Minnesota Housing Finance Agency

BOARD MEETINGS SCHEDULED FOR APRIL

Location:

Minnesota Housing
400 Sibley Street, Suite 300
St. Paul, MN 55101

TUESDAY, APRIL 3, 2012
Special Board Meeting
In person: Jelatis Conference Room
By phone*: 1-888-742-5095; Code: 2680427896
**members will participate by phone*
8:45 a.m.

THURSDAY, APRIL 26, 2012
Regular Board Meeting
State Street Conference Room
1:00 p.m.

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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Minnesota Housing Finance Agency
400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A

Minnesota Housing Finance Agency
Board Meeting
Thursday, April 26, 2012
1:00 p.m.

State Street Conference Room – 1st Floor
400 Sibley Street
St. Paul, MN 55101

1. **Call to Order.**
2. **Agenda Review.**
3. **Approval of the Minutes**
   A. Regular Meeting of March 22, 2012.
   B. Special Meeting of April 3, 2012.
4. **Chairman's Report.**
5. **Commissioner's Report and Introductions.**
6. **Audit Committee.**
   None.
7. **Program Committee.**
   None.
8. **Finance Committee.**
   None.
9. **Action Items:**
   A. Summary Review:
      1. Approval, Commitment, Low and Moderate Income Rental (LMIR) Program and Approval, Funding Modification, Commitment, Preservation Affordable Rental Investment Fund (PARIF) Program
         - Charter Oak Townhomes, Stillwater.
      2. Approval, Commitment Extension, Economic Development and Housing Challenge Program
         - Aeon Elliot Park Refinance, Minneapolis.
      3. Approval, Commitment, Low and Moderate Income Rental (LMIR) Program
         - Maple Village II, Maple Grove.
      4. Approval, Selections, Community Activity Set Aside Program.
      5. Approval, Changes, Fix-up Fund/Community Fix-up Fund Procedural Manual.

B. Discussion – General:
1. Approval, Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2012 Series A-1, and 2012 Series A-2.
2. Discussion, Post-Sale Report, Residential Housing Finance Bonds 2012 Series A, B, C and D.
3. Approval, Loans to Twin Cities Community Land Bank and Family Housing Fund.

C. Discussion – Homes:
1. Approval, Changes, Home Mortgage Loan Programs.

D. Discussion – Multifamily:
1. Approval and Loan Assumption, Section 8 Program and Approval, Selection and Commitment Asset Management Loan
   - Northwoods Commons, Baudette.
2. Approval and Loan Assumption, Section 8 Program and Approval, Selection and Commitment Asset Management Loan
   - Valleyview Commons, Mahnomen.
3. Approval, Funding Modifications, Housing Trust Fund Rental Assistance Program.
4. Approval, Housing Tax Credit (HTC) Program - 2012 Round 2 Selections and Waiting List.

10. Review and Information Items.
None.

11. Other Business.
None.

12. Adjournment.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, March 22, 2012
1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair Ken Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:05 p.m.
   Members present: Ken Johnson, Steve Johnson, Joe Johnson, Stephanie Klinzing, Barb Sanderson, and Auditor Rebecca Otto. **Absent:** Gloria Bostrom.
   Minnesota Housing staff present: Kathy Aanerud, Gene Aho, Chris Allen, Tal Anderson, Paula Beck, Dan Boomhower, Jim Cegla, Jessica Deegan, Joe Gonnella, Cal Greening, Phil Hagelberger, Mike Haley, Tammy Hallstrom, Andrew Hughes, Tara Johnson, Kasey Kier, Karmel Kluender, Marcia Kolb, Julie LaSota, Katy Lindblad, Diana Lund, Eric Mattson, Tony Peleska, Joel Salzer, Becky Schack, Susan Thompson, Mary Tingerthal, Summer Watson, Xia Yang.
   Others present: Dave Amsden, Kutak Rock; Frank Fallon, RBC Capital Markets; Chip Halbach, Minnesota Housing Partnership; Tom O'Hern; Office of the Attorney General; Paula Rindels, Dorsey & Whitney; Gene Slater, CSG Advisors.
2. **Agenda Review.**
   One public comment was received for agenda item 9.C.2., Funds Reallocation, Neighborhood Stabilization Program. The comment was distributed prior to the meeting and did not require a change to the request. Chair Ken Johnson informed the board that Mr. Chip Halbach of the Minnesota Housing Partnership had requested to speak to the board regarding the Qualified Allocation Plan. Chair Johnson also requested that the agenda be revised so that item 7.A. (2013 Housing Tax Credit (HTC) Program, Qualified Allocation Plan (QAP) and Procedural Manual) be presented for approval immediately following the committee report.
3. **Approval of the Minutes.**
   A. Regular Board Meeting of February 23, 2012
   Auditor Otto moved approval of the minutes. Mr. Joe Johnson seconded the motion. Motion carries 5-0 with Member Sanderson abstaining.
4. **Chairman's Report.**
   There was no chairman's report.
5. **Commissioner's Report and Introductions.**
   Commissioner Tingerthal welcomed new board member Steve Johnson. Mr. Johnson has attended his orientation and has filled the seat vacated by Mr. Mike Finch.

   The following update on the bonding proposal was provided: Committee meetings are proceeding and the House has announced a small package that includes $10 million for housing infrastructure bonds and $5 million for GO bonds for public housing rehabilitation. The Senate has not yet released a package. It is expected that the senate package will be released late this week or early next week. Housing will be an important line item in both bills as they go through conference committee.

   The City of Minneapolis has requested that the board conduct a special meeting to approve the reallocation of an award from the Community Revitalization Fund. The City will soon release for bidding by contractors/developers lots acquired through the NSP program. The new CRV funded initiative will allow for new construction of green housing on these lots. Chair Johnson inquired of the board if there were any opposition to the scheduling of a special board meeting to address this time sensitive request and there were none.

The following staff introductions were made:

- Joel Salzer, Multifamily Programs Manager introduced Lisa Borja. Lisa is a paraprofessional on the Supportive Housing team. Lisa was formerly employed with the YWCA and brings experience in direct client work and as an administrator of housing programs, including rapid re-housing and the administration of rental assistance.

- Karmel Kluender, Single Family Manager introduced Tammy Hallstrom. Tammy is a paraprofessional in Single Family supporting Assistant Commissioner Mike Haley. Tammy has more than 20 years experience in private and public sector positions.

6. Audit Committee:
None.

7. Program Committee:

A. Report, Program Committee Meeting of March 12, 2012
- Discussion, 2013 Housing Tax Credit (HTC) Program, Qualified Allocation Plan (QAP) and Procedural Manual.
The program committee met as a whole on March 12th and discussed comments received on the draft Qualified Allocation Plan. The portions of the QAP discussed included cost containment, basis boos, sub allocator agreements, locations, non-profit set-asides and points for long-term-homeless units. The committee recommended that the draft as presented be presented to the full board for approval. **MOTION:** Mr. Joe Johnson moved that the board accept the report of the program committee. Ms. Klinzing seconded the motion. Motion carries 6-0. **MOTION:** Mr. Joe Johnson moved to allow Mr. Chip Johnson to address the board. Auditor Otto seconded the motion. Motion carries 6-0.

Mr. Halbach thanked the board for allowing him to address them and stated that staff did a good job of taking seriously the public concerns and providing clear responses and thanked all for the thorough and thoughtful process. Mr. Halbach stated that the as planning is done over the summer for future plans, it is critical that staff pay attention to smaller rural communities and understand their challenges and needs and match resources with those needs. He also requested that the Agency conduct research as needed in order to address housing opportunities in disadvantaged communities and look at schools, neighborhoods and demographics to ensure that disadvantaged areas receive the resources they need to create opportunities. Discussion followed regarding job growth, school integration and projects that include supportive comments for children and students.

Ms. Kasey Kier presented the request for approval of the 2013 Housing Tax Credit (HTC) Program, Qualified Allocation Plan (QAP) and Procedural Manual, noting that the areas discussed at the program committee meeting would not be presented at the current meeting. Ms. Kier provided information regarding the publication and public comment periods and future key dates for the plan. Ms. Kier noted that many comments received requesting clarification about what qualifies as preservation and that the requirements have not changed but the manual has been changed to make clear the requirements to be considered a preservation project. In response to a question from Ms. Sanderson, Ms. Kier stated that staff understands and acknowledges that there are specialized architectural design requirements for supportive housing and that staff ensure that the services proposed are correct for the development. SH; these developments are not treated the same. Ensure the services proposed are correct for the development. **MOTION:** Auditor Otto moved approval of the request and adoption of the 2013 Housing Tax Credit (HTC) Program, Qualified Allocation Plan (QAP) and Procedural Manual. Ms. Sanderson seconded the motion. Motion carries 6-0.

8. Finance Committee:

None.

9. Action Items:

A. Summary Review:

9.A.(1). Approval, Selections, Community Fix-up Fund Initiatives.

9.A.(2). Approval, Commitment Extensions, Publicly Owned Housing Program (POHP) - Dow Towers, Hopkins; Hamilton House, St. Louis Park- River Heights, Park Rapids; Spruce Apartments, Waconia.

9.A.(3). Approval, Funding Modification, Commitment, Asset Management Loan - Whispering Pines, Caledonia

9.A.(4). Approval, Swap Assignment, The Bank of New York Mellon.

There were no presentations for summary review items. **MOTION:** Ms. Klinzing moved approval of the summary review items and adoption of the following resolutions: Resolution No. MHFA 12-015: Resolution Extending Commitment Dates Publicly Owned Housing Program; Resolution No. MHFA 12-016 Resolution Increasing Funding Commitment Asset Management Loan and Section 8 Program; and Resolution No. MHFA 12-017: Resolution Authorizing Execution and Delivery of Swap Agreements with The Bank of New York Mellon in Replacement of Swap Agreements with UBS AG, Stamford Branch. Auditor Otto seconded the motion. Motion carries 6-0.

B. Discussion – General:

9.B.(1). Approval, 2013 Housing Tax Credit (HTC) Program, Qualified Allocation Plan (QAP) and Procedural Manual.

This item was presented following the report of the Program Committee, under 7.A above.

9.B.(2). Approval, Resolution Authorizing the Sale of Residential Housing Finance Bonds Series 2012 A, B, C, and D.

Mr. Joe Gonnella presented this item. Mr. Gene Slater of CSG Advisors and Mr. Dave Amsden of Kutak Rock joined by phone for the presentation. Mr. Gonnella stated that NIBP authority was exhausted with the last issue and the proceeds of these bonds will fund Single Family mortgages. **MOTION:** Ms. Klinzing moved approval of the request and adoption of Resolution No. MHFA 12-014: Resolution Authorizing the Sale of Residential Housing Finance Bonds Series 2012 A, B, C, and D. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

C. Discussion – Homes:

9.C.(1). Approval, Program Changes, Fix-Up Fund Program.

Ms. Kathy Aanerud presented this request for changes to the Agency's home improvement program, noting that the program has been continuously offered since 1976 and staff regularly adjust program terms and conditions in concert with changes in available funding and market conditions. Ms. Sanderson commented that the proposed changes reflect a nimble response to the needs in the changing market. In response to a question from Mr. Joe Johnson, Assistant Commissioner for Single Family Programs Mike Haley stated that the relationship between debt-to-income ratios and credit scores were thoroughly researched and staff believe that the limits set for the program are appropriate. Mr. Haley added that, following board approval of the concept, the program and its terms would be shared with lenders and could be adjusted if needed based on lender feedback. In response to a question from Ms. Klinzing, Ms. Aanerud stated that program staff have been and will continue to work with the Minnesota Department of Health as well as lenders to market the program as a means of completing improvements for health reasons, such as mold remediation. **MOTION:** Ms. Sanderson moved approval. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

9.C.(2). Approval, Funds Reallocation, Neighborhood Stabilization Program.

Ms. Ruth Simmons presented this request to reallocate a funding award to the City of Big Lake to Hennepin County. Following approval by the board, the revised action plan would be sent to HUD for their approval. In response to a question from Ms. Klinzing, Ms. Simmons stated that the City of Big Lake was unable to utilize the funding due to capacity issues and the inability to attract developers. Ms. Klinzing stated that she would like the Agency to encourage smaller municipalities to work with administrators. **MOTION:** Auditor Otto moved approval of the item. Ms. Sanderson seconded the motion. Motion carries 6-0.

D. Discussion – Multifamily:

9.D.(1). Approval, Debt Forgiveness, Section 8 Program - Yorkdale Townhomes, Edina.

9.D.(2). Approval, Selection/Commitment, Low and Moderate Income Rental (LMIR) and HOME Preservation - Yorkdale Townhomes, Edina.

Ms. Julie LaSota presented these requests together and asked that members take action on both items together and explained that approval of these transactions would facilitate yield compliance and allow the use of HOME funds that would otherwise be returned. **MOTION:** Auditor Otto moved approval and adoption of Resolution No. MHFA 12-018: Resolution Approving Debt Forgiveness Section 8 Program and Resolution No. MHFA 12-019: Resolution Approving Mortgage Loan Commitment Low and Moderate Income Rental (LMIR), Low and Moderate Income Bridge Loan (LMIR BR), and HOME Affordable Rental Preservation (HOME) Programs. Ms. Sanderson seconded the motion. Motion carries 6-0.

10. Review and Information Items.

11. Other Business.

None.

12. Adjournment.

The meeting was adjourned at 2:24 p.m.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY SPECIAL BOARD MEETING
Tuesday, April 3, 2012
8:45 a.m.
Jelatis Conference Room – 3rd Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair Johnson called to order the special meeting of the Board of the Minnesota Housing Finance Agency at 8:47 a.m.
   Members present: Auditor Otto, Steve Johnson, Ken Johnson, Gloria Bostrom, Barb Sanderson, Stephanie Klinzing (all by phone). **Absent:** Joe Johnson.
   Minnesota Housing staff present: Mary Tingerthal (by phone), Barb Sporlein, Becky Schack, Mike Haley, Tal Anderson.
   Others present: Tom O'Hern, Office of the Attorney General; Cherie Shoquist, City of Minneapolis.
2. **Approval, Transfer of Community Revitalization Fund Award Funds, Minneapolis Green Building Fund**
   Mr. Tal Anderson presented this request to repurpose portions of two existing CRV awards to create a third award. The existing awards will remain in place for rehabilitation and the new award will provide value gap funding for new construction of green housing on vacant lots located in the North Side of the City of Minneapolis. In response to a question from Ms. Bostrom, Mr. Anderson stated that CRV awards are not repaid. In response to a question from Ms. Bostrom, Ms. Cherie Shoquist, City of Minneapolis, stated that the City will likely seek additional funding for the program through the regular application process. **MOTION:** Auditor Otto moved approval of the request. Ms. Bostrom seconded the motion. Motion carries 6-0.
3. **Adjournment.**
   The meeting was adjourned at 8:53 a.m.

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(1)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Charter Oak Townhomes, Stillwater – D1646

CONTACT: Andrew Hughes, 651-296-9841
andrew.hughes@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other:

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of resolutions authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $3,509,454 and a Preservation Affordable Rental Investment Fund (PARIF) program modification as described herein subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
The current Affordable Housing Plan (AHP) includes $56 million in previously approved LMIR activity that is being carried forward from the 2010-2011 AHP. $2.7 million of the funding for this LMIR loan is included in this carry forward amount. An additional $810,000 of the LMIR will be funded out of the recently adopted 2011 AHP, which includes $28 million in Housing Investment Fund (Pool 2) funding for LMIR. The LMIR loan is being made on terms consistent with those described in the AHP. The PARIF loan was committed in the previous AHP and PARIF is state appropriated, therefore there is no fiscal impact for this investment.

This LMIR transaction may generate up to $33,745 in fee income (origination fee) and ongoing interest earnings that help offset Agency operations.

MEETING AGENCY PRIORITIES:

☐ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☑ Prevent and End Long-term Homelessness

ATTACHMENTS:
- Background
- Development Summary
- Resolution (LMIR Commitment)
- Resolution (PARIF Modification)

BACKGROUND

The Minnesota Housing Finance Agency (Agency) Board, at its October 28, 2010, meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) and Preservation Affordable Rental Investment Fund (PARIF) programs. The following summarizes the changes in the composition of the proposal since the Board approved its selection:

DESCRIPTION:	SELECTION		COMMITMENT		VARIANCE	
Total Development Cost	$7,161,422		$8,742,450		$1,581,028	
Gross Construction Cost	$1,539,730		$3,012,432		$1,472,702	
Agency Sources:						
LMIR (Pool 2)	$2,700,000		$3,509,454		$809,454	
PARIF	$801,333		$640,000		<$161,333>	
Total Agency Sources	$3,501,333		$4,149,454		$648,121	
Other Non-Agency Sources:						
Syndication Proceeds	$3,060,090		$3,892,111		$832,021	
Deferred Developer Fee	$600,000		$396,314		<$203,686>	
Washington County CDBG	$0		$209,464		$209,464	
General Partner Cash/Equity	$0		$95,107		$95,107	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1 BR	3	$873	3	$815	0	<$58>
2 BR	35	$942	35	$1,023	0	$81
3 BR	20	$1,017	20	$1,143	0	$126
4 BR	2	$1,122	2	$1,277	0	$155
Total Number of Units	60		60		0	

Factors Contributing to Variances:

The Total Development Costs have increased since initial selection due to several factors. The seller's requirements and a maturing mortgage necessitated the borrower to acquire the property before permanent financing was finalized. This transaction was brought to the Agency Board by staff at its December 2011 meeting; the additional closing increased costs. The construction costs increased due to a refined work scope and the addition of a community building funded by Washington County. With the increase in project costs, the development costs still fall 20 percent below the Predictive Model development costs and the Agency will be recapturing $150,000+ in previously allocated deferred resources due to the reduced LMIR interest rate.

Board Agenda Item: 9.A.(1)
Attachment: Development Summary

DEVELOPMENT SUMMARY

DEVELOPMENT:

		Dev#:D1646
Name:	Charter Oak Townhomes	App#: M15790
Address:	1198 Curve Crest Boulevard West	
City:	Stillwater	
	County: Washington	
	Region: MHIG	

MORTGAGOR:

Ownership Entity:	Charter Oaks Limited Partnership
General Partner/Principals:	Charter Oaks, LLC (Minnesota Attainable Housing Group (a Minnesota non-profit housing organization), Harold Teasdale and Thomas Cooper)

DEVELOPMENT TEAM:

General Contractor:	Frerichs Construction, St. Paul
Architect:	Boarman Kroos Vogel Group, Inc., Minneapolis
Attorney:	Winthrop & Weinstine, PA, Minneapolis
Management Company:	MBG Property Management, Minneapolis
Service Provider:	Lutheran Social Service, St. Paul

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$3,509,454	LMIR First Mortgage	
	Funding Source:	Hsg Investment Fund (Pool 2)
	Interest Rate:	5.00%
	Term (Years):	30 years
	Amortization (Years):	30 years
$640,000	PARIF deferred loan	
	Funding Source:	State Appropriations
	Interest Rate:	0%
	Term (Years):	30
	Amortization (Years):	Balloon at maturity

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORDABILIY**
1 BR	3	750	$815	$787	$32,600**
2 BR	35	850	$1,023	$945	$40,920**
3 BR	20	1,100	$1,143	$1,091	$45,720**
4 BR	2	1,200	$1,277	$1,217	$51,080**
TOTAL	60				

NOTES: *Property benefits from a Section 8 Housing Assistance Payment Contract for 100% of units, allowing rents to exceed Agency limits but remain affordable to tenants.
**Tenants pay 30% of household income towards housing expense.

Purpose:

Refinance and rehabilitation of a 60-unit, 100 percent Project Based Section 8 family townhome development located in Stillwater. Agency and external financing was used to fund the acquisition of the property at the end of 2011, ensuring this important housing resource remained affordable. Current funding proposal will take out the previous, short-term financing with long-term debt and fund needed rehabilitation of the property.

Target Population:

Target population is households of color (individuals and families), single head of households with children and disabled individuals. The Section 8 contract allows this property to serve very-low income households. Incomes of tenants will be limited to at or below 60 percent AMI. In addition, four units will be deemed for households experiencing long-term homelessness.

Project Feasibility:

Project is feasible as proposed. All project funding has been secured and the project scope of work has been finalized.

Development Team Capacity:

The development team has the capacity to complete the project as proposed. The Agency has worked with the developer successfully on numerous other projects, including four first mortgages.

MBG Property Management was established in 2006 and currently manages 15 developments, with a total of 926 units. MBG is currently involved in two Agency first mortgage developments and their performance is acceptable.

Physical and Technical Review:

The property consists of sixty townhome units located in 9 separate buildings on approximately 8.25 acres. The property was constructed in 1981 and is in need of rehabilitation to cure physical needs. The proposed work scope is comprehensive and adequate. The rehabilitation includes the addition of a multi-purpose community building filling an unmet need for common resident space at the property.

Market Feasibility:

The market supports the development as proposed. A market study completed for the development concluded the proposed rents are within those found in the market area. The market study indicated a vacancy rate of less than 5 percent for the competitive projects within the market area. Additionally, there are currently no planned competitive units within the market area. Charter Oaks is an existing development and occupancy has historically been very strong; close to 100 percent for the past three years.

Supportive Housing:

Lutheran Social Services will be the service provider for this development's four LTH units. The Agency has successfully worked with this organization on numerous other developments. The four LTH units (and indeed all sixty units in the project) benefit from project-based rental assistance, ensuring rents are affordable. Additionally, the expense of a part-time service coordinator is included in the financial underwriting of the proposal ensuring this important staff person is available for the long-term.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$8,742,450		$145,708
Acquisition/Refinance Cost	$3,989,492		$66,492
Gross Construction Cost	$3,012,432		$50,207
Soft Costs (excluding Reserves)	$1,449,930		$24,166
Non-Mortgagable Costs (excluding Reserves)	$0		$0
Reserves	$290,596		$4,843
Total LMIR Mortgage (Including 4% DCE)	$3,509,454		$58,491
First Mortgage Loan-to-Cost Ratio		40%	
Agency Deferred Loan Resources			
PARIF	$640,000		$10,667
Total Agency Sources	$4,149,454		$69,158
Total Loan-to-Cost Ratio		48%	
Other Non-Agency Sources			
Syndication Proceeds	$3,892,111		$64,869
Deferred Developer Fee	$396,314		$6,605
Washington County CDBG	$209,464		$3,491
General Partner Cash/Equity	$95,107		$1,585

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Board Agenda Item: 9.A.(1)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

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

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

Name of Development:	Charter Oak Townhomes
Sponsor:	Charter Oaks Limited Partnership (or another affiliate of the developer)
Guarantors:	Minnesota Attainable Housing Corporation, Harold Teasdale and Thomas Cooper
Location of Development:	Stillwater
Number of Units:	60
General Contractor:	Frerichs Construction, St. Paul
Architect:	Borman Kroos Vogel Group, Minneapolis
Amount of Development Cost:	$8,742,450
Amount of LMIR Mortgage:	$3,509,454

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Minnesota Housing Finance Agency Board hereby authorizes Agency staff to issue a commitment to provide a mortgage loan to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall be $3,509,454; and

2. The Closing of the LMIR loan shall be on or before October 31, 2012; and

3. The interest rate on the LMIR loan shall be 5 percent per annum; and

4. The term of the LMIR loan shall be 30 years; and

5. Agency staff shall review and approve the Mortgagor; and

6. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

7. Thomas Cooper, Harold Teasdale and Minnesota Attainable Housing Corporation shall guarantee the Mortgagor's payment obligation under the LMIR Regulatory Agreement and LMIR Mortgage with the Agency; and

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

Adopted this 26th day of April, 2012.

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CHAIRMAN

Board Agenda Item: 9.A.(1)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

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

WHEREAS, the Minnesota Housing Finance Agency Board (Board) has heretofore loaned $801,333 for loan financing for a multifamily rental housing development known as Charter Oak Townhomes in Stillwater, Minnesota, MHFA Development No. 1646, by its Resolution No. MHFA 11-068; and

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

WHEREAS, Charter Oaks Limited Partnership (Owner, or another affiliate of the developer) and Agency staff have proposed an agreement to facilitate rehabilitation and continued operation of the development.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby approves modification of the loan's term and amount as shown below:

1. Agency staff will modify the terms of the existing PARIF loan by extending the term of the PARIF loan and the Minimum Rent Subsidy defined in the Declaration of Covenants, Conditions and Restrictions from four to thirty years; and,

2. The amount of the PARIF loan shall be reduced from $801,333 to $640,000 as a result of a partial prepayment; and,

3. The closing shall be on or before October 31, 2012; and,

2. Except for the extended term and reduced amount of the loan, all other terms and conditions of MHFA Resolution No. 11-068 remain in effect.

Adopted this 26th day of April, 2012

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CHAIRMAN

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(2)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Aeon Elliot Park Refinance, Minneapolis – D6367

CONTACT: Susan Thompson, 651-296-9838
susan.thompson@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Requesting Board's adoption of the attached resolution re-establishing and extending the commitment for the Aeon Elliot Park Refinance.

FISCAL IMPACT:
Requested action will not adversely impact the Agency's fiscal condition. Funding for the EDHC program is funded through state appropriations. The requested action serves a beneficial purpose as described in the background section of this report.

MEETING AGENCY PRIORITIES:

☐ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Background
- Resolution

Background:

Aeon is the owner of a portfolio of properties located in the Elliot Park neighborhood of Minneapolis. Over the past several years, Aeon has worked with Minnesota Housing, the City of Minneapolis and other funders to develop a plan to stabilize and preserve this portfolio. This request represents Phase I of a two phase plan. The initial phase will address immediate needs for livability, marketability and functional obsolescence at a few of the properties and the second phase will address broader physical needs at the buildings through acquisition/recapitalization and rehabilitation.

As part of the 2009 RFP, Aeon was awarded $500,000 through the Economic Development and Housing Challenge (EDHC) program to address critical needs at four properties (Balmoral, Buri Manor, Barrington and Paige Hall). The work varies by building but includes security systems (cameras and recording equipment), repair of windows, boilers and elevators, replacement of domestic water lines and substantial renovation of several bathroom and kitchens.

As rehabilitation work was already underway at Paige Hall, approximately $80,000 was subsequently re-allocated to that project through loan modifications allowing the boiler replacement and elevator upgrades to be complete during 2011. Meanwhile, the developer began developing and refining the work scopes for the three remaining properties with the $420,571.00 balance of the award. Based on the Agency's concerns, environmental testing was done and incorporated into the scope of work as needed. Additional architectural and engineering analysis in 2011 led to additional changes in the scope. Construction bids received in early 2012 were higher than anticipated, leading to further refinement. Despite the delays, the developer has made significant progress toward closing, which is anticipated within the next 60-90 days.

The selection loan commitment expired in September 2011, however, due to system and data errors; the expiration was not identified until recently. When the omission was noted, agency staff re-evaluated the need for the proposed work and determined that the work and funding is still appropriate and needed. The scope will help to stabilize 191 units of affordable housing by addressing immediate needs for livability, marketability and functional obsolescence in these four properties. As previously noted, the developer has made significant progress toward closing, which is expected to occur in the near future.

Aeon continues to develop Phase II of this stabilization effort in anticipation of a 2013 closing. The Agency anticipates that an application for deferred funding will be received in conjunction with the 2012 RFP. It is expected that the funding request will include up to 10 properties (566 units) and will be highly leveraged by syndication proceeds of both Historic and Housing Tax Credits, amortizing loans funded by Minneapolis bonds, City and County deferred funds as well as sponsor and philanthropic funding.

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING RE-ESTABLISHMENT AND EXTENSION OF MORTGAGE COMMITMENT ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC) PROGRAM

WHEREAS, the Minnesota Housing Finance Board ("Board") has heretofore authorized the issuance of a commitment under the EDHC program on the development hereinafter named by its Resolution No. MHFA 10-5; and

WHEREAS, it is the desire of the Board to re-establish and extend the commitment to allow for closing of the loan; and

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

NOW THEREFORE, BE IT RESOLVED:

Agency staff shall take the following actions:

1. Aeon Elliot Park Refinance, Minneapolis – D6367
Re-establish and extend the mortgage loan commitment in form and substance acceptable to Minnesota Housing staff with the closing of the loan to occur no later than 6 months from the adoption date of this Resolution; and

2. Except for the re-established and extended mortgage loan commitment, all terms and conditions of MHFA Resolution No. 10-5 remain in effect.

Adopted this 26 day of April, 2012.

____

CHAIRMAN

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(3)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Maple Village II, Maple Grove – D6286

CONTACT: Ted Tulashie, 651-297-3119
ted.tulashie@state.mn

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $2,132,785 subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
See Attached.

MEETING AGENCY PRIORITIES:

☑ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☐ Preserve Existing Affordable Housing ☑ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Fiscal Impact
- Background
- Development Summary
- Resolution

FISCAL IMPACT

The current Affordable Housing Plan (AHP) includes $56 million in previously approved LMIR activity that is being carried forward from the 2010-2011 AHP. The funding for this loan is included in this carry forward amount, which is funded out of the Housing Investment Fund ("Pool 2"). Funding for this loan falls within the approved budgets and the loan will be made at an interest rate and on terms consistent with what is described in the AHP.

This LMIR loan will generate $100,946 in fee income (construction oversight fee and origination fee) as well as interest earnings at 4.75 percent which will help offset Agency operating costs.

Background:

The Minnesota Housing Finance Agency (Agency) Board, at its November 17, 2010, meeting approved this development for processing under the under the Low and Moderate Income Rental (LMIR) program. The following summarizes the changes in the composition of the proposal since the Board approved its selection:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$9,249,537		$9,367,635		$118,098	
Gross Construction Cost	$6,182,904		$6,292,755		$109,851	
Agency Sources:						
LMIR (Pool 2)	$2,088,752		$2,132,785		$44,033	
EDHC	$204,867		$0		<$204,867>	
Total Agency Sources	$2,293,619		$2,132,785		<$160,834>	
Other Non-Agency Sources:						
US Bank Syndication Proceeds	$6,204,611		$6,869,390		$664,779	
City of Maple Grove (Fees)	$65,460		$65,460		$0	
FHF	$250,000		$0		<$250,000>	
Met Council LHIA	$300,000		$300,000		$0	
Remaining Gap	$135,847		$0		<$135,847>	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1 BR - PBV	2	$115	2	$775	0	$660
2 BR - PBV	2	$130	2	$931	0	$801
3 BR	10	$787	10	$775	0	<$12>
2 BR	22	$945	22	$931	0	<$14>
3 BR	12	$1,092	12	$1,075	0	<$17>
Total Number of Units	48		48			

Factors Contributing to Variances:

HTC equity pricing improved from an anticipated $0.82 per credit to $0.92, assuming a closing by May 2012 and delayed funding of the equity. To accommodate the delayed equity pay-in, US Bank will provide a bridge loan to bridge approximately 96 percent of the syndication equity to complete the construction. The increase in the TDC (mainly hard construction costs upgrade and local fees) is offset by an increase in syndication equity, and both are functions of a bridge loan structure that defers the payment of the equity in order to boost investor yield.

The increase in the equity also allowed the developer to fill the remaining financial gap and rescind the awarded Agency EDHC and FHF's deferred loans to be reallocated into the next RFP. Overall, the Agency funds decreased $160,834.

Other Significant Events Since Board Selection:

The development also received approval for Project Based Vouchers from the Metro HRA for the LTH units allowing the rents to be underwritten at the 50 percent AMI level. Those households will pay no more than 30 percent of their income toward rent.

Board Agenda Item: 9.A.(3)
Attachment: Development Summary

DEVELOPMENT SUMMARY

DEVELOPMENT:

			D6286
Name:	Maple Village II	App#:	M16126
Address:	9150 Zanzibar Lane North		
City:	Maple Grove	County:	Hennepin
	Region: MHIG		

MORTGAGOR:

Ownership Entity: Maple Village II, LLC
General Partner/Principals: Maple Village Partners, LLC. Leo Sand, Jim Sand, Jamie Thelen, Michael Wendel, Gene Walter, Roger Gertken,

DEVELOPMENT TEAM:

General Contractor:	Sand Companies Inc., Waite Park
Architect:	Sand Companies Inc., Waite Park
Attorney:	Law Office of PJ Fuchsteiner, Waite Park
Management Company:	Sand Companies Inc., Waite Park
Service Provider:	CommonBond Communities

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 2,132,785 LMIR First Mortgage

Funding Source:	Hsg Investment Fund (Pool 2)
Interest Rate:	4.75%
MIP Rate:	0.25%
Term (Years):	30
Amortization (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
1 BR	10	875	$775	$775	$31,000
1 BR-LTH	2	875	$775	$465	$31,000**
2 BR-LTH	2	1,020	$931	$558	$37,240**
2BR	22	12,020	$931	$931	$37,240
3BR	12	1,400	$1,075	$1,075	$43,000
TOTAL	48				

NOTES: *Under the LMIR program, when in conjunction with HTC, rents are initially limited to 50% AMI, with incomes up to 60% AMI.
**4 units will be deemed to serve families experiencing long term homelessness receiving Project Based Vouchers.

Purpose:

Sand Companies, Inc. proposes a 48 unit new construction of a three-story elevator building with underground parking. Maple Village II (phase two of the previous development) will occupy approximately 1.81 acres of land located at the north end of Zanzibar Lane North; a mile west of Interstate 94 in the southeastern portion of Maple Grove. The currently vacant site is also surrounded by single family homes to the west, a regional water pond to the north, wetlands to the east and a large church to the south. The unit mix will include one, two and three-bedroom apartments to meet the demands for work force family housing.

Target Population:

Maple Village II will be marketed to low to moderate-income families, targeting households of color and/or single head of households with minor children. The residents may work for area employers including Boston Scientific, School District, UPS, Hanson Concrete Products and local retailers such as Wal-mart, Target, and Cub Foods. Four units will serve long-term homeless families.

Project Feasibility:

The city is in support of this development, as evidenced by its willingness to waive up to 25 percent of its Park Dedication fees. The development is also receiving an in-kind donation from Cemstone Concrete - a local family owned business and donations from Sysco Guest Supply and Country Inn & Suites. The development has also received approval by the Metro HRA for project-based Section 8 vouchers to benefit the four Long Term Homeless units for a period of ten years. The tenants will pay no more than 30 percent of their income toward rent, where the development will receive market rents under the HAP contract.

The site is within three miles of numerous schools, libraries, day care centers, grocery stores, retail stores, drug stores, banks, and public services. It also provides easy accessibility to major regional roadways (Interstate 94 as well the 494 and 694 Exchanges).

Development Team Capacity:

Sand Companies, acting in the capacities of developer, architect and general contractor, has recently completed similar developments successfully. This team has proven to be capable and competent. Sand Companies has been in real estate development since September, 1998 and currently has thirteen first mortgages in the Agency's portfolio. The company's primary mission is to develop and own a variety of real estate investments.

Physical and Technical Review:

Phase II resembles and compliments the completed phase I development. The site has been prepared with infrastructure in place and is shovel ready. The development will be utilizing a common site entry and common play area for both buildings. Single family homes are on the west with Interstate 94 to the east. This development will be a nice buffer and transition between the single family homes and the highway.

The development's TDC of $195,159 per unit is within 25 percent of the Predictive Model.

Market Feasibility:

Hennepin is among the top 10 counties for job and household growth. Strong population and household growth is anticipated for the next several years. Sand Companies has demonstrated experience marketing in suburban areas. Proposed marketing efforts include regular advertising in local papers, brochures on display at the Maple Grove Community Center, local employers and Metro HRA. Specific phone calls are made to local employers with wage earners at or below 60 percent AMI. The city of Maple Grove's rental stock has a current vacancy rate of 3.1 percent. Phase I achieved full occupancy within six months of completion and currently has approximately 400 households on the waiting list.

Supportive Housing:

CommonBond Communities (CBC) will provide supportive services on-site to ensure the success of the four long-term homeless households. The supportive housing services will include best and evidenced based practices focused on case management, education, bundled financial literacy/employment and chemical/mental health services. Maple Village II will be staffed with an Advantage Services Coordinator (ASC) to assure that formerly homeless households are not simply housed and left to manage and resolve multiple barriers to stability on their own. CBC has developed over 100 new units of supportive housing and provided services for over 200 individuals who have experienced long-term homelessness in the last 3 years.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$9,367,635		$195,159
Acquisition or Refinance Cost	$790,000		$16,458
Gross Construction Cost	$6,292,755		$131,099
Soft Costs (excluding Reserves)	$2,133,150		$44,441
Non-Mortgageable Costs (excluding Reserves)	$13,400		$279
Reserves	$138,330		$2,882
Total LMIR Mortgage (Including 4% DCE)	$2,132,785		$44,433
First Mortgage Loan-to-Cost Ratio		23%	
Agency Deferred Loan Sources			
Total Agency Sources	$2,132,785		$44,433
Total Loan-to-Cost Ratio		23%	
Other Non-Agency Sources			
City of Maple Grove Equity (fee)(credit)	$65,460		$1,364
Met Council LHIA	$300,000		$6,250
Syndication Proceeds	$6,869,390		$143,112
Total Non-Agency Sources	$7,234,850		$150,726

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Board Agenda Item: 9.A.(3)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

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

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

Name of Development:	Maple Village II
Sponsor:	Maple Village II, LLC
Guarantors:	Leo M. Sand, Jim Sand, Jamie Thelen, Roger Gertken, Gene Walter and Michael Wendel
Location of Development:	Maple Grove
Number of Units:	48
General Contractor:	Sand Companies, Inc.
Architect:	Sand Companies, Inc.
Amount of Development Cost:	$9,367,635
Amount of LMIR Mortgage:	$2,132,785

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Minnesota Housing Finance Board hereby authorizes Agency staff to issue a commitment to provide a construction and permanent mortgage loan to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall be $2,132,785; and

2. The Initial Closing of the LMIR loan shall be on or before October 31, 2013 (end loan commitment expiration date which shall also be the LMIR Commitment Expiration Date); and

3. The interest rate on the permanent LMIR loan shall be 4.75 percent per annum plus 0.25 percent MIP based on a 30 year amortization; and

4. The term of the permanent LMIR loan shall be 30 years; and

5. Agency staff shall review and approve the Mortgagor; and

6. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

7. Leo M. Sand, Jim Sand, Jamie Thelen, Roger Gertken, Gene Walter and Michael Walter shall guarantee the mortgagor's payment obligation under the LMIR Building Loan Agreement, LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

8. The sponsor, the builder, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 26th day of April, 2012.

____

CHAIRMAN

AGENDA ITEM: 9.A.(4)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Community Activity Set Aside Program

CONTACT: Stephanie Oyen, 651-297-3132
Stephanie.oyen@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
The Community Activity Set Aside (CASA) program is the Agency's most targeted mortgage revenue bond program. Through CASA, the Agency provides access to mortgage loans and entry cost assistance funds that assist local partnerships comprised of lenders, non-profit housing providers, governments, community organizations, and other participants in reaching emerging markets, single-headed households and supporting workforce housing opportunities. Staff is hereby requesting Board approval of its recommendation for participants in the CASA program.

FISCAL IMPACT:
The CASA program, included in the Affordable Housing Plan (AHP) under the Minnesota Mortgage Program (MMP), utilizes mortgage revenue bond and entry cost assistance resources allocated in the AHP. Each CASA initiative estimates the amount of funds needed to support their activity. However, no funds are set aside for the initiatives or the program. Programs (CASA and MMP) and borrowers participating in the programs access funds on a first-come, first-served basis. Actions requested in this report are consistent with the program terms described in that plan.

MEETING AGENCY PRIORITIES:

☑ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve our Vision

☐ Preserve Existing Affordable Housing ☐ Prevent and End Homelessness

ATTACHMENT(S):
- Background
- Initiative Detail

Board Agenda Item: 9.A.(4)
Attachment: Background & Initiative Detail

BACKGROUND:
The following recommended selection for CASA meets the guidelines for participation contained within the CASA Program Concept.

Staff applies threshold indicators and considers compensating factors when determining whether to recommend a specific proposal for access to funds under CASA. The threshold indicators include:

- confirmation that initiative marketing targets fit within the Program Concept;
- strength of partnership;
- focused marketing plan;
- homebuyer support including homebuyer education and/or counseling;
- lenders overall use of MMP and CASA programs; and
- compensating factors including current market conditions, local leverage, and innovation.

Minnesota Housing offers access to its HOME Homeowner Entry Loan Program (HOME HELP) and Homeownership Assistance Fund (HAF) entry cost assistance programs to participating CASA lenders.

INITIATIVE DETAIL:

RHAG Region	Application Partners	Initiative Name and Targets	Notes and/or Past Success
Metro	Edina Realty Mortgage Community Action Partnership of Suburban Hennepin	**Edina Realty Affordable Loans** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☐ **Workforce Housing**	Robust CASA and MMP production.
Metro	Bremer Bank Anoka County Community Action	**Bremer Bank Targeted Metro** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☑ **Workforce Housing**	Robust CASA and MMP production.
Metro	Prospect Mortgage PRG	**Prospect Mortgage Helping Through Existing Homes** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☐ **Workforce Housing**	Moderate CASA and MMP production.

AGENDA ITEM: 9.A.(5)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Procedural Manual Changes, Fix-up Fund Program

CONTACT: Robert Russell, 651-296-9804 robert.russell@state.mn.us
Kathy Dipprey Aanerud kathy.aanerud@state.mn.us

REQUEST:

- [x] Approval
- [ ] Discussion
- [ ] Information

TYPE(S):

- [ ] Administrative
- [ ] Commitment(s)
- [ ] Modification/Change
- [x] Policy
- [ ] Selection(s)
- [ ] Waiver(s)
- [ ] Other: ______________________

ACTION:

- [x] Motion
- [ ] Resolution
- [ ] No Action Required

SUMMARY REQUEST:
Staff is hereby requesting Board approval of the Fix-up Program Procedural Manual incorporating the changes presented to and approved by Board last month. The Agency is still on schedule for the anticipated roll out date of May 7, 2012 for these changes.

FISCAL IMPACT:
Fix-up Fund is funded with Pool 2 and Pool 3 resources. These program changes will guide the use of the funds allocated to Fix-up Fund and should position the Agency to better meet its production goals. The AHP allocated $20,000,000 of Pool 2 funds for an estimated production of 1,220 loans.

MEETING AGENCY PRIORITIES:

- [ ] Finance New Opportunities for Affordable Housing
- [ ] Mitigate Foreclosure Impact Through Prevention and Remediation
- [ ] Build our Organizational Capacity to Excel and Achieve Our Vision
- [x] Preserve Existing Affordable Housing
- [ ] Prevent and End Long-term Homelessness

ATTACHMENT(S):

- Background
- Procedural Manual

BACKGROUND:
At the March 2012 Board meeting, the Board approved staff recommended program changes so that those changes could be reviewed with a cross-section of our lender network prior to implementation. Staff has solicited this lender feedback through two conference calls with a representative sample of sixteen lenders. The lender feedback was positive and did not result in any new changes. Thus, there is not a need to modify the Board approved program changes.

As a reminder, the Board approved changes included: the re-introduction of unsecured loans; an incentive for ACH auto-pay for unsecured loans; the elimination of the prepayment penalty; an incentive interest rate for loans that will finance energy conservation or home accessibility improvements; setting minimum, acceptable underwriting guidelines including the institution of minimum credit scores of 620 for secured loans and 680 for unsecured loans; phasing out the non-prime loan option under the Community Fix-up Fund; and, changing the lender fee to $400 for secured loans and $250 for unsecured loans.

Minnesota Housing Finance Agency

Fix Up Fund Program Procedural Manual

May 1, 2012

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Introduction

Mission Statement

Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities.

Background

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

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

Minnesota Housing established the Fix-up Fund and the Community Fix-up Fund to encourage and support the preservation of existing housing.

Home Improvement Loan Programs

Fix-up Fund

Below market interest rate home improvement loans to Borrowers throughout Minnesota.

Community Fix-up Fund

Below market interest rate home improvement loans available throughout Minnesota under special initiatives with specific participating lenders.

- The Discount Loan Initiative allows lenders to establish their own interest rates by buying down the standard Community Fix-up Fund rate using leveraged funds.
- ~~The Non-Prime Initiative allows lenders to charge a slightly higher interest rate in order to use expanded underwriting guidelines to benefit borrowers not otherwise able to qualify for home improvement financing.~~
- The Value Added Services Initiative allows lenders to provide or partner with non-profit or governmental organizations for value-added services to address community needs.

Chapter 1 – Partner Responsibilities and Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement for Minnesota Housing Programs executed between Seller and Minnesota Housing. It is incorporated into such Participation Agreement by reference and is a part thereof as fully as if set forth in such Participation Agreement at length.

Minnesota Housing reserves the right to:

- Change the program interest rate at any time under its sole discretion;
- Alter or waive any of the requirements 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 is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing grants waivers, alterations or revisions at its sole discretion.

1.02 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 these programs to the Minnesota Attorney General's office for appropriate legal action.
- If, after a loan is made, a Seller discovers any material misstatements or misuse of the proceeds of the loan by the Borrower or others, the Seller shall promptly report such discovery to Minnesota Housing.
- Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Seller and/or the Borrower. This includes loan funds, together with all applicable administrative costs and other fees or commissions received by the Seller in connection with the loan and for all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the loan or recovery thereof.

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

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

1.04 Unauthorized Compensation

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

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

1.05 Minnesota Housing Due Diligence Audit Guidelines and Requirements

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

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

Audited loans are reviewed for:

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

1.06 Termination of Seller Participation

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

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

Upon termination of a Seller's contract Minnesota Housing will:

- Continue to purchase eligible loans for which a commitment has been issued, until the commitment expiration date; and
- Not refund participation fees to the Seller.

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

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

1.07 Representations and Warranties

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

- Minnesota Statute §47.20
- Minnesota Statute §58.04
- Minnesota Statute §334.01
- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;

- Data Privacy - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth in Lending Act (Regulation Z);
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H; and
- Real Estate Settlement and Procedures Act of 1974.

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

- Seller is the sole owner and holder of the loan with the right to assign it to Minnesota Housing;
- Seller assigns the loan free and clear of all encumbrances;
- Seller has directly or indirectly collected from the Borrower or any other person, only those fees and/or charges specifically permitted in this Procedural Manual;
- There are no defaults in complying with the terms of the mortgage;
- Seller has no knowledge of any circumstances or conditions with respect to the loan, the property to be improved or the Borrower's credit standing that could make the loan an unacceptable investment or cause the loan to become delinquent;
- The loan meets all applicable state and federal laws pertaining to usury and the loan is not usurious;
- Seller has disbursed the loan proceeds to the Borrower by cash, check, money order or crediting of a Borrower's account in such a way that the Borrower will have complete access to and control of the funds at all times;
- Seller has not advanced funds, nor induced or solicited any advance of funds by another, directly or indirectly for payment of any amount required by the loan;
- Seller has delivered and assigned a Direct Loan and has complied with all state and federal regulations to ensure the loan is not a Dealer Loan;
- Seller will maintain adequate capital and trained personnel for participation in the Fix-up Fund program;

- The relevant requirements of any state or federal laws with respect to consumer credit, plain language consumer contracts and truth-in-lending have been satisfied;
- Any loan transaction subject to the right of rescission which has not been effectively waived, has been delivered after the rescission period has expired and the loan has not been rescinded;
- Seller has no knowledge that any improvement covered by the loan is in violation of any zoning law or regulation; and
- Seller also agrees that the person who confirms on the HDS SF Web Application the Seller Representations and Warranties on behalf of the Seller is fully conversant with Minnesota Housing program requirements and has the authority to legally bind the Seller; and Seller has complied with all terms, conditions and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions and requirements have been specifically waived in writing by Minnesota Housing ~~in writing~~.

1.08 Seller Compensation

Secured Loans

Seller is compensated for each secured Fix up Fund or Community Fix up Fund loan purchased by Minnesota Housing as follows:

- Processing fee of $~~200~~ 400 for each Fix-up Fund loan; or,
- Processing fee of $~~300~~ 400 for each Community Fix-up Fund loan; and,
- The seller may charge and the borrower may finance an origination fee of not more than 1% of the principal balance of the loan, the actual cost of the title search and flood certification, and the actual cost of document preparation not to exceed $50.
- Credit investigation fees up to $15, recording fees and mortgage registration tax fees must be paid from the borrowers own funds and may not be financed in the loan amount.

~~**In addition, Seller may collect from the Borrower:**~~

~~**Credit investigation fees up to $15.00; and**~~

~~**Recording fees and mortgage registration tax fees.**~~**Unsecured Loans**

- Seller is compensated $250 for each unsecured Fix up Fund loan purchased by Minnesota Housing.[1]
- The seller may charge and the borrower may finance the actual cost of document preparation not to exceed $50.
- Credit investigation fees up to $15 must be paid from the borrowers own funds and may not be financed in the loan amount.

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

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- There are no origination fees, title search, flood certification, recording or mortgage registration tax fees for unsecured loans.

1.09 Annual Renewal Requirements and Fees

- Annual renewal fee of $250 (this fee is waived for Sellers also participating in Minnesota Housing home mortgage programs).
- Minnesota Housing may adjust the annual renewal fees at any time at its discretion.
- Seller must meet the minimum loan volume requirements as specified by Minnesota Housing.

1.10 Selection of Contractors

Seller must permit Borrower to choose contractor(s).

Chapter 2 - Borrower Eligibility

2.01 Borrower

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

2.02 Borrower Age

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

2.03 Guarantors

- Guarantor(s) are allowed when the income and credit history of the guarantor(s) are to be included for the purpose of qualifying the Borrower(s) for the loan pursuant to section 4.~~07~~ 06 of this ~~procedural~~ Procedural ~~manual~~Manual.
- Guarantor(s)' credit scores must meet or exceed the Borrower minimum credit scores specified in section 2.07 of this procedural manual.

The Fix-Up Fund Note and Credit Application must be fully executed by the Borrower(s) and Guarantor(s).

2.04 Unauthorized Compensation

Borrower shall not receive kickbacks, rebates, discounts, and/or compensation from any subcontractor, or any party to the transaction.

2.05 Ownership Interest

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

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

Eligible forms of ownership interest include the following:

- A fee simple estate; or
- A leasehold estate; or,
- A leasehold estate subject to a Community Land Trust.

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

- Shares in a Cooperative Corporation;
- Ownership by any form of trust; and,
- Ownership subject to a reverse mortgage.

Title may be held in the following ways:

- Individually;
- Joint Tenants;
- Tenants in common;
- Tenancy by the entirety;
- Vendee interest in a recorded contract-for-deed; or
- A recorded life estate, excluding remaindermen

Secured Loans

Title investigation may be conducted by the Seller through documented contact with the County Recorder's Office/Registrar of Titles, or with an Owner's and Encumbrances report.

Unsecured Loans

Borrower(s) ownership interest must be documented through a property tax statement and a copy of the deed (mortgage deed, warranty deed, quitclaim deed, etc.).

2.06 Principal Residence/Occupancy Requirement

Borrower must occupy the property on a year-round basis.

2.07 Credit Scores

The minimum allowable credit score(s) for Borrower(s), Co-borrower(s), and Guarantor(s), if applicable, are as follows:

- 620 for secured loans
- 680 for unsecured loans.

If the Borrower(s), Co-Borrower(s), and Guarantor(s) if applicable, do not have available credit scores, at least three alternative credit sources showing payments have been made as agreed must be established in accordance with the requirements listed in section 4.06 of this Procedural Manual.

Note: Alternative credit sources may not be used to offset unavailable credit scores for a Borrower requesting an unsecured loan. (Section 4.06)

2.~~07~~08 Minnesota Housing Program Eligibility Income

Gross annual household income is the gross annual projected household income as of the date of the Credit Application from whatever source derived, before taxes or withholdings, of:

- Borrower(s);
- Borrowers' spouse, if any and
- Any other household resident who has ownership interest in the property to be improved.

The Minnesota Housing maximum gross household income may not exceed the amounts listed on Minnesota Housing's website.

Gross annual projected household income includes:

- Salary, commissions, bonuses, tips, earnings from part-time employment;
- Interest, dividends, gains on sale of securities;
- Annuities, pensions, royalties;
- Veterans Administration compensation, public assistance, social security benefits, unemployment compensation and sick pay;
- Net rental income after adding back depreciation;
- Net income received from business activities after adding back depreciation, entertainment and travel expenses and private retirement contribution;
- Alimony, child support;
- Estate or trust income;
- Seasonal employment income;
- Ongoing educational grants paid directly to the Borrower; and
  - ◊ Contract-for-deed income deducting principal, interest, taxes, and insurance paid by property Seller on outstanding debt against the property. (Deductions cannot exceed the contract-for-deed income.)

Ineligible income adjustments include:

- Any temporary, nonrecurring reduction of income of a known duration including, but not limited to, layoff, maternity leave, sabbatical leave may not be considered when calculating gross annual income. Rather, income shall be calculated based on the normal annual income of the temporarily unemployed person.

Exception for Accessibility Improvements:

- The maximum household income may be waived with prior written approval by Minnesota Housing when the loan proceeds will be used exclusively for Accessibility Improvements.

2.~~08~~09 Separated Spouses

When the Seller establishes that a spouse permanently resides outside the household, the income of that separated spouse is excluded from eligibility income as calculated pursuant to Section 2.~~07~~ 08 of this Procedural Manual. However, the separated spouse must sign the mortgage.

Examples of separated spouse documentation include:

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

2.~~09~~10 Loans to Employees and Affiliated Parties

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

Chapter 3

Chapter 3 - Property Eligibility

3.01 Eligible Properties Minnesota Housing

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

- Located in the State of Minnesota; and
- A residential property, which includes:
  - ◊ A single family detached home;
  - ◊ An individual unit in a Planned Unit Development (PUD);
  - ◊ A townhome[2];
  - ◊ A unit of a condominium[3];
  - ◊ A manufactured home permanently affixed to a foundation and taxed as real property;
  - ◊ A duplex[4];
  - ◊ A triplex[5];
  - ◊ A fourplex[6];
- Properties must be completed and habitable[7]:
  - ◊ A certificate of occupancy has been issued for the property, and
  - ◊ Any property financing is long-term (not construction financing).

3.02 Manufactured Homes

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

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

Mobile homes are acceptable if they meet the following requirements:

- Must be located on property owned or being purchased by the Borrower;
- Must be on a permanent foundation with wheels and axles removed;

[2] If the property is a townhome, only the portion of the real estate owned by the Borrower is eligible.
[3] If the property is a condominium, only the portion of the real estate owned by the Borrower is eligible.
[4] The Borrower must occupy one unit of the property.
[5] The Borrower must occupy one unit of the property.
[6] The Borrower must occupy one unit of the property.
[7] A newly constructed home is a completed property if it has been used as a year-round permanent residence for at least 90 days prior to the date of the Borrower application.

- All utility connections are operable so that the home is habitable;
- Unit must be assessed/taxed as real estate;
- Unit being improved meets all other eligibility requirements under this Procedural Manual; and
- Security for the loan to purchase the manufactured home is in the form of a mortgage covering the property.

3.03 Ineligible Properties

Properties not eligible for financing are as follows:

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

3.04 After Improved Value Limit (Equity)

A secured loan will not be made in an amount which, combined with all other existing indebtedness secured by the property, exceeds 110% of the ~~of~~ ~~its~~current market value of the property after adding not more than 50% of the total cost of the proposed improvements. ~~anticipated improvements.~~

Current market value may be documented with:

- Estimated Market Value from the most recent property tax statement for the property to be improved;
- Broker's purchase price opinion based on a Competitive Market Analysis (CMA) completed within 120 days of the Fix-up Fund loan closing; or
- The lesser of the purchase price or related appraised value for the purchase of the home occurring within the past 12 months; or
- If the Borrower(s) has/have owned the property for more than 12 months, an existing appraisal dated within the most recent preceding 12 months.

3.05 Right to Inspect

Minnesota Housing or its authorized representative shall have the right to inspect the property to be improved at any time from the date of the Fix-up Fund Note, upon giving due notice to the Borrower.

3.06 Local Ordinances and Plans

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

Chapter 4

Chapter 4 – Loan Eligibility

4.01 Eligible Loans

General Loan Eligibility Requirements

Minnesota Housing purchases closed and funded loans from Sellers under contract in Minnesota Housing loan programs. The Seller must warrant that the following criteria have been met for each loan submitted for purchase.

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

Eligible Loan Types/Loan Amounts/Loan Terms[8]

Fix-up Fund Loan Type	Min. Ln. Amt	Max. Ln. Amt	Min. Ln. Term	Max Ln. Term
Regular - Secured Loan[9]	$2,000	$35,000	1 year	20 years
Regular - Unsecured Loan	$2,000	$10,000	3 years	10 years
Energy/ Accessibility Incentive-Secured Loan	$2,000	$ 7,500	1 year	10 years
Community Fix-up Fund - Secured Loan	$2,000	$35,000	1 year	20 years

The above loan repayment terms apply subject to the following:

- The maximum possible maturity on a loan in an amount less than or equal to $10,000 is 10 years.

[8] See also Section 4.12 of this procedural manual.
[9] The maximum loan amount may be waived upon prior written approval from Minnesota Housing, if the loan proceeds will be used exclusively for Accessibility Improvements.

- The maximum possible maturity for a loan in an amount greater than $10,000 is 20 years.
- Seller will not make a loan term for an unreasonable length of time. Final maturity of the loan shall be commensurate with the Borrower's ability to pay including such considerations as debt-to-income ratio, size of household and projected household income.
- For properties being purchased with a mortgage from private individuals, the loan term may not extend beyond the date of any balloon payment.

4.02 Ineligible Loans

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

- ~~Any Non-Prime Community Fix-Up Fund loan secured by a mortgage in first lien position; and,~~
- Any Fix-up Fund or Community Fix-up Fund loan secured by a mortgage in first lien position and having an APR that exceeds the first lien position rate published on Minnesota Housing's website by more than .49%.
- Any Fix-up Fund or Community Fix-up Fund loan whether secured or unsecured that will be subject to a reverse mortgage.
- Any secured Fix-up Fund loan to any Borrower(s) with minimum credit score (s) below 620.
- Any secured loan to any Borrower(s) who is/are without credit score(s) and is/are unable to establish satisfactory alternative credit with at least a 6-month history.
- Unsecured loans to a Borrower(s) that have no established credit score.
- Unsecured loans to a Borrower(s) with credit score(s) below 680.
- Unsecured loans in an amount greater than $10,000 or the addition of an unsecured loan to one already existing that would cause the total outstanding unsecured loans to exceed $10,000.
- Energy Conservation and Accessibility loans in an amount greater than $7,500 or the addition of an Energy Conservation and Accessibility loan to one already existing that would cause the total outstanding Energy Conservation and Accessibility loans to exceed $7,500.

~~4.03 Loan Amount~~

- ~~The minimum and maximum loan amounts for loans secured by a mortgage in subordinate lien position are as follows:~~
- ~~Minimum - $2,000~~
- ~~Maximum - $35,000, subject to the limitation imposed in Section 4.16 of this procedural manual.~~

~~The maximum loan amount may be waived upon prior written approval by Minnesota Housing when loan proceeds will be used exclusively for Accessibility Improvements.~~

~~Minnesota Housing may, at its option, require a higher minimum loan amount for loans secured by a mortgage in first lien position.~~

4.~~04~~03 Eligible Improvements

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

- Improve the basic livability or energy efficiency of the property, including:
  - ◊ Additions
  - ◊ Alterations
  - ◊ Renovations and/or repairs, or
- Bring a property into compliance with state, county, municipal health, housing, building, fire and/or housing maintenance codes or other public standards applicable to housing.

Improvements shall not have commenced prior to the date of the loan closing with the exception of emergency repair financing as specified in Section 4.~~15~~11.

4.~~05~~04 Ineligible Improvements

Ineligible improvements include but are not limited to the following:

- Costs associated with a project which will be incomplete (i.e. framing a room addition) unless accompanied by written verification of sufficient cash on deposit to complete the project;

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- Any improvement which is not a permanent fixture to the property (appliances, furniture or other personal items are not fixtures under Minnesota law);
- Payment, wholly or in part, of assessments for public improvements;
- Construction of or improving existing garage space which will result in personal use garage space per property, exceeding 800 square feet and 3 stalls;
- Construction of or aesthetic improvements to recreational facilities including, but not limited to, patios, gazebos, tennis courts, hot tubs, swimming pools, saunas;
- Conversion of a nonresidential structure to a residential structure;
- Conversion of a recreational home to a year-round permanent residence;
- Costs associated with moving a house;
- ~~Costs associated with a project which will be incomplete (i.e. framing a room addition);~~

- Greenhouse;
- Improvements to a recreational home;
- Improvements begun prior to the day of loan closing;
- Improvements to the portion of buildings or real estate owned by the association in a PUD or Condominium project;
- Labor costs paid to the Borrower or any resident of the household;
- Materials or permanent fixtures which exceed the quality of those in the locality of the subject property;
- New construction or expansion of an area used in a trade or business;
- Playground equipment;
- Repairs to or construction of outbuildings including, but not limited to, sheds, utility buildings, shops, barns, silos; and
- Underground sprinkler systems.

4.~~06~~05 Bids and Estimates for Improvements

Prior to making a loan, Seller shall obtain itemized bids and estimates for all proposed improvements from the Borrower to establish improvement eligibility and estimated cost.

4.~~07~~06 Credit Requirements

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

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

- All documentation used as a basis for credit underwriting of the loan must be dated within 120 days of loan closing. This includes documentation relative to credit reporting and income verification.
- ~~The credit report (and any supplemental information) upon which the Seller relies must be current, and must show the Borrower to be solvent with a reasonable ability to repay the obligation, and, in other respects, to be a prudent lending risk.~~Borrower(s) and Guarantor(s) must meet the minimum credit scores established in Section 2.07 of this Procedural Manual as follows:
  - ◊ Secured loan – minimum credit score of **620.**
  - ◊ Unsecured loan – minimum credit score of **680**.
- Borrower(s) and Co-Borrower(s) requesting an unsecured loan must have credit score(s) **and** those credit score(s) must be at least **680.**
- If the credit report(s) for the Borrower(s) indicate the credit score(s) are unavailable, the credit report(s) documenting no score(s) must be retained in the loan file; and
  - ◊ The Seller must establish an alternative credit history clearly documenting routine consistent payments were made as agreed during the most recent preceding 6-month period from at least three of the following:
    - o Mortgage lenders, contract for deed vendors or other others able to verify housing expense and payment history[10];
    - o public utilities;
    - o telephone companies;
    - o cable television providers and/or
    - o internet providers.

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

- All Qualifying Income used in calculating the monthly debt to gross income ratio (DTI) must be stable and likely to continue. Further, documentation that the income used to qualify the Borrower(s) is stable and likely to continue must be obtained and retained in the loan file.
- The Borrower(s)' monthly DTI may not exceed 48% unless there is a Guarantor and:
  - ◊ The Borrower(s)' monthly DTI does not exceed 55%; and
  - ◊ The combined monthly DTI for the Borrower(s) and the Guarantor do not exceed 48%.
- If the Borrower(s) have a reported and/or the credit report indicates a bankruptcy or foreclosure, the following applies:
  - ◊ Chapter 7 Bankruptcy –
    - o The fact that the bankruptcy has been discharged must be verified on the credit report;
    - o The Order Discharging Debtor must be dated at least 18 months prior to the loan closing; and
    - o A copy of the Order Discharging Debtor must be retained in the loan file.
  - ◊ Chapter 13 Bankruptcy –
    - o Completion of repayment plan must be at least 18 months prior to loan closing;
    - o The Trustee must provide written verification that the repayment of debt has been completed; and
    - o A copy of the written verification of Chapter 13 Bankruptcy completion must be retained in the loan file.
- Foreclosure –
    - o The date of completion of the redemption period for the foreclosure must be at least 18 months prior to loan closing; and
    - o Written verification of completion of the redemption period must be retained in the loan file.

Note: Refer to Section 3.04 of this procedural manual for age of property value documentation requirements.

- ~~The Borrower's monthly debt to average gross monthly income ratio may not exceed 48% unless:~~
  - ~~◊ There is a Guarantor; or~~
  - ~~◊ Seller uses a Home Stretch certificate or industry-accepted compensating factors to approve a Borrower.~~
  - ~~◊ In either case:~~
    - ~~o The Borrower's monthly debt to average gross monthly income may not exceed 55%; and~~
    - ~~o The combined monthly debt to gross monthly income of the Borrower and the Guarantor may not exceed 48%.~~

~~4.08 Security Requirements~~

~~All loans must be secured with a mortgage on the property to be improved.~~

4.07 Homeowner Labor

- All improvement work completed by the Borrower(s) and/or Co-Borrower(s) ~~shall~~ must comply with all applicable building code regulations and ordinances;
- ~~and a~~All necessary licenses and permits ~~shall~~ must be obtained;
- Borrower(s) and/or Co-Borrower(s) ~~shall~~ may not pay labor costs to themselves or other household residents; and
- The Fix-up Fund Homeowner Labor Agreement must be fully executed and included in the loan file. This form is located on the forms page of Minnesota Housing's website.

4.~~10~~08 Interest Rate/Payment Requirements

General Interest Rate and Payment Information

The annual simple interest rates for all loans under the Fix-up Fund are ~~secured by a mortgage in subordinate lien position shall be~~ the rates stated on Minnesota Housing's Website, as applicable.

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

Secured Loans & Unsecured Loans without Monthly Automatic Payments

~~The annual simple interest rate for loans secured by a mortgage in first lien position shall be the rate stated on Minnesota Housing's Website.~~
Level monthly payments are required with the first payment due date to be 20 to 45 days following the Fix-up Note date. The monthly payment is to be based on the loan amount, loan term and loan interest rate.

Unsecured Loans with Monthly Automatic Payments

- The interest rate will be the rate posted on Minnesota Housing's website and will be one half of one percent below the rate for a loan without monthly automatic payments.
- Monthly automatic payments require that the Borrower complete the Authorization Agreement For Monthly Automatic Payment11. The Resources section of the Fix-up Fund page of Minnesota Housing's website contains a link to this form.
- Borrowers may choose to have the loan payment deducted from either a checking or savings account.
- Seller must submit a void blank check or savings account deposit slip with the executed Authorization Agreement for Monthly Automatic Payment within 5 days of purchase approval. (Section 7.02)
- Level monthly payments are required with the first payment due date to be 20 to 45 days following the Fix-up Note date.
- Payment due dates and Monthly Automatic Payment draft dates must be either the 5th, 10th, 15th or 20th of the month and must be the same date. If no date is chosen, payments will be deducted on the 5th of each month.
- If three or more payments are rejected or returned through the Monthly Automatic Payments system within a year, or if the Borrower voluntarily terminates participation in the Monthly Automatic Payment

[11] AmeriNational Community Servicer, Inc (Servicer) form.

Program, Minnesota Housing will immediately and permanently increase the interest rate on the loan by one-half (.50%) of one percent.

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~~4.11 Repayment Term~~

~~The maximum possible maturity on a loan in an amount less than or equal to $10,000 is 10 years. The maximum possible maturity for a loan in an amount greater than $10,000 is 20 years. Seller must use discretion to avoid excessive loan terms when the Borrower shows the financial ability to handle a shorter loan term. Final maturity of the loan shall be commensurate with the Borrower's ability to pay including such considerations as debt-to-income ratio, size of household and projected household income. Loan terms shall not be extended for an unreasonable length of time based on the factors mentioned above.~~

~~For properties being purchased with a mortgage from private individuals, the loan term may not extend beyond the date of any balloon payment.~~

~~Minnesota Housing may, at its option, establish minimum repayment terms for loans secured by a mortgage in first lien position.~~

~~4.12 Prepayment Penalty~~

- ~~A prepayment penalty, if applicable, is equal to the lesser of 60 days interest or 2% of the outstanding principal balance at the time of loan pay-off.~~

~~A prepayment penalty will be charged on a loan with an original term in excess of 36 months and with a loan amount equal to or greater than $4,000 that is paid in full within 36 months of the Fix-Up Fund Note date.~~

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- ~~A prepayment penalty will not be charged if:~~
  - ~~loan prepayment is due to the sale of the property;~~
  - ~~the original loan term is less than or equal to 36 months;~~
  - ~~the loan is secured with a first lien position;~~
  - ~~the loan is originated under a Community Fix-up Fund Non-Prime Initiative; or,~~
  - ~~the principal amount of the loan is less than $4,000.00.~~

4.~~13~~09 Conventional Loans

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

4.~~14~~10 Credit Application

A fully executed Credit Application is required.

4.~~15~~11 Refinancing

Minnesota Housing will not purchase loans for the purpose of refinancing or reimbursing the Borrower for expenses incurred on the subject property prior to the day of loan closing except in the following circumstances:

- Refinancing of short-term emergency financing of eligible improvements within thirty (30) days of incurring the original debt; or
- Consolidation of the outstanding balance(s) of previously received Minnesota Housing loans when the Borrower is applying for funds to implement new eligible improvements, subject to the following conditions:
  - ◊ When consolidating the outstanding balance of previously received Fix-up Fund or Community Fix-up Fund loan(s), a prepayment penalty ~~will~~ may apply (~~in the following circumstances:~~refer to the existing Fix-up Fund Loan Note); and
  - ◊ Previously originated Fix-up Fund loans with outstanding balances may not be consolidated into a new Fix-up Fund Unsecured or Energy Conservation and Accessibility Loan.
- ~~Loans with a principal amount of $4,000 or more; and,~~
- ~~Loans with an original term in excess of 36 months being paid off within the first 36 months of the loan term.~~

4.~~16~~12 Maximum Outstanding Loan Limit

- The total of outstanding Minnesota Housing Fix-up Fund, Community Fix-up Fund, Home Energy and Revolving loans and any new Fix-up Fund, Fix-up Fund Unsecured, Energy Conservation and Accessibility, and/or Community Fix-up Fund loans ~~amount~~ may not exceed $35,000. Seller must verify the Borrower's outstanding loan balance does not exceed the limit. (See Section 4.~~03~~ 01 for Accessibility loan exception.)

- The total of Fix-up Fund Unsecured loans that a Borrower(s) may have outstanding at one time, may not exceed $10,000.
- The total of Energy and Accessibility loans that a Borrower(s) may have outstanding at one time may not exceed $7,500.

4.~~17~~13 Closing Costs and Pre-Paid Finance Charges

- A credit investigation fee of up to $15 per loan may be collected by the Seller. This fee must be collected from the Borrower and may not be deducted from proceeds or financed in the loan.
- Recording fees and mortgage registration tax costs may be collected from the Borrower but may not be included in the face amount of the secured Fix-up Fund Loan Note or paid from loan proceeds.
- The Seller may charge and the Borrower may finance in a secured Fix-up Fund loan, an origination fee of not more than 1% of the principal balance of the loan~~,~~ .
- The Seller may charge and the Borrower may finance in a secured Fix-up Fund loan, the actual cost of the title search and flood certification~~,~~ .
- The Seller may charge and the Borrower may finance t~~and t~~he actual cost of document preparation not to exceed $50.
- Seller is required to verify the legal description of the subject property, the Borrower's ownership interest, and any existing liens, including reverse mortgages. ~~Title investigation may be conducted by the Seller through documentation contact with the County Recorder's Office/Registrar of Titles, or with an Owner's and Encumbrances report.~~
- If the Borrower chooses to obtain credit life and accident and health insurance, the cost of this insurance may not be included in the face amount of the Fix-up Fund Note or paid from loan proceeds.

4.~~18~~14 Non-Complying Loans

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

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

4.~~19~~15 Repurchase of Loans

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

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

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

Chapter 5

Chapter 5 – Special Assistance Program Requirements

5.01 Community Fix-up Fund

Community Fix-up Fund loans must meet the loan requirements of the Fix-up Fund program and the Community Fix-up Fund Initiative. Seller is responsible to determine the Borrower meets the Initiative's requirements.

- ~~Non-Prime Loan Initiative Requirements:~~
  - ~~Seller must apply normal and prudent non-prime underwriting standards;~~
  - ~~Borrowers must have completed or currently be participating in Seller arranged budget counseling programs;~~
  - ~~Lender or community partner fees for budget counseling and rehab advising services are considered eligible improvement costs.~~
- Discount Loan Initiatives:
  - Provides lenders with the ability to offer alternative interest rates under the Community Fix-up Fund Loan Program using leveraged funds to ~~buydown~~buy down the current program rate.
  - Minnesota Housing reimburses lender for loan principal and processing fee, and loan is serviced at rate and payment amount indicated on Fix-up Fund Note.
- Value Added Services:
  - Lenders provide value–added services or partner with non-profit or governmental organizations offering value-added services to address community needs.

5.02 Incentive Rate Energy Conservation and Accessibility Loans

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

- Eligible improvements for Energy Conservation loans must meet Energy Star® requirements and are limited to:
  - Heating system replacement;
  - Central air conditioning replacement;
  - Water heater replacement;
  - Light fixture replacement; or
  - Insulation/attic air sealing.
- Since Energy Star® requirements change over time, Sellers must refer to the Fix-up Fund Loan Program Energy Improvements List that may

be accessed on Minnesota Housing's website for the specific, technical requirements of eligible energy improvements.

- Eligible Accessibility Improvements for reduced rate loans include but are not limited to:
  - ◊ Construction entrance or exit ramps;
  - ◊ Widening interior or exterior doors and/or hallways;
  - ◊ Moving electrical outlets and switches;
  - ◊ Installing or modifying fire alarms, smoke detectors and other alerting systems;
  - ◊ Installing handrails, grab bars or stairway lifts; or
  - ◊ Modifying hardware, doors or bathrooms.
- For other accessibility improvements not listed above, the Fix-up Fund Program Accessibility Evaluation form must be used to document the accessibility needs of the Borrower(s). The Accessibility Evaluation form must be submitted to Minnesota Housing for approval prior to commitment.

For requirements pertaining to loan amount minimums and maximums as well as loan term minimums and maximums, refer to Section 4.01 of this procedural manual.

Chapter 6 – Commitment/Disbursement

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

- A maximum dollar amount of money a Seller may commit, or
- A maximum number of Individual Commitments a Seller may commit.

Seller may commit funds on a first-come, first-served basis. Fund balances and current interest rates are available on the Minnesota Housing Website or by logging into the HDS SF Web Application.

Individual Commitments are to be considered as "forward commitments" by Seller. It is expected that the loan will be submitted to gain a Purchase Approval status via the HDS SF Web Application.

6.01 Requesting a Commitment

Once Seller has determined that a Borrower meets the loan requirements, an Individual Commitment of funds is requested through Minnesota Housing's HDS SF Web Application.

Requests for a commitment that meet the eligibility requirements in this Procedural Manual will be <u>authorized electronically.</u>

Commitments are valid for 120 days. All commitments will be automatically cancelled at day 121.

Loans must meet eligibility requirements and gain a status of Purchase Approval via the HDS SF Web Application no later than the last day a commitment is still valid.

6.02 Modifying a Commitment

- Any change to a commitment must meet eligibility requirements and is submitted via the HDS SF Web Application to qualify.
- Any qualifying commitment change will not alter the commitment period of the original commitment.
- A change of Borrower or property on the commitment will not be allowed.
- An increase in the loan amount will be allowed if funds are available.

6.03 Canceling a Commitment

Minnesota Housing requires Seller to cancel any commitment that will not be used for the specified loan.

6.04 Transfer of Individual Commitments

Seller may not transfer commitments to another Seller without prior written approval by Minnesota Housing. Minnesota Housing may transfer a commitment under the following conditions:

- Seller requests in writing a transfer of the commitment to different Seller and documents the reason; and
- Original Seller must transfer and/or assign case documents to the new Seller.

6.05 Duplicate Borrower Commitments

Seller may not cancel an Individual Commitment and subsequently recommit funds for the same Borrower/property in order to obtain a more favorable commitment term.

6.06 Minnesota Housing Loan Purchase/Disbursement of Funds

Minnesota Housing will purchase loans with a status of Purchase Approval by the daily cutoff time, Monday through Friday, except for state and trustee observed holidays. The disbursement of funds will occur on the next business day.

Minnesota Housing's computations will be the basis for the loan purchase.

A Lender Certificate detailing purchase transactions details will be available only via the HDS SF Web Application.

6.07 Loan Purchase Corrections

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

Chapter 7 – Documentation Requirements

7.01 Loan Processing and Closing

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

- Loans must be closed, and disbursed, prior to requesting Minnesota Housing loan approval via the HDS SF Web Application;
- Loans must be current as to monthly payments;
- Seller must follow Minnesota Housing and all industry standard regulatory and compliance provisions throughout the processing of the loan;
- All loan documents must be on Minnesota Housing forms or industry standard forms that meet the Minnesota Housing requirements;
- Minnesota Housing or industry standard forms may not be altered in any way other than to add a company name and logo.
- All loan documents must be complete, accurate and reviewed by the Seller at the various and appropriate stages of the loan;
- The loan must be originated and closed in, or assigned to, the name of the Seller that is a party to the Participation Agreement and that has received an Individual Commitment of funds from Minnesota Housing;
- All assignments must run directly from the Seller to Minnesota Housing; and
- All assignments must use the Minnesota Uniform Conveyancing Blank.

7.02 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal ~~2nd Mortgage~~ form detailing specific documentation/delivery requirements. Seller must fully execute and deliver documents within designated timeframes. In addition, Sellers must specifically warrant the following:

- Seller has obtained, and reviewed, applicable documentation to determine compliance with all Minnesota Housing requirements and industry standard regulations and requirements;
- Seller has properly executed the Fix-up Fund Note bearing the simple interest rate on the Individual Commitment; and
- Seller has reviewed both the Fix-up Fund Note and mortgage to ensure appropriate signatures have been obtained and duly notarized.

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

7.03 Signature Requirements

Fix-up Fund Note and Credit Application

- The Borrower(s) must sign the Fix-up Fund Note and the Credit Application as Borrower(s).
- If the Borrowers' spouse or any other resident(s) of the household with ownership interest are included in qualifying the loan, those persons must sign the Fix-up Fund Note and Credit Application as Co-Borrower(s).

Mortgage

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

7.04 Records Retention

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

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

Chapter 8 – Servicing

8.01 Servicing

- Each Seller will be assigned a designated servicer by Minnesota Housing.
- Minnesota Housing may, at its discretion, designate other servicers.

8.02 Delivery of Loans to Servicer

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

8.03 Assumption/Due-On-Sale

Loans are not assumable and are due on sale or transfer of the title to the property to any person/entity other than the original Borrower.

Appendix

Appendix

Definitions
Forms List
Process Guide

DRAFT

Definitions

Definitions

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

Term	Definition
Accommodation Party	An owner of the property who is not a Borrower on the Fix-up Fund Note, such as a non-borrowing spouse or a contract-for- deed vendor.
Accessibility Improvement	An interior or exterior improvement or modification to a property, which is necessary to enable a resident or a Borrower with a permanent physical or mental condition that substantially limits one or more major life activities to function in that property.
Order Discharging Debtor	The notice filed with the Bankruptcy Court proving the bankruptcy case has been successfully completed and all debt has been discharged. **Note:** If the bankruptcy case is dismissed, it means that something went wrong with the case and the debts are still owed to the creditors.
Dealer Loan	A loan where an intermediary such as a contractor, salesman or materials supplier, having a financial interest in the contract for the repair, alteration, or improvement of the Borrower's property, intervenes or participates in the application for or disbursement of the loan.
Direct Loan~~Direct Loan~~	A Loan applied for by, and disbursed to the Borrower; and where the Credit Application, signed by the Borrower is filled out by: A. The Borrower; or, B. A maker of the Fix-up Fund Note other than a Borrower; or, C. A person acting at the direction of a Borrower who has no financial interest, directly or indirectly, in the contract for the repair, alteration, or improvement of the Borrower's property.~~A Loan applied for by, and disbursed to the Borrower; and where the Credit Application, signed by the Borrower is filled out by:~~ ~~A. The Borrower; or,~~

	~~B. A maker of the Fix-up Fund Note other than a Borrower; or,~~ ~~C. A person acting at the direction of a Borrower who has no financial interest, directly or indirectly, in the contract for the repair, alteration, or improvement of the Borrower's property.~~
Individual Commitment	A specific legal commitment of funds with specific terms and conditions for use by a specific Borrower purchasing a specific property.
Minnesota Housing Program Eligibility Income	Gross annual projected household income as of the date of the Credit Application from whatever source derived, before taxes or withholdings, of: • Borrower(s); • Borrowers' spouse, if any and • Any other household resident who has ownership interest in the property to be improved. The Minnesota Housing maximum gross household income may not exceed the amounts listed on Minnesota Housing's website.~~Income used to meet the requirements of this Procedural Manual.~~
Minnesota Housing Program Underwriting Income	Gross annual income that has been verified and documented as stable and likely to continue. This income is used to determine: • the Debt-to-Income Ratio for the Borrower(s) and/or Guarantor(s); and • whether approving the loan application constitutes a prudent investment risk.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.
Seller	A lender under contract to participate in Minnesota Housing programs.
~~Principal Residence~~	~~A property used as the primary domicile of the owner-occupant Borrower and his/her household.~~
~~Seller~~	~~A lender under contract to participate in Minnesota Housing programs.~~

Forms List

Accessibility Evaluation for Reduced Interest Rate
Authorization Agreement for Monthly Automic Payment (Servicer Form)
Credit Application
Homeowner Information
Homeowner Labor Agreement
Income Eligibility Calculation Worksheet
Loan Transmittal ~~2nd Mortgage~~
Fix-up Fund Note

Process Guide

This guide is a supplement to the Minnesota Housing Fix-up Fund Program Procedural Manual. All policies and processes contained in the Minnesota Housing Fix-up Fund Program Procedural Manual must be followed.

The contents of this guide cover a number of Minnesota Housing eligibility guidelines, but do not contain all the information necessary to originate a loan for sale to the Minnesota Housing Finance Agency.

All loans must be processed following industry standard practices and must meet the underwriting guidelines of the Seller that originates the loan.

Origination

- Obtain a completed Minnesota Housing Credit Application

System:

- Select program using *Program Choice;*
- Enter appropriate information, making adjustments as needed (from compliance error messages), and
- Submit to gain commitment for loan funds and interest rate.

Minnesota Housing Program Eligibility/Underwriting

- Confirm borrower eligibility
- Borrower meets lender's underwriting requirements
- Minnesota Housing income limits
- Principal Residence Requirement (2.06)
- Obtain and review the borrower's credit report: (4.07)
- Calculate the amount of monthly debt (for use in ratio calculation);
- Credit history and scores establish the borrower's willingness to repay debts; and,
- Explain, document and provide compensating factors for any adverse information on the credit report.
- Obtain and Review verification of Borrower Eligibility Income (2.07)
- Establish Borrower income eligibility (Use Income Eligibility Calculation Worksheet)
- Use income verification to establish borrower's ability to repay the debt
- Calculate Minnesota Housing Ratio requirement. (4.07)

- Confirm property eligibility (3.01)
  - ◊ Obtain the correct legal description of the property as well as the correct names of the owners and verification of all outstanding liens against the property. (*An Owners and Encumbrances Report will verify this information*)
  - ◊ Determine the current value of the property by using *any one* or a combination of the following methods:
    - Obtain a property tax statement
    - Prepare a current Lender's Market Analysis
    - Use a realtor's market analysis
    - Obtain an existing appraisal dated not more than 6-12 months prior to the loan closing date.
  - ◊ Calculate LTV and confirm it meets Minnesota Housing program guidelines. (3.04)
    - 50% of the proposed loan amount may be added to the property's established market value to determine the after improved value.
    - LTV is calculated by dividing the total amount of the loan by the value of the property.
    - CLTV (combined loan-to-value ratio) which is the total of all liens divided by the property's after improved value may not exceed 110%.
  - ◊ Collect and review labor bids and materials estimates to establish: (4.06)
    - Cost of improvements
    - Eligibility of improvements
  - ◊ Determine whether the homeowner will be performing any labor and if so, confirm it meets policy guidelines. (4.09)

System:

- Retrieve Commitment and enter required information, making adjustments as needed (from error messages).
- All information except the closing date can be entered and qualified prior to "purchase Approval" by HDS SF Web Application.
- Generate Fix Up Fund Loan Program Note.

Closing

- Execute required documents:
- Fix-up Fund Note (Sections 2.03, 4.10, 4.11, 7.02)
- Mortgage (2.08, 4.07)
- Assignment of Mortgage
- Confirm Ownership/Title Requirements (2.05)
- Provide notice of loan sale and servicing transfer advising Borrower of Servicer and address to which monthly payments are to be sent

- Provide Right of Rescission

System:
- After loan is closed, retrieve Commitment and enter loan closing date, submit to gain "Purchase Approval" on the loan.
- The Purchase view will show payment details and funds will be received in two business days!

Post Closing/Delivery

- Deliver to Minnesota Housing
- Deliver to Servicer (8.02)
- Submit the mortgage and assignment to the County for recording

System:
- Track submission deadlines for final documents
- Retrieve the loan record and Fix-up Fund Note deadlines and required corrections.

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AGENDA ITEM: 9.B.1
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2012 Series A-1, and 2012 Series A-2

CONTACT: Don Wyszynski, 651-296-8207
don.wyszynski@state.mn.us

Joe Gonnella, 651-296-2293
joe.gonnella@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☑ Other: Bond Transaction

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff is preparing to issue bonds to provide financing for a 90-unit multifamily development in Edina, Minnesota. The bonds will comprise a long-term series funding a permanent mortgage loan and a short-term series making the development eligible for low income housing tax credits. Kutak Rock LLP, the Agency's bond counsel, will send the resolution and a draft Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of the bonds on a not-to-exceed basis.

FISCAL IMPACT:
The proposed amount of the bonds is within the budget of the Affordable Housing Plan for 2012 for the bond-financed Low and Moderate Income Rental Program. Agency staff currently expects that the loans financed by the bonds will yield an approximately 1% spread to the Agency over the yield of the bonds.

MEETING AGENCY PRIORITIES:

☐ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT:
None.

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AGENDA ITEM: 9.B.(2)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Post-Sale Report, Residential Housing Finance Bonds 2012 Series A, B, C and D.

CONTACT: Don Wyszynski, 651-296-8207
don.wyszynski@state.mn.us

REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☑ Other: Finance

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
The Agency sold an issue of long-term bonds to provide financing for its homeownership lending programs. Pursuant to the Debt Management Policy, a post-sale report about this sale will be presented by the Agency's Financial Advisor, CSG Advisors, at the Board meeting. The item does not require approval.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☑ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☐ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Post-Sale Analysis

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$150,750,000
Residential Housing Finance Bonds
2012 Series A, B, C and D

Minnesota Housing Finance Agency

Post-Sale Analysis

CSG advisors

$150,750,000
Minnesota Housing Finance Agency
Residential Housing Finance Bonds
2012 Series ABCD

POST-SALE ANALYSIS

KEY RESULTS FOR MHFA

Two Purposes. With the successful use of all of MHFA's New Issue Bond Program allocation last December, this large first post-NIBP issue had two major purposes:

1. Substantially strengthen the net worth, parity and annual net cash flow of the Residential Housing Finance Bond indenture.

2. Finance $60 million of new single-family loans in MHFA's pipeline with an average interest rate of 3.8% and earn full spread – while minimizing the use of MHFA's $15 million of existing zero participations, so they can be used on future transactions.

Accomplishments. Both these objectives were very successfully achieved.

1. **Improve Net Worth of RHFB**. RHFB is MHFA's largest single-family indenture, the predominant one that was used from 2002 through 2009 (before the New Issue Bond Program), and it contains all of MHFA's variable rate debt and interest rate swaps. Most important, RHFB has been incurring significant loan losses on its whole loans, including approximately $20 million of such losses in 2011.

   By using the 2012 bonds partly to refund at lower interest rates all of MHFA's older Single Family Indenture, MHFA was able to transfer approximately $67 million of surplus loan assets to RHFB. This improved the net worth and parity of RHFB by $67 million.

2. **Finance New Loans at Full Spread Without Using Existing Zero Participations.** Series A, B and C, totaling $90,750,000, was used to refund the Single Family Indenture and to refund several optionally callable series of RHFB at lower interest rates. This effectively subsidized the new loans being financed under the $60 million of Series D so that MHFA could earn full spread on them.

   Because of the very fortunate timing and successful execution of the issue, MHFA actually generated an additional $3 million of new zero participations, increasing the amount of subsidy available for future bond issues.

Bond Results. Following are key highlights.

- **Challenges.** This was MHFA's largest bond issue since the financial crisis. Through the end of last year, in the bond market there had been significantly reduced demand by both institutional and retail investors, making smaller issues easier to sell. Since the benefits of refunding the Single Family Indenture could only be achieved by refunding it in whole, MHFA had to market a very large combined issue.

  Even more challenging, $50,945,000 (Series A) was subject to alternative minimum tax. Such AMT bonds are much less attractive to both retail and institutional investors than non-AMT bonds, and this was quite a large amount to be sold.

- **Timing.** During the first half of March, the municipal bond market had weakened significantly but then reversed and rallied sharply in the days before and through the sale. (The market then weakened again afterwards). MHFA's timing turned out to be excellent.

- **Successful Sale.** The sale proved very favorable, allowing MHFA to lower yields on many maturities during the offering period. There was broad retail support from many of the underwriters, generating $40.6 million of in-state retail orders and $27.6 million of national retail orders, or a total of $68.2 million of retail (on only $48 million of bonds available for retail investors).

  Perhaps most significant, by carefully integrating the refunding and the new debt, all the new 30-year term bonds were sold as Planned Amortization Class bonds (with a 4.45 year expected average life) at a yield of 2.45%. This was the tightest spread to the benchmark MMD Index of any PAC bonds sold by any issuer in the past year – despite the fact that the bonds are backed by whole loans and are in the AA rating category, not AAA, which had been very important to PAC buyers. (Whole loan AA rated PACs typically have sold at spreads from 0.40% to 0.60% wider.)

Measuring Transaction Benefits to MHFA. MHFA's key objective was to permanently finance loans already in its pipeline at the lowest cost possible while strengthening its RHFB indenture.

- **Zero Participations.** The Agency earned full spread on the $60 million of new loans plus increased its zero participations (extra interest rate spread above the maximum spread allowed of 1.125% under the tax code) for future issues by $3 million. This leaves MHFA with approximately $18 million of zeroes, offering financing flexibility in structuring future issues and reducing interest rate risk on future production.

All of the Agency's New Issue Guidelines Were Exceeded:

Criteria	**Execution**
Better than 1.00% spread for the Agency	Full allowable spread of 1.125% (plus generating $3 million of new zero participations)
No more than 40% variable rate	None
Expected swap life less than 26 years	No swap
Manage unhedged bond risk	None
Manage liquidity risk	None
Increase net worth of Resolution under both high and low interest rate tests	By consolidating Single Family assets into RHFB, increases current net worth of RHFB by $67 million
Provides mortgage rate which meets Agency needs	Funds loans already in pipeline or to be reserved at a full spread

FEATURES OF THIS ISSUE

***Structure*.** Given the mix of bonds that needed to be sold – $50.75 million of refunding AMT bonds (Series A), $40 million of non-AMT refunding bonds (Series B and C) and $60 million of new money non-AMT bonds (Series D) – MHFA was able to design a very effective bond structure.

- **AMT Bonds.** In order to reduce the extra cost associated with AMT bonds, they were designed as the shortest maturity bonds, from 1/1/2013 through 1/1/2023. Alternating maturities were offered to retail and to institutional investors in order to maximize demand.

- **Non-AMT PAC Bonds.** The $43.5 million of PAC bonds had a 2040 maturity but an average expected life of only 4.45 years, using many of the features from recent MHFA issues to maximize the size and value of the PAC maturity, as by far the lowest cost of MHFA's term bonds.

***Pricing*.** The retail order period gave Minnesota individuals first priority in purchasing bonds at aggressive rates. The AMT serials (except for July maturities from 2015 through 2022), and the non-AMT serials and terms in 2023, 2024, 2025 and 2029 were all available for retail investors.

- ***Retail Demand.*** MHFA received a total of $68.215million of retail orders. This helped the underwriters to push yields lower on several of the shorter maturities. As several of the early maturities were fully subscribed, the underwriting group was notified. Yields were reduced on all of the serial maturities, with reductions of as much as 10-15 bps on the 2013 through 2016 bonds. The 2029 term bond was heavily oversubscribed, and the yield was trimmed from 3.875% to 3.85%.

- ***Strong Institutional Demand.*** MHFA attracted strong support from institutional investors. On the 2030 term bond, $77 million of priority institutional orders were received for $16.465 million of bonds, allowing the yield to be lowered from 3.95% to 3.90%.

- ***Very Effective 2040 Premium PAC Bonds.*** Despite being backed by a whole loan indenture, the PAC bonds with a 4.45-year expected average life received $145 million of priority institutional orders for $43.535 million of bonds. Yields were cut from 2.55% to 2.45%. The spread to the equivalent GO AAA Municipal Market Data Index was 1.55%, the tightest PAC spread in recent years.

UNDERWRITING

Underwriting Fees. Takedowns and management fees were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure. Takedowns on early maturities and on term bonds sold to institutions were reduced by the underwriters.

Comparable Transactions. The most comparable transactions were from the state HFAs in West Virginia ($37 million Non-AMT), MassHousing ($84 million combined Non-AMT and AMT), and SONYMA ($118 combined Non-AMT and AMT). No other large single-family transactions were priced during March, and none were priced in the same week as MHFA's. Generally, the Agency's yields were equal to or better than all of these transactions.

On the AMT maturities (from 2013 through 2023), Minnesota generally outperformed MassHousing (especially on the 2016, 2017, 2022 and 2023 maturities) but was not as tight as SONYMA which enjoys very strong in-state retail support and benefits from a large CRA and institutional investor base.

On the non-AMT maturities (2023 through 2040) spreads to the MMD Index were higher than SONYMA's but at somewhat tighter spreads than MassHousing (whose only maturities were in other years). None of the other issuers offered a PAC bond.

Performance. In addition to strong sales by senior manager RBC, Piper Jaffray as a regular co-manager contributed significantly as did Morgan Keegan (who served as rotating co-manager based on the prior issue sales performance and had the most retail orders and allotments of any co-manager). Morgan Stanley, as a regular co-manager, has been much stronger on prior issues.
Among selling group members, Bank of America Merrill Lynch and Wells Fargo Securities contributed the most orders. Northland Securities, Cronin and Fidelity also each had more than $1 million of in-state orders and allotments.

Member	Role	Retail Orders	Retail Allotments
RBC	Senior Manager	40,580,000	31,695,000
Morgan Stanley	Co-Manager	985,000	735,000
Piper Jaffray	Co-Manager	5,595,000	3,145,000
Morgan Keegan	Co-Manager added based on prior issue sales	6,775,000	5,070,000
Bank of America Merrill Lynch	Selling Group	4,425,000	3,720,000
Wells Fargo	Selling Group	4,375,000	3,625,000
Northland Securities	Selling Group	1,505,000	1,450,000
Cronin	Selling Group	1,325,000	1,200,000
Fidelity	Selling Group	1,175,000	1,025,000
Barclays Capital	Selling Group	735,000	735,000
UBS	Selling Group	640,000	535,000
Edward Jones	Selling Group	40,000	40,000
Raymond James	Selling Group	10,000	10,000
Citigroup	Selling Group	-	-
George K. Baum	Selling Group	-	-
Stern Brothers	Selling Group	-	-
Total		**68,215,000**	**53,035,000**

Among the selling group members and rotating co-manager, Morgan Keegan had both the most retail orders and allotments and will therefore again serve as the rotating co-manager on the next bond issue. Selling group performance varied significantly among firms, indicating:

- The benefit of continuing the use of a large and active selling group, rather than relying on only a few firms, especially given the variability from one issue to the next, and
- The value of rewarding a selling group member with the most orders by including them as a co-manager on the next issue.

IMPLICATIONS

Sizing. The underwriters were able to attract significant retail and institutional interest on a large transaction in a positive market leading to a successful sale. The Agency's ability and track record in selling serial and intermediate term bonds (including AMT serials) to retail continues to be an important MHFA strength. With a very light calendar of new housing bond issues in the months preceding the sale, the absence of competition helps to explain the market's unusually strong reception for the Agency's large offering.

Future Issues. Given the current level of MHFA mortgage rates and tax-exempt bond rates, it is likely that future production will require significant use of MHFA's existing zeros (and/or direct sale of mortgage-backed securities, hedged by MHFA's ability to issue future bond series with zeros).

ISSUE DETAILS

Key Dates 2012 ABCD Market Bond Pricing:

Retail Order Period:	Tuesday, March 27, 2012
Institutional Order Period:	Originally set for Wednesday, March 28 but moved up to Tuesday afternoon
Closing Date:	April 26, 2012

Use of Proceeds. The bond issue provides $61,191,391 (including bond premium) to purchase mortgage-backed securities. The average rate on the loans is expected to be approximately 3.80%.

MARKET CONDITIONS

Treasuries. Long term treasury bond yields dropped to record low levels in 2011 and early 2012 reflecting ongoing bank and sovereign debt crises in Europe, weak economic recovery in the U.S., the paradoxical impact of S&P's downgrade of the U.S. government, and the announcement of the Federal Reserve's policy of maintaining near-zero short-term rates through 2014. Yields rose in mid-March on growing signs of economic recovery, including declines in unemployment and jobless claims, renewed concerns about future inflation including the surge in oil prices, and generally positive results of bank stress reports. By the time of MHFA's sale, the 10-year treasury dropped to 2.20% (after rising as high as 2.39% in mid-March). The 30-year treasury was 3.29% after having reached 3.48%.

Municipals. Municipal yields have generally followed treasury yields, but a number of factors have significantly impacted the municipal market this year. Low new issuance supply and growing demand pushed yields lower during January and February. After record outflows from municipal bond funds through most of 2011, steady and continued inflows boosted the performance of municipals relative to treasuries.

Municipal yields rose with treasury yields in mid-March and then fell during the days leading up to MHFA's sale.

Municipal bond yields have fallen from extreme high percentages of treasury yields, with the 10 year MMD to treasury bond ratio dropping from 112% of treasuries when 2011 FG was issued to 89.5%. Similarly, the 30-year MMD to treasury bond ratio dropped from an extraordinarily high 131.6% of treasuries to 101.5%. This reflects the growth in appetite for municipals, including by cross-over buyers, when municipal yields became so extraordinarily attractive relative to treasuries. Municipals had become a great bargain especially on an after-tax basis, making them attractive despite low absolute yields. The market has now returned to ratios that are still very high by historic standards ratios but closer to their averages during the financial crisis.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/ Treasury Ratio
2010 A	9/15/10	2.67%	2.39%	89.5%	3.79%	3.72%	98.2%
2011 A/B	3/22/11	3.34%	3.27%	97.9%	4.44%	4.85%	109.2%
2011 C/D	6/7/11	3.01%	2.63%	87.4%	4.27%	4.23%	99.1%
2011 E	8/24/11	2.29%	2.26%	98.7%	3.63%	3.89%	107.2%
2011 F/G	11/22/11	1.94%	2.18%	112.4%	2.91%	3.83%	131.6%
2012 ABCD	3/27/12	2.20%	1.97%	89.5%	3.29%	3.34%	101.5%
Change from 2011 FG to 2012 ABCD		**+ 21 bps**	**-21 bps**	**-22.9%**	**+ 38 bps**	**-49 bps**	**-30.1%**

Minnesota Housing Finance Agency
Homeownership Finance Bonds, 2011 Series F/G
Final Pricing Comparables (Non-AMT)

SALE DATE	November 21, 2011		November 21, 2011		November 21, 2011		November 16, 2011		November 16, 2011	
ISSUER	Minnesota HFA		Hawaii HFDC		Maine SHA		Georgia HFA		Rhode Island HMFC	
AMOUNT	$42,685,000		$20,000,000		$13,250,000		$33,200,000		$5,040,000	
SERIES	2011 Series FG		2011 Series AB		2011 Series E		2011 Series C		2011 Series A	
PROGRAM	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
RATING(S)	Aaa / - / -		Aaa / AA+ / AAA		Aa1 / AA+ / -		- / AAA / -		Aaa / - / -	
TAX STATUS	**Non-AMT**		**Non-AMT**		**Non-AMT**		**Non-AMT**		**Non-AMT**	
MATURITY	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD
2012							0.35 / 0.45	+10		
2013	0.55 / 0.65	+13	0.60 / 0.70	+18	0.85	+43	0.70 / 0.80	+28	0.85 / 0.95	+43
2014	1.05 / 1.15	+42	1.10 / 1.20	+47	1.35	+72	1.15 / 1.25	+51	1.30 / 1.40	+66
2015	1.50 / 1.60	+59	1.50 / 1.60	+59	1.70	+79	1.55 / 1.65	+61	1.75 / 1.85	+81
2016	2.00 / 2.05	+86	2.00 / 2.10	+86			2.05 / 2.15	+84	2.10 / 2.20	+89
2017	2.25 / 2.35	+90	2.25 / 2.35	+90			2.35 / 2.45	+92	2.45 / 2.50	+102
2018	2.65 / 2.70	+108	2.65 / 2.70	+108			2.65 / 2.75	+98		
2019	2.90 / 2.95	+107	2.90 / 2.95	+107			2.95	+102		
2020	3.125	+106	3.15	+108			3.20	+102		
2021	3.25	+102	3.30	+107			3.35	+102	3.125	+80
2022	3.45	+106	3.45	+106			3.50	+102		
2023										
2024										
2025			3.875	+101						
2026	4.00	+101	PPAC 2.78*	+164					4.125	+110
2027							4.125	+99		
2027										
2028										
2028										
2029										
2030							PPAC 3.18*	+197		
2030										
2031					4.375	+92				
2031										
2032	4.40	+87							4.625	+106
2033										
2034										
2035	PPAC 2.77*	+163								
2036										
2037										
2038										
2039										
2040										
2041										
2042										
	* Premium PAC yielding 2.77% with 5.0 yr A/L from 75% - 500% PSA. 4.25% coupon, $106.787 price.		* Premium PAC yielding 2.78% with 5.0 yr A/L from 75% - 500% PSA. 4.50% coupon, $107.867 price.				* Premium PAC yielding 3.18% with 5.0 yr A/L from 75% - 500% PSA. 4.00% coupon, $103.70 price.			
MKT INDEX	BBI / RBI	4.09% / 5.09%	BBI / RBI	4.09% / 5.09%	BBI / RBI	4.09% / 5.09%	BBI / RBI	4.02% / 5.05%	BBI / RBI	4.02% / 5.05%
SEN MGR	RBC Capital Markets		RBC Capital Markets		B of A Merrill		B of A Merrill		B of A Merrill	

CSG advisors

Minnesota Housing Finance Agency
Homeownership Finance Bonds, 2011 Series F/G
Final Pricing Comparables (Non-AMT)

SALE DATE	November 21, 2011	November 15, 2011	November 15, 2011	November 9, 2011	November 9, 2011
ISSUER	Minnesota HFA	Indiana HCDA	HFA of Pinellas Co., FL	Nebraska IFA	Tennessee H.D.A.
AMOUNT	$42,685,000	$52,000,000	$6,000,000	$44,000,000	$44,150,000
SERIES	2011 Series FG	2011 Series C	2011 Series B	2011 Series A	2011-1BC
PROGRAM	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated
RATING(S)	Aaa / - / -	Aaa / - / -	Aaa / - / -	- / AA+ / -	Aa1 / AA+ / -
TAX STATUS	**Non-AMT**	**Non-AMT**	**Non-AMT**	**Non-AMT**	**Non-AMT**

MATURITY	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD
2012							0.45	+20		
2013	0.55 / 0.65	+13	0.65 / 0.75	+23	0.70 / 0.80	+28	0.70 / 0.80	+28	0.60	+18
2014	1.05 / 1.15	+42	1.15 / 1.25	+51	1.25 / 1.35	+61	1.15 / 1.25	+51	1.15 / 1.25	+51
2015	1.50 / 1.60	+59	1.70 / 1.80	+76	1.70 / 1.80	+76	1.60 / 1.70	+68	1.65 / 1.75	+73
2016	2.00 / 2.05	+86	2.00 / 2.10*	+79	2.125 / 2.25	+92	2.00 / 2.10	+84	2.05 / 2.15	+89
2017	2.25 / 2.35	+90	2.35* / 2.40*	+92	2.40 / 2.50	+97	2.30 / 2.40	+93	2.35	+98
2018	2.65 / 2.70	+108	2.65* / 2.70*	+98	2.75 / 2.80	+108	2.60 / 2.65	+99	2.60	+99
2019	2.90 / 2.95	+107	3.00	+107	3.10	+117	2.85 / 2.90	+100		
2020	3.125	+106	3.20	+102	3.30	+112	3.15	+106	3.20	+111
2021	3.25	+102	3.35	+102	3.40	+107	3.30	+107		
2022	3.45	+106	3.55	+107	3.625	+115				
2023										
2024			3.60	+82			3.85	+115		
2025									4.00	+117
2026	4.00	+101								
2027			PPAC 2.84**	+163	PPAC 2.91*	+173				
2027			4.10	+96	4.10	+96				
2028							4.20	+104		
2028										
2029										
2030										
2030										
2031									4.375	+97
2031										
2032	4.40	+87								
2033									4.50	+90
2034										
2035	PPAC 2.77*	+163								
2036									4.60	+94
2037										
2038										
2039										
2040										
2041										
2042									4.65	+95
	* Premium PAC yielding 2.77% with 5.0 yr A/L from 75% - 500% PSA. 4.25% coupon, $106.787 price.		* Sold at a premium and 5.00% coupon. ** Premium PAC yielding 2.84% with 5.0 yr A/L from 75% - 400% PSA. 4.50% coupon, $107.555 price.		* Premium PAC yielding 2.91% with 4.9 yr A/L from 75% - 400% PSA. 4.375% coupon, $106.602 price.					
MKT INDEX	BBI / RBI	4.09% / 5.09%	BBI / RBI	4.02% / 5.05%	BBI / RBI	4.02% / 5.05%	BBI / RBI	4.02% / 5.05%	BBI / RBI	4.02% / 5.05%
SEN MGR	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		JP Morgan		RBC Capital Markets	

Minnesota Housing Finance Agency
Homeownership Finance Bonds, 2011 Series F/G (Non-AMT)
Recent Minnesota Housing Pricings

SALE DATE	November 21, 2011		August 23, 2011		June 7, 2011		March 23, 2011		September 15, 2010	
ISSUER	Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota Housing	
AMOUNT	$42,685,000		$65,000,000		$42,000,000		$67,500,000		$72,000,000	
SERIES	2011 Series FG		2011 Series E		2011 C/D		2011A/B		2010 A	
PROGRAM	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
RATING(S)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
TAX STATUS	**Non-AMT**		**Non-AMT**		**Non-AMT**		**Non-AMT**		**Non-AMT**	
MATURITY	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD
2011									0.45	+15
2012			0.25	+5	0.40 / 0.50	+15	0.50 / 0.65	+18	0.75 / 0.85	+30
2013	0.55 / 0.65	+13	0.50 / 0.60	+20	0.80 / 0.90	+36	0.90 / 1.125	+29	1.00 / 1.10	+39
2014	1.05 / 1.15	+42	1.00 / 1.05	+60	1.25 / 1.35	+54	1.50 / 1.625	+57	1.35 / 1.40	+50
2015	1.50 / 1.60	+59	1.25 / 1.35	+70	1.80 / 1.90	+82	2.00 / 2.125	+60	1.75 / 1.80	+58
2016	2.00 / 2.05	+86	1.75 / 1.85	+85	2.00 / 2.05	+82	2.50 / 2.625	+80	2.10 / 2.15	+63
2017	2.25 / 2.35	+90	2.125 / 2.20	+91	2.45 / 2.60	+89	3.00	+103	2.45 / 2.50	+69
2018	2.65 / 2.70	+108	2.50 / 2.60	+95	2.80 / 2.90	+90	3.25 / 3.375	+97	2.75	+75
2019	2.90 / 2.95	+107	2.80 / 2.875	+96	3.10 / 3.15	+90	3.625	+108	3.00	+79
2020	3.125	+106	3.00 / 3.10	+94	3.40	+96	3.875	+108	3.15	+76
2021	3.25	+102	3.25	+102	3.60	+98	3.95**	+94	3.30	+78
2022	3.45	+106	3.45	+103	3.80 / 3.85	+100	4.20	+101	3.45	+81
2023					4.00	+104	4.35	+99		
2024										
2025									3.80	+94
2026	4.00	+101	4.000	+97	4.375	+97	4.875	+111		
2027										
2028									PPAC 2.75*	+158
2029										
2030										
2031			4.450	+96	4.70	+84	5.00	+76		
2031							PPAC 3.20*	+150		
2032	4.40	+87								
2033										
2034					PPAC 2.76*	+158				
2035	PPAC 2.77*	+163	PPAC 2.50*	+160						
2036										
2037										
2038										
2039										
2040										
2041										
	* Premium PAC yielding 2.77% with 5.0 yr A/L from 75% - 500% PSA. 4.25% coupon, $106.787 price.		* Premium PAC yielding 2.50%, 4.00% Coupon, $106.920 price, 5.0 yr A/L from 75%-500% PSA.		* Premium PAC yielding 2.76%, 4.50% Coupon, , $107.955 price, 5.0 yr A/L from 75%-500% PSA.		* Premium PAC yielding 3.20%, 4.50% coupon, $105.861 price, 5 yr A/L from 75%-500% PSA. ** Discount with 4.00% coupon		* Premium PAC yielding 2.75%, 4.25% coupon, $106.845 price, 4.97 yr A/L from 75%-500% PSA.	
MKT INDEX	BBI / RBI	4.09% / 5.09%	BBI / RBI	3.83% / 5.10%	BBI / RBI	5.22% / 5.33%	BBI / RBI	5.93% / 5.50%	BBI / RBI	4.73% / 4.65%
SEN MGR	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.B.(3)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Approval of Loans to Twin Cities Community Land Bank and Family Housing Fund

CONTACT: Mary Ruch, (651) 296-9826
mary.ruch@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☑ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Modify and increase a loan to the Twin Cities Community Land Bank for the purpose of providing interim financing for foreclosure remediation and amend the Affordable Housing Plan to move $7 million from Pool 2 resources to the Economic Development and Housing Challenge Fund. Also modify and reduce an existing $10 million loan to the Family Housing Fund.

FISCAL IMPACT:
The Twin Cities Community Land Bank loan modifies $8 million in existing financing and uses additional Pool 2 resources not presently allocated to any other use. This necessitates an amendment to the Affordable Housing Plan. Actions requested in this report are consistent with Resolution No. MHFA 07-16's investment guidelines.

MEETING AGENCY PRIORITIES:

☑ Finance New Opportunities for Affordable Housing

☑ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☐ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Background, Current Request & Proposal
- Twin Cities Community Land Bank Resolution
- Family Housing Fund Resolution

BACKGROUND:

The Twin Cities Community Land Bank (TCCLB) is a nonprofit LLC formed by the Family Housing Fund (FHF) in 2009. The entity was structured to respond quickly to challenges and opportunities of the foreclosure crisis and to further regional growth objectives linking housing, job transportation and education. The organization has applied for tax-exempt status as a 501 (c) 3 corporation.

Minnesota Housing has been the primary funder of the TCCLB through a $10 million loan made to the FHF in 2009. Although the FHF is the obligor on the loan, funds are passed through to the TCCLB at the same 5% interest rate as on Minnesota Housing's loan. The TCCLB in turn lends the money to for-profit developers at 7% and to nonprofit developers at 6.5% interest. Since inception, TCCLB has been able to finance the acquisition/rehab of 173 residences (234 units) that have been sold to income qualified buyers. In addition to single family, foreclosure remediation lending, TCCLB has also used Minnesota Housing's loan funds for multifamily balloon loans and strategic acquisition of sites for future development.

In November 2011, Minnesota Housing transferred a pilot program activity to TCCLB by making a direct loan of $3 million available to lend to a private developer for foreclosure remediation. This new loan to TCCLB allowed Minnesota Housing to wind down a $6 million pilot loan program it previously had with MyHomeSource (MHS).

In summary, Minnesota Housing is currently providing $10 million to the TCCLB through its loan to the FHF and another $3 million in a loan directly to the TCCLB, specifically for the MHS developer.

<u>CURRENT REQUEST</u>

TCCLB has requested Minnesota Housing make more resources available for their business activity. The request includes not only funding for the foreclosure recovery for single family residences, but also funding for strategic acquisition of sites along transit corridors, sites that warrant control because they fit regional growth objectives, and multifamily properties in high foreclosure areas.

As additional credit is being requested, it has given Minnesota Housing staff an opportunity to revisit the existing credit structure and recommend adjusting some of the original loan covenants. In addition, the MyHomeSource pilot program has proven effective and it would be an appropriate time to convert the credit to the same terms and conditions offered to any borrower by the TCCLB.

<u>PROPOSAL</u>

Staff recommends that $5 million of the existing $10 million loan to FHF be restructured as a revolving direct line of credit to the FHF for housing related, strategic acquisition and other <u>non-</u> foreclosure recovery loans for single family homes. This reduces the funding to the FHF by $5 million.

In addition, staff recommends lending $15 million directly to TCCLB for foreclosure recovery loans, while retaining the full guarantee of the FHF. This eliminates the separate line to TCCLB that is currently reserved for MHS and relies on the TCCLB to make its own funding decisions. The total, direct exposure to TCCLB would be $15 million.

While funded from Pool 2, the transactions are consistent with the Economic Development and Housing Challenge Program, Minnesota Statutes, Section 462A.33. Certain rules, however, need to be waived as they would result in undue hardship and make the transaction untenable. Specifically, waivers are required as follows:

1. **Limitation on interest rate**: Minnesota Rules Part 4900.3634 specifies interest rates of 0-2%. This limitation is inconsistent with the guidance provided by Resolution No. MHFA 07-16 for use of Pool 2 resources.
2. **Form of application:** Minnesota Rules 4900.3634 and 4900.3642 contemplate the RFP funding cycle. This transaction is time sensitive and waiting for the next funding round would place it in jeopardy.
3. **20 month time frame:** Minnesota Rules 4900.3646 specifies that owner-occupied housing be able to be completed within 20 months. This timeframe is infeasible for the proposed transaction, which contemplates revolving funds several times over the course of the draw period.

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MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street – Suite 300
Saint Paul, Minnesota 55101

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING A MODIFICATION AND ADDITION TO ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE FUND INTERIM LOAN COMMITMENT TO TWIN CITIES COMMUNITY LAND BANK

WHEREAS, the Agency has received a request from the Twin Cities Community Land Bank to provide additional financing for the purpose of supporting its lending activity to developers for the acquisition, rehabilitation and sale of foreclosed single family homes in the 7 county Minneapolis/Saint Paul, Minnesota metropolitan area, to be occupied as principal residences by persons and families of low and moderate income; and

WHEREAS, the Agency has examined the structure of its existing financing to the Twin Cities Community Land Bank and is desirous of modifying its purpose; and

WHEREAS, the Agency has determined that proposed transaction will assist in fulfilling the purposes of Minn. Stat. Ch. 462A and the Economic Development Housing Challenge Program; and

WHEREAS, the Agency has further determined that the sponsor is an eligible sponsor under the Agency's rules and; that such loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and

WHEREAS, the Agency has reviewed the proposal, and found that undue hardship makes it necessary to waive certain of the Agency's rules;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby waives certain rules for the Twin Cities Community Land Bank transaction as follows:

1. Minnesota Rules Part 4900.3634 which specifies interest rates of 0-2%.
2. Minnesota Rules 4900.3634 and 4900.3642 which contemplate the RFP funding cycle.
3. Minnesota Rules 4900.3646 which specifies that owner-occupied housing be able to be completed within 20 months.

BE IT FURTHER RESOLVED THAT the Board approves the following:

1. Amending the Affordable Housing Plan as follows:

   Transfer $7,000,000 from Pool 2 to the Economic Development and Housing Challenge Program and thereby increasing the amount of funds in the program from $42,400,000 to $49,400,000.

2. Increase the existing $3 million loan to the Twin Cities Community Land Bank to $15 million with the following conditions:

   a) The closing of the loan to occur on or before July 1, 2012;
   b) The loan shall be funded from Pool 2 and shall accrue interest at 5% per annum;
   c) The loan shall mature June 30, 2015;
   d) The loan shall be funded up to $15 million as a revolving credit facility;
   e) The loan shall be limited to the purpose of financing the acquisition/rehab/resale of foreclosed single family homes and the top 50% of any loss be guaranteed by the Family Housing Fund.
   f) The loan made to the Family Housing Fund authorized in Resolution No. MHFA -____ is closed either prior to, or simultaneously with, the loan.

3. Such parties as the Agency in its sole discretion deems necessary shall execute all such documents relating to said loan, as the Agency in its sole discretion deems necessary.

Adopted this 26nd day of April, 2012.

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CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street – Suite 300
Saint Paul, Minnesota 55101

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING A MODIFICATION TO ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE FUND INTERIM LOAN COMMITMENT TO FAMILY HOUSING FUND

WHEREAS, the Board has an existing $10 million loan to the Family Housing Fund for the purpose of supporting the Twin Cities Community Land Bank's foreclosure remediation efforts; and

WHEREAS, the Agency has examined the structure of its existing financing to the Family Housing Fund and is desirous of restructuring and reducing the amount of this loan; and

WHEREAS, the Agency has determined that proposed transaction will assist in fulfilling the purposes of Minn. Stat. Ch. 462A and the Economic Development Housing Challenge Program; and

WHEREAS, the Agency has further determined that the sponsor is an eligible sponsor under the Agency's rules and; that such loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and

WHEREAS, the Agency has reviewed the proposal, and found that undue hardship makes it necessary to waive certain of the Agency's rules;

NOW THEREFORE, BE IT RESOLVED THAT the Board hereby waives its rules for the Family Housing Fund transaction as follows:

1. Minnesota Rules Part 4900.3634 which specifies interest rates of 0-2%.
2. Minnesota Rules 4900.3634 and 4900.3642 which contemplate the RFP funding cycle.
3. Minnesota Rules 4900.3646 which specifies that owner-occupied housing be able to be completed within 20 months.

BE IT FURTHER RESOLVED THAT the Agency approves the following:

1. A reduction in the loan amount to the Family Housing Fund from $10 million to $5 million with the following conditions:

    a) The closing of the loan to occur on or before July 1, 2012;
    b) The loan shall be committed from Pool 2 and shall accrue interest at 5% per annum;
    c) The loan shall mature June 30, 2015;
    d) The loan shall be funded up to $5 million as a revolving credit facility;
    e) The loan shall be for the purpose of financing housing related strategic acquisition, foreclosure recovery loans for single family homes, and other housing related activities.

2. Such parties as the Agency in its sole discretion deems necessary shall execute all such documents relating to said loan, as the Agency in its sole discretion deems necessary.

Adopted this 26nd day of April, 2012.

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CHAIRMAN

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.C.(1)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Approval, Changes, Home Mortgage Loan Programs

CONTACT: Kimberly Stuart, 651-296-9959
kim.stuart@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is hereby requesting Board approval for the recommended homeownership programs [Minnesota Mortgage Program (MMP), Community Activity Set Aside Program (CASA), Homeownership Assistance Fund (HAF) and HOME HELP] changes described below. Staff is bringing the recommendation for concept approval this month with revised program manuals to follow.

FISCAL IMPACT:
The recommendations structure the first mortgage program and entry cost assistance programs to fully utilize existing AHP capacity. In addition, they provide the opportunity to expand the market served by the agency to better use existing bonding authority and access new sources of first mortgage financing. The creation of new entry cost assistance options address the mismatch between the increased need for entry cost assistance in a time of decreasing interest-free state and federal resources.

MEETING AGENCY PRIORITIES:

☑ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):

- Background
- Table of Entry Cost Assistance Changes

Background:

For most of the Agency's history, the Minnesota Mortgage Program (MMP) has provided statewide access to the primary Mortgage Revenue Bond (MRB) based resources available to support first time homebuyers. This consistent statewide access developed, over time, a robust network of lending partners able to participate in both the statewide program and special assistance programs.

Beginning in 1994, the Agency added CASA to provide mission-based, targeted delivery of Agency home mortgage resources. CASA provided access to deeper levels of subsidy for targeted borrowers reached through initiatives that supported Agency strategic priorities. In order to support lender production targeted to strategic priorities, CASA provided borrowers with the lowest interest rate and highest level of Entry Cost Assistance (ECA). Through CASA, the Agency provides access to mortgage loans and entry cost assistance funds that assist local partnerships comprised of lenders, non-profit housing providers, governments, community organizations, and other participants in reaching emerging markets, single-headed households and supporting workforce housing opportunities. The CASA program, included in the Affordable Housing Plan (AHP) under the Minnesota Mortgage Program (MMP), uses mortgage revenue bond and entry cost assistance resources allocated in the AHP. Each CASA initiative application estimates the amount of funds needed to support their activity. However, no funds are set aside for the initiatives or the program. Programs (CASA and MMP) and borrowers participating in the programs access funds on a first-come, first-served basis. Actions requested in this report are consistent with the program terms described in that plan.

Initially, the Homeownership Assistance Fund (HAF) provided entry cost assistance using state appropriated funds. As the need for entry cost assistance increased, the Agency began supplementing HAF state appropriations with Agency Pool 3 funds.

In 2003, President Bush created the American Dream Downpayment Initiative (ADDI) that allocated a portion of HOME funds exclusively for downpayment, closing cost or purchase/rehabilitation assistance. Congress appropriated and the Agency received ADDI funds in decreasing amounts during the years 2003-2008. Despite the HOME requirements attached to the ADDI funds, the Agency created and lending partners delivered a viable downpayment assistance program. In June of 2008, the Agency decided to continue funding downpayment assistance with HOME funds and created HOME HELP to replace ADDI when that program ended. Compliance with HOME regulations results in non-industry standard commitment, inspection and disclosure processes for HOME HELP that require extensive lender training. In addition, HOME program income and purchase price calculation methodology and limits differ from those of the MRB based first mortgage programs.

In 2009, the Agency responded to the difficulty of effectively selling bonds, the low home mortgage interest rate environment, and increased ECA funding scarcity by charging CASA borrowers a higher interest rate in exchange for the greater amounts of ECA received. As a result, MMP borrowers receiving $3,000 in HAF are charged an interest rate .375% lower than CASA borrowers receiving $4,500 in HAF. This change in program terms resulted in lender confusion regarding program identity. It is no longer true that CASA is the best program for all eligible borrowers.

Challenges to effectively issuing mortgage revenue bonds persist and require an examination of alternative program funding sources. Reductions to state HAF and federal HOME appropriations have increased ECA resource scarcity and a proposed HOME rule may increase the complexity of the already complex HOME HELP program. To address these challenges, Agency senior leadership requested an overall business review of the homeownership first mortgage and enhancement programs.

Process:

An Agency team used a robust process to create and refine the recommendations beginning with the establishment of guiding principles. In order to focus, advance and accelerate the business review process, the Agency hired a consultant to facilitate a planning retreat. Members of the working group met with other appropriate divisions of the Agency to fully develop the planning retreat recommendations. The team then used input obtained from small group meetings with Policy, Finance, Legal, Business and Technology Support, Accounting, and Communications staff to revise and clarify the recommendations. In addition, Single Family staff conducted a lender survey and two lender focus groups to further refine the recommendations.

Recommendations

1. Simplify MRB first mortgage programs to one program
2. Add an interest bearing ECA option and align ECA options
3. Expand the pool of eligible borrowers
    - Use mortgage revenue bond (MRB) maximum income limits for MRB business
    - Create a non-first time homebuyer option for move up buyers and refinances

Recommendation 1: Simplify MRB First Mortgage Programs to One Program

Staff recommends discontinuing the CASA program in order to simplify program options, increasing the efficiency and effectiveness of the mortgage program. The change supports a more optimal and sustainable delivery of assistance to address gaps in financing provided by the private sector, while continuing to serve the Agency's traditional market and strategic priorities.

Furthermore, simplification allows lenders to better identify the best program for each borrower. Today, CASA no longer offers the best terms to the borrower, many of the CASA partnerships appear to exist on paper only, and the program no longer acts as a catalyst to the formation of broader public/private sector community development initiatives. In addition, given the reduction in benefits associated with CASA, the dual application process to access HOME HELP resources is unnecessary and hinders lender participation in the programs. Staff feels that it is not the paper application process that focuses lender activity to generate production that supports Agency strategic priorities. It is the access to larger ECA amounts and required marketing and outreach that lead to mission-rich production.

In order to continue our strong performance in serving emerging markets, the simplified program integrates marketing to underserved populations into the contract via the procedural manual and the addition of Agency strategic priorities to our lender expectations. Business development staff will continue to emphasize serving emerging markets and share best practices in sales visits, presentations, Real Estate Partner continuing education classes and through various communication venues. Staff anticipates the simplified program structure will serve the Agency's current borrowers with income of less than 80% AMI and borrowers in emerging markets. However, staff will develop a plan to monitor and evaluate lender and program performance in serving emerging markets and identify necessary actions to maintain our level of service to these markets, if needed.

Recommendation 2: Add an Interest Bearing ECA Option & Align ECA Options

Staff recommends weighting the terms of the interest bearing ECA option to support Agency financial objectives, weighting the terms of the interest-free ECA options to support Agency mission objectives and aligning the ECA product terms where possible to simplify requirements for the lenders. The interest-free options may include an increase to the first mortgage rate. The following chart provides the recommended terms for the ECA options:

	Interest Bearing, Fully Amortizing	**HAF: Interest-Free Deferred**	**HOME HELP: Interest-Free Deferred**
Weighted: Mission/Financial	Financial	Mission	Mission
Annual Budget Estimate and Source based on 2012 AHP	TBD 2013 AHP	TBD 2013 AHP	TBD 2013 AHP
Separated application required	No	No	Yes
Required Training	No	No	Yes
Impact on 1st Mortgage Rate	None	Increase TBD	Increase TBD subject to Home Regulations
Loan Amount	Up to the greater of $5,000 or 5% of Purchase Price (rounded up to nearest $100)	Up to the greater of $3,000 or 3% of Purchase Price (rounded up to nearest $100)	HH Calculator: $5,000 min/$10,000 max Base: Greater of $5,000 or 5% of Purchase Price (min. $5,000) + $1,000 if Bank Mediated/FC Property + $1,000 for HH Income less than 60% AMI + $1,000 for HH Income less than 50% AMI +$1,000 for Housing Ratio greater than 25%
Forgiven	No	No	50% forgiven
Ratios	Per loan product	Per loan product	Maximum single ratio = 48%
Interest Rate	Equal to first mortgage	0%	0%
Monthly Payments	Yes	No	No
Term	10 year	Co-terminus with 1st Mortgage	Co-terminus with 1st Mortgage
Income Limit	110% AMI/115% AMI	60% AMI, MRB Calculation Method	80 % AMI, HOME HELP Limits
Reserves	Per loan product	Max of greater of 8 months PITI or $8,000	Minimum of the lesser of $500 or 2 months PITI Maximum of the greater of 8 months PITI or $8,000
Borrower Required Savings/Contribution	Lesser of $1,000 or 1% of Purchase Price	Lesser of $1,000 or 1% of Purchase Price	Lesser of $1,000 or 1% of Purchase Price
Layered Subsidy	Yes	Yes	Yes
Subordination	No	No	Yes
Minimum Credit Score	620	620	620
Property Type	1-2 unit SF Residence	1-2 unit SF Residence	1 unit SF Residence, no condos/PUDs prior to 1978, no rentals within 3 months of purchase
Homebuyer Education	Required	Required	Required
Expanded Market	Initially no. Then only if budget allows: Preferred Risk Share and Non-FTHB	No: FTHB/MRB eligible	No: FTHB/MRB/HOME eligible
Annual Reminders	NA- monthly payments	Yes	Yes
Typical Addition to Monthly Payment	$50	TBD: $9, $18, or $25 depending in rate increase	TBD

There are several changes to note described in further detail below:

- Staff recommends creating an interest bearing, fully amortizing ECA option to address the increasing scarcity and continued need for ECA resources. Federal and state budget issues have resulted in cuts to state HAF and federal HOME appropriations. In addition, Agency financial challenges have resulted in less Pool 3 funds. Currently, 41% of MMP borrowers and 100% of CASA borrowers receive ECA to support their home purchase. Information from lending partners indicates that inadequate savings to cover entry costs continues to be the most common barrier to homeownership faced by low to moderate income first time homebuyers. In other words, the demand for ECA is increasing, while the supply of resources is decreasing.

- In addition to the new interest-bearing option, staff recommends retaining revised HAF and HOME HELP options. The revisions incorporate borrower need, support borrower success and incorporate pending HOME requirements.
- The revised HAF option limits the maximum amount of HAF to the greater of $3,000 or 3% of the house purchase price and requires a borrower contribution of the lesser of $1,000 or 1% of the house purchase price. This change pegs the HAF loan amount to borrower need and calibrates the borrower contribution to the cost of the home.
- The revised HOME HELP option balances the need to retain industry standard terms and processes, where possible, with the need to comply with the proposed HOME rule. The revisions include calibration of assistance to need housing payments that support reasonable overall household debt management, accounting for other monthly expenses not included in industry standard ratios and required reserves for success.
- The revised HOME HELP program retains an application process, required loan officer training and HOME compliance commitment, disclosure and property inspections processes. The program also retains forgiveness of a portion of the principle after 6 years, but reduces the percentage to 50%.

Recommendation 3: Expand the Pool of Eligible Borrowers

Use mortgage revenue bond (MRB) maximum income limits for MRB business

Staff recommends increasing program limits to the maximum allowed under MRB guidelines, 100% of Area Median Income (AMI) for 1-2 person households and 115% AMI for the 3+ person households. The households between 80% AMI and the MRB limits appear less burdened by their first mortgage and good candidates for the interest-bearing ECA option. Experience indicates that expansion into this market does not come at the expense of serving the Agency's traditional market and also supports the Agency's emerging markets priority. In addition, staff plans to embed the services of reaching the Agency's traditional below 80% AMI market and emerging markets into the work of the Business Development Team and training staff.

For the past two years, the MMP use income limits of 100% of the greater of statewide or AMI. This allowed the Agency to expand its MMP business in the first year by 15% and in the second year by 20% for an average increase of 17%. During the expansion period, the Agency continued to serve its traditional market, targeting ECA resources to household earning 80% or less of AMI and reinforcing the Agency's strategic priorities with lending partners through business development activities. In fact, when the Agency increased the MMP income limits to 100% of AMI, analysis of the new production revealed that the program served a higher percent of emerging market households in the 80-100% AMI bracket than in the less than 80% AMI bracket.

Create a non-first time homebuyer option for move-up buyers and refinances

The Board approved and the Agency plans to provide the Fannie Mae Preferred Risk Sharing (PRS) product under the current MRB program beginning in early May. Fannie Mae PRS terms allow a 97% loan to value (LTV) with no private mortgage insurance required. The product carries a higher guarantee (G) fee and requires the Agency to repurchase loans that go delinquent in the first six months and reach 4 months delinquency. The Agency does not provide PRS borrowers with access to HAF or HOME HELP entry cost assistance.

Staff recommends expanding into non-first time homebuyer markets to address a need not met by the private sector and fully utilize the Fannie Mae PRS product. Since loans securitized under this option will not meet MRB requirements, finance staff plans to sell the securities. The market determined interest rate may be different than the MRB program interest rate. Since PRS is available exclusively through housing finance agencies, this expansion is consistent with the guiding principles developed for the project that include providing financing not otherwise available from the private sector on equivalent terms and conditions. In addition, since the Agency does not provide HAF or HOME HELP to PRS borrowers, the expansion does not put additional pressure on interest-free ECA resources.

Staff anticipates sufficient PRS authority to address the difficulty faced by move up buyers and homeowners looking to refinance due to mortgage insurance credit overlays and reduced property values. The refinance option would be made available to current Minnesota Housing borrowers and refinance borrowers in general who meet program income guidelines. Minnesota Housing is in a unique position to help address these barriers to housing market recovery by offering a product with terms unavailable in the private sector.

Real Time Risk Management

Given the magnitude of the changes, staff realizes a need to manage loan level and program level risk in a more data based structure and process. Risk includes both mission risk and the financial risk attached to ECA loans, selling securities in the market, and unintended consequences. Staff plans to establish a team to identify indicators of risk and develop a structure and process that allows a real time ability to monitor risk and change program parameters in response. In addition, the team would explore the possibility of creating a model that identifies the impact of layered risk on borrower performance.

AGENDA ITEM: 9.D.(1)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Northwood Commons, Baudette, MN -D0110

CONTACT: Phil Hagelberger 651-297-7219
Phillip.hagelberger@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☑ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☑ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests adoption of resolutions approving an Assumption Sale and a Loan Modification under the Section 8 Program and selection and commitment of a new FAF loan under the Asset Management Loan program.

FISCAL IMPACT:
See attached.

MEETING AGENCY PRIORITIES:

☐ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Fiscal Impact
- Background
- Development Summary
- Resolutions

FISCAL IMPACT

In conjunction with the assumption of the existing first mortgage, the principals of the new ownership entity will be required to execute a Guaranty. Modification of the existing first mortgage to reduce the interest rate from 6.5 percent to zero percent will result in a cumulative loss of interest income in the amount of $65,770; however, the loan on this property is associated with Rental Housing Bonds 2004 Series C, which is earning excess yield. Modification of the first mortgage is advantageous to the Agency in that we will be utilizing the excess yield deliberately created by the 2004 refunding for use as an asset management tool to stabilize properties, and this transaction will help to bring the Agency into yield compliance for IRS purposes.

The requested FAF loan in the amount of $241,036 will be funded from the Agency's FA/FAF general pool , which is restricted for this use and therefore will not adversely impact the Agency's financial condition. Furthermore, the FAF loan will begin to accrue interest at the rate of three percent per annum upon maturity of the original financing, which should generate nearly $93,000 in interest earnings over the loan term.

BACKGROUND

Northwood Commons, located in Baudette, is a 32-unit 100 percent Section 8 senior building with 31 one-bedroom units and 1 two-bedroom unit. The Agency financed the construction of this development in 1978 under its Section 8 Program, with a loan in an original principal amount of $701,408, as amended in 1979 upon completion. In 2004 the underlying bonds that financed this development were refinanced as part of an economic debt refunding geared to generate excess yield that would be targeted towards preservation/stabilization of the developments within the bond series. The outstanding principal balance as of April 1, 2012 is $279,133.

Northwood Commons is a well maintained development currently owned by Baudette Leased Housing Associates Ltd. (an affiliate of Dominium). The development has been offered for sale in the open market and is currently under contract to be purchased by Baudette Housing Limited Liability Limited Partnership with D. W. Jones, Inc. as its general partner. D. W. Jones, Inc. owns and manages another property in this community and acquisition of this property will provide good economies of scale. In return for the assumption and modification of the first mortgage and the making of the new FAF Loan, the new LLLP agrees to keep the development in the Section 8 program or any other Housing Assistance Benefits program for twenty-three years beyond the remaining term of the existing HAP contract, which is due to expire in 2018.

The new LLLP will be investing $142,471 of cash equity in this acquisition, and the seller will be required to leave $96,000 of the project reserves in the development. The new general partner and its principal will be providing guarantees in conjunction with the assumption of the Agency's Section 8 mortgage.

Board Agenda Item: 9.D.(1)
Attachment: Development Summary

DEVELOPMENT SUMMARY

DEVELOPMENT:

Name:	Northwood Commons		App#: M16171
Address:	212 2nd Ave SW		
City:	Baudette	County: Lake of the Woods	Region: NWMIF

SUMMARY OF ORIGINAL MORTGAGE:

Section 8 (Original Balance):	$701,408
Interest Rate:	6.50%
Term (Years) (Original Term):	40
Maturity Date:	May 1, 2019

Outstanding Mortgage Balance as of: April 1, 2012 $279,133

MORTGAGOR:

Ownership Entity:	Baudette Housing Limited Liability Limited Partnership
General Partner/Principals:	D.W. Jones Inc. / Ronald Duchesneau

DEVELOPMENT TEAM:

General Contractor:	Not applicable – acquisition only
Architect:	Not applicable – acquisition only
Attorney:	Gammello Qualley & Pearson PLLC, Baxter
Management Company:	D.W. Jones Management Inc., Walker
Service Provider:	Not applicable – general occupancy

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 241,036 Asset Management Loan

Funding Source:	FA/FAF General Pool
Interest Rate:	3.00%
Term (Years):	30*

*Loan will commence amortization at the maturity of existing Section 8 First Mortgage.

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORDABILITY**
1 BR	31	556	$570	$900	$22,800
3 BR	1	764	$631	$1,080	$25,240
TOTAL	32				

***The rents reflected under Agency Limit are the current HUD approved rents under the Section 8 HAP Contract.**

**** All units have the benefit of project based Section 8. Residents pay 30 percent of household income towards their housing expense.**

Purpose:

Acquisition/Rehabilitation of Federally Assisted Housing. Northwood is an existing 32-unit senior building in Baudette constructed in 1978 that receives the benefit of a Housing Assistance Payment Contract (HAP) on all of the units. The development was available for sale on the open market and is under contract with a local housing developer/owner; D. W. Jones. The development has maintained a strong occupancy over the years. The property is located in a community with few affordable housing options and with 67 percent of rents cost-burdened, reflecting a high need for rental subsidies. D. W. Jones has agreed to keep the development in the project based Section 8 program (or any successor program offered by HUD) for 23 years after the expiration of the current Section 8 HAP contract in exchange for financial assistance from the Agency. Without this deep subsidy, the development would not be able to serve the very low income senior population it has served for the past 34 years.

Target Population:

Under the HAP contract, this property is designated to serve “Elderly/Disabled” households. Currently 40 percent of the Lake of the Woods population is over the age of 55. The new owner will continue to serve this population.

Project Feasibility:

The financing includes a sizeable cash equity investment from the buyer, capitalized reserves from the seller, the assumption and debt restructuring of the original Agency financed Section 8 loan as well as a new Asset Management Loan. The financing package has been negotiated to help ensure the development is financially and physically viable for the long term. By utilizing the excess yield created by the 04C bond refunding, the interest rate reduction and transfer of the ownership will allow the property to remain affordable for the long term. The new owner is committed to keeping the development in the Section 8 program for 23 years after the expiration of the current Section 8 HAP contract.

Development Team Capacity:

The development/owner team consists of D.W. Jones, Inc. and Ronald (“Skip”) Duchesneau. D.W. Jones, Inc. has a long history of providing affordable housing to many communities in greater Minnesota. It was incorporated in 1976 and currently owns and manages 838 units in 17 communities; in addition, it manages 1,381 units for other owners, many of which are financed by Minnesota Housing.

Physical and Technical Review:
A comprehensive needs analysis has been completed, and the results have been incorporated into the underwriting of this request. Over the past twelve years the current owner has invested more than $600,000 in capital improvements to the property including siding, window and roof replacement, storm sewer reconstruction and pavement work, replacement of mechanicals including HVAC, replacement of kitchen and bath cabinetry, flooring and window coverings, appliances, exterior upgrades and elevator upgrades. While there are very few unmet immediate capital needs, $96,000 in reserves will be required to remain in an Agency-controlled account for the benefit of the development in conjunction with the assumption transaction. Additionally, the monthly deposits into the Agency-controlled Replacement Reserve account will be increased and will remain in place through the term of the Asset Management Loan to address the future needs of the development.

Market Feasibility:
This 32-unit senior development has the benefit of Section 8 vouchers for all units, which allows residents to pay only 30 percent of household income towards their housing expense, but allows the property to collect market rate rents to cover operations. There is a high need for affordable rental housing in Lake of the Woods County. Baudette is the County seat with most of the health services, school district office, retail stores, worship, financial, and employment for the area.

Supportive Housing:
Not applicable.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$761,221		$23,788
Acquisition or Refinance Cost	$600,000		$18,750
Gross Construction Cost	$0		$0
Soft Costs (excluding Reserves)	$65,221		$2,038
Reserves	$96,000		$3,000
Agency Deferred Loan Sources			
Asset Management Loan (FA/FAF)	$241,036		$7,532
Assumption of existing 1st mortgage	$279,133		$8,723
Total Agency Sources	$520,169		$16,255
Total Loan-to-Cost Ratio		68%	
Other Non-Agency Sources			
General Partner Cash	$142,471		$4,452
Seller Paid Reserves	$96,000		$3,000
Total Non-Agency Sources	$238,471		$7,452

Board Agenda Item: 9.D.(1)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING ASSUMPTION SALE
SECTION 8 PROGRAM

NOW THEREFORE, BE IT RESOLVED, that the Minnesota Housing Finance Agency Board (the "Board") hereby consents to the sale by Baudette Leased Housing Associates Ltd., a Minnesota limited partnership ("Seller"), of the property known as Northwood Commons, located in Baudette, Minnesota, MHFA Development No. 0110 (the "Development"), to Baudette Housing Limited Liability Limited Partnership, a Minnesota limited liability limited partnership ("Buyer"), and the assumption by Buyer of all obligations of the selling mortgagors under the mortgage and accompanying documents with the Minnesota Housing Finance Agency ("Agency"), contingent upon the following conditions:

1. That the Buyer and Seller enter into an assumption agreement, in form and substance acceptable to the Agency, assuming the existing Section 8 amortizing first mortgage and any and all additional Agency loans and agreements; and

2. That the Buyer as an owner/management agent for the Development meet the requirements of and be approved by the Agency in accordance with its procedures; and

3. That an assumption fee be paid to the Agency in an amount in accordance with Board policy no later than the date of execution and delivery of the assumption agreement; and

4. That this assumption approval will expire on April 30, 2013.

Adopted this 26th day of April, 2012.

____
CHAIRMAN

Board Agenda Item: 9.D.(1)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING LOAN MODIFICATION
SECTION 8 PROGRAM

WHEREAS, the Minnesota Housing Finance Agency Board (the "Board") heretofore loaned $701,408 for permanent loan financing for a multifamily rental housing development known as Northwood Commons located in Baudette, Minnesota, MHFA Development No. 0110 (the "Development"); and

WHEREAS, Baudette Housing Limited Liability Limited Partnership ("Owner") and Minnesota Housing Finance Agency ("Agency") staff have proposed an agreement to facilitate the continued operation of the Development based on the following terms:

1. The Agency will modify the terms of the existing first mortgage by reducing the interest rate from 6.5 percent to 0 percent and by reamortizing the outstanding balance over the remaining term.

2. The loan modification must be closed on or before April 30, 2013.

NOW THEREFORE, BE IT RESOLVED:

Contingent upon the Agency obtaining an agreement by the Owner to not prepay the existing first mortgage and to remain in the Section 8 Program, or other Housing Assistance program, for 23 years after expiration of the current Section 8 HAP contract, the Agency will modify the terms of the existing first mortgage on the above-described terms and conditions.

Adopted this 26th day of April, 2012.

____
CHAIRMAN

Board Agenda Item: 9.D.(1)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING ASSET MANAGEMENT LOAN

WHEREAS, the development known as Northwood Commons located in Baudette, Minnesota, MHFA Development No. 0110 (the "Development") is currently in need of financial assistance to facilitate a transfer of ownership and long term preservation; therefore, Baudette Housing Limited Liability Limited Partnership ("Owner") has requested assistance from the Minnesota Housing Finance Agency Board (the "Board") to acquire the Development. The Owner and Minnesota Housing Finance Agency ("Agency") staff are proposing an agreement to facilitate this transaction based upon the following terms:

1. The Agency will provide an Asset Management Loan funded out of the FA/FAF General Pool (the "AML") to the Development up to a maximum amount of $245,286.

2. Repayment will be deferred at 0 percent interest until maturity of the first mortgage, at which time the loan will commence amortization with monthly payments amortized over 23 years, with an interest rate of 3 percent per annum.

3. The Owner will agree to rent 90 percent of the units to households whose annual incomes at initial occupancy do not exceed 50 percent of area median income for the term of the Asset Management Loan.

4. The Owner will enter into a covenant running with the land agreeing to maintain the HAP Contract or other Housing Assistance Benefits in full force and effect for 23 years after expiration of the current Section 8 HAP contract.

5. The Asset Management Loan may be paid in full at any time without penalty.

6. The Asset Management Loan must be closed on or before April 30, 2013.

NOW, THEREFORE, BE IT RESOLVED:

That the Board hereby authorizes Agency staff to enter into a commitment for an Asset Management Loan to the Owner pertaining to the Development and incorporating the provisions set forth above, in a form acceptable to the Agency, and in compliance with applicable statutes and regulations and to thereafter close the loan contemplated herein.

Adopted this 26th day of April, 2012.

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CHAIRMAN

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(2)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Valleyview Commons, Mahnomen - D0719

CONTACT: Phil Hagelberger 651-297-7219
Phillip.hagelberger@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☑ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests adoption of resolutions approving an Assumption Sale and a Loan Modification under the Section 8 Program and selection and commitment of a new FAF loan under the Asset Management Loan program.

FISCAL IMPACT:
See attached.

MEETING AGENCY PRIORITIES:

☐ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☐ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Fiscal Impact
- Background
- Development Summary
- Resolutions

FISCAL IMPACT:

In conjunction with the assumption of the existing first mortgage, the principals of the new ownership entity will be required to execute a Guaranty. Modification of the existing first mortgage to reduce the interest rate from 6.5 percent to zero percent will result in a cumulative loss of interest income in the amount of $67,841; however the loan on this property is associated with Rental Housing Bonds 2004 Series C, which is earning excess yield. Modification of the first mortgage is advantageous to the Agency in that we will be utilizing the excess yield deliberately created by the 2004 refunding for use as an asset management tool to stabilize properties and this transaction will help to bring the Agency into yield compliance for IRS purposes.

The requested FAF loan in the amount of $309,719 will be funded from the Agency's FA/FAF general pool which is restricted for this use and therefore will not adversely impact the Agency's financial condition. Furthermore, the FAF loan will begin to accrue interest at the rate of three percent per annum upon maturity of the original financing, which should generate over $120,000 in interest earnings over the loan term.

BACKGROUND

Valleyview Commons, located in Mahnomen, is a 32 unit 100 percent Section 8 senior development containing 31-1 bedroom units and one-2 bedroom unit. The Agency financed the construction of this development in 1978 under its Section 8 Program, with a loan in an original principal amount of $695,493. In 2004 the underlying bonds that financed this development were refinanced as part of an economic debt refunding geared to generate excess yield that would be targeted towards preservation/stabilization of the developments within the bond series. The outstanding principal balance as of April 1, 2012 is $274,207.

Valleyview Commons is a well maintained development currently owned by Mahnomen Leased Housing Associates (an affiliate of Dominium). The development has been offered for sale in the open market and is currently under contract to be purchased by Valleyview Housing LLLP, with D. W. Jones, Inc. as its general partner. D. W. Jones, Inc. owns and manages another property in this community and acquisition of this property will provide a good economy of scale. In return for the assumption and modification of the first mortgage and the making of the FAF Loan, the new LLLP agrees to keep the development in the Section 8 program or any other Housing Assistance Benefits program for twenty-three years beyond the remaining term of the existing HAP contract, which is due to expire in 2018.

The new LLLP will be investing $136,725 of cash equity in this acquisition, and the seller will be required to leave $124,000 of the project reserves in the development. The new general partner and its principal will be providing guarantees in conjunction with the assumption of the Agency's Section 8 mortgage.

DEVELOPMENT SUMMARY:

DEVELOPMENT:

Name:	Valleyview Commons			App#:	M16172
Address:	412 2nd St SW				
City:	Mahnomen	County:	Mahnomen	Region:	NWMIF

EXISTING DEBT:

Section 8 (Original Balance)	$695,493
Interest Rate:	6.50%
Term (Years)(Original Term):	40
Maturity Date:	April 1, 2019
Outstanding Mortgage Balance as of April 1, 2012:	$274,207

MORTGAGOR:

Ownership Entity:	Valleyview Housing Limited Liability Limited Partnership
General Partner/Principal:	D.W. Jones Inc. / Ronald Duchesneau

DEVELOPMENT TEAM:

General Contractor:	Not applicable – acquisition only
Architect:	Not applicable – acquisition only
Attorney:	Gammello Qualley & Pearson PLLC, Baxter
Management Company:	D.W. Jones Management Inc, Walker
Service Provider:	Not applicable

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 309,719 Asset Management Loan

Funding Source:	FA/FAF
Interest Rate:	0% through maturity of first mortgage, then 3.00%
Term (Years):	30*

*23-year amortization at the maturity of the first mortgage.

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORDABILITY**
2 BR	1	764	$622	$622	$23,680**
1 BR	31	556	$556	$556	$21,160**
TOTAL	32				

NOTES: ***The rents reflected under Agency Limit are the HUD approved rents under the Section 8 HAP Contract.**
**** All units have the benefit of project based Section 8. Residents pay 30% of household income towards their housing expense.**

Purpose:

Valleyview Commons is an existing 32-unit development that receives the benefit of a Housing Assistance Payment Contract (HAP) on all of the units. The development was available for sale on the open market and is under contract with a local housing developer/owner; D. W. Jones. The development has maintained a strong occupancy over the years and is located in a community with few affordable housing options and a high need for rental subsidies. D. W. Jones has agreed to keep the development in the project based Section 8 program (or any successor program offered by HUD) for 23 years after the expiration of the current Section 8 HAP contract in exchange for financial assistance from the Agency.

Target Population:

Under the HAP contract, this property is designated to serve “Elderly/Disabled” households. Thirty percent of the Mahnomen County population is over the age of 55.

Project Feasibility:

The financing includes a cash equity investment from the buyer, capitalized reserves from the seller, the assumption and debt restructuring of the original Agency financed Section 8 loan as well as a new Asset Management Loan. The financing package has been negotiated to help ensure the development is financially and physically viable for the long term. By utilizing the excess yield created by the 04C bond refunding, the interest rate reduction and transfer of the ownership will allow the property to remain affordable for the long term. The new owner is committed to keeping the development in the Section 8 program for 23 years after the expiration of the current Section 8 HAP contract.

Development Team Capacity:

The developer/owner team consists of D.W. Jones, Inc. and Ronald (“Skip”) Duchesneau. D.W. Jones, Inc. has a long history of providing affordable housing to many communities in greater Minnesota. It was incorporated in 1976 and currently owns and manages 838 units in 17 communities; in addition, it manages 1,381 units for other owners, many of which are financed by Minnesota Housing.

Physical and Technical Review:

A comprehensive needs analysis has been completed and the results have been incorporated into the underwriting of this request. During the past twelve years the current owner has invested more than $380,000 in capital improvements to the property including siding and roof replacement, kitchen and bath cabinetry, flooring and window coverings, appliances, exterior upgrades and elevator upgrades. While there are very few unmet immediate capital needs, $152,000 in reserves will be required to remain in an Agency-controlled account for the benefit of the development in conjunction with the assumption transaction. Additionally the monthly deposits into the Agency-controlled Replacement Reserve account will be increased and will remain in place through the term of the Asset Management Loan to address the future needs of the development.

Market Feasibility:

This 32-unit senior development has the benefit of Section 8 vouchers for all units, which allows residents to pay only 30 percent of household income towards their housing expense, but allows the property to collect market rate rents to cover operations. Mahnomen serves not only as the county seat of Mahnomen County, but also as a trade, health, education, recreation and tourism center for those living within a 40-mile radius. Mahnomen features a regional medical center and the White Earth Tribal and Community College and is home to the Shooting Star Casino.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$844,651		$26,395
Acquisition or Refinance Cost	$625,000		$19,531
Gross Construction Cost	$0		$0
Soft Costs (Excluding Reserves)	$67,651		$2,114
Reserves	$152,000		$4,750
Agency Deferred Loan Sources			
Asset Management Loan (FA/FAF)	$309,719		$9,679
Assumption of existing 1st mortgage	$274,207		$8,569
Total Agency Sources	$583,926		$18,247
Total Loan-to-Cost Ratio		69%	
Other Non-Agency Sources			
Seller paid reserves	$124,000		$3,875
General Partner Cash	$136,725		$4,273
Total Non-Agency Sources	$260,725		$8,147

Board Agenda Item: 9.D.(2)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING ASSUMPTION SALE
SECTION 8 PROGRAM

NOW THEREFORE, BE IT RESOLVED, that the Minnesota Housing Finance Agency Board (the " Board") hereby consents to the sale by Mahnomen Leased Housing Associates Ltd., a Minnesota limited partnership ("Seller"), of the property known as Valleyview Commons Apartments, located in Mahnomen, Minnesota, MHFA Development No. 0719 (the "Development"), to Valleyview Housing Limited Liability Limited Partnership, a Minnesota limited liability limited partnership ("Buyer"), and the assumption by Valleyview Housing Limited Liability Limited Partnership of all obligations of the selling mortgagors under the mortgage and accompanying documents with the Minnesota Housing Finance Agency ("Agency"), contingent upon the following conditions:

1. That the Buyer and Seller enter into an assumption agreement, in form and substance acceptable to the Agency, assuming the existing Section 8 amortizing first mortgage and any and all additional Agency loans and agreements; and

2. That the Buyer as an owner/management agent for the Development meet the requirements of and be approved by the Agency in accordance with its procedures; and

3. That an assumption fee be paid to the Agency in an amount in accordance with Board policy no later than the date of execution and delivery of the assumption agreement; and

4. That this assumption approval will expire on April 30, 2013.

Adopted this 26th day of April, 2012.

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CHAIRMAN

Board Agenda Item: 9.D.(2)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING LOAN MODIFICATION
SECTION 8 PROGRAM

WHEREAS, the Minnesota Housing Finance Agency Board (the "Board") heretofore loaned $695,193 for permanent loan financing for a multifamily rental housing development known as Valleyview Commons Apartments located in Mahnomen, Minnesota, MHFA Development No. 0719 (the "Development"); and

WHEREAS, Valleyview Housing Limited Liability Limited Partnership ("Owner") and Minnesota Housing Finance Agency ("Agency") staff have proposed an agreement to facilitate the continued operation of the Development based on the following terms:

1. The Agency will modify the terms of the existing first mortgage by reducing the interest rate from 6.5 percent to zero percent and by reamortizing the outstanding balance over the remaining term.

2. The Asset Management Loan must be closed on or before April 30, 2013.

NOW THEREFORE, BE IT RESOLVED:

Contingent upon the Agency obtaining an agreement by the Owner to not prepay the existing first mortgage and to remain in the Section 8 Program, or other Housing Assistance program for 23 years after expiration of the current Section 8 HAP contract, the Agency will modify the terms of the existing first mortgage on the above-described terms and conditions.

Adopted this 26th day of April, 2012.

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CHAIRMAN

Board Agenda Item: 9.D.(2)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING ASSET MANAGEMENT LOAN

WHEREAS, the development known as Valleyview Commons, located in Mahnomen, Minnesota, MHFA Development No. 0719 (the "Development") is currently in need of financial assistance to facilitate a transfer of ownership and long term preservation; therefore, Valleyview Housing Limited Liability Limited Partnership ("Owner") has requested assistance from the Minnesota Housing Finance Agency (the "Agency") to acquire the Development. The Owner and Agency staff are proposing an agreement to facilitate this transaction based upon the following terms:

1. The Agency will provide an Asset Management Loan funded out of the FA/FAF General Pool to the Development up to a maximum amount of $309,719.

2. Repayment will be deferred at 0 percent interest until maturity of the first mortgage at which time the loan will commence amortization with monthly payments amortized over 23 years with an interest rate of 3 percent per annum.

3. The Owner will agree to rent 90 percent of the units to households whose annual incomes at initial occupancy do not exceed 50 percent of area median income for the term of the Asset Management Loan.

4. The Owner will enter into a covenant running with the land agreeing to maintain the HAP Contract or other Housing Assistance Benefits in full force and effect for 23 years after expiration of the current Section 8 HAP contract.

5. The Asset Management Loan may be paid in full at any time without penalty.

6. The Asset Management Loan must be closed on or before April 30, 2013.

NOW, THEREFORE, BE IT RESOLVED:

That the Minnesota Housing Finance Board hereby authorizes Agency staff to enter into a commitment for an Asset Management Loan (funded out of the FA/FAF general pool) with the Owner pertaining to the Development and incorporating the provisions set forth above, in a form acceptable to the Agency, and in compliance with applicable statutes and regulations, and to thereafter close the loan contemplated herein.

Adopted this 26th day of April, 2012.

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CHAIRMAN

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AGENDA ITEM: 9.D.(3)
MINNESOTA HOUSING BOARD MEETING
April 26, 2012

ITEM: Funding Modifications, Housing Trust Fund Rental Assistance Program

CONTACT: Elaine Vollbrecht, 651-296-9953
elaine.vollbrecht@state.mn.us

REQUEST:

- [x] Approval
- [ ] Discussion
- [ ] Information

TYPE(S):

- [ ] Administrative
- [ ] Commitment(s)
- [x] Modification/Change
- [ ] Policy
- [ ] Selection(s)
- [x] Waiver(s)
- [ ] Other: ______________________

ACTION:

- [ ] Motion
- [x] Resolution
- [ ] No Action Required

SUMMARY REQUEST:
Staff is requesting approval of funding modifications redistributing Housing Trust Fund Rental Assistance funding awards previously approved by the Minnesota Housing Board of Directors.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

- [ ] Finance New Opportunities for Affordable Housing
- [ ] Mitigate Foreclosure Impact Through Prevention and Remediation
- [ ] Build our Organizational Capacity to Excel and Achieve Our Vision
- [x] Preserve Existing Affordable Housing
- [x] Prevent and End Long-term Homelessness

ATTACHMENT(S):

- Background
- Exhibit A – Funding Modification Summary
- Resolution

BACKGROUND

Elim Transitional Housing, Inc. (Elim) was the recipient of three Housing Trust Fund rental assistance grants, with funding for grant renewals and extensions committed in 2011.

Elim also received funds from federal, state and county sources for other housing and service programs. In January 2012, Hennepin County terminated all contracts with Elim effective February 29, 2012, based on findings in their audit of contracts between Elim and Hennepin County.

Due to the potential for significant numbers of metro area households served by Elim to lose housing and services, a Minnesota Stewardship Council Technical Assistance Committee was established to coordinate efforts by funders to sustain housing and services for the Elim clients. Minnesota Housing is a member of this technical assistance committee.

In February, Minnesota Housing staff was notified that the loss of the Hennepin County contracts would result in such a significant loss of capacity for Elim, that they would be unable to continue to administer the Housing Trust Fund rental assistance grants, at that time serving 118 households. Elim gave notice that most of their paid staff would be terminated effective February 29, 2012.

Minnesota Housing staff worked with the Stewardship Council Technical Assistance Committee and a select number of current Housing Trust Fund rental assistance administrators to develop a plan for the redistribution of rental assistance administration for all households served by Elim. Hearth Connection, Lutheran Social Service, St. Stephen’s Human Services, and the YWCA of St. Paul agreed to assume the administration of the rental assistance subsidies and provide supportive services as appropriate. It was essential that these organizations begin to work with the households as soon as possible in order to make April 2012 subsidy payments and prevent loss of housing. The majority of households are families with children, and over half of the households have experienced long-term homelessness.

Due to the time sensitive nature of this issue, Minnesota Housing terminated Housing Trust Fund rental assistance grant agreements with Elim effective March 31, 2012, and amended grants administered by the aforementioned rental assistance administrators effective April 1, 2012. Housing Trust Fund Rental Assistance commitment balances in the amount of $432,604 have been recaptured from Elim Transitional Housing, Inc. and will be redistributed among the administrators.

The redistribution of households and existing commitment balances is shown in Exhibit A. No additional funds are requested. Balances remaining at the end of the grant term will be recaptured and returned to the Housing Trust Fund.

EXHIBIT A – FUNDING MODIFICATION SUMMARY

Administrator	Program	Households	Previously Committed Funds	Recapture of Existing Funding Commitment Balances
Elim Transitional Housing, Inc.	HTF	-50	$ 351,000	$ (181,389)
Elim Transitional Housing, Inc.	LTH	-66	$ 459,000	$ (228,260)
Elim Transitional Housing, Inc.	HTF-TRAF	-2	$ 460,267	$ (22,955)
TOTALS		**-118**		**$ (432,604)**

Administrator	Program	Households	Previously Committed Funds	Redistribution of Recaptured Funding Commitment Balances	Revised Funding Commitments
Hearth Connection	HTF	2	$ 399,000	**$ 8,000**	$ 407,000
LSS of Minnesota	HTF	43	$ 118,000	**$ 155,000**	$ 273,000
LSS of Minnesota	LTH	7	$ 134,000	**$ 28,000**	$ 162,000
St. Stephen's Human Services	LTH	4	$ 92,000	**$ 21,000**	$ 113,000
St. Stephen's Human Services	LTH	48	$ 164,000	**$ 167,000**	$ 331,000
YWCA of St. Paul	HTF	8	$ 336,076	**$ 28,000**	$ 364,076
YWCA of St. Paul	LTH	6	$ 90,000	**$ 25,000**	$ 115,000
TOTALS		**118**		**$ 432,000**	

Board Agenda Item: 9.D.(3)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING GRANT AMENDMENT/COMMITMENT
HOUSING TRUST FUND (HTF)

WHEREAS, the Minnesota Housing Finance Agency Board ("Board") previously authorized commitments to organizations for the extension of grant terms and additional funding to provide rental assistance for families who are low income, near homeless, homeless or long-term homeless.

WHEREAS, the Minnesota Housing Finance Agency has terminated the agreements of one previously approved Grantee and will reallocate the committed funds among other previously approved Grantees.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into grant amendments using previously committed and recovered State resources as follows:

1. Agency staff shall amend the agreements with the following Grantees in the indicated amounts to coincide with the end of the current grant term:

• Hearth Connection	D3557	$8,000
• Lutheran Social Service	D3910	$155,000
• Lutheran Social Service - LTH	D3910	$28,000
• St. Stephen's Human Services – LTH	D3747	$21,000
• St. Stephen's Human Services – STRONG	D3747	$167,000
• YWCA of St. Paul	D3875	$28,000
• YWCA of St. Paul - LTH	D3875	$25,000

2. The issuance of grant amendments in form and substance acceptable to the Agency staff and the closing of the individual amendments shall occur no later than two months from the adoption date of this Resolution; and

3. The sponsors and such other parties shall execute all such documents relating to said amendments as the Agency, in its sole discretion, deems necessary.

Adopted this 26th day of April, 2012.

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CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(4)
MINNESOTA HOUSING BOARD MEETING
April, 26, 2012

ITEM: Housing Tax Credit (HTC) Program - 2012 Round 2 Selections and Waiting List

CONTACT: Kasey Kier, 651-284-0078
kasey.kier@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Adoption of the attached Resolution authorizing the selections and reservation/increased reservation of housing tax credits for Round 2 of the 2012 Housing Tax Credit Program year and as credits become available and subject to final reviews, the projects on the Waiting List indicated on Exhibit A.

FISCAL IMPACT:
Housing Tax Credits are a federal resource and therefore do not adversely impact the Agency's financial condition.

MEETING AGENCY PRIORITIES:

☑ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☑ Prevent and End Long-term Homelessness

ATTACHMENT(S):
- Background
- Exhibit A
- Resolution

Board Agenda Item: 9.D.(4)
Attachment: Background

BACKGROUND

Minnesota Housing Finance Agency (Minnesota Housing) received applications for the final 2012 HTC application round (Round 2) on January 31, 2012. In Round 2, applications are selected without regard to geographic distribution. Projects that have previously received tax credits and have a shortfall of at least 5 percent but not more than 33.33 percent of the total qualified annual tax credit amount have priority over other applications.

The total credit availability for the 2012 HTC program is $11,668,635 based upon $2.20 per capita and adjustments for updated population numbers. In Round 1, a total of $11,144,544 in credits, as adjusted, was allocated. A total of $572,600, as detailed below, is currently available for 2012 Round 2.

2012 Round 1 remaining balance, as adjusted	$344,559
Increase due to update of population numbers and per capita *	$179,532
Returned credits	$48,509
National Pool (estimated)	$TBD
2012 Current Balance (available to Round 2)	$572,600

*Increase from $2.15 to $2.20 for inflation adjustment per capita

In May, the Agency will apply for tax credits from the National Pool. Due to per capita and state allocation variables it is not possible to estimate the credits that may be available from the National Pool at this time. The Agency may also allocate all unused and returned credits from previously allocated projects returned to the Agency prior to October 1 in accordance with the requirements of Section 42.

The Agency received 10 applications requesting a total of $2,993,864 of 2012 Round 2 housing tax credits. Four of the applications are supplemental credit requests and six are new request applications.

All applications were ranked in accordance with the selection criteria outlined in the 2012 HTC Qualified Allocation Plan (QAP). In accordance with the 2012 QAP, the four supplemental applications were reviewed on a priority basis. A total of $477,419 in tax credits is recommended for award to the four supplemental applications and two new request proposals. The proposed 2012 Round 2 credit awards will leave a credit balance of approximately $95,181 which is insufficient to substantially fund any remaining proposal. This amount, plus any returned credits and National Pool credits will be evaluated for use with proposals which are placed on the 2012 Waiting List. The proposals recommended for placement on the Waiting List have received preliminary review and are subject to final reviews should sufficient credits become available.

Staff's recommendations for 2012 Round 2 tax credit selections and the 2012 Waiting List are summarized on Exhibit A.

Board Agenda Item: 9.D.(4)
Attachment: Exhibit A

Exhibit A - HTC 2012 Round 2 – January 31, 2012

Selection Summary

Project Number	Project Name	HTC $ Awarded
12055	Nobles Square I & II Apartments, Worthington	$ 95,090
12047	Munger Terrace, Duluth	$ 91,292
12048	Prairie Rose, Red Lake Falls	$ 39,911
12051	Artspace Jackson Flats, Minneapolis	$127,707
12046	River Heights, Aitkin	$ 64,241
12054	Pinewoods Manor, Deerwood	$ 59,178

TOTAL CREDITS AWARDED: $ 477,419
6 Projects

2012 Waiting List *

Project Number	Project Name	HTC $ Requested
12049	Deer Ridge Townhomes, Alexandria	$ 448,371
12053	Spring Creek Townhomes, Northfield	$ 719,563
12050	City Walk Apartments, Woodbury	$ 328,303
12052	Creeks Run Townhomes, Chaska	$1,000,000

TOTAL CREDITS REQUESTED: $2,496,237
4 Projects

***** Staff has not completed final market and feasibility reviews for the Waiting List projects. Only preliminary market and feasibility reviews have been completed for these projects at this time. If funds become available the projects will be fully evaluated for underwriting, market and financial viabilities. Following these reviews, if a project fails to meet the required underwriting, market and feasibility review standards, staff funding considerations will move to the next qualified project on the list.

Board Agenda Item: 9.D.(4)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

RESOLUTION RESERVING FEDERAL LOW-INCOME HOUSING CREDITS FOR CALENDAR YEAR 2012 TO CERTAIN QUALIFIED LOW INCOME HOUSING PROJECTS
2012 - ROUND 2

WHEREAS, in accordance with the Tax Reform Act of 1986 and the provisions of Minnesota Statutes Sections 462A.221-462A.225, the Minnesota Housing Finance Agency (the Agency) has received applications as a duly designated housing credit agency for allocations to certain projects of the Low-Income Housing Credit provided by Section 42 of the Internal Revenue Code of 1986 (the Code); and

WHEREAS, the Agency has applied to said applications the criteria set forth for selection in the Qualified Allocation Plan (QAP) and Procedural Manual for Low Income Housing Tax Credit Program (the Manual), duly adopted by the Board for 2012; and

WHEREAS, the Agency has determined to reserve, for future allocation, portions of the state ceiling of the Low Income Housing Credit to the projects identified below, pending the final staff review and delivery by the applicants of additional certifications and information required for the Agency's issuance of such allocations.

WHEREAS, upon meeting the requirements for allocation contained in the Manual and QAP, the Agency recommends allocating additional portions of the state ceiling of Low Income Housing Credits to the projects as follows:

Projects Receiving Additional Housing Tax Credits

Project Number	Project Name	Additional HTC $ Awarded
12055	Nobles Square I & II Apartments, Worthington	$ 95,090
12047	Munger Terrace, Duluth	$ 91,292
12048	Prairie Rose, Red Lake Falls	$ 39,911
12051	Artspace Jackson Flats, Minneapolis	$127,707

Projects Receiving a New Award of Housing Tax Credits

Project Number	Project Name	Additional HTC $ Awarded
12046	River Heights, Aitkin	$ 64,241
12054	Pinewoods Manor, Deerwood	$ 59,178

Projects on the 2012 Waiting List

Project Number	Project Name
12049	Deer Ridge Townhomes, Alexandria
12053	Spring Creek Townhomes, Northfield
12050	City Walk Apartments, Woodbury

NOW, THEREFORE, BE IT RESOLVED:

THAT, pursuant to the above-referenced statutes and the allocation ranking factors contained in the Manual when applied to the applications submitted, the Board hereby modifies the previous adopted reservations for calendar year 2012 of the Low Income Housing Credit, upon compliance with all of the requirements contained in the Manual and QAP.

The Commissioner of the Agency is authorized to allocate the portions of the state ceiling of Low Income Tax Credits to the projects identified, but not limited to the amounts set forth above and, as funds become available, those other projects identified on the Waiting List set forth above. Agency staff shall send Notification letters concerning the above to the approved applicants.

Adopted this 26th day of April, 2012.

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CHAIRMAN