.
- Post-closing, projects are required to adhere to the Bond Compliance Agreement, which requires annual certifications, financial reporting and annual inspections.
- HIB loans may not be prepaid for a period of 10 years from the date of the mortgage note; the covenants and conditions in the declarations run with the land and will remain in effect for the term of the declarations even if the loan is paid in full or an assumption of the loan is permitted.

Recommendation: Staff recommends approval of the Housing Infrastructure Bonds Guide.
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Housing Infrastructure Bonds Guide

April 2019
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 –Purpose and Background

The authority of Minnesota Housing Finance Agency ("Minnesota Housing") to issue housing infrastructure bonds ("HIBs") is provided in Minn. Stat. § 462A.37. The Minnesota Legislature first authorized Minnesota Housing to issue HIBs in 2012 to fund loans for certain housing purposes. HIBs are special, limited obligation tax-exempt bonds, the principal and interest on which are paid solely from appropriations from the General Fund of the state, issued by Minnesota Housing. The proceeds of HIBs may be used by Minnesota Housing to fund loans to finance the acquisition, rehabilitation or construction of housing, including supportive housing, for persons and families of low- and moderate-income. Specifically, loans may be made to finance the following multifamily housing purposes:

- Acquisition, construction, or rehabilitation of permanent supportive housing for individuals and families without a permanent residence
- Acquisition, construction, or rehabilitation of permanent supportive housing for people with behavioral health needs
- Acquisition, rehabilitation, adaptive reuse or new construction of senior housing
- Acquisition and rehabilitation of federally assisted rental housing and the refinancing of costs of construction, acquisition and rehabilitation, including providing funds to refund, in whole or in part, outstanding bonds previously issued by Minnesota Housing or another government unit to finance or refinance those costs
- Acquisition and rehabilitation of foreclosed or abandoned housing to be used for affordable rental housing
- New construction of rental housing on abandoned or foreclosed property where the existing structures will be demolished or removed

There are other authorized uses for the proceeds of HIBs, but these uses are not the subject of this Guide. This Guide only applies to the uses described above.
Chapter 2 – Eligible Uses and Eligibility Criteria

2.01 Owner/Sponsor
Eligible applicants for loans made from the proceeds of HIBs include:

- A nonprofit, tax-exempt organization as defined under section 501(c)(3) of the Internal Revenue Code
- A governmental entity (excluding the federal government)
- An Indian tribe or tribal housing corporation
- A for-profit entity

2.02 Eligible Use Requirements and Level of Funding
Permanent Supportive Housing – Homeless. The proceeds of HIBs may be used to finance the costs of acquisition, construction, or rehabilitation of supportive housing for individuals and families who are without a permanent residence, have multiple barriers to obtaining and maintaining housing, and benefit from the availability of supportive housing services. To be eligible for consideration for funding, projects must meet the following criteria:

- Units in a project must provide permanent housing for individuals and families who are homeless. Eligible homeless populations include:
  - High Priority Homeless (HPH) Households prioritized for permanent supportive housing through the Coordinated Entry (CE) system
  - Persons with disabilities, as defined in the HTC Self-Scoring Worksheet, who are without a permanent residence.
  - Individuals exiting an institution who are without a permanent residence
    - An institution is defined as any system of care or incarceration where individuals reside that is not a permanent place of residence. Institutions can include nursing homes, treatment facilities, foster care, board and care facilities, jails and prisons.
    - Other homeless populations not prioritized through the Coordinated Entry System (CE)

If intending to finance the development with low-income housing tax credits, the market study submitted with your application must incorporate additional requirements for projects involving special needs population, housing for homeless households and supportive housing as required in Minnesota Housing’s Housing Tax Credit Market Study Guidelines.

Permanent Supportive Housing – Behavioral Health. The proceeds of HIBs may be used to finance the costs associated with acquisition, construction, or rehabilitation of permanent supportive housing for individuals with behavioral health needs. To be eligible for consideration for funding, projects must meet the following criteria:

- Units must provide permanent supportive housing for individuals with the following behavioral health needs:
  - Mental illness
NOTE: Units for individuals with behavioral health needs as defined above may target individuals who also meet a homeless definition.

If intending to finance the development with low-income housing tax credits, the submitted market study must incorporate additional requirements for projects involving special needs populations, housing for homeless households and supportive housing as required in Minnesota Housing’s Housing Tax Credit Market Study Guidelines.

**Senior Housing.** The proceeds of HIBs may be used to finance the costs of the acquisition, rehabilitation, adaptive reuse, or new construction of senior housing. To be eligible for consideration for funding, projects must meet the following criteria:

- Units in the project must be leased to households where at least one member is age 55 or older and that member’s gross annual *individual* income does not exceed 50% of the:
  - Metropolitan area median income for the metropolitan area, or
  - Statewide area median income for projects outside the metropolitan area.

- Statute gives preference to projects that serve households with a gross annual income that does not exceed 30% of the metropolitan area median, not adjusted for household size. Minnesota Housing will prioritize proposals that achieve this preference and demonstrate financial feasibility.

- 100 percent of the units must be intended for occupancy by seniors and at least 80 percent occupied by seniors.

- The project must have written policies and procedures specifying intent to provide housing for seniors.

- A service plan or Senior Housing Narrative, to be submitted at the time of application, that describes access to services to support residents as they age in place and demonstrates the ability to increase physical supports and supportive housing services as residents age and experience increasing levels of disability. The plan or narrative must have been submitted for reviewed by the local public housing authority (PHA), housing and redevelopment authority (HRA), community development agency (CDA) or economic development authority (EDA) that operates in the city or area where the project is located.

- If intending to finance the development with low-income housing tax credits, the market study submitted with the application must include the materials required in the [Senior Addendum to Market Study Guidelines](#).

**Preservation.** The proceeds of HIBs may be used to finance the costs of the acquisition and rehabilitation of federally assisted rental housing and to refinance costs of construction, acquisition and rehabilitation, including providing funds to refund, in whole or in part, outstanding bonds previously issued by Minnesota Housing or another government unit to finance or refinance those costs.

- To be eligible for consideration for funding, projects must meet the Preservation Strategic Priority as defined in the Housing Tax Credit Qualified Allocation Plan (QAP) of the year of the funding application, meet a risk of loss and be eligible for the selection criteria by preserving...
existing federally assisted or other critical affordable units. For more information, refer to the Housing Tax Credit Self-scoring Worksheet.

**Foreclosed Properties.** The proceeds of HIBs may be used to finance the costs of the acquisition and rehabilitation of foreclosed or abandoned housing to be used for affordable rental housing, or of the new construction of rental housing on abandoned or foreclosed properties where the existing structures will be demolished or removed.

- To be eligible for consideration for funding, projects must meet at least one of the strategic priorities as defined in the Housing Tax Credit Self-scoring Worksheet.

**Projects.** A project may be either a multifamily housing residence or a portion of a mixed-use multifamily residence that has a property legal description distinct from any other portion of the residence. The proceeds of HIBs may only be used to finance the costs of projects serving permanent supportive housing for homeless or behavioral health needs if 100 percent of the units in the project will be permanent supportive housing units.

**Ineligible Projects.** Temporary uses such as shelters, transitional housing or residential hotels are **not** eligible for funding with the proceeds of HIBs. For senior housing, housing must be of an independent living model. Assisted living facilities are **not** eligible for funding with the proceeds of HIBs.

**Level of Funding.** In determining the amount of the financing from the proceeds of HIBs, Minnesota Housing reviews cost reasonableness on a per-unit and total project cost basis. Minnesota Housing also analyzes the developmental and operational costs to determine that the amount of funds provided to the project is not more than is necessary to make it financially feasible.

**Housing Related Space.** Projects funded with the proceeds of HIBs may include housing-related space such as community, administrative or program space. Minnesota Housing will take into consideration the following factors when determining the amount of housing-related space in a housing project that will be funded:

- The extent to which the proposed use of the space fits with the service needs of the tenants and does not expose the tenants to security risks or the project to financial risk
- The ease with which the space is convertible to residential space
- The financial and operational capacity of the applicant or any partner organization to operate and manage the space
- Whether similar services or facilities that are appropriate for the tenants are located nearby
- Whether the space will be used exclusively by tenants
- The availability of other funding for the construction and/or rehabilitation of space, as well as the maintenance and operation of that space

**2.03 Design and Construction Review**
Projects financed with the proceeds of HIBs must meet Minnesota Housing’s [Rental Housing Design and Construction Standards](#) and are subject to plan reviews by staff architects per Minnesota Housing’s [Architect’s Guide](#).
**HIB Senior Design Requirements.** In addition to meeting Minnesota Housing’s Rental Housing Design and Construction Standards, senior housing projects must also meet universal design standards, which incorporate features that allow a residence to be adapted to an individual’s changing needs to encourage aging in place. For more information, refer to the [Universal Design Worksheet Compliance Agreement and Certification](#). Senior housing projects must also be appropriately designed for the targeted population.

### 2.04 Income Requirements

**Income Limits.** All units in a project financed with the proceeds of HIBs must be occupied by households whose income at the time of initial occupancy does not exceed 80 percent of the greater of statewide median or area median income, not adjusted for household size. Lower income limits may be required for all or some of the units based on Minnesota Housing’s funding priorities, state law applicable to a financing with the proceeds of HIBs or federal tax law. If any of the Assisted Units are the subject of project-based or tenant-based rental assistance such as Section 8 or a similar state, or local government rental assistance program or private organization or a Housing Support Agreement, such units are deemed to satisfy the Income Restrictions.

For acquisition and rehabilitation projects, the owner must contact each household prior to mortgage commitment and have them certify their gross annual household income on an [Initial Occupancy Statement by Tenant Form](#) (other, more detailed income certification forms may be acceptable as long as information on the more detailed form(s) matches the information requested on the Initial Occupancy Statement by Tenant Form). As assisted units become vacant, they must continue to be leased to income-qualifying households. New households must similarly certify their gross annual household income prior to occupancy.

**NOTE:** If there are other funding sources for the project, there may be additional income requirements.

**Minimum Term.** The income restrictions for the assisted units are in effect for the term of the loan. If the loan is prepaid, the income and occupancy restrictions will remain in place for a minimum of 15 years.

**HIB Senior Individual Income Limits.** For projects to qualify units under the senior housing eligible use of the proceeds of HIBs, at least one household member living in each qualified unit must be age 55 or older, and this individual must have a gross annual income at initial occupancy that does not exceed 50 percent of metropolitan area median income for projects within the 13-county Minneapolis/St. Paul metropolitan area, or 50 percent of statewide area median income for projects outside the 13-county Minneapolis/St. Paul metropolitan area.

Applicable household and individual income limits can be found on Minnesota Housing’s website at [www.mnhousing.gov](http://www.mnhousing.gov).

### 2.05 Rent Limitations

**Maximum Gross Rents.** Limitations on the amount of rent that may be charged for each unit will remain in place for the term of the loan. Rents for units assisted with the proceeds of HIBs may not exceed the Affordable to Local Workforce rent limits published by Minnesota Housing. Lower rent limits may be required for all or some of the units based on Minnesota Housing’s funding priorities. If any of the Assisted Units are the subject of project-based or tenant-based rental assistance such as Section 8 or a similar state, or local government rental assistance program or private organization or a Housing Support Agreement, such units are deemed to satisfy the Rent Restrictions.

For acquisition and rehabilitation projects, the owner must contact each household prior to mortgage commitment and have them certify their gross annual household income on an [Initial Occupancy Statement by Tenant Form](#) (other, more detailed income certification forms may be acceptable as long as information on the more detailed form(s) matches the information requested on the Initial Occupancy Statement by Tenant Form). As assisted units become vacant, they must continue to be leased to income-qualifying households. New households must similarly certify their gross annual household income prior to occupancy.

**NOTE:** If there are other funding sources for the project, there may be additional rent requirements.
Support Agreement, such units are deemed to satisfy the Rent Restrictions. Rents are gross rents that include an allowance for tenant paid utilities. An acceptable utility allowance is determined by the Section 8 PHA utility allowance for vouchers and must be updated annually.

If there are other funding sources for the project, there may be additional rent limitations.

**Minimum Term.** The rent restrictions for the assisted units are in effect for the term of loan. If the loan is prepaid, the rent and occupancy restrictions will remain in place for a minimum of 15 years.
Chapter 3 – HIB Loan Characteristics

Minnesota Housing primarily selects projects for a loan to be made with the proceeds of HIBs, when, as and if issued by Minnesota Housing, during Minnesota Housing’s annual Consolidated Request for Proposals (RFP) process. Minnesota Housing underwriting parameters for all projects include an analysis of financial feasibility and development costs, and a review of sponsor capacity (financial and organizational), management, marketability and architectural requirements. Refer to Minnesota Housing’s Multifamily Underwriting Standards.

3.01 Mortgage Interest Rate and Term
Loans are made as a zero percent deferred payment loan unless a higher interest rate is necessary to allow the proceeds of the HIBs to be used with other funding sources, such as low-income housing tax credits. Principal and interest, if any, will generally be due and payable at the end of the loan term, which is typically 30 years; however, Minnesota Housing may, at its sole discretion, require 20 percent of cash flow in excess of $50,000 to be applied annually to the repayment of the loan. The loan term may be adjusted based on requirements and conditions of other funding sources related to the length of the term.

3.02 HIB Loan Types

Tax-Exempt Private Activity Bond Funded. Loans are structured as deferred payment loans, repayable at maturity. HIBs issued by Minnesota Housing to fund these loans require an allocation of a portion of the state of Minnesota’s volume cap on tax-exempt private activity bonds. Loans funded with the proceeds of this type of HIBs may help to qualify a project for four percent low-income housing tax credits if the proceeds of the HIBs, together with the proceeds of any other tax-exempt volume limited obligations issued to finance that project, will fund at least 50 percent of the aggregate basis of the project plus land. The project must meet the bond tests analysis discussed in 3.03 Bond Tests Analysis and the requirements of the applicable housing tax credit Qualified Allocation Plan. The borrower may be any type of entity except for a governmental entity.

Governmental Bond Funded. Loans are structured as deferred payment loans, and will be either forgivable at maturity, if the borrower is not a governmental entity, or either forgivable or repayable at maturity, if the borrower is a governmental entity. HIBs issued by Minnesota Housing to fund these loans do not require an allocation of a portion of the state of Minnesota’s volume cap on tax-exempt private activity bonds. These loans will not qualify a project for four percent low-income housing tax credits. The borrower may be any type of entity.

501(c)(3) Bond Funded. Loans are structured as deferred payment loans and are repayable at maturity. HIBs issued by Minnesota Housing to fund these loans do not require an allocation of a portion of the state of Minnesota’s volume cap on tax-exempt private activity bonds. These loans do not qualify a development for four percent low-income housing tax credits. The borrower must be a 501(c)(3) nonprofit organization.

3.03 Bond Tests Analysis
During Minnesota Housing’s annual Consolidated RFP, applicants are required to submit a completed Bond Tests Analysis spreadsheet. This tool can assist applicants in determining if the project meets specific bond tests.
50% Test. One of the major requirements for a development to preliminarily qualify for four percent low-income housing tax credits is the use of the proceeds of volume-limited tax-exempt private activity bonds to pay for at least 50 percent of total aggregate basis of the project plus land through the placed-in-service date. To initially estimate the bond amount required, use this equation:

\[
\text{Bonds required for 50 percent test} = 0.50 \times ([\text{total aggregate basis} - \text{rebates}] + \text{land acquisition cost})
\]

This is a rough estimate that may be used during initial selection. The borrower should consult with their accountant to ensure that the project meets the 50 percent test as required by Section 42 of the Internal Revenue Code (IRC).

Good Costs/Bad Costs. Certain eligible development costs, also known as good costs, may be allocated to the proceeds of tax-exempt bonds, while other ineligible (bad) costs may not. There must be sufficient good costs to support the final loan amount.

Good costs and bad costs are listed on the Bond Tests Analysis spreadsheet under the Bond Costs from Workbook tab. Some bad costs will not automatically categorize and will need to be adjusted manually. For example, development fees, general contractor fees and overhead, or architect’s fees are considered bad costs when there is an identity of interest between the borrower and one of these parties, since payments to related parties (as defined by federal tax law) may not be tax-exempt bond financed.

The Bond Tests Analysis, Bond Costs from Workbook tab calculates the anticipated amount of good costs and the amount of bonds needed to meet the 50 percent test ([the total aggregate basis – rebates] + land amount) plus a three percent buffer. If the former is not at least equal to the latter, there are not enough good costs to support the amount of bonds needed to meet the 50 percent test.

If a project contains commercial or non-residential space, costs related to those portions of the development are considered bad costs.

If at any time during post-selection there are updates to good/bad costs, please submit that information to the Minnesota Housing underwriter who is assigned to your project. Minnesota Housing’s finance and bond counsel make the final determination of good costs. Minnesota Housing’s counsel must determine there are adequate good costs to support the amount of bonds; however, Minnesota Housing finance and bond counsel make no determination about the 50 percent test for purposes of low-income housing tax credits eligibility. The borrower’s accountant determines this.

Ownership Assessment. Organizational charts for the current and future ownership entities showing the ownership percentage, cash flow, and residuals must be sent to Minnesota Housing post-selection. Refer to Appendix B for sample organizational charts pre- and post-sale.

Rehab/ Acquisition Ratio. Rehabilitation expenditures must equal or exceed 15 percent of the portion of the cost of acquiring the building financed by bonds.

\[
\frac{\text{Rehab costs}}{(\text{Building acquisition} - \text{land cost}) \text{ financed by bonds}}
\]

This calculation is included in the Bond Tests Analysis and Bond Costs tab of the Workbook.
**Bond Income Restrictions.** If the project is funded with a 4% housing tax credit financial structure, units must be income-restricted to meet the requirements of the elected minimum set-aside in accordance with IRC Section 42 and Section 142(d). This restriction is in addition to income limits applicable to projects financed with the proceeds of HIBs and associated with any other funding sources financing costs of the project.

**State Requirements Applicable to Tax-Exempt Volume Limited Bonds.**

- **Fair market rents (FMR):** At least 20 percent of units must have rents at or below FMR or exception FMR for existing housing. Units that have project-based federal rental assistance (e.g., Section 8) are deemed to meet this condition.
- **Extend Affordability/Rental Assistance:** The borrower is obligated to extend any existing affordability restrictions and any rental assistance agreements for the maximum term permitted.

**Scattered Site Projects.** For a scattered site development, each separate site must meet the income set-aside, the 50 percent test, the rehabilitation cost test, the Good Cost/Bad Costs test and Minnesota’s Fair Market Rent (FMR) test.

### 3.04 Underwriting and Post-Selection Process

**Reimbursement Declaration.** After selection Minnesota Housing will execute a declaration of intent to reimburse costs of the project from the proceeds of HIBs. That declaration of intent allows eligible expenses incurred and paid up to 60 days prior to execution of the declaration to be reimbursed with the proceeds of HIBs. Some preliminary expenditures are reimbursable even if incurred and paid earlier (e.g. architect, engineering, surveying, soil testing), but not land acquisition or site preparation. The reimbursement declaration does not expire.

**Tax Equity and Fiscal Responsibility (TEFRA) Hearing.** Minnesota Housing will notice and hold a TEFRA public hearing for all projects to be financed with the proceeds of HIBs. The principal amount of bonds stated in the notice of the TEFRA hearing will include a buffer over the anticipated amount of the bonds. If the final bond amount is greater than the amount stated in the TEFRA notice, another TEFRA hearing may be necessary. The bonds must be issued within one year of the approval of the Governor obtained by Minnesota Housing subsequent to the TEFRA hearing, or a subsequent TEFRA hearing must be held.

**Fees.** Minnesota Housing may, at its sole discretion and as approved by the Commissioner, charge fees for certain loans funded with proceeds of HIBs. Some projects may also be financed with another loan funded by the proceeds of other tax-exempt bonds issued by Minnesota Housing. In that case, fees will be charged with respect to that loan.

**Bond Issuance.** The proceeds of HIBs usually will finance loans for multiple projects. Neither the principal and interest, if any, to be repaid with respect to the loans nor the property financed are security for repayment of the HIBs. For approval purposes, a loan made from the proceeds of HIBs is processed in the same manner as a deferred loan. Minnesota Housing’s internal Mortgage Credit Committee approval is required for the loan, and, after initial selection, additional Minnesota Housing Board approval is not typically required. However, the funding of the loans will be dependent upon, and will not occur until, the issuance of HIBs. Minnesota Housing’s ability to issue HIBs is dependent on Minnesota Management and Budget providing updated disclosure with respect to the State of
Minnesota and its finances. Currently, that disclosure is only prepared when the state issues its general obligation bonds in late summer or early fall.

Minnesota Housing’s board resolution approving the issuance of HIBs will identify each loan that authorized to be financed with the proceeds of those HIBs.

The timing of the issuance of the HIBs affects the following for loans funded with HIBs that are tax-exempt volume limited bonds for a project that intends to seek four percent low-income housing tax credits:

- **Applicable Percentage**: The applicable percentage for low-income housing tax credits is based either on the date the project is placed in service or, at the election of the owner, the month the tax-exempt volume limited bonds are issued. In the case of projects funded with multiple issues of tax-exempt volume limited bonds (whether HIBs or another type of bond) in different months, the owner may elect which month’s applicable percentage to use. In order to lock in the applicable percentage for the month the tax-exempt volume limited bonds are issued, the owner must sign and submit an Election of Applicable Percentage Agreement. This election must be made no later than the fifth day of the month following the month the tax-exempt volume limited bonds are issued.

- **QAP Scoring**: The project must meet the minimum score, and satisfy other applicable requirements, for the QAP in the year in which the tax-exempt volume limited bonds are issued. If a project is funded with multiple issues of tax-exempt volume limited bonds issued in different years, the QAP for the year in which tax-exempt volume limited bonds are issued sufficient for the project to meet the 50 percent test will apply. Refer QAP and HTC Program Procedural Manual for the year in which the tax-exempt volume limited bonds are issued for additional information.

- **Declaration of Land Use Restriction Agreement (LURA)**: The project must adhere to the tax credit LURA for the year in which the tax-exempt volume limited bonds were issued. In the case of projects funded with multiple issues of tax-exempt volume limited bonds issued in different years, use the LURA for the year tax-exempt volume limited bonds sufficient for the project to meet the 50% test were issued. Refer to the applicable year QAP and HTC Program Procedural Manual for additional information.

- **474A.047 Compliance**: Prior to bond issuance, projects with an existing project-based federal rental assistance payment contract must enter into a binding agreement with Minnesota Housing to extend affordability restrictions and any contract or agreement for rental assistance for the maximum term permitted. Minnesota Housing must also certify, based on information certified to Minnesota Housing by the borrower, that project reserves will be maintained at the issuance of the bonds and budgeted in future years at the lesser of:
  - The level described in Minnesota Rule, part 4900.0010, subpart 7, item A, subitem (2), effective May 1997; or
  - The level of project reserves available prior to issuance of the bonds, provided that additional money is available to accomplish repairs and replacements needed at the time of issuance of the bonds.
3.05 Post-Closing

Bond Compliance Agreement or Tax Exemption Agreement. The provisions of the bond compliance agreement relating to income and rent requirements begin on the date 10 percent of units are first occupied and continue through the later of:

- The date the bonds are paid in full, or
- 15 years from date 50 percent of units are first occupied, or
- Termination of the Section 8 contract, if any

The Bond Compliance Agreement is required in connection with any loan, made from the proceeds of tax-exempt private activity bonds, including certain loans made from the proceeds of HIBs to an entity that is a 501(c)3 corporation. The Tax Exemption Agreement is required in connection with any other type of loan made with the proceeds of HIBs and terminates when the HIBs have been paid in full.

Minnesota Housing’s asset manager monitors the property for compliance under the Bond Compliance Agreement. The Bond Compliance Agreement must be an attachment to the Management Agreement, and the Management Agreement must contain a provision requiring the manager of the project to comply with the provisions of the Bond Compliance Agreement.

Additional monitoring requirements include:

- **Exhibit B of the Bond Compliance Agreement.** The document is required to be completed when 50 percent of the units in the project are occupied. Exhibit B is used to document the Bond Compliance Agreement’s:
  - Commencement date
  - End dates of occupancy restriction and rental restrictions

- **Annual Certifications.** During the compliance period, the following forms may need to be submitted annually to Minnesota Housing (refer to Bond Compliance Agreement)
  - IRS Form 8703
  - Certification of Compliance with 474A.047

- **Financial Reporting and Annual Inspections.** In addition to the annual certification, the following financial reporting and oversight may be required by Minnesota Housing:
  - Submit monthly operating reports
  - Annual budget approvals
  - Annual inspections by a Minnesota Housing asset manager

3.06 Transfers of Ownership and Prepayment

Transfers of Ownership. The project may not be sold, and in connection with any sale the loan may not be assumed by the new owner, without the approval of Minnesota Housing. The borrower must request the approval through the Request for Action (RFA) process. Minnesota Housing, in its sole discretion, will consider giving that approval only if the following minimum requirements are met:

- The borrower is not in default under any of its agreements with Minnesota Housing
• The new entity is eligible to receive a loan from the proceeds of HIBs as set forth in Section 2.01
• The new entity is creditworthy, in Minnesota Housing’s sole opinion
• The new entity assumes all contractual obligations with Minnesota Housing
• An assumption fee is paid equal to the approximate administrative costs incurred by Minnesota Housing in processing the sale and assumption

Prepayment and Assumption. The loan may not be prepaid for a period of 10 years from the date of the loan. Thereafter, the loan may be repaid in full at any time. The covenants and conditions in the declarations run with the land and will remain in effect for the term of the declarations even if the loan is paid in full or an assumption of the loan is permitted. Minnesota Housing will charge a prepayment fee in an amount equal to the approximate administrative costs incurred by Minnesota Housing in processing the prepayment.

3.07 Return on Equity
Minnesota Housing statutes currently allow a maximum return of 15 percent based on actual borrower equity, as determined by Minnesota Housing.

3.08 Management and Operation
Management and Operating Budget. The budget submitted in the application is reviewed and compared to budgets of comparable projects that have been financed by Minnesota Housing. These comparables are used in the underwriting of the loan and to project long-term operating costs and ensure the long-term financial viability of the project. For more information, please refer to the Minnesota Housing Multifamily Underwriting Standards.

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

Utilization of Units. All units must be rented to family sizes appropriate to the unit size, with a ratio of at least one person per bedroom. If, during the course of tenancy, a family size changes, a household may submit a written request to the management agent to transfer to another unit or be placed on a waiting list for that transfer. In the event of a decrease in family size, the household may be required to move into the next available, suitably sized smaller unit.

Marketing. Minnesota Housing requires that each housing provider carry out an affirmative marketing program to attract prospective buyers or tenants in the housing market area regardless of race, color, religion, sex, national origin, disability or familial status. The owner or management agent must submit a tenant selection plan, Affirmative Fair Housing Marketing Plan, and an Affirmative Housing Marketing Plan Addendum.

Permanent Supportive Housing Documentation. At application, the borrower must submit a Permanent Supportive Housing Narrative, a Letter of Confirmation from the local (county or tribal) human services department, and a Continuum of Care (CoC) Confirmation (if applicable). Prior to loan closing, the borrower must submit, among other items, a management plan, a supportive housing services budget, a supportive housing services plan, a Memorandum of Understanding (MOU) and any other
documentation deemed necessary for Minnesota Housing staff review and approval. For a complete list of requirements, refer to Minnesota Housing’s Supportive Housing Information and Resources.

### 3.09 Monitoring and Reporting Requirements

Minnesota Housing actively monitors each project it finances. This includes monitoring of tenant incomes, rents, affirmative marketing and equal opportunity requirements, and year-end operating reports. All referenced forms can be found on Minnesota Housing’s website.

For loans funded from the proceeds of HIBs, monitoring activities are at Minnesota Housing’s discretion and may include verification of tenant incomes, rents, affirmative action and equal opportunity requirements, financial reports, Homeless Management Information System (HMIS) data, and financial summary, compilation, or audit information. In addition, projects financed by Minnesota Housing are subject to periodic management reviews and physical inspections.

The owner must lease assisted units to qualified households who disclose their annual household income at initial occupancy on an Initial Occupancy Statement by Tenant Form (other, more detailed income certification forms may be acceptable). This form is used to ensure households are qualified to occupy an assisted unit. Owners must also request (but cannot require) that qualified households complete a Tenant Demographic Profile Form, which provides additional information for program evaluation. Occupancy information on all units must be reported annually in the form and manner requested by Minnesota Housing.

Additionally, each adult member of a household occupying an assisted unit must sign and date a Minnesota Government Data Practices Act Disclosure Statement. This statement informs the tenant that their annual household income and other information will be reported to Minnesota Housing and may be reviewed by other governmental agencies. This is required for the administration and management of state or federal programs that provide housing for low- and moderate-income families.

**Senior.** As referenced in Section 2.04, for projects to qualify units for a loan funded with the proceeds of HIBs under the senior-eligible use, at least one household member in each qualified unit must be age 55 or older and this individual must have a gross annual income that does not exceed 50 percent of metropolitan area median or statewide area median income. The owner must lease assisted units to qualified individuals who disclose their annual individual income at initial occupancy on a Certification of Senior Eligibility for HIB Form. Minnesota Housing uses this form to ensure that households are qualified to occupy an assisted unit. Owners must also certify on the form that documentation to confirm the individual’s income has been received and their Gross Annual income does not exceed the applicable income limit.

**Permanent Supportive Housing.** Minnesota Housing requires owners and service providers of permanent supportive housing units to provide specific information beyond general funding reporting requirements. These include, but are not limited to, entering and reporting participant information in Minnesota’s HMIS; reporting annually to Minnesota Housing on the operations of the property through an annual budget and financial review and supportive housing annual online property survey; and periodic inspections by an asset manager or compliance officer that follows the schedule approved by the Minnesota Housing Board for deferred loans or the HTC schedule, if the loan is eligible for low-income housing tax credits. For a complete list of requirements, refer to Minnesota Housing’s Supportive Housing Information and Resources.
Chapter 4 – Fair Housing Policy

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

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

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

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

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

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions. For additional information on Affirmative Fair Housing Marketing Plan and other fair housing resources, see the Fair Housing page on Minnesota Housing’s website.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.
Chapter 5 – Fraud Disclosure and Suspension

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

5.02 Suspension
By entering into any agreement with Minnesota Housing, accepting any award of funds from Minnesota Housing, or otherwise conducting any business with Minnesota Housing, a party represents that the party, or any principal of the party, has not been suspended from doing business with Minnesota Housing pursuant to the Minnesota Housing Finance Agency Board of Directors Participant Suspension Policy. A principal is defined as: (a) an officer, director, owner, partner, principal investigator, or other person within an organization or entity doing business with Minnesota Housing with management or supervisory responsibilities; or (b) a consultant or other person, who: (1) is in a position to handle Minnesota Housing funds; (2) is in a position to influence or control the use of those funds; or (3) occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to be performed under contract with Minnesota Housing. A party must contact Minnesota Housing for a list of all suspended individuals and organizations.
Chapter 6 – Contact

Contact William Price, at 651.296.9440, william.price@state.mn.us, or the underwriter assigned to your project, for questions concerning this source of funding.
Appendix A: Sample Documents

1. Sample Organizational Charts

Original Structure of Seller (From Initial Closing – Date)

- Limited Partnership Name
  - (Seller/Current Owner)

  - General Partner Name
    - 0.1% cash flow
    - 0.1% capital

  - Limited Partner Name
    - 99.9% cash flow
    - 99.9% capital

Structure of Seller following exit of Limited Partner (as of Date)

- Limited Partnership Name
  - (Seller/Current Owner)

  - General Partner Name
    - 0.1% cash flow
    - 0.1% capital

  - Limited Partner Name
    - 99.9% cash flow
    - 99.9% capital

  - Developer/Sponsor company name
Structures as of Closing Date for Sale of Project

- Limited Partnership Name (Seller/Current Owner)
  - General Partner Name
    - 0.1% cash flow
    - 0.1% capital
  - Limited Partner Name
    - 99.9% cash flow
    - 99.9% capital
    - Developer/Sponsor company name

- Limited Partnership Name (Buyer/New Owner)
  - Limited Partner Name
    - 99.9% cash flow
    - 99.9% capital
  - General Partner Name
    - 0.1% cash flow
    - 0.1% capital
    - Developer/Sponsor company name
Item:  Selection, Approval, Asset Management Loan  
-  Frontier Townhomes, Staples D1635

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

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

Summary of Request:
Minnesota Housing staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing approval of an Asset Management Loan Program commitment of up to $2,331,768, subject to the terms and conditions of Minnesota Housing’s term letter.

Fiscal Impact:
None

Meeting Agency Priorities:
☒  Address Specific and Critical Local Housing Needs
☐  Finance Housing Responsive to Minnesota’s Changing Demographics
☒  Preserve Housing with Federal Project-Based Rent Assistance
☐  Prevent and End Homelessness
☐  Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):
-  Background
-  Development Summary
-  Resolution
Background:
Financing Adjustment Factor (FAF) and Financing Adjustment (FA) financing is the result of an agreement between the U.S. Department of Housing and Urban Development (HUD) and Minnesota Housing to share in savings resulting from refunding high interest rate bonds originally issued in 1980 through 1983 to finance Section 8 developments. Frontier Townhomes (fka Pine Avenue Townhomes) was one of the properties originally funded by this bond financing and is eligible to draw on funds that resulted from these savings. The property is one-hundred percent Section 8 and the Housing Assistance Payments (HAP) contract will be required to be maintained for 35 years as a condition of receiving the loan.

Development Summary:
D1635
Name: Frontier Townhomes
Address: 1403 3rd Street NE
City: Staples
County: Wadena
Region: CMIF
App#: M20146

Mortgagor:
Ownership Entity: Frontier Townhomes, Limited Liability Corporation
General Partner/Principals: Central Minnesota Housing Partnership

Development Team:
General Contractor: Project One, Kimball
Architect: Blumentals Architecture, Inc., Minneapolis
Attorney: Rinke Noonan, St. Cloud
Management Company: Brutger Equities, Inc., Saint Cloud
Service Provider: N/A

Current Funding Request/ Program and Terms:
$2,331,768 Asset Management
Funding Source: Financing Adjustment Factor (FAF)
Interest Rate: 2%/0%
Term (Years): 35
Cash Flow Note: No
HAP Extension Required: Yes

The loan will be structured as one loan with two notes. One note will be $1,000,000 with an interest rate of 2%, which will be fully amortized throughout the term of the loan. The second note will be $1,331,768 with an interest rate of 0%, which will be deferred throughout the term of the loan.

RENT GRID:

<table>
<thead>
<tr>
<th>UNIT TYPE</th>
<th>NUMBER</th>
<th>GROSS RENT</th>
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</thead>
<tbody>
<tr>
<td>2 BR</td>
<td>12</td>
<td>$731</td>
</tr>
<tr>
<td>2 BR</td>
<td>1</td>
<td>$707</td>
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<tr>
<td>3 BR</td>
<td>7</td>
<td>$766</td>
</tr>
<tr>
<td>TOTAL</td>
<td>20</td>
<td></td>
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</table>

NOTES: Under the Asset Management loan, all units will be restricted to 80 percent income limits, not adjusted for household size. All 20 units are under an existing Section 8 project-based HAP contract, which limits the rents to 30 percent of the resident’s income; as a condition of receiving the loan, the HAP contract must be maintained for 35 years.
Purpose:
Frontier Townhomes is a development located in the city of Staples. This 20-unit development consists of four, two-story buildings with 13 two-bedroom and seven, three-bedroom units with detached garages and surface parking for tenants and guests. All units are project-based Section 8 units. The development meets the strategic priority of Preservation of Housing with Federal Project-Based Rent Assistance. The Asset Management loan will be used to fund acquisition and rehabilitation of the property.

Populations Served:
The development provides housing for families and general occupancy tenants. Under the loan terms, 20 units will serve households with incomes up to 80% area median income (AMI) limits; 20 units will receive project-based Section 8 rental assistance.

Project Feasibility:
The project is feasible as proposed. Development financing includes the $2,331,768 Asset Management loan from the agency, and a $30,000 sales tax rebate. The only debt on the property will be the Asset Management loan. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines.

Development Team Capacity:
Central Minnesota Housing Partnership (CMHP) is a strong financial sponsor with a history of successfully completing projects similar in size and scope. CMHP operates and is focused on affordable housing development in central Minnesota. The property management company, Brutger Equites, Inc., has the capacity to manage this development.

Physical and Technical Review:
Blumentals Architecture is the project architect and has the capacity to effectively design and rehabilitate the project. Project One is the project general contractor and has the capacity to oversee and manage the rehabilitation. Both have successfully completed many similarly sized affordable housing developments in Minnesota. Minnesota Housing staff has reviewed the scope of work and has determined that the repairs are critically needed in order to maintain the building.

Market Feasibility:
Staples is located in central Minnesota in Wadena County. Affordable and market rate properties in the primary market area have waiting lists and low rental vacancy levels. The appraisal prepared by Diversified Real Estate Services, Inc. has confirmed that properties in the Staples area maintain low vacancy rates. The project is located in close proximity to services and jobs.
## Development Cost Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Development Cost</td>
<td>$2,361,768</td>
<td>$118,088</td>
</tr>
<tr>
<td>Acquisition or Refinance Cost</td>
<td>$900,000</td>
<td>$45,000</td>
</tr>
<tr>
<td>Gross Construction Cost</td>
<td>$1,111,138</td>
<td>$55,557</td>
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<tr>
<td>Soft Costs (excluding Reserves)</td>
<td>$150,630</td>
<td>$7,532</td>
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<tr>
<td>Non-mortgageable Costs (excluding Reserves)</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Reserves</td>
<td>$50,000</td>
<td>$2,919</td>
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<tr>
<td>Developer Fee</td>
<td>$150,000</td>
<td>$7,500</td>
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</table>

### Agency Deferred Loan Sources

<table>
<thead>
<tr>
<th>Description</th>
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<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management Loan</td>
<td>$2,331,768</td>
<td>$116,588</td>
</tr>
<tr>
<td>Total Loan-to-Cost Ratio</td>
<td></td>
<td>98.7%</td>
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### Other Non-agency Sources

<table>
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<tr>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Sales Tax Rebate</td>
<td>$30,000</td>
<td>$1,500</td>
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</table>

### Total Non-Agency Sources

<table>
<thead>
<tr>
<th>Description</th>
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<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax Rebate</td>
<td>$30,000</td>
<td>$1,500</td>
</tr>
</tbody>
</table>
RESOLUTION NO. MHFA 19-xx

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
ASSET MANAGEMENT LOAN PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide an Asset Management loan to be occupied by persons and families of low- and moderate income, as follows:

Name of Development: Frontier Townhomes
Sponsors: Frontier Townhomes, Limited Liability Corporation
Location of Development: Staples, Minnesota
Number of Units: 20
Amount of Development Cost: $2,361,768
Amount of Loan: $2,331,768

WHEREAS, Agency staff has determined that such application is eligible for an Asset Management loan.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a selection and approval letter to provide an Asset Management loan funded by Financing Adjustment Factor (FAF) financing to said applicant for the indicated development, upon the following terms and conditions:

1. The amount of the loan shall not exceed $2,331,768;

2. The loan will have two notes. One note will be in the amount of $1,000,000 with an interest rate at 2%, which will be fully amortized throughout the term of the loan. The second note will be in the amount of $1,331,768 with an interest rate at 0%, which will be deferred throughout the term of the loan;

3. The term of loan shall be 35 years;

4. The purposed rehabilitation work must be completed within 18 months of the loan closing, and any funds not used by end of this period shall be determined to be unneeded and ineligible for disbursement;

5. The mortgagor shall agree with the terms set forth in Minnesota Housing’s term letter; and
6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff.

Adopted this 21st day of March, 2019

___________________________________
CHAIRMAN
Item: Approval, $5 million loan commitment to NOAH Impact Fund II

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Matt Dieveney, 651.282.2577, matthew.dieveney@state.mn.us

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

Summary of Request:
The Agency seeks Board authorization to invest $5 million into a second version of Greater Minnesota Housing Fund’s “NOAH Impact Fund” (the “Fund”). This second Fund will be structured essentially the same as NOAH Impact Fund 1, which closed on June 1, 2017, with the Agency again committing $5 million in return for Class D participation interests in the overall Fund. As with the first Fund, the new Fund will invest in the purchase of naturally occurring affordable housing (NOAH) multi-family properties, preserving housing that remains affordable to low-income tenants.

Fiscal Impact:
The Class-D participations will pay interest of 5%. Invested principal is expected to be outstanding 10-13 years. The Agency would source the $5 million from Pool-2, and as such, earns interest for the Agency commensurate with the risk related to the investment.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota’s Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☒ Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):
• Background
Background

The Greater Minnesota Housing Fund, the sponsor and administrator of Noah Impact Fund I, is working to organize and close on a similar structured fund, likely to be known as Noah Impact Fund II. As with NOAH Impact Fund I, it is expected that NOAH Impact Fund II will provide $25 million in acquisition capital, along with additional financing to cover reserves and administrative expenses, that can be used as a portion of the financing for acquisitions of NOAH multi-family properties in the 7-county metropolitan area.

Similar to Fund I, the first three classes of participations (A,B,C) will likely be provided by local financial institutions. If approved, the Agency will provide $5 million in capital via the Class D participation, and a local governmental unit will likely provide the Class E capital. GMHF and one or two local foundations will provide the capital for credit enhancement and operating costs. Although the specific participating institutions in each class may vary from Fund I, in all material financial aspects Fund II will operate the same as Fund I, which will allow the Fund to move quickly to closing (once all the participating institutions are identified) as no structural or credit/return aspects of Fund II will be subject to renegotiation from the terms established for Fund I.

To date, Fund I has deployed approximately $13 million of the $25 million in acquisition capital, across three separate transactions. Taken together, these transactions maintained the affordability of 429 units of rental housing. The remaining $12 million is expected to be committed and deployed in two transactions shortly, with closings targeted for June, 2019.
Board Agenda Item: 8.A
Date: 3/21/2019

Item: 2nd Quarter FY2019 Financial Reporting Package

Staff Contact(s):
Kevin Carpenter, 651-297-4009, kevin.carpenter@state.mn.us
Debbi Larson, 651-296-8183, debbi.larson@state.mn.us
Terry Schwartz, 651-296-2404, terry.schwartz@state.mn.us

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

Summary of Request:
Staff will review 2nd quarter financial results.

Fiscal Impact:
None.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota’s Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):
• Noteworthy Items
• Financial Dashboard
• Selected Financial Statements
Balance Sheet – 12/31/18 vs. 12/31/17

Assets continue to grow and have increased by approximately $360 million over the past year and now exceed $4 billion at the Consolidated level. We continue to recognize substantial growth in the Mortgage-Backed Securities (MBS) portfolio (“program securities”), and had a slight increase in cash/other investments, offset by modest declines in loans.

Single family loans continue to run off as new production is securitized into MBS.

Bonds payable liability increased by roughly $345 million in the Sustainable Core, due primarily to the continued bond financing of our strong homeownership production.

Net position in the Sustainable Core grew by $42 million over the last quarter, mainly due to the increased value of our fixed rate program securities in a falling interest rate environment.

Operating Results – Fiscal Year to Date 2019 compared to Fiscal Year to Date 2018

In the Sustainable Core, Net Interest Income was $28.6 million YTD FY19, down from the FY18 YTD by $1.4 million, and generally on track to match or exceed the Agency’s full year historical net interest income of approximately $50 million.

Total interest revenue for the 2nd quarter hit $34.5 million, up from $32.5 million in the 1st quarter this year and up $4.6 million from the 2nd quarter in FY18. Interest expense was $18.7 million, down from $19.7 million in 1st quarter, and down by $3.6 million compared to the 2nd
quarter FY18. Most of the volatility in quarterly interest expense is attributable to the accounting rules pertaining to the expense recognition of bond premium in new bond sales.

For the first six months, operating expenses in the sustainable core were $16.6 million, up from $15.3 million in the first half of FY18.

For the 2\textsuperscript{nd} quarter, the Agency had an unrealized gain of $30 million, as compared to a $14 million unrealized loss in the 1\textsuperscript{st} quarter, each primarily related to the fluctuating value of our fixed rate program securities in volatile interest rate environments.
### CONSOLIDATED

<table>
<thead>
<tr>
<th></th>
<th>Quarter End</th>
<th>Prior Quarter End</th>
<th>Change from Prior Quarter Year Ago</th>
<th>Change From Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>4,133.3</td>
<td>3,948.0</td>
<td>185.3</td>
<td>361.0</td>
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<tr>
<td><strong>Program Securities</strong></td>
<td>2,417.9</td>
<td>2,172.7</td>
<td>245.2</td>
<td>366.0</td>
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<tr>
<td><strong>Loans, net</strong></td>
<td>973.2</td>
<td>979.3</td>
<td>(6.1)</td>
<td>1,038.6</td>
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<tr>
<td><strong>Other investments and cash</strong></td>
<td>719.1</td>
<td>766.7</td>
<td>(47.6)</td>
<td>659.9</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>3,287.9</td>
<td>3,123.7</td>
<td>164.2</td>
<td>2,924.6</td>
</tr>
</tbody>
</table>

**Net Position**

- **restricted by Resolution** 345.5 305.5 40.0 373.5 (28.0)
- **restricted by Covenant** 474.5 471.5 3.0 470.0 4.5
- **restricted by Law** 177.6 194.2 (16.6) 176.7 0.9
- **unrestricted - State Appr-Backed Debt** (160.8) (160.8) 0.0 (140.9) (19.9)
- **other** 4.1 4.7 (0.6) 4.0 0.1

**Total Net Position** 840.9 815.1 25.8 883.3 (42.4)

### CONSOLIDATED EXCLUDING APPROPRIATED

<table>
<thead>
<tr>
<th></th>
<th>Quarter End</th>
<th>Prior Quarter End</th>
<th>Change from Prior Quarter Year Ago</th>
<th>Change From Year Ago</th>
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<tbody>
<tr>
<td><strong>Total Assets</strong></td>
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<td>3,716.8</td>
<td>205.7</td>
<td>3,572.9</td>
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<tr>
<td><strong>Net Position</strong></td>
<td>824.1</td>
<td>781.7</td>
<td>42.4</td>
<td>847.5</td>
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</table>

### SUSTAINABLE CORE

<table>
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<tr>
<th></th>
<th>Quarter End</th>
<th>Prior Quarter End</th>
<th>Change from Prior Quarter Year Ago</th>
<th>Change From Year Ago</th>
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<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>3,812.5</td>
<td>3,607.6</td>
<td>204.9</td>
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<tr>
<td><strong>Program Securities</strong></td>
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<td>2,172.7</td>
<td>245.2</td>
<td>2,051.9</td>
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<tr>
<td><strong>Loans, net</strong></td>
<td>856.1</td>
<td>866.7</td>
<td>(10.6)</td>
<td>937.8</td>
</tr>
<tr>
<td><strong>Other investments &amp; cash</strong></td>
<td>516.1</td>
<td>541.7</td>
<td>(25.6)</td>
<td>466.1</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>3,093.7</td>
<td>2,926.0</td>
<td>167.7</td>
<td>2,771.0</td>
</tr>
<tr>
<td><strong>Bonds payable, net</strong></td>
<td>2,916.0</td>
<td>2,772.3</td>
<td>143.7</td>
<td>2,571.9</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td>714.4</td>
<td>672.4</td>
<td>42.0</td>
<td>741.0</td>
</tr>
</tbody>
</table>

* Assets and liabilities do not include deferred inflows/outflows

** As restated for State appropriated debt liability
<table>
<thead>
<tr>
<th></th>
<th>This Quarter</th>
<th>Prior Quarter</th>
<th>Change from Prior Quarter</th>
<th>FYTD</th>
<th>Last Year FYTD</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONSOLIDATED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>126.9</td>
<td>130.8</td>
<td>(3.9)</td>
<td>257.7</td>
<td>238.3</td>
<td>19.4</td>
</tr>
<tr>
<td>Expenses</td>
<td>101.2</td>
<td>93.7</td>
<td>7.5</td>
<td>194.9</td>
<td>196.2</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Net</td>
<td>25.7</td>
<td>37.1</td>
<td>(11.4)</td>
<td>62.8</td>
<td>42.1</td>
<td>20.7</td>
</tr>
<tr>
<td><strong>SUSTAINABLE CORE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest revenue</td>
<td>34.5</td>
<td>32.5</td>
<td>2.0</td>
<td>67.0</td>
<td>59.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Other revenue</td>
<td>13.6</td>
<td>11.1</td>
<td>2.5</td>
<td>24.7</td>
<td>20.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Unrealized gain (loss)</td>
<td>30.1</td>
<td>(13.8)</td>
<td>43.9</td>
<td>16.3</td>
<td>0.9</td>
<td>15.4</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>78.2</td>
<td>29.8</td>
<td>48.4</td>
<td>108.0</td>
<td>80.5</td>
<td>27.5</td>
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<tr>
<td>Interest Expense</td>
<td>18.7</td>
<td>19.7</td>
<td>(1.0)</td>
<td>38.4</td>
<td>29.4</td>
<td>9.0</td>
</tr>
<tr>
<td>Operating Expenses(1)</td>
<td>9.0</td>
<td>7.6</td>
<td>1.4</td>
<td>16.6</td>
<td>15.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>8.6</td>
<td>8.7</td>
<td>(0.1)</td>
<td>17.3</td>
<td>20.7</td>
<td>(3.4)</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSE</strong></td>
<td>36.3</td>
<td>36.0</td>
<td>0.3</td>
<td>72.3</td>
<td>65.4</td>
<td>6.9</td>
</tr>
<tr>
<td>Revenue over Expense</td>
<td>41.9</td>
<td>(6.2)</td>
<td>48.1</td>
<td>35.7</td>
<td>15.1</td>
<td>20.6</td>
</tr>
</tbody>
</table>

**Net Interest Income**
- 15.8
- 12.8
- 3.0
- 28.6
- 30.0

**Annualized Net Interest Margin(2)**
- 1.70%
- 1.43%
- 1.55%
- 1.76%

(1) Salaries, benefits and other general operating
(2)Annualized Net Interest Income/Average assets for period
<table>
<thead>
<tr>
<th>Assets</th>
<th>General Fund</th>
<th>Reserve</th>
<th>Housing Finance</th>
<th>Rental Housing</th>
<th>Multifamily Housing</th>
<th>Homeownership Assistance Fund</th>
<th>Appropriated Funds</th>
<th>Total as of December 31, 2018</th>
<th>Total as of December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>75,650</td>
<td>$17,906</td>
<td>$197,397</td>
<td>$43,217</td>
<td>$1,506</td>
<td>78,323</td>
<td>11,646</td>
<td>$429,345</td>
<td>461,250</td>
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<td>Investments program mortgage-backed securities</td>
<td>884,741</td>
<td>1,055,192</td>
<td>-</td>
<td>2,417,936</td>
<td>-</td>
<td>3,055,786</td>
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<tr>
<td>Investment securities-other</td>
<td>15,070</td>
<td>20,778</td>
<td>161,647</td>
<td>-</td>
<td>17,499</td>
<td>77,902</td>
<td>21,556</td>
<td>198,741</td>
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<tr>
<td>Liabilities</td>
<td>-</td>
<td>-</td>
<td>734</td>
<td>-</td>
<td>-</td>
<td>47,879</td>
<td>-</td>
<td>-</td>
<td>53,275</td>
</tr>
<tr>
<td>Total assets</td>
<td>97,418</td>
<td>172,654</td>
<td>2,018,078</td>
<td>1,601,426</td>
<td>15,409</td>
<td>17,545</td>
<td>198,864</td>
<td>11,858</td>
<td>4,133,252</td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred loss on refunding</td>
<td>-</td>
<td>-</td>
<td>1,722</td>
<td>-</td>
<td>-</td>
<td>1,722</td>
<td>-</td>
<td>111</td>
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<tr>
<td>Deferred loss on interest rate swap agreements</td>
<td>-</td>
<td>-</td>
<td>2,024</td>
<td>-</td>
<td>-</td>
<td>2,024</td>
<td>-</td>
<td>3,728</td>
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</tr>
<tr>
<td>Total deferred outflows of resources</td>
<td>38,618</td>
<td>-</td>
<td>3,746</td>
<td>-</td>
<td>-</td>
<td>38,618</td>
<td>-</td>
<td>57,114</td>
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<tr>
<td>Total assets and deferred outflows of resources</td>
<td>136,036</td>
<td>172,654</td>
<td>2,021,824</td>
<td>1,601,426</td>
<td>15,409</td>
<td>17,545</td>
<td>198,864</td>
<td>11,858</td>
<td>4,175,616</td>
</tr>
<tr>
<td>Liabilities</td>
<td>-</td>
<td>-</td>
<td>1,368,275</td>
<td>1,557,920</td>
<td>13,634</td>
<td>17,545</td>
<td>193,753</td>
<td>209</td>
<td>3,287,939</td>
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<tr>
<td>Deferred Inflows of Resources</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Deferred gain on interest rate swap agreements</td>
<td>-</td>
<td>-</td>
<td>920</td>
<td>-</td>
<td>-</td>
<td>920</td>
<td>-</td>
<td>-</td>
<td>1,278</td>
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<tr>
<td>Deferred revenue-service release fee</td>
<td>-</td>
<td>-</td>
<td>10,416</td>
<td>7,761</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,945</td>
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</tr>
<tr>
<td>Total liabilities and deferred inflows of resources</td>
<td>123,301</td>
<td>172,654</td>
<td>2,021,824</td>
<td>1,601,426</td>
<td>15,409</td>
<td>17,545</td>
<td>198,864</td>
<td>11,858</td>
<td>4,334,735</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Position</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restricted by bond resolution</td>
<td>-</td>
<td>-</td>
<td>13,683</td>
<td>118,242</td>
<td>38,745</td>
<td>1,725</td>
<td>-</td>
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<td>345,153</td>
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<tr>
<td>Restricted by covenant</td>
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<td>-</td>
<td>405,871</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>470,001</td>
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<tr>
<td>Unrestricted by bond</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total net position</td>
<td>123,301</td>
<td>-</td>
<td>1,368,275</td>
<td>1,557,920</td>
<td>13,634</td>
<td>17,545</td>
<td>193,753</td>
<td>209</td>
<td>3,287,939</td>
</tr>
</tbody>
</table>

This information on the funds of the Agency for the six-month period ended December 31, 2018 was prepared by the Agency, and in the opinion of the Agency, includes all adjustments required to present fairly the financial position and results of operations of those funds for the six-month period ended December 31, 2018. The statement is subject to year-end adjustments. However, the presentation is not in full compliance with GASB 34, and therefore, may not be comparable to full year results. This information has not been reviewed by independent auditors. See accompanying notes to financial statements.
### Statement of Revenues, Expenses and Changes in Net Position (in thousands) - UNAUDITED

#### Proprietary Funds

**Six Months Ended December 31, 2018** (with comparative totals for **Six Months Ended December 31, 2017**)  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest earned on loans</td>
<td>$ -</td>
<td>$ 3,627</td>
<td>$ 19,942</td>
<td>$ -</td>
<td>$ 305</td>
<td>$ -</td>
<td>$ 147</td>
<td>$ -</td>
<td>$ 24,021</td>
<td>$ -</td>
<td>$ 26,752</td>
<td>$ -</td>
<td>$ 305</td>
</tr>
<tr>
<td>Interest earned on investments-program mortgage-backed securities</td>
<td>-</td>
<td>10,932</td>
<td>25,624</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,593</td>
<td>115</td>
<td>$ 9,041</td>
<td>6,430</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest earned on investments-other</td>
<td>308</td>
<td>540</td>
<td>5,892</td>
<td>15</td>
<td>283</td>
<td>1,593</td>
<td>115</td>
<td>$ 9,041</td>
<td>6,430</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificates</td>
<td>-</td>
<td>3,657</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,657</td>
<td>1,184</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations received</td>
<td>13,466</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,466</td>
<td>12,124</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative reimbursement</td>
<td>13,466</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,466</td>
<td>12,124</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees earned and other income</td>
<td>5,990</td>
<td>84</td>
<td>1,154</td>
<td>558</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,538</td>
<td>115</td>
<td>8,653</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gains (losses) on investments</td>
<td>-</td>
<td>155</td>
<td>5,892</td>
<td>295</td>
<td>15</td>
<td>283</td>
<td>1,593</td>
<td>115</td>
<td>9,041</td>
<td>6,430</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>19,764</td>
<td>4,406</td>
<td>52,112</td>
<td>32,116</td>
<td>320</td>
<td>283</td>
<td>55,172</td>
<td>93,574</td>
<td>257,747</td>
<td>238,260</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Expenses**    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Interest        | - | 607 | 15,547 | 21,783 | 206 | 283 | - | - | 38,426 | 29,375 |
| Financing, net  | - | - | 1,519 | 272 | 4 | - | - | - | 7,932 |
| Loan administration and trustee fees | - | 46 | 1,347 | 272 | 4 | - | - | 43 | 1,712 |
| Administrative reimbursement | 13,583 | - | - | - | - | - | - | 13,583 | 11,407 |
| Salaries and benefits | 13,583 | - | - | - | - | - | - | 13,583 | 11,407 |
| Other general operating | 2,277 | 4 | 2,118 | 28 | - | - | - | 2,671 | 1,307 |
| Appropriations disbursed | - | - | - | - | - | - | - | 1,246 | 107,427 |
| Reduction in carrying value of certain low interest rate deferred loans | - | - | (586) | - | - | - | - | 8,108 | 12,775 |
| Provision for loan losses | - | 66 | 2,003 | - | - | - | - | 332 | 115 |
| **Total expenses** | 15,860 | 1,292 | 28,308 | 28,272 | 256 | 283 | 27,807 | 93,001 | 194,879 | 196,181 |

**Revenues over (under) expenses**  
3,904 | 3,114 | 2,804 | 3,844 | 64 | - | 27,565 | 573 | 62,868 | 42,079 |

**Other changes**  
Non-operating transfer of assets between funds & Adj.  
(5,788) | (14,984) | 11,129 | 9,643 | - | - | (19,943) | - | (19,943) | (7,920) |

Change in net position  
(1,884) | (11,870) | 34,933 | 13,487 | 64 | - | 7,622 | 573 | 42,925 | 34,159 |

**Net Position**  
Total net position, beginning of period  
14,619 | 143,523 | 607,290 | 22,258 | 1,171 | - | (2,511) | 11,076 | 797,956 | 849,172 |

Total net position, end of period  
$ 12,735 | $ 131,653 | $ 642,213 | $ 35,745 | $ 1,775 | $ - | $ 5,111 | $ 11,649 | $ 840,881 | $ 883,331 |

This information on the funds of the Agency for the six-month period ended December 31, 2018 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the six-month period ended December 31, 2018, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency’s audited financial statements as of June 30, 2018 and for the fiscal year then ended.
## Statement of Net Position (in thousands)

### General Reserve & Bond Funds

<table>
<thead>
<tr>
<th>Bond Funds</th>
<th>Hereof</th>
<th>Hereof</th>
<th>Hereof</th>
<th>Hereof</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
<td>December 31, 2017</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$70,600</td>
<td>$17,506</td>
<td>$1,506</td>
<td>$325,014</td>
</tr>
<tr>
<td>Investments-program mortgage-backed securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$2,417,936</td>
</tr>
<tr>
<td>Loans receivable, net</td>
<td>$133,662</td>
<td>$422,354</td>
<td>$856,074</td>
<td>$931,805</td>
</tr>
<tr>
<td>Interest receivable on loans and program mortgage-backed securities</td>
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<td>$4,745</td>
<td>$1,252</td>
<td>$11,588</td>
</tr>
<tr>
<td>Interest receivable on investments</td>
<td>$116</td>
<td>$99</td>
<td>$464</td>
<td>$1,320</td>
</tr>
<tr>
<td>Net deferred pension expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$12,320</td>
</tr>
<tr>
<td>Real estate owned, net</td>
<td>-</td>
<td>$1,076</td>
<td>$1,076</td>
<td>$1,076</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>$4,098</td>
<td>-</td>
<td>-</td>
<td>$4,098</td>
</tr>
<tr>
<td>Other assets</td>
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<td>$27</td>
<td>$122</td>
<td>$2,875</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$97,418</td>
<td>$172,654</td>
<td>$1,466,074</td>
<td>$3,812,501</td>
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</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th>Bond Funds</th>
<th>Hereof</th>
<th>Hereof</th>
<th>Hereof</th>
<th>Hereof</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
<td>December 31, 2017</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Bonds payable, net</strong></td>
<td>-$37,635</td>
<td>$1,265,320</td>
<td>$30,000</td>
<td>$2,916,034</td>
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<tr>
<td>Interest payable</td>
<td>-</td>
<td>$508</td>
<td>$18,151</td>
<td>$24,758</td>
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<tr>
<td>Interest rate swap agreements</td>
<td>-</td>
<td>-</td>
<td>$3,669</td>
<td>$3,669</td>
</tr>
<tr>
<td>Net deferred pension liability</td>
<td>$47,879</td>
<td>-</td>
<td>-</td>
<td>$47,879</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
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<td>$2,858</td>
<td>$411</td>
<td>$35,812</td>
</tr>
<tr>
<td>Funds held for others</td>
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<td>$66,427</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td>$95,602</td>
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<td>$1,287,551</td>
<td>$3,093,668</td>
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</tbody>
</table>

### Net Position

<table>
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<tr>
<th>Bond Funds</th>
<th>Hereof</th>
<th>Hereof</th>
<th>Hereof</th>
<th>Hereof</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
<td>December 31, 2017</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Restricted by bond resolution</strong></td>
<td>-</td>
<td>$131,653</td>
<td>$176,342</td>
<td>$345,515</td>
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<tr>
<td><strong>Restricted by covenant</strong></td>
<td>$8,637</td>
<td>-</td>
<td>$356,151</td>
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<td><strong>Invested in capital assets</strong></td>
<td>-</td>
<td>-</td>
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<td>$4,098</td>
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<tr>
<td><strong>Total net position</strong></td>
<td>$12,735</td>
<td>$131,653</td>
<td>$176,342</td>
<td>$714,401</td>
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### Total Liabilities, Deferred Inflows, and Net Position

<table>
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<th>Bond Funds</th>
<th>Hereof</th>
<th>Hereof</th>
<th>Hereof</th>
<th>Hereof</th>
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<tbody>
<tr>
<td>December 31, 2018</td>
<td>December 31, 2017</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Total assets and deferred outflows of resources</strong></td>
<td>$136,036</td>
<td>$172,654</td>
<td>$1,469,820</td>
<td>$3,854,865</td>
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<tr>
<td><strong>Total liabilities and deferred inflows of resources</strong></td>
<td>$136,036</td>
<td>$172,654</td>
<td>$1,469,820</td>
<td>$3,854,865</td>
</tr>
<tr>
<td><strong>Total liabilities, deferred inflows, and net position</strong></td>
<td>$136,036</td>
<td>$172,654</td>
<td>$1,469,820</td>
<td>$3,854,865</td>
</tr>
</tbody>
</table>

This information on the funds of the Agency for the six-month period ended December 31, 2018 was prepared by the Agency, subject to year-end adjustments. However, this presentation excludes management’s discussion and analysis, the interpretation of which will be significant to understanding the results and financial position of the Agency. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency’s audited financial statements as of June 30, 2018 and for the fiscal year then ended.
Minnesota Housing Finance Agency
Supplementary Information (Unaudited)

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<tr>
<td></td>
<td>Six Months Ended December 31, 2018 (with comparative totals for the six months ended December 31, 2017)</td>
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<td></td>
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<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest earned on loans</td>
<td>$ -</td>
<td>$ 3,627</td>
<td>$ 11,725</td>
<td>$ 7,854</td>
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<td>$ 305</td>
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<td>Interest earned on investments-program mortgage-backed securities</td>
<td>-</td>
<td>-</td>
<td>10,932</td>
<td>-</td>
<td>25,624</td>
<td>-</td>
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<tr>
<td>Interest earned on investments-other</td>
<td>308</td>
<td>540</td>
<td>1,667</td>
<td>3,789</td>
<td>295</td>
<td>15</td>
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<tr>
<td>Net G/L on Sale of MBS Held for Sale/HOMES℠</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,657</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Appropriations received</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Administrative reimbursement</td>
<td>13,466</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Fees earned and other income</td>
<td>5,990</td>
<td>84</td>
<td>314</td>
<td>567</td>
<td>283</td>
<td>-</td>
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<td>Unrealized gains (losses) on Investments</td>
<td>-</td>
<td>155</td>
<td>3,695</td>
<td>6,889</td>
<td>569</td>
<td>-</td>
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<tr>
<td>Total revenues</td>
<td>19,764</td>
<td>4,406</td>
<td>28,254</td>
<td>22,865</td>
<td>32,116</td>
<td>320</td>
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<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>607</td>
<td>14,408</td>
<td>1,139</td>
<td>21,783</td>
<td>206</td>
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<tr>
<td>Financing, net</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Loan administration and trustee fees</td>
<td>-</td>
<td>46</td>
<td>832</td>
<td>506</td>
<td>272</td>
<td>4</td>
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<tr>
<td>Administrative reimbursement</td>
<td>-</td>
<td>569</td>
<td>3,963</td>
<td>1,715</td>
<td>4,476</td>
<td>46</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>13,993</td>
<td>84</td>
<td>1,314</td>
<td>670</td>
<td>568</td>
<td>-</td>
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<tr>
<td>Other general operating</td>
<td>2,277</td>
<td>4</td>
<td>700</td>
<td>78</td>
<td>29</td>
<td>-</td>
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<tr>
<td>Appropriations disbursed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Reduction in carrying value of certain low interest rate deferred loans</td>
<td>-</td>
<td>45</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Total expenses</td>
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<td>1,292</td>
<td>20,660</td>
<td>5,635</td>
<td>28,222</td>
<td>256</td>
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<tr>
<td>Other changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Non-operating transfer of assets between funds</td>
<td>(5,788)</td>
<td>(3,114)</td>
<td>17,728</td>
<td>6,599</td>
<td>9,643</td>
<td>-</td>
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<tr>
<td>Change in net position</td>
<td>(1,864)</td>
<td>(11,870)</td>
<td>25,322</td>
<td>10,631</td>
<td>13,487</td>
<td>64</td>
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<tr>
<td>Provision for loan losses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total other changes</td>
<td>(5,788)</td>
<td>(3,114)</td>
<td>17,728</td>
<td>6,599</td>
<td>9,643</td>
<td>-</td>
</tr>
<tr>
<td>Net Position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net position, beginning of period</td>
<td>14,619</td>
<td>143,523</td>
<td>151,020</td>
<td>345,520</td>
<td>22,258</td>
<td>1,711</td>
</tr>
<tr>
<td>Change in net position</td>
<td>14,619</td>
<td>143,523</td>
<td>151,020</td>
<td>345,520</td>
<td>22,258</td>
<td>1,711</td>
</tr>
<tr>
<td>Total net position, end of period</td>
<td>12,735</td>
<td>131,653</td>
<td>176,342</td>
<td>356,151</td>
<td>35,745</td>
<td>15,141</td>
</tr>
</tbody>
</table>

This information on the funds of the Agency for the six-month period ended December 31, 2018 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the six-month period ended December 31, 2018 subject to year-end adjustments. However, this presentation excludes management’s discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency’s audited financial statements of June 30, 2018 and for the fiscal year then ended.

Total net position, beginning of period adjusted to GASB 68.
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Item: Post-Sale Report, Homeownership Finance Bonds (HFB) 2019 AB

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

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

Summary of Request:
The Agency sold $65,980,559 of Homeownership Finance Bonds on February 7, 2019 with a closing on February 21, 2019. In accordance with the Debt and Balance Sheet Management Policy the attached detailed post-sale report is provided by the Agency’s financial advisor, CSG Advisors.

Fiscal Impact:
None.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota’s Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):
Post-Sale Report
MEMORANDUM

Date: February 15, 2019

To: Minnesota Housing Finance Agency

From: Gene Slater, Tim Rittenhouse, David Jones, Eric Olson

Re: Post-Sale Report
$65,980,559 Homeownership Finance Bonds (HFB)
2019 Series A (Non-AMT) and B (Taxable)

BOND CRITERIA

The 2019 Series A & B Homeownership Finance Bonds were issued to finance single-family new production. The key criteria for issuing the debt were:

1. **Avoid major interest rate risk** by continuing to hedge pipeline production until loans are either sold or permanently financed by bond issues.

2. **Maintain high ratings on all Minnesota Housing single-family bonds**, with Series A & B rated Aaa.

3. **Enhance Minnesota Housing’s long-term financial sustainability** through a mix of bond financing and sales of MBS, to provide more financially sustainable results for Minnesota Housing.

4. **Provide at least a comparable expected level of return to selling MBS**, at reasonably anticipated prepayment speeds.

5. **Use bond volume cap as efficiently and sparingly as possible**, so that the Agency can continue both its single-family and multi-family programs even though volume cap has become an increasingly scarce resource.

KEY RESULTS FOR MINNESOTA HOUSING

**Key Measurable Objectives.** Minnesota Housing’s objectives for each issue reflect its overall goal: How can the Agency maintain a long-term sustainable program that
continues to finance production on the balance sheet so long as this is the best execution for the Agency.

Minnesota Housing therefore seeks to:

1. Obtain a present value return for Minnesota Housing at least similar to selling the same MBS in the secondary market, assuming a reasonable prepayment speed.

2. Obtain, if possible, approximately 1.125% spread on the overall issue (the maximum the IRS would allow if the issue were all tax-exempt).

3. Balance the amount of (a) new volume cap needed in financing such production and (b) the amount of zero participations required, so that the Agency can continue its program in future years.

4. Where possible, use opportunities to balance the impact of hedge gains and losses across transactions on Agency current year income.

**Accomplishments.** The results were successful in meeting Minnesota Housing’s objectives:

- **Leveraging Limited Volume Cap.** The issue was structured so that Minnesota Housing could finance $65.98 million of new mortgages on balance sheet with $16.66 million of volume cap, e.g. 25% of the total issue. To achieve this result, Minnesota Housing sold 62% of the total issue, $30.35 million, as taxable bonds in Series B, and recycled $18.97 million of private activity bond authority from past issues in Series A. New volume cap was thus leveraged 3.96 times.

- **Spread and Zero Participations.** Being able to use so much taxable debt typically requires using zero participations in order to obtain full spread. On this issue, where bond rates had dropped significantly over the prior two months, the Agency did not need to use any zero participations to obtain full spread. Indeed, while the Agency’s spread on the tax-exempt bonds was slightly below the IRS maximum of 1.125%, the Agency’s aggregate spread was 1.218%. This helped make up for being somewhat below full spread on 2018 I&J.

More important, the Agency thus retained its supply of zeros to assist on transactions in 2019. Together, 2018 I&J and 2019 A&B financed over $125 million of mortgages with less than 25% of new volume cap and without using any zero participations. Going forward, Minnesota Housing has approximately $26 million of zeros for future transactions.

- **Attractive Bond Yield.** The bond rate was 3.45% on tax-exempt Series A and 3.8% on taxable Series B.

- **Return to Minnesota Housing.** The relative benefits to Minnesota Housing from issuing the bonds depend on how long the mortgages remain outstanding. The break-even prepayment speed\(^1\)

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\(^1\) The break-even speed measures how fast mortgages can prepay while still assuring Minnesota Housing at least the same present value as an MBS sale.
compared to selling the loans was 234%. This is far higher than the actual average prepayment speeds on similar loans in this indenture of about 120%, and indicates the benefits of putting this production on the balance sheet rather than selling it.\(^2\) The result is that, at expected prepayment speeds, Minnesota Housing will earn significantly more from issuing 2018 A & B than from having directly sold the MBS. The net present value to Minnesota Housing (after net service release premiums) is projected to be approximately $2 million at 150% PSA prepayment speed.

- **Choices.** The Agency made choices that affected the use of volume cap, zero participations and spread. If the entire transaction had been tax-exempt, Minnesota Housing would have had $3 million more zeros for the future—but would have required an additional $30.35 million of volume cap. In effect, Minnesota Housing saved $30 million of volume cap and increased its spread, rather than receiving $3 million of zeros. It is important to balance three competing needs: to stretch out the supply of available zeros, leverage available bond cap and receive future spread.

<table>
<thead>
<tr>
<th>Actual Mix of Bonds</th>
<th>No Taxable Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable %</td>
<td>62%</td>
</tr>
<tr>
<td>Volume cap required</td>
<td>$16.66 million</td>
</tr>
<tr>
<td>Aggregate Spread</td>
<td>1.218%</td>
</tr>
<tr>
<td>Net Impact on Agency’s Zero Participations</td>
<td>No impact</td>
</tr>
</tbody>
</table>

- **Hedging.** The loan production pipeline remained fully hedged until bonds were sold. When interest rates drop as happened in the months leading up to this transaction, Minnesota Housing benefits by selling bonds at a lower rate, but incurs a loss on the hedges. The loss of $881,000 was included in bond yield so that Minnesota Housing can recover this amount over time as well.

- **Sizing and Investor Demand.** The issue was initially expected to be $20 million tax-exempt in Series A and $30 million taxable in Series B. There was one order for the taxable B bonds, so it was kept at that size. There were almost $65 million of orders for the tax-exempt bonds. Rather than slightly reduce the bond yield on Series A by a few basis points, Minnesota Housing increased the size of Series A by approximately $15 million. Doing this was attractive, since Minnesota Housing could finance these additional loans, earn an aggregate spread on this larger issue of more than 1.2%, all without using any zero participations. This was an excellent outcome in meeting the agency’s objectives.

\(^2\) The updated average prepayment speed on all securities in the HFB indenture since inception is calculated at approximately 120%.
Implications. Key implications include:

- **Pass-Through Approach.** Minnesota Housing has been the national leader in issuing single-family pass-through bonds to help finance production on-balance sheet. The net financial benefit from tax-exempt pass-through bonds compared to traditionally structured tax-exempt bonds varies from issue to issue. In recent transactions, there has been limited demand for such bonds on both the tax-exempt and taxable sides, so that the Agency has been sizing pass-through series based on the demand from investors.

  Pass-through bonds remain an effective way to leverage taxable debt. The interest cost on such taxable pass-through bonds (3.8% on Series J) is less than the marginal cost of including a large amount of taxable term bonds in a traditionally structured issue with both tax-exempt and taxable bonds (above 4.2%).

  Given the variability of demand for pass-through bonds and their leveraging value for the Agency, it would be useful for future bond resolutions for the Housing Finance Bond indenture to include flexibility as to the mix of pass-through bonds and traditionally structured bonds in a single issuance. This flexibility would enable the Agency to adjust at the time of pricing to use the optimal mix of structures.

- **Balance Sheet Management.** Minnesota Housing, in recent years, has been able to finance all tax-exempt eligible production as the best execution return to the Agency.

- **Volume Cap.** Minnesota Housing’s single-family production together with demand for multi-family issuance in the State remains so great that *private activity volume cap is a major constraint* on tax-exempt issuance. To help address this, the Agency is actively utilizing taxable bonds. On this issue, 46% of the debt was taxable. The Agency further actively recycles all available past private activity volume cap when old bonds are redeemed (whether on a monthly or semi-annual basis). This issue used approximately $19 million of recycled volume cap.

**TIMING AND STRUCTURE**

**Timing.** The issue was priced on Thursday, Feb. 7th, for closing on Thursday, Feb. 21st.

**Sizing.** The sizing was based on a portion of the specific hedged MBS in Minnesota Housing’s pipeline, with remaining production to be financed in an RHFB issue in March.

**Major Design Decisions.** Key decisions by Minnesota Housing were to:
Continue to include a 10-year par call at Minnesota Housing’s option, so that the Agency can potentially take advantage of interest rates in the future to either refund the bonds or sell the MBS and pay off the bonds.

Include GNMA, FNMA and FHLMC MBS in the issue, with no percentage limit on any category. This provides Minnesota Housing the ability to adjust to the actual mix of loans in its pipeline. The MBS financed were approximately 51% GNMA, 44% FNMA and 5% FHLMC.

Finance a substantial portion of the issue as taxable bonds, based on the availability of investor demand at an attractive yield.

**Rating.** Bonds under the HFB indenture are rated Aaa by Moody’s.

**Hedging.** Minnesota Housing has remained fully hedged on its pipeline until bonds were sold. This protects the Agency from risk if interest rates rise between the time the loans are committed and when they are packaged into MBS and either the corresponding bonds are sold or the MBS are sold via TBA. The purpose of this strategy is to help make the Agency largely indifferent to changes in rates.

**BOND SALE RESULTS.** Key highlights are:

1. **Investor Interest for Series 2019 A & B.** There was extensive institutional interest for the tax-exempt bonds from 7 investors, and a single investor for the taxable bonds.

2. **Timing.** The 10-year Treasury started 2018 at 2.46%, almost the same as it began 2017, and reached its highest yield in the fall, given positive domestic news, including increased GNP and unemployment at the lowest level since 1969, and future expected Federal Reserve rate hikes throughout 2019. The 10 year Treasury was 3.19% when G&H was priced on Oct. 17 and 3.12% when RHFB EFGH was sold on Nov. 14th.

   In late November and December, the drop in the stock market and renewed trade tensions with China led investors to seek safety in Treasuries. The 10 year yield was, 2.91% when I&J was priced in mid-December. The government shutdown and the Federal Reserve’s announcement that it was postponing further interest rate hikes reduced the 10 year Treasury yield another 25 basis points in late December. The 10 year was 2.65% when 2019 A&B was priced. This was 54 basis points lower than when G&H was priced in mid-October.

   The yield curve has flattened out dramatically in the Treasury market. The difference between the 1-year and 10-year yield was only 10 basis points at pricing, versus 61 basis points at the beginning of 2018 and 156 basis points at the beginning of 2017.

3. **Comparison to GNMA Yields.** Investors compare yields on pass-through issues to current-coupon GNMA. Compared to GNMA, pass-through bonds provide much less liquidity in the global markets.
GNMA yields dropped by 55 basis points since Series G&H in October as a result of the global flight to quality (almost identical to the drop in Treasury yields). In a rally such as this, investors are willing to accept much lower yields on very liquid assets, such as GNMA that can be traded globally. Pass-through bond yields, with far less liquidity, dropped by 30 basis points during this period.

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<td>Minn. Housing bond yield</td>
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<tr>
<td>Tax-Exempt</td>
<td>2.65%</td>
<td>2.80%</td>
<td>3.30%</td>
<td>3.30%</td>
<td>3.45%</td>
<td>3.75%</td>
<td>3.60%</td>
<td>3.45%</td>
</tr>
<tr>
<td>Taxable</td>
<td>3.00%</td>
<td>3.10%</td>
<td>3.65%</td>
<td>3.65%</td>
<td>3.80%</td>
<td>4.10%</td>
<td>4.00%</td>
<td>3.80%</td>
</tr>
<tr>
<td>Yield on GNMA I, 3.0 current coupon, at dealer prepay speed</td>
<td>2.67%</td>
<td>2.80%</td>
<td>3.32%</td>
<td>3.27%</td>
<td>3.35%</td>
<td>3.72%</td>
<td>3.42%</td>
<td>3.15%</td>
</tr>
<tr>
<td>Minn. Housing v. GNMA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax-exempt</td>
<td>-2 bp</td>
<td>0 bp</td>
<td>-2 bp</td>
<td>+3 bp</td>
<td>+10 bp</td>
<td>+3 bp</td>
<td>+18 bp</td>
<td>+30 bp</td>
</tr>
<tr>
<td>Taxable</td>
<td>+33 bp</td>
<td>+30 bp</td>
<td>+33 bp</td>
<td>+38 bp</td>
<td>+45 bp</td>
<td>+38 bp</td>
<td>+58 bp</td>
<td>+65 bp</td>
</tr>
</tbody>
</table>

4. **Municipal Market.** The AAA-rated G.O. municipal market has rallied even more strongly than Treasuries in shorter maturities where there is extensive investor demand. The municipal yield curve is thus much steeper than the Treasury curve. The 10 year MMD is now at about 80% of the 10 year Treasury.

However, while the MMD index has dropped dramatically for non-callable G.O. bonds, there has been less of an improvement in long-term housing bonds, including pass-through bonds. While yields on the 10 year MMD dropped by about 55 basis points since 2018 G&H, pass-through bonds yields have dropped by 30 basis points. This is a significant improvement, but not as much as in more widely traded securities.

5. **Comparable Tax-Exempt Pass-Through Transactions:** Aside from Minnesota, the other new money single-family tax-exempt pass-through issues in the past year have been for Colorado. The Colorado issues have been sold at a premium in order to raise downpayment assistance. In Feb. 2018, RBC priced Colorado on the same day as Minnesota A. In October, Colorado’s premium issue priced the day after Minnesota G at wider spreads to the indices. There was no comparable issue for Series 2019 A.
### Table 1: Comparable Taxable Pass-Through Transactions

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<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Size</strong></td>
<td>$73.1 m.</td>
<td>$38.2 m.</td>
<td>$30.3 m.</td>
<td>$47.8 m.</td>
<td>$31.8 m.</td>
<td>$46.7 m.</td>
<td>$23.0 m.</td>
<td>$35.6 m.</td>
</tr>
<tr>
<td><strong>Rating</strong></td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
</tr>
<tr>
<td><strong>Pricing Date</strong></td>
<td>2/13/18</td>
<td>2/13/18</td>
<td>4/12/18</td>
<td>8/16/18</td>
<td>10/17/18</td>
<td>10/18/18</td>
<td>12/13/18</td>
<td>2/7/19</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>102.978 Premium</td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
<td>102.935 Premium</td>
<td>Par</td>
<td>Par</td>
</tr>
<tr>
<td><strong>Ave. Life at 150% PSA in years</strong></td>
<td>8.3</td>
<td>8.7</td>
<td>8.7</td>
<td>8.9</td>
<td>8.8</td>
<td>8.4</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td><strong>Yield</strong></td>
<td>3.30%</td>
<td>3.30%</td>
<td>3.30%</td>
<td>3.45%</td>
<td>3.75%</td>
<td>3.80%</td>
<td>3.60%</td>
<td>3.45%</td>
</tr>
<tr>
<td><strong>Spread to 10yr US Treas.</strong></td>
<td>+47 bp</td>
<td>+47 bp</td>
<td>+47 bp</td>
<td>+58 bp</td>
<td>+56 bp</td>
<td>+64 bp</td>
<td>+69 bp</td>
<td>+80 bp</td>
</tr>
<tr>
<td><strong>Spread to 10yr MMD</strong></td>
<td>+88 bp</td>
<td>+88 bp</td>
<td>+90 bp</td>
<td>+102bp</td>
<td>+103bp</td>
<td>+107bp</td>
<td>+120 bp</td>
<td>+131 bp</td>
</tr>
<tr>
<td><strong>Spread to 3% GNMA (at Dealer Prepay Speed)</strong></td>
<td>-0 bp</td>
<td>-2 bp</td>
<td>-2 bp</td>
<td>+10 bp</td>
<td>+3 bp</td>
<td>+9 bp</td>
<td>+18 bp</td>
<td>+30 bp</td>
</tr>
<tr>
<td><strong>Spread Taxable to Tax-Exempt Series</strong></td>
<td>+30 bp</td>
<td>n.a.</td>
<td>+35 bp</td>
<td>+35 bp</td>
<td>+35 bp</td>
<td>+25 bp</td>
<td>+40 bp</td>
<td>+35 bp</td>
</tr>
<tr>
<td><strong>Underwriter</strong></td>
<td>RBC</td>
<td>RBC</td>
<td>RBC</td>
<td>RBC</td>
<td>RBC</td>
<td>RBC</td>
<td>RBC</td>
<td>RBC</td>
</tr>
</tbody>
</table>

6. **Comparable Taxable Pass-Through Transactions:** Aside from Minnesota, the other new money single-family taxable pass-through issues have been for Colorado, which sold at a premium, and Utah, which was overcollateralized with a significantly shorter average life and purchased by a bank for CRA credit. What stands out from the chart is that the big reduction in Treasury yields, GNMA yields and MMD since Series G in mid-October has translated into only a modest reduction in pass-through yields. The spreads relative to all the indices have therefore widened out.
<table>
<thead>
<tr>
<th>Size</th>
<th>$38.2 m.</th>
<th>$20.2 m.</th>
<th>$17.9 m.</th>
<th>$52.6 m.</th>
<th>$31.8 m.</th>
<th>$42.7 m.</th>
<th>37.5 m.</th>
<th>$30.4 m.</th>
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<td>Type</td>
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<td>New money</td>
<td>New money</td>
<td>New Money</td>
<td>New Money</td>
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<td>Rating</td>
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<td>Aaa</td>
<td>Aa3</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
</tr>
<tr>
<td>Pricing Date</td>
<td>2/13/18</td>
<td>4/12/18</td>
<td>6/20/18</td>
<td>8/16/18</td>
<td>10/17/18</td>
<td>10/18/18</td>
<td>12/13/18</td>
<td>2/7/19</td>
</tr>
<tr>
<td>Price</td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
<td>103.214 premium</td>
<td>Par</td>
<td>Par</td>
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<tr>
<td>Ave. Life at 150% PSA</td>
<td>8.7 years</td>
<td>8.7 years</td>
<td>6.5 years</td>
<td>8.9 years</td>
<td>8.8 years</td>
<td>8.3 years</td>
<td>8.9 years</td>
<td>8.9 years</td>
</tr>
<tr>
<td>Yield</td>
<td>3.65%</td>
<td>3.65%</td>
<td>3.45%</td>
<td>3.80%</td>
<td>4.10%</td>
<td>4.05% 125% PSA</td>
<td>4.00%</td>
<td>3.80%</td>
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<tr>
<td>Spread to 10yr US Treas.</td>
<td>+82 bp</td>
<td>+82 bp</td>
<td>+52 bp</td>
<td>+93 bp</td>
<td>+91 bp</td>
<td>+89 bp</td>
<td>+109 bp</td>
<td>+115 bp</td>
</tr>
<tr>
<td>Spread to 10yr MMD</td>
<td>+123 bp</td>
<td>+125 bp</td>
<td>+98 bp</td>
<td>+137 bp</td>
<td>+138 bp</td>
<td>+132 bp</td>
<td>+160 bp</td>
<td>+166 bp</td>
</tr>
<tr>
<td>Spread to 3% GNMA (at Dealer Prepay Speed)</td>
<td>+33 bp</td>
<td>+38 bp</td>
<td>+3 bp</td>
<td>+45 bp</td>
<td>+38 bp</td>
<td>+34 bp</td>
<td>+58 bp</td>
<td>+65 bp</td>
</tr>
<tr>
<td>Underwriter</td>
<td>RBC</td>
<td>RBC</td>
<td>Zions</td>
<td>RBC</td>
<td>RBC</td>
<td>RBC</td>
<td>RBC</td>
<td>RBC</td>
</tr>
</tbody>
</table>

**UNDERWRITING**

**Underwriters.** RBC was the senior manager; regular co-managers were J.P. Morgan, Piper Jaffray and Wells Fargo. Monthly pass-through bonds are sold only to institutional investors, so there was no selling group.

**Underwriter Fees.** Management fees were appropriate, consistent with industry standards, in the same range as fees for other housing issues of similar size and structure.

**********************************************************************

**ISSUE DETAILS**

**Economic Calendar.** Economic statistics came in somewhat weaker than expected in the days leading up to the sale. On Tuesday Feb. 5th, the economic optimism index came in significantly weaker than for the prior month or than expected. On Wednesday, the Federal Reserve reported that it was holding the
Federal funds rate steady at 2.25 to 2.5% at its first policy meeting for the year. It also indicated that it was willing to slow its efforts to dispose of Treasuries and agency paper acquired during the financial crisis. Treasuries dropped in yield by 5 basis points on Thursday in response to the Federal Reserve announcement.

**Municipals.** The municipal market index has closely tracked and indeed outperformed Treasuries in recent months. However, the improvement in this index, which is for Aaa-rated G.O. bonds, has not necessarily been reflected in the level of demand for housing and other specialized bonds.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Date</th>
<th>10-Year Treasury</th>
<th>10-Year MMD</th>
<th>MMD/Treasury Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 HFB G/H</td>
<td>9/12/17</td>
<td>2.17%</td>
<td>1.86%</td>
<td>85.7%</td>
</tr>
<tr>
<td>2017 HFB I/J</td>
<td>11/9/17</td>
<td>2.33%</td>
<td>1.93%</td>
<td>82.8%</td>
</tr>
<tr>
<td>2017 RHFB DEF</td>
<td>12/4/17</td>
<td>2.37%</td>
<td>2.05%</td>
<td>86.5%</td>
</tr>
<tr>
<td>2018 HFB A/B</td>
<td>2/13/18</td>
<td>2.83%</td>
<td>2.42%</td>
<td>85.5%</td>
</tr>
<tr>
<td>2018 HFB C/D</td>
<td>4/12/18</td>
<td>2.83%</td>
<td>2.40%</td>
<td>84.8%</td>
</tr>
<tr>
<td>2018 RHFB ABC</td>
<td>6/7/18</td>
<td>2.93%</td>
<td>2.47%</td>
<td>84.0%</td>
</tr>
<tr>
<td>2018 HFB EF</td>
<td>8/16/18</td>
<td>2.87%</td>
<td>2.43%</td>
<td>84.7%</td>
</tr>
<tr>
<td>2018 HFB GH</td>
<td>10/17/18</td>
<td>3.19%</td>
<td>2.72%</td>
<td>85.3%</td>
</tr>
<tr>
<td>2018 RHFB EFGH</td>
<td>11/14/18</td>
<td>3.12%</td>
<td>2.70%</td>
<td>86.5%</td>
</tr>
<tr>
<td>2018 HFB IJ</td>
<td>12/13/18</td>
<td>2.91%</td>
<td>2.40%</td>
<td>82.5%</td>
</tr>
<tr>
<td>2019 HFB AB</td>
<td>2/7/19</td>
<td>2.65%</td>
<td>2.14%</td>
<td>80.8%</td>
</tr>
<tr>
<td>Change from IJ</td>
<td></td>
<td>-26 bp</td>
<td>-26 bp</td>
<td>-2.7%</td>
</tr>
</tbody>
</table>

**Municipal Calendar.** The visible supply for the week was $8.3 billion, about average for the year to date. The largest competitive issue was Washington State $660 million of G.O. bonds, while Hawaii brought a negotiated $550 million G.O issue and Massport brought a $314 million revenue bond issue. The other single-family issues were traditionally structured issues for South Dakota, $99 million, and Texas, $166 million, while New York City Housing Development Corporation priced a $150 million multi-family bond issue.

**MBS Yields.** MBS yields are very relevant because investors can choose between purchasing MBS directly or buying Minnesota Housing’s bonds backed by MBS. As described above, bond purchasers look as much to the spread between Minnesota Housing’s bonds and MBS as they do to the spread.
between Minnesota Housing bonds and Treasuries or MMD. While GNMA yields dropped by 30 basis points since Series G&H in October, Minnesota Housing’s yields dropped by 10 to 15 basis points.

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>GNMA</strong></td>
<td>Current</td>
<td>3.0</td>
<td>Price</td>
<td>101.92</td>
<td>101.17</td>
<td>97.98</td>
<td>98.33</td>
<td>97.92</td>
<td>95.70</td>
<td>97.48</td>
<td>99.08</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Yield*</td>
<td>2.67%</td>
<td>2.80%</td>
<td>3.32%</td>
<td>3.27%</td>
<td>3.35%</td>
<td>3.72%</td>
<td>3.42%</td>
<td>3.15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dealer</td>
<td>184%</td>
<td>175%</td>
<td>153%</td>
<td>153%</td>
<td>149%</td>
<td>146%</td>
<td>148%</td>
<td>147%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Forecast % PSA</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FNMA</strong></td>
<td>Current</td>
<td>3.5</td>
<td>Price</td>
<td>103.55</td>
<td>102.89</td>
<td>100.02</td>
<td>98.92</td>
<td>99.39</td>
<td>97.58</td>
<td>98.83</td>
<td>100.30</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yield*</td>
<td>2.77%</td>
<td>2.96%</td>
<td>3.49%</td>
<td>3.50%</td>
<td>3.58%</td>
<td>3.82%</td>
<td>3.66%</td>
<td>3.45%</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Dealer</td>
<td>244%</td>
<td>211%</td>
<td>146%</td>
<td>129%</td>
<td>126%</td>
<td>117%</td>
<td>122%</td>
<td>133%</td>
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<td>Forecast % PSA</td>
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</tr>
<tr>
<td><strong>10yr US Treas.</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>Yield</td>
<td>2.17%</td>
<td>2.33%</td>
<td>2.83%</td>
<td>2.83%</td>
<td>2.87%</td>
<td>3.19%</td>
<td>2.91%</td>
<td>2.65%</td>
</tr>
<tr>
<td><strong>10yr MMD</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>Yield</td>
<td>1.86%</td>
<td>1.93%</td>
<td>2.42%</td>
<td>2.40%</td>
<td>2.43%</td>
<td>2.72%</td>
<td>2.40%</td>
<td>2.14%</td>
</tr>
<tr>
<td><strong>GNMA to 10-Year Treasury</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>Yield*</td>
<td>123.0%</td>
<td>120.2%</td>
<td>117.3%</td>
<td>115.5%</td>
<td>116.7%</td>
<td>116.6%</td>
<td>117.5%</td>
<td>118.9%</td>
</tr>
<tr>
<td><strong>GNMA to 10-Year MMD</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>Yield*</td>
<td>143.5%</td>
<td>145.1%</td>
<td>137.2%</td>
<td>136.3%</td>
<td>137.9%</td>
<td>136.8%</td>
<td>142.5%</td>
<td>147.2%</td>
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<tr>
<td><strong>Minnesota Housing</strong></td>
<td>Tax-exempt</td>
<td>Taxable</td>
<td>Yield</td>
<td>2.65%</td>
<td>2.80%</td>
<td>3.30%</td>
<td>3.30%</td>
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<td>3.75%</td>
<td>3.60%</td>
<td>3.45%</td>
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<td>3.00%</td>
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<td>3.10%</td>
<td>3.65%</td>
<td>3.65%</td>
<td>3.80%</td>
<td>4.10%</td>
<td>4.00%</td>
<td>3.80%</td>
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</tr>
</tbody>
</table>

* Yield at dealer forecast prepayment speed
<table>
<thead>
<tr>
<th>Pricing Date</th>
<th>Amount</th>
<th>Issuer</th>
<th>Series</th>
<th>Program</th>
<th>Rating(s)</th>
<th>Tax Status</th>
<th>Use of Funds</th>
<th>Maturity</th>
<th>Price</th>
<th>Coupon/Yield</th>
<th>Yield</th>
<th>Spread</th>
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<tr>
<td>2/7/19</td>
<td>$20,223,927</td>
<td>Minnesota HFA</td>
<td>2019 Series A</td>
<td>Single Family / Negotiated</td>
<td>Aaa / - / -</td>
<td>Tax Exempt, Non-AMT</td>
<td>New Money</td>
<td>2049</td>
<td>100.000</td>
<td>3.600</td>
<td>Indicative</td>
<td></td>
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<tr>
<td>12/13/18</td>
<td>$22,971,005</td>
<td>Minnesota HFA</td>
<td>2018 Series I</td>
<td>Single Family / Negotiated</td>
<td>Aaa / - / -</td>
<td>Tax Exempt, Non-AMT</td>
<td>New Money</td>
<td>2049</td>
<td>102.935</td>
<td>4.20C/3.80Y at 125% PSA</td>
<td>Indicative</td>
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<tr>
<td>10/18/18</td>
<td>$46,739,335</td>
<td>Colorado HFA</td>
<td>Series 2018B-B-1</td>
<td>Single Family / Negotiated</td>
<td>Aaa / - / -</td>
<td>Tax Exempt, Non-AMT</td>
<td>New Money</td>
<td>2048</td>
<td>3.750</td>
<td>Indicative</td>
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<td>10/17/18</td>
<td>$31,783,596</td>
<td>Minnesota HFA</td>
<td>2018 Series G</td>
<td>Single Family / Negotiated</td>
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<td>Tax Exempt, Non-AMT</td>
<td>New Money</td>
<td>2048</td>
<td>3.450</td>
<td>Indicative</td>
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<td>8/16/18</td>
<td>$47,757,180</td>
<td>Minnesota HFA</td>
<td>2018 Series C</td>
<td>Single Family / Negotiated</td>
<td>Aaa / - / -</td>
<td>Tax Exempt, Non-AMT</td>
<td>New Money</td>
<td>2048</td>
<td>3.300</td>
<td>Indicative</td>
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<td>4/12/18</td>
<td>$30,326,457</td>
<td>Minnesota HFA</td>
<td>Single Family / Negotiated</td>
<td>Aaa / - / -</td>
<td>Tax Exempt, Non-AMT</td>
<td>New Money</td>
<td>2048</td>
<td>3.19 (147%)</td>
<td>3.42 (148%)</td>
<td>+18</td>
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<td></td>
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<tr>
<td>7-Year US Treasury</td>
<td>2.59</td>
<td>2.83 +77</td>
<td>3.10 +70</td>
<td>3.13 +62</td>
<td>3.28 +63</td>
<td>2.78 +52</td>
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<tr>
<td>10-Year US Treasury</td>
<td>2.69</td>
<td>2.91 +69</td>
<td>3.16 +64</td>
<td>3.19 +56</td>
<td>3.28 +58</td>
<td>2.83 +47</td>
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</tr>
<tr>
<td>3% GNMA I @ 100% PSA</td>
<td>3.16</td>
<td>3.35 +25</td>
<td>3.60 +20</td>
<td>3.61 +14</td>
<td>3.29 +16</td>
<td>3.22 +8</td>
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<tr>
<td>3% GNMA I @ Dr Forecast</td>
<td>3.19 (147%)</td>
<td>3.42 (148%)</td>
<td>3.71 (146%)</td>
<td>3.72 (146%)</td>
<td>3.35 (149%)</td>
<td>3.27 (153%)</td>
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<tr>
<td>9-Year MMD</td>
<td>2.07</td>
<td>2.33 +127</td>
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<td>2.37 +108</td>
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<tr>
<td>10-Year MMD</td>
<td>2.17</td>
<td>2.40 +120</td>
<td>2.73 +107</td>
<td>2.72 +103</td>
<td>2.43 +102</td>
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**MBS PREPAY HISTORY (%PSA)**
- Past 3 months: -
- Past 6 months: -
- Past 12 months: -
- Since issuance: -

**PROJECTED WEIGHTED AVERAGE LIFE (YEARS)**
- At 100% PSA: 10.9 10.6 10.9 11.0 10.7
- At 150% PSA: 8.9 8.4 8.8 8.9 8.7
- At 200% PSA: 7.4 7.0 7.3 7.4 7.2
- At 300% PSA: 5.8 5.1 5.5 5.5 5.4

**WEIGHTED AVERAGE MORTGAGE RATE**
- 5.05% 5.12% 5.07% 5.12% 4.33%

**MBS WEIGHTED AVERAGE PASS THROUGH RATE**
- 4.61% 4.55% 4.50% 4.50% 4.39% 3.67%

**WEIGHTED AVERAGE REMAINING TERM (MONTHS)**
- 357 358 357 358 357

**Notes**
- Sr Manager: RBC Capital Markets
- RBC Capital Markets
- RBC Capital Markets
- RBC Capital Markets
- RBC Capital Markets
- RBC Capital Markets

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## Pricing Date

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<td>10-Year US Treasury</td>
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<td>2.17</td>
<td>+48</td>
<td>2.41</td>
<td>+44</td>
</tr>
<tr>
<td>3% GNMA I @ 100% PSA</td>
<td>3.27</td>
<td>+3</td>
<td>3.27</td>
<td>+3</td>
<td>2.85</td>
<td>-5</td>
<td>2.76</td>
<td>-11</td>
<td>2.89</td>
<td>-4</td>
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<tr>
<td>3% GNMA I @ Dr Forecast</td>
<td>3.32 (153%)</td>
<td>-2</td>
<td>3.32 (153%)</td>
<td>-2</td>
<td>2.80 (175%)</td>
<td>-</td>
<td>2.67 (184%)</td>
<td>-2</td>
<td>2.86 (160%)</td>
<td>-1</td>
</tr>
</tbody>
</table>

## MBS PREPAY HISTORY (% PSA)

| Past 3 months | - | - | - | - |
| Past 6 months | - | - | - | - |
| Past 12 months| - | - | - | - |
| Since issuance| - | - | - | - |

## PROJECTED WEIGHTED AVERAGE LIFE (YEARS)

| At 100% PSA | 10.4 | 10.7 | 10.7 | 10.7 | 10.7 | 10.5 |
| At 150% PSA | 8.3  | 8.7  | 8.6  | 8.7  | 8.7  | 8.5  |
| At 200% PSA | 6.8  | 7.3  | 7.2  | 7.2  | 7.3  | 7.1  |
| At 300% PSA | 5.1  | 5.4  | 5.4  | 5.4  | 5.5  | 5.3  |

## WEIGHTED AVERAGE MORTGAGE RATE

| 4.55% |

## MBS WEIGHTED AVERAGE PASS-THROUGH RATE

| 4.00% |

## WEIGHTED AVERAGE REMAINING TERM (MONTHS)

| 357 |

---

### Notes

- Sr Manager: RBC Capital Markets
| Pricing Date | Amount       | Issuer          | Series          | Program          | Rating(s)        | Tax Status          | Use of Funds       | Maturity | Price | Coupon/Yield | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread | Indicator | Yield | Spread |
|--------------|--------------|-----------------|-----------------|------------------|-----------------|------------------|-------------------|----------|-------|--------------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|-------|--------|-----------|
| 2/9/17       | $24,966,329  | Minnesota HFA   | 2017 Series A   | Single Family / Negotiated | Aaa / - / - | Tax Exempt, Non-AMT | New Money | 2047 | 100.000 | 2.930 | 2/9/17 | +105    | 1.88   | 1.60   | 1.26   | +104   | 1.21   | +114   | 1.10   | +123   | 1.45   | +125   | 1.55   | +140   | 2.20   | +73    | 1.55   | +75    | 1.50   | +85    | 1.36   | +97    | 1.75   | +96    | 1.88   | +107   | 2.40   | +53    | 1.76   | +54    | 1.68   | +67    | 1.53   | +80    | 1.93   | +77    | 2.12   | +83    | 2.86   | +7     | 2.46   | -16    | 2.47   | -12    | 2.45   | -12    | 2.67   | +3     | 2.75   | +20    | 2.82 (160%) | +11    | 2.16 (224%) | +14    | 2.16 (230%) | +19    | 2.08 (252%) | +25    | 2.55 (189%) | +15    | 2.67 (175%) | +28    |        |
| 10/20/16     | $20,445,117  | Minnesota HFA   | 2016 Series G   | Single Family / Negotiated | Aaa / - / - | Tax Exempt, Non-AMT | New Money | 2046 | 100.000 | 2.300 | 10/20/16 | -        | 1.26   | 1.26   | 1.26   | +104   | 1.21   | +114   | 1.10   | +123   | 1.45   | +125   | 1.55   | +140   | 2.20   | +73    | 1.55   | +75    | 1.50   | +85    | 1.36   | +97    | 1.75   | +96    | 1.88   | +107   | 2.40   | +53    | 1.76   | +54    | 1.68   | +67    | 1.53   | +80    | 1.93   | +77    | 2.12   | +83    | 2.86   | +7     | 2.46   | -16    | 2.47   | -12    | 2.45   | -12    | 2.67   | +3     | 2.75   | +20    | 2.82 (160%) | +11    | 2.16 (224%) | +14    | 2.16 (230%) | +19    | 2.08 (252%) | +25    | 2.55 (189%) | +15    | 2.67 (175%) | +28    |        |
| 9/12/16      | $35,494,509  | Minnesota HFA   | 2016 Series E   | Single Family / Negotiated | Aaa / - / - | Tax Exempt, Non-AMT | New Money | 2046 | 100.000 | 2.350 | 9/12/16  | +14     | 2.20   | 2.20   | 2.20   | +73    | 1.60   | +75    | 1.50   | +85    | 1.36   | +97    | 1.75   | +96    | 1.88   | +107   | 2.40   | +53    | 1.76   | +54    | 1.68   | +67    | 1.53   | +80    | 1.93   | +77    | 2.12   | +83    | 2.86   | +7     | 2.46   | -16    | 2.47   | -12    | 2.45   | -12    | 2.67   | +3     | 2.75   | +20    | 2.82 (160%) | +11    | 2.16 (224%) | +14    | 2.16 (230%) | +19    | 2.08 (252%) | +25    | 2.55 (189%) | +15    | 2.67 (175%) | +28    |        |
| 7/14/16      | $35,389,598  | Minnesota HFA   | 2016 Series C   | Single Family / Negotiated | Aaa / - / - | Tax Exempt, Non-AMT | New Money | 2046 | 100.000 | 2.330 | 7/14/16  | +14     | 2.40   | 2.40   | 2.40   | +53    | 1.76   | +54    | 1.68   | +67    | 1.53   | +80    | 1.93   | +77    | 2.12   | +83    | 2.86   | +7     | 2.46   | -16    | 2.47   | -12    | 2.45   | -12    | 2.67   | +3     | 2.75   | +20    | 2.82 (160%) | +11    | 2.16 (224%) | +14    | 2.16 (230%) | +19    | 2.08 (252%) | +25    | 2.55 (189%) | +15    | 2.67 (175%) | +28    |        |
| 3/10/16      | $50,970,802  | Minnesota HFA   | 2016 Series A   | Single Family / Negotiated | Aaa / - / - | Tax Exempt, Non-AMT | New Money | 2046 | 100.000 | 2.700 | 3/10/16  | +14     | 2.68   | 2.68   | 2.68   | +66    | 1.72   | +58    | 1.52   | +63    | 1.41   | +92    | 1.88   | +82    | 1.76   | +94    | 1.67   | +128   | 2.28   | +65    | 1.72   | +58    | 1.52   | +63    | 1.41   | +92    | 1.88   | +82    | 1.76   | +94    | 2.44   | +67    | 2.55 (189%) | +15    | 2.67 (175%) | +28    | 2.82 (160%) | +11    | 2.16 (224%) | +14    | 2.16 (230%) | +19    | 2.08 (252%) | +25    | 2.55 (189%) | +15    | 2.67 (175%) | +28    |        |
| 1/12/16      | $97,237,565  | Minnesota HFA   | 2016 Series B   | Single Family / Negotiated | Aaa / - / - | Tax Exempt, Non-AMT | New Money | 2046 | 100.000 | 2.950 | 1/12/16  | +14     | 2.86   | 2.86   | 2.86   | +67    | 1.72   | +58    | 1.52   | +63    | 1.41   | +92    | 1.88   | +82    | 1.76   | +94    | 1.67   | +128   | 2.28   | +65    | 1.72   | +58    | 1.52   | +63    | 1.41   | +92    | 1.88   | +82    | 1.76   | +94    | 2.50   | +68    | 2.75 (175%) | +28    | 2.82 (160%) | +11    | 2.16 (224%) | +14    | 2.16 (230%) | +19    | 2.08 (252%) | +25    | 2.55 (189%) | +15    | 2.67 (175%) | +28    |        |
### TAXABLE HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

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<tr>
<th>Pricing Date</th>
<th>Amount</th>
<th>Issuer</th>
<th>Series</th>
<th>Program</th>
<th>Rating(s)</th>
<th>Tax Status</th>
<th>Use of Funds</th>
<th>Maturity</th>
<th>Price</th>
<th>Coupon/Yield</th>
<th>Indicator</th>
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<th>10/17/18</th>
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<td>Spread</td>
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<td>Aaa / - / -</td>
<td>Taxable</td>
<td>2049</td>
<td>100.000</td>
<td>4.000</td>
<td>Spread</td>
<td>2.94</td>
<td>3.01</td>
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<td>103.214</td>
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#### 5-Year US Treasury
- 2.50
- 2.58
- 2.75
- 2.75
- 3.02
- 3.04
- 2.94

#### 7-Year US Treasury
- 2.59
- 2.66
- 2.83
- 2.83
- 3.10
- 3.13
- 3.01

#### 10-Year US Treasury
- 2.69
- 2.75
- 2.91
- 2.91
- 3.16
- 3.19
- 3.05

#### 3% GNMA I @ 100% PSA
- 3.16
- 3.20
- 3.35
- 3.35
- 3.60
- 3.61
- 3.61

#### 3% GNMA I @ Dr Forecast
- 3.19 (147%)
- 3.24 (152%)
- 3.42 (148%)
- 3.42 (148%)
- 3.71 (146%)
- 3.72 (146%)
- 3.55 (146%)

#### 9-Year MMD
- 2.07
- 2.11
- 2.33
- 2.33
- 2.65
- 2.64
- 2.51

#### 10-Year MMD
- 2.17
- 2.20
- 2.40
- 2.40
- 2.73
- 2.72
- 2.58

#### MBS PREPAY HISTORY (%PSA)
- Past 3 months: 92%
- Past 6 months: 194%
- Past 12 months: 200%
- Since issuance: 212%

#### PROJECTED WEIGHTED AVERAGE LIFE (YEARS)
- At 100% PSA: 7.1
- At 150% PSA: 8.9
- At 200% PSA: 5.1
- At 300% PSA: 3.8

#### WEIGHTED AVERAGE MORTGAGE RATE
- 5.81%
- 5.05%
- 5.12%
- 5.07%
- 6.56%

#### MBS WEIGHTED AVERAGE PASSSTHRU RATE
- 4.61%
- 5.32%
- 4.55%
- 4.50%
- 4.50%
- 6.06%

#### WEIGHTED AVERAGE REMAINING TERM (MONTHS)
- 211
- 357
- 358
- 357
- 243

#### Notes
- Sr Manager: RBC Capital Markets
- RBC Capital Markets
- RBC Capital Markets
- RBC Capital Markets
- Raymond James
## TAXABLE HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

| Pricing Date | Amount       | Issuer       | Series          | Program      | Rating(s)   | Tax Status | Use of Funds | Maturity | Price  | Coupon/Yield | 5-Year US Treasury | 7-Year US Treasury | 10-Year US Treasury | 3% GNMA I @ 100% PSA | 3% GNMA I @ Dlr Forecast | 9-Year MMD | 10-Year MMD | MBS PREPAY HISTORY (% PSA) | PROJECTED WEIGHTED AVERAGE LIFE (YEARS) | WEIGHTED AVERAGE MORTGAGE RATE | MBS WEIGHTED AVERAGE PASSTHRUGH RATE | WEIGHTED AVERAGE REMAINING TERM (MONTHS) | Notes |
|--------------|--------------|--------------|-----------------|--------------|-------------|------------|--------------|----------|--------|--------------|----------------------|---------------------|------------------------|------------------------|----------------------------|-----------------|--------------|--------------------------|------------------|-----------------------|-----------------------|------------------------|--------------------------------|--------|
| 9/11/18      | $43,331,546  | Ohio HFA     | 2018 Series B   | Single Family / Negotiated | Aaa / - / - | Taxable    | New Money    | 2040     | 100.000 | 3.700        | 2.87 +83              | 2.94 +76             | 2.98 +72                | 3.38 +32              | 3.46 (150%) +24         | 2.46 +124 | 2.52 +118 | Past 3 months 128% | At 100% PSA 7.8  | 5.98%               | 5.48%                 | 235           | J.P. Morgan  |
| 8/16/18      | $52,573,028  | Minnesota HFA| 2018 Series F   | Single Family / Negotiated | Aaa / - / - | Taxable    | New Money    | 2048     | 100.000 | 3.800        | 2.75 +105             | 2.82 +98              | 2.87 +93                | 3.29 +51              | 3.55 (149%) +45         | 2.37 +143 | 2.43 +137 | Past 12 months 166% | At 150% PSA 8.9  | 5.12%               | 4.39%                 | 358           | RBC Capital Markets    |
| 6/28/18      | $20,630,000  | Delaware SHA | 2018 Series A   | Single Family / Negotiated | Aa1 / - / - | Taxable    | Refunding   | 2048     | 100.000 | 3.480        | 2.73 +75              | 2.81 +67              | 2.84 +64                | 3.30 +18              | 3.50 (149%) +13        | 2.41 +107 | 2.46 +102 | Since issuance 259%  | At 200% PSA 5.6  | 5.96%               | 5.46%                 | 253           | George K. Baum     |
| 6/20/18      | $17,850,000  | Utah HC      | 2018 Series A   | Single Family / Negotiated | Aaa / - / - | Taxable    | Refunding   | 2048     | 100.000 | 3.450        | 2.80 +65              | 2.89 +56              | 2.93 +52                | 3.36 +9                | 3.46 (149%) +13        | 2.41 +104 | 2.47 +98  | At 300% PSA 5.5       | At 100% PSA 7.8  | 5.12%               | 5.46%                 | 357           | Zions Bank     |
| 4/12/18      | $20,217,638  | Minnesota HFA| 2018 Series D   | Single Family / Negotiated | Aaa / - / - | Taxable    | New Money    | 2048     | 100.000 | 3.650        | 2.67 +98              | 2.78 +87              | 2.83 +82                | 3.22 +43              | 3.27 (153%) +38        | 2.35 +130 | 2.40 +125 | Since issuance 259%  |
| 2/13/18      | $35,247,494  | Minnesota HFA| 2018 Series B   | Single Family / Negotiated | Aaa / - / - | Taxable    | New Money    | 2048     | 100.000 | 3.650        | 2.54 +111             | 2.74 +91              | 2.83 +82                | 3.27 +38              | 3.32 (153%) +33        | 2.35 +130 | 2.42 +123 |

### Notes
- Sr Manager: J.P. Morgan
- Issuer: RBC Capital Markets
- Program: George K. Baum
- Series: Zions Bank
- Rating(s): RBC Capital Markets

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### TAXABLE HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

| Pricing Date | Amount       | Issuer        | Series       | Program            | Rating(s)   | Tax Status | Use of Funds | Maturity | Price | Coupon/Yield | 5-Year US Treasury | 7-Year US Treasury | 10-Year US Treasury | 3% GNMA I @ 100% PSA | 3% GNMA I @ Dlr Forecast | 9-Year MMD | 10-Year MMD | MBS PREPAY HISTORY (%PSA) | PROJECTED WEIGHTED AVERAGE LIFE (YEARS) | WEIGHTED AVERAGE MORTGAGE RATE | MBS WEIGHTED AVERAGE PASSTHROUGH RATE | WEIGHTED AVERAGE REMAINING TERM (MONTHS) | Notes  |
|--------------|--------------|---------------|--------------|--------------------|-------------|------------|--------------|----------|-------|--------------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|------------------|--------|
| 11/9/17      | $46,158,952  | Minnesota HFA | 2017 Series J | Single Family / Negotiated | Aaa / - / - | Taxable   | New Money   | 2047    | 100.000 | 3.100         | 2.01 +109            | 1.99 +101            | 2.22 +98              | 2.43 +100           | 3.10 +33             | 2.86 +39            | 2.92 +43            |                    | RBC Capital Markets |
| 9/12/17      | $64,997,812  | Minnesota HFA | 2017 Series H | Single Family / Negotiated | Aaa / - / - | Taxable   | New Money   | 2047    | 100.000 | 3.000         | 2.17 +125            | 2.17 +83             | 2.41 +79              | 2.62 +81             | 3.10 +33             | 2.86 +39            | 2.92 +43            |                    | RBC Capital Markets |
| 5/10/17      | $19,348,474  | Minnesota HFA | 2017 Series F | Single Family / Negotiated | Aaa / - / - | Taxable   | New Money   | 2047    | 100.000 | 3.200         | 1.94 +126            | 2.14 +129            | 2.43 +100           | 2.62 +81             | 3.10 +33             | 2.86 +39            | 2.92 +43            |                    | RBC Capital Markets |
| 3/13/17      | $23,903,941  | Minnesota HFA | 2017 Series D | Single Family / Negotiated | Aaa / - / - | Taxable   | New Money   | 2047    | 100.000 | 3.430         | 1.84 +129            | 1.84 +129            | 2.14 +129           | 2.39 +100           | 3.10 +33             | 2.86 +39            | 2.92 +43            |                    | RBC Capital Markets |
| 2/9/17       | $24,966,327  | Minnesota HFA | 2017 Series B | Single Family / Negotiated | Aaa / - / - | Taxable   | New Money   | 2047    | 100.000 | 3.250         | 1.84 +129            | 1.84 +129            | 2.14 +129           | 2.39 +100           | 3.10 +33             | 2.86 +39            | 2.92 +43            |                    | RBC Capital Markets |

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<td>1.94</td>
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<tr>
<td>7-Year US Treasury</td>
<td>2.20</td>
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<td>1.99</td>
<td>+101</td>
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<td>10-Year US Treasury</td>
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<td>+39</td>
</tr>
<tr>
<td>3% GNMA I @ Dlr Forecast</td>
<td>2.80 (175%)</td>
<td>+30</td>
<td>2.67 (184%)</td>
<td>+33</td>
<td>2.86 (160%)</td>
<td>+34</td>
<td>3.12 (159%)</td>
<td>+31</td>
<td>2.82 (160%)</td>
<td>+43</td>
</tr>
<tr>
<td>9-Year MMD</td>
<td>1.83</td>
<td>+127</td>
<td>1.74</td>
<td>+126</td>
<td>2.06</td>
<td>+114</td>
<td>2.39</td>
<td>+104</td>
<td>2.18</td>
<td>+107</td>
</tr>
<tr>
<td>10-Year MMD</td>
<td>1.93</td>
<td>+117</td>
<td>1.86</td>
<td>+114</td>
<td>2.17</td>
<td>+103</td>
<td>2.49</td>
<td>+94</td>
<td>2.28</td>
<td>+97</td>
</tr>
</tbody>
</table>

| MBS PREPAY HISTORY (%PSA) | Past 3 months | - | - | - | - | - | - | - | - | - |
|                          | Past 6 months | - | - | - | - | - | - | - | - | - |
|                          | Past 12 months | - | - | - | - | - | - | - | - | - |
|                          | Since issuance | - | - | - | - | - | - | - | - | - |

| PROJECTED WEIGHTED AVERAGE LIFE (YEARS) | At 100% PSA | 10.7 | 10.7 | 10.7 | 10.5 | 10.5 |
|                                         | At 150% PSA | 8.7  | 8.7  | 8.7  | 8.6  | 8.5  |
|                                         | At 200% PSA | 7.2  | 7.2  | 7.3  | 7.2  | 7.1  |
|                                         | At 300% PSA | 5.4  | 5.4  | 5.5  | 5.3  | 5.3  |

| WEIGHTED AVERAGE MORTGAGE RATE | 4.14% | 4.27% | 4.23% | 3.79% | 3.84% |
| MBS WEIGHTED AVERAGE PASSTHROUGH RATE | 3.56% | 3.61% | 3.61% | 3.30% | 3.20% |
| WEIGHTED AVERAGE REMAINING TERM (MONTHS) | 357 | 357 | 357 | 356 | 355 |


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