MEETINGS SCHEDULED FOR FEBRUARY

Location:

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

THURSDAY, FEBRUARY 28, 2013

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

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, February 28, 2013.

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

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

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Minnesota Housing Finance Agency

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Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A

Minnesota Housing Finance Agency Board Meeting

Thursday, February 28, 2013

1:00 p.m.

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

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. Regular Meeting of January 24, 2013
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
6. **Consent Agenda**
   A. Modification, Preservation Affordable Rental Investment Fund (PARIF) Program
      - Abbey Field Townhouses, St. Francis
   B. Waiver of Redefined Equity II Program Rule, Section 8 Program
      - Fontaine Towers, Rochester
   C. Commitment, Low and Moderate Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) Programs
      - City Place Lofts, Minneapolis
7. **Action Items**
   A. Resolution Authorizing the Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2013 Series B (GNMA and FNMA Pass-Through Program)
   B. Resolution Authorizing Execution and Delivery of Standby Bond Purchase Agreements with Wells Fargo Bank, National Association and Amending Related Series Resolutions
   C. Approval, Changes, Fix Up Program
8. **Discussion Items**
   A. Financial Results for the Six Months Ending December 31, 2012
   B. 2013 Affordable Housing Plan and Strategic Plan: First Quarter Progress Report
9. **Informational Items**
   A. Post Sale Analysis – Homeownership Finance Bonds, 2013 Series A
   B. Conflict of Interest Disclosure Reporting
   C. Multifamily Loan Programs, Annual Funding Modification Activity Report and Policy
10. **Other Business**
11. **Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, January 24, 2013
1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair Ken Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:03 p.m.
2. **Roll Call.**
   Members present: Gloria Bostrom, John DeCramer, Celeste Grant, Joe Johnson, Ken Johnson, Stephanie Klinzing. Absent: Steve Johnson
   Minnesota Housing staff present: Tal Anderson, Paula Beck, Don Collier, Jessica Deegan, Joe Gonnella, Bill Kapphahn, Kurt Keena, Marcia Kolb, Julie LaSota, Jane Loechler, Diana Lund, Eric Mattson, Shannon Myers, Marge Olson, John Patterson, Bob Porter, Leslee Post, Joel Salzer, Becky Schack, Kayla Schuchman, Barb Sporlein, Emily Strong, Kim Stuart, Susan Thompson, Will Thompson, Mary Tingerthal, LeAnne Tomera, Elaine Vollbrecht, Dan Walsh, Don Wyszynski, Xia Yang.
   Others present: Paula Rindels, Dorsey & Whitney; Chip Halbach, Minnesota Housing Partnership; Paul Rebholz, Wells Fargo.
3. **Agenda Review**
   The following changes to the agenda were reported:
   - The addition of item 7.C., Capacity Building Revolving Loan Forgiveness Criteria and Authorization;
   - Three pages of the QAP report were replaced, one to correct a typographical error and two to correct graphics that did not print properly.
4. **Approval of the Minutes.**
   A. Regular Meeting of December 20, 2012.
   Mr. Joe Johnson moved approval of the meeting minutes as written. Ms. Klinzing seconded the motion. Motion carries 6-0.
5. **Reports**
   A. Chair
   Chair Ken Johnson informed the group that he would be absent for the February meeting and that Vice Chair Joe Johnson would chair the meeting. Chair Johnson also stated that Becky Schack would be absent for the February meeting and Marge Olson would act as secretary.
   B. Commissioner
   Commissioner Tingerthal reported that the Governor's budget message was delivered on Tuesday and the overall message is that, after many years of budget cuts, deficits, and one-time movements in dollars to plug holes, this governor has put forward a plan that both reforms the tax system and raises more revenue. About half of the proposed revenue increases in the plan will go to erase the deficit and the other half will go to new funding initiatives for both primary and secondary education

and to economic development. Tingerthal noted that, without an increase to revenue, Minnesota Housing and all other agencies would be facing cuts to their base budgets. Tingerthal referenced a handout on the Agency budget that had been provided prior to the meeting and described the programs and their funding levels. Tingerthal explained a change to the way the rehabilitation loan program is being funding, stating that for many years, it had been funded with HOME dollars but staff have determined that HOME dollars are too compliance heavy for a program whose purpose is to make small loans to very low income people. These HOME funds will now instead be used primarily for preservation because the additional compliance burden related to the use of HOME funds is small due to the existing compliance requirements in preservation funding. The specific message regarding the Agency's budget request is that state appropriated dollars represent only nine percent of total program spending, but the dollars are very critical for our programs and that the Agency does not spend any appropriated dollars on operating costs. It is not clear at this time if there will be a bonding bill. In response to a question from Mr. Joe Johnson, Commissioner Tingerthal stated that the Agency continues to be well received on a bi-partisan level and has an outstanding track record for the level of funding received and the inclusion of our proposal in the Governor's budget is a positive a sign.

Commissioner Tingerthal reported that there are three budget initiatives for which the Agency has a role if funded. If funded, the dollars would go into existing programs or funds and specific targets for the initiatives would be incorporated into the program or fund goals. These initiatives are:

- Two million dollars under the Housing Trust Fund that will be used for rental assistance for families with school-age children at risk of or experiencing homelessness. The rental assistance will allow high mobility families to stabilize their housing and allow their children to remain in their schools. This initiative is included in the governor's overall education initiatives. This initiative is in partnership with the Department of Education.
- One million dollars targeted towards individuals exiting correctional facilities. It is well demonstrated that, through stable housing, there is a reduction of recidivism. Thus, ensuring stable housing for people who have exited correctional facilities is a cost effective strategy for the state. This initiative is in partnership with the Department of Corrections.
- Ten million dollars for job growth and housing. These investments will be made in areas with homegrown employers who have the opportunity to expand and grow but have an overall shortage of housing, both market rate and affordable. This initiative is in partnership with the Department of Employment and Economic Development

Regarding the budget initiatives, Ms. Klinzing expressed her appreciation of the issues being addressed but stated that more investment is needed, particularly in the safety net for homeless families.

The following information was shared:

- There continues to be a lot of activity regarding the rules governing the national mortgage markets, with the Consumer Financial Protection Bureau releasing a statement about the qualified mortgage rule that included a provision that HFAs receive special treatment. HFAs will

build on this statement and continue to seek exemptions from certain rules that present servicing challenges. The Agency has been notified that it will need to change the manner in which down payment assistance on FHA loans is disbursed. Funds will now need to be table funded to the title company rather than going through our servicer. This represents a narrow carve-out that allows HFAs to continue making down payment assistance loans in conjunction with FHA loans for which the mechanics have fallen short of where we would like them to be. The current model will be administratively costly but will not create any disruptions in making loans. In response to a question from Ms. Bostrom, Commissioner Tingerthal stated that the legal construct that the FHA attorneys wrote that allowed the loans to be continued did not leave room for exceptions. There is a possible legislative fix but we are now are at the end of this chapter. As a result of this and due to some other continuing changes regarding notes, there will continue to be changes needed to our program procedural manuals, which will continue to be brought to the board for its approval.

- Production in the Single Family programs has fallen dramatically, but we believe that, by spring, production numbers will rise as lenders and buyers become accustomed to our new program guidelines.
- Quick Start will likely have another extension. The Small Business Administration is processing claims related to Hurricane Sandy as priorities, which is creating a delay for other applications.
- Earlier this month, staff submitted the application to become an FHA MAP lender. We expect a decision on the application within 90 days and could potentially be making loans as soon as we are approved.
- Joe Johnson has been reappointed and will serve until 2017.
- There will be a two-day meeting of the finance team next week during which the group will map out what the Agency needs to accomplish over the next year from a financing standpoint. This is an annual meeting.
- Members were provided with information about the NCSHA Legislative Conference. Auditor Otto has attended the last two years and will go again this year. Other members wishing to attend should contact Becky Schack.
- Kim Stuart introduced Emily Strong. Ms. Strong will manage the HOME HELP Program and comes to the Agency from Dakota County Public Assistance. Ms. Strong has a BA from Luther College and was previously employed with Wells Fargo and Habitat for Humanity.

C. Committee

There were no committee reports.

6. Consent Agenda

A. Commitment Extension, Low and Moderate Income Rental Program (LMIR) - Park Manor Estates, Detroit Lakes

B. Modification, HOME Affordable Rental Preservation (HARP) - Unity Place, Brooklyn Center

C. Loan Modification, Low and Moderate Income Rental Program (LMIR)- Kentucky Lane, Crystal

D. Modification, Ending Long-Term Homelessness Initiative Fund (ELHIF) Rental Assistance- Cedarview Commons and Rivertown Commons

E. Changes, Step Up Procedural Manual

F. Waivers, HOME Homeowner Entry Loan Program (HELP)

In response to a question from Ms. Bostrom regarding agency guidelines for setting interest rates, Finance Director Bill Kapphahn stated that staff regularly extract a yield curve from Bloomberg financial information services that displays interest rate yields and maturities of fixed income securities at various credit ratings. The Agency benchmarks uninsured multifamily first mortgage loans from the BBB rating category. HUD Risk Share loans, which are 50% risk shared, are benchmarked at the average rate of the AA and BBB ratings categories. **MOTION:** Mr. Joe Johnson moved approval of the consent agenda. Mr. DeCramer seconded the motion. Motion carries 6-0.

7. Action Items

A. Selection, Commitment, Low and Moderate Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) programs - Granite City Townhouses, St. Cloud

Ms. Leslee Post presented this request to provide new financing and a loan modification for this property, which currently has tax credits and an ARIF loan, the interest rate of which threatens the stabilization of the property. In response to a question from Ms. Klinzing, Ms. Post stated that the City of St. Cloud is providing housing choice vouchers, which are used by most of the property residents. **MOTION:** Ms. Klinzing moved approval. Ms. Bostrom seconded the motion. Motion carries 6-0.

B. Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2014 and 2015 Housing Tax Credit (HTC) Program

Kayla Schuchman requested approval of the proposed revisions, stating that there are $12 million in tax credits available state-wide, with $70 million administered by the Agency, including those administered through joint powers agreements with St. Cloud and Rochester. Minneapolis, St. Paul, Dakota County and Washington County will administer their own credits and Duluth may administer its own credits.

Staff have proposed a change in the timeline; a one-time, two-year gap which will allow for a long term shift in the cycle that will allow applicants more time to prepare applications that are in line with the scoring criteria. Applicants currently begin planning projects prior to the publication of the plan and developers have expressed concern about the current timing and shifting the cycle will address those concerns and other feedback from partners.

Ms. Schuchman, John Patterson and Julie LaSota described components of the plan, scoring criteria and the goals for the HTC program. There was conversation and clarifications regarding scoring for proximity to transit, job numbers and job growth. Ms. Grant requested that the description of the appeals processed be refined for clarity and to recognize the prevalence of electronic communications. In response to a question from Ms. Bostrom, staff stated that the proposed change to the timeline will not impact application due dates and, in the future, should allow us to better meet our goals for the program. Commissioner Tingerthal shared that the changes to the preservation scoring are the fruition of the focus of the preservation; there are over 40,000 PBCA units in Minnesota and choosing where to put money where it does the most good is why the guidelines were designed. Commissioner Tingerthal thanked the tax credit team, Julie LaSota and Jane Loechler for their hard work in coming up with what may be the most sophisticated

preservation scoring in the country; adding that it sends a message to the development community about what the Agency is trying to preserve.

In response to a question from Ms. Bostrom, Ms. Schuchman stated that the next step is a public hearing followed by a public comment period. Public comments would be provided to the board, along with the staff responses to the comments, at the April 4 meeting. **MOTION:** Ms. Klinzing moved approval. Mr. DeCramer seconded the motion. Motion carries 6-0.

C. Capacity Building Revolving Loan Forgiveness Criteria and Authorization.

Commissioner Tingerthal thanked the members for their willingness to consider the item despite its not having been included in their packets. Staff became aware of a timing urgency for one of the organizations covered by the resolution, necessitating that the matter be reviewed as soon as possible. Commissioner Tingerthal provided background information about the program and stated that she has had conversations with all of the organizations to hear their ideas on meeting the requirements for having the loans forgiven. In response to a question from Ms. Klinzing, Commissioner Tingerthal stated that there are a variety of agreements in place for the loans, with several of them having maturity dates at which a portion of the loan is or was set to be repaid and others having been extended in perpetuity, which leaves the organizations in an awkward position of having a loan on their books that they cannot take off. There have been no failures by any of the organizations to meet obligations. Ms. Klinzing stated that she would like to know what the organizations will do as a result of their having the obligation removed from their books, adding that it would be helpful to know that forgiving the loan will help the organization and being able to show the public that money has been well used and that forgiving the obligation will do more good than having to repay it. **MOTION:** Ms. Bostrom moved approval. Mr. DeCramer seconded the motion. Motion carries 5-0, with Mr. Joe Johnson recusing himself.

8. Discussion Items

A. 2013 Division Work Plan Summary

Deputy Commissioner Barb Sporlein described the Agency's strategic management framework and the tasks and documents within each area, noting that each set of planning documents has a progress report tied to it. No action needed.

9. Informational Items

A. Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2013

Information item, no action needed.

10. Other Business

Chair Ken Johnson congratulated the members of the finance team on the page once coverage of the new financing structure in the Bond Buyer.

11. Adjournment.

The meeting adjourned to executive session at 2:38 p.m. The executive session was adjourned at 3:25 p.m.

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AGENDA ITEM: 6.A
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: Abbey Field Townhouses, St. Francis – D1493

CONTACT: Julie LaSota 651-296-9827
julie.lasota@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:
Approval of a resolution modifying the interest rate and extending the maturity date of a $500,000 PARIF deferred loan for twelve months to allow staff and the owner to finalize negotiations on a long term preservation effort.

FISCAL IMPACT:
Delaying repayment of this loan means that we have less funding available to deploy for other preservation opportunities. During the current term of the HAP contract, which expires on 1/31/2014, the Agency will continue to earn revenue under its PBCA contract with HUD.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- Resolution

BACKGROUND:

Abbey Field Townhouses is a 42-unit family development located in St. Francis that was originally financed by the Agency in 1983 under the Section 8 program. The development was part of the Financing Adjustment Factor (FAF) Program. Financing Adjustment Factor (FAF) financing comes to the Agency as a result of an agreement between the U.S. Department of Housing and Urban Development and Minnesota Housing to share in the savings resulting from refunding high interest rate bonds originally issued in 1980 through 1983 to finance Section 8 developments. These funds are used to preserve or stabilize the developments that accrued the savings.

In 2002 the owner filed its one-year notice of intent to opt out of the Section 8 program and convert the units to market rate housing. Staff recommended and the Board approved two preservation loans ($500,000 under PARIF and $266,663 under FAF) as incentive for the owner to continue participating in the Section 8 program. Both loans closed in February, 2004. The terms of both loans required the owner to renew the HAP contract under HUD's Mark up to Market option for a ten- year period. Since no event of default occurred prior to February 1, 2013, the FAF loan was deemed forgiven. The PARIF loan had a maturity date that was co-terminous with the HAP contract with a balloon payment due on February 1, 2013.

Staff is in negotiations with the owner to develop a plan to preserve Abbey Field Townhouses for the long term. The plan includes processing a LMIR loan under an equity takeout preservation pilot program that the Agency is negotiating with HUD. Staff is recommending that the terms of the PARIF loan be modified to extend the maturity date of the loan for twelve months (to February 1, 2014) to allow staff time to complete negotiations with both HUD and the owner and to bring a long-term preservation plan for Abbey Field to the Board for further action. If a long-term preservation cannot be negotiated within this extension period and the PARIF loan becomes due on February 1, 2014, the Agency will charge interest on the one year PARIF extension at the rate of five percent.

Board Agenda Item: 6.A
Attachment: Resolution

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

RESOLUTION NO. MHFA 13-

LOAN MODIFICATION AND EXTENSION OF LOAN TERM
PRESERVATION AFFOCABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has heretofore lent $500,000 to the owners of Abbey Field Townhouses, a 42-unit family development located in St. Francis, Minnesota that has the benefit of a project-based Section 8 Housing Assistance Payment Contract on all of the units; and

WHEREAS, the development continues to be in compliance with Minnesota Law 2009, Chapter 78, Article 1, Section 6, Subdivision 7 since it continues to receive the benefits from a Section 8 Housing Assistance Payment contract, with a current expiration date of January 31, 2014; and

WHEREAS, it is the desire of Agency staff to extend the loan maturity date for twelve months to February 1, 2014 to accommodate the finalization of a long-term preservation plan for this property; and

WHEREAS, if a long-term preservation cannot be negotiated within this extension period and the PARIF loan becomes due on February 1, 2014, the Agency will charge interest on the one year PARIF extension at the rate of five percent.

NOW THEREFORE, BE IT RESOLVED:

THAT Agency staff may enter a Loan Modification Agreement extending the maturity date of the loan from February 1, 2013 to February 1, 2014 and adding a 5 percent interest rate to the loan for a period beginning on February 1, 2013 to February 1, 2014 if the PARIF loan is paid off without a long-term preservation plan. All other terms of the mortgage loan documents remain unchanged.

Adopted this 28th day of February, 2013.

_____
VICE CHAIR

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AGENDA ITEM: 6.B.
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: Fontaine Towers, Rochester – D1264

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:
Approve waiver of existing prepayment prohibitions established by Redefined Equity II program rules.

FISCAL IMPACT:
The existing first mortgage matures on December 1, 2015 and was originally funded with Rental Housing bonds. Prepayment will result in a loss of interest income in the amount of approximately $194,003 but will allow the outstanding principal balance of approximately $1,500,000 to be recycled sooner than anticipated.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- Resolution

Fontaine Towers is a 151-unit, 100% Section 8, senior development located in downtown Rochester. Minnesota Housing financed Fontaine Towers in 1984 with a mortgage amount of $6,358,979 at an interest rate of 8.12 percent amortized over a 30-year term; the mortgage matures on December 1, 2015.

In 2002, Minnesota Housing invited owners of certain developments to participate in the benefits of the Financing Adjustment Factors (FAF) bond refunding and the Redefined Equity II program. Redefined Equity II program rules prohibit prepayment of the first mortgage.

The owner is developing a plan to sell the property prior to maturity of the existing first mortgage; the sale would include a refinance and prepayment of the existing first mortgage. Because the owner participated in the 2002 FAF refunding and Redefined Equity II program, they are currently prohibited from prepaying the first mortgage by Redefined Equity II program rules; therefore, the owner has requested that Minnesota Housing waive the program rule in order to facilitate a sale and transfer of ownership.

Minnesota Housing staff is proposing approval to be contingent upon the owner's commitment to keep the development in the Section 8 program for 10 years beyond the current minimum rent subsidy period which expires June 30, 2023. The Section 8 subsidy would remain in place until June 30, 2033. The additional 10 year commitment equates to a present value of approximately $10,782,127 of federal subsidies that will benefit future very low income households.

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

RESOLUTION NO. MHFA 13-

RESOLUTION APPROVING WAIVER OF REDEFINED EQUITY II PROGRAM RULE
SECTION 8 PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) heretofore loaned $6,358,979 for construction and permanent loan financing for a multifamily rental housing development known as Fontaine Towers in Rochester, Minnesota, Minnesota Housing Development 1264 (the Development); and

WHEREAS, the owner subsequently participated in the 2002 Financing Adjustment Factor (FAF) bond refunding and the Redefined Equity II program; and

WHEREAS, Redefined Equity II program rules prohibit prepayment of the Section 8 first mortgage; and

WHEREAS, the owner is planning to refinance the development and therefore is requesting a waiver of the Redefined Equity II program rule prohibiting prepayment; and

WHEREAS, Agency staff has proposed to allow prepayment of the first mortgage based on the following terms and conditions:

1. The owner executes an amendment to the Declaration of Covenants and Conditions (Declaration)extending the Minimum Rent Subsidy Period to June 30, 2033; and

2. The Declaration remains in first lien position.

NOW THEREFORE, BE IT RESOLVED:

THAT the Board approves Staff's proposal to allow prepayment on the conditions set forth by Staff. This approval will expire on February 28, 2014.

Adopted this 28th day of February, 2013.

_____
VICE CHAIR

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AGENDA ITEM: 6.C.
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: City Place Lofts, Minneapolis (D6711)

CONTACT: John Rocker, 651-284-0078
john.rocker@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: _____

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $3,289,000, and a deferred funding commitment in the amount of $832,000 under the Flexible Financing for Capital Costs (FFCC) program, both subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
In the current Affordable Housing Plan (AHP), the Board allocated $90 million in new activity for the LMIR program which includes $20 million from the Housing Investment Fund (Pool 2) and $70 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. The AHP also allocated $4 million in new activity under the FFCC program (funded through the Housing Affordability Fund – Pool 3). Funding for this loan falls within the approved budget and the loan will be made at an interest rate and terms consistent with what is described in the AHP. Additionally, this loan will generate $134,283 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

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

The Minnesota Housing Finance Agency (Agency) Board, at its October 25, 2012, meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) programs. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$13,815,555		$13,804,652		(10,903)	
Gross Construction Cost	$7,865,001		$7,813,339		(51,662)	
Agency Sources:						
LMIR	$3,166,524		$3,289,000		122,476	
FFCC	$700,000		$832,000		132,000	
Total Agency Sources	$3,866,524		$4,121,000		254,476	
Other Non-Agency Sources:						
Housing Syndication Proceeds	$4,240,148		$4,172,900		(67,248)	
Fed Historic Syndication Proceeds	$1,974,200		$1,702,500		(271,700)	
State Historic Syndication Proceeds	$2,038,600		$2,014,200		(24,400)	
Deferred Developer Fee	$600,000		$619,094		19,094	
General Partner Cash	$783,583		$915,358		131,775	
Met Council TBRA	$237,500		$184,600		(52,900)	
Hennepin County ERF	$75,000		$75,000		-	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
0 BR	12	$791	12	$837		$46
1 BR	37	$911	37	$927		$16
2 BR	6	$1,074	6	$1,111		$37
Total Number of Units	105		105		0	

Factors Contributing to Variances:
Total Development Costs declined by $11,000 per unit but the savings was offset by the decrease in tax credit proceeds, particularly for the federal historic tax credits which declined by $271,700. The gap created by the decline in syndication proceeds was filled predominately by an increase in general partner cash and an increase in LMIR. The LMIR increased without changing the debt coverage ratio due to the increase in rents and corresponding net operating income. The FFCC funding was increased by $132,000 specifically to fund an Agency-controlled $132,000 Operating Deficit Reserve.

Other significant events since Board Selection:
JP Morgan Chase Bank is purchasing the bonds issued by the City of Minneapolis and is providing a $10,500,000 construction loan to bridge syndication proceeds and Agency loans (which are structured as end loans).

DEVELOPMENT SUMMARY

DEVELOPMENT:

				D6711	
Name:	City Place Lofts			App#:	M16370
Address:	730 Hennepin Avenue				
City:	Minneapolis	County:	Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity:	City Place Housing LP
General Partner/Principals:	City Place Housing LLC, whose members include Marvin Kotek, David Dye and Ryan Sailer

DEVELOPMENT TEAM:

General Contractor:	Frerichs Construction Company, Vadnais Heights
Architect:	Kaas Wilson Architects, Minneapolis
Attorney:	Winthrop & Weinstine, PA, Minneapolis
Management Company:	Steven Scott Management Inc, Saint Louis Park
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 3,289,000	LMIR First Mortgage	
	Funding Source:	Housing Investment Fund(Pool 2)
	Interest Rate:	4.75%
	MIP Rate:	0.25%
	Term (Years):	30
	Amortization (Years):	30
$ 832,000	Flexible Financing Cap Cost	
	Funding Source:	Housing Affordability Fund(Pool 3)
	Interest Rate:	0.00%
	Term (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORD-ABILITY*
0 BR	12	411	$837	$865	$33,480
1 BR	37	600	$927	$927	$37,080
2 BR	6	833	$1,111	$1,111	$44,440
TOTAL	55				

NOTES:

Purpose:
City Place Lofts is the acquisition and adaptive reuse of a historic office building into 55 units of affordable work-force housing located in the Hennepin Avenue Theater District of downtown Minneapolis. When renovated, the eight-story elevator building will provide 55 units of housing on floors three through eight and community and amenity space for the residents on floors one and two. The building features built in amenities including very high ceilings on all floors, expansive windows, and original terrazzo floors throughout the building. To finance the acquisition and rehabilitation, Everwood Development is using tax-exempt bonds and corresponding 4% tax credits from the City of Minneapolis, as well as a bridge loan from a commercial bank. The LMIR first mortgage and the FFCC second mortgage will be provided as end loans after construction is completed. The development will provide workforce housing mostly for single adults at the 60% AMI income level.

Target Population:
The anticipated demographic served by City Place Lofts will consist of moderate-income adults with annual household incomes at or below 60% AMI. Management will target marketing to adults, including communities of color, throughout the metro area and will connect with area employment and housing service agencies in and around downtown Minneapolis.

Project Feasibility:
The development appears feasible as proposed and is being recommended for a commitment of an Agency LMIR Risk Share mortgage in the amount of $3,289,000 and FFCC deferred financing in the amount of $832,000. Additional funding sources include approximately $900,000 in general partner cash equity; $4,200,000 in equity proceeds from 4% Low Income Housing Tax Credits; $1,700,000 in equity from Federal Historic Tax Credits;, $2,000,000 in equity from State Historic Tax Credits; $185,000 from the Metropolitan Council;$75,000 from Hennepin County and $600,000 in deferred developer fee.

The construction costs are being bridged by tax-exempt bonds from the City of Minneapolis, which are being purchased by JP Morgan Chase Bank and then loaned to the limited partnership.

Development Team Capacity:
Everwood Development has developed three multifamily developments since it was formed in 2010. The principals of Everwood Development (Marvin Kotek and David Dye) along with Ryan Sailer, their development officer, combined, provide adequate experience to manage the development and long-term operation of this affordable housing. David Dye and Ryan Sailer have 17 years combined experience overseeing the acquisition and development of real estate with an emphasis in affordable housing. Marvin Kotek has over 40 years' experience in the construction industry and has overseen the construction of thousands of units. The Agency currently has one development under construction and another development selected for funding and currently in underwriting with this developer.

Physical and Technical Review:
The Architect (Kaas Wilson) and Contractor (Frerichs Construction Co.) have the capacity to complete this project. Plans include residential units on floors three through eight; residential common areas (community room, fitness center, etc.) and management offices on the second floor; and programmable space on the first floor to be used for community art shows and other events. A site inspection was conducted by MN Housing staff in March, 2011. The building was found to be in good overall condition and constructed with durable materials. There is no onsite parking available but contract parking is available nearby for residents. The site has numerous mass transit options available within short walking distance. Overall, this project makes good use of an otherwise vacant building in downtown Minneapolis.

Market Feasibility:
A market study for the subject property was completed in October 2012 by Prior and Associates. The market study concluded that there was ample demand to support the development and that it was forecasted to lease up within three months of completion and achieve a stabilized occupancy rate of 95%.

Supportive Housing:
NA

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$13,804,652		$250,994
Acquisition or Refinance Cost	$2,250,000		$40,909
Gross Construction Cost	$7,813,339		$142,061
Soft Costs (excluding Reserves)	$3,386,557		$61,574
Non-Mortgageable Costs (excluding Reserves)	$354,756		$6,450
Reserves			
Total LMIR Mortgage (Including 4% DCE)	$3,289,000		$59,800
First Mortgage Loan-to-Cost Ratio		24%	
Agency Deferred Loan Sources			
Flexible Financing Cap Cost	$832,000		$15,127
Total Agency Sources	$4,121,000		$74,927
Total Loan-to-Cost Ratio		30%	
Other Non-Agency Sources			
Syndication Proceeds (RBC)	$4,172,900		$75,871
Federal Historic Tax Credits	$1,702,500		$30,955
General Partner Cash	$915,358		$16,643
Deferred Developer Fee	$619,094		$11,256
State Historic Tax Credits	$2,014,200		$36,622
Hennepin County/Met Council	$259,600		$4,720
Total Non-Agency Sources	$9,683,652		$176,06

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

RESOLUTION NO. MHFA 13-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
AND FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) 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:	City Place Lofts
Sponsors:	Everwood Company
Guarantors:	Marvin Kotek, David Dye, Ryan Sailer and the Marvin J. Kotek Revocable Trust
Location of Development:	Minneapolis
Number of Units:	55
General Contractor:	Frerichs Construction Company, St. Paul
Architect:	Kaas Wilson Architects, Minneapolis
Amount of Development Cost:	$13,804,652
Amount of LMIR Mortgage:	$3,289,000
Amount of FFCC Loan:	$832,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage loan to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) and approves deferred funding from the Housing Affordability Fund (Pool 3 under the FFCC program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $3,289,000; and

2. The Closing of the LMIR loan (processed as an end loan) shall be on or before August 31, 2014 (which shall also be the LMIR Commitment Expiration Date); and

3. The interest rate on the permanent LMIR loan shall be 4.75 percent per annum plus 0.25 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 30 year amortization; and

4. The term of the permanent LMIR loan shall be 30 years; and
5. The amount of the FFCC deferred loan shall be $832,000; and

6. The Closing of the FFCC loan (processed as an end loan) shall be on or before August 31, 2014 (which shall also be the FFCC Commitment Expiration Date); and

7. Repayment of the FFCC loan shall be deferred at 0 percent and is due upon maturity of the LMIR loan; and

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

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

10. Marvin Kotek, David Dye, Ryan Sailer and the Marvin J. Kotek Revocable Trust shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.20 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

11. Marvin Kotek, David Dye, Ryan Sailer and the Marvin J. Kotek Revocable Trust shall guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 28th day of February 2013.

_____

VICE CHAIR

AGENDA ITEM: 7.A
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2013 Series B (GNMA and FNMA Pass-Through Program) (Taxable)

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

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☑ Other: Bond Transaction

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff is preparing to issue taxable bonds to provide funds to be used, with contributed Agency funds, to refund certain of the Homeownership Finance Bonds purchased as program bonds under the New Issue Single Family Bond Program. Kutak Rock LLP, the Agency's bond counsel, will send the resolution and Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of the bond issue on a not-to-exceed basis.

FISCAL IMPACT:
The proposed bond issue is a taxable refunding of certain outstanding bonds for debt service savings. Because the refunding bonds are taxable, all of the savings generated from the transaction will be able to be retained by the Agency. Staff along with the Agency's bankers and financial advisor is currently refining the refunding analysis, and staff will report on the anticipated range of present value savings at the Board meeting.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
None.

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AGENDA ITEM: 7.B
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: Resolution Authorizing Execution and Delivery of Standby Bond Purchase Agreements with Wells Fargo Bank, National Association and Amending Related Series Resolutions

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 Wells Fargo Bank, National Association, to replace standby bond purchase agreements with State Street Bank & Trust Company, which are expiring in March. 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. Wells Fargo will be providing approximately $92.6 million of replacement liquidity at an annual fee of 0.45%. The current State Street facility has an annual fee of 0.092%. 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 State Street by approximately $315,000 per year over the two-year term of the new facilities.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

- Resolution

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

RESOLUTION NO. MHFA 13-

RESOLUTION AUTHORIZING EXECUTION AND DELIVERY OF STANDBY BOND PURCHASE AGREEMENTS WITH WELLS FARGO BANK, NATIONAL ASSOCIATION AND AMENDING RELATED SERIES RESOLUTIONS

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, 2006 Series C, 2007 Series E (Taxable), 2007 Series J (Taxable), 2007 Series S and 2007 Series T (Taxable) (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 State Street Bank & Trust Company ("State Street"). The standby bond purchase agreements expire by their terms on March 21, 2013, and must be replaced by alternate 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.

It is proposed that the Agency enter into standby bond purchase agreements with Wells Fargo Bank, National Association ("Wells Fargo") to secure payment of the purchase price on all series of Outstanding 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 Wells Fargo as described in Section 1, substantially in the 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 alternate liquidity facilities under the authorizing resolutions of the Agency and the replacement of the current standby bond purchase agreements with State Street. 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 provider thereof, and other matters he deems appropriate and cause those to be distributed in the remarketing of the Outstanding Bonds.

Section 3. Amendment of Series Resolutions Relating to the Outstanding Bonds.

In connection with the delivery of the standby bond purchase agreements authorized in Section 2, it is necessary to make certain conforming amendments to the Series Resolutions relating to the Outstanding Bonds as provided in this Section 3, the amendments to be effective upon the delivery of the standby bond purchase agreements.

In each of the Series Resolutions relating to the Outstanding Bonds (i.e., Resolution No. MHFA 06-03, relating to the 2006 Series C Bonds, Resolution No. MHFA 07-2, relating to the 2007 Series E Bonds, Resolution No. MHFA 07-20, relating to the 2007 Series J Bonds, Resolution No. MHFA 07-92, relating to the 2007 Series S Bonds, and Resolution No. MHFA 07-93, relating to the 2007 Series T Bonds), in Section 3.02 the definition of "Interest Payment Date" is amended to read as follows:

> "*Interest Payment Date*" means: (a) with respect to Variable Rate Bonds (excluding Bank Bonds), January 1 and July 1 of each year, and any day which is a Conversion Date for such Bonds; (b) with respect to Fixed Rate Bonds and Indexed Rate Bonds, each January 1 and July 1 and, after a Conversion, the first of such dates occurring at least two months after the Conversion Date and each January 1 and July 1 thereafter; and (c) with respect to Bank Bonds, (i) any Bank Purchase Date, (ii) each date after each Bank Purchase Date on which the Liquidity Facility provides that interest shall be paid on such Bank Bonds, and (iii) the date of remarketing of the Bank Bonds; provided, however, the establishment of the Interest Payment Date for Bank Bonds hereunder is not intended to modify or otherwise affect any provision of the Bond Resolution which by its terms may contemplate the occurrence of certain events on a semiannual Interest Payment Date.

Adopted this 28th day of February, 2013.

By: _____

Vice Chair

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AGENDA ITEM: 7.C.
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: Approval, Changes, Fix Up Program

CONTACT: Kathy Dipprey Aanerud, 651-297-3121
kathy.aanerud@state.mn.us

Robert Russell, 651-296-9804
robert.russell@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☐ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is hereby requesting Board approval for the recommended program changes to the Fix Up program described below. These recommendations are the result of a program assessment of the changes approved by Board in March 2012. It is anticipated these program changes will be effective by March 15, 2013. Staff is also requesting permission to implement additional program options with the Minnesota Department of Commerce as described herein.

FISCAL IMPACT:
The Fix Up program is funded with Pool 2 and Pool 3 resources. The recommended program changes will guide the use of the funds allocated to Fix Up and should position the Agency to better serve the home improvement needs of eligible homeowners, as well as meet its production goals.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Table of Program Changes
- Procedural Manual
- Proposal to Department of Commerce for Joint Energy Efficiency Loan Program

BACKGROUND:
The Agency has offered its home improvement loan program, currently marketed as Fix Up, continuously since 1976. It has been recognized as the most successful home improvement loan program offered by a state housing finance agency anywhere in the country. Even though program terms and conditions have changed throughout the years based on changes in the lending environment and availability of Agency funding resources, the program has been a consistent resource in assisting modest income homeowners with affordable financing for critical improvements to their homes.

Loan volume has varied throughout the program's history. Program production has been declining in recent years reflecting the economic decline in the broader home improvement market. As a way to "turn the curve" of production, a thorough product review was performed over the course of several months in late 2011 into early 2012. The product review resulted in significant changes to the Fix Up program, which were approved by Board in March of 2012 and implemented on June 4, 2012. A summary of the changes include:

- The return of the unsecured loan option (loan maximum of $10,000 and interest rate of 6.99%);
- The introduction of an incentive interest rate, secured loan option for energy conservation or accessibility improvements (loan maximum of $7,500 and interest rate of 4.99%); and
- Setting a minimum credit score of 620 for secured loans and 680 for unsecured loans.

The Agency has continued to monitor Fix Up production and portfolio characteristics. Unfortunately, there has not been a bounce in production, which is attributed to the continued decline in the overall home improvement market. On the other hand, the Agency's market share of home improvement loans compared to the overall market volume as reported under the Home Mortgage Disclosure Act (HMDA), has been consistent. A program assessment conducted in January 2013 of the March 2012 program changes found:

- The overall average loan amount has decreased because borrowers are taking advantage of the unsecured loan option. Currently, more than a quarter of the Fix Up program's production is unsecured loans. Thus, more loans have to be originated in order to equal past production dollar volume.
- Average borrower credit scores are well above our established minimums: 750 for unsecured loans and 726 for secured loans.
- The unsecured loan has offered lower income households a new home improvement opportunity. The average income for unsecured loan borrowers is $58,000 compared to $61,000 for secured loan borrowers.
- About 60% of unsecured borrowers are enrolling in auto-pay and getting the incentive rate (6.49% instead of 6.99%).
- Only three incentive interest rate loans for energy conservation or accessibility improvements have been originated.

In light of the program assessment, the following recommendations are proposed to modify the Fix Up program to help boost production and position the Agency to offer more relevant home improvement options once the market improves. The program changes will aid in lender recruitment and outreach, community development opportunities, as well as, other promotional activities.

The attached table outlines the proposed Fix Up program changes. There are several changes of note, described in further detail below.

First, it is recommended the maximum loan amount be increased for each loan option:

- Secured loan option to $50,000. The current loan maximum is $35,000, which was last raised between 2003 and 2004. Since that time, the average loan amount in the overall home improvement market, as indicated by HMDA, has increased by about 60 percent. When considering inflation, a borrower would need to spend $48,000 in 2012 to have the same purchasing power for residential rehabilitation as $35,000 in 2003. Fix Up has not kept up with the increasing costs of home improvement. Increasing the loan maximum will align Fix Up with market realities.
- Unsecured loan option to $15,000. The current loan maximum is $10,000. It is recommended that the unsecured loan maximum be raised in the same proportion as the secured loan option.
- Incentive interest rate loan option for energy conservation or accessibility improvements to $15,000. The current loan maximum is $7,500. Based on information provided by a national energy efficiency program, their average loan amount for energy efficiency projects is $9,000. With only 3 loans being originated at current loan amount maximum, it seems the current loan amount maximum may be a barrier.

The next two recommendations come out of recent conversations with the Minnesota Department of Commerce. Commerce has approached the Agency to discuss ways to increase energy efficiency in single family homes. In particular, Commerce asked the Agency to consider the national energy efficiency program called Warehouse for Energy Efficiency Loans (WHEEL). WHEEL seeks to provide a secondary market for unsecured loans that promote residential energy efficiency. Loan terms include: an interest rate of 10%; a loan term maximum of 10 years; a loan amount maximum of $15,000; a minimum credit score of 640; and, no income limit.

The Agency explained that the Fix Up program already offers a secondary market for loans in Minnesota and does have an energy conservation option albeit currently underutilized. After reviewing the WHEEL model with Commerce, it was agreed that increasing the loan amount maximum for energy conservation was needed. There was also agreement that the benefits of energy conservation has no income boundaries and should be promoted to all residents and that windows, which are the most desired energy conservation improvement should be added as eligible improvements.

With that, the second recommendation is for the Agency to exercise its statutory authority to waive the income limit for the incentive interest rate loan option for energy conservation. Doing so will allow a greater number of borrowers to take advantage of the interest rate incentive to pursue energy conservation. The third recommendation is that Energy Star windows be added to the eligible energy conservation list.

The Agency has submitted a proposal to Commerce for additional ways to expand loan options for energy conservation. In particular, Commerce is considering providing a loan guarantee that would enable the Agency to offer other incentives such as: an additional interest rate incentive for the unsecured loan option (4.99% instead of 6.99%); an additional increase in the loan amount maximum; and allowing for a lower credit score for unsecured loans. A copy of the proposal is attached. Staff recommends that the board approve the parameters contained in the proposal so that the changes to the program can be made as soon as agreement is reached with Commerce without need for further Minnesota Housing Board

action. Staff will inform the Board of any further changes to the procedural manual at a subsequent meeting.

The last recommendation is to maintain the current income limit of $96,500 until incomes rise again. The Fix Up program's income limit is calculated at 115 percent of the Twin Cities area median family income provided by HUD. Using that formula, the income limit will decrease to about $94,600 for 2013. Instead of nominally lowering the income limit in the near term, it is recommended that the income limit be held harmless until incomes rise again.

Staff believes the recommendations will provide needed augmentation to the Fix Up program so that more homeowners can access sufficient home improvement funding amounts while prudently managing Agency resources.

TABLE OF PROGRAM CHANGES:

Programmatic Area	Secured			Unsecured
	Fix Up (Regular)	**Fix Up (Incentive Rate for Energy/ Accessibility)**	**Community Fix Up**	**Fix Up (Regular)**
Geographically Targeted	No	No	Yes, Initiative Dependent	No
Income Target	At or below $96,500	No Income Limit	At or below $96,500	At or below $96,500
Interest Rate	5.99%	4.99%	5.75%	6.99%
First Lien Adjustment	Yes, to Fed Reserve	Yes, to Fed Reserve	Yes, to Fed Reserve	No
Minimum Credit Score	620	620	620	680
Minimum Loan Amount	$2,000	$2,000	$2,000	$2,000
Maximum Loan Amount	$50,000	$15,000	$50,000	$15,000
Minimum Loan Term	1 year	1 year	1 year	3 years
Maximum Loan Term	Up to $10,000: 10 yrs $10,001-$50,000: 20 yrs	Up to $10,000: 10 yrs $10,001-$15,000: 20 yrs	Up to $10,000: 10 yrs $10,001-$50,000: 20 yrs	10 years
Loan to Value	Up to 110%	Up to 110%	Up to 110%	N/A
Debt to Income	48%	48%	48%	48%
ACH Incentive	No	No	No	Yes, interest rate reduction
Note: Highlighted areas denote program changes.				

Programmatic Area	Secured			Unsecured
	Fix Up (Regular)	**Fix Up (Energy/ Accessibility)**	**Community Fix Up**	**Fix Up (Regular)**
Lender Fee	$400	$400	$400	$250
Origination Fee	1%	1%	1%	None
Eligible Improvements	Improve the basic livability or energy efficiency of the property, including additions, alterations, renovations and/or repairs, or bring a property into compliance with housing maintenance codes or other public standards applicable to housing.	*Basic energy conservation*: Energy Star rated furnace, air conditioner, water heater, light fixtures; insulation; air sealing; Energy Star windows *Basic accessibility*: Ramp; widening doorways/ hallways; moving electrical outlets and switches, modifying hardware; installing fire alarms, smoke detectors and other alerts; handrails, grab bars, stair lifts; and bathroom fixture modifications	Improve the basic livability or energy efficiency of the property, including additions, alterations, renovations and/or repairs, or bring a property into compliance with housing maintenance codes or other public standards applicable to housing.	Improve the basic livability or energy efficiency of the property, including additions, alterations, renovations and/or repairs, or bring a property into compliance with housing maintenance codes or other public standards applicable to housing.
Note: Highlighted areas denote program changes.				

2.08 Minnesota Housing Program Eligibility Income

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

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

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

Note: Refer to exceptions below when originating loans for Accessibility Improvements and Incentive Rate Energy Conservation and Accessibility Loans.

Gross annual projected household income includes:

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

Ineligible income adjustments include:

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

Exception for Accessibility Improvements under Fix Up regular secured loans:

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

Exception for Incentive Rate Energy Conservation and Accessibility Loans:

The maximum household income is waived when the loan proceeds will be used exclusively for Energy Conservation and Accessibility Improvements outlined in Section 5.02 of this Procedural Manual.

2.09 Separated Spouses

When the Seller establishes that a spouse permanently resides outside the household, the income of that separated spouse is excluded from eligibility income as calculated pursuant to Section 2.08 of this Procedural Manual. However, the separated spouse must sign the mortgage.

Examples of separated spouse documentation include:

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

2.10 Loans to Employees and Affiliated Parties

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

Chapter 4 – Loan Eligibility

4.01 Eligible Loans

General Loan Eligibility Requirements

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

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

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

Fix Up Loan Type	Min. Ln. Amt	Max. Ln. Amt	Min. Ln. Term	Max Ln. Term
Regular - Secured Loan[9]	$2,000	$~~35,000~~50,000	1 year	20 years
Regular - Unsecured Loan	$2,000	$~~10~~15,000	3 years	10 years
Energy/Accessibility Incentive-Secured Loan	$2,000	$ ~~7~~15,~~5000~~00	1 year	~~10~~ 20 years
Community Fix Up Loan - Secured Loan	$2,000	$~~25~~50,000	1 year	20 years

[8] See also Sections 4.02 and 4.12 of this procedural manual.
~~[9] The maximum loan amount may be waived upon prior written approval from Minnesota Housing, if the loan proceeds will be used exclusively for Accessibility Improvements.~~

The above loan repayment terms apply subject to the following:

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

4.02 Ineligible Loans

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

- Any Fix Up loan or Community Fix Up loan secured by a mortgage in first lien position and having an APR that exceeds the first lien position rate published on Minnesota Housing's website by more than .49%.
- Any Fix Up loan or Community Fix Up loan whether secured or unsecured that will be subject to a reverse mortgage.
- Any secured Fix Up loan to any Borrower(s), Co-Borrower(s) and/or Guarantor(s) with minimum credit score (s) below 620.
- Any secured loan to any Borrower(s), Co-Borrower(s) and/or Guarantor(s) who is/are without credit score(s) and is/are unable to establish satisfactory alternative credit with at least a 6-month history.
- Unsecured loans to a Borrower(s), Co-Borrower(s) and/or Guarantor(s) that have no established credit score.
- Unsecured loans to a Borrower(s), Co-Borrower(s) and/or Guarantor(s) with credit score(s) below 680.
- Unsecured loans in an amount greater than $~~10~~15,000 or the addition of an unsecured loan to one already existing that would cause the total outstanding unsecured loans to exceed $~~10~~15,000.
- Energy Conservation and Accessibility loans in an amount greater than $~~7,500~~15,000 or the addition of an Energy Conservation and Accessibility loan to one already existing that would cause the total outstanding Energy Conservation and Accessibility loans to exceed $~~7,500~~15,000.

4.09 Conventional Loans

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

4.10 Credit Application

A fully executed Credit Application is required.

4.11 Refinancing

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

- Refinancing of short-term emergency financing of eligible improvements within thirty (30) days of incurring the original debt; or
- Consolidation of the outstanding balance(s) of previously received Minnesota Housing loans when the Borrower is applying for funds to implement new eligible improvements, subject to the following conditions:
  - ◊ When consolidating the outstanding balance of previously received Fix Up loan or Community Fix Up loan(s), a prepayment penalty may apply (refer to the existing Fix Up Loan Note); and
  - ◊ Previously originated Fix Up loans with outstanding balances may not be consolidated into a new Fix Up Loan Unsecured or Energy Conservation and Accessibility Loan.

4.12 Maximum Outstanding Loan Limit

- The total of outstanding Minnesota Housing Fix Up Loan, Community Fix Up Loan, Home Energy and Revolving loans and any new Fix Up Loan, Fix Up Loan Unsecured, Energy Conservation and Accessibility, and/or Community Fix Up loans may not exceed $~~35~~50,000. Seller must verify the Borrower's outstanding loan balance does not exceed the limit. (See Section 4.01 for Accessibility loan exception.)
- The total of Fix Up Loan Unsecured loans that a Borrower(s) may have outstanding at one time, may not exceed $~~10~~15,000.
- The total of Energy and Accessibility loans that a Borrower(s) may have outstanding at one time may not exceed $~~7,500~~15,000.

Chapter 5 – Special Assistance Program Requirements

5.01 Community Fix Up Loan

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

- Discount Loan Initiatives:
  - ◊ Provides lenders with the ability to offer alternative interest rates under the Community Fix Up Loan Program using leveraged funds to buy down the current program rate.
  - ◊ Minnesota Housing reimburses lender for loan principal and processing fee, and loan is serviced at rate and payment amount indicated on Fix Up Loan Note.
- Value Added Services:
  - ◊ Lenders provide value–added services or partner with non-profit or governmental organizations offering value-added services to address community needs.

5.02 Incentive Rate Energy Conservation and Accessibility Loans

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

- Eligible improvements for Energy Conservation Loans must meet Energy Star® requirements and are limited to:
  - ◊ Window replacement with Energy Star® Windows
  - ◊ Heating system replacement;
  - ◊ Central air conditioning replacement;
  - ◊ Water heater replacement;
  - ◊ Light fixture replacement; or
  - ◊ Insulation/attic air sealing.
- Since Energy Star® requirements change over time, Sellers must refer to the Fix Up Loan Program Energy Improvements List that may be accessed on Minnesota Housing's website for the specific, technical requirements of eligible energy improvements.
- Eligible Accessibility Improvements for reduced rate loans include but are not limited to:
  - ◊ Construction entrance or exit ramps;
  - ◊ Widening interior or exterior doors and/or hallways;
  - ◊ Moving electrical outlets and switches;

- ◊ Installing or modifying fire alarms, smoke detectors and other alerting systems;
- ◊ Installing handrails, grab bars or stairway lifts; or
- ◊ Modifying hardware, doors or bathrooms.

- For other accessibility improvements not listed above, the Fix Up Loan Program Accessibility Evaluation form must be used to document the accessibility needs of the Borrower(s). The Accessibility Evaluation form must be submitted to Minnesota Housing for approval prior to commitment.

For requirements pertaining to waiver of maximum gross annual household income, refer to Section 2.08.

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

Minnesota Housing Finance Agency

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800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

Date: February 8, 2013

To: Janet Streff, Division of Energy Resources, Department of Commerce

From: Katie Topinka, Minnesota Housing
Don Wyszynski, Minnesota Housing
Robert Russell, Minnesota Housing

CC: Tonja Orr, Minnesota Housing

Subject: Proposal for Joint Energy Efficiency Loan Program

This memo is a follow up to our meeting on January 15, 2013, where we discussed opportunities for the Minnesota Department of Commerce and Minnesota Housing to work together to increase financing options for residential energy improvements. One potential avenue is to make enhancements to Minnesota Housing's existing Home Improvement loan program for an unsecured, energy efficiency single family loan product. At the meeting, Minnesota Housing staff agreed to put together a proposal for financing terms and a list of programmatic questions for our agencies to address. This memo is a follow up to that discussion.

In 2010, Minnesota Housing and the Department of Commerce worked together to successfully implement the Energy Saver Rebate program using ARRA funds. The program allowed for homeowners to receive up to a $10,000 rebate for energy efficiency improvements financed through Minnesota Housing's home improvement loan program. Minnesota Housing's home improvement loan production increased significantly with the Energy Saver Rebate program. More than 2,000 households participated in the program, with a 39 percent increase in home improvement loan production from FY2009 to FY2010. Since that time, production has declined. Home improvement loan production in the overall market has also declined significantly. In the Twin Cities Metropolitan Area, overall home improvement loan applications have declined from 30,431 in 2000 to 6,671 in 2011. The decline in activity is a result of the economic recession. Many homeowners are underwater on their mortgages and are reluctant to take on new debt, particularly secured debt, because of their lack of equity.

In response to market conditions, the agency has created a new unsecured home improvement product. Creating an enhanced, unsecured energy efficiency product has the potential to attract homeowners who may otherwise be unwilling to take on new debt. Loan administrators who focus on energy conservation efforts have indicated that the current loan limit for unsecured loans is insufficient to make energy improvements.

Proposed Financing Terms

If the Department of Commerce is willing to pledge $1 million to cover loan losses on an energy program, Minnesota Housing would purchase up to $10 million of energy loans with the following characteristics:

4.99% rate
Unsecured
Maximum loan amount of $15,000
Maximum term 10 years (minimum 3)
Minimum FICO score of 680
Income limit 115% of Metro Area Median Income, currently $96,500
Broad definition of energy improvements (see attached list from Energy Saver Rebate program)
Use Minnesota Housing's entire existing lending network to originate loans

If the Department of Commerce is willing to pledge $1,250,000, Minnesota Housing would purchase up to $10 million in loans with the same terms as outlined above, with the exception of the FICO score, which could be reduced to 640.

Every six months Minnesota Housing will request reimbursement from the Department of Commerce for all loans that are at least 6 months delinquent or for which the borrower has discharged the debt through bankruptcy, and the Department of Commerce will reimburse the Agency for the outstanding principal amount of such loans within 90 days of receipt of the request. Minnesota Housing would continue to service the loans and any subsequent receipts from the borrowers would be remitted to the Department of Commerce.

Programmatic Questions

1. If demand exceeded $10 million, would the Department of Commerce be interested and able to make a larger commitment?
2. Does the Department of Commerce agree to the loan terms?
3. Attached is the list of eligible energy efficiency improvements from the Energy Saver Rebate program, which are currently used in the Home Improvement loan program. Does this list of improvements meet the Department of Commerce's energy efficiency goals?
4. How can the agencies work together on marketing the product?

Timing

Minnesota Housing is in the process of making several changes to its Home Improvement loan program. These changes will be going to the agency's board for approval at the February 28th board meeting. As part of this package of changes, we would like to include a conditional approval for the energy efficiency enhancements. The approval would be conditional on an agreement between Minnesota Housing and the Department of Commerce on an energy efficiency product. Minnesota Housing is making changes to its home improvement program in advance of the spring home improvement season. We believe an energy efficiency product will be attractive to many homeowners who will be making home improvement decisions this spring.

Please contact Katie Topinka at (651) 296-3706 with any questions. We are willing to discuss adjustments to elements of the proposal. We look forward to receiving your feedback. Please let us know if you need additional information for your discussions with DOE.

AGENDA ITEM: 8.A.
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: Financial Results for the Six Months Ending December 31, 2012

CONTACT: Bill Kapphahn, 651-215-5972
William.kapphahn@state.mn.us

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: _____

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
At the board meeting of February 23, 2012, the board requested that staff provide the Agency's financial results every six months. This report presents the financial results for the first six months of FY2013

FISCAL IMPACT:
The reporting of the financial results has no fiscal impact.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Report Highlights
- Report: Financial Results

- Revenue over expenses for the Sustainable Core is $8.2 million, nearly a $10 million improvement compared to the same six-month period last fiscal year.

- Loan loss expense for single family loans of $6.8 million decreased nearly $10 million compared to the same six-month period last year.

- Net interest margin remained constant at $23.2 million.

Minnesota Housing Finance Agency
Analysis of Operating Results for the Sustainable Core and Pool 3
Year to Date December 31, 2012 and December 31, 2011
Unaudited
($ millions)

line number		Sustainable Core: General Reserve and Bond Funds, Excluding Pool 3				Pool 3	Total General Reserve and Bond Funds
	Revenues	**Six Months Ending December 31, 2012**	**Six Months Ending December 31, 2011**	**Change from Prior Year, Favorable (Unfavorable)**		**Six Months Ending December 31, 2012**	**Six Months Ending December 31, 2012**
1	Interest earned on loans	$ 50.7	$ 57.5	$ (6.8)	NIM	$ 0.3	$ 51.0
2	Interest earned on investments-prog MBS	12.8	9.3	3.5	NIM	-	12.8
3	Interest earned on investments-other	3.3	5.8	(2.5)	NIM	0.2	3.5
4	Administrative reimbursement	9.8	10.8	(1.0)		-	9.8
5	Fees earned and other income	5.1	5.1	-		0.1	5.2
6	Total revenue	81.7	88.5	(6.8)		0.6	82.3
	Expenses						
7	Interest	43.6	49.4	5.8	NIM	-	43.6
8	Loan administration and trustee fees	2.8	2.9	0.1		-	2.8
9	Administrative reimbursement	8.7	8.9	0.2		0.5	9.2
10	Salaries and benefits	9.3	8.6	(0.7)		-	9.3
11	Other general operating	3.0	3.0	-		1.9	4.9
12	Reduction in carrying value of certain low-interest rate deferred loans	(0.3)	(0.7)	(0.4)		2.1	1.8
13	**Provision for loan loss- single family loans**	6.8	16.7	9.9		0.4	7.2
14	Provision for loan loss- multifamily loans	(0.4)	1.0	1.4		-	(0.4)
15	Total expenses	73.5	89.8	16.3		4.9	78.4
16	**Revenues over (under) expenses, before extraordinary item**	**8.2**	**(1.3)**	**9.5**	√	(4.3)	3.9
17	Reduction in provision for loan loss- methodology change	-	9.9	(9.9)		-	-
18	Revenues over (under) expenses, eligible for transfer to Pool 3 at fiscal year end	8.2	8.6	(0.4)		(4.3)	3.9
19	Unrealized gains (losses) on securities	11.5	28.7	(17.2)		(0.1)	11.4
20	Transfer between Pool 3 and Pool 2	-	0.2	(0.2)		-	-
21	Revenues over (under) expenses per financial statements	$ 19.7	$ 37.5	$ (17.8)		$ (4.4)	$ 15.3
	Memo information:						
22	**Net Interest Margin (NIM)**	**$ 23.2**	**$ 23.2**	**-**			

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AGENDA ITEM: 8.B.
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: 2013 Affordable Housing Plan and Strategic Plan: First Quarter Progress Report

CONTACT: 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:
Staff have attached for your review the First Quarter Progress Report for the 2013 Affordable Housing Plan and the Strategic Plan.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

2013 Affordable Housing Plan and Strategic Plan: First Quarter Progress Report

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2013 Affordable Housing Plan and Strategic Plan
First Quarter Progress Report
(October 1, 2012 – December 31, 2012)
February 21, 2012

Overview

The implementation of the 2013 Affordable Housing Plan (AHP) has started strong. In October, the Agency completed a very successful super RFP and tax credit selection process – awarding more than $134 million to build, preserve, and support affordable housing, which more than doubled the amount awarded in the previous year.

Overall, the Agency is on track (or even a head of schedule) to achieve its production goals for the year, with only a few exceptions:

- The lending environment for home improvement is very sluggish, but the Agency continues to monitor the market and refine its strategies for improving production.

- The Agency has delayed utilizing its Asset Management funds as it refines its strategies for preserving and stabilizing the existing multifamily portfolio. The Agency anticipates enhanced outreach efforts to take place this spring, in conjunction with annual physical inspections, which will drive utilization of these funds for the remainder of the AHP.

- The Agency launched a new set of single-family first mortgage products and enhancements in December, and production is still settling in. As the year progresses, the Agency expects production to pick up.

The following tables provide more information about the Agency's activities. Each line of the table has a corresponding note at the end of the report that provides details and explanations. With the Agency 25% through the 2013 AHP, we expect programs to have reached at least 25% of their production goal. Programs that use a request for proposal (RFP) process to award funds should be at or near a 100% of their goal if the RFP selections have been completed for the year.

Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Indicators

Quarter 1 of 2013 AHP (25% through AHP)

	AHP Forecast	Actual To-Date	Portion of AHP Forecast Completed
Single Family Production - Homes			
1. First Mortgages (purchased/settled loans)	2,917	629	22%
2. Other Opportunities	502	362	72%
3. Owner-Occupied Home Improvement/Rehabilitation	1,618	447	28%
Total	*5,037*	*1,438*	*29%*
Multifamily Production – Rental Units			
4. New Rental Construction	668	896	134%
5. Rental Unit Rehabilitation	3,310	2,829	85%
6. Asset Management	250	0	0%
Total	*4,228*	*3,725*	*88%*
Rental Assistance and Operating Subsidies - Units			
7. Agency Funded Rental Assistance	2,539	1,999	79%
8. Section 8 and 236 Contracts	30,227	30,428	101%
Total	*32,766*	*32,427*	*99%*
Build Sustainable Housing			
9. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:			
a. Single Family	50%	63%	**
b. Multifamily	100%	70%	**
Address Foreclosures			
10. Foreclosure Counseling Interventions (7/2012-12/2012)	6,000	2,726	45%
11. Homes/Units Acquired	470	442	94%
End Long-Term Homelessness			
12. Number of Housing Opportunities Funded – Calendar Year 2012*	170	370	218%
Increase Emerging Market Homeownership			
13. Percentage of Mortgages Going to Emerging Market Households	22%	27%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
14. Return on Net Assets – State Fiscal Year 2013	$16.4 million	$8.2 million	**
15. Annualized Return on Net Assets (%) – State Fiscal Year 2013	2.3%	2.3%	**

* These are opportunities funded under the Business Plan to End Long-Term Homelessness by Minnesota Housing and other state agencies. The opportunities are counted on calendar year basis. The goal does not match the AHP period and applies to calendar year 2012

** Not Applicable

Table 2: Distribution of Resources

2012 AHP (Oct. 1, 2011 – September 30, 2012)

	AHP Forecast	Actual To-Date
16. Percentage of Funds Committed or Disbursed Under the AHP	95%	38%

Table 3: Management of Loan Assets

2012 AHP (Oct. 1, 2011 – September 30, 2012)

	AHP Forecast	Actual To-Date
17. Delinquency Rate for Whole/MBS Loan Single-Family Portfolio (Dec. 31, 2012)	4.32%*	7.37%**
18. Foreclosure Rate for Whole/MBS Loan Single-Family Portfolio (Dec. 31, 2012)	1.40%*	1.38%**
19. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	TBD
20. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	TBD

* Forecast/benchmark is based on the Minnesota-wide average for similar loans as reported by the Mortgage Bankers Association.
**The information presented is on an Agency-wide basis and adjusted to include MBS production as part of the loan portfolio. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

Discussion of Items in the Table

- **Line 1:** Lending for single-family first mortgages is a little behind schedule, with production at 22% of the goal when the Agency is 25% through the AHP. The Agency launched a revamped set of loan products in December, and production from those new products has not yet set in.

- **Line 2:** Currently, the Agency is at 72% of its production target for other single-family housing opportunities. The Agency has already completed its RFP selections for the year under the Community Revitalization (CRV) program (including new construction, down-payment assistance, and acquisition/rehabilitation/resale). Additional single-family opportunities will be added as activity under the Habitat for Humanity and Twin Cities Community Land Bank programs continue.

- **Line 3:** While the Agency has had strong production in owner-occupied rehabilitation under the CRV program and the Rehabilitation Loan program, production has been slow under the regular home improvement programs (Fix-Up Fund and Community Fix-Up Fund). The lack of activity reflects a low level of home improvement lending across the market. Staff continue to monitor home improvement lending activity closely and refine the Agency's strategies for increasing production.

- **Line 4:** Production in new rental construction has been very strong. In the recent RFP and tax credit selection process, the Agency allocated more funding to new construction than originally forecasted. Because the Agency makes most of its funding commitments for rental production

through RFP and tax credit selections, which have completed, production will only increase a little over the next 9 months.

- **Line 5:** Rental rehabilitation production has been strong even though funding allocated to it under RFP and tax credit selections was less than originally forecasted. (Additional funds went to new construction.) The Agency is close to meeting its production goal, largely because funding per unit was less than the historical average.

- **Line 6**: There has been a pause in the commitment of Asset Management funds (used to preserve and stabilize the Agency's existing multifamily portfolio) while the Agency refines its approach to preservation/stabilization. The Agency anticipates enhanced outreach efforts to take place this spring, in conjunction with annual physical inspections, which will drive utilization of these funds for the remainder of the AHP.

- **Line 7:** Rental assistance under the Bridges and Housing Trust Fund programs is on track. The number of households assisted will increase during the year as turnover occurs (households moving off the program and new households starting to receive the assistance). The historical turnover rate has been about 15% per year.

- **Line 8:** Section 8 and 236 assistance is on track. These project-based units will continue to receive assistance through the year.

- **Line 9:** The majority of Minnesota Housing's production meets sustainable design criteria.

  On the single-family side, all of the homes receiving Community Revitalization funds for new construction or rehabilitation meet the standard. However, the Fix-Up Fund (FUF) and the Community Fix-Up Fund (CFUF) home improvement programs are market driven, and borrowers are not required to follow sustainable design criteria in their home improvement efforts. Thus, the single-family percentage is less than 100%.

  Typically, the multifamily percentage is about 100%. The current percentage is 30% lower because a sizable number of units were funded with General Obligation (G.O.) bond proceeds under the Publicly Owned Housing Program (POHP). Projects funded with G.O. bond proceeds are by law subject to the Minnesota Sustainable Building Guidelines (also known as "B-3 Guidelines"). Due to the limited scope of work under POHP, most projects received a waiver from the Center for Sustainable Building Research, the entity that administers the B-3 guidelines on behalf of the state.

- **Line 10:** Over the last couple of years the number of foreclosure counseling interventions has declined as mortgage delinquencies and demand for counseling has declined. (This activity is funded through the Homeowner Education Counseling and Training – HECAT program – which operates on state fiscal year. The data applies to July 1, 2012 to December 31, 2012)

- **Line 11:** The Agency is making progress in supporting the acquisition of its target number of foreclosed housing units.

- **Line 12:** Production of long-term homeless housing opportunities exceeds the forecast largely because the Minnesota Department of Human Services (DHS) funded more opportunities through the Group Residential Housing program than originally anticipated.

- **Line 13:** The Agency continues to meet its goal of serving emerging markets (communities of color or Hispanic ethnicity) through homeownership. The Agency estimates that 21.0% of renter households that are income eligible for Minnesota Housing first mortgages are from an emerging market.

- **Lines 14 and 15:** In the first six months of state fiscal year 2013, the Agency's return on net assets was $8.2 million, which is a 2.3% annualized rate. If the Agency continues this rate for the rest of the year, the Agency's return will be $16.4 million.

- **Line 16:** Besides a sluggish home improvement market, a delay in utilizing asset management funds, and a December launch of new single-family loan products, the Agency is on track to effectively utilize the funds made available in 2013 Affordable Housing Plan.

- **Lines 17-18:** The Agency's delinquency rate (7.37%) for Single Family first mortgages is higher than the market-wide benchmark for Minnesota (4.32%). The Agency's rate is typically above the benchmark during challenging economic times. In addition, the Agency's rate jumped a couple percentage points in mid 2012, which was unexpected given overall market trends. The Agency believes that the increase is attributable in substantial part to diminished servicing activity resulting from efforts by the servicer, in response to regulatory directives, to standardize and restructure its collection and foreclosure activities. The Agency also believes that the slowdown in collection and foreclosure activities by the servicer also reduced the number of loans in foreclosure. The Agency has been advised that the servicer has committed additional resources since October to process the backlog of files.

- **Line 19-20**: Data on the Agency's Multifamily portfolio watch list will be available later in February.

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AGENDA ITEM: 9.A.
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: Post-Sale Analysis—Homeownership Finance Bonds, 2013 Series A

CONTACT: Don Wyszynski, 651-296-8201
don.wyszynski@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: Finance

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
The Agency sold $75,000,000 of Homeownership Finance Bonds on January 9, 2013 to provide financing for its single family mortgage program. Pursuant to Debt Management Policy, the attached post-sale report 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:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Post-Sale Report.

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$75,000,000
Minnesota Housing Finance Agency
Homeownership Finance Bonds
2013 Series A
(Pass-Through Program)

POST-SALE ANALYSIS

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. This transaction was the third of Minnesota's innovative single-family monthly pass-through bond issues. This approach has proven extraordinarily successful for both Minnesota and other issuers, including Illinois, Iowa, New Mexico and (with a similar structure) Indiana, Ohio and Massachusetts. All have been able to sell MBS-backed issues at extremely low yields compared to traditional single-family bonds. This extraordinary execution is now a key tool for state HFAs such as Minnesota with active new single-family MBS production who want to finance, rather than sell, their MBS and preserve a long-term income stream.

Structure. The issue was very similar to Minnesota's 2012 B issue, with:

- $75 million issue size, to finance about 3 months of recent loan production,
- FNMA MBS, this time for up to 35% of the bond issue, at the same yield as GNMAs,
- 7 weeks from pricing to closing, enabling MHFA to finance more of its pipeline production and lock in rates sooner, reducing the Agency's interest rate risk,
- an optional 10-year par-call if it proves profitable to refund the bonds in the future.

Value to Minnesota Housing. By being able to finance new loans in this way, and having a significant amount of zero participations from past issues, MHFA can set loan rates at some of the lowest rates of any HFA in the country – while earning full spread. The loans financed by 2013 Series A had an average interest rate of approximately 3.20%.

Accomplishments. The results were extremely successful.

1. **Low Yields.** The 2013 Series A bonds were priced at a yield of *2.35% - only 10 basis points higher than 2012 B, although market yields had increased by 19 basis points on underlying GNMAs and by 13 basis points on underlying FNMAs.*

2. **Tightness to GNMA Yields.** MHFA's pass-through deals have each achieved tighter and tighter spreads to the market yields on GNMA's:

	Traditional Tax-Exempt Bonds	MHFA 2012 A	MHFA 2012 B	MHFA 2013 A
Spread to the yield on 3.0% GNMA current delivery	100 basis points	21 basis points	8 basis points	- 1 basis point

3. **Further Established a New, Very Successful Way of Selling Single Family Bonds.** MHFA's bond yield was at least 80 basis points lower than MHFA or any other 'AAA' single-family issuer could have achieved with a traditional tax-exempt structure.

Bond Results. Following are key highlights:

1. **Investor Interest.** As with 2012 Series B, there was extraordinary interest by a wide range of buyers, many of whom would not normally consider tax-exempt bonds but who see this as an attractive way to invest in Mortgage-Backed Securities. There were orders from 8 investors.

2. **Benefits to Investors.** The bonds allowed an investor to purchase a housing bond that is very similar to buying taxable securities but with two additional advantages:

   - MHFA's bonds were offered at par, whereas to buy new GNMA securities with similar underlying loans, an investor would normally have to pay a very large upfront premium in today's market of up to 8 points. The investor thus avoids the risk of early prepayments wiping out the value of its premium.
   - MHFA's 2013 A bonds are tax-exempt. For corporate or bank investors who are in a marginal 35% tax bracket, the 2.35% yield is equivalent to a 3.61% yield on taxable securities, far higher than they can achieve for such high quality securities in the taxable markets.

3. **Timing.** Treasury, GNMA and Fannie Mae, and tax-exempt bond yields had all increased at the end of the year with the U.S. Congressional agreement to at least postpone the fiscal cliff. Despite this, MHFA was able to price 2013A even more tightly to the still extraordinarily low yields on MBS that the Federal Reserve purchases of mortgage securities have continued to support.

4. **Successful Sale.** The sale proved favorable, with MHFA achieving tight spreads to GNMA and FNMA yields. Because of the tight pricing, there were $ 104 million of orders (significantly less than the $195 million each on 2012 A and 2012 B). A typical tax-exempt bond structure in the same market would have had a bond yield of approximately 3.3 %.

Measuring Transaction Benefits to MHFA. MHFA's key objective was to permanently finance loans already in its pipeline at the lowest cost possible, while achieving a full spread and minimizing the use of zero participations.

Zero Participations. The Agency utilized approximately $7 million of its $23 million of existing zero participations. This leaves a substantial balance of $16 million to help hedge future production, an amount likely to be substantially supplemented in several months by the proposed refunding of outstanding bonds in its Residential Housing Financing Bond indenture (RHFB).

Comparison to Other Single-Family Pass-Through Bond Issues

	MHFA 2012 A	**MassHousing 2012 A**	**Ohio 2012 T-1**	**MHFA 2012B**	**Iowa 2013 Series 1**	**New Mexico 2013 A**	**MHFA 2013 A**
Pricing Date	July 30	Sept 18	Sept 25	October 3	Dec 5	Dec 12	**Jan 9**
Senior Manager	RBC	JP Morgan	JP Morgan	RBC	RBC	RBC	**RBC**
% GNMA	100%	0%	100%	75%	95%	100%	**65%**
% FNMA	0%	100%	0%	25%	5%	0%	**35%**
Rating	Aaa	Aaa	Aaa	Aaa	Aaa	AA+	**Aaa**
Size	$50 m	$64 m	$71.3 m	$75 m	$20 m	$25 m	**$75 m**
Period to Closing	4 weeks	3 days	1 week	8 weeks	7 weeks	6 weeks	**7 weeks**
Method	Direct Public Sale	JP Morgan Trust	JP Morgan Trust	Direct Public Sale	Direct Public Sale	Direct Public Sale	**Direct Public Sale**
Optional par redemption	10 years	Not permitted	Not permitted	10 years	9 years	10 years	**9 years**
Price	Par	106.25%	106.25%	Par	Par	104.0%	**Par**
Coupon	2.60%	3.028%	3.027%	2.25%	2.15%	2.60%	**2.35%**
Yield	**2.60%**	**2.26%****	**2.28%****	**2.25%**	**2.15%**	**2.16%*****	**2.35%**
GNMA current yield*	**2.39%**	**2.38%**	**2.19%**	**2.17%**	**2.31%**	**2.31%**	**2.36%**
Difference in yield	**+ 21 bp**	**- 12 bp**	**+ 9 bp**	**+ 8 bp**	**- 16 bp**	**- 15 bp**	**- 1 bp**

** 3.0% GNMAs for current delivery, per Thomson Reuters; ** at 100% FHA; *** at 100% PSA*

FEATURES OF THIS ISSUE

***Structure*.**

1. **Tax Status.** The bonds were sold as tax-exempt bonds not subject to the federal AMT.

2. **Single Maturity.** All bonds mature in 2043 (e.g., 30 years after closing). There are no serial or intermediate term bonds, PAC bonds or any of the other typical housing bond structures that allocate tranches to investors based on maturity or prepayment speed. Instead, each investor owns and receives a pro rata share of all principal and interest.

***Pricing*.** Because the issue consisted of a single maturity of monthly pass-through bonds suited to institutional investors, there was a single institutional order period. The bonds were not offered to retail investors. Pricing took place after several weeks of intense pre-marketing by underwriters to identify and approach potential investors who might be interested in this new product.

1. **Strong Institutional Demand.** Minnesota Housing attracted significant buyer support, with $104 million of orders.

2. **Breadth of Interest.** Although some purchasers of Minnesota Housing's prior pass-through bonds did not participate in the sale, due to the tight yields, other investors stepped in. Of the 8 buyers, 4 were traditional taxable investors (including banks, insurance companies, corporations and money managers) and only 4 were traditional tax-exempt buyers. Four of the buyers accounted for about 85% of the total volume of orders. A total of approximately 30 investors have purchased this type of monthly pass-through bond to date.

UNDERWRITING

Underwriting Fees. As with the prior pass-through issues, takedowns were established at lower levels than industry standards or MHFA precedent on long-term tax-exempt bond sales. Management fees were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.

Comparable Transactions. There were two types of comparable transactions:

1. **Traditional Housing Bond Issues.** As the first major housing issue in 2013, Series A compares to late 2012 issues. There were no traditional single-family issues in December. Multifamily issues included New York City, two in New York, Vermont and Connecticut. The long-term bonds ranged from 95 to 125 basis points higher than the MMD Index, providing overall yields from about 3.40% to 3.70%, or more than 100 basis points higher than MHFA.

2. **Monthly Pass-Through Bond Issues.** The most recent prior pass-through transactions were in early December, including $20 million Iowa tax-exempt, $18 million Iowa taxable refunding, and $25 million New Mexico tax-exempt, all substantially smaller than Minnesota's issue. These three issues were priced when MBS yields were at record lows, with the Iowa taxable par issue at 2.30% and the tax-exempt issues at approximately 2.15% at 100% prepayment speeds. The Iowa and New Mexico transactions, each about 1/3 the size of Minnesota and when rates were at absolute low points, were tighter to current GNMA yields than Minnesota a month later.

   The expansion of the pass-through market, so far primarily by RBC on publicly sold pass-through issues and JP Morgan on private placements, is helping lower yields on all issues and is a very positive development.

Performance. All orders were taken by RBC on a net designated basis for the 3 managers (RBC, Morgan Stanley and Piper Jaffray). Since the bonds are not suitable for retail investors, no third rotating co-manager or selling group was needed to help market the bonds.

IMPLICATIONS

Future Issues. Continuing significant institutional interest in this product provides an excellent precedent for MHFA to continue to use this structure in the future, with the remaining $16 million of zero participations providing a hedge against interest rate risk. Key achievements from this and recent issues include:

- Market acceptance of Fannie Mae securities with no adverse impact on yield (even though the underlying Fannie Mae's generally sell for 2 to 4 percentage points less than similar GNMAs). Investors appear to accept that HFA-originated Fannie Mae loans have characteristics more like typical GNMA loans in smaller loan size, low borrower equity, and less flexibility to refinance.
- Moving from a 4-week to 7 or 8-week delivery window, probably the maximum acceptable.
- The ability of New Mexico and Iowa to sell bonds with substantial premiums, which can be helpful to MHFA in funding downpayment assistance in the future.
- Issuance of taxable pass-through bonds at yields very close to tax-exempt (e.g., Iowa's taxable bonds were only 15 basis points above its tax-exempt bonds). This would enable MHFA's future program for non-first time homebuyers to be financed in this way, as well.

Based on current market conditions the constraints on future issues appear to be from supply rather than demand.

Loan Rates The average interest rate on loans financed by this issue was approximately 3.20%, including production in the last few months at the 2.75% lowest rate provided by MHFA. After this issue, MHFA still has $16 million of zero participations and is likely to add $10+ million with an expected refunding of several RHFB bond issues. This gives the Agency significant room to continue offering loans at very low rates, but with rates at these levels, it is useful to continue monitoring projected zero usage on at least a monthly basis.

****

ISSUE DETAILS

Key Dates: 2013 A Bond Pricing:
Institutional Order Period: Wednesday morning, January 9, 2013
Closing Date: February 28, 2013

Use of Proceeds. The bond issue provides $75 million to purchase GNMA and FNMA mortgage-backed securities. The average rate on the loans is expected to be approximately 3.2%.

Market Conditions

Economic Calendar. During the two weeks prior to sale, the economic calendar was very light due to the holidays. The most important economic developments were from Congress with the passage and signing of tax legislation and the Federal Reserve indicating it would seek to keep interest rates at near-zero short-term levels until unemployment drops to 6.5%. The only releases in the days before or during the sale were relatively minor consumer credit, MBA mortgage index and crude inventories.

Treasuries. Long-term treasury bond yields have increased by about 30 bps in the last month from near-historic low levels, due to some signs of economic strengthening, agreements on Federal tax rates and, at least, the possibility the Fed might not keep indefinitely purchasing treasuries and MBS. The 10-year treasury yielded 1.64% in early October for 2012 Series B pricing, rose into the 1.80s, dropped to 1.59% on December 6, and increased to 1.88% on the date of the 2013 A sale. Similarly, 30-year treasuries were at 2.81% for 2012 Series B, slipped to 2.76% on December 6, and increased to 3.06% on the date of the 2013 A sale.

Municipals. Municipal yields have risen much more modestly than treasuries in recent weeks. Factors include:

- Volume of new issuance continues at low levels, although continuing refunding opportunities continues to maintain supply.
- Despite the absolute low level of rates, buyers have adjusted, and there has been ongoing and renewed retail and institutional interest. Net municipal market outflows prior to Congressional action on tax rates have tapered off in the last week.
- Despite the low absolute level of rates, credit spreads continue to be relatively wide with a spread of approximately 70 basis points between the AAA 30-year G.O. MMD index and A-rated G.O.s.
- Because municipal yields have backed up less than treasuries, MMD as a percentage of treasuries has dropped from about 110% of treasuries at 2012 A, 100% at 2012 B to about 90% currently, the lowest ratio at the long end for several years.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/ Treasury Ratio
2010 A*	9/15/10	2.67%	2.39%	89.5%	3.79%	3.72%	98.2%
2011 A/B*	3/22/11	3.34%	3.27%	97.9%	4.44%	4.85%	109.2%
2011 C/D*	6/7/11	3.01%	2.63%	87.4%	4.27%	4.23%	99.1%
2011 E*	8/24/11	2.29%	2.26%	98.7%	3.63%	3.89%	107.2%
2011 F/G*	11/22/11	1.94%	2.18%	112.4%	2.91%	3.83%	131.6%
2012 ABCD**	3/27/12	2.20%	1.97%	89.5%	3.29%	3.34%	101.5%
2012 A*	7/31/12	1.51%	1.66%	109.9%	2.56%	2.84%	110.9%
2012 B*	10/2/12	1.64%	1.69%	103.0%	2.81%	2.86%	101.8%
2013 A*	**1/9/13**	**1.88%**	**1.69%**	**89.9%**	**3.06%**	**2.80%**	**91.5%**
Change from 2012 B to 2013 A		**+ 24 bps**	**Same**	**-13.1%**	**+ 25 bps**	**- 6 bps**	**-10.3%**

** Homeownership Finance Revenue Bond Indenture*
*** Residential Housing Finance Bond Indenture (RHFB)*

MBS Yields. MBS yields have risen slightly, but much less than treasury yields. Although there appears to be an increasing possibility of the Federal Reserve tapering off its purchases of MBS and treasuries later in 2013, the Fed's continuing activity is keeping MBS yields unusually low. Fed purchases continue to be about 40% of all new MBS supply (see Charts 1 and 2 at the end of the memo).

As a result, the yield on February-delivery Ginnie Mae 3.0s was approximately 2.36% at the time of sale, compared to 2.17% at the time 2012 B was sold. Ginnie Mae 3.0s were priced at 105 20.5/32nds at time of sale, compared to 107 and 18.5/32nds at the time of 2012 B.

The current yield on February-delivery Fannie Mae 3.5s was approximately 2.78% at time of sale compared to 2.65% at the time of 2012 B. Similarly, 3.5 Fannie Maes were selling for 106 9.5/32nds at time of sale, compared to 107 13.5/32nds in early October.

Chart 1: GNMA I 3.0 Current Coupon Yields

Chart 2: FNMA 3.5 Current Coupon Yields

Minnesota Housing Finance Agency
Homeownership Finance Bonds - 2013 Series A
Final Pricing Comparables (Non-AMT)
MBS Monthly Pass-Through Structures

SALE DATE	January 9, 2013		December 12, 2012		December 12, 2012		December 5, 2012		October 18, 2012	
ISSUER	Minnesota HFA		New Mexico MFA		Iowa FA		Iowa FA		Ohio HFA	
AMOUNT	$75,000,000		$25,000,000		$17,756,249		$20,000,000		N-AMT: $69.8MM AMT:$17.9MM	
SERIES	2013 Series A		2013 Series A		2012 Series 1		2013 Series 1		2012 Series T-2, T-3	
PROGRAM	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
RATING(S)	Aaa / - / -		- / AA+ / -		Aaa / - / -		Aaa / - / -		- / AAA / -	
TAX STATUS	**Non-AMT**		**Non-AMT**		**Taxable**		**Non-AMT**		**Non-AMT / AMT**	
USE OF FUNDS	New Money		New Money		Refunding		New Money		New Money / AMT Refunding	
TYPE	Par		Premium		Par		Par		TEMPS Premium	
MATURITY	Coupon or Yield	Spread to MMD**	Coupon or Yield	Spread to MMD**	Coupon or Yield	Spread to 10-Year Treas**	Coupon or Yield	Spread to MMD**	Coupon or Yield	Spread to MMD
2014										
2015										
2016										
2017										
2018										
2019										
2020										
2021										
2022										
2023										
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2029										
2030										
2031										
2032										
2033										
2034										
2035										
2036										
2037										
2038									**2.78***	**+122****
2039										
2040					**2.30***	**+60****				
2041										
2042										
2043	2.35*	+55*	2.16*	+51*			2.15*	+64*		
	* Bonds sold with a 2.35% coupon at par assuming 10.6 yr A/L at 100% PSA.		* Bonds sold with a 2.60% coupon at a $104.0 price to yield 2.16% assuming 10.7 yr A/L at 100% PSA. - Optional Call in 10 Years.		* Bonds sold with a 2.30% coupon at par. Spread to 10-Year Treas listed assumes approx. 9.7 yr A/L at 100% PSA to yield 2.30%. - Optional Call in 10 Years.		* Bonds sold with a 2.15% coupon at par. Spread to MMD listed assumes approx. 10.3 yr A/L at 100% FHA to yield 2.15%.** - Optional Call in 10 Years.		* Bonds sold with a 3.527% coupon, and $105.875 premium which assuming 9 yr A/L yields 2.78% **(for entire series).** *- Non Callable.*	
MKT INDEX	BBI / RBI	3.68% / 4.30%	BBI / RBI	3.27% / 4.06%	BBI / RBI	3.27% / 4.06%	BBI / RBI	3.32% / 4.11%	BBI / RBI	3.68% / 4.33%
SEN MGR	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		JP Morgan	

***** Spreads to MMD assume a 10.3 year average life at 100% FHA so as to be compared to the pricing achieved on the JP Morgan TEMPS structures.***

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Minnesota Housing Finance Agency
Homeownership Finance Bonds - 2013 Series A
Final Pricing Comparables (Non-AMT)
MBS Monthly Pass-Through Structures

SALE DATE	January 9, 2013		October 3, 2012		September 25, 2012		September 18, 2012		July 31, 2012	
ISSUER	Minnesota HFA		Minnesota HFA		Mass Housing		Ohio HFA		Minnesota HFA	
AMOUNT	$75,000,000		$75,000,000		$64,035,569		$71,289,042		$50,000,000	
SERIES	2013 Series A		2012 Series B		2012 Series A		2012 Series T-1		2012 Series A	
PROGRAM	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
RATING(S)	Aaa / - / -		Aaa / - / -		- / - / AAA		- / AAA / -		Aaa / - / -	
TAX STATUS	**Non-AMT**		**Non-AMT**		**Non-AMT**		**Non-AMT**		**Non-AMT**	
USE OF FUNDS	New Money		New Money		New Money		New Money		New Money	
TYPE	Par		Par		TEMPS Premium		TEMPS Premium		TEMPS Premium	
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**
2014										
2015										
2016										
2017										
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2021										
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2023										
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2035										
2036										
2037										
2038										
2039										
2040										
2041										
2042			2.25*	+51*	2.26*	+45*	2.28*	+35*	2.60*	+90*
2043	2.35*	+55*								
	* Bonds sold with a 2.35% coupon at par assuming 10.6 yr A/L at 100% PSA.		* Bonds sold with a 2.25% coupon at par. Spread to MMD listed assumes approx. 10.3 yr A/L at 100% FHA to yield 2.25%.** - Optional Call in 10 Years.		* Bonds sold with a 3.027% coupon, and $106.25 premium which assuming 100% FHA results in an approx. 10.3 yr A/L to yield 2.26%. - *Non Callable.*		* Bonds sold with a 3.028% coupon, and $106.25 premium which assuming 100% FHA results in an approx. 10.3 yr A/L to yield 2.28%. - *Non Callable.*		* Bonds sold with a 2.60% coupon at par. Spread to MMD listed assumes approx. 10.3 yr A/L at 100% FHA to yield 2.60%.** - Optional Call in 10 Years.	
MKT INDEX	BBI / RBI	3.68% / 4.30%	BBI / RBI	3.61% / 4.28%	BBI / RBI	3.72% / 4.37%	BBI / RBI	3.79% / 4.42%	BBI / RBI	3.61% / 4.44%
SEN MGR	RBC Capital Markets		RBC Capital Markets		JP Morgan		JP Morgan		RBC Capital Markets	

***** Spreads to MMD assume a 10.3 year average life at 100% FHA so as to be compared to the pricing achieved on the JP Morgan TEMPS structures.***

Minnesota Housing Finance Agency
Homeownership Finance Bonds - 2013 Series A
Final Pricing Comparables (Non-AMT)
Traditional Structures

SALE DATE	December 13, 2012		December 12, 2012		December 12, 2012		December 11, 2012		December 6, 2012	
ISSUER	New York City HDC		New York State HFA		Vermont HFA		Connecticut HFA		New York State HFA	
AMOUNT	$180,995,000		$91,500,000		$10,080,000		$54,415,000		$157,500,000	
SERIES	2012 Series KL		2012 Series F		2012 Series B		2012 G-1/G-4		2012 Series E	
PROGRAM	**Multifamily** / Negotiated		**Multifamily** / Negotiated		**Multifamily** / Negotiated		**Multifamily** / Negotiated		**Multifamily** / Negotiated	
RATING(S)	Aa2 / AA / -		Aa2		Aa3 / A+ / -		Aaa / AAA / -		Aa2 / - / -	
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
2013	0.45	+25	0.40 / 0.45	+20			0.25	+5	0.33 / 0.41	+13
2014	0.55 / 0.65	+25	0.55 / 0.65	+25			0.35 / 0.45	+5	0.50 / 0.60	+20
2015	0.75 / 0.80 / 0.85	+32	0.75 / 0.85	+32			0.60 / 0.70	+18	0.75 / 0.85	+33
2016	0.95 / 1.05 / 1.20	+39	1.05 / 1.20	+49			0.80 / 0.90	+26	1.05 / 1.10* / 1.15	+53
2017	1.40 / 1.50	+69	1.35 / 1.45	+66			1.10 / 1.15	+43	1.25 / 1.35	+61
2018	1.60 / 1.70	+71	1.55 / 1.65	+71			1.35 / 1.40	+54	1.50 / 1.60	+74
2019	1.80 / 1.90	+72	1.75 / 1.85	+72			1.55 / 1.60	+56	1.75 / 1.80	+85
2020	2.05 / 2.10	+77	2.00 / 2.05	+77			1.85 / 1.90	+66	2.00 / 2.05	+91
2021	2.35	+87	2.30	+87			2.10	+71	2.25	+96
2022	2.50	+84	2.45	+83			2.25	+67	2.45	+97
2023	2.65	+88	2.60	+87					2.55	+96
2024									2.60	+96
2025										
2026										
2027	3.05	+108	3.05	+112			2.85	+95		
2028										
2029										
2030	3.40	+125					3.05	+95	3.00	+101
2031										
2032	3.50	+123	3.45	+122			3.15	+97	3.10	+99
2033										
2034										
2035										
2036										
2037	3.80	+122	3.75	+121	3.75	+121	3.45	+95	3.40	+97
2040										
2041					3.90*	+132				
2042	3.90	+125	3.85	+126			3.50	+95	3.50	+102
2045	4.00	+135								
2047							3.65	+110		
2048			4.10	+151						
2050									3.75	+127
2052 / 2055					4.10**	+151	3.85*	+130		
					* Represents yield. Price of $98.279. ** Represents yield. Price of $98.044.		* Represents yield. Price of $97.905.		* Optional call in 11/1/2015.	
MKT INDEX	BBI / RBI	3.44% / 4.12%	BBI / RBI	3.27% / 4.06%	BBI / RBI	3.27% / 4.06%	BBI / RBI	3.27% / 4.06%	BBI / RBI	3.27% / 4.06%
SEN MGR	JP Morgan		Ramirez & Co		Citi		Citi		JP Morgan	

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AGENDA ITEM: 9.B
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: Conflict of Interest Disclosure Reporting

CONTACT: Will Thompson, 651-296-9813
will.thompson@state.mn.us

Paula Beck, 651-296-9806
paula.beck@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 has implemented a process for employees to report actual or perceived conflicts of interest. This agenda item is intended to highlight the process for annual conflict of interest disclosure reporting and inform the Board of outcomes.

FISCAL IMPACT:

None.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☑ Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Results of 2012 Conflict of Interest Disclosure Reporting
- Conflict of Interest Annual Disclosure Form

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BACKGROUND:
It is the policy of the Agency to be aware of actual, potential and perceived conflicts of interest involving employees of the Agency. Agency staff and the Chief Risk Officer have standardized a procedure for annual conflict of interest disclosure reporting, which has been incorporated into the Agency's Code of Ethics.

Each July, Agency employees are required to complete a Conflict of Interest Annual Disclosure Form (copy attached). Forms where questions are checked "Yes" are reviewed to determine if remedial actions are required. If remedial actions are required, the employee and his or her manager receive a memo from Human Resources which, depending on the scenario, communicates specific remedial actions as listed below:

Conflict of Interest Remedial Actions

Scenario	Remedial Actions as a member of a board / or other entity:	Remedial Actions as a Minnesota Housing Employee:
Agency employee is a member of a board or other entity that conducts business dealings with the Agency:	1. Refrain from discussing non-public Agency business 2. Excuse oneself from voting on business dealings related to the application, funding or the monitoring of Agency programs	1. Excuse oneself as a decision maker from business dealings of the identified board or other entity related to application, funding or monitoring of Agency programs 2. Have your manager identify an Agency employee to delegate business dealings related to application, funding and monitoring of Agency programs
		3. Excuse oneself as a presenter to the Agency Board when an agenda item is solely related to the identified board or other entity
Agency employee has a family member who is a member of a board or other entity that conducts business dealing with the Agency:	Not Applicable	1. Refrain from discussing non-public Agency business

RESULTS OF 2012 CONFLICT OF INTEREST DISCLOSURE REPORTING:

- 234 Agency employees and contractors completed Conflict of Interest Annual Disclosure Form
- 26 or 11% of employees checked "Yes" to at least one of four questions
- 15 of the 26 employees were notified by HR that no remedial actions were required
- 11 of the 26 employees and their managers were directed to comply with specific remedial actions
- Agency staff reported membership on the boards of the following 16 entities:
    - BuildWealth
    - City of Lakes Community Land Trust in Mpls (CLCLT)
    - City of Lakes Land Trust
    - Dayton's Bluff NHS
    - Duluth LISC
    - Home Line
    - HousingLink
    - Local Initiative Support Corp (LISC)
    - Minnesota Homeownership Center
    - Neighborhood Development Alliance (NeDA)
    - Neighborhood Housing Services (NHS) of Minneapolis
    - Seward Redesign Board
    - Twin Cities Community Land Bank
    - Two Rivers Community Land Trust
    - Union Park District Council, City of Saint Paul

Minnesota Housing Finance Agency
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Equal Opportunity Housing and Equal Opportunity Employment

CONFLICT OF INTEREST ANNUAL DISCLOSURE

As an employee of Minnesota Housing you have an obligation to act in a manner which promotes the best interests of Minnesota Housing and to avoid conflicts of interest and appearances of impropriety when making decisions and taking actions on behalf of the Agency.

Minnesota Housing Finance Agency (**Minnesota Housing**) needs to be aware of actual, potential or perceived conflicts of interest involving its employees. This form is designed to identify and disclose such conflicts.

In order to ensure that employees are in compliance with Minnesota Housing's Code of Ethics, set forth in the Minnesota Housing Policy and Procedure Manual, Minnesota Housing requires all employees to complete the following questionnaire each year. The information you provide may be classified as private data under the Minnesota Government Data Practices Act and may be released to: (i) persons authorized to have access to the information under state or federal law; (ii) persons authorized by court order to have access to the information; (iii) persons to whom you give written consent to have access to the information; or (iv) all individuals in Minnesota Housing who have a need and right to know the information. Failure to provide the requested information may result in disciplinary action.

Please complete the following questions. When done you need to submit the form to Human Resources.

_____	_____
Name	*Division*
_____	_____
Date	*Position at Minnesota Housing*

1. Are you or a member of your immediate family an: employee, consultant, officer, director, trustee, board member, partner (general or limited) of any company, firm, board, or organization that presently has business dealings with Minnesota Housing?
   _____Yes _____No

   ***If yes**, please list the name of the company, firm, board, or organization, the family member involved, the position held with such company, firm, board or organization, and the nature of the business which is currently being conducted with Minnesota Housing.*

2. Do you or does any member of your immediate family have a financial interest, direct or indirect, in a company, firm, board, or organization that currently has business dealings with Minnesota Housing?
   _____Yes _____No

   ***If yes**, please list the family member, name of the company, firm, board, or organization, the nature of the interest and, and the nature of the business which is currently being conducted with the Agency or which may reasonably be expected to be conducted with the Minnesota Housing :*

3. Do you or does any member of your immediate family have a financial or personal interest in property in which Minnesota Housing has a financial or other interest?
   _____Yes _____No

   ***If yes**, please identify the person and the nature of the financial or personal interest:*

4. Other than already disclosed above, do you have any other interest or role in a firm, board, or organization that might reasonably be expected to create an appearance of impropriety to the public?
   _____Yes _____No

   ***If yes**, please provide details below:*

Please add additional pages as needed.

It is my responsibility to read the Minnesota Housing Employee Code of Ethics policy and understand that as an employee of Minnesota Housing it is my obligation to act in a manner that promotes the best interests of Minnesota Housing and to avoid conflicts of interest, and appearances of impropriety when making decisions and taking actions on behalf of Minnesota Housing.

My answers to the questions in this disclosure form are correctly stated to the best of my knowledge and belief. If a future possible conflict of interest arises with respect to my responsibilities to Minnesota Housing, I recognize that I have the obligation to submit a Request for External Employment or Board Membership Approval form to Human Resources, and to abstain from any participation in the matter until the Agency can determine whether a conflict exists and how that conflict shall be resolved.

_____ _____
Signature Date

AGENDA ITEM: 9.C
MINNESOTA HOUSING BOARD MEETING
February 28, 2013

ITEM: Multifamily Loan Programs, Annual Funding Modification Activity Report and Policy

CONTACT: Kayla Schuchman, 651-296-3705
kayla.schuchman@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☑ Other: Funding Modifications

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:

Staff is reporting on its loan modifications activity for 2012. Per Board policies, staff has been given the authority to make certain funding modifications to selected developments for deferred loan programs; the Low and Moderate Income Rental program (LMIR); and Asset Management and Preservation developments.

These funding modification policies give staff the ability to make certain modifications without further Board approval, resulting in greater efficiencies for both staff and the Board. It also promotes expedited loan closings.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

- Attachment A: Background
- Attachment B: General Funding Modification Process for Multifamily
- Attachment C: Summary of Net Program Increases/Decreases
- Attachment D: Details for the 2012 Net Increases and Decreases to Deferred and Amortizing Loan Commitments (Modification Details)

BACKGROUND:

Under Board policy staff has authority to make funding modifications to developments selected under the Multifamily Request for Proposals (RFP) for deferred loan programs so long as such modifications are less than the greater of 10 percent or $50,000, up to a maximum of $200,000.

Similarly, Board policy permits staff to make funding modifications to developments committed under the Low and Moderate Income Rental program if the mortgage did not increase by more than 10 percent over the originally committed mortgage amount.

Finally, staff has authority to make funding modifications to Asset Management and Preservation developments up to ten percent.

The Funding Modification Process is outlined in Attachment B. Attachment C provides a program level summary of the net impacts of the modifications processed by staff during 2012. Attachment D provides a project level itemization of the activities.

General Funding Modification Process for Multifamily

Process:
Agency staff completes the Funding Modification Request Form (located in Bi-Query Reports) and presents the request to the Multifamily Clearinghouse Team, and if approved at that level, requests final approval from the Assistant Commissioner for Multifamily.

RFP Selections:

Funding Modifications of Request for Proposal (RFP) Selections not requiring Board Action:
Funding Modification requests that fall within the following guidelines may be approved without Board action:

- Dollar for dollar funding swap from one RFP program to another, including funding partners programs, based upon fund availability;
- Consolidation of funding from multiple programs to one program, to simplify the development (total dollar amount remains the same), based upon fund availability;
- Increases in funding that are less than the greater of $50,000 or 10 percent of all RFP funding in the development, including funding partners and Agency first mortgage loans, up to a maximum total increase of $200,000.

Benchmark for Funding Modifications of RFP Selections Needing Board Action:
The following benchmarks are established for determining whether a funding modification request would require Board action:

> Request for funding increase exceeds the greater of $50,000 or 10 percent of all RFP funding in the development, including funding partners and Agency first mortgage loans, up to a maximum total increase of $200,000; and a recommendation has been made by staff, due to certain circumstances, to not require the applicant to reapply to the Multifamily RFP.

Low & Moderate Income Rental Program (LMIR), Preservation Affordable Rental Investment Fund (PARIF) and/or Asset Management Fund (AMF) Loans and Pipeline Commitments:
Once a LMIR, PARIF and/or AMF loan has received a Board commitment and the commitment has not expired; a Funding Modification does not require Board action if it is a:

- Modification of terms of the Asset Management Loan or other deferred loans.
- Increase in the loan amount of up to 10 percent.

Attachment C: Summary of Net Program Increases/Decreases

- Attachment D details 2012 total **increases** to deferred loan commitments:

Housing Trust Fund Long Term Homeless Rental Assistance	$ 241,000.00
Housing Trust Fund Rental Assistance	$ 197,000.00
Ending Long-Term Homelessness Initiative Fund Operating Subsidy	$ 30,000.00
Preservation Affordable Rental Investment Fund	$ 46,114.00
Publically Owned Housing Program	$ 8,291.00
Finance Adjustment Factor / Finance Adjustments Asset Management Loan	$ 15,543.00
Total	**$ 537,948.00**

- Attachment D details 2012 total **decreases** to deferred and amortizing loan commitments:

Rental Rehab Loan	$ 80,500.00
Ending Long-Term Homelessness Initiative Fund Rental Assistance	$ 115,697.00
Ending Long-Term Homelessness Initiative Fund Operating Subsidy	$ 40,718.00
Housing Trust Fund Pilot Decrease	$ 1,561.00
Housing Trust Fund Long Term Homeless Rental Assistance	$ 228,260.00
Housing Trust Fund Rental Assistance	$ 300,723.00
Housing Trust Fund Temporary Rental Assistance	$ 107,166.00
Housing Trust Fund Capital	$ 16,500.00
Preservation Affordable Rental Investment Fund	$ 180,000.00
Publically Owned Housing Program	$ 293,786.00
Low and Moderate Income Rental Program 1st Mortgage	$ 4,606,753.00
Low and Moderate Income Rental Program 2nd Mortgage	$ 10,446.00
Economic Development & Housing CHALLENGE	$ 200,000.00
Total	**$ 6,182,110.00**

Attachment D: Details for the 2012 Net Increases and Decreases to Deferred and Amortizing Loan Commitments

Dev ID # Project #	Development Name City	Original Funding and Estimated Total Development Cost (TDC)	Original Amount	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Modified Amount	Increase or (Returned Funding)	Approval Date
D5960 MRA13650	Minnesota Place (MN Building 9%) Saint Paul	ELHIF Rental Assistance	$115,000	ELHIF Rental Assistance	$78,473	($36,527)	10/02/12
Funding Modification: The grant was extended 12 months and funds reduced based on the amount drawn in the initial grant term and funding for the 2012-2013 grant term.							
D3192 MOS14113	American House (Wilder Foundation) Saint Paul	ELHIF Operating Subsidy	$150,000	ELHIF Operating Subsidy	$180,000	$30,000	08/19/12
Funding Modification: The property management of American House, along with Kimball Court, was taken over by Plymouth Church Neighborhood Foundation from previous management of Wilder Foundation. At the time budget projections were done, it was not known that one property had a higher operating need than the other. This modification was requested in conjunction with a funding modification for Kimball Court in a corresponding amount of ($30,000).							
D5895 MRA14110	Audubon Crossing (fka Lowry Apartments) Minneapolis	ELHIF Rental Assistance	$113,000	ELHIF Rental Assistance	$64,518	($48,482)	10/02/12
Funding Modification: The term of the ELHIF Rental Assistance grant was extended 12 months through September 30, 2013, and funds were reduced based on the amount drawn in the original grant term.							
D2475 MOS14114	Kimball Court Saint Paul	ELHIF Operating Subsidy	$150,000	ELHIF Operating Subsidy	$120,000	($30,000)	08/19/12
Funding Modification: The management of this property, along with American House, was taken over from Wilder Foundation when that organization was no longer able to sustain property management. At the time the proposed budgets for these properties were created, it was not known that this property had a lower operating need than American House. This modification was submitted in conjunction with a funding modification for American House in a corresponding amount of $30,000.							

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D4041 MRA14525	Catholic Charities Rental Subsidy Program Minneapolis	HTF Rental Assistance	$401,000	HTF Rental Assistance	$384,208	($16,792)	07/24/12
Funding Modification: Unused funds were recaptured at the end of the grant terms.							
D3553 MRA14527	Elim HTF Tenant Based Collaborative Columbia Heights	HTF Rental Assistance	$460,267	HTF Rental Assistance	$437,312	($22,955)	04/18/12
Funding Modification: The Elim Transitional Housing, Inc. grant agreement terminated March 31, 2012. Funds balance was recaptured and redistributed to other rental assistance administrators assuming responsibility for rental subsidies.							
D3747 MRA14529	St. Stephen's Human Services, Inc. Minneapolis	HTF Rental Assistance	$540,312	HTF Rental Assistance	$460,725	($79,587)	08/08/12
Funding Modification: The grant was extended 6 months and unutilized funds recaptured for return to Housing Trust Fund.							
D3875 MRA14530	YWCA of St. Paul Supportive Housing Program Saint Paul	HTF Rental Assistance	$336,076	HTF Rental Assistance	$364,076	$28,000	05/08/12
Funding Modification: The grant was increased due to assumption of rental subsidy administration for households assisted through Elim Transitional Housing, Inc., HTF rental assistance grants. Eight households were transferred from Elim grants which terminated on 03/31/2012.							
D3845 MOS14578	Alicia's Place Duluth	ELHIF Operating Subsidy	$29,134	ELHIF Operating Subsidy	$18,416	($10,718)	06/15/12
Funding Modification: Property has received two operating subsidy grants, and not all grant funds from the first grant were disbursed by the end of the original grant term. A renewal was awarded to ensure the property continued to receive needed grant funding, and to avoid having two grants running at the same time, funds from the initial grant were recaptured.							

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D6276 MRA14643	PPL Rapid Exit Minneapolis	HTF Temp Rental Assistance	$236,000	HTF Temp Rental Assistance	$208,532	($27,468)	08/08/12
Funding Modification: Funds were recaptured at expiration of grant, for return to Housing Trust Fund.							
D6280 MRA14642	MHR Temp RA for Families W/Children Saint Paul	HTF Temp Rental Assistance	$889,000	HTF Temp Rental Assistance	$887,924	($1,076)	08/08/12
Funding Modification: Funds were recaptured at expiration of the grant, and returned to the Housing Trust Fund.							
D6278 MRA14640	Cornerstone Advocacy Service Bloomington	HTF Temp Rental Assistance	$435,000	HTF Temp Rental Assistance	$356,378	($78,622)	08/08/12
Funding Modification: The grant was extended six months and unutilized funds recaptured for return to Housing Trust Fund.							
D4082 MRA14652	Grand Oaks Court Townhomes Baxter	ELHIF Rental Assistance	$40,000	ELHIF Rental Assistance	$9,312	($30,688)	10/02/12
Funding Modification: The grant was extended 12 months and the funding award reduced based on the amount drawn in the initial grant term and funding for the 2012-2013 grant term.							
D6367 M14757	Aeon Elliot Park Portfolio Refinance Minneapolis	EDHC	$420,571	EDHC	$420,571	$0	06/11/12
Funding Modification: This funding modification request did not involve a revision to funding amounts or funding sources, but rather a transfer of the existing EDHC funding award from the multi-site Aeon Elliot Park Portfolio Refinance project (D6367, M14757) that included multiple projects to two single-site projects. The transfer of funds to individual projects will allow for independent scopes of work, construction contracts, due diligence, closing and on-going compliance and monitoring. The funds are being reallocated as follows: $263,685 to D0795, M15813 Balmoral, and $156,886 to D0816, M15815 Buri Manor.							

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D6384 M14818	River Heights Apartments Park Rapids	POHP	$54,000	POHP	$0	($54,000)	10/15/12
Funding Modification: The developer was unable to move forward with due diligence and other funding for the proposed scope of work in a timely manner in order to commence construction prior to expiration of the loan commitment. The developer chose to not seek an extension and allow the commitment to expire.							
D6697 M15782	605/622 Transitional Units Chaska	POHP HTF Capital	$65,000 $16,500	POHP HTF Capital	$0 $0	($65,000) ($16,500)	06/13/12
Funding Modification: Borrower was not able and/or willing to complete closing requirements associated with financing.							
D2619 M15370	Anna Marie's (fka Woman House) Saint Cloud	POHP	$28,000	POHP	$19,709	($8,291)	11/30/12
Funding Modification: Anna Marie's Shelter is a battered woman's shelter and borrower was awarded POHP funds for the addition of security cameras. The actual costs for the system came in lower than expected and the owner has requested that the unused funds be applied to the Veterans Transitional Houses (D6676 M15384).							
D6675 M15381	CIP / Bass Lake Road Crystal	PARIF	$108,063	PARIF	$118,869	$10,806	05/29/12
Funding Modification: Hennepin County's Sentenced to Serve was the contractor, and cost overruns were incurred during construction. Overruns occurred in environmental abatement, as asbestos was discovered, and due to construction delays relocation costs came in over budget. The $17,969 developer fee originally budgeted was used to absorb a large share of cost overruns, however was insufficient to fully cover the overruns.							

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D1567 M15390	Northern Warehouse Saint Paul	EDHC	$200,000	EDHC	$0	($200,000)	06/12/12
Funding Modification: Project was awarded $200,000 from the EDHC program in 2010 RFP. Subsequent to project selection, the proposal changed significantly including significant increase to TDC, and developer fee $250,000 in excess of Agency limits. Revision of Agency funding award was approved at the November 1, 2011 Mortgage Credit Committee meeting.							
D6676 M15384	Veterans Transitional Houses Saint Cloud	POHP	$84,100	POHP	$92,391	$8,291	11/30/12
Funding Modification: This development involved the rehabilitation of two units of existing transitional housing, and funding was awarded for basic rehab work, including new windows, new furnaces and water heaters and remodeled bathrooms. The projects costs were higher than originally estimated and funds remaining from the borrower's other project (Anna Maries Shelter D2619 M15370) were transferred to this project.							
D0103 M15394	211 Washburn Ave E Backus	POHP	$74,200	POHP	$0	($74,200)	11/30/12
Funding Modification: At its October 2010 meeting, Minnesota Housing's Board approved $74,200 in Publicly-Owned Housing Program (POHP) funds for the rehabilitation of the Cass County Transitional Housing property. Since the award date communication from the borrower has been sporadic with little progress being made on this project. On February 13, 2012 a letter was sent to the borrower stating that borrower had until February 20, 2012 to respond or the funds would be recaptured. Limited progress was made before the borrower's communication became sporadic again. On November 15, 2012 another letter stating that borrower had until November 26, 2012 to respond or the funds would be recaptured. The borrower has not responded to the last letter. Staff is therefore requesting that the funds be recaptured.							
D5170 MRA15804	Brooklyn Park Pilot Project Brooklyn Park	HTF Pilot	$85,000	HTF Pilot	$83,439	($1,561)	10/12/12
Funding Modification: The funds balance was recaptured at the end of the grant term.							

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D3553 MRA16047	Elim HTF Tenant Based Collaborative Columbia Heights	HTF LTH Rental Assistance	$459,000	HTF LTH Rental Assistance	$230,740	($228,260)	04/18/12
Funding Modification: The Elim Transitional Housing, Inc. grant agreement terminated March 31, 2012. Funds balance was recaptured and redistributed to other rental assistance administrators assuming responsibility for rental subsidies.							
D3553 MRA16048	Elim HTF Tenant Based Collaborative Columbia Heights	HTF Rental Assistance	$351,000	HTF Rental Assistance	$169,611	($181,389)	04/18/12
Funding Modification: The Elim Transitional Housing, Inc. grant agreement terminated March 31, 2012. Funds balance was recaptured and redistributed to other rental assistance administrators assuming responsibility for rental subsidies.							
D3557 MRA16057	Hearth Connection - HTF Multiple Cities	HTF Rental Assistance	$399,000	HTF Rental Assistance	$407,000	$8,000	05/08/12
Funding Modification: Grant was increased due to assumption of rental subsidy administration for households assisted through Elim Transitional Housing, Inc., HTF rental assistance grants. Two households were transferred from Elim grants which terminated on 03/31/2012.							
D3875 MRA15871	YWCA of St. Paul Supportive Housing Program Saint Paul	HTF LTH Rental Assistance	$90,000	HTF LTH Rental Assistance	$115,000	$25,000	05/08/12
Funding Modification: Grant was increased due to assumption of rental subsidy administration for households assisted through Elim Transitional Housing, Inc., HTF rental assistance grants. Six households were transferred from Elim grants which terminated on 03/31/2012.							

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D3910 MRA16049	Lutheran Social Services of MN/ Housing Services Minneapolis	HTF LTH Rental Assistance	$134,000	HTF LTH Rental Assistance	$162,000	$28,000	05/08/12
Funding Modification: Grant was increased due to assumption of rental subsidy administration for households assisted through Elim Transitional Housing, Inc., HTF rental assistance grants. Six households were transferred from Elim grants which terminated on 03/31/2012.							
D3910 MRA16050	Lutheran Social Services of MN/ Housing Services Minneapolis	HTF Rental Assistance	$118,000	HTF Rental Assistance	$273,000	$155,000	05/08/12
Funding Modification: Grant was increased due to assumption of rental subsidy administration for households assisted through Elim Transitional Housing, Inc., HTF rental assistance grants. Forty-three households were transferred from Elim grants which terminated on 03/31/2012.							
D3747 MRA16073	St. Stephen's Human Services, Inc. Minneapolis	HTF Rental Assistance	$191,000	HTF Rental Assistance	$197,000	$6,000	09/12/12
Funding Modification: The number of households funded was reduced for the 2011-2012 grant term, to be reduced by attrition. Households transitioned more slowly than projected, resulting in a funding shortfall.							
D3747 MRA16074	St. Stephen's Human Services, Inc. Minneapolis	HTF LTH Rental Assistance	$92,000	HTF LTH Rental Assistance	$113,000	$21,000	04/26/12
Funding Modification: Grant was increased due to assumption of rental subsidy administration for households assisted through Elim Transitional Housing, Inc., HTF rental assistance grants. Four households were transferred from Elim grants which terminated on 03/31/2012.							

Dev ID # Project #	Development Name City	Original Funding and Estimated Total Development Cost (TDC)	Original Amount	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Modified Amount	Increase or (Returned Funding)	Approval Date
D3747 MRA16075	St. Stephen's Human Services, Inc. Minneapolis	HTF LTH Rental Assistance	$164,000	HTF LTH Rental Assistance	$331,000	$167,000	05/08/12
Funding Modification: Grant was increased due to assumption of rental subsidy administration for households assisted through Elim Transitional Housing, Inc., HTF rental assistance grants. Forty-eight households were transferred from Elim grants which terminated on 03/31/2012.							
D7557	Rt 2 Box 28	Rental Rehab Loan	$80,500	Rental Rehab Loan	$0	($80,500)	11/15/12
Funding Modification: Local RD Officer advised staff the owner found other funds to complete the rehabilitation and did not need the RRL funds. Local Lender discontinued processing and did not report withdrawal.							
D6716 M16092	Pillsbury Commons Richfield	LMIR 1st Mortgage	$3,170,493	LMIR 1st Mortgage	$0	($3,170,493)	10/15/12
Funding Modification: The developer was unable to complete this development due to neighborhood and local opposition. Because of this, the Housing Tax Credits awarded by Minnesota Housing were returned by the developer, and the project is no longer feasible to proceed. Therefore, the LMIR mortgage is no longer needed.							
D0818 M16143	Stradford Flats Minneapolis	LMIR 1st Mortgage	$1,436,260	LMIR 1st Mortgage	$0	($1,436,260)	10/10/12
Funding Modification: The developer secured a first mortgage from a private bank and is no longer requesting a LMIR first mortgage from Minnesota Housing.							
D7540 M16153	Whispering Pines Forest Lake	PARIF	$353,983	PARIF	$360,433	$6,450	04/26/12
Funding Modification: Loan amount was increased by $6,450, or 1.8%, to equally split the increased cost of a Change Order for this rehabilitation project. The Change Order was executed prior to closing/construction start. The additional funding allowed the rehabilitation to include window glazing, which both the HRA and Minnesota Housing have deemed important.							

Dev ID # Project #	Development Name City	Original Funding and Estimated Total Development Cost (TDC)	Original Amount	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Modified Amount	Increase or (Returned Funding)	Approval Date
D1537 M16155	Marshall Avenue Townhomes Saint Paul	PARIF	$180,000	PARIF	$0	($180,000)	01/03/12
Funding Modification: The Agency was notified by the developer's attorney on 9/20/2011 that the developer (St. Paul Development Company, LLC) would not be moving forward with a Section 8 contract renewal and therefore the PARIF loan request was withdrawn.							
D1734 M16156	Boardwalk Wayzata	LMIR 2nd mortgage	$860,110	LMIR 2nd mortgage	$849,664	($10,446)	12/19/12
Funding Modification: A portion of the new loan is being used to pay off the existing 2nd mortgage; the outstanding balance of the existing 2nd mortgage has decreased since the loan was approved.							
D0110 M16171	Northwood Commons Baudette	FAF/FA Asset Management Loan	$241,036	FAF/FA Asset Management Loan	$248,819	$7,783	06/25/12
Funding Modification: Several payments were made against the first mortgage, reducing the amount of the loan to be assumed and requiring an increase in the amount of the FAF/FA loan. The Section 8 loan assumption amount was reduced by the same amount.							
D0719 M16172	Valleyview Commons Mahnomen	FA/FAF AML	$309,719	FAF/FA Asset Management Fund	$317,479	$7,760	06/25/12
Funding Modification: Several payments were made against the first mortgage, reducing the amount of the loan to be assumed and requiring an increase in the amount of the FAF/FA loan. The Section 8 loan assumption amount was reduced by the same amount.							
D6347 M15355	Silver Creek Corner Rochester	POHP	$4,784,240	POHP	$4,703,305	($80,935)	12/20/12
Funding Modification: The remaining money was not needed for this, or other publicly owned transitional projects, and was returned to MMB.							

Dev ID # Project #	Development Name City	Original Funding and Estimated Total Development Cost (TDC)	Original Amount	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Modified Amount	Increase or (Returned Funding)	Approval Date
D1835 M15382	June Kjome Place Caledonia	POHP	$88,000	POHP	$76,640	($11,360)	12/26/12
Funding Modification: The project was completed under the estimated amount that was listed in the commitment.							
D7540 M16153	Whispering Pines Forest Lake	PARIF	$360,433	PARIF	$389,291	$28,858	12/26/12
Funding Modification: A funding increase of $28,858 was approved to allow the Borrower to replace the entire roof rather than a portion as originally planned under this moderate rehabilitation proposal. As work progressed, it was discovered that more of the roof was damaged and needing repair than originally anticipated. The Washington County HRA will contribute the balance of the cost as well as the costs to replace the skylights.							