BOARD MEETINGS SCHEDULED FOR JUNE

Location:

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

THURSDAY, June 21, 2012
Audit Committee Meeting
State Street Conference Room
12:00 p.m.

Regular Board Meeting
State Street Conference Room
1:00 p.m.

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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

DATE: June 14, 2012

TO: Minnesota Housing Board Members

FROM: Mary Tingerthal
Commissioner

SUBJECT: **AUDIT COMMITTEE MEETING**

A meeting of the **Audit Committee** has been scheduled for **12:00 p.m.,** on **Thursday, June 21** at the offices of Minnesota Housing, 400 Sibley Street, Suite 300, St. Paul, MN in the **State Street Conference Room on the first floor**.

The topic for discussion at this meeting is:

A. Discussion, Audit Risk Assessment Standards and Audit Planning.

All members are invited to attend.

If you have questions, please call Becky Schack at (651) 296-2172.

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Minnesota Housing
Finance Agency

AGENDA ITEM: A
MINNESOTA HOUSING AUDIT COMMITTEE
June 21, 2012

ITEM: Audit Risk Assessment Standards and Audit Planning

CONTACT: Terry Schwartz, 651-296-2404
terry.schwartz@state.mn.us

Bill Kapphahn, 651-215-5972
william.kapphahn@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:
Representatives from CliftonLarsonAllen, the agency's external audit firm, will discuss audit risk assessment standards and audit planning for the 2012 engagement.

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):
None

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Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A

Minnesota Housing Finance Agency
Board Meeting
Thursday, June 21, 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 May 24, 2012.
4. **Chairman's Report.**
5. **Commissioner's Report and Introductions.**
6. **Audit Committee.**
   A. Discussion, Audit Risk Assessment Standards and Audit Planning.
7. **Program Committee.**
   None.
8. **Finance Committee.**
   None.
9. **Action Items:**
   A. Summary Review:
      1. Approval, Resolution Authorizing the Execution and Delivery of Standby Bond Purchase Agreements with The Royal Bank of Canada and Wells Fargo Bank, National Association.
      2. Approval, Commitment Extensions.
         - Matthews Park, Minneapolis.
         - Southview Terrace, Hibbing.
         - Woodcrest Manor, Mora.
      3. Approval, Commitment Extensions for 2010 RFP Selections
         - Low and Moderate Income Rental (LMIR) and Section 1602 Exchange
           - Northgate Woods, Blaine.
         - Low and Moderate Income Rental (LMIR) and Fixed Financing for Capital Costs (FFCC)
           - Shingle Creek Towers, Brooklyn Center.
         - Economic Development and Housing Challenge Fund
           - Longfellow Station, Minneapolis.
           - West Side Flats, St. Paul.

- Preservation Affordable Rental Investment Fund (PARIF)
  - CIP/Bass Lake Road, Crystal.
  - St. Phillips Garden, St. Paul.
- Publicly Owned Housing Program (POHP)
  - 1258-87 Shakopee Ave East, Shakopee.
  - Anna Maries Shelter, St. Cloud.
  - Cass County Transitional Housing, Backus.
  - Veterans Transitional Housing, Grand Rapids.
  - Olmstead County HRA Scattered Sites
- Publicly Owned Housing Program (POHP) and Housing Trust Fund (HTF) Capital
  - Transitional Housing

B. Discussion – General:

1. Discussion, 2013-2015 Draft Strategic Plan.
2. Information, Fiscal 2013 Administrative Budget.

C. Discussion – Homes:

1. Approval, Affordable Housing Plan Amendment, Homeownership Assistance Fund.

D. Discussion – Multifamily:

1. Approval, Selection/Commitment, Preservation Affordable Rental Investment Program (PARIF)
   - Galway Place, Coon Rapids.

10. Review and Information Items.

A. Information, Economic Development and Housing Challenge Program, Resident Owned Manufactured Home Parks Pilot Program Update.

B. Post-Sale Report, Rental Housing Bonds, 2012 Series A.

11. Other Business.

None.

12. Adjournment.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, May 24, 2012
1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. Call to Order.

Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:03 p.m.

Members present: Auditor Otto, Mr. Joe Johnson, Ms. Gloria Bostrom, Ms. Stephanie Klinzing. Mr. Steve Johnson joined the meeting at 1:08 p.m.

Minnesota Housing staff present: Commissioner Mary Tingerthal, Gene Aho, Sandy Ajasa, Tal Anderson, Jim Barnes, Dan Boomhower, Lisa Borja, Jim Cegla, Margaret Davies, Joe Gonnella, Susan Haugen, William Kapphahn, Karmel Kluender, Marcia Kolb, Chris Larson, Julie LaSota, Diana Lund, Eric Mattson, Leo McCabe, Ko Murugesan, Tonja Orr, John Patterson, Tony Peleska, Luis Pereira, Leslee Post, Roger Rudolph, Joel Salzer, Becky Schack, Tom Waknitz, Robert Wiese, Xia Yang.

Others present: Celeste Grant, Office of the State Auditor; Tom O'Hern, Assistant Attorney General; Chip Halbach, Minnesota Housing Partnership; Paula Rindels, Dorsey & Whitney.

2. Agenda Review.

There were no changes to the agenda. Vice Chair Joe Johnson notified the Board that a member of the public had requested to address the Board and that members would vote on allowing the person to address them during the other business portion of the meeting.

3. Approval of the Minutes.

A. Regular Meeting of April 26, 2012.

Auditor Otto moved approval of the minutes as written. Ms. Klinzing seconded the motion. Motion carries 4-0 (S. Johnson absent for vote).

B. Special Meeting of May 14, 2012.

Ms. Bostrom moved approval of the minutes as written. Ms. Klinzing seconded the motion. Motion carries 4-0 (S. Johnson absent for vote).

4. Chairman's Report.

There was no chairman's report.

5. Commissioner's Report and Introductions.

Commissioner Tingerthal thanked members for participating in the special meeting for strategic planning, noting that their input was very helpful. She added that the strategic plan draft is coming together nicely and that members will receive a draft in advance of the June meeting. Members were asked to give feedback on the draft at the June meeting. Commissioner Tingerthal encouraged members to contact her if they have questions or comments prior to the meetingso staff may prepare to address those concerns. The final strategic plan will be presented for adoption at the July meeting.

Commissioner Tingerthal reminded the group that the June meeting would be one week early, on June 21, and that there would be an audit committee meeting that day as well. She also stated that the August meeting would be one week later, on August 30, and there would again be an audit committee meeting on that day.

It was announced that staff would be starting the affordable housing plan process for this year. The internal process started the past week. A draft of the affordable housing plan will be presented for board comments at the August meeting. Public comments will also be accepted during that time. A final plan will be presented to the board for its approval at the September meeting.

The Commissioner presented to the Governor this week nominations to fill Member Sanderson's seat and she hopes that the seat will be filled in time for the June meeting.

The following information was provided regarding upcoming public appears:

- On June 4, Commissioner Tingerthal will participate in a Community Lending Forum hosted by the Federal Home Loan Bank of Des Moines. The Forum will address the issues faced by community lenders.
- On June 5, Commissioner Tingerthal will participate in the Bi-Partisan Policy Center Housing Commission's Regional Housing Forum. Testimony will be heard by the commission at this event. The Commission is developing a policy paper based on this testimony for presentation to the Federal administration before the end of the year and will address a number of issues. The commission I co-chaired by former senators Kit Bond and George Mitchell and former HUD Secretaries Henry Cisneros and Mel Martinez.

The Agency recently had two staff meetings at which the employee engagement plan and the Faster Future by '14 initiative were presented. The engagement plan comes from the results of the employee survey that was shared with the Board in January. Faster Future by '14 is a Business and Technology Support initiative that represents a different approach involving more engagement of the business into decision making surrounding technology. As part of this plan, a Business and Technology Investment Committee has been formed that includes the Commissioner, Deputy Commissioner, Chief Financial Officer and the Chief Information Officer. The committee allows for a broad business understanding of what projects BTS will undertake.

Information regarding the National Council of State Housing Boards annual meeting was distributed and Commissioner Tingerthal asked that she be contacted if anyone would like more information.

The following staff introductions were made:

- Tony Peleska introduced Robert Wiese, a data architect with 25 years of IT experience. His background includes work in the healthcare, software and finance industries.

- Tom Waknitz introduced Roger Rudolph who brings 20 years of experience that includes centralized loan servicing efforts; Leo McCabe who will be working on the PORT compliance initiative; Chris Larson who has experience with our Single Family products and holds a Graduate degree for the University of Minnesota; Ko Murugesan who comes to us from

GMAC and will be working on PORT development; Jim Barnes who will work on electronic data transfer and improving vendor and partner communications.

- Gene Aho introduced Sandy Ajasa who will work in Single Family as an office and administrative specialist. Sandy has a background in mortgage compliance and counseling.

Commissioner Tingerthal announced that staff are in the final stages of interviewing for the Community Development Director position and expect the new person will be announced at the June meeting. She also announced Jeannette Blankenship will be leaving the Agency in mid-June to return to her hometown.

6. Audit Committee:
None.

7. Program Committee:
None.

8. Finance Committee:
None.

9. Action Items:

A. Summary Review:

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

9.A.(2). Approval, Program Waivers, Homeownership Assistance Fund.

9.A.(3). Approval, Changes, Mortgage Loan Program Procedural Manual.

9.A.(4). Approval, Loan Modification, Capacity Building Revolving Loan Program - Greater Metropolitan Housing Corporation.

Ms. Bostrom moved approval of the summary review items. Ms. Klinzing seconded the motion. Motion carries 5-0.

B. Discussion – General:

9.B.(1). Discussion, Affordable Housing Plan Progress Report.

Mr. John Patterson presented this item, noting the majority of program objectives have been achieved. He also noted the net return on assets included a one-time adjustment that was the result of a change in the way the Agency accounts for loan loss reserves. Vice Chair Joe Johnson thanked Mr. Patterson on behalf of the Board, stating appreciation for the good information and the impressiveness of the Agency's national rankings. No action needed.

9.B.(2). Discussion, Legislative Update.

Assistant Commissioner for Policy Tonja Orr provided the Board with a summary of legislative actions impacting the Agency, including:

- The inclusion for public housing rehabilitation and housing infrastructure bonds in the bonding bill. The housing advocacy community worked together to focus on a common request for the bonding bill. All involved worked very hard to spread the message of the common request and legislators commented regularly on their appreciation of having a common message and that it made decision making easier. The amount of housing bonds in the bill is the largest the Agency has received since 1990. The bonds will be issued by the Agency and will have debt service appropriated. Proceeds may be used for supportive housing, foreclosure recovery efforts, new construction on foreclosed land, the acquisition of foreclosed properties by community land trusts; and for federally assisted housing. Existing program rules will be used to make funding decisions; the bond proceeds will be a new funding source for existing programs. The funding was announced as part of the RFP and applications are due in late June. Staff recommendations will come to the Board in October. Staff are encouraging applicants to demonstrate projects are ready to go and will also encourage that project costs be primarily construction or rehabilitation rather than acquisition. These criteria will create the most positive jobs impact

- The legislature established a work group on visible children with the intent of drawing attention to children who are homeless or at risk of homelessness. The group will be staffed by the Children's Defense Fund. The Agency will be one of the members of the work group, whose current task is to plan for designing the plan.

- The Agency had requested some technical changes for inclusion in the tax bill. These changes would have aligned the state's allowable time for carryover bonding authority with that of the federal law. The tax bill was vetoed, so this change was not made but staff have determined alternate means for rental housing projects to access authority.

- In response to a question from Ms. Bostrom, Ms. Orr stated that the additional bonding authority will augment existing program funding and will be distributed through the RFP process; no new program or rules will be created for the proceeds of the new bonds. Ms. Orr stated that, if the loans are forgivable, they may be provided to for-profit entities whose business objectives include providing affordable housing. Ms. Orr also stated that administrative costs of the bond issue are incorporated into the sale of the bonds. In response to a question from Ms. Klinzing, Ms. Orr stated that the Agency, not the legislature, chose the activities for which the bond proceed will be used. No action needed.

C. Discussion – Homes:
None.

D. Discussion – Multifamily:

9.D.(1). Approval, Selections/Commitment, Ending Long Term Homelessness Initiative Fund (ELHIF), Operating Subsidy Supplemental Awards.

Ms. Susan Haugen presented this request for approval of operating subsidy awards, noting that, due to the economy, the Agency will likely see more requests for operating subsidy. Ms. Klinzing noted that many of the requests cite front desk support as a unique operating cost. Ms. Klinzing stated that, in supportive housing environments, front desk staff provide a critical service to a building and it's residents and the service is very important. **MOTION:** Auditor Otto moved approval. Mr. Steve Johnson seconded the motion. Motion carries 5-0.

10. Review and Information Items.

A. Information, Misuse of Funds Report.

Auditor Otto thanked staff for their work in developing the risk management program and reporting program. Commissioner Tingerthal noted the report includes all complaints or inquiries, whether internally reported; reported by the public or business partners or that arise as the result of internal or external audits; all issues are tracked and reported via this report. No action needed.

11. Other Business

Vice Chair Joe Johnson called for public comments. No one came forward to address the Board. Commissioner Tingerthal announced there is a high-profile ribbon cutting event on June 7th for Higher Ground in Minneapolis. This supportive housing development is sponsored by Catholic

Charities and is the highest profile project to have been funded with non-profit housing bonds. It is a large project with 170 shelter beds and 165 permanent housing opportunities ranging from independent to supportive and overnight/paid for beds; a large range of housing options all on one campus for those who are struggling to recover from homelessness.

12. Adjournment.

The meeting was adjourned at 1:52 p.m.

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Kenneth R. Johnson
Chair

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AGENDA ITEM: 9.A.(1)
MINNESOTA HOUSING BOARD MEETING
June 21, 2012

ITEM: Resolution Authorizing Execution and Delivery of Standby Bond Purchase Agreements with The Royal Bank of Canada and Wells Fargo Bank, National Association

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: Financial

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Authorize the Agency to enter into standby bond purchase agreements (liquidity facilities) with the Royal Bank of Canada (RBC) and Wells Fargo Bank, National Association, to replace standby bond purchase agreements with Lloyds TSB Bank plc, which are expiring in July. Section 1 of the attached resolution provides additional background information.

FISCAL IMPACT:
The disruptions in the capital markets and financial reform have dramatically changed the market for liquidity facilities to secure variable rate demand obligation bonds. There are fewer qualified providers and their fees are substantially higher. RBC will be providing approximately $117 million of replacement liquidity at an annual fee of 0.65% and Wells Fargo approximately $41 million of replacement liquidity at an annual fee of 0.685%. The current Lloyds facility has an annual fee of 0.11%. The fiscal impact, factoring in scheduled annual reductions in liquidity requirements, will be to reduce the Agency's spread from the Residential Housing Finance Bonds that are currently secured by standby bond purchase agreements provided by Lloyds by approximately $800,000 per year over the three-year term of the new facilities.

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:
- Resolution

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 AUTHORIZING EXECUTION AND DELIVERY OF STANDBY BOND PURCHASE AGREEMENTS WITH THE ROYAL BANK OF CANADA AND WELLS FARGO BANK, NATIONAL ASSOCIATION

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Recitals. The Agency has issued and there are outstanding variable rate demand obligations entitled Residential Housing Finance Bonds, 2003 Series B, 2003 Series J, 2004 Series G, 2005 Series C, 2005 Series I and 2005 Series M (the "Outstanding Bonds"). The payment of the purchase price on the Outstanding Bonds when subject to an optional or mandatory tender by the owners thereof is secured by standby bond purchase agreements provided by Lloyds TSB Bank plc, acting through its New York Branch ("Lloyds"). The Standby Bond Purchase Agreements expire by their terms on or before August 4, 2012, and must be replaced by alternative liquidity facilities to secure payment of the purchase price of the Outstanding Bonds under the terms of the resolutions of the Agency authorizing the issuance thereof. Lloyds has indicated that it will not extend or renew the current standby bond purchase agreements.

It is proposed that the Agency enter into standby bond purchase agreements with the Royal Bank of Canada ("RBC") to secure payment of the purchase price on all series of Outstanding Bonds other than the 2005 Series M Bonds and a standby bond purchase agreement with Wells Fargo Bank, National Association ("Wells Fargo") to secure payment of the purchase price on the 2005 Series M Bonds.

Section 2. Authorization and Approval of Standby Bond Purchase Agreement and Related Documents. The Chief Financial Officer or the Finance Director is hereby authorized to execute, in the name and on behalf of the Agency, standby bond purchase agreements with RBC and a standby bond purchase agreement with Wells Fargo as described in Section 1, substantially in the respective forms submitted with such changes as shall be approved by the officer executing the agreements. Either such officer is further authorized to execute and deliver any other documents necessary or convenient in connection with the execution and delivery of the standby bond purchase agreements as alternative liquidity facilities under the authorizing resolutions of the Agency and the replacement of the current standby bond purchase agreements with Lloyds. In addition, the Chief Financial Officer is authorized to cause to be prepared supplements to the Official Statements relating to the Outstanding Bonds describing the new standby bond purchase agreements, the providers thereof, and other matters he deems appropriate and cause those to be distributed in the remarketing of the Outstanding Bonds.

Adopted this 21st day of June, 2012.

By: ___________________________
Chair

AGENDA ITEM: 9.A.(2)
MINNESOTA HOUSING BOARD MEETING
June 21, 2012

ITEM: Matthews Park, Minneapolis D0828
Southview Terrace, Hibbing D0626
Woodcrest Manor, Mora D1022

CONTACT: Leslee Post, 651-296-8277
leslee.post@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 requesting a 6 month extension to the Loan Modification commitments for the above developments to December 31, 2012 to allow for closing of the Section 8, Preservation Affordable Rental Investment Fund (PARIF) and Asset Management loan modifications.

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):
- Background
- Resolution

BACKGROUND

The Minnesota Housing Board at its June 23, 2011 meeting approved the issuance of commitments for:

- Matthews Park – Modification of the Section 8 first mortgage and PARIF loan.
- Southview Terrace – Modification of the Section 8 first mortgage and Asset Management loan.
- Woodcrest Manor – Modification of the Section 8 first mortgage.

The commitments expire June 30, 2012.

Board approval for Matthews Park was contingent upon the owner agreeing to remain in the Section 8 Program, or other Housing Assistance programs, for 20 years after expiration of the current HAP contract, provided that Section 8 or another Housing Assistance program is available.

Board approval for Southview Terrace and Woodcrest Manor was contingent upon the owner agreeing to remain in the Section 8 Program, or other Housing Assistance programs, for 10 years after expiration of the current HAP contract, provided that Section 8 or another Housing Assistance program is available.

While the owners are agreeable to the conditions of approval, specific details pertaining to each owner's commitment required additional negotiation which has delayed closing.

- Matthews Park –issues regarding inclusion of language allowing an asset management fee in the Regulatory Agreement has been resolved; the modification should close within 30 days.

- Southview Terrace and Woodcrest Manor – language allowing the owner to opt out of the Section 8 program if HUD's mark-up-to-market program is not available at HAP contract renewal was removed from the Agency's benchmark legal documents. Because of this, the owner became reluctant to sign modification documents believing that signing would cause the property to be automatically ineligible for the mark-up-to-market program. Agency staff has provided numerous explanations and examples of similar scenarios showing that to be incorrect. Staff believes the owner has now reached an acceptable comfort level and is ready to move towards closing.

Staff is recommending an extension of the commitments on the above noted developments to December 31, 2012, to allow for continued negotiation and closing.

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

RESOLUTION NO. MHFA 12-

RESOLUTION EXTENDING COMMITMENT DATE
SECTION 8 AND PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAMS

WHEREAS, the Minnesota Housing Finance Agency (Agency) previously authorized commitment for the development hereinafter named by Resolution MHFA 11-040, with an expiration date of June 30, 2010; and,

WHEREAS, it is the desire of the Agency to extend the expiration date to allow for closing of the loan modifications; and,

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

NOW THEREFORE, BE IT RESOLVED:

THAT the Board hereby extends the commitment expiration date on the development hereinafter named to the date indicated below, and hereby confirms the said commitment:

- Matthews Park, Minneapolis (D0868)
- New Commitment Expiration Date: December 31, 2012
- Except for the extended commitment term, all terms of the original MHFA Resolution No. 11-040 remain in effect.

Adopted this 21st day of June, 2012.

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CHAIRMAN

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

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

RESOLUTION NO. MHFA 12-

RESOLUTION EXTENDING COMMITMENT DATE
SECTION 8 AND ASSET MANAGEMENT (AM) LOAN PROGRAMS

WHEREAS, the Minnesota Housing Finance Agency (Agency) previously authorized commitment for the development hereinafter named by Resolution MHFA 11-036, with an expiration date of June 30, 2010; and,

WHEREAS, it is the desire of the Agency to extend the expiration date to allow for closing of the loan modifications; and,

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

NOW THEREFORE, BE IT RESOLVED:

THAT the Board hereby extends the commitment expiration date on the development hereinafter named to the date indicated below, and hereby confirms the said commitment:

- Southview Terrace, Minneapolis (D0626)
- New Commitment Expiration Date: December 31, 2012
- Except for the extended commitment term, all terms of the original MHFA Resolution No. 11-036 remain in effect.

Adopted this 21st day of June, 2012.

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CHAIRMAN

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

RESOLUTION NO. MHFA 12-

RESOLUTION EXTENDING COMMITMENT DATE
SECTION 8 PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) previously authorized commitment for the development hereinafter named by Resolution MHFA 11-039, with an expiration date of June 30, 2010; and,

WHEREAS, it is the desire of the Agency to extend the expiration date to allow for closing of the loan modification; and,

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

NOW THEREFORE, BE IT RESOLVED:

THAT the Board hereby extends the commitment expiration date on the development hereinafter named to the date indicated below, and hereby confirms the said commitment:

- Woodcrest Manor, Mora (D1022)
- New Commitment Expiration Date: December 31, 2012
- Except for the extended commitment term, all terms of the original MHFA Resolution No. 11-039 remain in effect.

Adopted this 21st day of June, 2012.

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CHAIRMAN

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AGENDA ITEM: 9.A.(3)
MINNESOTA HOUSING BOARD MEETING
June 21, 2012

ITEM: Approval, Commitment Extensions for 2010 RFP Selections

- Low and Moderate Income Rental (LMIR) and Section 1602 Exchange
  - Northgate Woods, Blaine.
- Low and Moderate Income Rental (LMIR) and Fixed Financing for Capital Costs (FFCC)
  - Shingle Creek Towers, Brooklyn Center.
- Economic Development and Housing Challenge Fund
  - Longfellow Station, Minneapolis; West Side Flats, St. Paul.
- Preservation Affordable Rental Investment Fund (PARIF)
  - CIP/Bass Lake Road, Crystal; St. Phillips Garden, St. Paul.
- Publicly Owned Housing Program (POHP)
  - 1258-87 Shakopee Ave East, Shakopee; Anna Maries Shelter, St. Cloud; Cass County Transitional Housing, Backus; Veterans Transitional Housing, Grand Rapids; Olmstead County HRA Scattered Sites
- Publicly Owned Housing Program (POHP) and Housing Trust Fund (HTF) Capital
  - Transitional Housing

CONTACT: Diana Lund, 651-296-7991, diana.lund@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 requesting adoption of the attached resolution extending the commitments for the referenced developments to allow additional time for the finalization of due diligence items.

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
- Resolutions

Fiscal Impact

The Section 1602/Exchange Program is a federal funding source and therefore does not have any fiscal impact on the Agency's financial condition.

The LMIR funding falls within the approved budget and the loans will be made at an interest rate and on terms consistent with what is described in the 2010 and 2011 Affordable Housing Plan.

The PARIF, POHP and EDHC loans are funded from state appropriations and therefore do not have any fiscal impact on the Agency's financial condition.

Background

Developments approved by the Board on October 28, 2010, in conjunction with the Consolidated RFP were granted a 20-month loan commitment. Staff closely monitors the process and consistently mitigates potential delays with each development to ensure that developments are closing within the 20-month period. Of the 38 developments selected in 2010, the following nine developments were not able to close or enter into an end loan commitment within this time frame.

The following six POPH loans are being made to borrowers that have not previously received Minnesota Housing loan funding , they have required additional time to familiarize themselves with the due diligence process.

- 285-87 Shakopee Ave East- (POHP) The development has made satisfactory progress towards closing, and staff expects to issue an end loan commitment later this summer. Staff is requesting a 6-month extension.
- Anna Marie's Shelter - (POHP) Minnesota Housing-funded rehabilitation work has been completed and the borrower is working through closing requirements for the Minnesota Housing loan. Closing is expected to occur later this summer. Staff is requesting a 6-month extension to allow for an end loan closing.
- Cass County Transitional Housing - (POHP) Unforeseen site conditions required additional preconstruction investigative work. These issues have now been resolved and the development is expected to close later this summer. Staff is requesting a 6-month extension to allow for a construction loan closing.
- Veterans Transitional Housing - (POHP) Minnesota Housing-funded rehabilitation work has been completed and the borrower is working through closing requirements for the Minnesota Housing loan. Final closing is expected to occur later this summer. Staff is requesting a 6-month extension to allow for a loan closing.
- Olmsted County HRA Scattered Sites- (POHP) Delay was caused by the borrower's need to identify an entity to lease and operate the development. The borrower has now identified a suitable lessee and has made satisfactory progress towards closing. Staff expects to issue an end loan commitment later this summer. Staff is requesting a 6-month extension.
- Transitional Housing – (POHP) Minnesota Housing-funded rehabilitation work has been completed and the borrower is working through closing requirements for the Minnesota Housing loan. Final closing is expected to occur later this summer. Staff is requesting a 6-month extension to allow for a loan closing.

The following three developments required an extension due to unexpected delays experienced by the general contractor or in obtaining approval from HUD.

- CIP/Bass Lake Road - (PARIF) An end loan commitment was issued on August 3, 2011. Delays were experienced by the general contractor, Hennepin County's Sentenced to Serve team; however, construction is nearly complete, and final closing due diligence is currently in process. Staff is requesting a 6-month extension to allow for a loan closing.

- St. Phillips Garden – (PARIF) The developer, TCHDC, acquired the development and assumed the existing HUD 236 first mortgage with the majority of the existing deferred debt. The HAP renewal application was submitted to HUD in the middle of April. The developer is targeting a closing on the tax credit equity and balance of deferred financing by the end of 2012. Staff is requesting a 12-month extension to allow for a construction loan closing.

- West Side Flats – (EDHC) This development recently received the HUD firm approval for the HUD first mortgage. They are working towards a June 29, 2012, closing date. Staff is requesting a 12-month extension to allow for an end loan closing.

The following two developments were approved by the Board in 2007 and 2011. Both developments are requesting an extension due to unexpected delays, one caused by a change in ownership and the other caused by a law suit. Both borrowers have resolved the issues and are moving forward.

- Longfellow Station – (EDHC) This development was originally approved by the Board in October 2007 with Capital Growth Real Estate as the developer. Due to the deterioration of the tax-exempt bond and tax credit markets, the development was not able to move forward. In February 2011, the original developer transferred the development rights and the rights to the committed funds to Sherman Associates. The Board approved the transaction on May 26, 2011, and it was granted a commitment until June 30, 2012. Sherman Associates has secured a first mortgage lender and is currently resolving environmental issues and is working through due diligence and closing requirements. Staff is requesting a 12-month extension to allow for a construction loan closing.

- Shingle Creek – (LMIR/FFCC) This development was approved by the Board on December 15, 2011, with a 6-month commitment period ending June 30, 2012, as the development was expected to move quickly given the foreclosure situation. Progress was delayed as the development has been the subject of a lawsuit between HUD and Housing Preservation Project. A settlement is expected imminently, and acquisition will occur within 30 days of settlement. Staff is requesting a 12-month extension to allow for a construction loan closing.

The following LMIR development is imminently working towards a closing.

- Northgate Woods – (LMIR) This development was approved by the Board on January 28, 2010, in conjunction with the Consolidated RFP. On August 26, 2010, the Board approved a loan commitment for the LMIR Program loan and in November 2010, the Agency entered into an end loan commitment, whereupon the development began construction. In November 2010, the Board extended the loan commitment until June 30, 2012. Construction is complete, and final closing due diligence is currently in process. Staff is requesting a 6-month extension to allow for a final loan closing.

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING LOAN COMMITMENT EXTENSIONS
ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE PROGRAM
PUBLICLY OWNED HOUSING PROGRAM
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND PROGRAM

WHEREAS, the Board has previously authorized the issuance of loan commitments for the developments hereinafter named by its Resolution No. MHFA 10-86; and

WHEREAS, it is the desire of the Agency to extend the expiration dates to allow for closing of the loans; and

WHEREAS, the applications continue to be in compliance with Minn. Stat. Ch. 462A and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby

1. Extends the loan commitment expiration dates for the developments noted below from June 28, 2012 to December 27, 2012
   - CIP/Bass Lake Road
   - 1285-87 Shakopee Ave East
   - Anna Marie's Shelter
   - Cass County Transitional Housing
   - Veterans Transitional Housing
   - Olmsted County HRA Scattered Sites
   - Transitional Housing
2. Extends the loan commitment expiration dates for the developments noted below from June 28, 2012 to June 28, 2013
   - St Phillips Garden
   - West Side Flats
3. Except for the extended commitment expiration dates, all other terms and conditions of MHFA Resolution No.10-86 remain in effect.

Adopted this 21st day of June, 2012.

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CHAIRMAN

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

RESOLUTION NO. MHFA 12-

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

WHEREAS, the Board has heretofore authorized the issuance of a loan commitment for the development hereinafter named by its Resolution No. MHFA 10-64, extended by its Resolution No. MHFA 10-111; and

WHEREAS, it is the desire of the Agency to further extend the expiration date to allow for closing of the loan; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes the extension of thecommitment expiration date on the Northgate Woods development (Development No. D0166) to the date indicated below, and hereby confirms the renewal of said loan commitment, subject to the revisions noted herein:

1. The Commitment Expiration Date: June 28, 2012; and

Except for the extended loan commitment expiration date, all terms and conditions of MHFA Resolution No. 10-64 remain in effect.

Adopted this 21st day of June, 2012

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CHAIRMAN

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING LOAN COMMITMENT EXTENSION
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM AND
FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) PROGRAM

WHEREAS, the Board has heretofore authorized the issuance of a loan commitment for the development hereinafter named by its Resolution No. MHFA 11-069; and

WHEREAS, it is the desire of the Agency to extend the expiration date to allow for closing of the loan; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes the extension of the commitment expiration date on the Shingle Creek Towers (aka View Pointe at Shingle Creek) development (Development No. D3110) to the date indicated below, and hereby confirms the renewal of said loan commitment, subject to the revisions noted herein:

1. The Commitment Expiration Date: June 28, 2013; and

Except for the extended commitment expiration date, all terms and conditions of MHFA Resolution No. 11-069 remain in effect.

Adopted this 21st day of June, 2012

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CHAIRMAN

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 LOAN COMMITMENT EXTENSION
ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE PROGRAM

WHEREAS, The Board has previously authorized the issuance of commitments on the developments hereinafter named by its Resolution No. MHFA 11-025; and

WHEREAS, it is the desire of the Agency to extend the expiration date to allow for closing of the loan; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes the extension of the commitment expiration date on Longfellow Station Apartments (D5219) to the date indicated below, and hereby confirms the renewal of said loan commitment, subject to the revisions noted herein:

1. Extend the commitment expiration date from June 28, 2012 to June 28, 2013

Except for the extended commitment expiration date, all other terms and conditions of MHFA Resolution No.11-25 remain in effect.

Adopted this 21st day of June, 2012.

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CHAIRMAN

AGENDA ITEM: 9.B.(1)
MINNESOTA HOUSING BOARD MEETING
June 21, 2012

ITEM: 2013-2015 Draft Strategic Plan

CONTACT: Barb Sporlein, 651-297-3125 barb.sporlein@state.mn.us
John Patterson, 651-296-0763 john.patterson@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: Review and discuss the draft 2013-2015 Strategic Plan. Final action will be taken at the July 2012 meeting.

The draft 2013-2015 Strategic Plan defines the Agency's vision (ideal future state), mission (fundamental purpose – why we exist and what we do), values (shared beliefs among stakeholders), and priorities and strategies (goals and means to achieve them). The Strategic Plan will guide the development of the Agency's Affordable Housing Plan, as well as the annual divisional and individual work plans. The 2011-2012 Strategic Plan was adopted by the Board in November 2010.

The community and staff engagement process, as well as data analyses, used to develop the draft plan were extensive. Staff reviewed several documents and reports, completed a stakeholder survey, conducted five Regional Dialogues throughout the state, conducted two sessions in the metro area, conducted a board work session, and conducted several staff work sessions.

FISCAL IMPACT: While the 2013-2015 Strategic Plan itself will have no fiscal impact, it will guide the development of the Affordable Housing Plan, as well as other resource allocation decisions identified in the annual divisional and individual employee work plans.

MEETING CURRENT 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):

- 2013-2015 Strategic Plan Work Plan
- Draft 2013-2015 Strategic Plan

Agenda Item: 9.B.(1)
Attachment: Strategic Plan Work Plan

2013-2015 Strategic Plan Work Plan

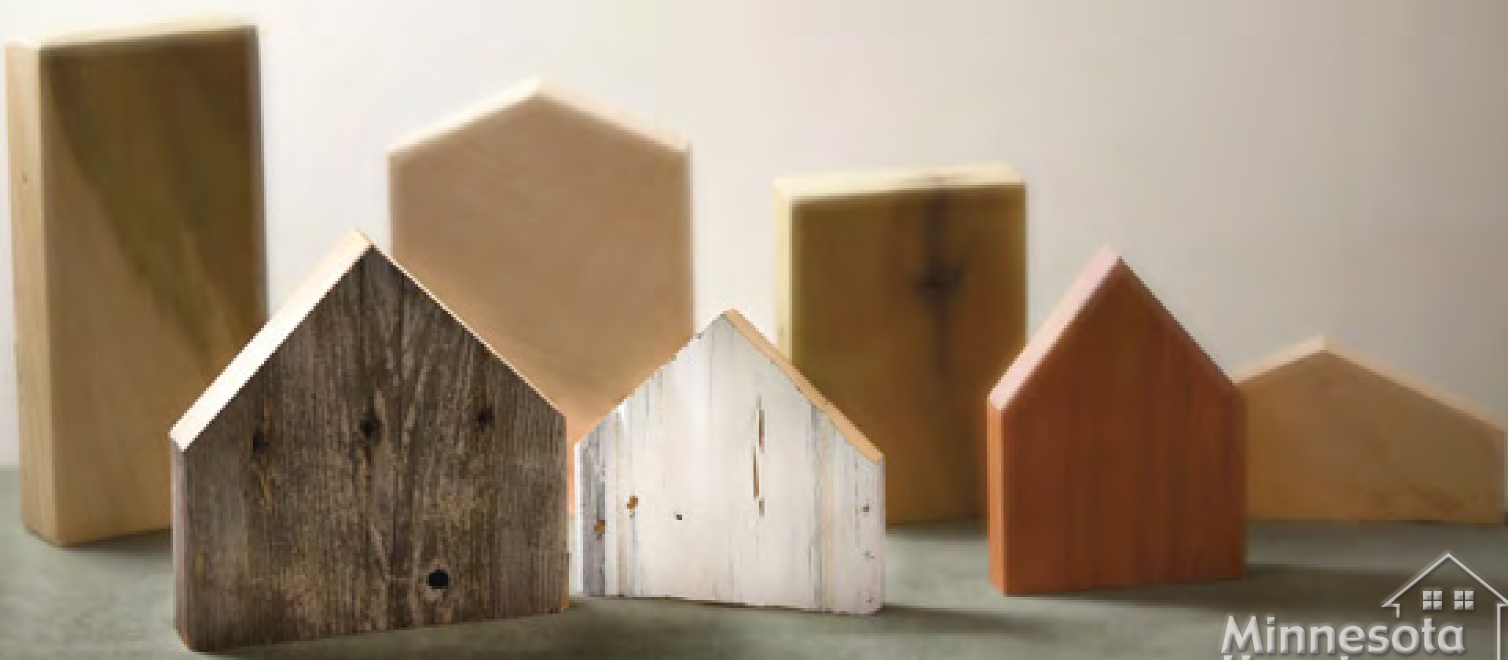
Updated 6/4/12

TASK	LEAD/PARTICIPANTS	TIMELINE
DEVELOP WORK PLAN		
Develop draft work plan	Sporlein	Feb. 6
Present to SLT and Managers/Revise	Sporlein/SLT, Managers	Feb. 13, March 15
Present to Board/Revise	Sporlein/Board	Feb. 23
ENGAGEMENT/INPUT		
Internal		
Initial staff work sessions	Sporlein/all staff, voluntary	May 10, 14
Board work session	Tingerthal/Board members	May 14
"Strategies" staff work sessions	Patterson/invited staff	May 23, 24, 30
External		
Developer/Owner/Manager Focus Group	Tingerthal/Invited CEOs	Jan. 30
Key Partners Survey	Patterson/agency partners	March 8
Regional Dialogues	Tingerthal/regional partners	April 4, 5, 13, 17, 20
Metro Meetings	Invited partners	MF May 7, CD May 17
Misc. discussions w/partners, customers	Varies	Feb. – May 2012
Reference – environmental scan, community profiles, AHP progress reports, QAP/RFP engagement, other reports and data	Patterson et al	Feb. – May 2012
FORMAL REVIEW and ADOPTION		
Board presentation		June 21
Board adoption		July 26

Agenda Item: 9.B.(1)
Attachment: 2013-2015 Draft Strategic Plan

2013-2015 Strategic Plan

DRAFT FOR DISCUSSION ONLY 6.21.12



Minnesota Housing Finance Agency

Strategic Plan for 2013 to 2015

Minnesota Housing has completed a review of its priorities and operations and has prepared this strategic plan. The plan helps the Agency to articulate its mission and values as well as its principles and priorities, and to communicate these to its many external partners, stakeholders and employees.

Minnesota Housing is an organization driven by both its mission and its strategies. It is committed to building and maintaining the key elements that have sustained its work for more than 40 years – its people, its partners, its community support and its financial strength. In pursuing its mission and strategies, Minnesota Housing will:

- be clear about its strategic priorities for meeting housing needs;
- preserve its financial strength in order to fund those needs and to sustain its ability to meet the needs well into the future;
- be proactive with its customers, stakeholders and delivery partners as priorities are implemented and as market conditions change;
- develop and maintain a strong organizational infrastructure where an outstanding workforce uses effective work processes supported by technology to deliver its programs; and
- provide leadership, working with customers and stakeholders, to articulate future housing needs, develop solutions for those needs and secure the resources to implement the solutions.

Minnesota Housing will measure its progress in pursuing its mission and strategies through an overall system of strategy management and results reporting. This strategic plan will serve as a framework for developing the Agency's annual business plans (Affordable Housing Plans), budgets and operating plans.

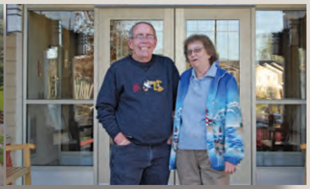
Vision

All Minnesotans live in quality affordable housing in strong communities.

Mission

Minnesota Housing finances affordable housing for low and moderate income households while fostering strong communities.



Values

Integrity
We are honest and ethical.

Accountability
We use resources wisely; we take responsibility; we are transparent.

Collaboration
We work in partnership; we leverage resources.

Innovation
We pursue continuous improvement; we are creative problem solvers.

Impact
We improve lives; we strengthen communities.

The Work of Minnesota Housing

For 40 years, Minnesota Housing has worked to provide access to safe, decent and affordable housing and to build stronger communities across the state. It has a national reputation as one of the finest housing finance agencies in the country and has built an enduring alliance among partners in the for-profit, non-profit and government sectors to achieve its mission.

Minnesota Housing offers products and services to help Minnesotans buy and fix up their homes and to stabilize neighborhoods, communities and families. It also supports the development and preservation of affordable rental housing through both financing and long term asset management. It has pioneered a successful model for supportive housing that helps stabilize the lives of some of the state's most vulnerable citizens.

In providing these products and services in 2011, Minnesota Housing served more than 70,000 households, deploying nearly $727 million in financing.

Minnesota Housing Strategic Priorities

- ***Preserve federally-subsidized rental housing***
- ***Promote and support successful homeownership***
- ***Address specific and critical needs in rental hosuing markets***
- ***Prevent and end homelessness***
- ***Prevent foreclosures and support community recovery***

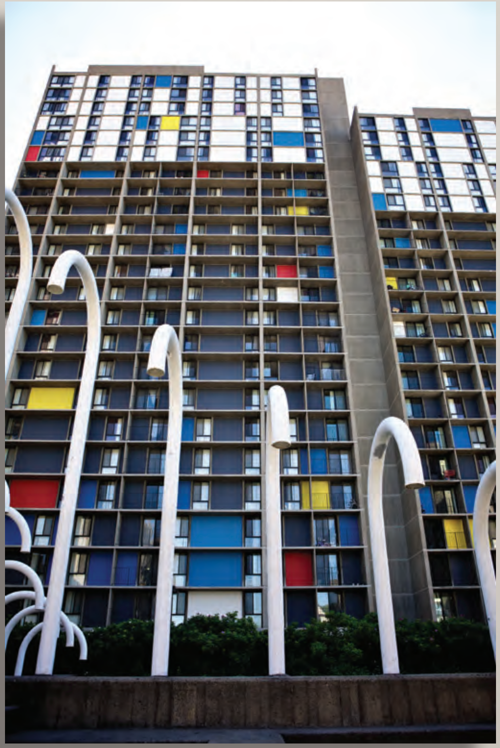
PRIORITY: Preserve federally-subsidized rental housing

Minnesota has nearly 40,000 housing units with federal project-based rental assistance – including about 31,000 Section 8 project-based units and nearly 7,000 USDA Section 515 units. Many of these units are at-risk of opting out of the program in the near future. For example, based on a preliminary analysis, Minnesota Housing staff estimates that roughly 30% of the Section 8 units are at-risk of opting out in the next five years. In addition, many properties have capital improvement needs and limited reserve funds to pay for them. Consequently, Minnesota Housing and its partners need to proactively manage the portfolio of properties with project-based rental assistance and prioritize which properties to preserve with the limited resources that are available.

Strategies

Strengthen the understanding of all federally-subsidized rental properties..
To most effectively prioritize and preserve properties, Minnesota Housing and its partners must develop a strong understanding of each property, including the location, physical and financial condition, unit and tenant characteristics, owner and management capacity, and local market/community conditions.

Refine risk assessments and preservation priorities.
The Agency and its partners will refine the criteria and process for determining which properties are the highest priorities for preservation. These could include properties at the greatest risk of being lost, those with the most immediate and greatest need for rehabilitation, those housing tenants with the greatest needs and/or the fewest alternatives, or those having the greatest community impact. Balancing each of these factors and others will be challenging. One particular challenge will be preserving the properties most at-risk while also incenting responsible owners and managers to continue their good work. In addition, Minnesota Housing will be transparent and communicate its priority criteria to developers, partners, and stakeholders. This will allow for planning in accordance with Agency policy.



Streamline and improve the preservation process through simplification, program and incentive improvements, education, and technical assistance.
The preservation process needs to be improved and streamlined to enhance the likelihood that units will be preserved. Preservation can be a very technical process, especially when a property is transferred from one owner to another. For example, given market uncertainty and differing expectations, buyers and seller can have difficulty agreeing on a sale price. In addition, program processes and requirements for contract renewals and rehabilitation funding can be complex and burdensome.

Emphasize long-term viability of preserved properties – financial, operational, and physical condition. While some properties may need an infusion of funds only to address an immediate preservation issue, Minnesota Housing needs to focus on the long-term viability of preserved properties. The Agency's actions should address a property's underlying preservation issues and not be a temporary fix. Furthermore, to ensure long-term viability, the Agency will continue to closely monitor the physical, operational, and financial health of properties in its investment portfolio and effectively manage Section 8 contracts for the Department Housing and Urban Development (HUD).

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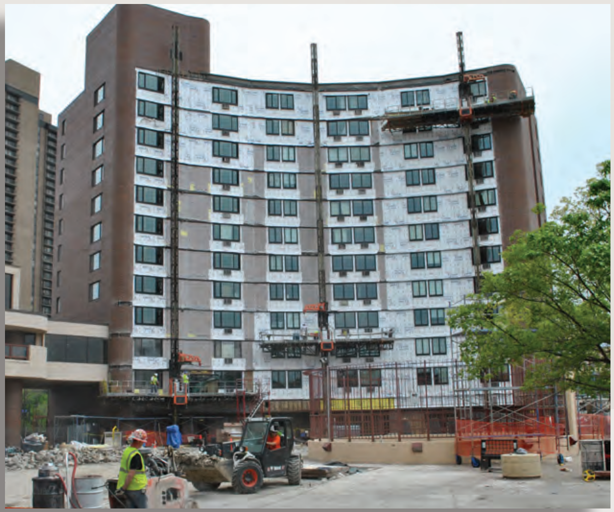


PRIORITY: Promote and support successful homeownership

Successful homeownership is critical not only to the long-term prosperity of homeowners and communities but also to the Agency itself. Revenues generated from mortgage lending activities fund the Agency's operations and Pool 3/Foundation, which provides grants and deferred loans for programs across the Agency. The financial crises of the last several years have highlighted the need for promoting and supporting successful homeownership. Minnesota Housing's model for successful homeownership has three primary components: (1) comprehensive homebuyer/homeowner support, including outreach, education, and counseling; (2) affordable and accessible homebuyer financing, including first mortgages and entry cost assistance; and (3) affordable and accessible financing to maintain homeownership and the housing stock over the long term.

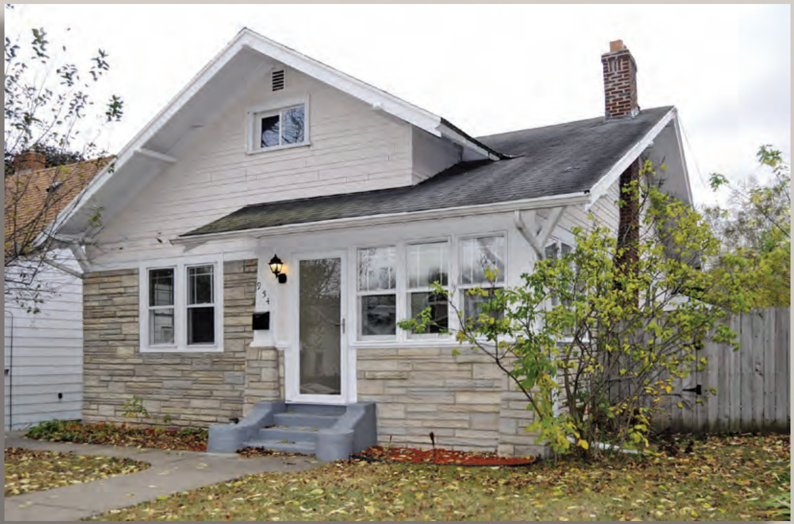
Strategies

Support innovation, improvement, and expansion of homebuyer/homeowner education, counseling, and support.

To make informed and forward-looking decisions, homebuyers and homeowners need to fully understand what it means to buy and maintain a home. As the foreclosure and housing crisis has highlighted, it is important for Minnesota Housing and its partners to improve the support that is provided. For example, with support from Minnesota Housing, the Homeownership Center launched an online homebuyer education program (Framework) in 2012 to better serve homebuyers across the state, particularly those in rural communities with limited access to in-person classes.

Continue to improve and adapt loan products and systems to ensure that they are competitive and easy to use in a changing market.

Ongoing uncertainty and changes in the financial and housing markets require that Minnesota Housing be flexible, nimble, and responsive in providing attractive and affordable loan products. In 2010, the Agency switched from a whole- loan to a mortgage-backed-securities model for holding its first mortgages. In 2012, the Agency redesigned and simplified its full portfolio of homeownership and home improvement loan products to make them more attractive in the current market. At the outset of this Strategic Plan, other changes being considered include selling mortgages on the secondary market and offering Mortgage Credit Certificates (income tax credits for homeowners for a portion of the mortgage interest they pay). When the Agency investigates changes and new products, key criteria will include: mission relevance, homeowner success, and profitability.

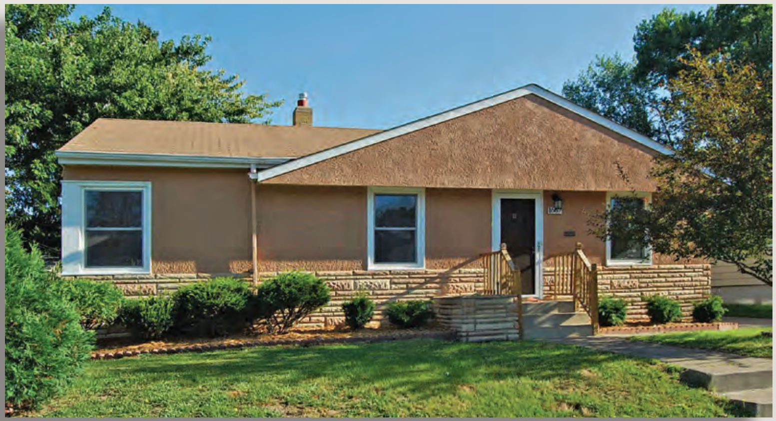


Prudently use down-payment and closing-cost assistance to serve borrowers and to support loan production without putting borrowers at unnecessary risk.

Down-payment and closing cost assistance programs help low and moderate income households overcome wealth barriers to homeownership. While these potential homebuyers have the financial capacity to make monthly mortgage payments, they often lack the cash to cover the down-payment and closing costs associated with a mortgage. To create and support successful homeownership, Minnesota Housing needs to balance helping people overcome homeownership barriers with minimizing the risk of failure. For example, in 2012, Minnesota Housing provides down-payment and closing-cost assistance, but also requires borrowers to contribute at least $1,000 of their own funds and have a credit score of at least 620. To create and support success, the Agency will continuously monitor the loan performance of borrowers receiving assistance and make program changes if needed.

Expand the pool of lenders and other delivery partners and improve the services provided to these partners.

Minnesota Housing relies on partners to deliver its financial products. While the Agency has a strong network of lenders, real estate agents, counselors, and other partners around the state, expanding this network will increase borrower accessibility, particularly in greater Minnesota. The Agency will attract and retain quality partners by reaching out and promoting its products and by providing high-quality services to these partners, including a state-of-the-art, user-friendly loan commitment system.



PRIORITY: Address specific and critical needs in rental housing markets

Analyses from Minnesota Housing's Community Profiles and insights from partners provided during the Agency's 2012 Regional Housing Dialogues identified several rental housing needs that occur in specific communities, but not necessarily statewide. Some of the identified needs included: (1) shortages due to very low vacancy rates, (2) workforce housing in areas with increasing employment, (3) multiple bedroom apartments for larger families, particularly in communities with a growing immigrant population, (4) housing for seniors in aging communities, and (5) affordable market-rate housing that does not meeting housing quality standards. Under this priority, Minnesota Housing seeks to increase the supply of rental housing in targeted communities and maximize the affordable access to market-rate rental housing. To meet the intent of this priority, the rental housing need must be substantiated by compelling data and market analyses.

Strategies

Use data and rigorous analyses to identify specific and critical needs in local housing markets.
The Agency will continue to work with its partners to identify and assess rental housing needs and gaps in communities across the state. The Agency will provide data and tools, such as the Community Profiles, and information about the state's affordable rental housing stock. To improve analyses, Minnesota Housing will enhance the rental market data in its Community Profiles. Local partners will substantiate their needs using data and information from the Agency and the local community.

Refine Minnesota Housing's programs and policies to better enable partners to meet specific needs.
To be effective, Minnesota Housing's program and policies need to provide partners an incentive to take action and not create unintentional barriers. For example, in 2010 Minnesota Housing revamped its Rental Rehabilitation Deferred Loan program to make it easier to use and to encourage property owners in rural areas to rehabilitate their properties. Over the next several years, Minnesota Housing will review and potentially revise its programs to support the housing needs of low and moderate income seniors in communities where it is needed. As another example, Minnesota Housing will examine ways to combine its amortizing loan program (the Low and Moderate Income Rental (LMIR) Program) with a shallow subsidy (minimal gap financing) to encourage the construction of workforce and mixed-income housing.

Pursue additional funding sources and financing options to meet specific and critical needs.
Additional options could include such things as seeking financial support from employers for workforce housing, securitizing and selling Minnesota Housing multifamily loans to improve liquidity, and evaluating participation in HUD's proposed new Risk Share program for smaller multifamily properties.

Contain upfront development costs while minimizing the long-term costs of operating and maintaining rental property.
In an era of limited resources and public scrutiny of government spending, Minnesota Housing needs to promote cost efficiency for the properties it finances. However, using cheaper materials and inefficient systems can actually increase the costs of a property over its life time because of repairs, replacements, and inefficiencies. Minnesota Housing will seek to balance both of these important principles as it establishes its programs and policies.

PRIORITY: Prevent and end homelessness

Minnesota's homeless population includes some of state's most vulnerable people – the unemployed or under-employed, people facing medical emergencies and large health care bills, people who have lost their homes to foreclosure, and people with mental health and/or chemical dependency issues. Unfortunately, with the country's economic struggles, homelessness has gotten worse. According to Wilder Research's homeless survey, the number of homeless in Minnesota on a given night increased from 9,200 in 2006 to 13,100 in 2009. If Minnesota Housing is to achieve its vision -- "All Minnesotans live in quality affordable housing in strong communities"-- it must play a key role in preventing and ending homelessness.

Strategies

Play a leadership role in developing and implementing a comprehensive and multi-organizational approach to ending homelessness.

With the anticipated successful completion of the 4,000 housing opportunities under the Business Plan to End Long-Term Homelessness in 2015, Minnesota Housing needs to work with its partners (including Heading Home Minnesota, other state agencies, and the private sector) to ensure that efforts to end homelessness receive sufficient focus and resources going forward. Because the causes of homelessness are represented in multiple areas of life – including housing, social services, job training, employment, education, corrections, and many others – the state must broaden and improve its comprehensive effort. It must include not only multiple government agencies but also the private sector and individual citizens.

Improve and refine the state's understanding of the homeless population and of program effectiveness.

With Wilder Research's homeless survey and data from the Homeless Management Information System (HMIS), the state already has a good understanding of homelessness and program operations, but improvements are needed to improve the effectiveness of these programs. Funders and program administrators have said they need real-time information at their finger tips about their clients and how well they are being served. In addition, program administrators need effective tools for assessing their clients' needs and determining which programs, housing options, and/or services will most effectively serve them.

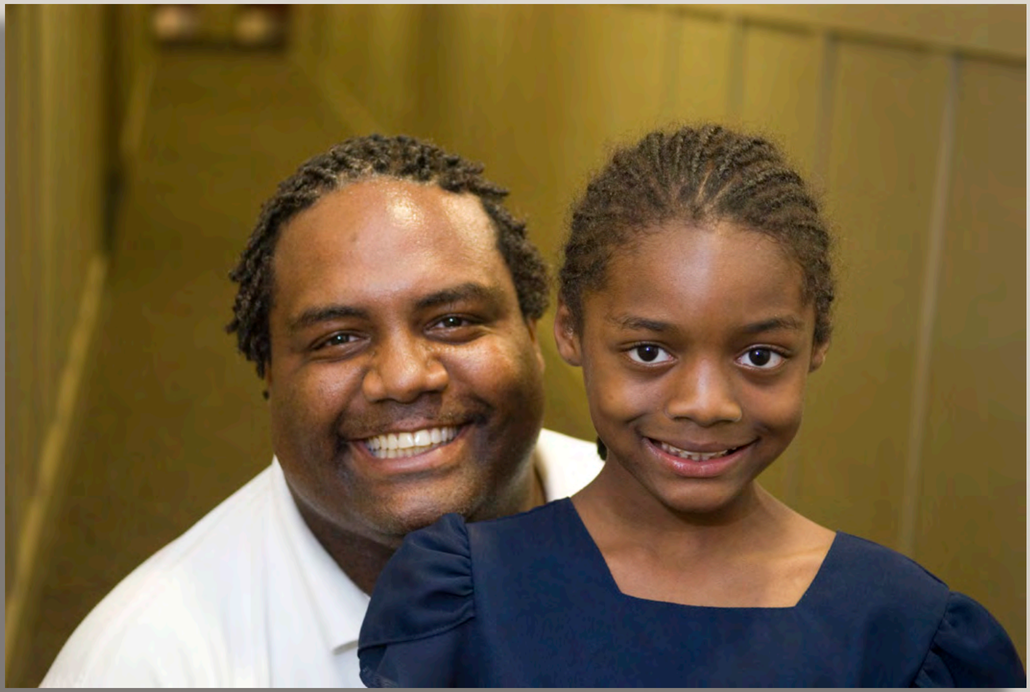
Address homelessness issues at the outset, ideally before a person becomes homeless.

In an effort to end homelessness, it is best, and usually most cost effective, to prevent it before it happens. This may involve everything from providing a family with temporary assistance for a one-time financial emergency, as Minnesota Housing does through the Family Homelessness Prevention and Assistance Program, to improving discharge programs for prisons, psychiatric facilities, and foster care.

Increase access to a comprehensive continuum of housing and service options across the state that will vary depending on the needs of the household.

To be most effective, each individual and family who is homeless or at-risk of becoming homeless should receive the right type of assistance to meet their needs for the right period of time and in the right setting. The assistance should be tailored to the individual's or family's needs, which will likely vary over time. Tailored assessments are likely to simultaneously result in better meeting the needs of the clients and in using scarce resources more efficiently. This requires ongoing assessments and coordinated funding and service models. In addition, to ensure access across the state, Minnesota Housing needs to work with its partners to increase the supply of housing and service options where they are limited.

Lead the Interagency Council on Homeless.
A number of state agencies serve persons experiencing homelessness. The solutions to ending homelessness do not reside with one activity or one government agency. Cross –agency coordination of resources and programs is even more important as resources contract. The Agency will take leadership in reinvigorating the Interagency Council on Homelessness to raise the profile of the issue and to expedite decision-making, improve coordination and ensure consistent policies among state agencies serving persons experiencing homelessness.



PRIORITY: Prevent foreclosures and support community recovery

Even with recent improvements, the foreclosure crisis is far from over. In 2011, there were over 21,000 sheriff sales, which is three times the number in 2005. The statewide delinquency rate is still above 5 percent, when the historical norm is 1 to 2 percent. Furthermore, it may take years for communities and individuals adversely affected by the foreclosure and housing crisis to recover and some communities have a large number of vacant and substandard housing units. For example, home prices in communities like North Minneapolis are 75 percent below their historical highs. According to CoreLogic, 18.4% of Minnesota homeowners with a mortgage are underwater.

Strategies

Prevent Future Foreclosures.

According to research, foreclosure counseling only costs about $410 per household, but each foreclosure costs homeowners, neighboring households, lenders, loan servicers, and local governments up to $80,000. Consequently, Minnesota Housing will continue to finance foreclosure counseling and pursue other prevention effective and viable prevention efforts.

Support and encourage comprehensive community recovery initiatives that are integrated with broader community development goals.

Community recovery from the foreclosure crisis is more than a housing recovery. To make a community that was destabilized a desirable place to live again, it needs job opportunities, good schools, safe neighborhoods, access to public transportation, and places to shop and participate in community activities. Minnesota Housing initiatives need to be well integrated with these other recovery efforts.

Use data and analyses to identify community recovery needs across the state and target resources where they will have the greatest impact.

Recovery efforts need to be targeted to communities where they will have the greatest impact because there are insufficient resources to serve all communities needing assistance. Minnesota Housing will continue to allocate community recovery resources in a targeted manner.

Support community recovery efforts by serving homebuyers and homeowners adversely affected by the foreclosure and housing crises.

When appropriate and when risks are minimized, Minnesota Housing will provide alternative financing options for homebuyers and homeowners not currently served by conventional lending markets, including contracts for deed, rent-to-own options, and unsecured home improvement loans. Minnesota Housing will also continue to support community programs designed to address the substantial rehabilitation of substandard properties that is often needed to attract new owners to a community.

Principles and Cross-Cutting Priorities

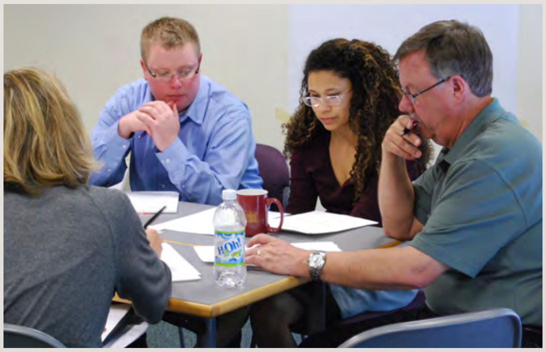
As the Agency implements its strategies and carries out its mission, it will consider certain overarching principles and cross-cutting priorities when evaluating proposed projects and activities:

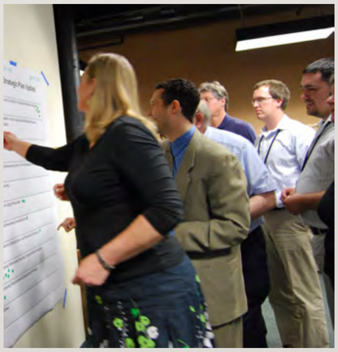
- ***Is the activity a reflection of the Agency's mission and based on sound financial principles?***
- ***Does the activity use the Agency's resources to attract additional financial resources?***
- ***Does the activity achieve multiple policy objectives?***
- ***Is the activity consistent and coordinated with policies, goals, and activities of other relevant state and federal agencies?***
- ***How does the activity support low- and moderate-income Minnesotans facing barriers to housing success?***
  Under state law, Minnesota Housing serves people not adequately served by the private sector. The Emerging Market Homeownership Initiative (an effort to increase successful homeownership in communities of color) is an example of how the Agency integrates this perspective into our daily work. Significant disparities in income and employment rates exist between households of color and white households in Minnesota, which can affect their ability to be stably and affordably housed. Outreach to households of color and monitoring of tenant characteristics are examples of ways the Agency seeks to overcome the impact of these disparities.
- ***How does the activity support the state's aging population?***
  As the baby boom generation retires, serving the state's aging low and moderate income households will be an important perspective in policy and investment decisions.
- ***How does the activity support economic integration?***
  Low and moderate income families should have affordable housing opportunities throughout the state, including higher income communities. Concentrations of poverty and economic segregation have limited housing and economic opportunities for many Minnesotans.
- ***How does the activity promote location efficiency?***
  Housing and transportation are closely linked. Where you live plays a key role in how far you need to travel on a daily basis and affects your transportation costs. Thus, housing affordability is really a combination of housing plus transportation costs.
- ***How does the activity incorporate green/sustainable housing concepts?***
  Most of the Agency's programs already have green or sustainable housing requirements, but the Agency will continue to assess and refine these requirements to ensure that it invests in efficient and health housing.
- ***How does the activity complement local community (re)development efforts?***
  Housing is not developed in isolation. It is built or rehabilitated in a larger community context. It is the Agency's mission to foster strong communities while providing its financial resources for housing.
- ***How does the activity adapt to regional differences in housing needs?***
  The conditions of the housing stock, vacancy rates, income levels, business climate, and household demographics are not uniform throughout the state, resulting in differing regional housing needs. As a statewide organization the Agency must have flexible enough programs and processes to be re-sponsive to regional differences while promoting its mission and statewide priorities and principles.

Strengthening the Organizational Capacity of Minnesota Housing

Having a strong organizational capacity is fundamental to the Agency's ability to implement effective strategies and fulfill its mission. To accomplish this, the Agency will emphasize the following:

- ***Develop and Maintain an Outstanding Workforce.***
  - **Workforce Planning.** Identify the types of positions and competencies the Agency needs for the markets in which it works and the business models it engages; enhance recruiting and selection efforts; and plan for anticipated retirement and turnover.
  - **Professional Development.** Refine and implement a comprehensive professional development program, including needs assessments, resource guides, content delivery, tuition reimbursement, and career coaching; continue to refine and implement the Agency's performance management system.
- ***Manage Risks Effectively to Preserve Financial Strength.***
  Refine and implement the Agency's Risk Management framework.
- ***Develop Effective Work Processes Supported by Technology.***
  Implement the Business Technology Roadmap (Faster Future by 2014) designed to improve work flow, data integration, communication, and customer service.





Minnesota Housing Finance Agency

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Contact Minnesota Housing to learn more about housing assistance programs, how to apply for assistance, or how to participate in Minnesota Housing programs as an administrator or partner.

DRAFT 6.21.12

EQUAL HOUSING OPPORTUNITY

AGENDA ITEM: 9.B.(2)
MINNESOTA HOUSING BOARD MEETING
June 21, 2012

ITEM: Fiscal 2013 Administrative Budget

CONTACT: Barb Sporlein, (651) 297-3125 barb.sporlein@state.mn.us Terry Schwartz, (651) 296-2404 terry.schwartz@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 Agency's administrative budget is prepared and presented to the Board each June. Presentation of the administrative budget is informational and no action by the Board is required.

FISCAL IMPACT:
The Agency's administrative budget is funded by earnings from loan programs and other investments, and from fees for service activities. The same revenue-generating activities also provide funding for programs, thus it is necessary for the agency to weigh administrative budget proposals against its desire to provide additional program funding. The fiscal 2013 administrative budget represents the funding necessary to support the level of program activity the Agency is committed to.

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
- Administrative Budget FY 2013
- Administrative Budget History and Forecast
- Administrative Expenditures as % of Assistance Provided

BACKGROUND

Staff has prepared the fiscal 2013 administrative budget for the operating expenses necessary to administer housing programs and initiatives and to meet work plan goals and objectives. The administrative budget does not include program expenditures such as loans, grants, and other housing assistance disbursements. Those expenditures are components of the Affordable Housing Plan which, for FFY 2012 and FFY 2013, is a one-year budget approved by the Board.

The fiscal year 2013 administrative budget is $26,887,000. This represents $1,274,000 or 5% more than the fiscal 2012 budget but, if fully expended, will represent an increase of $4,143,000 or 18% compared to the projected actual expenditures for fiscal 2012.

Primary drivers behind the increases from projected 2012 levels are: (1) hiring delayed in 2012 was completed toward the end of fiscal 2012, causing 2013 to reflect a full year's impact of those staffing decisions, plus new FTEs to carry out planned business improvements; (2) information technology investments are expected to be larger in 2013 resulting in higher costs for computer equipment and software acquisitions and for professional and technical contracts for contracted IT project work; and (3) increased expenditures are planned for agency conference rooms, which have not been updated since the Agency moved to this building in 1985. The 2013 figure for professional development and other benefits reflects an increase in professional development and a decrease in known separation expenses.

Actual expenditures have been less than the approved budget for the past several years as some mainly technology-based investments and projects were not fully implemented. The estimated administrative expenses as a percentage of assistance provided is 3.75%, which has been relatively steady the past three years. The average annual administrative expense growth between 2007 and 2011 is 1.73%.

It should also be noted that while every effort is made to achieve a high degree of accuracy in forecasting expenditures through the end of fiscal 2012, actual expenditures may vary from the forecast. The forecast of Assistance Provided that is shown on the third table for fiscal 2012 is also subject to change, especially given that Assistance Provided uses activity through September 30, 2012, meaning that four months remain in the reporting period.

MINNESOTA HOUSING FINANCE AGENCY
FISCAL YEAR 2013 ADMINISTRATIVE BUDGET

EXPENSE CATEGORY	2013 Budget	2012 Budget	2013 Change from 2012 Budget	2012 Forecast	2012 Budget (Savings) Overage
Salaries	$ 19,583,000	$ 18,479,000	6.0 %	$ 17,803,000	(3.7)%
Computer Systems & Services/Supplies/Equipment	1,843,000	1,687,000	9.2 %	1,343,000	(20.4)%
Professional & Technical Contracts	2,040,000	1,848,000	10.4 %	865,000	(53.2)%
Other General Operating	2,049,000	2,029,000	1.0 %	1,720,000	(15.2)%
Professional Develop & Other Benefits	505,000	710,000	(28.9)%	324,000	(54.4)%
Travel	366,000	359,000	1.9 %	239,000	(33.4)%
State Indirect Costs	501,000	500,000	0.2 %	446,000	(10.8)%
TOTALS	**$ 26,887,000**	**$ 25,612,000**	5.0 %	**$ 22,740,000**	(11.2)%

MINNESOTA HOUSING FINANCE AGENCY
ADMINISTRATIVE BUDGET HISTORY AND FORECAST TO FISCAL YEAR END 2011 (000's)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY* 2012	FY 2013
Budgeted	20,038	20,843	21,850	21,266	23,523	24,472	27,502	25,697	26,063	25,612	26,884
Actual**	19,089 [2]	20,186	20,124 [3]	21,266 [4]	22,832 [5]	24,001	25,178 [9]	24,447 [9]	23,319 [9]	22,742 [10]	N/A
Variance	949	657	1,726	0	691	471	2,324	1,250	2,744	2,870	N/A

Average annual actual administrative expense growth during the five year period from 2007-2011 is 1.73%

	FY 2008	FY 2009	FY 2010	FY 2011	FY* 2012	FY 2013
Expense actual change % year/year	7.36%	5.12%	4.90%	-2.90%	-4.61%	-2.47%
Expense actual change $$ year/year	1,566	1,169	1,177	(731)	(1,128)	(577)
Sustainable core net earnings before unrealized gain/loss***	42,167	33,494 [6]	7,308 [7]	6,923 [7]	13,000 [8]	17,000

Notes:

* For FY2012 the "actual" amount is MHFA's forecast estimate.

** Actual expense is gross amount not reduced by overhead recoveries

[1] HUD-Contract Administration staff and infrastructure added

[2] Information Systems initiatives for Multifamily and Single Family HDS begin

[3] No 4d. monitoring

[4] Acquired second floor space

[5] Implemented Single Family HDS

[6] Funds restructure

[7] Incurred higher loan losses and lower investment earnings

[8] Incurred less loan losses

[9] Incurred lower than expected Information Systems contractor expense and salary savings due to turnover, retirements & hiring restrictions

[10] Incurred lower than expected Information Systems contractor expense and salary savings due to turnover, retirements

MINNESOTA HOUSING FINANCE AGENCY
ADMINISTRATIVE EXPENDITURES AS A PERCENTAGE OF ASSISTANCE PROVIDED

Expenditures (Thousands)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 Est
Administrative Expenditures (NOTE A)	18,222	19,089	20,186	20,124	21,266	22,832	24,001	25,178	24,447	23,319	22,741
Assistance Provided (NOTE B)	520,956	466,806	533,983	637,314	717,616	744,983	669,756	444,237	717,376	726,979	606,954
Admin Exp % of Assistance Provided	3.50%	4.09%	3.78%	3.16%	2.96%	3.06%	3.58%	5.67%	3.41%	3.21%	3.75%

NOTE A. The administrative expenditures are taken from the state accounting system. In each case, the figure is for the state fiscal year ending 6/30/xx.

NOTE B. The assistance amounts are taken from the agency's assessment report and are for the federal fiscal years ending 9/30/xx.

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AGENDA ITEM: 9.C.(1)
MINNESOTA HOUSING BOARD MEETING
June 21, 2012

ITEM: Affordable Housing Plan Amendment, Homeownership Assistance Fund

CONTACT: Margaret Davies, 651-296-3631
margaret.davies@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:
Approve the use of estimated 2011 HAF AHP carry-forward funds in the amount of $415,750 and the reallocation of $654,736 in Pool 3 funds within the Affordable Housing Plan (AHP) by increasing the budgeted amount of the Homeownership Assistance Fund by $654,736 and decreasing the budgeted amount for Technical Assistance and Operating Support by $654,736.

FISCAL IMPACT:
Use of the estimated 2011 HAF AHP carry-forward for new activity is prudent, since the budget requires both carry-forward from the previous AHP and into the next AHP to cover commitments. In addition, the reallocation transfers resources from an underutilized program to maintain production under the HAF program that supports the Minnesota Mortgage Program AHP budget amount. The Minnesota Mortgage Program is one of the main revenue-generating programs for the Agency.

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

BACKGROUND:

The Homeownership Assistance Fund (HAF) provides entry cost assistance (ECA) to income-eligible first-time homebuyers purchasing their homes through Agency mortgage revenue bond programs (i.e., the Minnesota Mortgage Program (MMP), or the Community Activity Set Aside (CASA) Program). A HAF loan is provided in the form of an interest-free, deferred second mortgage loan.

The estimated HAF program deficit results from the continued higher-than- estimated demand for ECA due to market conditions and the narrow spread that the MMP/CASA interest rates have on market interest rates. Various surveys and focus groups performed by the Single Family division document the lack of financial assets sufficient to cover downpayment and closing costs as the biggest barrier to homeownership for first time homebuyers. In addition, a May 2012 Moody's Investors Services report notes that rising single family mortgage fees such as origination fees and closing costs result in increased borrower need for ECA programs such as HAF. Changes in the real estate and mortgage industry combined with a decrease in household wealth and difficulties issuing tax-exempt bonds in the market have resulted in an increase in the percentage of Minnesota Housing borrowers receiving ECA from 34.4% in 2007-2008 to 73.4% in 2012. In addition, lender utilization of the alternative Agency ECA program, HOME HELP, has been lower than anticipated.

Proposal for Current AHP

The proposed AHP amendment includes the use of $415,750 of estimated 2011 excess HAF carry-forward for new activity and reallocation of $654,736 of 2012 Technical Assistance/Operating Support funds. Single Family staff believes that the requested amendment of $1,070,486 is sufficient to meet HAF program needs through the end of the AHP. The HAF deficit projection relies on many assumptions, including the assumption that current levels of production stay the same throughout the remainder of the AHP. Thus, a change in production levels will result in a change in the estimated deficit. In addition, the estimate relies on an estimate of prepayments. Accounting staff projects higher than anticipated repayments, the exact amount to be determined after the June board meeting. If the amount of the deficit increases due to market, production, or prepayment changes that cause demand or resources to differ from current estimates, Single Family staff may request an additional AHP reallocation and/or program loan amount changes from the Board before the end of the AHP.

Reallocation

Resources are available to be reallocated due to lower than estimated usage under the Technical Assistance and Operating Support Budget. A portion of the budgeted Technical Assistance and Operating Support activities were financed through non-Pool 3 funding sources. Adequate funds remain in the budget for miscellaneous Technical Assistance and Operating Support activities to fund any necessary expenses throughout the remainder of the 2012 AHP.

It is not unusual to reallocate funds in the AHP as estimates prepared based on multiple assumptions may not reflect actual activity. The following table summarizes recommended AHP reallocations:

Program	Fund Source	AHP Budget (12/15/11)	Proposed Amended AHP Budget	Change	Result
Homeownership Assistance Fund (HAF)	Pool 3	$4,820,244	$5,474,980	$654,736	Reallocation of Pool 3 funds from Technical Assistance and Operating Support Budget
Technical Assistance and Operating Support Budget	Pool 3	$2,217,000	$1,562,264	($654,736)	Reallocation of Pool 3 funds to MMP, HAF

Estimated Carry-Forward

Each AHP, the HAF budget includes funds to cover commitments for HAF loans that will be funded in the following year's AHP. Approximately 20% of HAF commitments do not result in purchased HAF loans due to cancellations. However, the existing policy does not allow these funds to be used for new activity in the following year's AHP. This results in an inflation of the HAF budget, since funds are budgeted to cover 100% of the carry-forward from the past AHP (20% of which will cancel), as well as 100% of HAF commitments carried forward into following year's AHP (20% of which will cancel). Staff recommends allowing the remaining estimated 2011 carry-forward funds to be used in the 2012 AHP for new activity, since the budget also includes funds for 2012 carry-forward of commitments into the 2013 AHP. Due to the nature of the HAF carry-forward, staff recommends allowing a previous year's unused carry-forward to be used for new activity in future AHPs.

Long-Tem Solution

In April 2012, the Board approved the redesign of the home mortgage programs, scheduled for an October 1, 2012, implementation, which will provide a long-term ECA budget solution. The home mortgage program redesign includes the addition of an interest-bearing ECA option, expanding the number of funding sources to ensure consistent access to downpayment and closing cost assistance. The interest-bearing ECA option, funded with Pool 2 resources, requires monthly payments that replenish program funds more quickly than deferred loans. In addition, the maximum HAF loan amount under the redesign calibrates the loan amount more closely to borrower need by setting the maximum amount equal to the greater of $3,000 or 3% of the purchase price.

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(1)
MINNESOTA HOUSING BOARD MEETING
June 21, 2012

ITEM: Galway Place, Coon Rapids D0354

CONTACT: Leslee Post, 651-296-8277
leslee.post@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 recommends the adoption of a Resolution authorizing the issuance of a Loan Commitment under the Preservation Affordable Rental Investment Fund (PARIF) program in the amount of $500,000 subject to the terms and conditions of the Agency's mortgage loan commitment and other loan documents.

FISCAL IMPACT:
The new PARIF loan will be funded from state appropriations and will not have any fiscal impact on 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
- Development Summary
- Resolution

BACKGROUND

Galway Place is a 36-unit 100 percent Section 8 family townhouse development located in Coon Rapids. Galway Place was built in 1982 and funded through the Section 8 first mortgage program. The initial 30-year Housing Assistance Payments (HAP) contract expired on May 27, 2012.

In 2010 the owner pre-paid the first mortgage by using the balance in the development reserve account. In 2011 the owner gave notice of his intent to not pursue contract renewal when the initial contract expired; negotiation with Agency staff resulted in the notice being rescinded, and the owner agreed to enter into a 5-year contract renewal under the Section 8 mark-up-to-market program in return for a deferred PARIF loan. The local HUD office agreed to allow a very short term renewal (two months) to allow for processing of the PARIF request.

The HUD-restricted contract rents are currently $145 to $200+ below comparable market rents in the area. The contract rents will still be $125 to $180 below market after an approximately 1.8 percent increase under the mark-up-to-market program.

The property has been well maintained; both siding and roofs have been replaced. A score of 90 was given at the time of the last REAC inspection, and Agency staff has commented on the favorable condition of the property in their physical inspection reports.

The property provides housing for several extremely low income families; there are currently 3 zero-income households; 4 households pay less than $50 for rent and another 8 pay less than $200. The average tenant portion of the rent is $282. While the residents may be eligible for Housing Choice vouchers if the HAP contract is not renewed, they will likely lose the higher quality of life choices that are currently available to them.

Galway Place is located in an excellent residential location in Coon Rapids. There are 10 schools (including Montessori type) within 1 mile, many parks including a soccer complex and indoor ice rink within 1-2 miles with 4 less than a ½ mile away, groceries within ½ mile, and Target/Walmart within 3 miles. In addition, public transportation runs on Hanson Blvd with bus stops just steps away from the site. These amenities, the condition of the property and the below-market contract rents increase the likelihood of a successful transition to market rate should the owner choose to not renew the HAP contract.

Annual HAP payments average $248,553; the present value of the rent affordability and an additional 5 years of subsidy represent a cost-benefit ratio of 2.83.

The proposed PARIF deferred loan would be fully repayable. Repayment would be deferred at 0 percent interest until the end of the 5-year renewal HAP contract term.

DEVELOPMENT SUMMARY

DEVELOPMENT:

Name:	Galway Place		App#: D0354
	M16233		
Address:	11240 Osage St NW		
City:	Coon Rapids	County: Anoka	Region: MHIG

MORTGAGOR:

Ownership Entity: Galway Place Limited
General Partner/Principals: James Stanton
Shamrock Properties, Inc.

DEVELOPMENT TEAM:

General Contractor: N/A
Architect: N/A
Attorney: Barna Guzy & Steffen Ltd, Coon Rapids
Management Company: Cedar Management
Service Provider: N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$500,000 PARIF Deferred Loan
Funding Source: State Appropriations
Interest Rate: 0.00%
Term (Years): 5

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORD-ABILITY**
2 BR	26	1,070	$986	$986	30% of income
2 HC	2	924	$955	$955	30% of income
3 BR	7	1,348	$1,090	$1,090	30% of income
4 BR	1	1,550	$1,192	$1,192	30% of income
TOTAL	**36**				

NOTES: * The amounts listed under "Agency Limit" are based on U.S. Department of Housing and Urban Development (HUD) approved rents.
** Please note that 36 units have the benefit of Project Based Section 8, and while the gross rents reflect the actual contract rent plus a utility allowance, the tenant only pays 30 percent of household income.

Purpose:
Preservation of Federally Assisted Housing (Project Based Section 8): The owner gave his notice to opt - out of the Section 8 program; after negotiations with the Agency, the owner agreed to stay in the program in exchange for a PARIF loan.

Target Population:
The development serves very low income families with a mix of units, housing a range of households from large to very large families.

Project Feasibility:
Galway Place is a significant affordable housing resource in Coon Rapids, with its close proximity to services and public transportation. The cost to preserve the Section 8 assistance is reasonable.

Development Team Capacity:
James Stanton, the general partner, is an experienced market rate real estate developer with the financial means to maintain the development. The management agent, Cedar Management, is an owner-related entity and has managed the development since it was built. The development has benefited from having long term management in place; the agent knows the property well, creating efficiencies in operations.

Physical and Technical Review:
The physical inspection report completed by Agency staff dated 7/27/11 states that the property is well maintained and has good curb appeal. The property received a score of 90b at the REAC inspection completed 11/2/11.

Market Feasibility:
The development has 36 units of project based Section 8 rental assistance and there continues to be a strong need for the housing. Galway Place would be able to compete in the market as a non-subsidized property due to location and physical condition if the Section 8 assistance is not preserved.

Supportive Housing:
Not applicable.

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	$502,500	$13,958
Acquisition or Refinance Cost		$0
Equity Take-out	$500,000	$13,889
Soft Costs (excluding Reserves)	$2,500	$69
Non-Mortgageable Costs (excluding Reserves)		$0
Reserves		
Total PARIF Loan		$500,000
Total General Partner Cash		$2,500

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING MORTGAGE SELECTION/COMMITMENT PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) 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:	Galway Place
Owner/Mortgagor:	Galway Place Limited
General Partner:	James Stanton/Shamrock Properties, Inc.
Location of Development:	Coon Rapids
Number of Units:	36
General Contractor:	Not applicable
Architect:	Not applicable
Amount of Development Cost:	$502,500
Amount of Preservation Loan:	$500,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage loan from appropriated funds to said applicant for the indicated development, upon the following terms and conditions:

1. The Initial Closing of such PARIF loan shall be on or before February 28, 2014; and

2. The amount of the PARIF loan shall be $500,000 with payment deferred for five years, after which time the full amount will be due in one lump sum; interest not to exceed 0 percent per annum; and

3. The Agency shall review and approve the Mortgagor; and

4. In accordance with subd. 39 of Minn. Stat. § 462A.05, and the rider to the appropriation providing funds to the program, the Mortgagor will enter into a covenant running with the land requiring owner to renew the Section 8 HAP contract for the term of the PARIF loan, and providing the right of first refusal to a non profit or local unit of government should the Owner receive a viable purchase offer during the term of the loan; and

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

6. 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 loan, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

RESOLVED, FURTHER, that it is hereby determined to finance the Development permanently with funds from the Preservation Affordable Rental Investment Fund state appropriations.

Adopted this 21st day of June 2012.

____

CHAIRMAN

AGENDA ITEM: 10.A.
MINNESOTA HOUSING BOARD MEETING
June 21, 2012

ITEM: Economic Development and Housing Challenge Program,
Resident Owned Manufactured Home Parks Pilot Program Update

CONTACT: Andrew Hughes, 651-296-9841
andrew.hughes@gmail.com

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:
At the request of the Board, staff is providing an update on the Resident Owned Manufactured Home Parks Pilot Program. No action is requested of the Board today.

FISCAL IMPACT:
Board action has not been requested; therefore, there will be no fiscal impact.

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):
- Program Update

PROGRAM UPDATE

Program Background:
In the current Affordable Housing Plan, $6 million has been allocated under the Economic Development and Housing Challenge Program for the Resident Owned Manufactured Home Parks Pilot Program. These funds are deployed by the Agency through participation loans. The Agency's funds for this program are sourced from the Housing Investment Fund/Pool 2 and are not supported by state appropriations or other deferred resources. As a participating lender, the Agency invests its funds in loans made by Resident Owned Capital, LLC (ROC-USA), national non-profit. ROC-USA acts as the lead lender and is responsible for loan servicing and loan origination and takes a lead role in due diligence review. Additionally, ROC-USA contracts with the Northcountry Cooperative Foundation (NCF), a local non-profit. NCF engages the cooperative in development activities, such as organizing the cooperative entity and contracting for third-party reports. NCF is retained after closing to provide ongoing technical assistance to the cooperative. Together, ROC-USA and NCF provide technical expertise and resources in manufactured housing and cooperative communities.

Program Activities to Date:
Since the Board was initially briefed on the program at its January 2010 meeting, staff requested and the Board approved funding for one loan, which was the acquisition of the Park Plaza Manufactured Housing Community in Fridley. Additional proposals have not been brought to the Board for several reasons. For one, the Agency acts as a participating lender in these transactions. As such, only certain proposals are brought to the Agency for consideration for its funding; proposals must first be vetted and approved by other partners (NCF and ROC-USA). NCF is currently conducting outreach to identify other acquisition opportunities. With help from ROC-USA, NCF has been developing its outreach and marketing efforts to identify and pursue potential sellers. At this point, staff anticipates bringing a second funding request to the Board for selection and commitment later this summer.

ROC-USA has provided financing to thirteen communities nationwide, totaling nearly $30 million in resources deployed to benefit 1,100 households. ROC-USA has employed the participation loan model with other lenders to leverage its resources. ROC-USA continues to enjoy annual awards from the CDFI Fund of the U.S. Department of Treasury of $2.25 million and program-related investments from Bank of America, Wells Fargo CDC, the Rockefeller Foundation and the Ford Foundation totaling $11 million. 2011 was significant for ROC-USA because it reached financial sustainability, with all of its operating costs covered by earned revenues.

Program Outcomes to Date:
The Agency initially provided funding for this program to meet certain program objectives including: preserve affordable housing that would otherwise be lost if the park were to close; preserve affordability by stabilizing or lowering lot fees; improve park conditions; strengthen the park community; and maintain and possibly increase the value of individual homes in the park. Park Plaza closed just over one year ago and is the first development utilizing this funding source. Program objectives were met by the preservation of the community and the formation of a cooperative. The cooperative is gaining capacity and a physical improvement plan has been implemented. These actions will contribute to the long-term sustainability of this housing resource. In addition, future proposals will benefit from the underwriting criteria and design standards that have already been developed. Additional time and proposals will be needed to provide detailed outcomes of the program.

AGENDA ITEM: 10.B
MINNESOTA HOUSING BOARD MEETING
June 21, 2012

ITEM: Post-Sale Report, Rental Housing Bonds, 2012 Series A

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 $8,965,000 of rental housing bonds on May 9, 2012 to provide financing for its Rental Housing program (Yorkdale Townhomes). Pursuant to the Debt Management Policy, the attached post-sale report about the sale's results is provided by the Agency's financial advisor, CSG Advisors, as an information item at the Board Meeting. This is an information item and 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):
$8,965,000 Post-Sale Report.

CSG advisors

MEMORANDUM

Date: **May 25, 2012**

To: **Minnesota Housing Finance Agency (the "Agency")**

From: **Gene Slater, Tim Rittenhouse, David Jones**

Re: **Post-Sale Report**
$8,965,000
Rental Housing Bonds, 2012 Series A (Yorkdale Townhomes)

Key Features

Purpose of Bonds	Finance acquisition and rehabilitation of Yorkdale Townhomes multi-family project
Project	90 units in Edina
Indenture	Parity issue under Agency's 1988 Rental Housing General Bond Resolution
Rating	'Aa1' from Moodys and 'AA+' from Standard & Poor's
Loan Protections to MHFA	• Section 8 Rental Assistance Payments Contract on 100% of units, expiring in 2019, with borrower covenant to apply to HUD to renew • FHA Risk-Share, with Agency responsible for 50% of any loss • 4% Low Income Housing Tax Credit investment
Existing Debt **New Subordinate Debt**	$3.2 million of existing MHFA debt will be repaid at closing. $2.7 million of existing MHFA debt will be forgiven (helps satisfy MHFA IRS yield compliance where it is above allowed spread) New HOME Affordable Rental Preservation program loan of $2.895 million.

	Series A-1	Series A-2
$ Amount	$ 4,175,000	$ 4,790,000
Maturity	Aug. 1, 2048	Aug. 1, 2014
Security to MHFA Sale Method Yield	FHA 50% Risk-Share Negotiated sale to AFL-CIO Investment Trust 3.75%	Tax Credit Equity Pay-In Publicly underwritten and sold 0.75%

Summary of Results for Public Sale of Series A-2 (Bridge Bonds)

Pricing Date Wednesday, May 9

Order Period Single order period because of size, single maturity

Managers RBC sole manager, because of small size.

Selling Group Due to the small issue size, there was no selling group.

Market Context

Overall: U.S. treasury bonds ("UST") rallied in early May due to Euro debt crisis fears, dropping in yield on longer maturities for 7 consecutive trading days through May 9th. At end of May 9th, the 1-year UST remained at 0.18%, and the 2-year UST was at 0.27% (10-year UST dropped to 1.87% and 30-year UST to 3.07%), all near record lows.

Municipals: Municipal yields have generally followed UST yields, with short-term municipals at very low levels. The 1-year MMD AAA General Obligation Index was 0.20% at pricing, the same as at the beginning of the year, and close to the 1-year UST.

Timing: Escalating worries over Greece and the Euro have kept rates on treasuries and, indirectly municipals, near record low levels. The day of pricing continued the rally in municipals and treasuries.

Housing Issues: The only housing issues priced earlier in May were:

- Connecticut Multi-Family (same day but no maturities before 2021)
- Rhode Island Single-Family (May 8, Aa2/AA+ with 2 year at 0.75%)
- New Mexico Single-Family (May 2, AA+ with spring 2014 at 0.70% and fall at 0.85%)

Volume of other housing issues has been light, and except for the Connecticut issue, no other housing issues were scheduled for the same week.

Bond Structure The only publicly sold bonds were the August 1, 2014 maturity, which is optionally callable beginning February 1, 2014.

Initial Pricing Bonds were initially proposed at a yield of 0.80%, or a spread of 49 basis points over the 2-year MMD Index.

Reception Strong institutional performance provided $16,870,000 of orders, approximately 4 times the available bonds. This allowed the yield to be reduced by 5 basis points.

Overall Overall the pricing went very well, with strong demand and a very attractive bond yield for MHFA's bridge bonds – achieving a spread of 44 basis points to near-record low 2-year MMD.

Comparative Results There were no other housing issues with single large short maturities. All of the other issues offered modest size serial maturities beginning as early as 2012 and extending as far as 2024. Small maturities can usually achieve lower yields, but MHFA's spread was the same as Rhode Island's priced the day before and similar to New Mexico's sold the week before.

Underwriter Performance RBC performed very well as sole manager, providing broad institutional market penetration.

Market Commentary on Series A-1 Private Placement

Placement Results The yield for a 2048 term bond was 3.75%, a 67 basis points spread to the MMD yield curve.

Market Comparables By comparison, the spreads on other housing bonds due in 30 or more years ranged from a low of 69 basis points for Montgomery County, Maryland (in a state that historically garners very tight spreads) to 91 basis points for New Mexico single-family bonds and 106 basis points for Rhode Island single-family. In general, based on the market at the time and typical relationships to other issues, we would have expected Minnesota housing bonds of this maturity to trade at least at 4.00% or a spread around 92 basis points. The relative scarcity of housing issues so far in 2012 has helped tighten spreads.

The low bond yield, complemented by the lower transaction costs of a private placement, helped provide excellent results for MHFA on this term bond.

Minnesota Housing Finance Agency
Rental Housing Revenue Bonds - 2012 Series A (Yorkdale Townhomes)
Final Pricing Comparables (Non-AMT)

SALE DATE	May 9, 2012		May 9, 2012		May 8, 2012		May 2, 2012		May 2, 2012	
ISSUER	Minnesota HFA		Connecticut HFA		Rhode Island HMFC		New Mexico MFA		Connecticut HFA	
AMOUNT	$8,965,000		$24,620,000		$25,000,000		$40,000,000		$168,380,000	
SERIES	2012 Series A		2012 Series B		Series 61-AB		2012 Series A		2012 Series A	
PROGRAM	**Multifamily** / Negotiated		**Multifamily** / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
RATING(S)	Aa1 / AA+ / -		Aaa / AAA / -		Aa2 / AA+ / -		- / 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									0.17	-3
2013					0.45	+25	0.375 / 0.50	+18	0.22 / 0.47	+2
2014	0.75	+44			0.75	+44	0.70 / 0.85	+39	0.55 / 0.65	+24
2015					1.15	+69	1.00 / 1.15	+53	0.95 / 1.05	+48
2016					1.40	+79	1.20 / 1.30	+55	1.25 / 1.30	+60
2017							1.40 / 1.50	+58	1.50 / 1.60	+68
2018							1.80 / 1.875	+78	1.80 / 1.90	+78
2019							2.10 / 2.15	+86	2.05 / 2.15	+81
2020					2.40 / 2.45	+103	2.35 / 2.40	+89	2.35 / 2.40	+89
2021			2.45	+87	2.70 / 2.80	+110	2.60 / 2.65	+91	2.60	+91
2022			2.65	+91	3.00	+124	2.85	+100	2.75 / 2.80	+90
2023			2.80	+90	3.05	+113	3.00	+100	2.95	+95
2024							3.125	+99		
2025										
2026					3.45	+118				
2027							3.50	+103		
2028			3.35	+93						
2029										
2030										
2031										
2032							3.80	+99	3.55	+74
2033										
2034										
2035										
2036										
2037					4.10	+107				
2038										
2039										
2040										
2041										
2042					4.15	+106	4.125	+91		
2043							PPAC 2.30*	+148		
2048	3.75	+67								
							* Premium PAC yielding 2.30% with 5.0 yr A/L from 75% - 500% PSA. 4.25% coupon, $109.055 price.			
MKT INDEX	BBI / RBI	3.81% / 4.77%	BBI / RBI	3.81% / 4.77%	BBI / RBI	3.81% / 4.77%	BBI / RBI	3.86% / 4.78%	BBI / RBI	3.86% / 4.78%
SEN MGR	RBC Capital Markets		Citigroup		Morgan Stanley		RBC Capital Markets		JP Morgan	

Minnesota Housing Finance Agency
Rental Housing Revenue Bonds - 2012 Series A (Yorkdale Townhomes)
Final Pricing Comparables (Non-AMT)

SALE DATE	May 9, 2012		April 26, 2012		April 16, 2012		April 10, 2012		April 3, 2012	
ISSUER	Minnesota HFA		Maine SHA		Montgomery Co., MD HOC		Vermont HFA		Utah Housing Corp	
AMOUNT	$8,965,000		$36,800,000		$24,935,000		$19,420,000		$19,055,000	
SERIES	2012 Series A		2012 Series A		2012 Series A		2012 Series A and C		Series 2012	
PROGRAM	**Multifamily** / Negotiated		Single Family / Negotiated		**Multifamily** / Negotiated		SF & **MF** / Negotiated		**Multifamily** / Negotiated	
RATING(S)	Aa1 / AA+ / -		Aa1 / AA+ / -		Aaa / - / -		Aa3 / AA / -		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			Sealed Bid							
2013			0.90	+70	0.25 / 0.30	+5				
2014	0.75	+44	1.25	+94	0.55 / 0.65	+22				
2015			1.50	+103	0.875 / 0.95	+40				
2016			1.85	+120	1.125 / 1.20	+44			1.70	+89
2017			2.20	+138	1.40 / 1.50	+53			1.90	+90
2018			2.60	+157	1.75 / 1.80	+66			2.20	+94
2019			3.00	+175	1.95 / 2.00	+63			2.45	+98
2020			3.10	+162	2.25 / 2.30	+70			2.70	+102
2021			3.30	+159	2.45 / 2.50	+67			2.90	+101
2022			3.45	+158	2.75	+80			3.10	+102
2023					2.90	+80				
2024			4.00	+185						
2025										
2026									3.75	+115
2027					3.45	+86				
2028			PPAC 3.00*	+220			3.85	+117		
2029										
2030									4.10	+119
2031										
2032					3.75	+82				
2033										
2034										
2035										
2036										
2037					3.95	+70				
2038										
2039										
2040										
2041										
2042										
2043					4.00	+69				
2048	3.75	+67								
			* Premium PAC yielding 3.00% with 4.90 yr A/L from 55% - 400% PSA. 4.50% coupon, $106.654 price.							
MKT INDEX	BBI / RBI	3.81% / 4.77%	BBI / RBI	3.86% / 4.78%	BBI / RBI	4.08% / 4.88%	BBI / RBI	4.08% / 4.88%	BBI / RBI	4.02% / 4.85%
SEN MGR	RBC Capital Markets		Citigroup		B of A Merrill		Citigroup		Wedbush Securities	

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