



REVISED 3.28.24

MEETINGS SCHEDULED FOR MARCH

Date: 03/28/24, 1 p.m.

HYBRID OPTION AVAILABLE:

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

Conference Call: Toll Free: 1.866.901.6455 Access Code: 677-068-253

NOTE:

The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, March 28, 2024.

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

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

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Agenda: Minnesota Housing Board Meeting

Date: 03/28/2024, 1 p.m.

Our Mission and Vision

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

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

1. Call to Order

2. Roll Call

3. Agenda Review

4. Approval of Minutes

- a. (page 5) Regular meeting of February 22, 2024

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

- A. (page 9) Approval, Home Improvement Lender Compensation Increase
- B. (page 13) Approval, Motion, Start Up and Step Up Program Procedural Manual Changes
- C. (page 17) Modification, Updating Board Resolution on Finance and Audit Committee

7. Action Items

- A. (page 111) Approval, 2023 Single Family Request for Proposals Award Changes
- B. (page 119) Approval, Modification, Economic Development and Housing Challenge Program (EDHC) Loan, 3030 Nicollet, D8408, Minneapolis
- C. (page 139) Approval, Commitment, Housing Trust Fund (HTF) Operating Subsidy (OS) Grant Extensions
- D. (page 147) Risk Management and Internal Control Framework
- E. (page 171) Approval, Pre-Award Risk Assessment Board Delegation

8. Discussion Items

None.

9. Information Items

- A. (page 175) Post-Sale Report Residential Housing Finance Bonds, Series 2024ABC
- B. (page 191) Greater Minnesota Housing Fund “NOAH Impact Fund II” Class D Investment Update
- C. (page 201) Single Family Annual Report of Actions Taken under Delegated Authority for CY2023
- D. (page 205) Multifamily Annual Report of Actions Taken under Delegated Authority for CY2023
- E. (page 217) CRO Report (status of fraud, Misuse of funds, COI investigations for period 7/1/23 – 12/31/23)

10. Other Business

- A. Pursuant to Minn. Stat. § 13D.05, the Board will move into closed session to receive attorney-client privileged advice on Schierholz and Associates’ notice as set forth in its letter to MHFA of February 13 that it may pursue legal action to rescind or reject the Grant Agreement made between MHFA and Schierholz and Associates related to the Broadmoor Valley Mobile Home Park.

11. Adjournment



Meeting Minutes: Minnesota Housing Board Meeting

Date: Thursday, February 22, 2024, at 1 p.m.

1. Call Attendance

Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:01 p.m.

2. Roll Call

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

Minnesota Housing staff present via hybrid: Tal Anderson, Tom Anderson, Ryan Baumtrog, Susan Bergmann, Judd Berthiaume, Scott Beutel, Joe Boutch, Sondra Breneman, Sarah Broich, Erin Coons, Mel Davis, Jason DeKett, Matt Dieveney, Diane Elias, Kathy Engstrom, Vicki Farden, Jennifer Finnesgard, Graydon Francis, Rachel Franco, Rachel Ganani, Jody Hanson, Amanda Hedlund, Anne Heitlinger, Darryl Hennen, Genevieve Hernandez, Adam Himmel, Jennifer Ho, Jon Holmseth, Heidi Hovis, Kinzy Janssen, Will Jensen-Kowski, Hannah Jirak, Callie Jirik, Karen Johnson, Irene Kao, Dan Kitzberger, Janine Langsjoen, Tresa Larkin, Debbi Larson, Ger Lee, Song Lee, Rachel Lochner, James Lehnhoff, Eric Mattson, Don McCabe, David McGee, Amy Melmer, Erin Menne, Rudi Mohmed, Jennifer Nelson, John Patterson, Rinal Ray, Annie Reiersen, Brittany Rice, Paula Rindels, Cheryl Rivinius, Rachel Robinson, Dani Salus, Joel Salzer, Kayla Schuchman, Mike Solomon, Corey Strong, Kimberly Stuart, Tim Sullivan, Jodell Swenson, LeAnne Tomera, Susan Thompson, Mike Thone, Monica Tucker, Nancy Urbanski, Kayla Vang, Teresa Vaplon, Amanda Welliver, Alyssa Wetzel-Moore, Lakisha Whitson, Carole Wohlik and Kristy Zack.

Others present via hybrid: Michelle Adams, Kutak Rock; Ramona Advani, Office of the Minnesota State Auditor; Melanie Johnson, Piper Sandler & Co.; Hildania Kristensen; and Jean Lee.

3. Agenda Review

None.

4. Approval

Regular Meeting Minutes of January 25, 2024

Motion: Auditor Blaha moved to approve the January 25, 2024, Regular Meeting Minutes. Seconded by Stephanie Klinzing. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 6-0. All were in favor.

5. Reports

Chair

None.

Commissioner

Commissioner Ho shared the following with the Board:

- Welcome new employees
- Meetings
- Program Updates

Committee

None.

6. Consent Agenda

None.

7. Action Items

A. Approval, 2024 Capacity Building Guide and Request for Proposal

Alyssa Wetzel-Moore presented to the board a request for approval of the 2024 Capacity Building Program Guide and discuss plans for the 2024 Capacity Building Program Request for Proposals. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Stephanie Klinzing moved Approval, 2024 Capacity Building Guide and Request for Proposal. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 7-0. All were in favor.

B. Commitment, Low and Moderate Income Rental (LMIR) Loan, Bridge Loans (BL) – Edge Apartments, D8430 Kasson

Susan Thompson presented to the board a request for of the following resolutions: 1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$2,490,000; 2. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed \$5,640,000. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Commitment, Low and Moderate Income Rental Loan, Bridge Loans – Edge Apartments, D8430 Kasson. Seconded by Auditor Blaha. Roll call was taken. Motion carries 7-0. All were in favor.

C. Commitment, Low and Moderate Income Rental (LMIR) Loan, Bridge Loans (BL) and Funding Modification, Housing Infrastructure Bond (HIB) Loan -Walnut Towers, D3349, Mankato

Erin Coons presented to the board a request for the adoption of the following resolutions: 1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$5,530,000; 2. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed \$4,060,000; 3. Adoption of a resolution authorizing the issuance of a non-bond funded BL commitment not to exceed \$2,065,000; 4. Adoption of a resolution modifying the loan under the HIB program, from \$1,282,000 to a maximum of \$2,480,000. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Commitment, Low and Moderate Income Rental Loan, Bridge Loans and Funding Modification, Housing Infrastructure Bond Loan -Walnut Towers, D3349, Mankato. Seconded by Stephen Spears. Roll call was taken. Motion carries 7-0. All were in favor.

D. Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024A-1 and 2024 A-2 (Edge Apartments)

Mike Solomon presented to the board a request for authorization to issue fixed rate bonds under the existing Rental Housing indenture. The bonds will be issued in two series, to make a short-term first lien bridge mortgage loan and a long term Low and Moderate Income Rental (LMIR) loan to finance a portion of the acquisition and construction of Edge Apartments, a 48-unit multifamily housing development located in Kasson, MN. Michelle Adams, Kutak Rock joined the meeting to review the resolution. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024A-1 and 2024 A-2 (Edge Apartments). Seconded by Stephen Spears. Roll call was taken. Motion carries 7-0. All were in favor.

E. Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 B-1 and B-2 (Walnut Towers)

Mike Solomon presented to the board a request for authorization to issue fixed rate bonds under the existing Rental Housing Bond indenture. The bonds will be issued in two series, to make a short-term first lien bridge mortgage loan and a long-term Low and Moderate Income Rental (LMIR) loan to finance a portion of the acquisition and rehabilitation of Walnut Towers, an 86-unit multifamily housing development in Mankato, MN. Michelle Adams joined the meeting to review the resolution. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Chief Executive Benjamin moved Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 B-1 and B-2 (Walnut Towers). Seconded by Eric Cooperstein. Roll call was taken. Motion carries 7-0. All were in favor.

8. Discussion Items

A. Financial Update for Quarter 2 FY2024

Mike Solomon provided the board with a financial update for Quarter 2 FY2024.

9. Information Items

A. Semi-annual Variable Rate Debt and Swap Report as of January 1, 2024

B. First Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

10. Other Business

A. Discussion on Wilson II Apartments v. State of Minnesota et al. *This portion of the meeting will be closed pursuant to Minnesota Statutes Section 13D.05.*

11. Adjournment

The meeting was adjourned at 2:50 p.m.



Item: Approval, Home Improvement Lender Compensation Increase

Consent: 6.A
Date: 03/28/2024
Staff Contacts: Shannon Gerving, 651.296.3724, shannon.gerving@state.mn.us
Vanessa Haight, 651.297.3624, vanessa.haight@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests board approval to increase lender compensation for lenders originating Home Improvement program loans. Staff also requests board approval to increase the document preparation fee, which is paid by the borrower.

Fiscal Impact

Home Improvement loans are amortizing, interest-bearing loans funded by Pool 2. These loans increase the Agency's assets and contribute to interest earnings; an increase in lender compensation is expected to retain lenders to help maintain loan production. The projected additional cost will be \$165,000 per year if production levels remain steady. The increase in document preparation fees is not expected to have a fiscal impact for the Agency but helps to offset growing costs for lenders.

Agency Priorities

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

Attachments

- Background
- Request Details
- Procedural Manual Updates

Background

The Home Improvement Loan Programs consist of the Fix Up, Community Fix Up, Incentive Rate Energy Conservation and Accessibility Loan Programs. The programs allow homeowners to finance a variety of permanent improvements to their homes with affordable repayment terms. The programs are delivered through a statewide network of lenders, including private sector banks, credit unions, nonprofit organizations, and local units of government.

Request Details

Minnesota Housing compensates lenders upon loan purchase for each Home Improvement loan, and lenders can charge allowable fees to the borrower. Lender compensation and the allowable document preparation fee last increased in January 2021.

Lender compensation for unsecured loans and for low dollar amount secured loans is insufficient to cover lender costs, causing certain lenders to reconsider their participation in the program. Company costs and wage increases have been affecting lenders' bottom lines. The combination of increasing lender compensation and the document preparation fee would help increase compensation to a level more reflective of lenders' actual costs. Higher lender compensation may also assist in new Home Improvement lender recruitment.

To provide Home Improvement lenders adequate compensation, we propose increases to the lender compensation and allowable document preparation fee, as shown in the table:

| | Current Amount | Proposed Amount |
|--|----------------|-----------------|
| Lender Compensation (secured loans) | \$500 | \$650 |
| Lender Compensation (unsecured loans) | \$350 | \$500 |
| Document Preparation Fee (secured and unsecured loans) | \$75 | \$150 |

Home Improvement Loan Programs Procedural Manual Updates

From 1.07 Lender Compensation

1.07 Lender Compensation

Secured Loans

The Lender is compensated for each secured loan purchased by Minnesota Housing as follows:

- A Processing fee of ~~\$500~~650 for each secured loan
- The Lender may charge, and the Borrower may finance, an origination fee of not more than 1% of the principal balance of the loan, the actual cost of the title search and flood certification, and the actual cost of document preparation not to exceed ~~\$75~~150.
- The Lender may charge, and the Borrower may finance, the actual cost of a broker's purchase price opinion based on a Competitive Market Analysis (CMA), not to exceed \$150.
- The actual cost of the credit report, recording fees and mortgage registration tax fees must be paid from the Borrower's own funds and may not be financed in the loan amount.

Unsecured Loans

The Lender is compensated for each secured loan purchased by Minnesota Housing as follows:

- The Lender is compensated ~~\$350~~500 for each unsecured loan purchased by Minnesota Housing.¹
- The Lender may charge, and the Borrower may finance, the actual cost of document preparation not to exceed ~~\$75~~150.
- There are no origination fees, title search, flood certification, recording or mortgage registration tax fees for unsecured loans.
- The actual cost of the credit report must be paid from the Borrower's own funds and may not be financed in the loan amount.

From 5.12 Closing Costs and Prepaid Finance Charges

5.12 Closing Costs and Pre-Paid Finance Charges

- The actual cost of the credit report may be collected by the Lender. This fee must be collected from the Borrower and may not be deducted from proceeds or financed in the loan.
- Recording fees and mortgage registration tax costs may be collected from the Borrower and shall not be included in the face amount of the secured Fix Up Loan Note or paid from loan proceeds.
- The Lender may charge, and the Borrower may finance in a secured loan, an origination fee of not more than 1% of the principal balance of the loan.
- The Lender may charge, and the Borrower may finance in a secured loan, the actual cost of the title search and flood certification.
- The Lender may charge, and the Borrower may finance the actual cost of document preparation, not to exceed ~~\$75~~150.
- The Lender is required to verify the legal description of the subject property, the Borrower's ownership interest, and any existing liens including reverse mortgages.
- If the Borrower chooses to obtain credit life and accident and health insurance, the cost of this insurance may not be included in the face amount of the Fix Up Loan Note or paid from loan proceeds.



Item: Approval, Start Up and Step Up Program Procedural Manual Changes

Consent: 6.B
Date: 03/28/2024
Staff Contacts: Sondra Breneman 651.296.6322, Sondra.Breneman@state.mn.us
 Laura Bolstad Grafstrom, 651.296.6346, Laura.Bolstad.Grafstrom@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval to update the Start Up and Step Up manuals to incorporate standard language recommended by the legal division, clarifications related to eligible property types and forms of ownership, clarifications related to the First-Generation Homebuyer Loan Program, as well as minor clarifications and those non-substantive edits deemed necessary by the legal division.

Fiscal Impact

These program manual updates will help ensure our loan programs remain legally compliant, to avoid financial penalties and reputational risk. In addition, improved clarity of program requirements simplifies the loan origination process for lenders supporting the use of our program loans which are income-earning assets for the Agency.

Agency Priorities

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

Attachments

- Background
- Start Up Procedural Manual Revised Sections
- Step Up Procedural Manual Revised Sections

Background

The Start Up and Step Up Programs are designed to serve low- and moderate-income homebuyers. The downpayment and closing cost loan options currently available for Start Up are the Deferred Payment Loan (DPL), Deferred Payment Loan Plus (DPL+) and Monthly Payment Loan. The downpayment and closing cost loan option available for Step Up is Monthly Payment Loan.

In October of 2023 the board approved the Minnesota Housing First-Generation Homebuyer Loan Program Concept, and in November 2023 the board approved updates to the Start Up manual that will go into effect when the First-Generation Homebuyer Loan launches this spring. These previously approved First-Generation Homebuyer Loan edits are identified via comments in the attached Start Up manual. The First-Generation Homebuyer Loan will be available with Start Up.

The current request is to update the Start Up and Step Up manuals to incorporate the standard language that the legal division has developed for all manuals in order to ensure agency wide consistency, clarifications related to eligible property types and forms of ownership, clarifications related to the First-Generation Homebuyer Loan Program, as well as several additional revisions identified by staff to improve readability and clarity of the manuals. The changes are summarized below, followed by a detailed list of the changes by manual section.

If approved, the proposed manual changes will go into effect when the First-Generation Homebuyer Loan launches in Spring 2024.

Start Up and Step Up Procedural Manuals – Summary of Proposed Changes:

- Both manuals incorporate language Legal is implementing Agency-wide into program manuals.
- Both manuals provide clearer guidance on eligible property types and eligible forms of ownership. The Start Up Procedural Manual includes updates to the borrower eligibility requirements for First Time Homebuyers.
- The Start Up Procedural Manual includes minor clarifications related to the First-Generation Homebuyer Loan Program.
- Both manuals also include minor formatting and non-substantial clarifications throughout the manual.
- Any additional non-substantive edits deemed necessary by the Legal division to effectively implement the approved substantive changes.

Below is a detailed list of the changes proposed to the Start Up and Step Up Procedural Manuals by section. The requested authorization includes both the language described below and attached, as well as any additional non-substantive edits deemed necessary by the Legal division to effectively implement the changes described.

Start Up Procedural Manual

- **Section 2.01 Fraud**

- Incorporated standard language Legal is implementing Agency-wide into program manuals.
- **Section 2.03 Conflict of Interest**
 - Incorporated standard language Legal is implementing Agency-wide into program manuals.
- **Section 2.04 Suspension**
 - Incorporated standard language Legal is implementing Agency-wide into program manuals.
- **Section 2.05 Disclosure and Reporting**
 - Incorporated standard language Legal is implementing Agency-wide into program manuals.
- **Section 4.05 Prior Homeownership – Three-year Requirement**
 - Clarified that the current spouse of a borrower must not have had an ownership interest in their principal residence in the previous three years.
 - Created a chart to show who needs to be reviewed for the three-year requirement.
 - Clarified that manufactured housing ownership only counts as prior homeownership if the manufactured home was permanently affixed to the ground by way of a foundation.
- **Section 4.09 Program Eligibility Income**
 - Clarified Non-Occupant Spouse and Zero Income statement.
 - Updated the chart to use industry-standard language.
- **Section 5.01 Eligible Properties**
 - Clarified that manufactured homes wider than double-wide are allowed.
 - Moved Community Land Trust to 5.03 Ownership Interest because it is an ownership type, not a property type.
- **Section 5.03 Ownership Interest**
 - Added a section on eligible ownership interest types.
 - Fee simple interest
 - Joint tenancy
 - Community Land Trust (CLT)
 - Tenancy in common
 - Tenants by the entirety
 - Sole Ownership
- **Section 6.05 Subsidy Recapture Statement**
 - Removed the word “disclosure”.
- **Section 7.06 Some Permitted Layering of Downpayment and Closing Cost Loans**
 - Added a reference to section 6.12 on the limitation on combining first-generation homebuyer loans.
- **Section 7.09 Deferred Payment Loan**
 - Added a bullet point that was erroneously removed.

- Added a reference to section 7.20 for Subordination policy.
- **Section 7.10 Deferred Payment Loan Program Borrower Eligibility**
 - Added a reference to the Deferred Payment Loan Plus Eligibility Worksheet.
 - Removing footnote and bringing text into the body of the paragraph.
- **Section 7.16 First-Generation Homebuyer Loan Borrower Eligibility**
 - Clarified that to be considered a first-generation homebuyer:
 - At least one Borrower has never owned their Primary Residence or previously owned their Primary Residence but lost ownership of the home due to a foreclosure. That same Borrower and their Parents (see definition of “Parent” in Appendix A) or prior Legal Guardians (see definition of “Legal Guardian” in Appendix A) must have never owned their Primary Residence or previously owned their Primary Residence but lost it due to foreclosure.
 - Added that the First-Generation Homebuyer Loan Program Eligibility Worksheet is required.
 - Defined what ownership means for the purpose of the First-Generation Homebuyer status.
 - Removed footnote and brought the footnote text into the body of the paragraph.
- **Section 7.19 Second Mortgage Application and Loan Disclosure Procedures**
 - Added guidance that First-Generation Homebuyer loans may have a balloon payment and must be disclosed as a balloon payment.
- **Section 9.02 Minnesota Housing Document/Delivery Requirements**
 - Updated to reflect the removal of notarization requirement.
 - Removed the word “disclosure”.
- **10.03 Assumption/Due on Sale**
 - Clarified the income and acquisition cost limits for assumptions.
 - Added the requirement that assumption requests must be reviewed and approved by US Bank and Minnesota Housing.
- **Appendix A: Definitions**
 - Updated the Legal Guardian definition.
 - Updated the Parent definition.
- Made minor formatting and non-substantial clarifications throughout the manual.

Step Up Procedural Manual

- **Section 1.03 Evidence of Misconduct Referred to Attorney General**
 - Updated to align with the language in the Start Up Manual.
- **Section 1.04 Disclosure and Use of Social Security Number/Minnesota Tax Identification Number**
 - Updated to align with the language in the Start Up Manual.

- **Section 1.08 Representation and Warrants**
 - Updated to clarify that loan files must meet all Minnesota Housing and U.S. Bank HFA Division requirements.
- **Section 2.01 Fraud**
 - Incorporated standard language Legal is implementing Agency-wide into program manuals.
- **Section 2.03 Conflict of Interest**
 - Incorporated standard language Legal is implementing Agency-wide into program manuals.
- **Section 2.04 Suspension**
 - Incorporated standard language Legal is implementing Agency-wide into program manuals.
- **Section 2.05 Disclosure and Reporting**
 - Incorporated standard language Legal is implementing Agency-wide into program manuals.
- **Section 5.01 Eligible Properties**
 - Clarified that manufactured homes wider than double-wide are allowed.
 - Moved Community Land Trust to the Ownership Interest section because it is an ownership type, not a property type.
- **Section 5.02 Ownership Interest**
 - Added a section on eligible ownership interest types.
 - Fee simple interest
 - Joint tenancy
 - Community Land Trust (CLT)
 - Tenancy in common
 - Tenants by the entirety
 - Sole Ownership
- **Section 6.01 Eligible Loans**
 - Clarified that loans must follow the Fair Housing Act, Truth in Lending Act (TILA), and Minnesota Human Rights Act.
- **Section 7.01 Monthly Payment Loan Requirements**
 - Updated Monthly Payment Loan repayment requirements to align with what is in the Start Up Manual.
 - Added a reference to section 7.05 Subordination policy.
- **Section 7.04 Second Mortgage Application and Loan Disclosure Procedures**
 - Added in clarifying language requiring Lender(s) to follow industry standard requirements for second mortgages.
- **Section 10.02 Lender Servicing Responsibilities**
 - Revised to identify U.S. Bank Servicing more specifically.
 - More clearly outlined Lender requirements for servicing of the Step Up and Monthly Payment Loan.

- **Section 10.03 Hardship Policy**
 - Updated the policy to align with the language in the Start Up Manual.
- **Appendix A: Definitions**
 - Added a definition for Owner Occupied, to align with the Start Up Definitions.
- Minor formatting and non-substantial clarifications throughout the manual.



Minnesota Housing Mortgage Loans Start Up Program Procedural Manual

[DATE TBD], 2024 ~~December 4, 2023~~



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

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

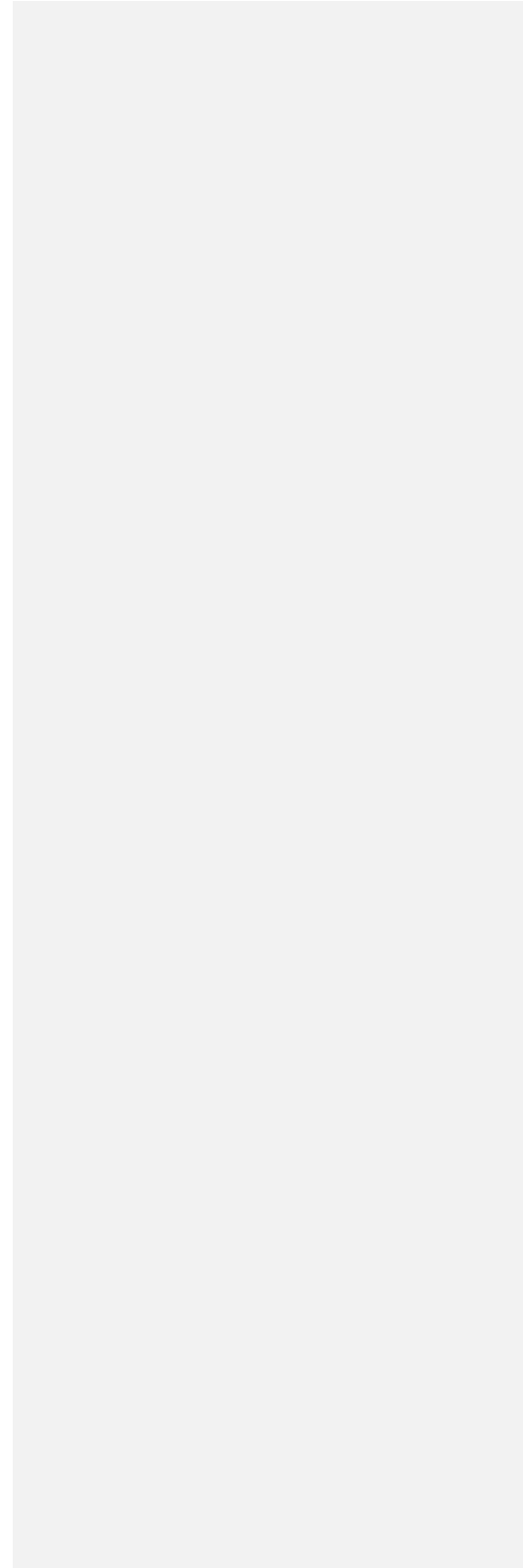


Table of Contents

| | |
|---|-----------|
| Introduction..... | 5 |
| Mission Statement | 5 |
| Background | 5 |
| Procedural Manual | 5 |
| Mortgage Revenue Bond Programs | 5 |
| Downpayment and Closing Cost Loans | 6 |
| The Master Servicer | 6 |
| Chapter 1 – Responsible Lending | 7 |
| 1.01 Procedural Manual | 7 |
| 1.02 Single Family Responsible Lending Policy | 7 |
| 1.03 Evidence of Misconduct Referred to Attorney General | 8 |
| 1.04 Disclosure and Use of Social Security Number/Minnesota Tax Identification Number | 8 |
| 1.05 Unauthorized Compensation | 8 |
| 1.06 Minnesota Housing Due Diligence Audit Guidelines and Requirements | 8 |
| 1.07 Termination of Lender Participation | 9 |
| 1.08 Representations and Warrants | 9 |
| 1.09 Lender Compensation | 10 |
| 1.10 Annual Renewal Requirements and Fees | 10 |
| 1.11 Marketing Materials Terms of Use | 10 |
| Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting | 11 |
| 2.01 Fraud | 11 |
| 2.02 Misuse of Funds | 11 |
| 2.03 Conflict of Interest | 11 |
| 2.04 Suspension | 14 |
| 2.05 Disclosure and Reporting | 14 |
| Chapter 3 – Master Servicer Requirements | 16 |
| Chapter 4 - Borrower Eligibility | 17 |
| 4.01 Borrower | 17 |
| 4.02 Borrower Age | 17 |
| 4.03 Co-Signers | 17 |
| 4.04 Unauthorized Compensation | 17 |
| 4.05 Prior Homeownership - Three-Year Requirement | 17 |
| 4.06 Principal Residence/Occupancy Requirement | 19 |
| 4.07 Qualified Homebuyer Education | 19 |
| 4.08 Credit Scores and Debt-to-Income (DTI) Ratios | 19 |
| 4.09 Program Eligibility Income | 20 |
| 4.10 Loans to Employees and Affiliated Parties | 22 |
| Chapter 5 - Property Eligibility | 23 |
| 5.01 Eligible Properties | 23 |
| 5.02 Ineligible Properties | 23 |

| | | |
|---|---|-----------|
| 5.03 | Ownership Interest | 24 |
| 5.04 | Acquisition Cost Limit..... | 24 |
| 5.05 | Appraised Value | 24 |
| 5.06 | Personal Property..... | 24 |
| 5.07 | Excess Property | 25 |
| 5.08 | New Construction Property Requirements | 26 |
| Chapter 6 – Loan Eligibility..... | | 27 |
| 6.01 | Eligible Loans..... | 27 |
| 6.02 | New Construction Loan Eligibility Requirements | 27 |
| 6.03 | Ineligible Loans..... | 28 |
| 6.04 | Refinancing of an Existing Mortgage..... | 28 |
| 6.05 | Subsidy Recapture Statement | 28 |
| 6.06 | Interest Rate/Amortization Requirements | 28 |
| 6.07 | Mortgage Term | 28 |
| 6.08 | Private Mortgage Insurance Coverage | 28 |
| 6.09 | Private Mortgage Insurance Companies – Minimum Requirements | 29 |
| 6.10 | Settlement/Closing Costs | 29 |
| 6.11 | Gifts | 29 |
| 6.12 | Non-Minnesota Housing Secondary Financing | 29 |
| 6.13 | Non-Complying Loans | 30 |
| Chapter 7 – Downpayment and Closing Cost Loans | | 31 |
| 7.01 | Eligible Use of Downpayment and Closing Cost Loans..... | 31 |
| 7.02 | Ineligible Use of Downpayment and Closing Cost Loans | 31 |
| 7.03 | Homebuyer Education Required for Downpayment and Closing Cost Loans | 31 |
| 7.04 | Cash Investment Required for Downpayment and Closing Cost Loans | 31 |
| 7.05 | No Assumptions on Downpayment and Closing Cost Loans..... | 31 |
| 7.06 | Some Permitted Layering of Downpayment and Closing Cost Loans | 31 |
| 7.07 | Lien Position Downpayment and Closing Cost Loans..... | 32 |
| 7.08 | Cash to the Borrower at Closing of Downpayment and Closing Cost Loans | 32 |
| 7.09 | Deferred Payment Loan Program | 32 |
| 7.10 | Deferred Payment Loan Program Borrower Eligibility | 33 |
| 7.11 | Deferred Payment Loan Program Lender Warranties..... | 34 |
| 7.12 | Monthly Payment Loan Program | 34 |
| 7.13 | Monthly Payment Loan Borrower Eligibility | 34 |
| 7.14 | Monthly Payment Loan Lender Warranties | 34 |
| 7.15 | First-Generation Homebuyer Loan Program | 35 |
| 7.16 | First-Generation Homebuyer Loan Borrower Eligibility | 35 |
| 7.17 | First-Generation Homebuyer Loan Lender Warranties..... | 36 |
| 7.18 | Housing Choice Voucher (HCV) Homeownership Program | 36 |
| 7.19 | Second Mortgage Application and Loan Disclosure Procedures..... | 37 |
| 7.20 | Subordination Policy | 37 |
| Chapter 8 – Commitment/Disbursement | | 38 |
| Chapter 9 – Documentation Requirements | | 39 |
| 9.01 | Loan Processing and Closing | 39 |

| | | |
|--------------------------------------|---|-----------|
| 9.02 | Minnesota Housing Documentation/Delivery Requirements | 39 |
| 9.03 | Signature Requirements..... | 40 |
| 9.04 | Records Retention..... | 40 |
| Chapter 10 – Servicing | | 41 |
| 10.01 | Servicing | 41 |
| 10.02 | Lender Servicing Responsibilities | 41 |
| 10.03 | Assumption/Due-On-Sale..... | 41 |
| 10.04 | Hardship Policy..... | 42 |
| Appendix A: Definitions | | 43 |
| Appendix B: Forms List..... | | 46 |

Introduction

Mission Statement

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

Background

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

Minnesota Housing offers two mortgage loan programs to serve low- and moderate-income homebuyers:

- The Start Up Program for first-time homebuyers, a first mortgage loan program with access to downpayment and closing cost loans.
- The Step Up Program for home purchase or refinance, with access to a downpayment and closing cost loan. Refer to the Step Up Program Procedural Manual for Step Up Program requirements.

Lenders originate and close loans under their individual underwriting and closing procedures. A Master Servicer purchases and securitizes closed loans originated by a Lender under prescribed program requirements. Lenders are advised that underlying eligible product guidelines and Master Servicer requirements apply, which may be more restrictive than the Minnesota Housing guidelines. Minnesota Housing’s current Master Servicer is U.S. Bank Home Mortgage Housing Finance Agency Division (U.S. Bank – HFA Division).

Minnesota Housing offers the Monthly Payment Loan, Deferred Payment Loan (including Deferred Payment Loan Plus), and First-Generation Homebuyer Loan for Start Up Program Borrowers who need funds for downpayment and closing costs.

Commented [BS(1)]: Language to be added to the manual when Minnesota Housing's First-Generation Homebuyer Loan Launches

Procedural Manual

This Procedural Manual sets forth the terms and conditions under which U.S. Bank – HFA Division will purchase mortgages under Minnesota Housing’s Start Up Program, including downpayment and closing cost loans.

Mortgage Revenue Bond Programs

The Start Up Program offers low-interest loans throughout Minnesota to low- and moderate-income, First-Time Homebuyer Borrowers through local participating Lenders.

Downpayment and Closing Cost Loans

Deferred Payment Loan Program ([see Chapter 7](#)). The Deferred Payment Loans provide an interest-free deferred loan to assist Borrowers with downpayment and closing costs. The Deferred Payment Loan is structured to require a lump-sum balloon payment at loan maturity.

Monthly Payment Loan ([see Chapter 7](#)). The Monthly Payment Loan provides an amortizing loan with an interest rate equal to the first mortgage to assist Borrowers with downpayment and closing costs.

First-Generation Homebuyer Loan ([see Chapter 7](#)). The First-Generation Homebuyer Loan provides an interest-free, deferred, forgivable loan to assist Borrowers with downpayment and closing costs. [This loan may have a balloon payment and must be disclosed as a balloon loan.](#)

Commented [BS(2)]: First-Generation Homebuyer Loan language approved by the Board in November. To be implemented when the program launches in spring 2024.

This section includes and additional edit: This loan may have a balloon payment and must be disclosed as a balloon loan.

The Master Servicer

U.S. Bank Home Mortgage Housing Finance Agency Division (U.S. Bank – HFA Division), is the Master Servicer for Minnesota Housing and as such purchases Start Up Program Loans and issues mortgage-backed securities for the Agency. In order to be eligible for purchase, loans must meet the guidelines set forth in this Procedural Manual and all requirements published by U.S. Bank – HFA Division in [AllRegs](#).

Chapter 1 – Responsible Lending

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement for Minnesota Housing Single Family Mortgage Programs, as amended or supplemented (referred to as the Participation Agreement) for Minnesota Housing mortgage programs executed between the Lender and Minnesota Housing. It is incorporated into the Participation Agreement by reference and is a part of it as fully as if in the Participation Agreement at length.

Minnesota Housing reserves the right to:

- Change the program interest rate(s) at any time and at its sole discretion
- Change the commitment policy at any time
- Alter or waive any of the requirements
- Impose other or additional requirements
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated
- Grant waivers, alterations, or make revisions at its sole discretion

1.02 Single Family Responsible Lending Policy

Minnesota Housing uses prudent, sound and responsible business practices in marketing and product design related to its Single Family loan programs. Minnesota Housing designs programs with a focus and goal of successful homeownership, which means Borrowers, must have the knowledge, ability, willingness and capacity to repay their housing debt. Minnesota Housing does not offer subprime mortgage lending programs. Minnesota Housing reviews portfolio and market conditions regularly to ensure that business practices are updated as needed to meet its responsible lending goals.

In delivering Single Family loan programs, Minnesota Housing policies address:

- Lender relationships and a Lender's role and responsibility in originating and delivering quality, compliant loans under the Minnesota Housing program. These responsibilities include:
 - Lenders must evaluate a Borrower's repayment capacity, including evaluating risk layering and documenting sources of Borrower income(s), Borrower assets and Borrower liabilities
 - Lenders are prohibited from steering
 - Lenders must comply with all high cost and higher priced home loan rules and regulations
 - Loans may not contain prepayment penalties
 - Mandatory arbitration clauses are not permitted
 - Single Premium Credit Life Insurance may not be required nor can any funds provided by Minnesota Housing be used toward the purchase of any credit insurance products or premiums
- Compliance with the Interagency Guidelines on Nontraditional Mortgage Product Risks
- Compliance with all local, state and federal regulations as well as Minnesota Housing program guidelines as applicable to each individual loan transaction

1.03 Evidence of Misconduct Referred to Attorney General

- Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of these programs to the Minnesota Attorney General's office for appropriate legal action.
- If, after a loan is made, the Lender discovers any material misstatements or misuse of the proceeds of the loan by the Borrower(s) or others, the Lender must promptly report the discovery to Minnesota Housing and U.S. Bank – HFA Division.
- Minnesota Housing, or U.S. Bank – HFA Division, or both, may exercise all remedies available to them under the Participation Agreement or otherwise, both legal and equitable, to recover funds from the Lender or the Borrower(s). This includes possible repayment of loan funds, repayment of administrative costs, repayment of fees or commissions received by the Lender in connection with the loan, reimbursement of all attorney fees, legal expenses, court costs, or any other expense incurred by Minnesota Housing in connection with the loan or its recovery.

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

The Minnesota Revenue Recapture Act (Minnesota Statutes, Sections 270A.01 to 270A.12, as amended) allows the disclosure of the Borrower(s) Social Security Number to the Minnesota Department of Revenue.

This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the Borrower(s) to Minnesota Housing.

This collection remedy is in addition to and not in substitution for any other remedy available by law.

1.05 Unauthorized Compensation

The Lender may receive fees as approved in this Procedural Manual. However, the Lender may not receive or demand from the realtor, builder, Property Seller, or Borrower(s):

- Kickbacks
- Commissions
- Other compensation

1.06 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan originated for purchase by U.S. Bank – HFA Division. A loan file may be requested to be forwarded to Minnesota Housing for review. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased by U.S. Bank – HFA Division.

Audited loans are reviewed for:

- Mortgage revenue bond law compliance
- Minnesota Housing program and policy compliance
- Fraud or misrepresentation on the part of any party involved in the transaction

- Trends or other indicators that may have an impact on the success of the Borrower(s) and programs

1.07 Termination of Lender Participation

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

- This Procedural Manual
- The Participation Agreement
- The U.S. Bank – HFA Division Lender Guide
- Applicable state and federal laws, rules, and regulations

Upon termination of a Lender's Participation Agreement:

- U.S. Bank – HFA Division will continue to purchase eligible loans delivered to U.S. Bank—HFA Division for loans originated prior to the termination.
- Minnesota Housing will not refund participation fees to the Lender.
- Minnesota Housing may, at its option, impose remedies other than termination of the contract for Lender nonperformance.
- The Lender may request reinstatement into Minnesota Housing programs. The decision to reinstate a Lender is at Minnesota Housing's and U.S. Bank – HFA Division's sole discretion.

1.08 Representations and Warrants

The Lender agrees to follow all applicable federal, State, and local laws, ordinances, regulations, and orders including, but not limited to:

- Ability-to-Repay Qualified Mortgage (QM) Rule
- Americans with Disabilities Act
- Anti Predatory Lending Act
- Anti-Money Laundering and Office of Foreign Assets Control Policy
- Bank Secrecy Act
- CFPB Unfair, Deceptive, or Abusive Acts or Practices Rules
- Data Privacy - Minnesota Statutes Chapter 13 and Section 462A.065
- Dodd-Frank Wall Street Reform and Consumer Protection Act
- Equal Credit Opportunity Act
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62
- Fair and Accurate Credit Transactions Act
- Fair Credit Reporting Act
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968)
- Home Mortgage Disclosure Act
- Home Ownership and Equity Protection Act (HOEPA)
- HUD Discriminatory Effects Regulation/Disparate Impact Regulation
- Internal Revenue Code of 1986, Section 6050H
- Loan Officer Compensation

- Minnesota Human Rights Act – Minnesota Statutes Chapter 363A
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A
- Mortgage Disclosure Improvement Act (MDIA)
- National Flood Insurance Act
- Real Estate Settlement Procedures Act of 1974
- Section 527 of the National Housing Act
- Title VI of the Civil Rights Act of 1964
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974
- Truth In Lending Act
- Uniform Electronic Transactions Act (UETA), Minn. Stat. ch. 325L
- USA Patriot Act

In addition to the above-listed representations and warrants, the Lender will have examined:

- The person who confirms on Minnesota Housing's loan commitment system and who verifies the Lender Representations and Warranties on behalf of the Lender, has both the authority to legally bind the Lender and is fully conversant with:
 - U.S. Bank – HFA Division requirements as published in [AllRegs](#)
 - Minnesota Housing program requirements
 - Underlying loan product and insurer/guarantor requirements
 - The Participation Agreement
 - This Procedural Manual
 - The U.S. Bank – HFA Division Lender Guide unless those terms, conditions, and requirements are specifically waived by Minnesota Housing or U.S. Bank – HFA Division, as applicable, in writing.

1.09 Lender Compensation

The Lender is compensated for each loan purchased by U.S. Bank – HFA Division as follows:

- The origination fee or discount point collected from the Borrower(s) in accordance with industry standard regulations, and/or
- The service release premium paid by U.S. Bank – HFA Division in an amount established by Minnesota Housing and posted on the Minnesota Housing website.

1.10 Annual Renewal Requirements and Fees

- The Lender must meet the minimum loan volume requirements as specified by Minnesota Housing or by U.S. Bank – HFA Division, whichever is greater.
- The Lender must be approved by both Minnesota Housing and U.S. Bank – HFA Division to originate Minnesota Housing Start Up Program loans.

1.11 Marketing Materials Terms of Use

Lenders must follow Minnesota Housing's [Terms of Use](#) for marketing materials and the Participation Agreement requirements for marketing and use of Minnesota Housing's name or logo.

Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

2.01 Fraud

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

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the communication channels described in section 2.05

~~Fraud is any intentionally deceptive action made for personal gain or to damage another.~~

~~Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 2.05.~~

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2.02 Misuse of Funds

A loan or grant agreement is a legal contract. The Borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the Borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the Borrower or grantee must use Minnesota Housing funds as agreed and the Borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

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

Any Borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 2.05.

Borrowers and grantees referred to in this section are the Minnesota Housing contracting party. If applicable, third party recipients of funds, such as homebuyers, are bound by terms as detailed in the loan documents.

2.03 Conflict of Interest

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

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

A conflict of interest includes any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

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

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 2.05.

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

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

Organizational conflicts of interest occur when:

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

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived, or potential conflicts of interest through one of the ways described in section 2.05.

A contracting party should review its contract agreement and Request for Proposals (RFP) material, if applicable, for further requirements.

2.04 Suspension

By entering into any contract with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the contract) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of suspended individuals and organizations (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of.

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2.05 Disclosure and Reporting

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

- Minnesota Housing's Chief Risk Officer at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;

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- Any member Minnesota Housing's [Servant Leadership Team](#), as denoted on Minnesota Housing's current organizational chart ([Go to mnhousing.gov](#), scroll to the bottom of the screen and select About Us, select Servant Leadership Team); or
- [Report Wrongdoing or Concerns \(mnhousing.gov\)](#) ([Go to mnhousing.gov](#), scroll to the bottom of the screen and select Report Wrongdoing).

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, Borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- Minnesota Housing's Chief Risk Officer at 651.296.7608 or 800.657.3769
- Any member of Minnesota Housing's (visit [mnhousing.gov](#) and enter **SLT** in the Search box)
- (visit [mnhousing.gov](#) and enter **Wrongdoing** in the Search box)

Chapter 3 – Master Servicer Requirements

Minnesota Housing's Master Servicer, U.S. Bank – HFA Division, has requirements in addition to Minnesota Housing's program requirements and underlying product guidelines. U.S. Bank – HFA Division's requirements may be more restrictive and may vary by different state Housing Finance Agencies.

Lenders should review and comply with all applicable U.S. Bank – HFA Division requirements, including Minnesota Housing specific requirements, in [AllRegs](#). U.S. Bank – HFA Division has an Overlay Matrix resource on AllRegs highlighting common overlays (not comprehensive). In addition to U.S. Bank – HFA Division's overlays, Lenders must follow U.S. Bank – HFA Division's loan delivery, documentation, servicing, fees policies and all other due diligence.

Chapter 4 - Borrower Eligibility

4.01 Borrower

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

4.02 Borrower Age

The Borrower(s) must be 18 years of age or older or be minors declared emancipated by a court having jurisdiction.

4.03 Co-Signers

Co-signers are permitted on Start Up Program loans. Co-signers must sign the Start Up Program loan note and the downpayment and closing cost loan note, if applicable. Co-signers are not vested in title to the property and are not required to reside in the subject property. See Section 4.09.

4.04 Unauthorized Compensation

The Borrower(s) may not receive kickbacks, rebates, discounts, or compensation from any subcontractor, realtor, or Property Seller.

4.05 Prior Homeownership - Three-Year Requirement

~~The All~~ Borrower(s) ~~and their current spouses (-including non-purchasing spouse(s)) each non purchasing spouse of a Borrower,~~ may not have had an ownership interest in their Principal Residence at any time during the three- year period preceding execution of the mortgage loan documents (loan closing). This requirement applies to any person who will execute the note and will have an ownership interest in the financed property. ~~See chart below.~~

| <u>Person</u> | <u>Resides in Property</u> | <u>Three year requirement must needs to be verified</u> |
|---|----------------------------|--|
| <u>Borrower</u> | <u>Yes</u> | <u>Yes</u> |
| <u>Co-Borrower</u> | <u>Yes</u> | <u>Yes</u> |
| <u>Co-Signer, occupant</u> | <u>Yes</u> | <u>Yes</u> |
| <u>Co-Signer, non-occupant (not allowed to be on title)</u> | <u>No</u> | <u>No</u> |
| <u>Other occupant, non-purchasing (on title)</u> | <u>Yes</u> | <u>Yes</u> |
| <u>Other, occupant, non-purchasing (not on title)</u> | <u>Yes</u> | <u>No</u> |
| <u>Spouse, occupant, non-purchasing</u> | <u>Yes</u> | <u>Yes</u> |
| <u>Spouse, non-occupant, non-purchasing</u> | <u>No</u> | <u>No</u> |

| | | |
|--|--------------------|--------------------|
| Non-occupying co-signer's spouse | No | No |
|--|--------------------|--------------------|

Ownership interest includes:

- A fee simple interest
- A joint tenancy, a tenancy in common, or a tenancy by the entirety
- The interest of a tenant shareholder in a cooperative
- A life estate
- A leasehold estate or a leasehold estate subject to a Community Land Trust
- A land contract, under which possession, benefits, and burdens of ownership are transferred although legal title is not transferred until a later time
- An interest held in trust for the Borrower(s) (whether or not created by the Borrower(s)) that would constitute a present ownership interest if held directly by the Borrower(s)
- A vendee interest in a contract for deed with a term greater than 24 months
- An ownership interest in a mobile or manufactured home that is permanently affixed [to a foundation on the real property on which it is located to a foundation and is taxed as real estate.](#)

Interests that do not constitute an ownership interest include:

- A remaindermen interest
- An ordinary lease with or without an option to purchase
- A mere expectancy to inherit an interest in a Principal Residence
- The interest that a purchaser of a residence acquires on the execution of an accepted offer to purchase real estate
- An interest in a non-Principal Residence during the three year period prior execution of the mortgage loan documents (e.g. a recreational or seasonal home)
- An ownership interest in a mobile or manufactured home [which is not permanently affixed to real estate \(e.g. anchored to the ground instead of attached to a foundation\) which is not permanently attached to the land and is taxed as personal property real estate.](#)
- An interest acquired through temporary financing (e.g. construction loan, bridge loan, contract for deed) with an initial term of 24 months or less

Review of documentation:

- The Lender should examine the following documentation for any evidence that the Borrower(s) have owned a Principal Residence during the three year period prior execution of the mortgage loan documents:
 - Credit report (must not show any previous mortgage loan(s) in the three year period prior execution of the mortgage loan documents, or if it does, follow the guidance on "Special Documentation for Current Ownership" below)
 - Final loan application (must not show an ownership interest in a Principal Residence in the three year period prior execution of the mortgage loan documents and must show a two year residence history indicating no ownership interest in the Borrower(s) residence(s))
- If the Lender cannot verify the absence of ownership from a review of the credit report, final loan application or other evidence, the absence of an ownership interest must be documented and verified by:

- a title search with respect to the Borrower(s) residence(s) to provide reasonable assurance that there was no actual ownership by the Borrower(s); and
- a signed, written letter of explanation from any Borrower(s) that the Borrower(s) has not had an ownership interest in a Principal Residence within the three year period prior to the date of loan application.
- Special Documentation for Current Ownership - A Borrower(s) with a current ownership interest in a residence within the three year period prior execution of the mortgage loan documents must be able to provide evidence (e.g. copy of rental agreement or lease) showing that they have not lived in the residence during the three year period prior execution of the mortgage loan documents.

4.06 Principal Residence/Occupancy Requirement

The Borrower(s) must intend to occupy the financed dwelling as a Principal Residence within 60 days after the closing of the loan. A certification of the owner occupancy is to be made by the Borrower(s) in the [Borrower Affidavit](#).

4.07 Qualified Homebuyer Education

If all Borrowers are first-time homebuyers, at least one Borrower must complete an approved Homebuyer Education course prior to closing. A copy of the certificate of completion must be in the loan file. Minnesota Housing does not have a Homebuyer Education certificate expiration date policy. [Approved Homebuyer Education](#) courses are listed on our website.

4.08 Credit Scores and Debt-to-Income (DTI) Ratios

The Start Up Program Loan credit score and debt-to-income (DTI) requirements vary based on underlying loan products. Refer to Minnesota Housing's [Credit and DTI Matrix](#) for credit score and DTI requirements by product types.

Refer to the following product descriptions on Minnesota Housing's website for additional conventional product requirements:

- [Fannie Mae Product Description](#)
- [Freddie Mac HFA Advantage®](#)

Minnesota Housing offers these product descriptions and the following chart as resources for Lenders. The Lenders are advised to fulfill their due diligence in adhering to all underlying product and U.S. Bank – HFA Division requirements, and not solely rely on the tools provided in this Procedural Manual.

See [AllRegs](#) for additional, specific U.S. Bank – HFA Division requirements.

Table 1. Industry Standard Credit Score Guidance

| Number of Scores | Guidance | Minimum Credit Score/Maximum Debt-to-Income Ratio (DTI) |
|---|--|--|
| 3 scores | Use middle of the scores | Refer to Minnesota Housing's Credit and DTI Matrix |
| 2 scores | Use lower of the two scores | |
| 1 score | Use the available score | |
| Multiple Borrowers: all with credit scores | Use lowest middle score available | |
| Multiple Borrowers: at least one Borrower has a credit score and the other Borrower(s) does not have a credit score | Defer to the underlying product guidelines | |
| Sole Borrower or Multiple Borrowers: No score | Defer to the underlying product guidelines | |
| Insufficient credit to support an AUS Approval or has erroneous, inaccurate, or disputed credit | Defer to underlying product guidelines | |

4.09 Program Eligibility Income

The Start Up Program is for persons and families of low and moderate income. The total Program Eligibility Income may not exceed Start Up Program [income limits](#) which are posted on Minnesota Housing's website.

Household Members Whose Income Must Be Included

The income of the following persons must be verified and included when calculating Program Eligibility Income:

- Anyone who will have title to the subject property and signs the Mortgage.
- Anyone expected to reside in the subject property and is obligated to repay the Start Up loan (signs the Note) but does not have title to the subject property (e.g. an occupant Co-Signer not named in title to the subject property and does not sign the Mortgage).
- Any legal spouse of the Borrower if the spouse will also reside in the subject property.

If the Borrower is legally married and the spouse is not expected to reside in the subject property, the loan file must contain either the [Non-Occupant Spouse Statement](#) or [another statement signed by the borrowing spouse or non-occupant spouse](#) indicating the spouse [will not be occupying the home, will is not be](#) obligated to repay the loan and is not named in title to the subject property. See chart below.

| Person | Signs Mortgage | Signs Note | Resides in Property | Include in Eligibility Income Calculation |
|--|----------------|------------|---------------------|---|
| Co-Borrower | X | X | X | Yes |
| Co-Signer, occupant | | X | X | Yes |
| Co-Signer, non-occupant | | X | | No |
| Other occupant, non- purchasing borrowing (on title) | X | | X | Yes |
| Other Non-spouse, occupant, non- purchasing borrowing (not on title) | | | X | No |
| Spouse, occupant, non- purchas borrow ing | | | X | Yes |
| Spouse, non-occupant, non- purchasing borrowing | | | | No |

Any person whose income must be included in the Program Eligibility Income calculation but receives no income must sign either the [Zero Income Statement](#) or another [signed](#) statement indicating that he/she/they receives no income.

Program Eligibility Income Calculation

The [Program Eligibility Income Worksheet](#) posted on Minnesota Housing's website delineates the Program Eligibility Income requirements. Lenders are responsible for computing Program Eligibility Income based on these requirements.

The total Program Eligibility Income is calculated using Annualized Gross Income. Annualized Gross Income includes, but is not limited to:

- Base pay from an employer
- Additional pay from an employer (over and above base pay)
- Self-employment or business income
- Income from Financial Assets Government Transfer Payments Insurance or Benefit Payments Investment Property Net Rental Income
- Child or spousal support
- Regular cash contributions
- Employee allowances
- Custodial account income

Always include sources of income unless specifically excluded on the Program Eligibility Income Worksheet. For more details on definitions of income sources and income inclusions and exclusions, refer to the [Program Eligibility Income Worksheet](#).

The calculation of Program Eligibility Income must take place in the 120-day period immediately preceding execution of the mortgage loan documents. In determining Program Eligibility Income, the Lender must rely on the most recently verified income documentation in the loan file.

4.10 Loans to Employees and Affiliated Parties

The Lender may make Minnesota Housing loans to their directors, officers, employees, and their families as well as to builders, realtors, and their families, and any other principal with whom the Lender does business. Minnesota Housing employees and their families are also eligible. The Borrower(s) must meet all eligibility criteria for the program.

Chapter 5 - Property Eligibility

5.01 Eligible Properties

Properties eligible for a loan under the Start Up Program must be located in the State of Minnesota and may include any of the following housing types.

- A single-family detached residence
- A unit within an eligible Planned Unit Development ("PUD")
- A condominium unit
- A duplex that meets the following requirements:
 - The Borrower(s) must occupy one unit of a duplex property
 - Must have been a residential property for at least five years before the date of the new mortgage, i.e. cannot be New Construction or recently converted from non-residential use
- ~~A property located in a Community Land Trust ("CLT")~~
- ~~A modular home~~
- ~~A manufactured home that meets the following requirements:~~
 - ~~Be a double wide or larger manufactured home, permanently affixed to a foundation and taxed as real property; and~~
 - ~~Be permanently fixed to real property; and~~
 - ~~Be built to Federal Manufactured Home Construction Safety Standards, administered by U.S. Housing and Urban Development (HUD); and~~
 - ~~Be permanently affixed to a foundation and taxed as real property.~~
- ~~A modular home~~

Additionally, eligible properties must meet the following:

- Underlying products guidelines:
 - [Fannie Mae Product Description](#) and [Freddie Mac HFA Advantage®](#) product descriptions on [Minnesota Housing's website](#).
 - If the underlying conventional product guidelines (Fannie Mae HomeReady™ and Freddie Mac HomePossible®) conflict with the Minnesota Housing conventional product descriptions above, defer to the Minnesota Housing conventional product descriptions.
- U.S. Bank – HFA Division requirements
- Refer to [AllRegs](#)

5.02 Ineligible Properties

Properties not eligible for financing are as follows:

- A unit in a ~~Co~~operative ~~c~~orporation or a limited equity ~~c~~ooperative ~~c~~orporation
- A recreational or seasonal home
- A single-wide mobile or manufactured home, even if permanently affixed to a foundation and taxed as real property

- A property intended to be used as an investment property (except the rental of a second unit in a duplex)
- A newly constructed duplex or a duplex converted from nonresidential use in the past five years
- A property where 15% or more of the total area of the property is used primarily in a trade or business in a manner which would permit the Borrower(s) to take a deduction for certain expenses incurred in connection with the business use of a home on the Borrowers' federal income tax return

5.03 Ownership Interest

Eligible forms of ownership interest include the following:

- [Fee simple interest](#)
- [Joint tenancy](#)
- [Community Land Trust \(CLT\)](#)
- [Tenancy in common](#)
- [Tenants by the entirety](#)
- [Sole Ownership](#)

5.043 Acquisition Cost Limit

The Acquisition Cost is the cost of acquiring an eligible property from the property seller as a completed residential unit. The Acquisition Cost of a property may not [exceed the amounts listed](#) on [Minnesota Housing's website](#).

The Acquisition Cost includes:

- All amounts paid either in cash or in kind, by the Borrower(s) or by a related party for the benefit of the Borrower(s) to the property seller or to a related party for the benefit of the property seller as consideration for the property.
- All amounts paid by or on behalf of the Borrower(s) and required to complete or repair a residence whether or not the cost of the completion or repairs is to be financed with the proceeds of a Minnesota Housing loan (which may be agreed upon beyond the contractual purchase price).
- The purchase price as well as all repair costs for FHA 203K Streamlined loans.
- All land cost or land value as stated in New Construction Requirements Section 5.07 below.
- All special assessments paid or assumed by the Borrower(s).

The Acquisition Cost does not include:

- Usual and reasonable closing or financing costs
- Any special assessments paid by the property seller

5.054 Appraised Value

The appraised value of the subject property may not exceed 125% of the applicable Acquisition Cost limit.

5.065 Personal Property

Personal property may not be financed by the Minnesota Housing loan and may not be listed on the purchase agreement between the Borrower(s) and property seller for the purchase and sale of the real property financed by that loan. Only permanently affixed property (fixtures) are eligible for financing.

5.076 Excess Property

The financing of a property may include only land necessary to maintain the “basic livability” of the dwelling.

- The financed land may not provide, other than incidentally, a source of income to the Borrower(s).
- The land may not comprise more than one parcel or be eligible for legal subdivision unless the appraiser states that the land is commensurate in size with other residential parcels in the community.
- If the land value exceeds 45% of the total appraised value the appraiser must address in the appraisal whether the size of the lot is common or typical for the area.

5.087 New Construction Property Requirements

In addition to the property eligibility requirements stated in Section 5.01 of this Procedural Manual, a New Construction property must meet the following requirements:

- The land must be zoned for residential housing.
- The cost of land purchased within 24 months before the date on which construction begins must be included in the Acquisition Cost.
- The value of land, as determined by the appraisal, must be used to determine the Acquisition Cost if the land was purchased more than 24 months before the date on which construction begins or purchased through a non-arm's length transaction.
- Any temporary financing (e.g. construction loan, bridge loan, contract for deed) provided before the date of the loan closing may not exceed a 24 month term.
- The land equity, defined as the the dollar value of the difference between land value/cost and the total amount the Borrower owes against the land, may be used by a Borrower only as a downpayment.
- A certificate of occupancy or legal document that proves a house is safe to inhabit must be issued for the property before loan closing.
- The Borrower(s) may not act as the general contractor.

See Section 6.02 for New Construction financing requirements.

Chapter 6 – Loan Eligibility

6.01 Eligible Loans

U.S. Bank – HFA Division purchases closed loans from the Lender under contract in Minnesota Housing mortgage loan programs. The Lender must warrant that the following criteria are met for each loan submitted for purchase.

Eligible loan products include:

- Federal Housing Administration (FHA) purchase transactions
- FHA 203(k) Streamlined Purchase
- Veterans Administration (VA)
- Rural Development (RD)
- [Fannie Mae HFA Preferred](#)™ (Conventional)
- [Freddie Mac HFA Advantage](#)® (Conventional)

Lenders are advised to refer to the conventional product descriptions on the Minnesota Housing website for product requirements.

Program loans must satisfy the following criteria:

- All local, state, and federal laws and regulations including those relating to the Fair Housing Act, the Truth in Lending Act (TILA) and Minnesota's Human Rights Act are met.
- The Minnesota Housing First-Time Homebuyer's program income and property acquisition requirements are met.
- The loan must be originated and closed in, or assigned to, the Lender that is a party to the Participation Agreement. That Lender must have locked the loan(s) on the Minnesota Housing loan commitment system.

6.02 New Construction Loan Eligibility Requirements

In addition to the loan eligibility requirements already stated in this Procedural Manual (Section 6.01), a New Construction property must meet the following requirements:

- The program funds are not used for temporary initial financing (e.g. interim or construction financing).
- All sweat equity meets the requirements of the applicable loan product and insurer/guarantor, as well as the following:
 - The work was done by the Borrower or members of a Borrower's family, specifically, the Borrower's brothers and sisters (whether by whole or half-blood), spouse, or lineal descendants
 - The individuals that did the work must be qualified to do the specific type of work
 - The maximum dollar amount of the sweat equity does not exceed \$5,000
 - The sweat equity is not a part of the Acquisition Cost
 - The sweat equity includes only the value of work and not the cost of materials

6.03 Ineligible Loans

A Start Up Program loan cannot be used to acquire or refinance an existing mortgage loan. Certain existing Start Up Program Mortgage loans may be assumed, as described in section 10.03 Assumption/Due-On-Sale.

6.04 Refinancing of an Existing Mortgage

Borrowers may not use the Start Up Program to refinance an existing loan unless the Start Up Program loan replaces or refinances temporary initial financing.

6.05 Subsidy Recapture [Statement Disclosure](#)

Federal law requires that all loans funded by mortgage revenue bonds be subject to subsidy recapture regulations. Subsidy recapture enables the federal government to collect some of the subsidy realized by Borrower(s) from the interest rate differential resulting from the mortgage revenue bond financing.

The recapture tax is payable through the Borrower's Federal Income Tax Returns for the year the Borrower sells or transfers an eligible residence. The recapture tax provisions of the Code apply to all Borrowers. The recapture may apply if all three of the following conditions occur at once:

- The residence is sold within the first nine years of the closing date
- The Borrower realizes a gain on the sale of the residence (as defined by the IRS)
- The Borrower's income has increased since the closing date and exceeds the limits established by the IRS

To ensure understanding and disclosure of subsidy recapture, the Lender must:

- Explain subsidy recapture to the Borrower(s) at the time of loan application (see the [Start Up Disclosure Summary](#)[Start Up Program Required Forms Summary](#))

Require the Borrower(s) to sign the completed Subsidy Recapture [Disclosure](#)-Statement

- At closing or as close to closing as possible

6.06 Interest Rate/Amortization Requirements

Minnesota Housing requires all loans:

- Have a fixed interest rate
- Are fully amortized over the term of the loan
- Are payable on the first of each month in level installments that include at least principal and interest

Interest rates for Minnesota Housing loan programs are listed [here](#).

6.07 Mortgage Term

All loans must have a 15-year or 30-year term.

6.08 Private Mortgage Insurance Coverage

All loans requiring private mortgage insurance must have coverage at the levels prescribed by the underlying mortgage product guidelines.

6.09 Private Mortgage Insurance Companies – Minimum Requirements

All private mortgage insurance companies must:

- Be licensed to do business in the State of Minnesota
- Maintain a rating of A2 from Moody's Investor Services and AA from Standard and Poor's Corporation at the time the mortgage loan is purchased by U.S. Bank – HFA Division, or have Fannie Mae and Freddie Mac approval

6.10 Settlement/Closing Costs

The settlement and closing costs, fees, or charges the Lender collects from any party in connection with any loan must:

- Comply with Minnesota law
- Meet all requirements of the insurer/guarantor
- Not exceed an amount deemed usual or reasonable for the type of transaction (e.g. FHA, VA, Conventional)
- Not exceed the actual amounts expended for any item (e.g. credit report, appraisal)
- Ensure the Borrower does not pay more than a pro-rata share of property taxes

6.11 Gifts

All gifts received by the Borrower(s) for a Minnesota Housing loan must satisfy the requirements of the applicable first mortgage loan product and the insurer/guarantor.

6.12 Non-Minnesota Housing Secondary Financing

Secondary financing offered by a city or county government, a non-profit, or a for-profit, including downpayment and closing cost assistance, community seconds (including resale restrictions), or other forms of secondary financing used in conjunction with a Minnesota Housing loan, must comply with the following:

- Meet all requirements of the applicable first mortgage loan product and insurer/guarantor (e.g., FHA Secondary Financing, Fannie Mae Subordinate Financing, Freddie Mac Affordable Seconds)
- The Borrower may receive cash back at closing from secondary financing proceeds only when the cash back is a refund of the Borrower's own investment, as allowed by the first mortgage product.
- The secondary financing does not reduce the Acquisition Cost
- Minnesota Housing requires full disclosure of any and all secondary financing

Transactions using Minnesota Housing's First-Generation Homebuyer Loan cannot layer with the [First-Generation Homebuyers Community Down Payment Assistance Fund](#)

See Section 7.0 for Lien position guidance.

Commented [BS(7)]: First-Generation Homebuyer Loan language approved by the Board in November. To be implemented when the program launches in spring 2024

Will add link when MMCDC incorporates their First-Gen program on their site

6.13 Non-Complying Loans

Minnesota Housing or U.S. Bank – HFA Division has the right to take one or more of the following actions in the event the Lender submits a mortgage loan that does not, as determined by Minnesota Housing or U.S. Bank – HFA Division, fully comply with the requirements of this Procedural Manual:

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

Chapter 7 – Downpayment and Closing Cost Loans

The downpayment and closing cost loan programs eligible to be used with the Start Up Program are the Deferred Payment Loan (including the Deferred Payment Loan Plus option), the Monthly Payment Loan, and the First-Generation Homebuyer Loan. (See the [Downpayment and Closing Cost Loan Comparison Chart](#)).

Commented [BGL(8): Language to be added to the manual when Minnesota Housing's First-Generation Homebuyer Loan launches.

7.01 Eligible Use of Downpayment and Closing Cost Loans

Minnesota Housing downpayment and closing cost loans provide funds to pay for eligible expenses including standard downpayment, additional downpayment, customary buyer closing costs, and mortgage insurance costs, if applicable.

7.02 Ineligible Use of Downpayment and Closing Cost Loans

Minnesota Housing downpayment and closing cost loans cannot be used for any costs not covered in the Eligible Use of Funds section 7.01 above, including the value gap between the purchase price and the appraised value, to pay for the seller's closing costs, or to pay off debts.

7.03 Homebuyer Education Required for Downpayment and Closing Cost Loans

Qualified Homebuyer Education is required for at least one of the Borrowers who receives a Deferred Payment Loan, Deferred Payment Loan Plus, Monthly Payment Loan, or First-Generation Homebuyer Loan. See Section 4.07 for more details.

Commented [BGL(9): Language to be added to the manual when Minnesota Housing's First-Generation Homebuyer Loan launches.

7.04 Cash Investment Required for Downpayment and Closing Cost Loans

A minimum cash investment of the lesser of either 1% of the purchase price or \$1,000, including prepaids, is required. The cash investment must come from the Borrower's assets and may not be a gift, grant, loan, or sweat equity contribution.

7.05 No Assumptions on Downpayment and Closing Cost Loans

Minnesota Housing downpayment and closing cost loans are not assumable.

7.06 Some Permitted Layering of Downpayment and Closing Cost Loans

Non-First-Generation Homebuyers who meet program parameters may be eligible for one of the following Downpayment and Closing Cost loans to be layered with their Start Up Program loan:

- Deferred Payment Loan;
- Deferred Payment Loan Plus; or
- Monthly Payment Loan

First-Generation Homebuyers who meet program parameters may be eligible to layer up to two of the following Downpayment and Closing cost loans with their Start Up Program loan:

- One Deferred Payment Loan, Deferred Payment Loan Plus, or Monthly Payment Loan
AND
- One of the following first-generation homebuyer loans:
 - Minnesota Housing First-Generation Homebuyer Loan; or
 - First-Generation Homebuyers Community Down Payment Assistance Fund

Additional Downpayment Loan Sources:

- All eligible Borrowers may layer transactions with Non-Minnesota Housing Secondary Financing (see Section 6.12 for details; see above for limitation on combining first-generation homebuyer loans)
- All eligible Borrowers may layer transactions with downpayment loans funded by the Minnesota Housing Community Homeownership Impact Fund Program.

Commented [BGL(10)]: Language to be added to the manual when Minnesota Housing's First-Generation Homebuyer Loan launches.

7.07 Lien Position Downpayment and Closing Cost Loans

- Monthly Payment Loan must occupy a second mortgage lien position.
- Deferred Payment Loan/Deferred Payment Loan Plus must be placed in second lien position, except when the ~~borrower~~ Borrower is using a non-Minnesota Housing downpayment loan that requires second lien position.
- Any Deferred Payment Loan, Deferred Payment Loan Plus, Monthly Payment Loan and/or Minnesota Housing Community Homeownership Impact Funded downpayment Fund ("Impact Fund") loan(s) must be placed in a superior lien position to the First-Generation Homebuyer Loan.

Commented [BS(11)]: First-Generation Homebuyer Loan language approved by the Board in November. To be implemented when the program launches in spring 2024.

Updated to clearly identify the Impact Fund loans

7.08 Cash to the Borrower at Closing of Downpayment and Closing Cost Loans

The Borrower(s) may receive cash back at closing only when all of the following criteria apply:

- The cash to the Borrower(s) at closing is a refund of dollars Paid Outside of Closing (POC) and is reflected on the Closing Disclosure
- The cash to the Borrower(s) at closing does not compromise the Borrower minimum cash investment requirement
- The underlying first mortgage product and the insurer/guarantor allow the refund

7.09 Deferred Payment Loan Program

The Deferred Payment Loan program is available to Lenders who participate in the Start Up Program. The two Deferred Payment loan options available are:

- Deferred Payment Loan; or
- Deferred Payment Loan Plus

Terms and conditions of the Deferred Payment Loan and the Deferred Payment Loan Plus include the following:~~The Deferred Payment Loan and the Deferred Payment Loan Plus:~~

- Are available only in conjunction with a first mortgage loan purchased by U.S. Bank – HFA Division under the Start Up Program
- May be combined only with a Start Up Program loan with a 30-year term
- Must be paid in full when, among other things referenced in the loan Note:
 - The maturity date of the Deferred Payment Loan is reached;
 - The property ceases to be Owner-Occupied. To be considered Owner Occupied at least one Borrower must occupy the Property within 60 Days of signing the security instrument and

continue to live in the home for the majority of the year during every year of the loan term.

Non-occupancy is allowed for situations of verified military deployment⁴:

- The property is sold or transferred;
- The first mortgage loan is paid in full, including upon a refinancing (see section 7.02 Subordination Policy for additional subordination information); or otherwise
- The first mortgage loan is in default or is declared to be due and payable in full.

The Deferred Payment Loan:

- Is available in whole dollar amounts up to \$16,500

The Deferred Payment Loan Plus:

- Is available in whole dollar amounts up to \$18,000

7.10 Deferred Payment Loan Program Borrower Eligibility

The Borrower's maximum income to be eligible for the Deferred Payment Loan Program is indexed to Area Median Income (AMI) and tiered by household size (see the Deferred Payment Loan Program [Income Limits](#)).

If using the **Deferred Payment Loan Plus** option, eligible Borrowers must meet the Borrower Eligibility requirements in Chapter 4 and demonstrate at least two of the following targeting criteria [from the Deferred Payment Loan \(DPL\) Plus Eligibility Worksheet](#):

- A front end ratio of 28% or higher (calculated with all DPA)⁴
 - Minnesota Housing realizes an estimate of front-end ratio may change in underwriting. As long as the Lender-underwriter makes a good faith effort to identify costs at the point of origination and factor in all downpayment loans, we allow reasonable changes to front-end ratio if the ratio documented on this worksheet is different than the final ratio calculated during underwriting. The Lender-underwriter must provide an explanation if the variance between ratios is large or the Borrower's eligibility is a concern.
- A household of four or more people
- A household member who is a person with a disability
- Sole Head of Household with at least one Eligible Dependent residing in the household (Limitation: The household must include only one adult that is not an Eligible Dependent.)

An Eligible Dependent is:

- A minor household member (under 18 years of age on the closing date);
- A household member who is a person with a disability; or
- A senior (age 62 or older on the closing date).

⁴ Minnesota Housing realizes an estimate of front-end ratio may change in underwriting. As long as the Lender makes a good faith effort to identify costs at the point of origination and factor in all downpayment loans, we allow reasonable changes to front-end ratio if the ratio documented on this worksheet is different than the final ratio calculated during underwriting. The Lender must provide an explanation if the variance between ratios is large or the Borrower's eligibility is a concern.

Asset Limit. The total of all Borrowers' liquid assets after closing are limited to the greater of eight months Principal, Interest, Taxes, Insurance, and Association Fee (PITIA) or \$12,000.

7.11 Deferred Payment Loan Program Lender Warranties

In addition to the warranties stated in Section 1.08, the Lender warrants the following:

- The Borrower's cash investment is paid from the Borrower's own assets (not debt or others' funds)
- The Borrower's liquid asset reserves after closing are not more than the greater of eight months PITIA or \$12,000
- The Deferred Payment Loan Program / Deferred Payment Loan Plus funds received by the Borrower(s) are applied to the transaction and verified through the Closing Disclosure

7.12 Monthly Payment Loan Program

Monthly Payment Loans:

- Are available only in conjunction with a Minnesota Housing first mortgage loan
- Are available in whole dollar amounts up to \$18,000
- Have an interest rate equal to that of the first mortgage
- Are fully amortizing and are payable in level monthly payments over a 10-year term
- Are due on the first of each month, beginning with the due date of the initial monthly payment for the first mortgage
- Do not include any type of prepayment penalty
- Must be paid in full when, among other things referenced in the loan Note, the following occur:
 - The property ceases to be Owner-Occupied
 - The property is sold or transferred
 - The first mortgage loan is paid in full, [including upon a refinance \(see section 7.02 Subordination Policy for subordination information\); or upon a refinancing or otherwise](#)
 - The first mortgage loan is in default or is declared to be due and payable in full

7.13 Monthly Payment Loan Borrower Eligibility

The Borrower(s) must satisfy all Start Up Program eligibility requirements as well as the following additional requirements for the Monthly Payment Loan.

Income Limits. All Start Up Program borrowers may access the Monthly Payment Loan. Monthly Payment Loans have no separate income limit.

Asset Limit. Monthly Payment Loans have no asset limit.

7.14 Monthly Payment Loan Lender Warranties

In addition to the warranties stated in Section 1.08, the Lender warrants the following:

- The Borrower cash investment is paid from Borrower's own assets (not debt or others' funds)

- The funds received by the Borrower(s) are applied to the transaction and verified through the Closing Disclosure

7.15 First-Generation Homebuyer Loan Program

First-Generation Homebuyer Loans:

- Are available only if Borrower is eligible for and pairs with 30-year first mortgage under the Start Up Program
- Are available in whole dollar amounts up to \$35,000
- Are forgivable as follows:
 - 50% eligible to be forgiven 10 years from the loan closing date; and
 - Remaining 50% eligible to be forgiven at the end of the 20 year loan term.
 - To achieve the forgiveness the property must remain Owner-Occupied as of the scheduled forgiveness dates referenced above and the associated first mortgage loan must not be in default.
- The unforgiven loan balance must be paid in full if:
 - The property ceases to be Owner-Occupied;
 - The property is sold or transferred;
 - The first mortgage loan is paid in full before the end of the loan term, including upon a refinance (see section 7.02 Subordination Policy for subordination information) upon a refinancing or otherwise, before the end of the loan term; or
 - The first mortgage loan is in default or is declared to be due and payable in full.
- Cannot be used in combination with a downpayment loan from the First-Generation Homebuyers Community Down Payment Assistance Fund.

Commented [BS(12)]: First-Generation Homebuyer Loan language approved by the Board in November. To be implemented when the program launches in spring 2024.

This section includes a recent edit of subordination information

7.16 First-Generation Homebuyer Loan Borrower Eligibility

The Borrower must satisfy all Start Up Program eligibility requirements as well as the following additional requirements for the First-Generation Homebuyer Loan.

First-Generation Homebuyer Criteria:

At least one Borrower has never been a homeowner owned their Primary Residence or was previously a homeowner owned their Primary Residence but lost ownership of the home due to a foreclosure. That same Borrower and their must also have at least one Parents (see definition of "Parent" in Appendix A) or prior Legal Guardians (see definition of "Legal Guardian" in Appendix A) who has Legal Guardians (see definition of "Legal Guardian" in Appendix A) who has must have never owned a home their Primary Residence or previously owned a home their Primary Residence but lost it due to foreclosure. Lenders must should use the First-Generation Homebuyer Loan Program Eligibility Worksheet.

For the purpose of determining First-Generation Homebuyer status:

- -Ownership means owning residential real estate as your primary residence (in any country).
- -Ownership is determined by a person being on the title.

Commented [BS(13)]: First-Generation Homebuyer Loan language approved by the Board in November. To be implemented when the program launches in spring 2024.

This section includes an update: edited and updated the First-Generation Homebuyer Criteria as well further defining what ownership means

- -Ownership does not include an ownership interest in a mobile or manufactured home which is not permanently affixed to real estate.
- -To be eligible as a result of losing a home through foreclosure, the borrower or parent must have gone through a formal foreclosure, which is a legal process that allows lenders to recover the amount owned on a defaulted home loan by taking ownership of the mortgaged property. Other circumstances such as short sale, deed in lieu, disaster, tax forfeiture or fleeing from war, do not qualify as a foreclosure under this definition.

The **B**orrower who meets the criteria of a First-Generation Homebuyer must sign the **First-Generation Homebuyer Loan Affidavit** -attesting to their First-Generation Homebuyer status.

Housing Ratio: A front end ratio minimum of 28% as calculated with all housing cost, including DPA loans, considered at time of origination).² Lenders must document their good faith effort to identify the total housing costs in determining the affordability of the loan and front end ratio.

- Minnesota Housing realizes an estimate of front-end ratio may change in underwriting. As long as the lender underwriter makes a good faith effort to identify costs at the point of origination and factor in all downpayment loans, we allow reasonable changes to front-end ratio if the ratio documented on this worksheet is different than the final ratio calculated during underwriting. The lender underwriter must provide an explanation if the variance between ratios is large or the Borrower's eligibility is a concern.

Income Limits: All eligible Start Up Program **B**orrowers that meet the First-Generation Homebuyer criteria may access the First-Generation Homebuyer Loans as there is have no separate income limit.

7.17 First-Generation Homebuyer Loan Lender Warranties

In addition to the warranties stated in Section 1.08, the Lender warrants the following:

- The **B**orrower meets the definition of and has attested to being a First-Generation -Homebuyer;
- The Borrower cash investment is paid from the Borrower's own assets (not debt or others' funds); and
- The First-Generation Homebuyer Loan funds received by the Borrower(s) are applied to the transaction and verified through the Closing Disclosure.

Commented [BS(14): First-Generation Homebuyer Loan language approved by the Board in November. To be implemented when the program launches in spring 2024.

This section includes an update: added *the definition of* and the word *and* for better understanding

7.18 Housing Choice Voucher (HCV) Homeownership Program

The HCV Homeownership Program allows HUD Section 8 recipients to use their voucher subsidy to meet monthly homeownership expenses. Lenders originating HCV Homeownership loans must:

² Minnesota Housing realizes an estimate of front-end ratio may change in underwriting. As long as the Lender makes a good faith effort to identify costs at the point of origination and factor in all downpayment loans, we allow reasonable changes to front-end ratio if the ratio documented on this worksheet is different than the final ratio calculated during underwriting. The Lender must provide an explanation of the variance between ratios is large or the Borrower's eligibility is a concern.

- Complete the U.S. Bank –HFA Division, Section 8 Homeownership Subsidy Program Agreement and Home Choice/Section 8 Contract Information Form
- Service the loans before purchase by U.S. Bank – HFA Division in compliance with this Procedural Manual. This involves collecting a portion of the monthly payment from the Borrower(s) and a portion of the monthly payment from the public housing authority.

7.19 Second Mortgage Application and Loan Disclosure Procedures

The Lender must follow mortgage industry standard requirements for second mortgages when originating loans under the Deferred Payment Loan, Deferred Payment Loan Plus, Monthly Payment Loan and First-Generation Homebuyer Loan programs.

The Lender should consult with its compliance department or legal counsel for additional information and guidance in completing required disclosures. The Lender should be aware of the following:

- The Deferred Payment Loan /Deferred Payment Loan Plus is structured to require a balloon payment in accordance with the terms of the Minnesota Housing Finance Agency Deferred Payment Loan Note.
- The First-Generation Homebuyer Loan is an interest-free, deferred loan which is eligible to be partially forgiven 10 years from the loan closing date at year 10 and eligible to be fully forgiven 20 years from the loan closing date at year 20. However, if the Borrower sells, transfers title or ceases to occupy the property as their Principal Residence during the loan term, or has otherwise breached the terms of the Note, the unforgiven balance will become due and payable. †This loan may have a balloon payment and must be disclosed as a balloon loan.

Commented [BS(15)]: First-Generation Homebuyer Loan language approved by the Board in November. To be implemented when the program launches in spring 2024

This section includes an additional edit: expand on and clarify forgiveness terms the First-Generation Homebuyer Loan and the requirement of disclosing as a balloon payment

7.20 Subordination Policy

Minnesota Housing permits the subordination or replacement of Deferred Payment Loan (DPL), Deferred Payment Loan Plus (DPL+), a Monthly Payment Loan (MPL), or First-Generation Homebuyer Loan only in cases where the Minnesota Housing first mortgage loan is refinanced to a Step Up Loan. The Borrower is not eligible for more than one Minnesota Housing downpayment and closing cost loan, unless accessing a First-Generation Homebuyer Loan in addition to a DPL, DPL+, or MPL. For more details see the Minnesota Housing Subordination PolicySubordination Options Guide.

Chapter 8 – Commitment/Disbursement

See Minnesota Housing's website for:

- The [Lock, Fee, and SRP Guide](#)
- The [Loan Commitment System Page](#)

Chapter 9 – Documentation Requirements

9.01 Loan Processing and Closing

All loans submitted must meet the following requirements:

- Loans must be closed and disbursed before completing the True and Certify process in the Minnesota Housing loan commitment system.
- The Lender must follow all mortgage industry regulatory and compliance provisions throughout the processing of the loan. All loan documents other than Minnesota Housing forms must be industry standard and meet the requirements of U.S. Bank – HFA Division, the underlying loan product, and the insurer/guarantor, as applicable. (See the Minnesota Housing website for more details on required forms.)
- All loan documents must be complete, accurate, and reviewed by the Lender at the various and appropriate stages of the loan.
- For loans underwritten utilizing industry standard automated underwriting systems, Minnesota Housing requires full documentation when verifying income and assets to confirm Minnesota Housing eligibility.
- Minnesota Housing forms may not be altered in any way. Industry standard forms may not be altered in any way other than to add a company name and logo. The first mortgage loan and the second mortgage loan (if applicable) must be originated and closed in, or assigned to, the name of the Lender that is a party to the Participation Agreement and that locked the loan(s) on the Minnesota Housing loan commitment system.
- All first mortgage assignments must run directly from the Lender to U.S. Bank – HFA Division.
- All second mortgage assignments must run directly from the Lender to the Minnesota Housing Finance Agency.
- The Lender must submit final documents to U.S. Bank – HFA Division within 120 days of U.S. Bank – HFA Division's loan purchase.
- Product specific requirements must be met. For Conventional HFA product requirements – refer to the [Fannie Mae Product Description](#) and [Freddie Mac Product Description](#) on [Minnesota Housing's website](#).

9.02 Minnesota Housing Documentation/Delivery Requirements

U.S. Bank – HFA Division provides the Delivery Checklist form detailing specific documentation and delivery requirements. [Pursuant to this Delivery Checklist](#), ~~Tt~~he Lender must fully execute and deliver documents within designated timeframes. In addition, the Lender must specifically warrant the following ~~ocured~~:

- The Lender has reviewed any and all contracts in connection with the residence sale transaction to ensure total compliance with this Procedural Manual~~z~~.
- ~~The~~ Lender has obtained~~z~~, and reviewed~~z~~, applicable documentation to determine compliance with the certifications on the [Borrower Affidavit](#) as it pertains to the mortgage revenue bond First-Time Homebuyer requirements and other program requirements~~z~~.
- ~~The~~ The following Minnesota Housing program documents are signed at closing, or as close to closing as possible:
 - ~~The~~ The Borrower Affidavit ~~is was~~ signed, ~~and duly notarized~~, by each Borrower who signs the note and intends to reside in the property as their Principal Residence ~~and~~
 - ~~Tt~~

- The [Subsidy Recapture Statement and Tennessee Warning](#) was ~~is~~ completed by lender and signed by each Borrower

[Consequence for Non-Compliance](#)

Documentation not delivered to U.S. Bank – HFA Division within the specified time frames may result, at Minnesota Housing’s or U.S. Bank – HFA Division’s discretion, in the Lender repurchasing the loan, or any other remedy as identified in this Procedural Manual. Minnesota Housing or U.S. Bank – HFA Division may also, at their discretion, extend the aforementioned timeframes.

9.03 Signature Requirements

Minnesota Housing accepts electronic signatures (eSignatures) on loan documents executed under the Start Up Program to the extent Lender complies with all applicable state and federal electronic signature laws, as well as any counterparty requirements (e.g. Fannie Mae, Federal Housing Administration, US Bank HFA Division). However, eSignatures are not acceptable on any document that needs to be recorded with the county. Under no circumstances may a Borrower be required to use electronic signatures.

9.04 Records Retention

The Lender must retain any and all compliance documents (including compliance with Minnesota Housing program guidelines) as may be required by the Lender’s regulatory authority, the requirements of the underlying loan product, and the requirements of the insurer/guarantor, as appropriate.

Loan product and insurer/guarantor minimum or alternative documentation requirements do not relieve the Lender from the responsibility of acquiring and maintaining complete files, including any and all documents and materials as would customarily be required for servicing or loan audit.

Chapter 10 – Servicing

10.01 Servicing

Loans committed in connection with the Start Up Program are purchased by U.S. Bank—HFA Division. Minnesota Housing may, at its discretion, subject to any contractual provisions between Minnesota Housing and U.S. Bank – HFA Division, change the Master Servicer.

10.02 Lender Servicing Responsibilities

Notwithstanding anything to the contrary contained in the Participation Agreement, during the period from loan closing to U.S. Bank – HFA Division purchase, the Lender must perform all required servicing functions for the loan until it is transferred to U.S. Bank ~~—HFA Division Servicing~~. This includes collecting and applying all loan payments for the Start Up Program Loan, the Monthly Payment Loan, the Deferred Payment Loan Program, and the First-Generation Homebuyer Loan, if applicable, made by the Borrower(s) in accordance with State and Federal Servicing regulations. Loan payments collected must include:

- The Start Up Program Loan monthly principal and interest
- The Monthly Payment Loan monthly principal and interest, if applicable
- 1/12th of the annual property tax
- The mortgage insurance, if applicable
- Flood insurance, if applicable
- Hazard insurance (escrows)
- Assessments, if applicable

In addition, the Lender must complete the following servicing activities for the Start Up Program Loan and, if applicable, the Monthly Payment Loan:

- Maintain payment history indicating:
 - The breakdown of principal, interest, and escrows
 - Any principal repayments
 - The remaining principal balance of the loan
 - The collection of any past due payments

The Lender must also provide to the Borrower as applicable, any

- Required tax reporting ~~(e.g., 1099 interest payments collected)~~
- Required servicing notices
- Servicing Transfer disclosure notices

The Lender must retain all statements, documents, and correspondence related to servicing the loan in the loan file that is transferred to U.S. Bank ~~—HFA Division Servicing~~.

10.03 Assumption/Due-On-Sale

A Minnesota Housing [first mortgage](#) loan financed with either a Conventional loan or Rural Development loan product is due upon sale and may not be assumed. [\(See section 7.05 No Assumptions on Downpayment and Closing Cost Loans\)](#)

Commented [BGL(16): Language to be added to the manual when Minnesota Housing's First-Generation Homebuyer Loan launches.

A Minnesota Housing [first mortgage](#) loan financed with either a Federal Housing Administration (FHA) or Veterans Administration (VA) loan product may be assumed only by persons who:

- At the time of the assumption, intends to occupy the property as their Principal Residence within 60 days of closing;
- ~~Have-Has~~ not had an ownership interest in a Principal Residence (other than the property purchased with the proceeds of the loan) during the three year period preceding the day the Borrower(s) executed the loan application;
- Does not have gross household income that exceeds the current Minnesota Housing [Start Up income limits](#); ~~and (see Federal Purchase Price Limits — Assumption Start Up Income Limits on Minnesota Housing's website);~~
- ~~Are-Is~~ not purchasing or acquiring the residence at an Acquisition Cost that exceeds the current Minnesota Housing [Start Up Acquisition Cost Limits](#) ~~limits (see Federal Purchase Price Limits on Minnesota Housing's website); and~~

~~Is reviewed and approved by U.S. Bank — HFA Division Servicing and Minnesota Housing prior to the execution of any assumption documents.~~

~~All assumption requests must be reviewed and approved by U.S. Bank — HFA Division Servicing Department and Minnesota Housing prior to the execution of any assumption documents.~~

Unless the loan [assumption](#) is ~~approved~~ [assumed](#) in accordance with the above provisions [for allowable assumptions](#), the loan is due upon sale or transfer of title.

10.04 Hardship Policy

Minnesota Housing has in place a hardship policy for its Monthly Payment Loan, the Deferred Payment Loan, and the First-Generation Homebuyer Loan. The hardship policy allows forgiveness either in part or whole if a Borrower is experiencing a financial hardship(s) which prevents them from having the financial ability to pay back the full indebtedness. Hardship will be evaluated at the time of the instance and upon request of the Borrower. A determination will be made made in accordance with the servicing policies in affect at that time.

Appendix A: Definitions

| TERM | DEFINITION |
|---|---|
| Acquisition Cost | The cost of acquiring a completed residential unit (see Section 5.03). |
| Annualized Gross Income | Gross monthly income multiplied by 12. |
| Borrower | A person who receives funds in the form of a loan secured by real property with the obligation of repaying the loan and, in addition, any person purchasing the real property securing the loan, executing the promissory note, executing a guarantee of the debt evidenced by the promissory note, or signing a security instrument in connection with a loan. |
| Co-Signer | A party that is obligated to repay the loan. A Co-signer assumes only personal liability and has no ownership interest in the property. |
| Household Member with a Disability | A Borrower or household member who has a permanent physical or mental condition, which substantially reduces the person's ability to function in a residential setting. |
| First-Time Homebuyer | A Borrower who meets the requirements as stated in Section 4.05 of this Procedural Manual. |
| First- Generation Homebuyer | A Borrower who meets the requirements as stated in Section 7.16 of this Procedural Manual. . |
| Legal Guardian | A Legal Guardian is a person appointed by a court to care for and take permanent responsibility for a minor child, state, district, or Tribal court with the duty to care for a minor child. to care for and take responsibility for a minor child. |
| Master Servicer | A company selected by Minnesota Housing to purchase, securitize and service mortgage loans originated pursuant to Minnesota Housing's mortgage loan programs. |
| New Construction or Newly Constructed Residence | New Construction or a Newly Constructed Residence refers to a residence, which either has never been occupied or was completed within 24 months preceding the date of the home mortgage loan and was not subject to previous financing with a term greater than 24 months (i.e. a contract-for-deed, mortgage, or gap loan). |
| Owner Occupied | At least one Borrower must occupy the Property within 60 Days of signing the security instrument and continue to live in the home for the majority of the year during every year of the loan term. Non-occupancy is allowed for situations of verified military deployment. |

Commented [BS(17)]: First-Generation Homebuyer Loan language approved by the Board in November. To be implemented when the program launches in spring 2024

This section includes an additional edit: Clarifying definition of a Legal Guardian

| | |
|---|--|
| Parent | <p>For the purposes of this definition, a Parent is a lawful father, mother, or non-binary term for a parent established either through birth or court order showing custody or responsibility. Parent includes a biological Parent, adoptive Parent, or a person that the State has determined to be a Parent.</p> <p>For the purposes of this definition, a person who had their parental rights to a child permanently terminated through a court proceeding, such as a voluntary or involuntary termination of parental rights, is not a Parent.</p> <p><u>A person who had their parental rights to a child modified through a state, district, or Tribal court proceeding, such as a voluntary or involuntary termination or suspension of parental rights, is still considered a Parent for purposes of this definition.</u></p> <p>For the purposes of this definition, a Parent does not include standby custodians, temporary guardians, grandparents, siblings, or stepparents who act as caregivers to a child without a permanent legal responsibility to the child.</p> |
| Participation Agreement | The Participation Agreement for Minnesota Housing Single Family Programs executed between the Lender and Minnesota Housing that allows the Lender to participate and offer Minnesota Housing's Start Up and Step Up mortgage loan programs. |
| Personal Property | Property such as an appliance, a piece of furniture, a radio etc., which under applicable law is not a fixture. |
| Primary Residence / Principal Residence | <p>A dwelling the Borrower and their household occupy as their permanent place of abode.</p> <p>A person may have only one Primary Residence at any one time</p> <p>Residences used as second homes or temporary residences do not qualify as Primary Residences</p> |
| Program Eligibility Income | See Section 4.09. Any of several different types of earned or unearned income claimed by the Borrower (see Program Eligibility Income Worksheet for guidance). Types of income include, but are not limited to: Base Pay, Variable Income, Income resulting from Self-Employment or a |

Commented [BS(18): First-Generation Homebuyer Loan language approved by the Board in November. To be implemented when the program launches in spring 2024

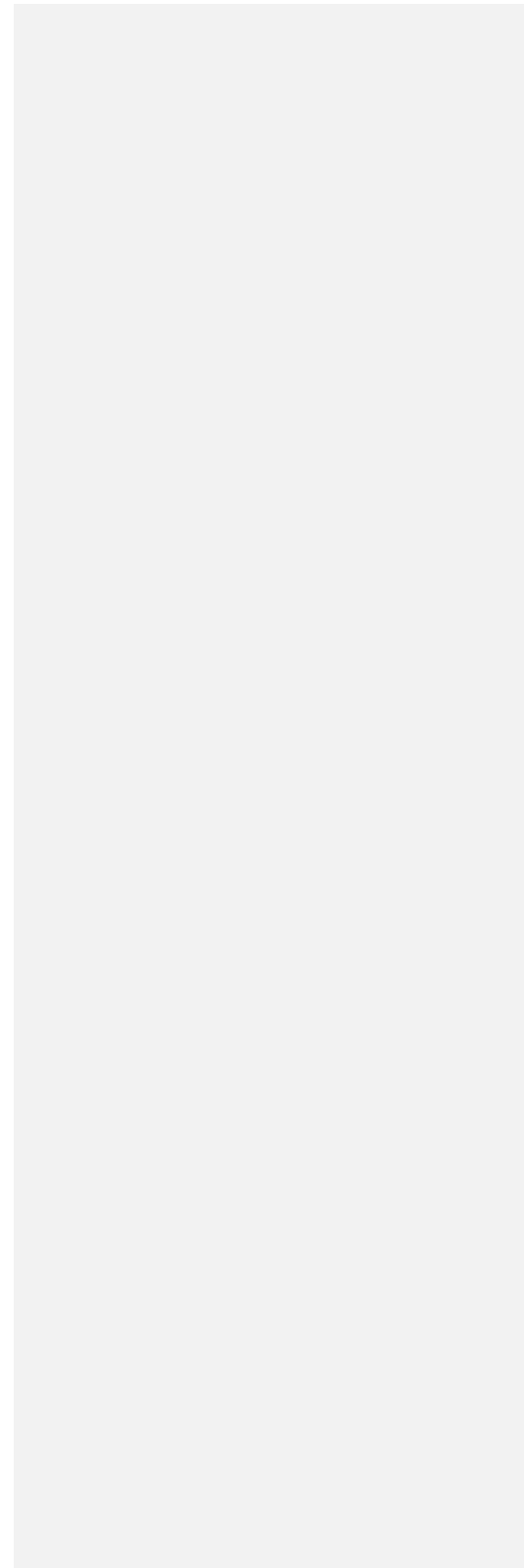
This section includes an additional edit: updating and clarifying the definition of a Parent

| | |
|---|---|
| | Business, Income from Assets, Government Transfer Payments, Insurance Benefits, etc. |
| Property Seller | The seller of the property under contract for sale to the Borrower who is using Minnesota Housing financing. |
| Qualified Homebuyer Education | Qualified Homebuyer Education is homebuyer education completed as outlined in its entirety in Section 4.07 of this Procedural Manual. |
| Sole head of household with at least one Eligible Dependent | <ul style="list-style-type: none"> • Sole head of household with at least one Eligible Dependent residing in the household. • An Eligible Dependents is: <ul style="list-style-type: none"> ○ A minor household member (under 18 years of age on the closing date); ○ A Household Member with a Disability or ○ A senior (age 62 or older on the closing date). <p>Limitation: The household must include only one adult that is not an Eligible Dependent.</p> |
| Temporary Financing | Initial financing such as a construction loan, bridge loan, and contract for deed with a term of 24 months or less. |
| True and Certify | The loan-level process in Minnesota Housing's loan commitment system completed by the Lender that certifies all the information entered into the system is true and accurate. |

|

Appendix B: Forms List

See [Minnesota Housing's website](#) for required [Start Up Program forms](#) as well as the Start Up Program Process Guide and optional forms.





Minnesota Housing Mortgage Loans Step Up Program Procedural Manual

[Date TBD], 2024 July 25, 2023



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

An equal opportunity employer.

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

Table of Contents

| | |
|--|-----------|
| Introduction..... | 1 |
| <i>Mission Statement</i> | <i>1</i> |
| <i>Background</i> | <i>1</i> |
| <i>Procedural Manual</i> | <i>1</i> |
| <i>Step Up Program.....</i> | <i>1</i> |
| <i>Monthly Payment Loan Program</i> | <i>2</i> |
| <i>The Master Servicer</i> | <i>2</i> |
| Chapter 1 - Responsible Lending..... | 3 |
| 1.01 <i>Procedural Manual.....</i> | <i>3</i> |
| 1.02 <i>Single Family Responsible Lending Policy.....</i> | <i>3</i> |
| 1.03 <i>Evidence of Misconduct Referred to Attorney General</i> | <i>4</i> |
| 1.04 <i>Disclosure and Use of Social Security Number/Minnesota Tax Identification Number</i> | <i>4</i> |
| 1.05 <i>Unauthorized Compensation.....</i> | <i>4</i> |
| 1.06 <i>Minnesota Housing Due Diligence Audit Guidelines and Requirements</i> | <i>5</i> |
| 1.07 <i>Termination of Lender Participation</i> | <i>5</i> |
| 1.08 <i>Representations and Warrants</i> | <i>5</i> |
| 1.09 <i>Lender Compensation.....</i> | <i>7</i> |
| 1.10 <i>Annual Renewal Requirements and Fees</i> | <i>7</i> |
| 1.11 <i>Marketing Materials Terms of Use.....</i> | <i>7</i> |
| Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting..... | 8 |
| 2.01 <i>Fraud</i> | <i>8</i> |
| 2.02 <i>Misuse of Funds.....</i> | <i>8</i> |
| 2.03 <i>Conflict of Interest</i> | <i>9</i> |
| 2.04 <i>Suspension.....</i> | <i>10</i> |
| 2.05 <i>Disclosure and Reporting</i> | <i>11</i> |
| Chapter 3 – Master Servicer Requirements..... | 12 |
| Chapter 4 - Borrower Eligibility..... | 13 |
| 4.01 <i>Borrower</i> | <i>13</i> |
| 4.02 <i>Borrower Age</i> | <i>13</i> |

| | | |
|---|---|-----------|
| 4.03 | Co-Signers..... | 13 |
| 4.04 | Unauthorized Compensation..... | 13 |
| 4.05 | Principal Residence/Occupancy Requirement | 13 |
| 4.06 | Qualified Homebuyer Education | 13 |
| 4.07 | Credit Score and Debt-to-Income (DTI) Ratios | 14 |
| 4.08 | Program Income Limits | 14 |
| 4.09 | Loans to Employees and Affiliated Parties | 15 |
| Chapter 5 - Property Eligibility..... | | 16 |
| 5.01 | Eligible Properties..... | 16 |
| 5.02 | Ownership Interest..... | 16 |
| 5.03 | Loan and Purchase Price Limits | 17 |
| 5.04 | New Construction Property Requirements | 17 |
| Chapter 6 – Loan Eligibility | | 18 |
| 6.01 | Eligible Loans..... | 18 |
| 6.02 | Interest Rate/Amortization Requirements | 19 |
| 6.03 | Mortgage Term | 19 |
| 6.04 | Private Mortgage Insurance Coverage Requirements | 19 |
| 6.05 | Private Mortgage Insurance Companies – Minimum Requirements | 19 |
| 6.06 | Settlement/Closing Costs | 19 |
| 6.07 | Gifts..... | 19 |
| 6.08 | Non-Minnesota Housing Secondary Financing | 20 |
| 6.09 | Non-Complying Loans | 20 |
| Chapter 7 – Downpayment and Closing Cost Loans | | 21 |
| 7.01 | Monthly Payment Loan Requirements | 21 |
| 7.02 | Monthly Payment Loan Borrower Eligibility..... | 23 |
| 7.03 | Monthly Payment Loan Lender Warranties | 24 |
| 7.04 | Second Mortgage Application and Loan Disclosure Procedures | 24 |
| 7.05 | Subordination | 24 |
| Chapter 8 – Commitment/Disbursement | | 25 |
| Chapter 9 – Documentation Requirements | | 26 |
| 9.01 | Loan Processing and Closing | 26 |
| 9.02 | Minnesota Housing Documentation/Delivery Requirements | 27 |

| | | |
|--------------------------------------|---|-----------|
| 9.03 | Signature Requirements..... | 27 |
| 9.04 | Records Retention | 27 |
| Chapter 10 – Servicing..... | | 28 |
| 10.01 | Servicing | 28 |
| 10.02 | Lender Servicing Responsibilities | 28 |
| 10.03 | Hardship Policy..... | 29 |
| Appendix A: Definitions | | 30 |
| Appendix B: Forms List..... | | 32 |

Introduction

Mission Statement

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

Background

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

Minnesota Housing offers two mortgage loan programs to serve low- and moderate-income homebuyers:

- The Step Up Program for home purchase or refinance, with access to a downpayment and closing cost loan.
- The Start Up Program for First-Time Homebuyers, a first mortgage loan program with access to downpayment and closing cost loans. Refer to the Start Up Program Procedural Manual for Start Up Program requirements.

Lenders originate and close loans under their individual underwriting and closing procedures. A Master Servicer securitizes and purchases closed loans originated by the Lender under prescribed program requirements. The Lenders are advised that underlying eligible product guidelines and Master Servicer requirements apply, which may be more restrictive than the Minnesota Housing guidelines. Minnesota Housing's current Master Servicer is U.S. Bank Home Mortgage Housing Finance Agency Division (U.S. Bank – HFA Division).

Minnesota Housing offers the Monthly Payment Loan for Step Up Program Borrowers who need funds for downpayment and closing costs.

Procedural Manual

This Procedural Manual sets forth the terms and conditions under which U.S. Bank – HFA Division will purchase mortgages under Minnesota Housing's Step Up Program and Monthly Payment Loan option. Step Up Program is not subject to tax-exempt bond regulations so it is not restricted to first-time homebuyers.

Step Up Program

Step Up Program offers low-interest home mortgage and refinance loans throughout Minnesota to low- and moderate-income Borrowers through local participating Lenders.

Monthly Payment Loan Program

The Monthly Payment Loan provides an amortizing loan with an interest rate equal to the first mortgage to assist Borrowers with downpayment and closing costs. See Chapter 7 for Monthly Payment Loan guidelines. The Monthly Payment Loan is the only Minnesota Housing downpayment and closing cost loan option available with Step Up Program.

The Master Servicer

The Master Servicer purchases Step Up Program Loans and issues mortgage-backed securities for Minnesota Housing. In order to be eligible for purchase, loans must meet the guidelines set forth in this Procedural Manual and all requirements published by U.S. Bank—HFA Division in [AllRegs](#).

Chapter 1 - Responsible Lending

1.01 Procedural Manual

This Procedural Manual, ~~including subsequent changes and additions, which may be changed and modified,~~ is ~~referenced and incorporated a supplement~~ to the Participation Agreement. ~~The Participation Agreement is incorporated into this Procedural Manual by reference.~~

Minnesota Housing reserves the right to:

- Change the program interest rate(s) at any time and at its sole discretion
- Change the commitment policy at any time
- Alter or waive any of the requirements
- Impose other or additional requirements
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated
- Grant waivers, alterations, or make revisions at its sole discretion

1.02 Single Family Responsible Lending Policy

Minnesota Housing uses prudent, sound and responsible business practices in marketing and product design related to its Single Family loan programs. Minnesota Housing designs programs with a focus and goal of successful homeownership, which means Borrowers, must have the knowledge, ability, willingness, and capacity to repay their housing debt. Minnesota Housing does not offer subprime mortgage lending programs. Minnesota Housing reviews portfolio and market conditions regularly to ensure that business practices are updated as needed to meet it's responsible lending goals.

In delivering Single Family loan programs, Minnesota Housing policies address:

- Lender relationships and ~~a their~~ Lender's role and responsibility in originating and delivering quality, compliant loans under the Minnesota Housing program. These responsibilities include:
 - Lenders must evaluate a Borrower's repayment capacity, including evaluating risk layering and documenting sources of Borrower income(s), Borrower assets and Borrower liabilities
 - Lenders are prohibited from steering
 - Lenders must comply with all high cost and higher priced home loan rules and regulations
 - Loans may not contain prepayment penalties
 - Mandatory arbitration clauses are not permitted
 - Single Premium Credit Life Insurance may not be required nor can any funds provided by Minnesota Housing be used toward the purchase of any credit insurance products or premiums
- Compliance with the Interagency Guidelines on Nontraditional Mortgage Product Risks

- Compliance with all local, state and federal regulations as well as Minnesota Housing program guidelines as applicable to each individual loan transaction

1.03 Evidence of Misconduct Referred to Attorney General

- Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of these programs to the Minnesota Attorney General's office for appropriate legal action.
- If, after a loan is made, a Lender discovers any material misstatements or misuse of the proceeds of the loan by the Borrower or others, the Lender will promptly report the discovery to Minnesota Housing and U.S. Bank – HFA Division.
- Minnesota Housing, or U.S. Bank – HFA Division, or both, may exercise all remedies available to them under the Participation Agreement or otherwise, both legal and equitable, to recover funds from the Lender or the Borrower. This includes [possible](#) repayment of loan funds, ~~together with all applicable~~ [repayment of](#) -administrative costs, [repayment of](#) ~~and other~~ fees or commissions received by the Lender in connection with the loan and reimbursement of all attorney fees, legal expenses, court costs, or [any](#) other expenses incurred in connection with the loan or its recovery.

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

The Minnesota Revenue Recapture Act (Minnesota Statutes, Sections 270A.01 to 270A.12, as amended) allows the disclosure of the Borrower's Social Security Number to the Minnesota Department of Revenue.

This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

[This collection remedy is in addition to and not in substitution for any other remedy available by law.](#)

1.05 Unauthorized Compensation

The Lender may receive fees approved in this Procedural Manual. However, the Lender may not receive or demand from the realtor, builder, property seller, or Borrower:

- Kickbacks
- Commissions
- Other compensation

1.06 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan originated for purchase by U.S. Bank – HFA Division. A loan file may be requested to be forwarded to Minnesota Housing for review. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased by U.S. Bank – HFA Division.

Audited loans are reviewed for:

- Minnesota Housing program and policy compliance
- Fraud or misrepresentation on the part of any party involved in the transaction
- Trends or other indicators that may have an impact on the success of the Borrower(s) and programs

1.07 Termination of Lender Participation

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

- This Procedural Manual
- The Participation Agreement
- The U.S. Bank – HFA Division's Lender Guide
- Applicable state and federal laws, rules, and regulations

Upon termination of a Lender's Participation Agreement:

- U.S. Bank – HFA Division will continue to purchase eligible loans delivered [to U.S. Bank – HFA Division for loans originated prior](#) to termination.
- Minnesota Housing will not refund participation fees to the Lender.
- Minnesota Housing may, at its option, impose remedies other than termination of the Participation Agreement for the Lender's nonperformance.
- The Lender may request reinstatement into Minnesota Housing programs. The decision to reinstate a Lender is at Minnesota Housing's and U.S. Bank – HFA Division's sole discretion.

1.08 Representations and Warrants

The Lender agrees to follow all applicable federal, state, and local laws, ordinances, regulations, and orders, including but not limited to: the following as then in effect (and any applicable rules, regulations, and orders):

- Ability-to-Repay /Qualified Mortgage (QM) Rule
- Americans with Disabilities Act
- Anti Predatory Lending Act

- Anti-Money Laundering and Office of Foreign Assets Control Policy
- Bank Secrecy Act
- [Consumer Financial Protection Bureau's](#) Unfair, Deceptive, or Abusive Acts or Practices Rules
- [State](#) Data Privacy - Minnesota Statutes Chapter 13 and Section 462A.065
- Dodd-Frank Wall Street Reform and Consumer Protection Act
- Equal Credit Opportunity Act
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62
- Fair and Accurate Credit Transactions Act
- Fair Credit Reporting Act
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968)
- Home Mortgage Disclosure Act
- Home Ownership and Equity Protection Act (HOEPA)
- [Department of Housing and Urban Development's](#) Discriminatory Effects Regulation/Disparate Impact Regulation
- Internal Revenue Code of 1986, Section 6050H
- Loan Officer Compensation
- Minnesota Human Rights Act – Minnesota Statutes Chapter 363A
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A
- Mortgage Disclosure Improvement Act (MDIA)
- National Flood Insurance Act
- Real Estate Settlement Procedures Act of 1974
- Section 527 of the National Housing Act
- Title VI of the Civil Rights Act of 1964
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974
- Truth In Lending Act
- Uniform Electronic Transactions Act (UETA), Minn. Stat. ch. 325L
- USA Patriot Act

In addition to the above-listed representations and warrants, the Lender will have examined:

- The person who confirms [on Minnesota Housing's loan commitment system and who verifies the Lender's Representations and Warranties on behalf of the Lender, has both the authority to legally bind the Lender and is fully conversant with: Minnesota Housing's loan commitment system has the authority to legally bind the Lender and is fully conversant with:](#)
 - U.S. Bank – HFA Division requirements as published in [AllRegs](#)
 - Minnesota Housing program requirements
 - Underlying loan product and insurer/guarantor requirements
 - ~~The Lender is in compliance with all terms, conditions and requirements of:~~
 - The Participation Agreement
 - This Procedural Manual
 - The U.S. Bank – HFA Division Lender Guide unless those terms, conditions, and requirements are specifically waived by Minnesota Housing or U.S. Bank – HFA Division, as applicable, in writing.

1.09 Lender Compensation

The Lender is compensated for each loan purchased by U.S. Bank – HFA Division as follows:

- The origination fee or discount point collected from the Borrower in accordance with industry-standard regulations, [and/or-](#)
- The [service release premium](#) paid by U.S. Bank – HFA Division in an amount established by Minnesota Housing and posted on the Minnesota Housing website.

1.10 Annual Renewal Requirements and Fees

- All Lenders must meet the minimum loan volume requirements as specified by Minnesota Housing or by U.S. Bank – HFA Division, whichever is greater.
- The Lender must be approved by both Minnesota Housing and U.S. Bank – HFA Division to originate Minnesota Housing Step Up Program loans.

1.11 Marketing Materials Terms of Use

Lenders must follow Minnesota Housing's [Terms of Use](#) for marketing materials and the Participation Agreement requirements for marketing and use of Minnesota Housing's name or logo.

Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

2.01 Fraud

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

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the communication channels described in section 2.05.

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

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 2.05.

Commented [BS(1)]: Addition of the language Legal is implementing Agency-wide into the program manuals

2.02 Misuse of Funds

A loan or grant agreement is a legal contract. The Bborrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the Bborrower or grantee to pay for those activities, goods, or services. Regardless of the Minnesota Housing program or funding source, the Bborrower or grantee must use Minnesota Housing funds as agreed and the Bborrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

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

Any Bborrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 2.05.

Borrowers and grantees referred to in this section are the Minnesota Housing contracting party. If applicable, third party recipients of funds, such as homebuyers, are bound by terms as detailed in the loan documents.

2.03 Conflict of Interest

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

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

A conflict of interest includes any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

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

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict

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- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 2.05.

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

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

Organizational conflicts of interest occur when:

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

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived, or potential conflicts of interest through one of the ways described in section 2.05.

A contracting party should review its contract agreement and Request for Proposals (RFP) material, if applicable, for further requirements.

2.04 Suspension

By entering into any contract with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of

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~~the contract) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of suspended individuals and organizations (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu). By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of.~~

2.05 Disclosure and Reporting

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

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

~~• Activities required to be reported under this chapter may be made in any of the following ways:~~

- ~~• Minnesota Housing's Chief Risk Officer~~
- ~~• Any member of Minnesota Housing's~~

~~•~~

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Chapter 3 – Master Servicer Requirements

Minnesota Housing's Master Servicer, U.S. Bank – HFA Division, has requirements in addition to Minnesota Housing's program requirements and underlying product guidelines. U.S. Bank – [HFA](#) Division's requirements may be more restrictive and may vary by [different state](#) Housing Finance Agencies.

Lenders should review and comply with all applicable U.S. Bank – HFA Division requirements, including Minnesota Housing specific requirements, in [AllRegs](#). U.S. Bank – HFA Division has an Overlay Matrix resource on [AllRegsAllRegs](#) highlighting common overlays (not comprehensive). In addition to U.S. Bank – HFA Division's overlays, Lenders must follow U.S. Bank – HFA Division's loan delivery, documentation, servicing, fees policies and all other due diligence.

Chapter 4 - Borrower Eligibility

4.01 Borrower

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

4.02 Borrower Age

The Borrower(s) must be 18 years of age or older or ~~bem~~inors declared emancipated by a court having jurisdiction.

4.03 Co-Signers

Co-Signers are permitted on Step Up Program loans. Co-Signers must sign the Step Up Program loan note and the Monthly Payment Loan note, if applicable. Co-Signers are not vested in title to the property and ~~may, or may not,~~are not required to reside in the subject property.

4.04 Unauthorized Compensation

The Borrower(s) may not receive kickbacks, rebates, discounts, or compensation from any subcontractor, realtor, or property seller.

4.05 Principal Residence/Occupancy Requirement

At a minimum, one ~~B~~borrower must intend to occupy the financed dwelling as a Principal Residence.

4.06 Qualified Homebuyer Education

If all ~~B~~borrowers are First-Time Homebuyers, at least one ~~B~~borrower must complete an approved homebuyer education course prior to closing. A copy of the certificate of completion must be in the loan file. Minnesota Housing does not have a ~~H~~omebuyer ~~e~~Education certificate expiration date policy. Approved Homebuyer Education courses are listed on our website.

4.07 Credit Score and Debt-to-Income (DTI) Ratios

The Step Up Program Loan credit score and debt-to-income (DTI) requirements vary based on underlying loan products. Refer to Minnesota Housing's [Credit and DTI Matrix](#) for credit score and DTI requirements by product types.

Refer to the following product descriptions on Minnesota Housing's website for additional conventional product requirements:

- [Fannie Mae Product Description](#)
- [Freddie Mac HFA Advantage®](#)

Minnesota Housing offers these product descriptions and the following chart as resources for Lenders. The Lenders are advised to fulfill their due diligence in adhering to all underlying product and U.S. Bank–HFA Division requirements, and should not solely rely on the tools provided in this Procedural Manual.

See [AllRegs](#) for additional, specific U.S. Bank–HFA Division requirements.

Table 1. Industry Standard Credit Score Guidance

| Number of Scores | Guidance | Minimum Credit Score/Maximum Debt-to-Income Ratio (DTI) |
|---|--|--|
| 3 scores | Use middle of scores | Refer to Minnesota Housing's Credit and DTI Matrix |
| 2 scores | Use lower of the two scores | |
| 1 score | Use available score | |
| Multiple Borrowers: all with credit scores | Use lowest middle score available | |
| Multiple Borrowers: at least one Borrower has a credit score and the other Borrower(s) does not have a credit score | Defer to underlying product guidelines | |
| Sole Borrower or Multiple Borrowers: No score | Defer to the underlying product guidelines | |
| Insufficient credit to support an AUS Approval or has erroneous/inaccurate credit or disputed credit | Defer to underlying product guidelines | |

4.08 Program Income Limits

The income used to qualify the Borrower may not exceed the Step Up Program [income limits](#) posted on Minnesota Housing's website. Income is defined by and calculated according to credit underwriting guidelines (i.e. qualifying income) for the underlying loan product (FHA, RD, VA, Fannie Mae, or Freddie Mac).

4.09 Loans to Employees and Affiliated Parties

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

Chapter 5 - Property Eligibility

5.01 Eligible Properties

Properties eligible for a loan under Step Up Program must be located in the State of Minnesota and may include any of the following housing types.

- A single-family detached residence
- A unit within an eligible Planned Unit Development ("PUD")
- [A condominium unit](#)
- [A duplex that meets the following requirements:](#)
 - The Borrower(s) must occupy one unit of a duplex property
 - Must have been a residential property for at least five years before the date of the new mortgage, i.e. cannot be New Construction or recently converted from non-residential use
- [A modular home](#)
- A manufactured home that meets the following requirements:
 - [Be a double wide or larger manufactured home permanently affixed to a foundation and taxed as real property; and](#)
 - Built to Federal Manufactured Home Construction Safety Standards, administered by [U.S. Housing and Urban Development \(HUD\)](#)
- [Permanently affixed to a foundation and taxed as real property](#)
- [A modular home](#)
-

Additionally, eligible properties must meet the following:

- Underlying eligible products guidelines
 - [Fannie Mae Product Description](#) and [Freddie Mac HFA Advantage®](#) product descriptions on [Minnesota Housing's website](#)
 - If the underlying conventional product guidelines (Fannie Mae HomeReady™ and Freddie Mac HomePossible®) conflict with the Minnesota Housing conventional product descriptions above, defer to the Minnesota Housing conventional product descriptions.
- U.S. Bank – HFA Division requirements
- Refer to [AllRegs](#)

5.02 Ownership Interest

[Eligible forms of ownership interest include the following:](#)

- [Fee simple interest](#)

- [Joint tenancy](#)
- [Community Land Trust \(CLT\)](#)
- [Tenancy in common](#)
- [Tenants by the entirety](#)
- [Sole Ownership](#)

5.032 Loan and Purchase Price Limits

The maximum purchase price for purchase transactions and the maximum loan amount for refinance transactions may not exceed the [purchase price/loan amount limits](#) posted on [Minnesota Housing's website](#).

5.043 New Construction [Property](#) Requirements

Newly constructed properties must meet the following requirements:

- The land must be zoned for residential housing
- The land must not have been annexed within the previous calendar year
- A ~~c~~Certificate of ~~o~~ccupancy [or legal document that proves a house is safe to inhabit must be must be](#) issued for the property before loan closing
- The Borrower(s) may not act as the general contractor

Chapter 6 – Loan Eligibility

6.01 Eligible Loans

U.S. Bank – HFA Division purchases closed loans from the Lender under a Participation Agreement in Minnesota Housing mortgage loan programs. The Lender must warrant that the following criteria are met for each loan submitted for purchase.

Eligible loan types:

- Purchase transactions
- Refinance transactions:
 - No cash out
 - Limited cash out

Eligible Government loan products:

- Federal Housing Administration (FHA), including:
 - FHA 203(k) Limited
 - FHA Streamline Refinance
- Veterans Administration (VA), including:
 - VA Streamline Refinance (IRRRL – Interest Rate Reduction Refinance Loan)
- Rural Development (RD), including:
 - RD Streamline Refinance
 - RD Streamline Assist Refinance

Eligible Conventional loan products:

- [Fannie Mae HFA Preferred™](#)
- [Freddie Mac HFA Advantage®](#)

Lenders are advised to refer to the conventional product descriptions on the Minnesota Housing website for product requirements.

Program loans must satisfy the following criteria:

- All local, state and federal laws, and regulations including those relating to [the Fair Housing Act](#), [the Truth in Lending Act \(TILA\)](#) and [Minnesota's Human Rights Act](#) affirmative action, fair housing, equal opportunity, truth in lending, and wrongful discrimination in residential housing are met

- The loan must be originated and closed in, or assigned to, ~~the name of~~ the Lender that is a party to the Participation Agreement. That Lender must have ~~and that~~ locked the loan(s) on the Minnesota Housing loan commitment system

6.02 Interest Rate/Amortization Requirements

Minnesota Housing requires that all loans:

- Have a fixed interest rate
- Are fully amortizing over the term of the loan
- Are payable on the first of each month in level monthly installments that include at least principal and interest.

-

The interest rates for Minnesota Housing loan programs are listed [here](#).

6.03 Mortgage Term

All loans must have a 15-year or 30-year term.

6.04 Private Mortgage Insurance Coverage Requirements

All loans requiring private mortgage insurance must have coverage at the levels prescribed by the underlying mortgage product guidelines.

6.05 Private Mortgage Insurance Companies – Minimum Requirements

Minimum requirements for private mortgage insurance companies must meet underlying loan product guidelines.

6.06 Settlement/Closing Costs

Settlement and closing costs, fees, or charges the Lender collects from any party in connection with any loan must:

- Comply with Minnesota law
- Meet all requirements of the insurer/guarantor
- Not exceed an amount deemed usual or reasonable for the type of transaction (e.g. FHA, VA, Conventional)

-

6.07 Gifts

All gifts received by the Borrower(s) for a Minnesota Housing loan must satisfy the requirements of the applicable underlying first mortgage loan product and the insurer/guarantor.

6.08 Non-Minnesota Housing Secondary Financing

Secondary financing offered by a city or county government, a non-profit, or a for-profit, including downpayment assistance, community seconds (including resale restrictions), or other forms of secondary financing used in conjunction with a Minnesota Housing loan, must comply with the following:

- Meet all requirements of the applicable first mortgage loan product and insurer/guarantor (i.e., FHA Secondary Financing, Fannie Mae Subordinate Financing, Freddie Mac Affordable Seconds)
- The Borrower may receive cash back at closing from secondary financing proceeds only when the cash back is a refund of the Borrower's own investment, as allowed by the first mortgage product
- Minnesota Housing requires full disclosure of any and all secondary financing
- For transactions using Minnesota Housing's Monthly Payment Loan:
- The Monthly Payment Loan must be in a second mortgage lien position

6.09 Non-Complying Loans

Minnesota Housing or U.S. Bank – HFA Division has the right to take one or more of the following actions in the event a Lender submits a mortgage loan that does not, as determined by Minnesota Housing or U.S. Bank – HFA Division, comply with the requirements of this Procedural Manual:

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

Chapter 7 – Downpayment and Closing Cost Loans

The only Minnesota Housing downpayment and closing cost loan option available with the Step Up Program is the Monthly Payment Loan.

7.01 Monthly Payment Loan Requirements

The Monthly Payment Loan provides funds to pay for eligible expenses, including downpayment and customary buyer closing costs. Monthly Payment Loans:

- Are available only in conjunction with a Minnesota Housing first mortgage loan purchased by U.S. Bank—HFA Division.
- Are available in whole dollar amounts up to \$18,000
- Must occupy a second lien position when combined with a non-Minnesota Housing Community Second Mortgage
- Have an interest rate equal to that of the first mortgage
- Are fully amortizing and are payable in level monthly payments over a 10-year loan term
- Are due on the first of each month, beginning with the due date of the initial monthly payment for the first mortgage
- May be used to combine the balance of an existing Monthly Payment Loan into a new Monthly Payment Loan when:
 - The Borrower is refinancing their first mortgage into a Step Up Program loan, and
 - The new Monthly Payment Loan (the combined total of the payoff of the existing Monthly Payment Loan and new funds) does not exceed the Monthly Payment Loan maximum loan amount
- May be used by Borrowers refinancing:
 - A Start Up Program loan into a Step Up Program loan
 - A Step Up Program loan into a new Step Up Program loan
 - A first mortgage from another institution into a Step Up Program loan
- Must be paid in full when, among other things referenced in the loan Note, the following occur:
 - The property ceases to be Owner-Occupied
 - The property is sold or transferred
 - The first mortgage loan is paid in full, including upon a refinance (see section 7.05 Subordination for subordination information); or
 - The first mortgage loan is in default or is declared to be due and payable in full
- ~~Must be paid in full upon:~~
- ~~Sale of the property~~
- ~~Transfer of title to the property~~
- ~~Payment in full of the first mortgage, upon refinance or otherwise, unless the Lender waives in writing the acceleration of the loan~~

- ~~The first mortgage is declared due and payable whether through default or other event~~
- May not be assumed

7.02 Monthly Payment Loan Borrower Eligibility

The Borrower(s) must satisfy all Step Up Program eligibility requirements as well as the following additional requirements for the Monthly Payment Loan.

Income Limits. All Step Up Program borrowers may access the Monthly Payment Loan. Monthly Payment Loans have no separate income limit.

Homebuyer Education. Qualified Homebuyer Education is required of at least one Borrower in a First-Time Homebuyer household. (See section 4.06 for more details.)

Cash Investment. A minimum cash investment of the lesser of 1% of the purchase price or \$1,000, including prepaids, is required only for purchase loans. The cash investment must come from the Borrower's assets and may not be a gift, grant, loan, or sweat equity contribution.

Asset Limit. The Monthly Payment Loan has no asset limit.

Cash to the Borrower at Closing.

The Borrower(s) may receive cash back at closing only when all of the following criteria apply:

- The cash to the Borrower at closing is a refund of dollars paid outside of closing and is reflected on the Closing Disclosure
- The cash to the Borrower at closing does not compromise the Borrower's minimum cash investment requirement
- The underlying first mortgage product and the insurer/guarantor allow the refund

7.03 Monthly Payment Loan Lender Warranties

In addition to the warranties stated in Section 1.08, the Lender warrants the following:

- The Borrower's cash investment is paid from the Borrower's own funds
- The funds received by the Borrower are applied to the transaction and verified through the Closing Disclosure

7.04 Second Mortgage Application and Loan Disclosure Procedures

The Lender must follow mortgage industry standard requirements for second mortgages when originating loans under the Monthly Payment Loan.

The Lender should consult with its compliance department or legal counsel for additional information and guidance in completing required disclosures.

7.054 Subordination Policy

Minnesota Housing permits the subordination or replacement of a Homeownership Assistance Fund (HAF) Loan, a Deferred Payment Loan (DPL) or a Monthly Payment Loan (MPL) only in cases where the Minnesota Housing first mortgage is refinanced to a Step Up Program Loan. The Borrower is not eligible for more than one Minnesota Housing downpayment and closing cost loan. For more details see the Minnesota Housing Subordination Options Guide.

Chapter 8 – Commitment/Disbursement

See Minnesota Housing's website for:

- The [Lock, Fee, and SRP Guide](#)
- The [Loan Commitment System Page](#)

Chapter 9 – Documentation Requirements

9.01 Loan Processing and Closing

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

- The loan must be closed and disbursed before completing the True and Certify process in the Minnesota Housing loan commitment system.
- The Lender must follow all mortgage industry regulatory and compliance provisions throughout the processing of the loan. All loan documents other than Minnesota Housing Forms must be industry standard and meet the requirements of U.S. Bank – HFA Division, the underlying loan product, and the insurer/guarantor, as applicable. ~~(See the Minnesota Housing website for more details on required forms.)~~
- All loan documents must be complete, accurate, and reviewed by the Lender at the various and appropriate stages of the loan.
- Purchase and Non-Streamline Refinance loans underwritten utilizing industry standard automated underwriting systems require full documentation when verifying income and assets to confirm Minnesota Housing eligibility. (Streamline Refinance transactions should follow underlying product guidelines pertaining to income and asset documentation requirements. However, Minnesota Housing does require the lender to obtain the Borrower's income for Streamline Refinance transactions, even if the underlying product guidelines do not, and the income must meet program guidelines and be entered in Minnesota Housing loan commitment system.
- Minnesota Housing forms may not be altered in any way. Industry standard forms may not be altered in any way other than to add a company name and logo.
- The first mortgage loan and the second mortgage loan (if applicable) must be originated and closed in, or assigned to, the name of the Lender that is a party to the Participation Agreement and that locked the loan (s) on the Minnesota Housing loan commitment system.
- All first mortgage assignments must run directly from the Lender to U.S. Bank – HFA Division.
- All second mortgage assignments must run directly from the Lender to the Minnesota Housing Finance Agency.
- The Lender must submit final documents to U.S. Bank – HFA Division within 120 days of U.S. Bank – HFA Division's loan purchase.
- Product specific requirements must be met: for Conventional HFA product requirements – refer to the [Fannie Mae Product Description](#) and [Freddie Mac HFA Advantage®](#) product descriptions on [Minnesota Housing's website](#).

9.02 Minnesota Housing Documentation/Delivery Requirements

- U.S. Bank – HFA Division provides the Delivery Checklist form detailing specific documentation and delivery requirements. The Lender must fully execute and deliver documents within the designated timeframes.
- The Lender must review any and all contracts in connection with the residence sale transaction to ensure compliance with this Procedural Manual.

Documentation not delivered to U.S. Bank – HFA Division within the specified timeframes, may result, at Minnesota Housing’s or U.S. Bank – HFA Division’s discretion, in the Lender repurchasing the loan, or any other remedy as identified in this Procedural Manual. Minnesota Housing or U.S. Bank – HFA Division, at their sole discretion, may extend the timeframes identified in the Delivery Checklist.

9.03 Signature Requirements

Minnesota Housing accepts electronic signatures (eSignatures) on loan documents executed under the Step Up Program to the extent Lender complies with all applicable state and federal electronic signature laws, as well as any counterparty requirements (e.g. Fannie Mae, Federal Housing Administration, U.S. Bank HFA Division). However, eSignatures are not acceptable on any document that needs to be recorded with the county. Under no circumstances may a Borrower be required to use electronic signatures.

9.04 Records Retention

The Lender must retain any and all compliance documents (including compliance with Minnesota Housing program guidelines) as may be required by the Lender’s regulatory authority, the requirements of the underlying loan product, and the requirements of the insurer/guarantor, as appropriate.

The loan product and insurer/guarantor minimum or alternative documentation requirements do not relieve the Lender from the responsibility of acquiring and maintaining complete files, including any and all documents and materials as would customarily be required for servicing or loan audit.

Chapter 10 – Servicing

10.01 Servicing

Minnesota Housing may, at its discretion, subject to any contractual provisions between Minnesota Housing and U.S. Bank – HFA Division, change the Master Servicer.

10.02 Lender Servicing Responsibilities

Notwithstanding anything to the contrary contained in the Participation Agreement, during the period from loan closing to U.S. Bank – HFA Division purchase, the Lender must [perform all required servicing functions for the loan until it is transferred to U.S. Bank Servicing. This includes](#) collecting and ~~applying~~ all ~~Borrower~~ loan payments for both the Step Up Program loan and the Monthly Payment Loan, if applicable, [made by the Borrower\(s\) in accordance with State and Federal Servicing regulations.](#) Loan payments collected must include:

- The Step Up Program loan monthly principal and interest
- The Monthly Payment Loan monthly principal and interest, if applicable
- 1/12th of annual property tax
- The Mortgage insurance, if applicable
- Flood insurance, if applicable
- Hazard insurance (escrows)
- Assessments, if applicable

In addition, the Lender must complete the following servicing activities for both the Step Up Program Loan and, if applicable, the Monthly Payment Loan:

- Maintain payment history indicating:
 - The breakdown of principal, interest, and escrows
 - Any principal repayments
 - The remaining principal balance of the loan
 - [The collection of any past due payments](#)
 - [The Lender must also provide to the borrower as applicable, any](#)
 - [Required tax reporting](#)
 - [Required servicing notices](#)
 - [Servicing Transfer disclosure notices](#)

[The Lender must retain all statements, documents, and correspondence related to servicing the loan in the loan file that is transferred to U.S. Bank Servicing.](#)

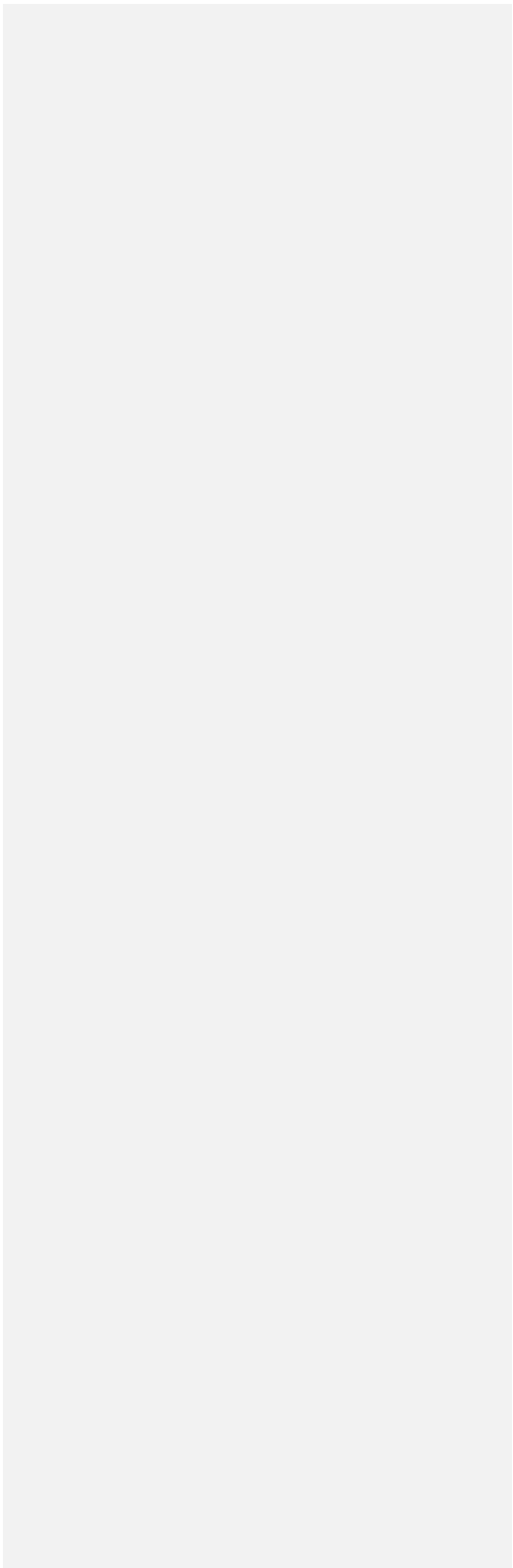
10.03 Hardship Policy

Minnesota Housing has in place a hardship policy for its Monthly Payment Loan. [The hardship policy](#) ~~that~~ allows forgiveness either in part or in whole if ~~a the~~ Borrower is experiencing ~~a severe~~ financial hardship(s) ~~which that~~ prevents them from [having the financial ability to pay](#) ~~paying~~ back the full indebtedness. [Hardship will be evaluated at the time of the instance and upon request of the borrower.](#) [A determination will be made in accordance with servicing policies in effect at that time.](#)

Appendix A: Definitions

| TERM | DEFINITION |
|---|--|
| Co-Signer | A party that is obligated to repay the loan. A Co-Signer assumes only personal liability and has no ownership interest in the property. |
| First-Time Homebuyer | A b Borrower(s) who has not had an ownership interest in their principal residence in the three years preceding execution of the mortgage documents (loan closing). |
| Master Servicer | A company selected by Minnesota Housing to purchase, securitize and service mortgage loans originated pursuant to Minnesota Housing's mortgage loan programs. |
| New Construction or Newly Constructed Residence | New Construction or a Newly Constructed Residence refers to a residence, which has either never been occupied or was completed within 24 months preceding the date of the home mortgage loan and was not subject to previous financing with a term greater than 24 months (i.e., a contract-for-deed, mortgage, or bridge loan). |
| <u>Owner Occupied</u> | <u>At least one Borrower must occupy the Property within 60 Days of signing the security instrument and continue to live in the home for the majority of the year during every year of the loan term. Non-occupancy is allowed for situations of verified military deployment.</u> |
| Participation Agreement | The Participation Agreement for Minnesota Housing Single Family Programs executed between the Lender and Minnesota Housing that allows the Lender to participate and offer Minnesota Housing's Start Up and Step Up mortgage loan programs. |
| Principal Residence | A property used as the primary domicile of the owner-occupant Borrower and their household. |
| Qualified Homebuyer Education | Qualified Homebuyer Education is homebuyer education completed as outlined in its entirety in Section 4.06 of this Procedural Manual. |
| True and Certify | The loan-level process in Minnesota Housing's loan commitment system completed by the Lender that certifies all the information entered into the system is true and accurate. |

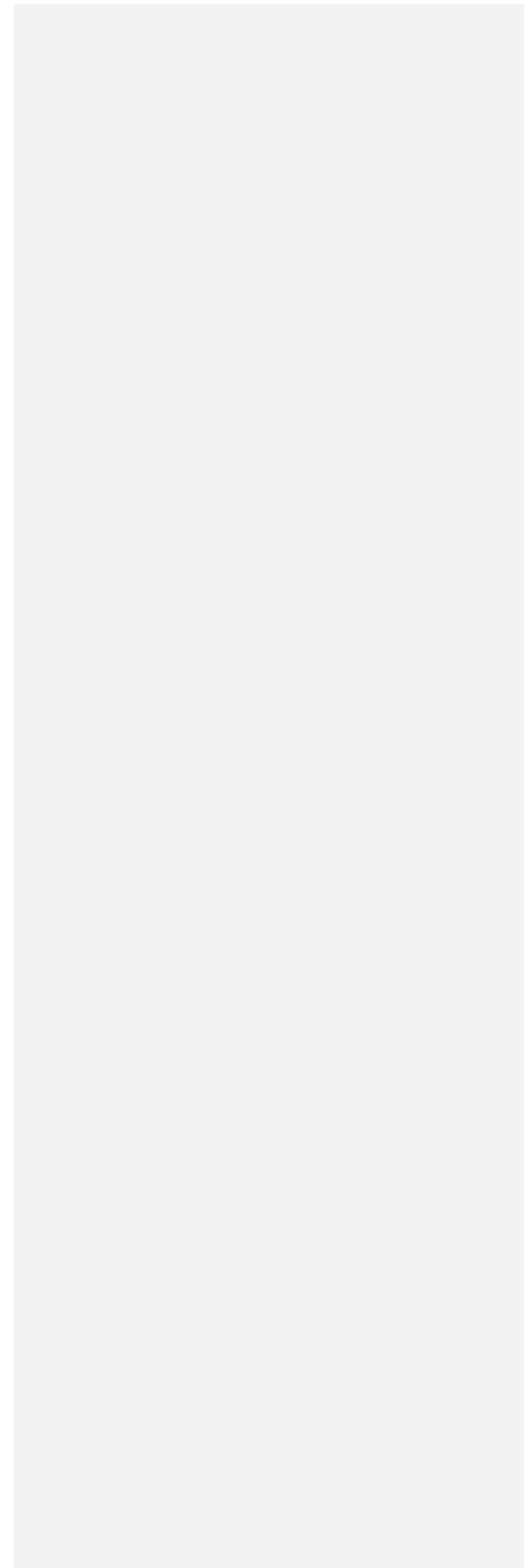
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Appendix B: Forms List

See www.mnhousing.gov for required [Step Up Program forms](#).



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Modification, Updating Board Resolution on Finance and Audit Committee

Information Item: 6.C
Date: 3/28/24
Staff Contacts: Irene Kao, 651.296.9806, irene.kao@state.mn.us
Michael Solomon, 651.297.4009, michael.solomon@state.mn.us
Request Type: Approval, Resolution

Request Summary

In September 2012, the board adopted a resolution (Resolution No. MHFA 12-062) to create the Finance and Audit Committee and provide for its purpose and responsibilities. On August 27, 2020, the board updated the resolution (Resolution No. MHFA 20-039) to better reflect the activities and purpose of the Committee. Today, staff is requesting the board's approval to modify the role and of the Finance and Audit Committee to reflect the change that the Agency has already made to an alternative process titled "Board Risk Assessment" to replace the reference to the "Agency Risk Profile" in the Resolution.

Fiscal Impact

None

Agency Priorities

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

Attachments

- Draft of updated Resolution

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite #400
Saint Paul, Minnesota 55102**

**RESOLUTION NO. MHFA ~~20-039~~24-XXX
Modifying Resolution No. MHFA ~~12-062~~20-039**

**RESOLUTION REVISING AND RESTATING THE ROLE OF THE
FINANCE AND AUDIT COMMITTEE**

~~WHEREAS~~WHEREAS, the members of the Minnesota Housing Finance Agency (collectively known as the “Board”) previously established a Finance and Audit Committee (“Committee”) through the adoption of Resolution No. ~~12-062~~MHFA 12-062, which was superseded by Resolution no. MHFA 20-039.

~~WHEREAS~~WHEREAS, the Board has determined a need to update the resolution governing that Committee to better reflect the activities and function of the Committee.

NOW THEREFORE BE IT RESOLVED:

THAT, Resolution No. ~~12-062~~MHFA 20-039 is hereby superseded by this Resolution, which updates and restates the activities and function of the Committee;

THAT, the Committee shall perform the activities designated herein:

1. Committee Members. The Board shall have a Committee consisting of all members of the Board. The Board Chair shall preside at all Committee meetings. In the Board Chair’s absence, the Vice Chair shall preside. A majority of the members (excluding vacancies) shall constitute a quorum for the purpose of conducting the Committee’s business and exercising its powers and for all other purposes. When a quorum is in attendance, action may be taken by the Committee upon a vote of a majority of the members present.
2. Committee Purpose. The purpose of the Committee is to receive and review, as necessary, certain financial information of the Minnesota Housing Finance Agency (“Agency”) and, when necessary, recommend action by the members of the Board as a whole. The Committee is responsible for overseeing the Agency’s accounting and financial reporting processes, the audit of the Agency’s annual financial statements, and the overall approach to risk management and internal controls. Some of the Committee’s responsibilities may be delegated in writing to Agency staff, as appropriate. The Committee shall meet as needed to address matters. The Committee shall have access to financial expertise, whether in the form of Agency staff or outside financial advisors or auditors. It may ask others to attend its meetings and provide pertinent information as necessary.
3. Committee Responsibilities. The Committee shall perform the following duties unless they are performed directly by the Board:

- a) Recommend to the Board the selection and replacement of any financial advisor, investment banker and publicly registered public accounting firm (independent auditor) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Board.
- b) As necessary, meet with the financial advisor, investment bankers, independent auditor and other Agency staff, review Agency financial reports, evaluate or receive evaluations of the performance of the financial advisor, the investment bankers, or the independent financial auditor, and receive reports on the sale and issuance of bonds.
- c) Oversight of ~~agency~~Agency risk and internal controls, including consultation with senior management and the Chief Risk Officer.
- d) Review, at least annually, with the independent auditor and Agency staff:
 1. The independent auditor's plan for the financial audit, and scope thereof.
 2. The independent auditor's report on the Agency's annual financial statements and related footnotes.
 3. The independent auditor's report on the Agency's Federal Program ~~single-audit~~Single Audit.
 4. The independent auditor's required communications, including reporting on significant accounting areas and estimates.
 5. The independent auditor's report on internal controls and governmental audit standards including, as necessary, any assessment or report related to the Agency's computerized information system controls and security.
 6. Any other matters the independent auditor chooses to bring to the attention of the Committee.
- e) Review, at least annually, with Agency staff:
 1. The Agency's Risk Management and Internal Control Framework.
 2. Agency compliance with the Risk Management and Internal Control Framework including, but not limited to:
 - Code of ~~ethical~~conduct, ethics, and conflict of interest.
 - Procedures for the receipt, retention and treatment of reports of wrongdoing or other concerns received, and reporting on investigative activities and resolutions, if any.
 - Risk assessments and other internal control reviews, including the Agency ~~Board~~Risk ProfileAssessment, Annual Internal Control System Certification, and program/business process risk assessment projects.
- f) Make reports and recommendations, as necessary, to the Board.
- g) Perform such other functions as assigned by the Board.
- h) The Committee may create subcommittees as necessary.

Adopted this ~~27th~~28th day of ~~August, 2020~~March 2024

Chairman

Chair

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Item: 2023 Single Family Request for Proposals Award Changes

Action Item: 7.A
Date: 03/28/2024
Staff Contacts: Nira Ly, 651.296.6345, nira.ly@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval of changes to how certain projects were structured when funding selections for the 2023 Single Family Request for Proposals (RFP) were approved by the Board of Directors in December 2023.

Fiscal Impact

The 2023 Single Family RFP awards with recommended changes include Economic Development and Housing Challenge (EDHC) funds, Housing Infrastructure Appropriations and Workforce and Affordable Homeownership Development funds. EDHC funds are state-appropriated resources provided in the form of grants or deferred loans that do not earn interest for the Agency. Housing Infrastructure Appropriations and Workforce and Affordable Homeownership Development funds are state-appropriated resources provided in the form of grants that do not earn interest for the Agency.

Agency Priorities

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

Attachments

- Background
- Request Details
- Resolution

Background

On December 14, 2023, the Board of Directors approved through Board Resolution No. MHFA 23-075 funding and certain conditions for recommended proposals received through the 2023 Single Family Request for Proposals (RFP).

With the goal to prioritize serving lower income households and provide equitable terms for similarly situated households, staff proposed and the Board approved a reduced income limit of 70% area median income (AMI) for forgivable loans and standardized loan terms for certain projects. In some cases, these approved terms are different from what was proposed in the applications for funding.

The Agency received feedback from external stakeholders that these funding conditions and the structuring of these projects as approved would affect the success and feasibility of these projects. Stakeholders shared that the lowered area median income (AMI) limit for certain affordability gap projects providing forgivable loans would limit the households that awardees intended to serve. Additionally, a 70% AMI was inconsistent with most other programs available on the market. In cases of value gap for new construction development, the lowered AMI would not meet the local governments' requirement that the projects develop mixed-income neighborhoods. Stakeholders also shared that the standardized loan terms for affordability gap would not meet the goals of the proposed special purpose credit programs. In response to stakeholder feedback, staff recommends the changes below to the identified projects. Staff also recommends changes to other projects to ensure there are equitable terms across funded programs for similarly situated households.

Grant contracts for awarded projects have not yet been executed. Any changes approved by the Board of Directors will be reflected in the grant contract terms.

Request Details

Staff requests approval of the following changes to projects awarded through the 2023 Single Family RFP.

Staff recommends increasing the income limit for the following projects from 70% area median income (AMI) to 80% AMI:

- Age Well at Home (*Age Well at Home: Ensuring Safe Living and Long-Term Housing Affordability for Older BIPOC Homeowners*)
- Bluff Country Multi-County Housing and Redevelopment Authority (*Fillmore and Houston County Owner Occupied Rehab Loan Program*)
- Housing and Redevelopment Authority of Duluth (*Duluth HRA Single Family Owner-Occupied Exterior Rehabilitation and Fuel Oil Conversion Program*)
- Minneapolis Community Planning and Economic Development (*Minneapolis Homes: Community Fix Up Program*)
- City of St. James (*City of St. James Economic Development – Owner Occupied Rehabilitation*)

- NeighborWorks Home Partners (*Community Keys Plus*)
- NeighborWorks Home Partners (*Targeted Minneapolis/Saint Paul Home Repair Program*)
- PRG, Inc. (*Legacy Building Initiative*)
- Twin Cities Habitat for Humanity (*Twin Cities Habitat for Humanity 2023 New Construction The Heights – Block 3*)
- Twin Cities Habitat for Humanity (*Twin Cities Habitat for Humanity, 2023 New Construction Scattered Sites Affordability Gap*)
- Twin Cities Habitat for Humanity (*Twin Cities Habitat for Humanity, 2023 SAAG Open Market Program*)
- Twin Cities Habitat for Humanity (*Twin Cities Habitat for Humanity, Scattered Site Acquisition-Rehab*)

Staff recommends changing the loan structure of affordability gap loans for the following projects to reflect the Special Purpose Credit Programs (SPCP) proposed in the applications:

- Build Wealth Minnesota, Inc (*Family Stabilization Plan/9000 Equities Affordability Gap/DPA Fund*)
- Habitat for Humanity Minnesota (*Habitat for Humanity of Minnesota Impact Fund 9 Affordability Gap*)
- Habitat for Humanity Minnesota (*Habitat for Humanity of Minnesota Impact Fund 9b Value Gap*)
- Twin Cities Habitat for Humanity Lending, Inc. (*TCHFH Lending, Inc Entry Assistance 2023*)

Staff recommends changing the following projects as described below:

- Northcountry Cooperative Foundation (*Unity Downpayment Program*): Increase the income limit from 70% AMI to 80% AMI. Change the affordability gap loan structure from 0% interest, 20-year, deferred forgivable loans to 0% interest, 10-year, deferred forgivable loans. Reducing the loan term from 20 years to 10 years better serves homebuyers who purchase manufactured homes taxed as personal property.
- ~~One Roof Community Housing (*Harbor Highlands Phase 1*): While One Roof had applied for five units at 80% AMI and five units at 115% AMI, the project was approved for ten units at 80% AMI for both value gap and affordability gap with the goal to serve more lower income households. The City of Duluth is requiring that Harbor Highlands be a mixed income development. As a result, staff recommends increasing the income limit for five of the ten units receiving value gap to 115% AMI. While these five units originally also received affordability gap, due to the now higher income limit, staff recommends removing the affordability gap related to these five 115% AMI units. This is consistent with the prioritization of affordability gap funds for lower income households with the expectation that higher income households can access other downpayment resources. The other five units will remain at the awarded 80% AMI and will continue to receive both value gap and~~

~~affordability gap funds. Reduce EDHC – Grant commitment from \$1,090,000 to \$545,000 to reflect removing affordability gap funding for the 115% AMI units.~~

- One Roof Community Housing (*Harbor Highlands Phase 2*): While One Roof had applied for five units at 80% AMI and five units at 115% AMI, the project was approved for ten units at 80% AMI for both value gap and affordability gap with the goal to serve more lower-income households. The City of Duluth is requiring that Harbor Highlands be a mixed-income development. As a result, staff recommends increasing the income limit for five of the ten units receiving value gap to 115% AMI. While these five units originally also received affordability gap, due to the now higher income limit, staff recommends removing the affordability gap related to these five 115% AMI units. This is consistent with the prioritization of affordability gap funds for lower-income households with the expectation that higher income households can access other downpayment resources. The other five units will remain at the awarded 80% AMI and will continue to receive both value gap and affordability gap funds. Reduce EDHC – Grant commitment from \$1,190,000 to \$595,000 to reflect removing affordability gap funding for the 115% AMI units.
- One Roof Community Housing (*One Roof Community Housing Downpayment Program*): Change the affordability gap loan structure from 0% interest, 30-year, deferred repayable loans to 0% interest, 20-year, deferred forgivable loans for consistency with the loan structure of other awarded affordability gap loans. Change the source of funding from EDHC - Deferred Loan to EDHC - Grant.
- Partnership Community Land Trust (*PCLT – Mankato – Acquisition and Rehabilitation, PCLT – Mankato – New Construction, PLCT – St. Peter – New Construction, and PCLT – St. Peter – Acquisition and Rehabilitation*) – Change the contracting entity from Partnership Community Land Trust to its parent company Southwest Minnesota Housing Partnership.
- PRG, Inc. (*PRG – Minneapolis Infill*): Change the affordability gap loan structure from 0% interest, 30-year, deferred repayable loans to 0% interest, 20-year, deferred forgivable loans for consistency with the loan structure of other awarded affordability gap loans. Change the source of funding from EDHC - Deferred Loan to EDHC - Grant.
- PRG, Inc. (*PRG – Investor Intervention*): Change the affordability gap loan structure from 0% interest, 30-year, deferred repayable loans to 0% interest, 20-year, deferred forgivable loans for consistency with the loan structure of other awarded affordability gap loans. Change the source of funding from EDHC - Deferred Loan to EDHC - Grant.
- Rebuilding Together Twin Cities (*Critical Repair Projects for Low-Income Homeowners in Cottonwood, Jackson, Murray, Nobles, and Pipestone Counties, Critical Repair Projects for Low-Income Homeowners in the 7-County Metro, and Roof Repair or Replacement Projects for Low-Income Homeowners throughout Minnesota*): Increase the income limit from 70% AMI to 80% AMI. Remove erroneous reference to 0% interest, 10-year, deferred forgivable loans.
- Three Rivers Community Action, Inc. (*Gap Financing Program*): Change the affordability gap loan structure from 0% interest, 30-year, deferred repayable loans to 0% interest, 20-year,

deferred forgivable loans consistent with the loan structure of other awarded affordability gap loans. Change the source of funding from EDHC - Deferred Loan to EDHC - Grant.

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

RESOLUTION NO. MHFA 24-xxx

**RESOLUTION APPROVING GRANT FUNDS AND DEFERRED LOAN FUNDS MODIFICATIONS
ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC) PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) at its December 14, 2023 meeting, previously authorized a commitment for the projects named below by Resolution No. MHFA 23-075; and

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

WHEREAS, Agency staff has determined that modifications to the previously approved fund structures is appropriate to assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

The Board hereby authorizes Agency staff to modify Resolution No. MHFA 23-075 to change the fund structures for the following projects:

| Awardee Name | Project Name | EDHC At Selection | Amount At Selection | Modified Fund Source | Modified Amount |
|---------------------------------------|---|-----------------------------|----------------------------|-----------------------------|------------------------|
| One Roof Community Housing | One Roof Community Housing Downpayment Program | EDHC – Grant EDHC – Loan | \$ 25,000 \$ 500,000 | EDHC – Grant | \$ 525,000 |
| One Roof Community Housing | One Roof Community Housing New Construction Harbor Highlands Phase 1 | EDHC – Grant | \$ 1,090,000 | EDHC – Grant | \$ 545,000 |
| One Roof Community Housing | One Roof Community Housing New Construction | EDHC – Grant | \$ 1,190,000 | EDHC – Grant | \$ 595,000 |

| | | | | | |
|------------------------------------|--|---------------------------------|--|--------------|---|
| | Harbor Highlands Phase 2 | | | | |
| PRG, Inc | PRG - Minneapolis Infill – New Construction | EDHC – Loan | \$ 250,000 | EDHC – Grant | \$ 250,000 |
| PRG, Inc | PRG - Minneapolis Infill – Acquisition, Rehabilitation, Resale | EDHC – Loan | \$ 200,000 | EDHC – Grant | \$ 200,000 |
| Three Rivers Community Action, Inc | Gap Financing Program | EDHC – Grant EDHC – Loan | \$ 17,000 \$ 331,500 | EDHC – Grant | \$ 348,500 |
| Totals | 6 | | \$ 2,513,500 3,603,500 | | \$ <u>1,918,500</u> 2,463,500 |

1. The execution of the grant contract agreements reflecting the modified fund structures shall occur no later than nine months from the adoption date of this Resolution and funds must be expended and all reporting of the use of funds shall be completed within 36 months from the effective date of the grant contract agreement; and
2. All other terms and conditions of Resolution No. MHFA 23-075 remain in effect.

Adopted this 28th day of March 2024

Chair

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Item: Approval, Modification, Economic Development and Housing Challenge Program (EDHC) Loan - 3030 Nicollet, D8408, Minneapolis

Action Item: 7.B
Date: 03/28/2024
Staff Contacts: Tom Anderson, 651.296.8161, Tom.Anderson@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 15, 2022 meeting, the Minnesota Housing board approved the proposed development for financing under the EDHC program in the amount of up to \$2,460,000 in Resolution No. MHFA 22-103. Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution modifying the loan under the EDHC program, from \$2,460,000 to a maximum of \$3,460,000.

Fiscal Impact:

EDHC loans are funded with state appropriations and generally earn no interest for the Agency. Minnesota Housing will earn additional fee income from originating the loans for this project.

Agency Priorities:

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

Attachments:

- Background
- Resolution
- Term letter

BACKGROUND

3030 Nicollet involves the new construction of 110 units in a six-story elevator building located in Minneapolis. The development will provide workforce and permanent supportive housing with income levels that range from 30% to 50% Multifamily Tax Subsidy Income Limits (MTSP). Six units will serve single adults experiencing High Priority Homelessness (HPH), and 6 units will serve Person with Disabilities (PWD) households. All 12 of the HPH and PWD units will benefit from Housing Support income supplement. An additional 12 units with 2-4 bedrooms will benefit from Project-based Section 8 rental assistance from the Minneapolis Public Housing Authority. In total, 24 units will be deeply affordable to households at 30% MTSP.

The development consists of five floors of housing above four separate ground floor commercial condominium units, as well as a ground floor Wells Fargo bank branch. The commercial portion of the development has a separate development budget and financial structure from the housing portion of the development.

Current total development costs of \$55.3 million represent an increase of 5% over the costs at selection. The increase is largely attributable to higher than expected construction costs and increased construction interest. Professional fees including legal, environmental consulting and architectural fees also increased by 31%, driven in part by the complexity of the condominium agreements and the inclusion of geothermal heating and cooling in the design. Increases in interest rates also decreased the supportable size of the first mortgage offered by Wells Fargo, increasing the gap by over \$1.5 million.

The final construction cost estimate of \$43,066,000 reflects two rounds of value engineering that reduced costs by approximately \$1,700,000. In these processes, a roof deck and the 7th floor elevator were removed, window configurations and coverings were altered, and the brick siding, aluminum paneling and floor tiles were all replaced with lower cost alternative options.

To further defray rising costs, the developer secured multiple new or increased sources for the project: \$1.65 million in additional deferred funds from the City of Minneapolis, \$1.2 million from Hennepin County, \$250,000 from the Minneapolis Neighborhood Revitalization Program, a \$320,000 donation from Wells Fargo; and \$255,000 from the State Housing Tax Credit program. Additionally, the deferred developer fee increased from \$750,000 to \$1,000,000.

The requested funding modification of \$1,000,000 would fill the remaining financing gap and allow the project to proceed to closing.

Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 64% to 79% of the variation in historical costs, it cannot capture all components of every proposed project.

The budgeted total development cost (TDC) per unit of \$502,907 is 17% above the predictive cost model estimate of \$429,321. Because the percentage is below the predictive cost model threshold of 25% for new construction as permitted in Board Policy 15, this does not require a board waiver.

Summary of project costs and source changes since selection:

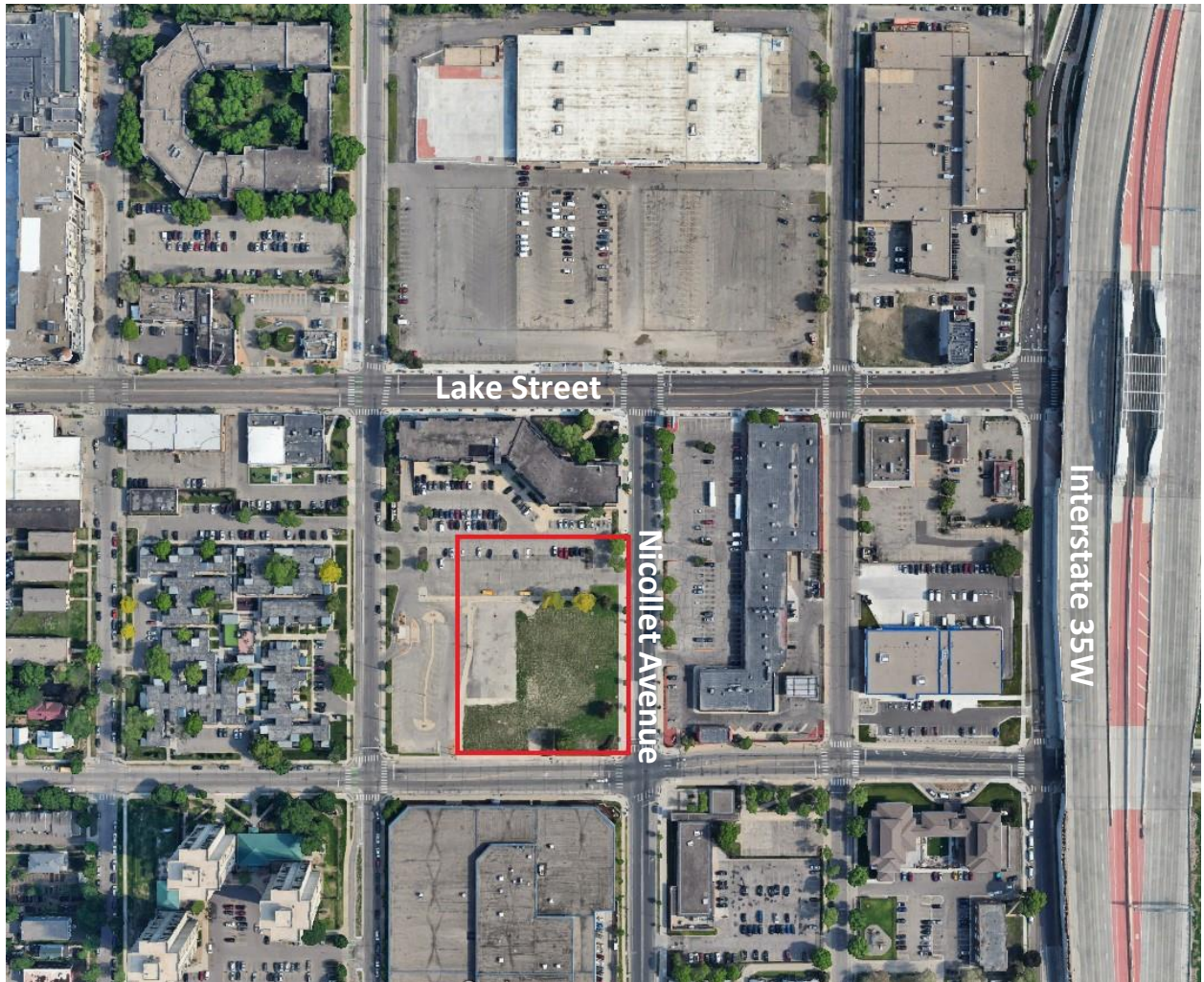
Project Uses

| Description | Amount at Selection | Current Amount | Change | % Change |
|--------------------------------|----------------------|----------------------|---------------------|-----------|
| Acquisition | \$ 986,000 | \$ 996,000 | \$ 10,000 | 1% |
| Construction Costs | \$ 42,610,402 | \$ 43,066,263 | \$ 455,861 | 1% |
| Environmental Abatement | \$ 372,723 | \$ 372,723 | \$ 0 | 0% |
| Professional Fees | \$ 2,367,996 | \$ 3,096,537 | \$ 728,541 | 31% |
| Developer Fee | \$ 3,150,000 | \$ 3,135,000 | \$ (15,000) | (0%) |
| Syndication Fees | \$ 55,000 | \$ 55,000 | \$ 0 | 0% |
| Financing Costs | \$ 2,212,300 | \$ 3,367,398 | \$ 1,155,098 | 52% |
| Reserves | \$ 908,537 | \$ 1,230,830 | \$ 322,293 | 35% |
| Total Development Costs | \$ 52,662,958 | \$ 55,319,751 | \$ 2,656,793 | 5% |

Permanent Capital Sources

| Description | Amount at Selection | Current Amount | Change | % Change |
|--|----------------------|----------------------|---------------------|-----------|
| First Mortgage | \$ 10,225,000 | \$ 6,539,000 | \$ 3,686,000) | (36%) |
| Syndication Proceeds | \$ 21,791,438 | \$ 23,133,008 | \$ 1,341,570 | 6% |
| Sales Tax Rebate | \$ 1,180,316 | \$ 1,043,660 | \$ (136,656) | (12%) |
| Energy Rebates | \$ 165,963 | \$ 170,453 | \$ 4,490 | 3% |
| Hennepin County Accelerator Loan | \$ 5,583,252 | \$ 6,192,900 | \$ 609,648 | 11% |
| City of Minneapolis Affordable Housing Trust Fund | \$ 3,270,000 | \$ 4,920,000 | \$ 1,650,000 | 50% |
| Minnesota Housing Challenge (EDHC) | \$ 2,460,000 | \$ 3,460,000 | \$ 1,000,000 | 41% |
| Met Council Livable Communities Demonstration Account (LCDA)-Transit Oriented Development (TOD) | \$ 2,000,000 | \$ 2,000,000 | \$ 0 | 0% |
| Ameriprise Flexible Subordinate Financing Loan | \$ 3,700,000 | \$ 3,700,000 | \$ 0 | 0% |
| Wells Fargo Foundation, Met Council LCDA programs | \$ 200,000 | \$ 370,000 | \$ 170,000 | 85% |
| Mississippi Watershed Management Organization, Met Council, Neighborhood Revitalization Program, Minneapolis Green Cost Share Programs | \$ 1,139,896 | \$ 1,344,736 | \$ 204,840 | 18% |
| Minnesota State Tax Credit Program | \$ 0 | \$ 255,750 | \$ 255,750 | New |
| Inflation Reduction Act Credits | \$ 0 | \$ 1,190,244 | \$ 1,190,244 | New |
| Funding Gap | \$ 197,093 | \$ 0 | \$ (197,093) | (100%) |
| Deferred Developer Fee | \$ 750,000 | \$ 1,000,000 | \$ 250,000 | 33% |
| Total Permanent Sources | \$ 52,662,958 | \$ 55,319,751 | \$ 2,656,793 | 5% |

MAP



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

**RESOLUTION NO. MHFA 24-xxx
Modifying Resolution No. MHFA 22-103**

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC) PROGRAM**

WHEREAS, the Board has previously authorized a commitment for the 3030 Nicollet development by its Resolution No. MHFA 22-103; and

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The EDHC loan shall not exceed \$3,460,000.
2. All other terms and conditions of Resolution No. MHFA 22-103 remain in effect.

Adopted this 28 day of March 2024

CHAIR



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

February 23, 2024

Scott Cordes
Project for Pride in Living, Inc.
1035 East Franklin Avenue
Minneapolis, MN 55404

RE: Term Letter
3030 Nicollet (a.k.a. Opportunity Crossing), Minneapolis
Development #8408, Project # M19124

Dear Scott Cordes:

Minnesota Housing Finance Agency (“Minnesota Housing”) staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the “Terms”). The Terms are subject to Minnesota Housing’s Board of Directors’ approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: PPL NicLake Limited Partnership

General Partner(s): PPL NicLake LLC
PPL Service Corporation

Development Description/Purpose: New construction of a 110-unit affordable housing development located in Minneapolis, Minnesota

Minnesota Housing Loan Type/Terms

| | |
|--------------------------------|--|
| Program | Economic Development and Housing Challenge Program (EDHC) |
| Loan Amount | \$3,460,000 |
| Interest Rate | 0% |
| Mortgage Insurance Premium (%) | Not Applicable |
| Term | 30 months (construction) + 40 years |
| Amortization / Repayment | Deferred lump sum payment due in. 30 months (construction) + 40 years. |
| Prepayment Provision | Prepay at any time without penalty. |

| | |
|---|--------------------------------|
| Nonrecourse or Recourse | Nonrecourse |
| Construction to Permanent Loan, Construction Bridge Loan or End Loan | Construction to Permanent Loan |
| Lien Priority | Fourth Position |

Origination Fee: N/A

Construction Oversight Fee: \$34,600 (payable at the earlier of loan commitment or loan closing)

Guaranty / Guarantor(s): N/A

Operating Deficit Escrow Reserve Account: N/A

Operating Cost Reserve Account: Capitalized operating reserve in the amount of \$789,330 funded after construction completion anticipated from the third equity installment. The operating reserve will not be held by Minnesota Housing.

Replacement Reserve Account: Capitalized replacement reserve in the amount of \$49,500 funded after construction completion anticipated from the second equity installment.
Monthly replacement reserve deposits will be required in the amount of \$4,125. The replacement reserve will not be held by Minnesota Housing.

Escrows: N/A

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

Rent and Income Requirements:

- 110 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
 - Commitment to 30 months construction period plus 50 years of affordability from the date of loan closing.

127 of 222

[February 23, 2024]

Page 3

| | |
|--|---|
| HAP or Other Subsidy Agreement: | Commitment to 30 months construction period plus 10 years of affordability from the date of loan closing under the Housing Supports Program for 12 units and the Project-based Section 8 Program for an additional 12 units. |
| Other Occupancy Requirements: | N/A |
| Other Requirements: | The EDHC loan is subject to the terms in the attached Deferred Selection Criteria. |
| Closing Costs: | Borrower agrees to pay all closing costs related to the specific financing referenced in this letter. |
| Expiration Date: | This term letter will expire on the earlier of six months from the date of this letter or loan closing/end loan commitment. |
| Additional Terms: | N/A |
| Other Conditions: | N/A |
| Board Approval: | Commitment of the loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans. |
| Not a Binding Contract: | This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter. |

Please sign this letter and return it to LaKisha Whitson at LaKisha.Whitson@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Tom Anderson at Tom.A.Anderson@state.mn.us.

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

Sincerely,



James Lennhoff
Assistant Commissioner, Multifamily


128 of 222

[February 23, 2024]

Page 4

AGREED AND ACCEPTED BY:

PPL NICLAKE LIMITED PARTNERSHIP

By: 
DE37F73C4A434B0...

Scott Cordes, Treasurer

Date Accepted: 2/26/2024



Selection Criteria Related to 2022 RFP/2023 HTC Round 1

Project Name: 3030 Nicollet**Project City:** Minneapolis**Property Number (D#):** D8408**Project Number:** M19124**Deeper Rent Targeting A**

| Developer Claimed Criteria | Agency Confirmed Criteria | Number of Units (Agency Validated) |
|--|--|------------------------------------|
| At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit. Projects that are 100% federally assisted are excluded. | At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit. Projects that are 100% federally assisted are excluded. | Number of Units <u>3</u> |

Loan/HTC Commitment and Compliance Monitoring

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

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

Deeper Rent Targeting B

| Developer Claimed Criteria | Agency Confirmed Criteria | Number of Units (Agency Validated) |
|--|--|------------------------------------|
| At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard. The units must be evenly distributed by bedroom type. Projects that are 100% federally assisted are excluded. | At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard. The units must be evenly distributed by bedroom type. Projects that are 100% federally assisted are excluded. | Number of Units <u>4</u> |

Loan/HTC Commitment and Compliance Monitoring

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

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

13011802
Large Family Housing

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points | Number of Units (Agency Validated) | |
|--|--------------------------|---------------------------|-----------------------|------------------------------------|-----------|
| 75% two or more bedrooms | <u>12</u> | 75% two or more bedrooms | <u>12</u> | Number of 2 Bedrooms | <u>54</u> |
| Loan/HTC Commitment and Compliance Monitoring | | | | Number of 3 Bedrooms | <u>20</u> |
| | | | | Number of 4 Bedrooms | <u>10</u> |
| | | | | Number of 5 Bedrooms | <u>0</u> |
| | | | | Number of 6 Bedrooms | <u>0</u> |

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

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

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

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

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points | Number of Units (Agency Validated) | |
|--|--------------------------|--|-----------------------|------------------------------------|-----------|
| 1/3 of three or more bedrooms required above must contain four or more bedrooms. | <u>3</u> | 1/3 of three or more bedrooms required above must contain four or more bedrooms. | <u>3</u> | Number of 4 Bedrooms | <u>10</u> |
| | | | | Number of 5 Bedrooms | <u>0</u> |
| | | | | Number of 6 Bedrooms | <u>0</u> |

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Permanent Supportive Housing for High Priority Homeless

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points | Number of Units (Agency Validated) | |
|---|--------------------------|---|-----------------------|------------------------------------|----------|
| 5% to 9.99% of the total units, but no fewer than 4 units | <u>7</u> | 5% to 9.99% of the total units, but no fewer than 4 units | <u>7</u> | Number of Single Adult Units | <u>6</u> |

Loan/HTC Commitment and Compliance Monitoring

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

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

The Owner agrees units will be set aside and rented to High Priority Homeless who are a household prioritized for permanent supportive housing by Coordinated Entry System (HPH units) and targeted to the populations indicated.

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

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

Permanent Supportive Housing for High Priority Homeless – CoC Priority 1

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points | Number of Units (Agency Validated) |
|---|--------------------------|---|-----------------------|---|
| Continuum of Care Household Type Priority One | <u>2</u> | Continuum of Care Household Type Priority One | <u>2</u> | Number of Units Priority Type: Single Adults |

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units that the Owner agrees the project will target to Continuum of Care Household Type Priority One.

People with Disabilities – Tier 1

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points | Number of Units (Agency Validated) |
|---|--------------------------|---|-----------------------|------------------------------------|
| 5% to 9.99% of the total units, but no fewer than 4 units | <u>7</u> | 5% to 9.99% of the total units, but no fewer than 4 units | <u>7</u> | Number of Units |

Loan/HTC Commitment and Compliance Monitoring

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

The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and/or HTC documents.

Units cannot be restricted to persons of a particular age group and must be provided in an integrated setting for the term of the loan/extended use period (Declaration of Land Use Restrictive Covenants).

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

- a. A serious and persistent mental illness as defined in MN Statutes Section 245.462, Subdivision 20, Paragraph C; or

- 132 of 222
- b. A developmental disability as defined in United States Code, Title 42, Section 6001, Paragraph (5), as amended; or
 - c. Assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.02, Subdivision 2; or
 - d. A brain injury as defined in MN Statute Section 256B.093, Subdivision 4, Paragraph (a); or
 - e. Permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the Project are accessible as provided under Minnesota Rules, Chapter 1341.

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

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

Rental Assistance

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points | Number of Units (Agency Validated) | |
|--|--------------------------|--|-----------------------|------------------------------------|----|
| 20.1% but under 51% of the total units | 13 | 20.1% but under 51% of the total units | 13 | Number of Units | 24 |

Loan/HTC Commitment and Compliance Monitoring

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

The owner will be required to continue renewals of project-based housing subsidy payments for a minimum of 10 years. The owner must continue renewals of existing project-based housing subsidy payment contract(s). The owner agrees that rents will remain affordable at 50% MTSP income limits for a 10-year period if rental assistance is not available for the full period. The 10-year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

For purposes of this category, project-based rental assistance is defined as project-specific funding stream that supports the operations of the property, reduces the tenant burden, and provides the tenant portion of rent to be no greater than 30% of household income except as approved by Minnesota Housing. The project must comply with the requirements in the Self-Scoring Worksheet.

Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs.

Rental Assistance units cannot be used as Preservation or Serves Lowest Income Units.

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

Rental Assistance – Further Restricted Rental Assisted Units (FRRU)

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points | Number of Units (Agency Validated) | |
|--|--------------------------|--|-----------------------|------------------------------------|----|
| 5% to 15%, of the total units but no fewer than four units | 3 | 5% to 15%, of the total units but no fewer than four units | 3 | Number of Units | 12 |

Loan/HTC Commitment and Compliance Monitoring

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

Owner agrees to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10-year period. The 10-year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

The owner will be required to certify on an annual basis that the development complies with this criterion for the 10 year period.

Serves Lowest Income Tenants/Rent Reduction

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points | Number of Units (Agency Validated) | |
|--|--------------------------|--|-----------------------|------------------------------------|-----------|
| 50% of the restricted unit rents at 50% HUD MTSP | <u>8</u> | 50% of the restricted unit rents at 50% HUD MTSP | <u>8</u> | Number of Units | <u>85</u> |

Loan/HTC Commitment and Compliance Monitoring

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

The project must not exceed the gross rent levels for the term of the Loan/LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Units that have rental assistance cannot be used as a Serves Lowest Income Units. The owner will be required to certify on an annual basis that the rent restrictions comply.

Long Term Affordability

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

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and waive their right to Qualified Contract for the applicable term and/or the deferred loan project will extend the term of the deferred loan declaration beyond 30 years.

Need for More Affordable Housing Options

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

Loan/HTC Commitment and Compliance Monitoring

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

14 of 22
Workforce Housing Communities

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

Loan/HTC Commitment and Compliance Monitoring

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

Transit and Walkability

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points |
|---|--------------------------|---|-----------------------|
| One half mile of a planned or existing LRT, BRT, or commuter rail station | <u>7</u> | One half mile of a planned or existing LRT, BRT, or commuter rail station | <u>7</u> |

Loan/HTC Commitment and Compliance Monitoring

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

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points |
|----------------------------|--------------------------|---------------------------|-----------------------|
| Walk Score of 80 or more | <u>2</u> | Walk Score of 80 or more | <u>2</u> |

Loan/HTC Commitment and Compliance Monitoring

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

Community Development Initiative

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points |
|--|--------------------------|--|-----------------------|
| Contributes to active implementation of a Community Development Initiative | <u>3</u> | Contributes to active implementation of a Community Development Initiative | <u>3</u> |

Loan/HTC Commitment and Compliance Monitoring

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

Equitable Development

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points |
|---|--------------------------|---|-----------------------|
| Evidence that Communities Most Impacted by housing disparities have a role in the | <u>3</u> | Evidence that Communities Most Impacted by housing disparities have a role in the | <u>3</u> |

Loan/HTC Commitment and Compliance Monitoring

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

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

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

Loan/HTC Commitment and Compliance Monitoring

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

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

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points |
|---|--------------------------|---|-----------------------|
| Ownership: Two or more entities are BIPOCBE/WBE Partnership: Partnership with a BIPOCBE/WBE entity with the goal of building the entity’s capacity | <u>7</u> | Ownership: Two or more entities are BIPOCBE/WBE Partnership: Partnership with a BIPOCBE/WBE entity with the goal of building the entity’s capacity | <u>7</u> |

Loan/HTC Commitment and Compliance Monitoring

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

Financial Readiness to Proceed/Leveraged Funds

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

Loan/HTC Commitment and Compliance Monitoring

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

Other Contributions

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points |
|----------------------------|--------------------------|---------------------------|-----------------------|
| 3.5 to 6.0% | <u>4</u> | | <u>0</u> |

Loan/HTC Commitment and Compliance Monitoring

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

Intermediary Costs

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points |
|----------------------------|--------------------------|---------------------------|-----------------------|
| 0.0 to 15% | <u>6</u> | 0.0 to 15% | <u>6</u> |

Loan/HTC Commitment and Compliance Monitoring

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

Universal Design

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points | Number of Units (Agency Validated) |
|----------------------------|--------------------------|----------------------------|-----------------------|------------------------------------|
| Buildings with an elevator | <u>3</u> | Buildings with an elevator | <u>3</u> | Elevator Building Units <u>109</u> |

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Smoke Free Building

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points |
|----------------------------|--------------------------|---------------------------|-----------------------|
| Smoke Free Buildings | <u>1</u> | Smoke Free Buildings | <u>1</u> |

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the loan/LURA.

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

Enhanced Sustainability

| Developer Claimed Criteria | Developer Claimed Points | Agency Confirmed Criteria | Agency Awarded Points |
|------------------------------|--------------------------|------------------------------|-----------------------|
| Tiers 2: Project includes at | <u>5</u> | Tiers 2: Project includes at | <u>5</u> |

least 3x the minimum
number of optional criteria
points in the Intended
Methods and Tier 3: Project
meets at least one
alternative building
performance pathways

least 3x the minimum
number of optional criteria
points in the Intended
Methods and Tier 3: Project
meets at least one
alternative building
performance pathways

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Total Developer Claimed:138

Total Agency Awarded:134

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Item: Approval, Commitment, Housing Trust Fund (HTF) Operating Subsidy (OS) Grant Extensions

Action Item: 7.C
Date: 03/28/2024
Staff Contacts: Vicki Farden, 651.296.8125, vicki.farden@state.mn.us
 Joel Salzer, 651.296.9828, joel.salzer@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests approval of the attached Resolution authorizing additional commitments of \$3,099,525 from the Housing Trust Fund (HTF) and extending current Operating Subsidy (OS) grant agreements for two years. This action will affect operating subsidy grant agreements at 28 existing supportive housing developments that collectively have 792 supportive housing units.

Fiscal Impact

The HTF program is funded by state appropriations and individual awards are structured as grants, which do not earn any interest for the Agency.

Agency Priorities

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

Attachments

- Background
- 2025-2026 Operating Subsidy Grant Extensions
- Resolution

Background:

Program Overview: The Housing Trust Fund (HTF) Operating Subsidy (OS) Program is a state-funded program administered by Minnesota Housing under provision of Minnesota Statute Section 462A.201 and following Minnesota Administrative Rules 4900.3740 – 4900.3746.

The Minnesota Legislature established the HTF Program in 1988 to support the development of affordable housing for low-income individuals and families. In 2001, the Minnesota Legislature made substantial changes to the HTF Program, including the expansion of its funding activities to include rental assistance and operating subsidies.

In 2005, the HTF Program rules were modified to add a funding priority for developments and programs that serve households experiencing Long-Term Homelessness (LTH). The program's priority population shifted in 2019 from LTH to High Priority Homeless (HPH), as assessed and referred through the local Continuum of Care Coordinated Entry system, a centralized coordinated process to assess households experiencing homelessness and refer to housing services.

Under the HTF OS Program, funds may be used to pay a supportive housing development's operating and maintenance expenses, including:

- **Revenue Shortfall:** Costs to cover revenue shortfall caused by the difference between the cost of operating the housing development and rents paid by eligible tenants.

- **Unique Costs:** Costs that are unique to the operation of the supportive housing and are critical to both the economic viability of the building and the welfare of the population to be served. Eligible activities include:

- o **Tenant Service Coordinator:** A tenant service coordinator performs tasks associated with fostering housing stability and landlord related housing support that will assist residents in maintaining their housing.

- o **Front Desk and/or Security Staff:** Front desk and/or security staff may perform tasks associated with the safety and security of tenants and housing tenancy supports, such as a notifying the supportive housing service provider when a tenant appears to need assistance or attention.

Minnesota Housing currently has 28 OS grants with supportive housing properties. Minnesota Housing provided the initial OS funding for these properties in conjunction with the initial capital funding awarded in various Multifamily Consolidated Request for Proposals (RFP) from 2005 – 2012. At that point, the ongoing liabilities to sustain the OS funding for these properties exceeded HTF resources so the Agency could not provide OS funding for any new projects.

Since 2013, the OS funding is only available to current grantees that demonstrate the need for the subsidy and can demonstrate that other possible funding sources and cost saving measures have been investigated and implemented, where available. These developments leverage many other funding sources for operations and unique costs, such as Housing Support, the U.S. Department of Housing and Urban Development (HUD) Continuum of Care, Section 8 Rental Assistance, philanthropy, and other state program grants.

In 2022, Minnesota Housing issued an OS RFP. Only organizations that previously received OS grants were eligible to apply, and the RFP resulted in selecting the same 28 OS grantees for a new two-year grant. The Agency typically issues competitive RFPs for state grant programs every two years, though state grants may have grant contract periods for up to five years. The initial OS grant terms have been limited to two-year terms primarily due to HTF funding availability. Because program eligibility is limited to the 28 existing OS grantees, staff proposes extending the current two-year grant contracts that are set to expire in 2024 for an additional two-year term to 2026. A new RFP would not result in program changes or new information. The grant contract extensions streamline program administration for grantees, the people they serve, and the Agency.

If approved, the 28 two-year grant contract extensions listed in the attached resolution will increase the grant amounts by a total of \$3,099,525. Funds are allocated from the HTF account balance from the Minnesota Legislature's 2024-25 appropriation of funds, deposited fees and anticipated funds from the first quarter of the 2026-2027 HTF Appropriations, which are contingent on approval by the legislature.

Before funds are disbursed, staff review the property financial statements and proposed property operating budgets at the beginning of each grant year. Funds are only disbursed for eligible expenses up to the maximum grant amount.

The OS funding is critical to preserve and sustain operations for these critical supportive housing properties to provide safe and stable housing for households with long histories of homelessness. The 28 properties will serve 792 households with an average OS cost per unit/per year of \$1,957.

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

**RESOLUTION NO. MHFA 24-xxxx
MODIFYING RESOLUTION NO. MHFA 22-025**

**RESOLUTION APPROVING COMMITMENT AND EXTENSIONS OF
HOUSING TRUST FUND OPERATING SUBSIDY GRANTS**

WHEREAS, the Board has previously authorized a total commitment of \$3,099,525 for the 28 Housing Trust Fund (HTF) Operating Subsidy (OS) grantees herein named by its Resolution No. 22-025 on April 21, 2022 for two-year grant terms.

WHEREAS, the Minnesota Housing Finance Agency (Agency) staff have determined a need to extend current operating subsidy grants for supportive housing properties serving families and individuals who are low income, homeless or long-term homeless.

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment under its Resolution No. MHFA 22-025 and enter into Grant Contract Amendments using state resources as set forth below, subject to changes allowable under Agency, Board policies and legislative allocation:

1. Agency staff shall review and approve the following grantees for up to the total recommended amount for an extended grant period of two years:

| D# | Property Name | Owner | Original Selection Amount | Proposed Increase | Total Amended Award |
|-----------|-------------------------------|------------------------------------|----------------------------------|--------------------------|----------------------------|
| D0430 | 2001 W 3rd St. LLC | 2001 (Duluth IV), LLC | \$25,078 | \$25,078 | \$50,156 |
| D3173 | 2011 Pillsbury Residence | Alliance Housing Incorporated | \$24,000 | \$24,000 | \$48,000 |
| D6350 | 3631 Penn Avenue | North Penn Supportive Housing, LLC | \$33,200 | \$33,200 | \$66,400 |
| D3845 | Alicia's Place | WTHC Properties II, LLC | \$33,160 | \$33,160 | \$66,320 |
| D5905 | Alliance Scattered Site Rehab | Alliance Housing Incorporated | \$32,100 | \$32,100 | \$64,200 |

| D# | Property Name | Owner | Original Selection Amount | Proposed Increase | Total Amended Award |
|-----------|---|--|----------------------------------|--------------------------|----------------------------|
| D3192 | American House Apartments | 352 Wacouta LLC | \$385,000 | \$385,000 | \$770,000 |
| D3866 | Belle Haven Townhomes | Belle Haven Limited Partnership | \$40,000 | \$40,000 | \$80,000 |
| D5956 | Conifer Estates | Beltrami County Housing and Redevelopment Authority | \$67,334 | \$67,334 | \$134,668 |
| D3871 | Country View | Kandiyohi County Housing and Redevelopment Authority | \$60,000 | \$60,000 | \$120,000 |
| D3890 | Dream Catcher Homes | White Earth Dream Catcher Limited Partnership | \$66,000 | \$66,000 | \$132,000 |
| D5954 | Fond du Lac Supportive Housing | Fond du Lac Band of Lake Superior Chippewa | \$72,000 | \$72,000 | \$144,000 |
| D6730 | Fond du Lac Veterans Supportive Housing | Fond du Lac Band of Lake Superior Chippewa | \$54,000 | \$54,000 | \$108,000 |
| D7535 | Giwanakimin | Naytahwaush L.L.C. | \$70,156 | \$70,156 | \$140,312 |
| D5957 | Higher Ground - Minneapolis | CHDC Boxleitner LLC | \$260,000 | \$260,000 | \$520,000 |
| D6723 | Hillside Apartments/Steve O'Neil Apts | Hillside Apartments Duluth, LLLP | \$174,000 | \$174,000 | \$348,000 |
| D4056 | HOPE on Ninth* | St. Cloud Hope on Ninth Limited Partnership | \$30,000 | \$30,000 | \$60,000 |
| D2475 | Kimball Court | 545 Snelling LLC | \$258,456 | \$258,456 | \$516,912 |
| D5886 | Lincoln Place | Dakota County Community Development Agency | \$300,000 | \$300,000 | \$600,000 |
| D1504 | Louisiana Court Apts ** | PPL Louisiana Court Limited Partnership | \$120,000 | \$120,000 | \$240,000 |
| D0447 | Memorial Park Apartments | MPA Limited Partners II Limited Partnership | \$130,000 | \$130,000 | \$260,000 |

| D# | Property Name | Owner | Original Selection Amount | Proposed Increase | Total Amended Award |
|---------------|--------------------------------------|--|---------------------------|--------------------|---------------------|
| D6357 | New Moon | Bois Forte Band of Chippewa | \$153,836 | \$153,836 | \$307,672 |
| D5909 | Nicollet Square | PCNF Nicollet Housing Limited Partnership | \$120,000 | \$120,000 | \$240,000 |
| D5197 | North Shore Horizons | North Shore Horizons New Beginnings, LLC | \$9,000 | \$9,000 | \$18,000 |
| D5200 | River Crest Apartments | River Crest of St. Cloud CC, LLC | \$142,266 | \$142,266 | \$284,532 |
| D5225 | Sankofa Apartments | Model Cities Sankofa, LLC | \$74,835 | \$74,835 | \$149,670 |
| D6347 | Silver Creek Corner | Olmsted County Housing and Redevelopment Authority | \$113,000 | \$113,000 | \$226,000 |
| D4076 | The Salvation Army Booth Brown House | The Salvation Army, an Illinois Corporation | \$182,000 | \$182,000 | \$364,000 |
| D5894 | Virginia Youth Foyer | AEOA Foyer Limited Partnership | \$70,104 | \$70,104 | \$140,208 |
| Totals | | | \$3,099,525 | \$3,099,525 | \$6,199,050 |

** Grantee is required to secure the Housing Support Service rate for eligible tenants before a draw payment can be made.*

*** Payments will be structured on a reimbursement basis.*

2. This approval is contingent on funds available in the Housing Trust Fund account in sufficient amounts to fund the awards; and
3. The issuance of Grant Contract Amendments in form and substance acceptable to Agency staff and the execution of Grant Contract Amendments shall occur no later than six months from the adoption date of this Resolution; and
4. The property owners and such other parties shall provide such information and execute all such documents relating to said Grant Contract Amendment as the Agency, in its sole discretion, deems necessary.

Adopted this 28th day of March 2024

CHAIRMAN

| Region | D# | Property Name | Owner/Sponsor | City | County | HH Type | Supportive Housing Units | Two Year Award | Subsidy Purpose |
|---------|-------|--------------------------------------|--|----------------|------------|----------------------|--------------------------|----------------|--|
| NE | D0430 | 2001 W 3rd St. LLC | 2001 (Duluth IV), LLC | Duluth | St. Louis | Youth-singles | 12 | \$ 25,078 | Revenue Shortfall |
| NE | D0447 | Memorial Park Apartments | MPA Limited Partners II Limited Partnership | Duluth | St. Louis | Families and Singles | 39 | \$ 130,000 | Revenue Shortfall and Tenant Service Coordinator |
| METRO | D1504 | Louisiana Court Apts | PPL Louisiana Court Limited Partnership | St. Louis Park | Hennepin | Singles | 18 | \$ 120,000 | Tenant Service Coordinator |
| METRO | D2475 | Kimball Court | 545 Snelling LLC | Saint Paul | Ramsey | Singles | 98 | \$ 258,456 | Revenue Shortfall |
| METRO | D3173 | 2011 Pillsbury Residence | Alliance Housing Incorporated | Minneapolis | Hennepin | Singles | 28 | \$ 24,000 | Tenant Service Coordinator |
| METRO | D3192 | American House Apartments | 352 Wacouta LLC | Saint Paul | Ramsey | Singles | 69 | \$ 385,000 | Revenue Shortfall |
| NE | D3845 | Alicia's Place | WTHC Properties II, LLC | Duluth | St. Louis | Singles | 10 | \$ 33,160 | Revenue Shortfall |
| CENTRAL | D3866 | Belle Haven Townhomes | Belle Haven Limited Partnership | Princeton | Mille Lacs | Families | 17 | \$ 40,000 | Revenue Shortfall |
| SW | D3871 | Country View | Kandiyohi County Housing and Redevelopment Authority | Willmar | Kandiyohi | Families | 6 | \$ 60,000 | Revenue Shortfall |
| WC | D3890 | Dream Catcher Homes | White Earth Dream Catcher Limited Partnership | Ogema | Becker | Families | 20 | \$ 66,000 | Revenue Shortfall |
| CENTRAL | D4056 | HOPE on Ninth | St. Cloud Hope on Ninth Limited Partnership | St. Cloud | Stearns | Families and Singles | 10 | \$ 30,000 | Tenant Service Coordinator |
| METRO | D4076 | The Salvation Army Booth Brown House | The Salvation Army, an Illinois Corporation | St. Paul | Ramsey | Youth-singles | 25 | \$ 182,000 | Front Desk |
| NE | D5197 | North Shore Horizons | North Shore Horizons New Beginnings, LLC | Two Harbors | Lake | Families | 6 | \$ 9,000 | Tenant Service Coordinator |
| CENTRAL | D5200 | River Crest Apartments | River Crest of St. Cloud CC, LLC | St. Cloud | Sherburne | Singles | 40 | \$ 142,266 | Front Desk |
| METRO | D5225 | Sankofa Apartments | Model Cities Sankofa, LLC | Saint Paul | Ramsey | Youth-families | 16 | \$ 74,835 | Revenue Shortfall |

| Region | D# | Property Name | Owner/Sponsor | City | County | HH Type | Supportive Housing Units | Two Year Award | Subsidy Purpose |
|--------|-------|---|---|-------------|-------------|----------------------|--------------------------|----------------|--|
| METRO | D5886 | Lincoln Place | Dakota County Community Development Agency | Eagan | Dakota | Youth-singles | 24 | \$ 300,000 | Revenue Shortfall and Front Desk |
| NE | D5894 | Virginia Youth Foyer | AEOA Foyer Limited Partnership | Virginia | St Louis | Youth Singles | 15 | \$ 70,104 | Front Desk |
| METRO | D5905 | Alliance Scattered Site Rehab | Alliance Housing Incorporated | Minneapolis | Hennepin | Singles and Families | 28 | \$ 32,100 | Tenant Service Coordinator |
| METRO | D5909 | Nicollet Square | PCNF Nicollet Housing Limited Partnership | Minneapolis | Hennepin | Youth-singles | 42 | \$ 120,000 | Front Desk |
| NE | D5954 | Fond du Lac Supportive Housing | Fond du Lac Band of Lake Superior Chippewa | Cloquet | Carlton | Families and Singles | 24 | \$ 72,000 | Revenue Shortfall |
| NW | D5956 | Conifer Estates | Beltrami County Housing and Redevelopment Authority | Bemidji | Beltrami | Families and Singles | 20 | \$ 67,334 | Revenue Shortfall and Tenant Service Coordinator |
| METRO | D5957 | Higher Ground - Minneapolis | CHDC Boxleitner LLC | Minneapolis | Hennepin | Singles | 85 | \$ 260,000 | Front Desk |
| SE | D6347 | Silver Creek Corner | Olmsted County Housing and Redevelopment Authority | Rochester | Olmsted | Singles | 40 | \$ 113,000 | Front Desk |
| METRO | D6350 | 3631 Penn Avenue | North Penn Supportive Housing, LLC | Minneapolis | Hennepin | Families | 6 | \$ 33,200 | Revenue Shortfall |
| NE | D6357 | New Moon | Bois Forte Band of Chippewa | Tower | Saint Louis | Families and Singles | 20 | \$ 153,836 | Revenue Shortfall and Tenant Service Coordinator |
| NE | D6723 | Hillside Apartments/Steve O'Neil Apts | Hillside Apartments Duluth, LLLP | Duluth | St. Louis | Families | 44 | \$ 174,000 | Revenue Shortfall and Front Desk |
| NE | D6730 | Fond du Lac Veterans Supportive Housing | Fond du Lac Band of Lake Superior Chippewa | Cloquet | Carlton | Singles | 10 | \$ 54,000 | Revenue Shortfall |
| NW | D7535 | Giwanakimin | Naytahwaush L.L.C. | Naytahwaush | Mahnomen | Families | 20 | \$ 70,156 | Revenue Shortfall and Tenant Service Coordinator |
| | | | | | | | 792 | \$ 3,099,525 | |



Item: Risk Management and Internal Control Framework

Information Item: 7.D
Date: 03/28/24
Staff Contacts: Rachel Robinson, Deputy Commissioner, 651.297.3125, Rachel.Robinson@state.mn.us
Mike Thone, Chief Risk Officer, 651.296.9813, Mike.Thone@state.mn.us
Request Type: Approval, Motion

Request Summary

The Risk Management Committee approved several edits to the Risk Management and Internal Control Framework (Framework), last approved by the board on February 23, 2023. Staff requests board approval of an updated Framework document to be effective March 28, 2024. In addition, the Chief Risk Officer identified one instance of non-compliance with Framework requirements for discussion with the Board/Finance and Audit Committee.

Fiscal Impact

None

Agency Priorities

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

Attachments

- Background, including Framework compliance review results
- Risk Management and Internal Control Framework (redline draft)
- Risk Management and Internal Control Framework (clean draft)

Background:

Resolution MHFA No. 20-039 requires, in part, that Agency staff review at least annually with the Board/Finance and Audit Committee:

- The Agency's Risk Management and Internal Control Framework (Framework).
- Agency compliance with the Framework.

The Risk Management Committee (RMC) reviewed the Framework document at its January 26, 2024, meeting and identified several edits and updates. Additional updates were identified at the February 13, 2024, RMC meeting. The updated Framework document, approved by the RMC on February 13, 2024, is presented below for Board review and consideration. Staff requests Board approval of the updated Framework to be effective March 28, 2024.

The Framework outlines many specific actions that must be completed by Agency staff, some within specific timeframes. The Chief Risk Officer reviewed the Framework to identify those specific compliance requirements and determine if staff completed those tasks within required timeframes. The following compliance exception was noted:

- Agency Risk Profile (heat map report): The Framework requires this project be completed biennially. The last Agency Risk Profile was completed in 2019, with the report presented to the Board at the February 27, 2020, Finance and Audit Committee meeting. Staff was scheduled to complete the Agency Risk Profile in 2021 and 2022 but capacity limitations in both years prevented completion of the project. When the updated Framework document was presented to the Finance and Audit Committee for approval on February 23, 2023, the RMC was actively considering alternative risk assessment processes to replace the Agency Risk Profile because:
 1. The RMC believed the current Agency Risk Profile process would not produce an effective evaluation of the risk environment the Agency was currently operating under; and
 2. The Agency Risk Profile was a resource intensive project, including use of software that carried an expensive annual licensing fee.
- During the spring/summer of 2023, the RMC established an alternative process to replace the Agency Risk Profile. The new process titled, "Board Risk Assessment," was completed by the RMC during the fall and winter of 2023. The RMC is in the process of preparing an Executive Summary Report outlining the project's objectives, scope, and results. Management intends to present the Board Risk Assessment Executive Summary Report as a discussion only item at the April 25, 2024, Finance and Audit Committee meeting. The Board Risk Assessment will be completed biennially, as is reflected in the updated Framework document.



Risk Management and Internal Control Framework

(Effective ~~February 23, 2023~~ March 28, 2024)

Chapter 1 – Introduction and Overview

Minnesota Housing Risk Management and Internal Control Framework

Minnesota Housing (Agency) has adopted a formal Risk Management and Internal Control Framework (Framework) for managing its risks and internal controls. The Framework was established by the Agency's ~~Boardboard~~ of ~~Directors~~directors, Commissioner, and Risk Management Committee (RMC) for the purpose of documenting how the ~~Boardboard~~ and management will identify and respond to potential events (risks) that may impact achievement of the Agency's objectives and overall mission.

This Framework document establishes the Agency's Risk Management Policy (Chapter 2), emphasizes that managing risks and internal controls is an essential part of the management process, identifies risk management and internal control responsibilities (Chapter 3), and outlines the Agency's key risk management and internal control components (Chapter 4) designed to promote:

- Efficient and effective operations;
- Reliable reporting for internal and external use;
- Compliance with applicable laws and regulations; ~~and~~
- Safeguarding of assets, including protection of the Agency's reputation.

Terms and Definitions

Risk: The chance of something happening that may have a material impact on the Agency's achievement of its mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Management: The Agency's coordinated activities to identify, analyze, evaluate, ~~and~~ and respond to risks.

Internal Control: A process effected by the Minnesota Housing ~~Boardboard~~, management and staff that provides reasonable assurance that the objectives of the Agency will be achieved. Internal control comprises the plans, methods, policies, ~~and~~ and procedures used to fulfill the Agency's mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Responses: Possible responses to identified risks are listed below: ~~;~~

- Acceptance - No action is taken to respond to the risk
- Avoidance - Action is taken to stop or modify the operational process or the part of the operational process causing the risk
- Reduction/mitigation – Internal control actions are taken to reduce the likelihood or magnitude of the risk
- Sharing - Action is taken to transfer or share risks across the entity or with external parties, such as insuring against losses

Principles of the Risk Management and Internal Control Framework

The Framework is based on the following key principles. Risk management and internal control is:

- The responsibility of all appointees, managers, employees, and contractors
- Part of all organizational processes
- Part of decision making
- Explicit in addressing uncertainty
- Structured, timely and cost effective
- Based on the best available information
- Transparent and inclusive
- Responsive to change

Categories of Risk

The risks facing the Agency can result from both internally and externally driven factors. Within four broad categories, the following list identifies the risks that may be relevant to the Agency (this list is not exhaustive or all-encompassing). It is important to note that risk categories can and do intersect with each other.

| 1. Strategic Risk | 2. Financial Risk | 3. Operational Risk | 4. Legal & Audit Risk |
|--|---|--|---|
| <ul style="list-style-type: none"> • Reputation • Business Model • Organizational Structure • Resource Allocation • Planning / Execution* • Competition / Industry Changes • Legislative* | <ul style="list-style-type: none"> • Federal Resources* • State Appropriations* • BondCapital Markets* • Interest Rates* • Loan Performance* • Counterparties*, such as: <ul style="list-style-type: none"> ○ GSEs ○ Government-Sponsored Enterprises ○ Credit Rating Agencies ○ Non-profit Partners ○ Sponsors and Developers ○ Correspondent Lenders | <ul style="list-style-type: none"> • Program Management • Budgeting • Human Resources / Operational Capacity* • Information Technology* • Cyber Security* • Integrity • Culture • Counterparties*, such as: <ul style="list-style-type: none"> ○ Grantees ○ Sub-Grantees ○ Borrowers ○ Brokers and Realtors • Vendors • Business Continuity* | <ul style="list-style-type: none"> • Regulatory Compliance* • Fraud/Misuse of Funds/Conflict of Interest • <u>External Audits (e.g., Minnesota Office of the Legislative Auditor, Agency financial and Single Audit, Housing and Urban Development, and other external party audits or evaluations)</u> |

* Denotes risks ~~identified~~assessed by the ~~Board and Agency~~RMC ~~that are routinely discussed during RMC meetings, and periodically assessed during the~~ completion of the ~~bi-annual Agency most recent Board Risk Profile (heat map) project.~~Assessment (see Chapter Four for information about the Board Risk Assessment).

Chapter 2 – Risk Management and Internal Control Policy

In support of its mission and objectives, Minnesota Housing is committed to, and places a high priority on managing its risks and internal controls strategically and systematically.

Risk management and internal control is an integral part of the Agency's approach to decision making and accountability. Implementation begins with the ~~Board~~board of ~~Directors~~directors and Commissioner and is applied through all levels of the Agency. All Agency management and staff are required to integrate sound risk management and internal control procedures and practices into their daily activities.

Risk is a fundamental component in Agency activities and is managed to produce the best outcomes for the Agency over time. The intent of risk management is not to eliminate risk but rather to assist Agency staff to manage the risks related to their responsibilities so that the Agency

mission and objectives are achieved. Minnesota Housing's risk management and internal control program is managed by the RMC with day-to day activities coordinated by the Chief Risk Officer and other senior staff. The RMC, together with the Finance and Audit Committee of the ~~Board~~board, is authorized to implement all actions necessary to ensure the Agency maintains effective risk management and internal control systems.

This Framework adopts the United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, also known as the *Green Book*, as the model and criteria the Agency will use to design, implement, and operate an effective risk management and internal control system. The Green Book identifies five internal control components and 17 principles necessary for an effective risk management and internal control system. This Framework serves as a companion to the Minnesota Management and Budget (MMB) Statewide Operating Policy 0102-01, *Internal Control System*.

Chapter 3 - Responsibilities for Agency Risk Management and Internal Control

Board of Directors

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong “Tone at the Top”)
- Approve the Minnesota Housing Risk Management and Internal Control Framework
- Oversee management’s resource allocation and implementation and operation of the Agency’s risk management and internal control processes
- If necessary, sign the annual Internal Control System Certification for submission to MMB
- Periodically review the Agency’s compliance with the Risk Management and Internal Control Framework’s policy requirements
- Other functions, as necessary, and as outlined in Resolution No. ~~MHFA20-039: Resolution-- Establishing a~~MHFA 24-XXX: Role of the Finance and Audit Committee (See Appendix 1)

Commissioner and Deputy Commissioner

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong “Tone at the Top”) and require that management and staff do the same
- Establish an organizational structure, assign responsibility, and delegate authority to achieve the Agency’s objectives and mission
- Establish and maintain a culture of risk awareness and support for internal controls
- Establish retaliation-free mechanisms and communication channels for staff to report suspected violations of the Code of Ethical Conduct Policy, internal control weaknesses, irregularities, or illegal conduct, and determine and follow the ~~agency’s~~Agency’s process for

investigating and resolving such reports

- Notify law enforcement and/or the Office of the Legislative Auditor as required by law, rule, regulation, or policy; and pursuant to Minnesota Statute 43A.39, subdivision 2, report to the Office of the Legislative Auditor in writing when there is probable cause that a substantial violation of Minnesota Statute ~~Chapter 43A (relating to ethics)~~ 43A.38 (Code of Ethics) has occurred
- ~~Notify~~ Pursuant to Minnesota Statute 3.971, subdivision 9, notify the Office of the Legislative Auditor if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by, or provided to, a person without lawful authorization
- Chair the RMC
- If necessary, sign the annual Internal Control System Certification for submission to MMB
- Provide managers and staff with support and training to effectively fulfill their risk management and internal control responsibilities

Risk Management Committee (RMC)

The RMC meets ~~periodically~~ regularly to address matters as needed. A majority of the members must be present for the purpose of conducting RMC business. Consensus decision making is the goal for the RMC. The RMC is comprised of the following members:

- Commissioner — Chair
- Deputy Commissioner — Co-Chair
- Chief Risk Officer — RMC coordinator and meeting facilitator
- General Counsel
- Chief Information Officer
- Chief Financial Officer
- Assistant Commissioner — Single Family Division
- Assistant Commissioner — Multifamily Division
- Assistant Commissioner — Housing Stability Division
- Assistant Commissioner — Policy
- Director of Human Resources

RMC responsibilities include, but are not limited to:

- Develop the Agency Risk Management and Internal Control Framework, and update as needed
- Evaluate, prioritize, and approve the Agency's risk management and internal control activities
- Complete the Agency Board Risk Profile Assessment, including review and approval of the Agency Board Risk Profile Assessment report for presentation to the ~~Board~~ board
- Complete the annual Internal Control System Certification; approve certification supporting documentation (i.e., Control Self-Assessment Tool, Risk Assessment Plan) for presentation to the Board Chair for review and execution of the certification form
- Provide input for and approval of risk assessment project scopes and strategies; review risk

assessment project results; approve process improvement and corrective action measures, as applicable

- Periodically examine the Agency's risk tolerances (i.e., the amounts and types of risk the Agency is willing to pursue or retain)

Chief Risk Officer

The Chief Risk Officer reports functionally and administratively to the Deputy Commissioner, and also has a dotted reporting line to the board. In addition to the responsibilities related to the facilitation and coordination of the RMC, the Chief Risk Officer will also:

- Demonstrate a commitment to integrity and ethical values
- Coordinate the annual Conflict of Interest Disclosure update; present results to the ~~Board~~board; collaborate with the General Counsel and Deputy Commissioner, as needed, to determine actions required by staff to mitigate conflict of interest risk, and/or to approve staff requests for external employment and/or external board or other membership
- Manage the ~~third-party vendor~~Agency internal fraud, misuse of funds and other wrongdoing reporting hotline
- Collaborate with the Legal Division to triage and investigate reports of fraud, misuse of funds, conflicts of interest or other concerns; provide periodic reports regarding the status of investigations to the RMC and the ~~Board~~board
- Collaborate with management and staff to complete risk assessment projects as scheduled in the Agency Risk Assessment Plan
- Collaborate with the Human Resources Division to ensure all new staff complete required risk management and ethics training within 60 days of starting at the Agency, and annually thereafter; ensure all managers and staff complete MMB's required annual Code of Ethical Conduct training and acknowledgement, ~~and~~including Conflict of Interest training and disclosure
- Collaborate with the Human Resources and Communications Divisions to develop and update as needed, risk management and internal controls-related training for Agency staff

Managers (including members of the RMC, as applicable)

- Demonstrate a commitment to integrity and ethical values
- Demonstrate a commitment to recruit, develop, and retain competent staff
- Evaluate staff performance and hold staff accountable for their risk management and internal control responsibilities
- Define clear and measurable objectives to enable the identification of risks to those objectives
- Identify, analyze, and respond to risks relating to the achievement of defined objectives
- Consider the potential for fraud when identifying, analyzing, and responding to risks
- Identify, analyze, and respond to significant internal and external changes that could impact the risk management and internal control systems
- Design control activities to achieve objectives and respond to risks
- Design the information system and related control activities to achieve objectives and respond

to risks

- Implement control activities through policies
- Make sure that information received from internal and external sources is reliable for decision making
- Communicate accurate and reliable information internally and externally as necessary to achieve Agency objectives
- Establish activities for monitoring and evaluating Agency risk management and internal control systems and processes
- Remediate identified risk management and internal control deficiencies on a timely basis
- Coordinate with the ~~legal division~~ Legal Division to determine if risk management and internal control processes, practices and treatments are compliant with regulatory, statutory, program rule, program guide and policy requirements
- Alert ~~member~~ members of Servant Leadership Team, direct supervisor, or Chief Risk Officer of significant risk or internal control concerns
- Notify a member of the Servant Leadership Team or the Chief Risk Officer when there is probable cause that a substantial violation of Minnesota Statute ~~Chapter 43A (relating to ethics and/or conflict of interest)~~ 43A.38 (Code of Ethics) has occurred
- Notify a member of the Servant Leadership Team or the Chief Risk Officer if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by, or provided to, a person without lawful authorization
- ~~Attend~~ If applicable, attend RMC meetings ~~as required~~
- Attend risk management and internal control-related training sessions as required

Staff

- Demonstrate a commitment to integrity and ethical values
- Identify, analyze, evaluate, and respond to risks impacting their job ~~objectives~~ responsibilities
- Maintain an awareness of risks (current and potential) relating to their job and areas of responsibility
- Actively support and contribute to risk management and internal control initiatives
- Alert members of Servant Leadership Team, direct supervisor or Chief Risk Officer if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by or provided to a person without lawful authorization
- Alert members of Servant Leadership Team, direct supervisor or Chief Risk Officer of significant risk and internal control concerns
- Attend risk management and internal control-related training sessions as required

Chapter 4 – Key Risk Management and Internal Control Framework Components

- **Training:** Staff complete ethics, risk management and internal control-related training within 60 days of starting employment at the ~~agency and annually thereafter.~~Agency. The training includes but is not limited to the following:
 - Risk management webinar (includes ethics, fraud prevention, ~~conflict of interest,~~ data practices, and required disclosures)
 - Code of Ethical Conduct webinar and acknowledgement, also required annually
 - Prohibition of harassment and sexual harassment, also required annually
 - Information security, also required annually
- **Policies and ~~procedures~~Procedures, including program guides:** Keep current policies and procedures pertaining to key duties, tasks, and responsibilities.
- **Board Reporting:** The Agency holds monthly board meetings where the Servant Leadership Team and other staff provide information to the ~~Board~~board regarding all aspects of the Agency's business, including, as necessary, matters relating to risk management and internal controls.
- **~~Agency~~Board Risk ~~Profile~~Assessment:** A risk profile is the periodic identification, analysis and documentation of critical risk sources to ~~an organization~~the Agency; risks that could impact the ~~organization's~~Agency's ability to achieve its stated objectives over a future time period. Specifically ~~for Minnesota Housing,~~ the AgencyBoard Risk ~~Profile~~Assessment focuses on the critical risks confronting the Agency which could negatively impact the Agency's ability to achieve the goals identified in the Minnesota Housing Strategic and Affordable Housing ~~plan~~Plan documents.
 - The primary purpose for completing the AgencyBoard Risk ~~Profile~~Assessment is to assist the Commissioner and RMC in communicating risk-related issues to the ~~Board~~board
 - The AgencyBoard Risk ~~Profile~~Assessment is a self-assessment exercise completed by the RMC
 - The AgencyBoard Risk ~~Profile~~Assessment is completed biennially, or more frequently as requested by the ~~Board~~board, with a formal report issued to the ~~Board~~board
- **Annual Financial Audit:** The Agency contracts with an independent audit firm to complete an annual financial audit. The scope of the audit typically includes:
 - Opinion on the accuracy and reliability of the Agency's financial statements, including related footnotes and reasonableness of accounting estimates
 - Review of the Agency's level of compliance with major federal program requirements (i.e., Single Audit)
 - Review of internal controls over financial reporting, Disaster Recovery and Continuity of Operations Plans, and other critical areas such as loans and allowance for loan loss, management override of controls, revenue recognition, interest rate swaps, and real estate owned valuation
 - Assessment of the Agency's computerized information system controls and security
- **Annual MMB Internal Control System Certification:** Minnesota Housing annually certifies to MMB that the Agency's internal control systems are compliant with ~~statute and MMB standards, pursuant to~~ Minnesota ~~Statutes~~Statute 16A.057. The signed certification and

supporting documentation are submitted to MMB within the timeframe determined by MMB each year. Currently, there are three certification components completed each year:

- Control Self-Assessment Tool (CSAT) – A structured way for the Agency to review and document the effectiveness of internal controls over selected processes common for all Minnesota state agencies. The CSAT identifies a number of organizational goals, a series of internal control requirements for each goal, and identifies the existing statutes, state laws, policies and procedures relating to those goals that agencies must follow
- Risk Assessment Plan – Identifies the risk assessment projects the Agency will attempt to complete during the coming year. ~~The RMC updates the Plan each year~~
- Certification form signed by the ~~Commissioner~~commissioner and Board Chair
- **Risk Assessment Projects:** The Chief Risk Officer will collaborate with applicable management and staff to complete the risk assessment projects as scheduled in the Agency Risk Assessment Plan. ~~Risk assessment projects will:~~
 - ~~Document the agency business process under assessment~~
 - ~~Identify the inherent risks related to the business process~~
 - ~~Identify and document existing control activities within the business process~~
 - ~~Identify and document internal control gaps and weaknesses within the business process~~
 - ~~Report identified internal control gaps and weaknesses, and recommendations for correction to the RMC~~
 - ~~Develop action plans to correct identified internal control gaps and weaknesses~~
- **Conflict of Interest Disclosure:**
 - Staff complete conflict of interest disclosure statements ~~at time of new employee orientation~~prior to being hired by the Agency or a lateral or promotional move within the Agency and annually thereafter. Staff also request permission ~~to accept~~for acceptance of secondary external employment and/or acceptance of an external board or other ~~memberships~~membership
 - The Chief Risk Officer and ~~Legal Division~~General Counsel review Conflict of Interest Disclosure forms and requests for external employment or external board or other membership prepared by staff, and collaborates with the Deputy Commissioner, as applicable, to determine actions required by staff to mitigate conflict of interest risk, ~~and/or to approve staff requests for external employment and/or external membership~~
 - The Chief Risk Officer provides the ~~Board~~board with an annual overview of the internal conflict of interest policies and procedures, and the results of the annual conflict of interest disclosure reporting.
- **Fraud/Misuse of Funds/~~COI monitoring, investigation, Conflict of Interest Monitoring, Investigation and reporting~~Reporting:**
 - Multiple internal ~~retaliation free~~ communication channels are available for staff and stakeholders to report wrongdoing or other concerns
 - ~~External reporting~~Reporting hotline - The Agency ~~contracts with a third party vendor to maintain a~~has developed reporting hotline for staff and external parties to make reports of wrongdoing or other concerns. ~~The hotline, which~~ allows reporting ~~individuals to remain~~be anonymous
 - Procedures are in place to document, triage, investigate and resolve all reports of wrongdoing or other concerns received

- Chief Risk Officer provides semi-annual reports to the ~~Board~~board regarding the status of all applicable investigations
- **Credit Risk Management:** The Agency employs a ~~Credit Risk Management~~Financial Services function that:
 - Evaluates borrower and grantee financial capacities to complete and support proposed affordable housing projects and activities
 - Provides information and analyses about credit risks and mitigation strategies to assist Agency decision makers to effectively manage loan and grant portfolio risks, and evaluate Agency financial sustainability
- **Review and Selection Committees:**
 - The Agency's Grants and Programs Committee evaluates new program design, acts as a forum for input on program design, and conducts other Agency business related to establishing and approving new programs and selections.
 - The Agency currently maintains two primary internal review committees: Mortgage Credit and Clearinghouse. Each committee meets regularly to consider a variety of matters related to multifamily affordable housing loans, grants and policies or procedures, and these meetings are attended by a broad cross section of Agency staff, with expertise in lending, underwriting, credit review, finance and accounting, legal and compliance. Other Agency matters requiring internal review that do not fit into the purview of Mortgage Credit or Clearinghouse are handled through alternate channels.
 - Selection committees are designed and called to act for certain funding opportunities and cycles as required by the specific program intent and potential funding availability.
- **Compliance:** Compliance impacts every part of the Agency. Minnesota Housing maintains compliance with state and federal rules and regulations through a wide variety of activities, including the following:
 - The Agency Operations Department provides centralized services related to state of Minnesota Housing endeavors to maintain enterprise policies, facilities and leasing, equipment, records management and other compliance with all applicable Agency policies and state or federal laws, rules and regulations. To do so, each of the activities.
 - The Single-Family, Multifamily, Housing Stability, Policy, Local Government Housing Programs, and Multi-Family divisions Finance/Accounting Divisions employ personnel to develop, implement, and monitor compliance practices with federal, state and procedures within their divisions. Agency requirements. Additionally, employees within the division these Divisions coordinate with the policy, legal and finance teams ~~as appropriate~~ to update compliance practices and maintain consistency with applicable state and federal requirements.
 - The Minnesota Housing Employee Policies and Procedures Manual includes all of the state and federal human resources-related compliance requirements.
 - Related to Data Practices, the Agency has designated a Responsible Authority, Data Practices Compliance Officer, Data Practices attorney and Division designees. The Data Practices Manual details ~~all~~ required compliance elements and outlines processes for agency Agency staff to follow. ~~Applicable staff are provided annual training on the requirements and procedures~~
 - The Minnesota Housing Information Protection Policies and Procedures document outlines how Minnesota Housing will protect both its electronic and physical data sources. It also

outlines staff roles and responsibilities for protecting these assets, including sensitive, confidential, and other not-public information and data.

- The Agency has designated personnel responsible for compliance with SEC and IRS rules and regulations, including disclosures to investors and potential investors in the Agency's debt securities, and has practices and procedures to comply with applicable provisions
- The annual financial audit scope includes an assessment of the Agency's compliance with major federal program requirements (i.e., the Single Audit)
- **Continuity of Operations Plan (COOP):** The Agency maintains a COOP which includes a Disaster Recovery Plan component.
 - The Disaster Recovery Plan, is reviewed, updated and tested annually
 - The National Institute of Standards and Technology (NIST) cybersecurity framework ~~will be is~~ currently being implemented to supplement ~~the our~~ Disaster Recovery Plan ~~to better manage, enhancing our management of~~ cybersecurity risks. Our process/workflow now reflects the core NIST Framework Functions.
 - The Agency has contracted for an alternative "hot" site processing center. The readiness and functionality of this site is included in the scope of the annual disaster recovery testing.
 - The COOP, including Disaster Recovery Plan, may be reviewed and assessed during the annual financial audit



Risk Management and Internal Control Framework

(Effective March 28, 2024)

Chapter 1 – Introduction and Overview

Minnesota Housing Risk Management and Internal Control Framework

Minnesota Housing (Agency) has adopted a formal Risk Management and Internal Control Framework (Framework) for managing its risks and internal controls. The Framework was established by the Agency's board of directors, Commissioner, and Risk Management Committee (RMC) for the purpose of documenting how the board and management will identify and respond to potential events (risks) that may impact achievement of the Agency's objectives and overall mission.

This Framework document establishes the Agency's Risk Management Policy (Chapter 2), emphasizes that managing risks and internal controls is an essential part of the management process, identifies risk management and internal control responsibilities (Chapter 3), and outlines the Agency's key risk management and internal control components (Chapter 4) designed to promote:

- Efficient and effective operations;
- Reliable reporting for internal and external use;
- Compliance with applicable laws and regulations; and
- Safeguarding of assets, including protection of the Agency's reputation.

Terms and Definitions

Risk: The chance of something happening that may have a material impact on the Agency's achievement of its mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Management: The Agency's coordinated activities to identify, analyze, evaluate and respond to risks.

Internal Control: A process effected by the Minnesota Housing board, management and staff that provides reasonable assurance that the objectives of the Agency will be achieved. Internal control comprises the plans, methods, policies and procedures used to fulfill the Agency's mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Responses: Possible responses to identified risks are listed below:

- Acceptance - No action is taken to respond to the risk
- Avoidance - Action is taken to stop or modify the operational process or the part of the operational process causing the risk
- Reduction/mitigation – Internal control actions are taken to reduce the likelihood or magnitude of the risk
- Sharing - Action is taken to transfer or share risks across the entity or with external parties, such as insuring against losses

Principles of the Risk Management and Internal Control Framework

The Framework is based on the following key principles. Risk management and internal control is:

- The responsibility of all appointees, managers, employees and contractors
- Part of all organizational processes
- Part of decision making
- Explicit in addressing uncertainty
- Structured, timely and cost effective
- Based on the best available information
- Transparent and inclusive
- Responsive to change

Categories of Risk

The risks facing the Agency can result from both internally and externally driven factors. Within four broad categories, the following list identifies the risks that may be relevant to the Agency (this list is not exhaustive or all-encompassing). It is important to note that risk categories can and do intersect with each other.

| 1. Strategic Risk | 2. Financial Risk | 3. Operational Risk | 4. Legal & Audit Risk |
|--|--|--|---|
| <ul style="list-style-type: none"> • Reputation • Business Model • Organizational Structure • Resource Allocation • Planning / Execution* • Competition / Industry Changes • Legislative* | <ul style="list-style-type: none"> • Federal Resources • State Appropriations • Capital Markets* • Interest Rates* • Loan Performance • Counterparties*, such as: <ul style="list-style-type: none"> ○ Government-Sponsored Enterprises ○ Credit Rating Agencies ○ Non-profit Partners ○ Sponsors and Developers ○ Correspondent Lenders | <ul style="list-style-type: none"> • Program Management • Budgeting • Human Resources / Operational Capacity* • Information Technology* • Cyber Security* • Integrity • Culture • Counterparties*, such as: <ul style="list-style-type: none"> ○ Grantees ○ Sub-Grantees ○ Borrowers ○ Brokers and Realtors • Vendors • Business Continuity | <ul style="list-style-type: none"> • Regulatory Compliance* • Fraud/Misuse of Funds/Conflict of Interest • External Audits (e.g., Minnesota Office of the Legislative Auditor, Agency financial and Single Audit, Housing and Urban Development, and other external party audits or evaluations) |

* Denotes risks assessed by the RMC during completion of the most recent Board Risk Assessment (see Chapter Four for information about the Board Risk Assessment).

Chapter 2 – Risk Management and Internal Control Policy

In support of its mission and objectives, Minnesota Housing is committed to, and places a high priority on managing its risks and internal controls strategically and systematically.

Risk management and internal control is an integral part of the Agency’s approach to decision making and accountability. Implementation begins with the board of directors and Commissioner and is applied through all levels of the Agency. All Agency management and staff are required to integrate sound risk management and internal control procedures and practices into their daily activities.

Risk is a fundamental component in Agency activities and is managed to produce the best outcomes for the Agency over time. The intent of risk management is not to eliminate risk but rather to assist Agency staff to manage the risks related to their responsibilities so that the Agency mission and objectives are achieved. Minnesota Housing's risk management and internal control program is managed by the RMC with day-to day activities coordinated by the Chief Risk Officer and other senior staff. The RMC, together with the Finance and Audit Committee of the board, is authorized to implement all actions necessary to ensure the Agency maintains effective risk management and internal control systems.

This Framework adopts the United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, also known as the *Green Book*, as the model and criteria the Agency will use to design, implement, and operate an effective risk management and internal control system. The Green Book identifies five internal control components and 17 principles necessary for an effective risk management and internal control system. This Framework serves as a companion to the Minnesota Management and Budget (MMB) Statewide Operating Policy 0102-01, *Internal Control System*.

Chapter 3 - Responsibilities for Agency Risk Management and Internal Control

Board of Directors

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong “Tone at the Top”)
- Approve the Minnesota Housing Risk Management and Internal Control Framework
- Oversee management’s resource allocation and implementation and operation of the Agency’s risk management and internal control processes
- If necessary, sign the annual Internal Control System Certification for submission to MMB
- Periodically review the Agency’s compliance with the Risk Management and Internal Control Framework’s policy requirements
- Other functions, as necessary, and as outlined in Resolution No. MHFA 24-XXX: Role of the Finance and Audit Committee (See Appendix 1)

Commissioner and Deputy Commissioner

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong “Tone at the Top”) and require that management and staff do the same
- Establish an organizational structure, assign responsibility and delegate authority to achieve the Agency’s objectives and mission
- Establish and maintain a culture of risk awareness and support for internal controls
- Establish retaliation-free mechanisms and communication channels for staff to report suspected violations of the Code of Ethical Conduct Policy, internal control weaknesses, irregularities or illegal conduct, and determine and follow the Agency’s process for investigating and resolving such reports
- Notify law enforcement and/or the Office of the Legislative Auditor as required by law, rule, regulation or policy; and pursuant to Minnesota Statute 43A.39, subdivision 2, report to the Office of the Legislative Auditor in writing when there is probable cause that a substantial violation of Minnesota Statute 43A.38 (Code of Ethics) has occurred
- Pursuant to Minnesota Statute 3.971, subdivision 9, notify the Office of the Legislative Auditor if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by or provided to a person without lawful authorization
- Chair the RMC
- If necessary, sign the annual Internal Control System Certification for submission to MMB
- Provide managers and staff with support and training to effectively fulfill their risk management and internal control responsibilities

Risk Management Committee (RMC)

The RMC meets regularly to address matters as needed. A majority of the members must be present for the purpose of conducting RMC business. Consensus decision making is the goal for the RMC. The RMC is comprised of the following members:

- Commissioner – Chair
- Deputy Commissioner – Co-Chair
- Chief Risk Officer – RMC coordinator and meeting facilitator
- General Counsel
- Chief Information Officer
- Chief Financial Officer
- Assistant Commissioner – Single Family Division
- Assistant Commissioner – Multifamily Division
- Assistant Commissioner – Housing Stability Division
- Assistant Commissioner – Policy
- Director of Human Resources

RMC responsibilities include, but are not limited to:

- Develop the Agency Risk Management and Internal Control Framework, and update as

needed

- Evaluate, prioritize and approve the Agency's risk management and internal control activities
- Complete the Board Risk Assessment, including review and approval of the Board Risk Assessment report for presentation to the board
- Complete the annual Internal Control System Certification; approve certification supporting documentation (i.e., Control Self-Assessment Tool, Risk Assessment Plan) for presentation to the Board Chair for review and execution of the certification form
- Provide input for and approval of risk assessment project scopes and strategies; review risk assessment project results; approve process improvement and corrective action measures, as applicable
- Periodically examine the Agency's risk tolerances (i.e., the amounts and types of risk the Agency is willing to pursue or retain)

Chief Risk Officer

The Chief Risk Officer reports functionally and administratively to the Deputy Commissioner, and also has a dotted reporting line to the board. In addition to the responsibilities related to the facilitation and coordination of the RMC, the Chief Risk Officer will also:

- Demonstrate a commitment to integrity and ethical values
- Coordinate the annual Conflict of Interest Disclosure update; present results to the board; collaborate with the General Counsel and Deputy Commissioner, as needed, to determine actions required by staff to mitigate conflict of interest risk, and/or to approve staff requests for external employment and/or external board or other membership
- Manage the Agency internal fraud, misuse of funds and other wrongdoing reporting hotline
- Collaborate with the Legal Division to triage and investigate reports of fraud, misuse of funds, conflicts of interest or other concerns; provide periodic reports regarding the status of investigations to the RMC and the board
- Collaborate with management and staff to complete risk assessment projects as scheduled in the Agency Risk Assessment Plan
- Collaborate with the Human Resources Division to ensure all new staff complete required risk management and ethics training within 60 days of starting at the Agency, and annually thereafter; ensure all managers and staff complete MMB's required annual Code of Ethical Conduct training and acknowledgement, including Conflict of Interest training and disclosure
- Collaborate with the Human Resources and Communications Divisions to develop and update as needed, risk management and internal controls-related training for Agency staff

Managers (including members of the RMC, as applicable)

- Demonstrate a commitment to integrity and ethical values
- Demonstrate a commitment to recruit, develop, and retain competent staff
- Evaluate staff performance and hold staff accountable for their risk management and internal control responsibilities

- Define clear and measurable objectives to enable the identification of risks to those objectives
- Identify, analyze and respond to risks relating to the achievement of defined objectives
- Consider the potential for fraud when identifying, analyzing and responding to risks
- Identify, analyze and respond to significant internal and external changes that could impact the risk management and internal control systems
- Design control activities to achieve objectives and respond to risks
- Design the information system and related control activities to achieve objectives and respond to risks
- Implement control activities through policies
- Make sure that information received from internal and external sources is reliable for decision making
- Communicate accurate and reliable information internally and externally as necessary to achieve Agency objectives
- Establish activities for monitoring and evaluating Agency risk management and internal control systems and processes
- Remediate identified risk management and internal control deficiencies on a timely basis
- Coordinate with the Legal Division to determine if risk management and internal control processes, practices and treatments are compliant with regulatory, statutory, program rule, program guide and policy requirements
- Alert members of Servant Leadership Team, direct supervisor, or Chief Risk Officer of significant risk or internal control concerns
- Notify a member of the Servant Leadership Team or the Chief Risk Officer when there is probable cause that a substantial violation of Minnesota Statute 43A.38 (Code of Ethics) has occurred
- Notify a member of the Servant Leadership Team or the Chief Risk Officer if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by or provided to a person without lawful authorization
- If applicable, attend RMC meetings
- Attend risk management and internal control-related training sessions as required

Staff

- Demonstrate a commitment to integrity and ethical values
- Identify, analyze, evaluate and respond to risks impacting their job responsibilities
- Maintain an awareness of risks (current and potential) relating to their job and areas of responsibility
- Actively support and contribute to risk management and internal control initiatives
- Alert members of Servant Leadership Team, direct supervisor or Chief Risk Officer if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by or provided to a person without lawful authorization
- Alert members of Servant Leadership Team, direct supervisor or Chief Risk Officer of

significant risk and internal control concerns

- Attend risk management and internal control-related training sessions as required

Chapter 4 – Key Risk Management and Internal Control Framework Components

- **Training:** Staff complete ethics, risk management and internal control-related training within 60 days of starting employment at the Agency. The training includes but is not limited to the following:
 - Risk management webinar (includes ethics, fraud prevention, data practices, and required disclosures)
 - Code of Ethical Conduct webinar and acknowledgement, also required annually
 - Prohibition of harassment and sexual harassment, also required annually
 - Information security, also required annually
- **Policies and Procedures, including program guides:** Keep current policies and procedures pertaining to key duties, tasks and responsibilities
- **Board Reporting:** The Agency holds monthly board meetings where the Servant Leadership Team and other staff provide information to the board regarding all aspects of the Agency's business, including, as necessary, matters relating to risk management and internal controls
- **Board Risk Assessment:** The periodic identification, analysis and documentation of critical risk sources to the Agency; risks that could impact the Agency's ability to achieve its stated objectives over a future time period. Specifically, the Board Risk Assessment focuses on the critical risks confronting the Agency which could negatively impact the Agency's ability to achieve the goals identified in the Minnesota Housing Strategic and Affordable Housing Plan documents
 - The primary purpose for completing the Board Risk Assessment is to assist the Commissioner and RMC in communicating risk-related issues to the board
 - The Board Risk Assessment is a self-assessment exercise completed by the RMC
 - The Board Risk Assessment is completed biennially, or more frequently as requested by the board, with a formal report issued to the board
- **Annual Financial Audit:** The Agency contracts with an independent audit firm to complete an annual financial audit. The scope of the audit typically includes:
 - Opinion on the accuracy and reliability of the Agency's financial statements, including related footnotes and reasonableness of accounting estimates
 - Review of the Agency's level of compliance with major federal program requirements (i.e., Single Audit)
 - Review of internal controls over financial reporting, Disaster Recovery and Continuity of Operations Plans and other critical areas such as loans and allowance for loan loss, management override of controls, revenue recognition, interest rate swaps and real estate owned valuation
 - Assessment of the Agency's computerized information system controls and security
- **Annual MMB Internal Control System Certification:** Minnesota Housing annually certifies to MMB that the Agency's internal control systems are compliant with Minnesota Statute 16A.057. The signed certification and supporting documentation are submitted to MMB

within the timeframe determined by MMB each year. Currently, there are three certification components completed each year:

- Control Self-Assessment Tool (CSAT) – A structured way for the Agency to review and document the effectiveness of internal controls over selected processes common for all Minnesota state agencies. The CSAT identifies a number of organizational goals, a series of internal control requirements for each goal, and identifies the existing statutes, state laws, policies and procedures relating to those goals that agencies must follow
- Risk Assessment Plan – Identifies the risk assessment projects the Agency will attempt to complete during the coming year
- Certification form signed by the commissioner and Board Chair
- **Risk Assessment Projects:** The Chief Risk Officer will collaborate with applicable management and staff to complete the risk assessment projects as scheduled in the Agency Risk Assessment Plan
- **Conflict of Interest Disclosure:**
 - Staff complete conflict of interest disclosure statements prior to being hired by the Agency or a lateral or promotional move within the Agency and annually thereafter. Staff also request permission for acceptance of secondary external employment and/or acceptance of an external board or other membership
 - The Chief Risk Officer and General Counsel review Conflict of Interest Disclosure forms and requests for external employment or external board or other membership prepared by staff, and collaborates with the Deputy Commissioner, as applicable, to determine actions required by staff to mitigate conflict of interest risk
 - The Chief Risk Officer provides the board with an annual overview of the internal conflict of interest policies and procedures, and the results of the annual conflict of interest disclosure reporting
- **Fraud/Misuse of Funds/Conflict of Interest Monitoring, Investigation and Reporting:**
 - Multiple internal communication channels are available for staff and stakeholders to report wrongdoing or other concerns
 - Reporting hotline - The Agency has developed reporting hotline for staff and external parties to make reports of wrongdoing or other concerns, which allows reporting to be anonymous
 - Procedures are in place to document, triage, investigate and resolve all reports of wrongdoing or other concerns received
 - Chief Risk Officer provides semi-annual reports to the board regarding the status of all applicable investigations
- **Credit Risk Management:** The Agency employs a **Financial Services** function that:
 - Evaluates borrower and grantee financial capacities to complete and support proposed affordable housing projects and activities
 - Provides information and analyses about credit risks and mitigation strategies to assist Agency decision makers to effectively manage loan and grant portfolio risks and evaluate Agency financial sustainability
- **Review and Selection Committees:**
 - The Agency's Grants and Programs Committee evaluates new program design, acts as a forum for input on program design, and conducts other Agency business related to establishing and approving new programs and selections.
 - The Agency currently maintains two primary internal review committees: Mortgage Credit and Clearinghouse. Each committee meets regularly to consider a variety of

matters related to multifamily affordable housing loans, grants and policies or procedures, and these meetings are attended by a broad cross section of Agency staff, with expertise in lending, underwriting, credit review, finance and accounting, legal and compliance. Other Agency matters requiring internal review that do not fit into the purview of Mortgage Credit or Clearinghouse are handled through alternate channels.

- Selection committees are designed and called to act for certain funding opportunities and cycles as required by the specific program intent and potential funding availability.
- **Compliance:** Compliance impacts every part of the Agency. Minnesota Housing maintains compliance with state and federal rules and regulations through a wide variety of activities, including the following:
 - The Agency Operations Department provides centralized services related to state of Minnesota enterprise policies, facilities and leasing, equipment, records management and other compliance activities.
 - The Single-Family, Multifamily, Housing Stability, Policy, Local Government Housing Programs, and Finance/Accounting Divisions employ personnel to develop, implement and monitor compliance with federal, state and Agency requirements. Additionally, these Divisions coordinate with the policy, legal and finance teams to update compliance practices and maintain consistency with applicable state and federal requirements.
 - The Minnesota Housing Employee Policies and Procedures Manual includes all of the state and federal human resources-related compliance requirements.
 - Related to Data Practices, the Agency has designated a Responsible Authority, Data Practices Compliance Officer, Data Practices attorney and Division designees. The Data Practices Manual details required compliance elements and outlines processes for Agency staff to follow.
 - The Minnesota Housing Information Protection Policies and Procedures document outlines how Minnesota Housing will protect both its electronic and physical data sources. It also outlines staff roles and responsibilities for protecting these assets, including sensitive, confidential and other not-public information and data.
 - The Agency has designated personnel responsible for compliance with SEC and IRS rules and regulations, including disclosures to investors and potential investors in the Agency's debt securities and has practices and procedures to comply with applicable provisions
 - The annual financial audit scope includes an assessment of the Agency's compliance with major federal program requirements (i.e., the Single Audit)
- **Continuity of Operations Plan (COOP):** The Agency maintains a COOP which includes a Disaster Recovery Plan component.
 - The Disaster Recovery Plan, is reviewed, updated and tested annually
 - The National Institute of Standards and Technology (NIST) cybersecurity framework is currently being implemented to supplement our Disaster Recovery Plan, enhancing our management of cybersecurity risks. Our process/workflow now reflects the core NIST Framework Functions.
 - The Agency has contracted for an alternative "hot" site processing center. The readiness and functionality of this site is included in the scope of the annual disaster recovery testing
 - The COOP, including Disaster Recovery Plan, may be reviewed and assessed during the annual financial audit



Item: Approval, Pre-Award Risk Assessment Board Delegation

Information Item: 7.E
Date: 03/28/2024
Staff Contacts: Irene Kao, 651.296.9806, irene.kao@state.mn.us
Scott Beutel, 651.296-1813, scott.beutel@state.mn.us
Request Type: Approval, Resolution

Request Summary

Minn. Stat. 16B.981 created a new statutory obligation for state agencies to conduct pre-award risk assessments for grants of \$50,000 or more and for certain grantees. In this statute, it requires “the agency” to conduct this assessment. Since this authority is vested in the Minnesota Housing board, a board delegation is needed for staff to conduct the day-to-day pre-award risk assessment of potential grantees.

Fiscal Impact

None

Agency Priorities

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

Attachments

- Background
- Resolution

Background

Minn. Stat. 16B.981 requires state agencies to conduct a pre-award risk assessment for grants of \$50,000 or more and for certain grantees. Staff has been establishing internal policies and procedures to comply with this new statutory obligation.

Unlike other state agencies, Minnesota Housing's authority is vested in the board. Minn. Stat. 462A.04, subd. 6. When the new statute required "the agency" to conduct pre-award risk assessments, the Minnesota Housing board would be required to conduct the day-to-day work of pre-award risk assessments of potential grantees. Therefore, staff is requesting delegated authority to conduct these assessments instead.

Overview of Pre-Award Risk Assessment

Minnesota Housing will conduct a pre-award risk assessment of all non-profit organizations, for-profit business entities, and political subdivisions applying for grants of \$50,000 or more to determine the level of risk that a potential grantee cannot or will not be able to perform the required duties of the grant. The pre-award risk assessment will assess both financial and organizational risk for each potential grantee.

Through this review, Minnesota Housing will determine if:

1. The potential grantee would likely be able to perform the duties of the grant without additional funding conditions placed on the potential grantee,
2. The potential grantee would likely be able to perform the duties of the grant with additional mitigation strategies, or
3. There is a substantial risk that the potential grantee cannot or would not perform the required duties of the grant.

If Minnesota Housing has substantial risk concerns, the agency may request additional information to address these concerns and/or working with Minnesota Housing to develop a plan to satisfy the concerns. If the substantial risk concern is still not addressed to the Agency's satisfaction, Minnesota Housing must notify the potential grantee, who may request reconsideration and provide additional information. If Minnesota Housing still finds a substantial risk, then this final decision may be challenged as a contested case hearing under Minn. Stat. ch. 14 (Administrative Procedure Act).

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

**RESOLUTION NO. MHFA 24-xxx
BOARD DELEGATION NO. 036**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING
THE PRE-AWARD RISK ASSESSMENT**

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the pre-award risk assessment program; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval, unless otherwise required; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to conduct the pre-award risk assessment of potential grantees.

PARAMETERS OF DELEGATED AUTHORITY

1. The pre-award risk assessment of potential grantees must be conducted for grants of \$50,000 or more consistent with Minn. Stat. 16B.981.
2. The pre-award risk assessment must be approved by an appropriate person or committee designated by the Commissioner.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

Adopted this 28th day of March 2024

Chair



Item: Post Sale Report, Residential Housing Finance Bonds, Series 2024ABC

Information Item: 9.A
Date: 03/28/2024
Staff Contacts: Michael Solomon, 651.297.4009, michael.solomon@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us
Request Type: No Action, Information

Request Summary:

The Agency priced \$125,000,000 of its Series 2024 ABC Residential Housing Finance Social Bonds on January 23, 2024. Series A was issued as tax-exempt and fixed rate bonds; Series B was issued as taxable fixed rate bonds; and Series C was issued as both taxable and variable rate bonds. All series closed February 8, 2024. In accordance with the board's Debt and Balance Sheet Management Policy, the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact:

None.

Agency Priorities:

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

Attachments:

- Post-Sale Report

\$125,000,000
Minnesota Housing Finance Agency
Residential Housing Finance Bonds
2024 Series A (Non-AMT)
2024 Series B (Taxable)
2024 Series C (Variable-Rate, Taxable)

POST-SALE ANALYSIS

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. 2024 Series ABC accomplished the following major objectives:

1. Enabled Minnesota Housing to profitably finance Start Up first mortgages on the balance sheet and earn net annual income over future years.
2. Used taxable debt for 75% of the issue, together with 2021 carryforward volume cap and recycled cap from loan prepayments, so that the Agency did not need to use any new volume cap.
3. Achieved an expected spread of 1.32% on the bond issue, after accounting for hedge gain.

Key Measurable Objectives and Accomplishments. This issue was very successful despite a volatile market environment.

| <i>Objective</i> | <i>Result</i> |
|---|--|
| Finance new production on balance sheet | \$125 million of new Start Up first-mortgage loans in MBS securities |
| Leverage private activity bond volume cap by efficiently incorporating taxable debt | Included \$93.6 million of taxable bonds (Series B, C) |
| Maximize spread on the overall transaction | Achieved a direct spread of 1.31% on the bond issue, and together with a hedge gain of \$109k, a total effective spread of 1.32% |
| Minimize use of and/or create zero participations (interest subsidies under IRS rules), and preserve them for future issues | Neither created nor used zero participations. The Agency has approximately \$24 million of zeros available to help achieve full spread on future issues. |
| Achieve cost-effective bond yield | Overall projected bond yield, including the hedge gain, of 5.30% |
| Create future income streams that will support Pool 3 | Increased indenture's expected net present value by approximately \$3.9 million at 150% PSA prepayment speed, after accounting for net service release premiums and hedge gain |
| Maintain high bond ratings | RHFB bonds are rated Aa1/AA+ |

TIMING AND STRUCTURE

Timing. The bonds were priced on Tuesday, January 23rd.

Sizing. The issue was sized to fund pipeline lending.

Major Design Decisions

1. **Efficiently leverage volume cap.** To help preserve volume cap at a time when loan prepayments (and thus the ability to recycle past volume cap) have decreased significantly, the Agency structured 75% of the issue as taxable debt. The Agency also utilized \$6.9 million of recycled cap from loan prepayments so only \$27.8 million of 2021 carryforward volume cap was needed for the issue (including PAC premium).
2. **Issue variable-rate debt.** In order to finance Start Up loans at or above full spread with so much taxable debt and so little volume cap, the Agency issued a portion of the taxable bonds as variable-rate demand bonds (Series C). For RHFB as a whole, the total amount of variable-rate debt remains about 18%, well below the 30% of total indenture bonds outstanding often used as a benchmark for comparisons among HFAs and presentations to rating agencies.
3. **Appropriately hedge the variable-rate debt.** For the \$20 million of variable-rate Series C bonds, the Agency entered into an interest rate swap with Bank of America (Aa2/A+) at a rate of 4.693%. Minnesota Housing can terminate the entire swap at no cost to the Agency starting on January 1, 2031.
4. **Time and size the issue to address volatile interest rates.** To deal with fluctuations in the bond and mortgage markets, Minnesota Housing has been (a) actively adjusting interest rates for new loan reservations to help keep pace with the market and (b) issuing bonds frequently and quickly, in relationship to the amount of loans reserved, to help reduce interest rate risk.

Bond Structure

1. **Series A.** All \$31.4 million of tax-exempt bonds were planned amortization class (PAC) bonds due in 2054.
2. **Series B.** The \$73.6 million of taxable fixed-rate bonds included \$5.3 million of serial maturities due between 2025 and 2028 and \$71.3 million of term bonds due in 2034, 2039, 2044, 2049, and 2051. The Agency would normally sell individual serial bonds from 2029 to 2034, but based on initial investor indications, these were structured as a single term bond at a lower average yield, helping reduce the Agency's cost of funds.
3. **Series C.** The \$20 million of taxable variable-rate demand bonds are covered by an initial 3-year standby bond purchase agreement from T.D. Bank, N.A., assuring investors they can tender their bonds with reasonable notice if desired. The cost of the liquidity facility to the Agency is 20 basis points per year.

SOCIAL BONDS

Minnesota Housing continued its practice since 2021 of designating its RHFB bonds as meeting an important social purpose. This confirms to investors that the bonds meet specific environmental, social, and governance standards. Single-family housing bonds generally meet the social purpose standards because of the level of affordability in serving low- and moderate-income households. Like many housing finance agencies, Minnesota Housing contracts with an independent party to evaluate and

confirm that the bonds specifically meet the criteria for social bonds. Kestrel Verifiers, widely recognized across the industry, provided this certification based on detailed information from Minnesota Housing on the income mix of borrowers.

BOND SALE RESULTS

1. **Market Environment.** The market has been volatile as investors speculate about future Federal Reserve actions to curb inflation. The rate on the 10-year Treasury was 4.53% when series 2023UV priced in November 2023. It then declined throughout November and December to below 3.80%, only to rebound to 4.15% when series 2024ABC priced on January 23rd.
2. **Tax-Exempt PAC Bonds, 2024 Series A.** Institutional interest in the Series A bonds was extremely strong, with 10 orders totaling \$224.4 million. With 7.1x oversubscription, the underwriters reduced the yield by 7 basis points.
3. **Taxable Serial and Term Bonds, 2024 Series B.** Institutional interest in the Series B bonds was similarly strong. All serial maturities were fully subscribed, and most were 3x to 8x oversubscribed, which lead to spread reductions of 3 to 8 basis points. Importantly, all \$71.3 million of term bonds were oversubscribed, leading to significant reductions in spread as follows:

| Maturity | Par (\$000) | Subscription | Spread Reduction |
|----------|-------------|--------------|------------------|
| 2034 | 9,560 | 8.7x | -10 bps |
| 2039 | 11,675 | 5.1x | -5 bps |
| 2044 | 15,820 | 3.3x | -3 bps |
| 2049 | 21,570 | 4.2x | -4 bps |
| 2051 | 9,685 | 3.3x | -3 bps |

4. Comparable Transactions

Tax-Exempt PAC Bonds, 2024 Series A. The most comparable tax-exempt offerings were Alaska and South Carolina, which priced the same day as Minnesota, and Kentucky, which priced on 1/10. Minnesota's 148-bp spread to 5-year MMD was 5 to 9 basis points tighter than all three comparable issues: Alaska (153 bps to 5-year Treasury), South Carolina (154 bps to 6-year Treasury), and Kentucky (157 bps to 6-year Treasury).

Taxable Serial and Term Bonds, 2024 Series B. The most comparable taxable offerings were Alaska, which priced the same day as Minnesota, and Colorado (priced 1/17), Mississippi (priced 1/11), and Kentucky (priced 1/10). Spreads to Treasuries for Minnesota's serial maturities were 3 to 18 basis points tighter than the equivalent serials for the comparable issues. The spread to Treasuries for Minnesota's 2039 term maturity was 2 basis points tighter than Alaska's, while the spreads on its 2044 and 2049 maturities were slightly wider (i.e., 1-2 bps). Minnesota's spreads were 3 to 14 basis points tighter than the other comparable term bonds (from Colorado and Kentucky).

UNDERWRITING

Underwriters. RBC was senior manager. Morgan Stanley, Piper Sandler, and Wells Fargo served as regular co-managers, while Northland Securities was included as a co-manager based on 2023 sales performance. As an issue with PAC bonds and taxable bonds to be sold primarily to institutional investors, a selling group for retail orders was not included.

Sales by Underwriter. RBC brought in all \$224.4 million of institutional orders for the \$31.4 million of Series A tax-exempt PAC bonds. For the \$73.6 million of Series B taxable serial and term bonds, RBC brought in \$328.2 million of institutional orders, and Northland brought in \$16.6 million of institutional orders. Morgan Stanley and RBC brought in a small amount of retail orders for each fixed-rate series (\$20k by Morgan Stanley on Series A and \$700k by RBC on Series B). Since Northland's were the only orders from a non-regular co-manager, Northland will again serve as co-manager for the next issue.

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

ISSUE DETAILS

Economic Calendar. Data releases throughout 2023 largely reflected slowing inflation, but still in the 3-4% range, which is well above the Federal Reserve's 2% target. On July 26th, the Fed hiked rates by an additional 25 basis points, bringing short-term rates to their highest level in 22 years, and indicated that it would at least temporarily pause future rate hikes to determine the impact on inflation. Although rates were unchanged at the Fed's September 2023 meeting, the Fed reiterated its message that rates will remain "higher for longer," which resulted in strong sell-offs in the long end of the yield curve.

At its October 2023 meeting, the Fed underscored its intent to keep monetary policy "sufficiently restrictive to return inflation to the Committee's 2 percent objective." But with market data showing both inflation and the job market cooling, the consensus among market participants was that the Fed was likely done hiking rates and that 2024 will see more than one rate reduction. Continuation of these positive inflation and job market trends through December and optimistic statements in the Fed's December 2023 meeting minutes helped bolster this consensus view. The rate on the 10-year Treasury declined by more than 20 basis points in the days following the Fed's December meeting.

Treasuries. At market close on the day of bond pricing, the 10-year Treasury rate was 4.14%, 39 bps lower than when series 2023UV priced in November 2023. The yield curve remained slightly inverted, with the 2-year Treasury at 4.31% on the date of pricing, 17 bps higher than the 10-year. This is a significant change since early 2023, when the 2-year Treasury had been as much as 100 bps above the 10-year.

Municipals. After a record level of \$121 billion of municipal fund outflows during 2022, the picture stabilized somewhat in 2023. While outflows continued from muni bond funds, muni ETFs received inflows, and there was a more favorable tone to investor demand in the municipal market (due to lower supplies of new bond issues as well as investors looking to reinvest recent bond redemptions). This led to an especially favorable market for municipal issuers throughout much of 2023. These favorable conditions continued into the beginning of 2024. On the date of pricing for 2024ABC, the 10-year MMD/Treasury ratio was 59.4%, compared to ratios in the 80% range in late 2022 and ratios near 70% in late 2023.

TABLE 1: COMPARISON OF RATES IN RECENT MHFA SINGLE-FAMILY TRANSACTIONS

| Issue | Date | 10-Year Treasury | 10-Year MMD | MMD/Treasury | 30-Year Treasury | 30-Year MMD | MMD/Treasury |
|--------------------------|----------|------------------|-------------|--------------|------------------|-------------|--------------|
| 2022 RHFB AB | 2/1/22 | 1.79% | 1.50% | 83.8% | 2.11% | 1.91% | 91.1% |
| 2022 RHFB CD | 3/3/22 | 1.73% | 1.61% | 93.1% | 2.16% | 2.03% | 94.0% |
| 2022 RHFB EF | 4/13/22 | 2.70% | 2.46% | 91.1% | 2.81% | 2.81% | 100.0% |
| 2022 RHFB GH | 6/8/22 | 3.02% | 2.45% | 81.1% | 3.17% | 2.92% | 92.1% |
| 2022 RHFB IJK | 9/13/22 | 3.42% | 2.81% | 82.1% | 3.51% | 3.62% | 103.1% |
| 2022 RHFB LMN | 11/9/22 | 3.83% | 3.26% | 85.1% | 4.31% | 4.06% | 94.2% |
| 2023 RHFB ABC | 2/7/23 | 3.68% | 2.23% | 60.6% | 3.71% | 3.24% | 87.3% |
| 2023 RHFB DE | 4/19/23 | 3.60% | 2.36% | 65.6% | 3.79% | 3.40% | 89.7% |
| 2023 RHFB FG | 6/18/23 | 3.72% | 2.57% | 69.1% | 3.84% | 3.50% | 91.1% |
| 2023 RHFB HI | 6/29/23 | 3.85% | 2.56% | 66.5% | 3.90% | 3.49% | 89.5% |
| 2023 RHFB JK | 7/27/23 | 4.01% | 2.52% | 62.8% | 4.06% | 3.51% | 86.5% |
| 2023 RHFB LM | 8/23/23 | 4.19% | 2.95% | 70.4% | 4.27% | 3.91% | 91.6% |
| 2023 RHFB NOPQ | 9/12/23 | 4.27% | 2.98% | 69.8% | 4.35% | 3.92% | 90.1% |
| 2023 RHFB RST | 11/8/23 | 4.49% | 3.20% | 71.3% | 4.64% | 4.20% | 90.5% |
| 2023 RHFB UV | 11/15/23 | 4.53% | 3.10% | 68.4% | 4.68% | 4.12% | 88.0% |
| 2024 RHFB ABC | 1/23/24 | 4.14% | 2.46% | 59.4% | 4.38% | 3.61% | 82.4% |
| Change from RHFB 2023 UV | | - 39 bps | - 64 bps | - 2.9% | - 30 bps | - 51 bps | - 5.6% |

181 of 222
NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

| Pricing Date | 1/23/24 | | 1/23/24 | | 1/23/24 | | 1/10/24 | | 1/9/24 | | 12/6/23 | | 12/5/23 | |
|---------------------|---|-------------|--|-------------|---|-------------|--|-------------|--|-------------|---|-------------|--|---------------|
| Amount | \$31,395,000 | | \$90,000,000 | | \$150,000,000 | | \$72,175,000 | | \$200,000,000 | | \$150,000,000 | | \$20,000,000 | |
| Issuer | Minnesota HFA | | Alaska HFC | | South Carolina SHFDA | | Kentucky HC | | North Carolina HFA | | Texas DHCA | | Jefferson Parish FA (LA) | |
| Series | 2024 Series A | | 2024 Series A,B-1 | | Series 2024 A | | 2024 Series A | | Series 53-A | | 2023 Series C | | Series 2023 | |
| Program | Single Family / Negotiated | | Single Family / Negotiated | | Single Family / Negotiated | | Single Family / Negotiated | | Single Family / Negotiated | | Single Family / Negotiated | | Single Family / Negotiated | |
| Rating(s) | Aa1 / AA+ / - | | Aa1 / AA+ / - | | Aaa / - / - | | Aaa / - / - | | Aa1 / AA+ / - | | Aaa / AA+ / - | | Aa1 / - / - | |
| Tax Status | Non-AMT | | Non-AMT | | Non-AMT | | Non-AMT | | Non-AMT | | Non-AMT | | Non-AMT | |
| Maturity | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread |
| Year ('24 pricings) | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD |
| 0 2024 | | | 3.200 | | | | | | | | | | | |
| 1 2025 | | | 3.20 / 3.20 | +26 / +35 | 3.17* / 3.15* | +16 / +22 | 3.05 / 3.10 | +15 / +28 | 3.100 | +35 | | | | |
| 2 2026 | | | 3.25 / 3.25 | +54 / +58 | 3.12* / 3.17* | +39 / +47 | 3.15 / 3.15 | +53 / +56 | 3.15 / 3.15 | +58 / +61 | 3.30* / 3.35* | +53 / +60 | 3.500 | +70 |
| 3 2027 | | | 3.35 / 3.35 | +76 / +78 | 3.19* / 3.20* | +56 / +61 | 3.20 / 3.20 | +71 / +75 | 3.20 / 3.20 | +76 / +80 | 3.38* / 3.38* | +72 / +76 | 3.500 | +82 |
| 4 2028 | | | 3.40 / 3.40 | +91 / +91 | 3.21* / 3.24* | +72 / +75 | 3.25 / 3.30 | +91 / +96 | 3.25 / 3.30 | +94 / +99 | 3.43* / 3.43* | +88 / +90 | 3.600 | +101 |
| 5 2029 | | | 3.45 / 3.45 | +100 / +100 | 3.25* / 3.29* | +80 / +84 | 3.35 / 3.35 | +110 / +110 | 3.35 / 3.35 | +110 / +110 | 3.48* / 3.48* | +99 / +99 | 3.650 | +112 |
| 6 2030 | | | 3.55 / 3.55 | +110 / +110 | 3.34* / 3.35* | +89 / +90 | 3.40 / 3.40 | +115 / +115 | 3.40 / 3.40 | +115 / +115 | 3.52* / 3.52* | +103 / +103 | 3.750 | +122 |
| 7 2031 | | | 3.625 / 3.625 | +119 / +119 | 3.37* / 3.38* | +93 / +94 | 3.45 / 3.45 | +119 / +119 | 3.45 / 3.45 | +119 / +119 | 3.57* / 3.57* | +107 / +107 | 3.800 | +126 |
| 8 2032 | | | 3.70 / 3.70 | +125 / +125 | 3.40* / 3.41* | +95 / +96 | 3.50 / 3.50 | +122 / +122 | 3.50 / 3.50 | +122 / +122 | 3.61* / 3.66* | +110 / +115 | 3.850 | +130 |
| 9 2033 | | | 3.75 / 3.75 | +129 / +129 | 3.42* / 3.65 | +96 / +119 | 3.55 / 3.55 | +127 / +127 | 3.55 / 3.55 | +127 / +127 | 3.71* / 3.79* | +118 / +126 | 3.90 / 3.95 | +133 / +138 |
| 10 2034 | | | 3.80 / 3.85 | +133 / +134 | 3.70 / 3.75 | +124 / +127 | 3.65 / 3.65 | +137 / +135 | 3.65 / 3.65 | +137 / +135 | 3.95 / 3.95 | +142 / +142 | 4.00 / 4.00 | +143 / +143 |
| 11 2035 | | | 3.90 / 3.95 | +132 / +132 | 3.80 / 3.85 | +126 / +126 | 3.70 / 3.70 | +136 / +131 | 3.70 / 3.75 | +136 / +136 | 4.00 / 4.00 | +146 / +142 | 4.000 | +143 |
| 12 2036 | | | | | 3.90 / 3.90 | +125 / +122 | 3.75 / 3.75 | +128 / +125 | 3.80 / 3.85 | +133 / +135 | 4.050 | +142 | | |
| 13 2037 | | | | | | | | | | | | | | |
| 14 2038 | | | | | | | | | | | | | | |
| 15 2039 | | | 4.125 | +112 | 4.100 | +109 | 3.97* | +112 | 4.000 | +115 | 4.300 | +125 | 4.350 | +126 |
| 16 2040 | | | | | | | | | | | | | | |
| 17 2041 | | | | | | | | | | | | | | |
| 18 2042 | | | | | | | | | | | | | | |
| 19 2043 | | | | | | | | | | | | | | |
| 20 2044 | | | 4.500 | +121 | 4.500 | +121 | 4.350 | +122 | 4.375 | +125 | 4.600 | +124 | 4.650 | +125 |
| 21 2045 | | | | | | | | | | | | | | |
| 22 2046 | | | | | | | | | | | | | | |
| 23 2047 | | | | | | | | | | | | | | |
| 24 2048 | | | | | | | | | | | | | | |
| 25 2049 | | | 4.700 | +117 | 4.67* | +114 | 4.550 | +118 | | | 4.770 | +115 | 4.950 | +130 |
| 26 2050 | | | | | | | | | 4.550 | +116 | | | | |
| 27 2051 | | | | | | | | | | | | | | |
| 28 2052 | | | | | | | | | | | | | | |
| 29 2053 | | | | | | | | | | | | | | |
| 30 2054 | | | | | 4.750 | +114 | 4.625 | +118 | | | 4.850 | +114 | | |
| 31 2055 | | | | | | | | | | | | | 5.000 | +127 to 30yr |
| PAC | 6.25C/3.93Y | +148 to 5yr | 6.00C/3.98Y | +153 to 5yr | 6.25C/3.99Y | +154 to 6yr | 6.25C/3.82Y | +157 to 6yr | 6.25C/3.80Y | +155 to 5yr | 6.00C/4.12Y | +163 to 6yr | 6.50C/4.33Y | +180 to 5.9yr |
| Notes | 1/54 PAC bond has 6.25% coupon priced at 110.285 to yield 3.93% and has an average life of 5 years from 75-500% PSA | | 6/54 PAC bond has 6% coupon priced at 108.857 to yield 3.98% and has an average life of 5 years from 75-500% PSA | | *Cpns are 5% 1/25-1/33 (lock-out) and 4.625% 7/49, 7/54 PAC is 6.25% cpn at 111.571 to yield 3.99% w/6yr avg. life 100-400% PSA | | *7/39 is 4% coupon; 7/54 PAC has 6.25% coupon priced at 112.603 to yield 3.82% and has an average life of 6 yrs 100-400% PSA | | 1/55 PAC bond has 6.25% coupon priced at 110.928 to yield 3.80% and has an average life of 5 years from 100-400% PSA | | *Cpns are 5.50% 3/25-9/32 (lock-out), 5% 9/48, 5.125% 9/53; 3/54 PAC is 6% cpn at 109.583 to yield 4.12% w/6yr avg. life 100-400% PSA | | 1/55 PAC bond has 6.50% coupon priced at 110.859 to yield 4.33% and has an average life of 5.9 years from 100-400% PSA | |
| Maturity Dates | 1/54 PAC only | | 12/1 and 6/1 | | 1/1 and 7/1 | | 1/1 and 7/1 | | 7/1 and 1/1 | | 3/1 and 9/1 | | 7/1 | |
| Call Provisions | 7/1/33 at par | | 6/1/33 at par | | 1/1/33 at par | | 1/1/33 at par | | 7/1/32 at par | | 9/1/32 at par | | 7/1/33 at par/102.603 PAC | |
| Mkt Index | BBI / RBI 3.39% / 3.67% | | BBI / RBI 3.39% / 3.67% | | BBI / RBI 3.39% / 3.67% | | BBI / RBI 3.31% / 3.59% | | BBI / RBI 3.31% / 3.59% | | BBI / RBI 3.49% / 3.77% | | BBI / RBI 3.49% / 3.77% | |
| Sr Manager | RBC Capital Markets | | Jefferies | | BofA | | BofA | | Wells Fargo | | Jefferies | | Stifel | |

182 of 222
NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

| Pricing Date | 11/30/23 | 11/29/23 | 11/28/23 | 11/16/23 | 11/15/23 | 11/14/23 | 11/14/23 |
|---------------------|--|---|--|--|--|---|---|
| Amount | \$108,145,000 | \$43,000,000 | \$40,000,000 | \$100,000,000 | \$120,000,000 | \$75,000,000 | \$60,000,000 |
| Issuer | Utah HC | Montana BOH | Capital Area Fin. Auth. (LA) | New Hampshire HFA | Missouri HDC | North Dakota HFA | Oklahoma HFA |
| Series | 2024 Series A | 2023 Series C | Series 2023 | 2023 Series D | 2023 Series E | 2023 Series F | Series 2023D |
| Program | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated |
| Rating(s) | Aa2 / - / - | Aa1 / AA+ / - | Aaa / - / - | Aaa / - / - | - / AA+ / - | Aa1 / - / - | Aaa / - / - |
| Tax Status | Non-AMT | Non-AMT | Non-AMT | Non-AMT | Non-AMT | Non-AMT | Non-AMT |
| Maturity | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread | Coupon/ |
| Year ('24 pricings) | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD | Yield |
| 0 2024 | | | | | | | |
| 1 2025 | | | 3.450 | +43 | | | 3.600 |
| 2 2026 | 3.45 / 3.50 | +57 / +66 | 3.50 / 3.55 | +64 / +70 | 3.60 / 3.65 | +60 / +67 | 3.55 / 3.60 |
| 3 2027 | 3.55 / 3.60 | +79 / +88 | 3.60 / 3.625 | +85 / +92 | 3.70 / 3.75 | +79 / +88 | 3.65 / 3.70 |
| 4 2028 | 3.65 / 3.70 | +98 / +105 | 3.65 / 3.70 | +98 / +105 | 3.80 / 3.80 | +97 / +100 | 3.75 / 3.80 |
| 5 2029 | 3.75 / 3.80 | +116 / +121 | 3.75 / 3.80 | +114 / +119 | 3.85 / 3.90 | +109 / +114 | 3.85 / 3.875 |
| 6 2030 | 3.85 / 3.90 | +126 / +131 | 3.85 / 3.85 | +122 / +122 | 3.95 / 4.00 | +117 / +122 | 3.90 / 3.95 |
| 7 2031 | 3.95 / 3.95 | +135 / +135 | 3.875 / 3.95 | +123 / +130 | 4.05 / 4.05 | +125 / +125 | 4.05 / 4.10 |
| 8 2032 | 4.00 / 4.00 | +139 / +139 | 4.00 / 4.00 | +134 / +134 | 4.10 / 4.10 | +129 / +129 | 4.10 / 4.10 |
| 9 2033 | 4.05 / 4.05 | +142 / +142 | 4.00 / 4.00 | +132 / +132 | 4.15 / 4.20 | +132 / +137 | 4.15 / 4.20 |
| 10 2034 | 4.10 / 4.10 | +147 / +147 | 4.05 / 4.10 | +137 / +142 | 4.20 / 4.25 | +137 / +142 | 4.25 / 4.30 |
| 11 2035 | 4.15 / 4.15 | +152 / +148 | 4.15 / 4.20 | +144 / +145 | 4.25 / 4.30 | +140 / +141 | 4.35 / 4.35 |
| 12 2036 | 4.20 / 4.20 | +149 / +144 | 4.25 / 4.25 | +145 / +140 | 4.35 / 4.40 | +142 / +141 | 4.40 / 4.40 |
| 13 2037 | 4.300 | +144 | | | | | |
| 14 2038 | | | | | | | |
| 15 2039 | | | 4.375 | +118 | 4.500 | +116 | 4.650 |
| 16 2040 | 4.500 | +127 | | | | | 4.600 |
| 17 2041 | | | | | | | |
| 18 2042 | | | | | | | |
| 19 2043 | | | | | | | |
| 20 2044 | | | 4.600 | +114 | 4.875* | +128 | 4.87* |
| 21 2045 | 4.750 | +126 | | | | | 4.85* |
| 22 2046 | | | | | | | |
| 23 2047 | | | | | | | |
| 24 2048 | | | | | | | |
| 25 2049 | | | 4.850 | +114 | 5.15* | +132 | 5.100 |
| 26 2050 | 4.900 | +117 | | | | | 5.05* |
| 27 2051 | | | | | | | |
| 28 2052 | | | | | | | |
| 29 2053 | | | | | | | |
| 30 2054 | | | 4.950 | +116 | 5.23* | +132 | 5.17* |
| 31 2055 | 5.000 | +127 to 30yr | | | | | 5.150 |
| | | | | | 5.200 | +111 to 30yr | |
| PAC | 6.50C/4.23Y | +164 to 5yr | 6.25C/4.19Y | +158 to 5yr | 6.50C/4.53Y | +175 to 6yr | 6.50C/4.55Y |
| | | | | | | | +160 to 5yr |
| | | | | | | | 6.50C/4.56Y |
| | | | | | | | +154 to 6yr |
| | | | | | | | 6.25C/4.60Y |
| | | | | | | | +158 to 5yr |
| | | | | | | | 6.50C/4.61Y |
| | | | | | | | +159 to 6yr |
| Notes | 1/54 PAC bond has 6.50% coupon priced at 109.965 to yield 4.23% and has an average life of 5 years from 100-500% PSA | 6/54 PAC bond has 6.25% coupon priced at 109.071 to yield 4.19% and has an average life of 5 years from 75-600% PSA | *cpns 5.15% in '43, 5.40% in '48, 5.50% in '53; 4/54 PAC has 6.50% coupon priced at 109.949 to yield 4.53% and has an average life of 6 yrs 100-400% PSA | *7/43 is 4.80% coupon, 7/53 is 5.125% coupon; 7/55 PAC has 6.50% coupon priced at 108.459 to yield 4.55% and has an average life of 5 yrs 100-400% PSA | *11/43 is 4.75% coupon, 11/48 is 5% coupon; 5/54 PAC has 6.50% coupon priced at 109.733 to yield 4.56% and has an average life of 6 yrs 100-400% PSA | 1/54 PAC bond has 6.25% coupon priced at 107.153 to yield 4.60% and has an average life of 5 years from 75-500% PSA | 9/54 PAC bond has 6.50% coupon priced at 109.52 to yield 4.61% and has an average life of 6 years from 100-400% PSA |
| Maturity Dates | 1/1 and 7/1 | 12/1 and 6/1 | 4/1 and 10/1 | 1/1 and 7/1 | 11/1 and 5/1 | 1/1 and 7/1 | 9/1 and 3/1 |
| Call Provisions | 7/1/32 at par | 12/1/32 at par | 10/1/33 at par/102.498 PAC | 7/1/32 at par | 11/1/32 at par/103.956 PAC | 1/1/33 at par | 9/1/32 at par/103.477 PAC |
| Mkt Index | BBI / RBI 3.49% / 3.77% | BBI / RBI 3.74% / 4.02% | BBI / RBI 3.74% / 4.02% | BBI / RBI 3.83% / 4.11% | BBI / RBI 3.93% / 4.21% | BBI / RBI 3.93% / 4.21% | BBI / RBI 3.93% / 4.21% |
| Sr Manager | Jefferies | RBC Capital Markets | Raymond James | RBC Capital Markets | Stifel | RBC Capital Markets | Raymond James |

NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

| Pricing Date | 11/14/23 | | 11/13/23 | | 11/8/23 | | 11/8/23 | | 11/8/23 | | 11/7/23 | | 11/2/23 | |
|---------------------|--|-------------|---|-------------|--|-------------|--|-------------|--|-------------|---|-------------|--|--------------|
| Amount | \$105,000,000 | | \$78,920,000 | | \$75,000,000 | | \$48,750,000 | | \$235,000,000 | | \$129,525,000 | | \$30,000,000 | |
| Issuer | South Dakota HDA | | Iowa FA | | Maryland DHCD | | Minnesota HFA | | North Carolina HFA | | Illinois HDA | | Phoenix & Maricopa (AZ) IDA's | |
| Series | 2023 Series G | | 2023 Series G | | 2023 Series E | | 2023 Series R | | Series 52-A | | 2023 Series N | | 2023 Series A | |
| Program | Single Family / Negotiated | | Single Family / Negotiated | | Single Family / Negotiated | | Single Family / Negotiated | | Single Family / Negotiated | | Single Family / Negotiated | | Single Family / Negotiated | |
| Rating(s) | Aaa / AAA / - | | Aaa / AAA / - | | Aa1 / - / AA+ | | Aa1 / AA+ / - | | Aa1 / AA+ / - | | Aaa / - / - | | Aa1 / - / - | |
| Tax Status | Non-AMT | | Non-AMT | | Non-AMT | | Non-AMT | | Non-AMT | | Non-AMT | | Non-AMT | |
| Maturity | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread | Coupon/ | Spread |
| Year ("24 pricings) | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD | Yield | to iMMD |
| 0 2024 | | | | | | | | | | | | | | |
| 1 2025 | 3.550 | +25 | | | 3.600 | +18 | | | | | 3.625 | +16 | | |
| 2 2026 | 3.60 / 3.625 | +43 / +46 | | | 3.60 / 3.65 | +29 / +36 | | | 3.60 / 3.625 | +27 / +35 | 3.65 / 3.70 | +27 / +34 | 4.05 / 4.05 | +48 / +51 |
| 3 2027 | 3.70 / 3.75 | +58 / +68 | | | 3.70 / 3.75 | +44 / +54 | | | 3.70 / 3.75 | +42 / +53 | 3.75 / 3.80 | +43 / +53 | 4.15 / 4.20 | +65 / +75 |
| 4 2028 | 3.80 / 3.85 | +75 / +82 | | | 3.80 / 3.85 | +62 / +69 | | | 3.80 / 3.85 | +61 / +68 | 3.85 / 3.90 | +60 / +68 | 4.25 / 4.30 | +83 / +90 |
| 5 2029 | 3.875 / 3.90 | +88 / +90 | | | 3.90 / 3.95 | +78 / +83 | | | 3.875 / 3.90 | +76 / +78 | 3.95 / 3.95 | +76 / +76 | 4.35 / 4.40 | +98 / +103 |
| 6 2030 | 3.95 / 4.00 | +93 / +98 | | | 4.00 / 4.05 | +88 / +93 | | | 3.95 / 4.00 | +83 / +88 | 4.05 / 4.10 | +86 / +91 | 4.45 / 4.50 | +108 / +113 |
| 7 2031 | 4.05 / 4.10 | +100 / +105 | | | 4.10 / 4.15 | +95 / +100 | | | 4.05 / 4.10 | +90 / +95 | 4.15 / 4.20 | +93 / +98 | 4.55 / 4.55 | +115 / +115 |
| 8 2032 | 4.125 / 4.125 | +107 / +107 | | | 4.20 / 4.20 | +104 / +104 | | | 4.150 | +99 | 4.25 / 4.25 | +101 / +101 | 4.60 / 4.60 | +118 / +118 |
| 9 2033 | 4.15 / 4.20 | +107 / +112 | | | 4.25 / 4.30 | +107 / +112 | | | 4.20 / 4.25 | +102 / +107 | 4.30 / 4.30 | +104 / +104 | 4.65 / 4.70 | +121 / +126 |
| 10 2034 | 4.25 / 4.25 | +115 / +115 | 4.300 | +110 | 4.30 / 4.35 | +110 / +115 | | | 4.30 / 4.30 | +110 / +110 | 4.35 / 4.40 | +107 / +112 | 4.70 / 4.70 | +126 / +126 |
| 11 2035 | 4.35 / 4.35 | +123 / +118 | 4.35 / 4.40 | +115 / +116 | 4.40 / 4.40 | +119 / +115 | | | 4.35 / 4.35 | +115 / +111 | 4.45 / 4.45 | +115 / +111 | 4.75 / 4.80 | +130 / +131 |
| 12 2036 | 4.40 / 4.40 | +119 / +113 | 4.45 / 4.45 | +117 / +112 | 4.45 / 4.50 | +115 / +115 | | | 4.35 / 4.35 | +107 / +102 | 4.50 / 4.55 | +112 / +111 | 4.85 / 4.90 | +131 / +131 |
| 13 2037 | | | | | | | | | | | | | | |
| 14 2038 | | | | | | | | | | | | | | |
| 15 2039 | | | 4.625 | +92 | 4.700 | +99 | | | 4.625 | +92 | 4.750 | +96 | 5.050 | +110 |
| 16 2040 | 4.650 | +100 | | | | | | | | | | | | |
| 17 2041 | | | | | | | | | | | | | | |
| 18 2042 | | | | | | | | | | | 4.900 | +97 | | |
| 19 2043 | | | | | | | | | | | | | | |
| 20 2044 | 4.900 | +105 | 4.900 | +95 | 4.900 | +95 | | | 4.900 | +95 | | | 5.300 | +111 |
| 21 2045 | | | | | | | | | | | | | | |
| 22 2046 | | | | | | | | | | | | | | |
| 23 2047 | | | | | | | | | 4.98* | +92 | | | | |
| 24 2048 | | | | | | | | | | | | | | |
| 25 2049 | | | 5.100 | +92 | 5.100 | +94 | | | | | | | 5.450 | +104 |
| 26 2050 | 5.125 | +105 | | | | | | | | | | | | |
| 27 2051 | | | | | | | | | | | | | | |
| 28 2052 | | | | | | | | | | | | | | |
| 29 2053 | | | | | | | | | | | | | | |
| 30 2054 | | | 5.200 | +98 | | | | | | | | | | |
| 31 2055 | | | | | | | | | | | | | 5.550 | +114 to 30yr |
| PAC | 6.25C/4.58Y | +158 to 5yr | 6.25C/4.64Y | +152 to 5yr | 6.25C/4.72Y | +160 to 5yr | 6.25C/4.63Y | +151 to 5yr | 6.25C/4.69Y | +157 to 5yr | 6.25C/4.75Y | +156 to 5yr | 6.50C/5.14Y | +177 to 6yr |
| | | | | | | | | | | | | | | |
| Notes | 5/55 PAC bond has 6.25% coupon priced at 107.276 to yield 4.58% and has an average life of 5 years from 100-400% PSA | | 7/53 PAC bond has 6.25% coupon priced at 106.946 to yield 4.64% and has an average life of 5 years from 50-500% PSA | | 3/54 PAC bond has 6.25% coupon priced at 106.605 to yield 4.72% and has an average life of 5 years from 100-400% PSA | | 7/54 PAC bond has 6.25% coupon priced at 107.02 to yield 4.63% and has an average life of 5 years from 75-500% PSA | | *7/46 is 5% coupon; 1/55 PAC has 6.25% coupon priced at 106.757 to yield 4.69% and has an average life of 5 yrs 100-400% PSA | | 4/54 PAC bond has 6.25% coupon priced at 106.468 to yield 4.75% and has an average life of 5 years from 75-400% PSA | | 3/55 PAC bond has 6.50% coupon priced at 110.967 to yield 5.14% and has an average life of 6 years from 100-400% PSA | |
| Maturity Dates | 11/1 and 5/1 | | 7/1 and 1/1 | | 9/1 and 3/1 | | 7/1/54 only | | 1/1 and 7/1 | | 10/1 and 4/1 | | 7/1 and 1/1 | |
| Call Provisions | 5/1/32 at par | | 1/1/33 at par | | 9/1/32 at par | | 1/1/33 at par | | 7/1/32 at par | | 10/1/32 at par | | 7/1/32 at par | |
| Mkt Index | BBI / RBI 3.93% / 4.21% | | BBI / RBI 3.93% / 4.21% | | BBI / RBI 4.17% / 4.45% | | BBI / RBI 4.17% / 4.45% | | BBI / RBI 4.17% / 4.45% | | BBI / RBI 4.17% / 4.45% | | BBI / RBI 4.17% / 4.45% | |
| Sr Manager | Wells Fargo | | Morgan Stanley | | J.P. Morgan | | RBC Capital Markets | | BofA | | BofA | | Stifel | |

NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

| Pricing Date | 11/2/23 | 10/31/23 | 10/31/23 | 10/24/23 | 9/12/23 | 6/15/23 | 4/19/23 | | | | | | | |
|------------------------------|--|---|--|---|--|---|--|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Amount | \$25,000,000 | \$190,125,000 | \$83,105,000 | \$389,370,000 | \$49,005,000 | \$60,000,000 | \$60,000,000 | | | | | | | |
| Issuer | Pima County (AZ) IDA | Connecticut HFA | Rhode Island HMFC | Pennsylvania HFA | Minnesota HFA | Minnesota HFA | Minnesota HFA | | | | | | | |
| Series | Series 2023B | 2023 Series D | Series 81-A | Series 2023-143A | 2023 Series O | 2023 Series F | 2023 Series D | | | | | | | |
| Program | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | | | | | | | |
| Rating(s) | Aa1 / - / - | Aaa / AAA / - | Aa1 / AA+ / - | Aa1 / AA+ / - | Aa1 / AA+ / - | Aa1 / AA+ / - | Aa1 / AA+ / - | | | | | | | |
| Tax Status | Non-AMT | Non-AMT | Non-AMT | Non-AMT | Non-AMT | Non-AMT | Non-AMT | | | | | | | |
| Maturity Year ('24 pricings) | Coupon/ Yield | Spread to iMMD | Coupon/ Yield | Spread to iMMD | Coupon/ Yield | Spread to iMMD | Coupon/ Yield | Spread to iMMD | | | | | | |
| 0 2024 | | | | | | | | | | | | | | |
| 1 2025 | | | 3.800 | +4 | | | 3.250 | +18 | 2.80 / 2.80 | +6 / +6 | | | | |
| 2 2026 | 4.050 | +50 | 3.85 / 3.90 | +15 / +23 | | | 3.25 / 3.25 | +24 / +33 | 2.85 / 2.85 | +32 / +32 | | | | |
| 3 2027 | 4.15 / 4.20 | +63 / +74 | 3.95 / 3.95 | +33 / +38 | | 3.500 | +35 | 3.25 / 3.25 | +42 / +46 | 2.90 / 2.95 | +45 / +53 | | | |
| 4 2028 | 4.25 / 4.30 | +82 / +89 | 4.00 / 4.05 | +45 / +52 | | | | 3.30 / 3.30 | +60 / +61 | 3.00 / 3.05 | +63 / +69 | | | |
| 5 2029 | 4.35 / 4.40 | +98 / +103 | 4.10 / 4.15 | +59 / +64 | | | | 3.35 / 3.35 | +69 / +71 | 3.10 / 3.15 | +74 / +79 | | | |
| 6 2030 | 4.45 / 4.50 | +108 / +113 | 4.20 / 4.25 | +67 / +72 | | | | 3.45 / 3.50 | +83 / +88 | 3.20 / 3.25 | +89 / +94 | | | |
| 7 2031 | 4.55 / 4.55 | +115 / +115 | 4.30 / 4.375 | +74 / +82 | | | | 3.60 / 3.65 | +105 / +110 | 3.30 / 3.35 | +102 / +107 | | | |
| 8 2032 | 4.60 / 4.60 | +118 / +118 | 4.40 / 4.40 | +82 / +82 | 4.500 | +92 | | 3.75 / 3.80 | +122 / +127 | 3.40 / 3.45 | +110 / +114 | | | |
| 9 2033 | 4.65 / 4.70 | +121 / +126 | 4.45 / 4.50 | +85 / +90 | 4.55 / 4.60 | +95 / +100 | | 3.85 / 3.85 | +133 / +133 | 3.550 | +121 | | | |
| 10 2034 | 4.70 / 4.70 | +126 / +126 | 4.55 / 4.60 | +94 / +98 | 4.65 / 4.65 | +104 / +104 | | | | 3.650 | +128 | | | |
| 11 2035 | 4.75 / 4.80 | +131 / +132 | 4.60 / 4.65 | +96 / +96 | 4.75 / 4.75 | +111 / +107 | 4.70 / 4.75 | +108 / +109 | 3.95 / 4.00 | +136 / +137 | 3.750 | +132 | | |
| 12 2036 | 4.85 / 4.90 | +133 / +133 | 4.75 / 4.80 | +102 / +101 | 4.80 / 4.85 | +108 / +107 | 4.800 | +110 | 4.10 / 4.10 | +141 / +136 | 3.75 / 3.80 | +124 / +124 | | |
| 13 2037 | | | | | | | | | | | | | | |
| 14 2038 | | | | | | | | | | | | | | |
| 15 2039 | 5.050 | +110 | 4.900 | +81 | 5.000 | +91 | 4.950 | +86 | 4.450 | +96 | 4.200 | +110 | 4.150 | +119 |
| 16 2040 | | | 5.000 | +87 | | | | | | | | | | |
| 17 2041 | | | | | | | | | | | | | | |
| 18 2042 | | | | | | | 5.125 | +90 | 4.650 | +103 | | | | |
| 19 2043 | | | | | | | | | | | | | | |
| 20 2044 | 5.300 | +111 | 5.125 | +80 | 5.250 | +92 | | | | | 4.500 | +122 | 4.500 | +132 |
| 21 2045 | | | | | | | 5.300 | +94 | | | | | 4.600 | +136 |
| 22 2046 | | | | | | | | | | | | | | |
| 23 2047 | | | | | | | 5.375 | +94 | | | | | | |
| 24 2048 | | | | | | | | | | | | | | |
| 25 2049 | 5.450 | +104 | 5.350 | +82 | 5.45* | +92 | | | | | | | | |
| 26 2050 | | | | | | | | | | | | | | |
| 27 2051 | | | | | | | | | | | | | | |
| 28 2052 | | | 5.450 | +90 | | | 5.450 | +94 | | | | | | |
| 29 2053 | | | | | | | | | | | | | | |
| 30 2054 | | | | | 5.53* | +96 | | | | | | | | |
| 31 2055 | 5.550 | +114 to 30yr | | | | | | | | | | | | |
| PAC | 6.50C/5.16Y | +179 to 5.8yr | 6.25C/5.00Y | +149 to 5yr | 6.25C/5.10Y | +159 to 5yr | 6.25C/5.09Y | +160 to 5yr | 6.00C/4.31Y | +143 to 5yr | 5.75C/4.11Y | +147 to 5yr | 5.50C/3.74Y | +138 to 5yr |
| Notes | 1/55 PAC bond has 6.50% coupon priced at 106.484 to yield 5.16% and has an average life of 5.8 years from 100-400% PSA | 5/54 PAC bond has 6.25% coupon priced at 105.347 to yield 5.00% and has an average life of 5 years from 55-500% PSA | * coupons are 5.35% for 10/48 and 5.45% for 10/53; PAC has 6.25% coupon at 104.919 to yield 5.10% with 5 year average life 75-500% PSA | 10/53 PAC bond has 6.25% coupon priced at 104.97 to yield 5.09% and has an average life of 5 years from 75-500% PSA | 7/53 PAC bond has 6% coupon priced at 107.412 to yield 4.31% and has an average life of 5 years from 75-500% PSA | 7/53 PAC bond has 5.75% coupon priced at 107.223 to yield 4.11% and has an average life of 5 years from 75-500% PSA | 7/53 PAC bond has 5.50% coupon priced at 107.82 to yield 3.74% and has an average life of 5 years from 75-500% PSA | | | | | | | |
| Maturity Dates | 7/1 and 1/1 | 11/15 and 5/15 | 10/1 and 4/1 | 4/1 and 10/1 | 7/1 | 7/1 and 1/1 | 1/1 and 7/1 | | | | | | | |
| Call Provisions | 7/1/32 at par | 11/15/32 at par | 10/1/32 at par | 4/1/33 at par | 1/1/33 at par | 1/1/33 at par | 7/1/32 at par | | | | | | | |
| Mkt Index | BBI / RBI 4.17% / 4.45% | BBI / RBI 4.19% / 4.47% | BBI / RBI 4.19% / 4.47% | BBI / RBI 4.19% / 4.47% | BBI / RBI 3.85% / 4.13% | BBI / RBI 3.67% / 3.95% | BBI / RBI 3.32% / 3.60% | | | | | | | |
| Sr Manager | Stifel | RBC Capital Markets | Morgan Stanley | Wells Fargo | RBC Capital Markets | RBC Capital Markets | RBC Capital Markets | | | | | | | |

TAXABLE SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

| Pricing Date | 1/23/24 | | | | 1/23/24 | | | | 1/17/24 | | | | 1/11/24 | | | | 1/10/24 | | | |
|---------------------|---|--------|-----|----------|---|-------------|------|----------|------------------------------|--------|------|----------|--|-------------|------|----------|-----------------------------|--------|------|----------|
| Amount | \$73,605,000 | | | | \$120,000,000 | | | | \$93,750,000 | | | | \$19,660,000 | | | | \$76,125,000 | | | |
| Issuer | Minnesota HFA | | | | Alaska HFC | | | | Colorado HFA | | | | Mississippi HC | | | | Kentucky HC | | | |
| Series | 2024 Series B | | | | 2024 Series C | | | | 2024 Series A-1 | | | | Series 2024B | | | | 2024 Series B | | | |
| Program | Single Family / Negotiated | | | | Single Family / Negotiated | | | | Single Family / Negotiated | | | | Single Family / Negotiated | | | | Single Family / Negotiated | | | |
| Rating(s) | Aa1 / AA+ / - | | | | Aa1 / AA+ / - | | | | Aaa / AAA / - | | | | Aaa / - / - | | | | Aaa / - / - | | | |
| Tax Status | Taxable | | | | Taxable | | | | Taxable | | | | Taxable | | | | Taxable | | | |
| Maturity | Coupon/ | Spread | | | Coupon/ | Spread | | | Coupon/ | Spread | | | Coupon/ | Spread | | | Coupon/ | Spread | | |
| Year ('24 pricings) | Yield | to UST | | | Yield | to UST | | | Yield | to UST | | | Yield | to UST | | | Yield | to UST | | |
| 0 2024 | | | | | 5.033 | +65 to 2 yr | | | | | | | 4.914 | +65 to 2 yr | | | | | | |
| 1 2025 | 4.853 / 4.883 | +47 | +50 | to 2 yr | 4.933 / 4.933 | +55 | +55 | to 2 yr | | | | | 4.764 / 4.764 | +50 | +50 | to 2 yr | 4.91 / 4.91 | +55 | +55 | to 1 yr |
| 2 2026 | 4.733 / 4.783 | +35 | +40 | to 2 yr | 4.883 / 4.883 | +50 | +50 | to 2 yr | 4.646 / 4.696 | +50 | +55 | to 3 yr | 4.814 / 4.814 | +55 | +55 | to 2 yr | 4.656 / 4.656 | +55 | +55 | to 2 yr |
| 3 2027 | 4.718 / 4.748 | +56 | +59 | to 3 yr | 4.808 / 4.858 | +65 | +70 | to 3 yr | 4.766 / 4.816 | +62 | +67 | to 3 yr | 4.731 / 4.731 | +70 | +70 | to 3 yr | 4.72 / 4.82 | +75 | +85 | to 3 yr |
| 4 2028 | 4.719 / 4.769 | +67 | +72 | to 5 yr | 4.851 / 4.901 | +80 | +85 | to 5 yr | 4.804 / 4.884 | +77 | +85 | to 5 yr | 4.75 / 4.80 | +85 | +90 | to 5 yr | 4.82 / 4.87 | +82 | +87 | to 5 yr |
| 5 2029 | | | | | 4.951 / 5.001 | +90 | +95 | to 5 yr | 4.934 / 4.984 | +90 | +95 | to 5 yr | 4.90 / 4.95 | +100 | +105 | to 5 yr | 4.949 / 4.999 | +95 | +100 | to 5 yr |
| 6 2030 | | | | | 5.155 / 5.205 | +105 | +110 | to 7 yr | 5.13 / 5.18 | +105 | +110 | to 7 yr | 5.044 / 5.094 | +110 | +115 | to 7 yr | 5.099 / 5.129 | +108 | +111 | to 7 yr |
| 7 2031 | | | | | 5.205 / 5.255 | +110 | +115 | to 7 yr | 5.21 / 5.25 | +113 | +117 | to 7 yr | 5.144 / 5.194 | +120 | +125 | to 7 yr | 5.221 / 5.241 | +120 | +122 | to 7 yr |
| 8 2032 | | | | | 5.342 / 5.372 | +120 | +123 | to 10 yr | 5.36 / 5.39 | +125 | +128 | to 10 yr | 5.261 / 5.281 | +128 | +130 | to 10 yr | 5.301 / 5.351 | +128 | +133 | to 10 yr |
| 9 2033 | | | | | 5.392 / 5.422 | +125 | +128 | to 10 yr | 5.41 / 5.44 | +130 | +133 | to 10 yr | | | | | 5.381 / 5.401 | +136 | +138 | to 10 yr |
| 10 2034 | 5.205 | +110 | | to 7 yr | 5.442 | +130 | | to 10 yr | 5.46 / 5.48 | +135 | +137 | to 10 yr | | | | | 5.421 / 5.441 | +140 | +142 | to 10 yr |
| 11 2035 | | | | | | | | | 5.51 / 5.51 | +140 | +140 | to 10 yr | | | | | 5.471 / 5.491 | +145 | +147 | to 10 yr |
| 12 2036 | | | | | | | | | | | | | | | | | | | | |
| 13 2037 | | | | | | | | | | | | | | | | | | | | |
| 14 2038 | | | | | | | | | | | | | | | | | | | | |
| 15 2039 | 5.520 | +138 | | to 10 yr | 5.542 | +140 | | to 10 yr | 5.560 | +145 | | to 10 yr | | | | | 5.541 | +152 | | to 10 yr |
| 16 2040 | | | | | | | | | | | | | | | | | | | | |
| 17 2041 | | | | | | | | | | | | | | | | | | | | |
| 18 2042 | | | | | | | | | | | | | | | | | | | | |
| 19 2043 | | | | | | | | | | | | | | | | | | | | |
| 20 2044 | 5.780 | +139 | | to 30 yr | 5.762 | +137 | | to 30 yr | 5.750 | +142 | | to 30 yr | | | | | 5.711 | +150 | | to 30 yr |
| 21 2045 | | | | | | | | | | | | | | | | | | | | |
| 22 2046 | | | | | | | | | | | | | | | | | | | | |
| 23 2047 | | | | | | | | | | | | | | | | | | | | |
| 24 2048 | | | | | | | | | 5.880 | +155 | | to 30 yr | | | | | | | | |
| 25 2049 | 5.900 | +151 | | to 30 yr | 5.892 | +150 | | to 30 yr | | | | | | | | | 5.861 | +165 | | to 30 yr |
| 26 2050 | | | | | | | | | | | | | | | | | | | | |
| 27 2051 | 5.960 | +157 | | to 30 yr | | | | | | | | | | | | | | | | |
| 28 2052 | | | | | | | | | | | | | | | | | | | | |
| 29 2053 | | | | | | | | | | | | | | | | | | | | |
| 30 2054 | | | | | | | | | | | | | | | | | 5.911 | +170 | | to 30 yr |
| 31 2055 | | | | | | | | | | | | | | | | | | | | |
| PAC | | | | | 6.25C/5.501Y | +145 | | to 5 yr | | | | | 6.25C/5.29Y | +139 | | to 5 yr | | | | |
| Notes | 1/25 and 7/25 priced to 2yr; 1/34 priced to 7yr avg. life | | | | 12/24 through 12/25 priced to 2yr; 12/53 PAC is 6.25% coupon priced at 103.091 to yield 5.501% w/5 year avg. life 75-500% PSA | | | | 5/26 and 11/26 priced to 3yr | | | | 12/24 through 12/25 priced to 2yr; 12/54 PAC is 6.25% coupon priced at 103.391 to yield 5.29% w/4 year avg. life 50-500% PSA | | | | 1/25 and 7/25 priced to 2yr | | | |
| Maturity Dates | 1/1 and 7/1 | | | | 12/1 and 6/1 | | | | 5/1 and 11/1 | | | | 12/1 and 6/1 | | | | 1/1 and 7/1 | | | |
| Call Provisions | 7/1/33 at par | | | | 6/1/33 at par | | | | 11/1/32 at par | | | | 12/1/32 at par | | | | 1/1/33 at par | | | |
| Mkt Index | BBI / RBI 3.39% / 3.67% | | | | BBI / RBI 3.39% / 3.67% | | | | BBI / RBI 3.31% / 3.59% | | | | BBI / RBI 3.31% / 3.59% | | | | BBI / RBI 3.31% / 3.59% | | | |
| Sr Manager | RBC Capital Markets | | | | Jefferies | | | | BofA | | | | Wells Fargo | | | | BofA | | | |

TAXABLE SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

| Pricing Date | 1/9/24 | | | | 12/6/23 | | | | 11/30/23 | | | | 11/29/23 | | | | 11/29/23 | | | |
|---------------------|---|--------|----------|----------|--|--------|----------|----------|--|----------|----------|----------|--|----------|---------|---------------|---|----------|----------|----------|
| Amount | \$100,000,000 | | | | \$100,000,000 | | | | \$124,235,000 | | | | \$206,785,000 | | | | \$130,000,000 | | | |
| Issuer | North Carolina HFA | | | | Texas DHCA | | | | Utah HC | | | | Idaho HFA | | | | Ohio HFA | | | |
| Series | Series 53-B | | | | 2023 Series D | | | | 2024 Series B | | | | 2023 Series E | | | | 2023 Series C | | | |
| Program | Single Family / Negotiated | | | | Single Family / Negotiated | | | | Single Family / Negotiated | | | | Single Family / Negotiated | | | | Single Family / Negotiated | | | |
| Rating(s) | Aa1 / AA+ / - | | | | Aaa / AA+ / - | | | | Aa2 / - / - | | | | Aa1 / - / - | | | | Aaa / - / - | | | |
| Tax Status | Taxable | | | | Taxable | | | | Taxable | | | | Taxable | | | | Taxable | | | |
| Maturity | Coupon/ | Spread | | | Coupon/ | Spread | | | Coupon/ | Spread | | | Coupon/ | Spread | | | Coupon/ | Spread | | |
| Year ('24 pricings) | Yield | to UST | | | Yield | to UST | | | Yield | to UST | | | Yield | to UST | | | Yield | to UST | | |
| 0 2024 | | | | | | | | | | | | | | | | | | | | |
| 1 2025 | 4.968 / 4.918 | +60 / | +55 | to 2 yr | | | | | | | | | | | | | 5.188 | +50 | to 2 yr | |
| 2 2026 | 4.918 / 4.918 | +55 / | +55 | to 2 yr | 5.147 / 5.147 | +55 / | +55 | to 2 yr | 5.328 / 5.328 | +60 / | +60 | to 2 yr | | | | | 5.138 / 5.138 | +45 / | +45 | to 2 yr |
| 3 2027 | 4.835 / 4.835 | +70 / | +70 | to 3 yr | 5.027 / 5.077 | +70 / | +75 | to 3 yr | 5.21 / 5.26 | +72 / | +77 | to 3 yr | | | | | 5.058 / 5.108 | +65 / | +70 | to 3 yr |
| 4 2028 | 4.823 / 4.873 | +85 / | +90 | to 5 yr | 4.982 / 5.032 | +87 / | +92 | to 5 yr | 5.232 / 5.282 | +92 / | +97 | to 5 yr | | | | | 5.097 / 5.147 | +85 / | +90 | to 5 yr |
| 5 2029 | 4.973 / 5.023 | +100 / | +105 | to 5 yr | 5.052 / 5.102 | +94 / | +99 | to 5 yr | 5.302 / 5.352 | +99 / | +104 | to 5 yr | | | | | 5.157 / 5.197 | +91 / | +95 | to 5 yr |
| 6 2030 | 5.099 / 5.149 | +110 / | +115 | to 7 yr | 5.251 / 5.301 | +110 / | +115 | to 7 yr | 5.55 / 5.60 | +117 / | +122 | to 7 yr | | | | | 5.415 / 5.465 | +112 / | +117 | to 7 yr |
| 7 2031 | 5.199 / 5.249 | +120 / | +125 | to 7 yr | 5.371 / 5.421 | +122 / | +127 | to 7 yr | 5.65 / 5.70 | +127 / | +132 | to 7 yr | | | | | 5.525 / 5.575 | +123 / | +128 | to 7 yr |
| 8 2032 | 5.318 / 5.348 | +130 / | +133 | to 10 yr | 5.435 / 5.465 | +132 / | +135 | to 10 yr | 5.737 / 5.787 | +137 / | +142 | to 10 yr | | | | | 5.594 / 5.644 | +132 / | +137 | to 10 yr |
| 9 2033 | 5.388 / 5.418 | +137 / | +140 | to 10 yr | 5.465 | +135 | to 10 yr | | 5.817 / 5.847 | +145 / | +148 | to 10 yr | | | | | 5.674 / 5.694 | +140 / | +142 | to 10 yr |
| 10 2034 | 5.418 / 5.448 | +140 / | +143 | to 10 yr | | | | | 5.867 / 5.887 | +150 / | +152 | to 10 yr | 5.385 | +117 | to 5 yr | 5.724 / 5.744 | +145 / | +147 | to 10 yr | |
| 11 2035 | 5.488 | +147 | to 10 yr | | | | | | 5.917 | +155 | to 10 yr | | | | | | | | | |
| 12 2036 | | | | | | | | | | | | | | | | | | | | |
| 13 2037 | | | | | | | | | | | | | | | | | | | | |
| 14 2038 | | | | | | | | | | | | | | | | | | | | |
| 15 2039 | 5.518 | +150 | to 10 yr | | 5.740 | +163 | to 10 yr | | | | | | | | | | 5.774 | +150 | to 10 yr | |
| 16 2040 | | | | | | | | 6.037 | +167 | to 10 yr | | 5.869 | +160 | to 10 yr | | | | | | |
| 17 2041 | | | | | | | | | | | | | | | | | | | | |
| 18 2042 | | | | | | | | | | | | | | | | | | | | |
| 19 2043 | | | | | | | | | | | | | | | | | | | | |
| 20 2044 | 5.654 | +145 | to 30 yr | | 5.784 | +155 | to 30 yr | | | | | | | | | | 6.017 | +155 | to 30 yr | |
| 21 2045 | | | | | | | | 6.174 | +163 | to 30 yr | | 6.060 | +160 | to 30 yr | | | | | | |
| 22 2046 | | | | | | | | | | | | | | | | | | | | |
| 23 2047 | | | | | | | | | | | | | | | | | | | | |
| 24 2048 | | | | | | | | | | | | | | | | | | | | |
| 25 2049 | | | | | 5.854 | +162 | to 30 yr | | | | | 6.110 | +165 | to 30 yr | | 6.067 | +160 | to 30 yr | | |
| 26 2050 | 5.754 | +155 | to 30 yr | | | | | 6.224 | +168 | to 30 yr | | | | | | | | | | |
| 27 2051 | | | | | | | | | | | | | | | | | | | | |
| 28 2052 | | | | | | | | | | | | | | | | | | | | |
| 29 2053 | | | | | | | | | | | | | | | | | | | | |
| 30 2054 | | | | | | | | | | | | | | | | 6.087 | +162 | to 30 yr | | |
| 31 2055 | | | | | | | | 6.264 | +172 | to 30 yr | | 6.160 | +170 | to 30 yr | | | | | | |
| PAC | 6.25C/5.423Y | +145 | to 5 yr | | 6.25C/5.592Y | +148 | to 5 yr | | 6.25C/5.912Y | +160 | to 5 yr | | | | | 6.50C/5.717Y | +147 | to 5 yr | | |
| Notes | 1/25 and 7/25 priced to 2yr; 1/55 PAC is 6.25% coupon priced at 103.524 to yield 5.423% w/5 year avg. life 100-400% PSA | | | | 9/53 PAC is 6.25% coupon priced at 102.747 to yield 5.592% w/5 year avg. life 100-400% PSA | | | | 1/39 priced to 10yr (+149 to 30yr); 1/54 PAC is 6.25% coupon priced at 101.410 to yield 5.912% w/5 year avg. life 100-500% PSA | | | | 7/33 priced to 5yr avg. life; 1/39 priced to 10yr (+141 to 30yr) | | | | 9/24 priced to 2yr; 3/54 PAC is 6.50% coupon priced at 103.298 to yield 5.717% w/5 year avg. life 75-500% PSA | | | |
| Maturity Dates | 1/1 and 7/1 | | | | 3/1 and 9/1 | | | | 1/1 and 7/1 | | | | 7/1 and 1/1 | | | | 9/1 and 3/1 | | | |
| Call Provisions | 7/1/32 at par | | | | 9/1/32 at par | | | | 7/1/32 at par | | | | 7/1/32 at par | | | | 9/1/33 at par | | | |
| Mkt Index | BBI / RBI 3.31% / 3.59% | | | | BBI / RBI 3.49% / 3.77% | | | | BBI / RBI 3.49% / 3.77% | | | | BBI / RBI 3.74% / 4.02% | | | | BBI / RBI 3.74% / 4.02% | | | |
| Sr Manager | Wells Fargo | | | | Jefferies | | | | Jefferies | | | | Barclays | | | | J.P. Morgan | | | |

TAXABLE SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

| | | | | | |
|---------------------|-----------------------------------|-----------------------------------|---|---|-------------------------------|
| Pricing Date | 11/28/23 | 11/28/23 | 11/15/23 | 11/15/23 | 11/13/23 |
| Amount | \$37,390,000 | \$100,000,000 | \$48,750,000 | \$40,000,000 | \$11,000,000 |
| Issuer | SONYMA | Virginia HDA | Minnesota HFA | South Dakota HDA | Iowa FA |
| Series | Series 256 | 2023 Series D | 2023 Series U | 2023 Series H | 2023 Series H |
| Program | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated | Single Family / Negotiated |
| Rating(s) | Aa1 / - / - | Aaa / AAA / - | Aa1 / AA+ / - | Aaa / AAA / - | Aaa / AAA / - |
| Tax Status | Taxable | Taxable | Taxable | Taxable | Taxable |
| Maturity | Coupon/ Spread | Coupon/ Spread | Coupon/ Spread | Coupon/ Spread | Coupon/ Spread |
| Year ('24 pricings) | Yield to UST | Yield to UST | Yield to UST | Yield to UST | Yield to UST |
| 0 2024 | | | | | |
| 1 2025 | 5.256 / 5.326 +48 / +55 to 2 yr | | | 5.468 +55 to 2 yr | |
| 2 2026 | 5.326 / 5.326 +55 / +55 to 2 yr | 5.333 / 5.333 +55 / +55 to 2 yr | | 5.468 / 5.468 +55 / +55 to 2 yr | |
| 3 2027 | 5.165 / 5.215 +68 / +73 to 3 yr | 5.138 / 5.188 +65 / +70 to 3 yr | | 5.38 / 5.43 +70 / +75 to 3 yr | |
| 4 2028 | 5.201 / 5.251 +90 / +95 to 5 yr | 5.158 / 5.208 +85 / +90 to 5 yr | | 5.429 / 5.479 +90 / +95 to 5 yr | |
| 5 2029 | 5.301 / 5.351 +100 / +105 to 5 yr | 5.238 / 5.288 +93 / +98 to 5 yr | | 5.529 / 5.579 +100 / +105 to 5 yr | |
| 6 2030 | 5.471 / 5.521 +113 / +118 to 7 yr | 5.429 / 5.479 +108 / +113 to 7 yr | | 5.715 / 5.765 +115 / +120 to 7 yr | |
| 7 2031 | 5.571 / 5.621 +123 / +128 to 7 yr | 5.529 / 5.579 +118 / +123 to 7 yr | | 5.815 / 5.865 +125 / +130 to 7 yr | |
| 8 2032 | 5.693 +137 to 10 yr | 5.61 / 5.66 +128 / +133 to 10 yr | | 5.891 / 5.921 +135 / +138 to 10 yr | |
| 9 2033 | 5.743 +142 to 10 yr | 5.68 / 5.70 +135 / +137 to 10 yr | | 5.941 / 5.961 +140 / +142 to 10 yr | |
| 10 2034 | 5.783 +146 to 10 yr | 5.73 / 5.75 +140 / +142 to 10 yr | | 5.991 / 6.011 +145 / +147 to 10 yr | 5.845 +119 to 5 yr |
| 11 2035 | | | 5.742 +120 to 5yr | | |
| 12 2036 | | | | | |
| 13 2037 | | | | | |
| 14 2038 | | | | | |
| 15 2039 | 5.893 +157 to 10 yr | 5.830 +150 to 10 yr | | 6.091 +155 to 10 yr | |
| 16 2040 | | | 6.121 +157 to 10 yr | | |
| 17 2041 | | | | 6.266 +155 to 30 yr | |
| 18 2042 | | | | | |
| 19 2043 | | | | | |
| 20 2044 | 6.121 +160 to 30 yr | 6.025 +150 to 30 yr | 6.321 +160 to 30 yr | | |
| 21 2045 | | | | | |
| 22 2046 | | | | | |
| 23 2047 | | | | | |
| 24 2048 | | | | | |
| 25 2049 | | 6.145 +162 to 30 yr | | | |
| 26 2050 | | | | | |
| 27 2051 | | | | | |
| 28 2052 | | | | | |
| 29 2053 | | | | | |
| 30 2054 | | | | | |
| 31 2055 | | 6.175 +165 to 30 yr | | | |
| PAC | | | 6.50C/6.052Y +151 to 5 yr | 6.009C/Y +148 to 5 yr | |
| Notes | 4/24 and 11/24 priced to 2yr | | 1/34 priced to 5yr avg. life; 1/39 priced to 10yr (+140 to 30yr); 7/54 PAC is 6.50% at 101.856 to yield 6.052% w/5 yr avg. life 75-500% | 11/24 priced to 2yr; 5/54 PAC is 6.009% coupon at par w/5 year avg. life 100-400% PSA | Priced to 5-year average life |
| Maturity Dates | 4/1 and 10/1 | 1/1 and 7/1 | 1/1/34, 1/1/39, 7/1/43, 7/1/54 | 11/1 and 5/1 | 1/1/33 only |
| Call Provisions | 10/1/32 at par | 7/1/32 at par | 1/1/33 at par | 5/1/32 at par | None |
| Mkt Index | BBi / RBI 3.74% / 4.02% | BBi / RBI 3.74% / 4.02% | BBi / RBI 3.93% / 4.21% | BBi / RBI 3.93% / 4.21% | BBi / RBI 3.93% / 4.21% |
| Sr Manager | Jefferies | Wells Fargo | RBC Capital Markets | Wells Fargo | Morgan Stanley |

TAXABLE SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

| Pricing Date | 11/8/23 | | | | 11/8/23 | | | | 11/8/23 | | | | 11/7/23 | | | | 11/7/23 | | | |
|---------------------|----------------------------|--------|-------------|----------|--|--------|------|---------------|---|-------------|----------|---------------|---|-------------|----------|---------------|--|-------------|----------|--|
| Amount | \$325,000,000 | | | | \$82,500,000 | | | | \$75,000,000 | | | | \$126,960,000 | | | | \$95,240,000 | | | |
| Issuer | Maryland DHCD | | | | Minnesota HFA | | | | North Carolina HFA | | | | Colorado HFA | | | | Illinois HDA | | | |
| Series | 2023 Series F | | | | 2023 Series S | | | | Series 52-B | | | | 2023 Series Q-1 | | | | 2023 Series O | | | |
| Program | Single Family / Negotiated | | | | Single Family / Negotiated | | | | Single Family / Negotiated | | | | Single Family / Negotiated | | | | Single Family / Negotiated | | | |
| Rating(s) | Aa1 / - / AA+ | | | | Aa1 / AA+ / - | | | | Aa1 / AA+ / - | | | | Aaa / AAA / - | | | | Aaa / - / - | | | |
| Tax Status | Taxable | | | | Taxable | | | | Taxable | | | | Taxable | | | | Taxable | | | |
| Maturity | Coupon/ | Spread | | | Coupon/ | Spread | | | Coupon/ | Spread | | | Coupon/ | Spread | | | Coupon/ | Spread | | |
| Year ('24 pricings) | Yield | to UST | | | Yield | to UST | | | Yield | to UST | | | Yield | to UST | | | Yield | to UST | | |
| 0 2024 | | | | | | | | | | | | | | | | | | | | |
| 1 2025 | 5.432 | | +50 | to 2 yr | | | | | | | | | | | | 5.418 | | +50 | to 2 yr | |
| 2 2026 | 5.452 / 5.482 | | +52 / +55 | to 2 yr | | | | 5.408 / 5.428 | | +48 / +50 | to 2 yr | | | | | 5.418 / 5.468 | | +50 / +55 | to 2 yr | |
| 3 2027 | 5.455 / 5.465 | | +75 / +76 | to 3 yr | | | | 5.379 / 5.419 | | +70 / +74 | to 3 yr | 5.359 / 5.409 | | +68 / +73 | to 3 yr | 5.443 / 5.493 | | +75 / +80 | to 3 yr | |
| 4 2028 | 5.472 / 5.502 | | +95 / +98 | to 5 yr | | | | 5.417 / 5.457 | | +90 / +94 | to 5 yr | 5.402 / 5.452 | | +88 / +93 | to 5 yr | 5.49 / 5.54 | | +95 / +100 | to 5 yr | |
| 5 2029 | 5.542 / 5.592 | | +102 / +107 | to 5 yr | | | | 5.517 / 5.547 | | +100 / +103 | to 5 yr | 5.522 / 5.572 | | +100 / +105 | to 5 yr | 5.59 / 5.64 | | +105 / +110 | to 5 yr | |
| 6 2030 | 5.70 / 5.73 | | +115 / +118 | to 7 yr | | | | 5.692 / 5.742 | | +115 / +120 | to 7 yr | 5.713 / 5.763 | | +115 / +120 | to 7 yr | 5.737 / 5.787 | | +115 / +120 | to 7 yr | |
| 7 2031 | 5.80 / 5.83 | | +125 / +128 | to 7 yr | | | | 5.792 / 5.842 | | +125 / +130 | to 7 yr | 5.813 / 5.833 | | +125 / +127 | to 7 yr | 5.837 / 5.887 | | +125 / +130 | to 7 yr | |
| 8 2032 | 5.875 / 5.875 | | +135 / +135 | to 10 yr | | | | 5.869 / 5.894 | | +135 / +138 | to 10 yr | 5.882 / 5.922 | | +133 / +137 | to 10 yr | 5.959 / 5.989 | | +138 / +141 | to 10 yr | |
| 9 2033 | 5.925 / 5.925 | | +140 / +140 | to 10 yr | | | | 5.919 / 5.949 | | +140 / +143 | to 10 yr | 5.952 / 5.982 | | +140 / +143 | to 10 yr | 6.019 / 6.039 | | +144 / +146 | to 10 yr | |
| 10 2034 | 5.975 / 5.975 | | +145 / +145 | to 10 yr | | | | 5.969 / 5.989 | | +145 / +147 | to 10 yr | 6.002 / 6.022 | | +145 / +147 | to 10 yr | 6.059 / 6.079 | | +148 / +150 | to 10 yr | |
| 11 2035 | | | | | 5.685 | | +117 | to 5yr | | | | | | | | | | | | |
| 12 2036 | | | | | | | | | | | | | | | | | | | | |
| 13 2037 | | | | | | | | | | | | | | | | | | | | |
| 14 2038 | | | | | | | | | | | | | | | | | | | | |
| 15 2039 | 6.145 | | +162 | to 10 yr | | | | 6.039 | | +152 | to 10 yr | 6.072 | | +152 | to 10 yr | 6.099 | | +152 | to 10 yr | |
| 16 2040 | | | | | 6.089 | | +157 | to 10 yr | | | | | | | | | | | | |
| 17 2041 | | | | | | | | | | | | | | | | | | | | |
| 18 2042 | | | | | 6.139 | | +162 | to 10 yr | | | | 6.168 | | +145 | to 30 yr | | | | | |
| 19 2043 | | | | | | | | | | | | | | | | | | | | |
| 20 2044 | 6.232 | | +157 | to 30 yr | | | | 6.128 | | +147 | to 30 yr | | | | | 6.218 | | +147 | to 30 yr | |
| 21 2045 | | | | | 6.228* | | +157 | to 30 yr | | | | | | | | | | | | |
| 22 2046 | | | | | | | | | | | | | | | | | | | | |
| 23 2047 | | | | | | | | | | | | | | | | | | | | |
| 24 2048 | | | | | | | | | | | | | | | | | | | | |
| 25 2049 | 6.282 | | +162 | to 30 yr | | | | | | | | | | | | | | | | |
| 26 2050 | | | | | 6.328 | | +167 | to 30 yr | 6.238 | | +158 | to 30 yr | | | | 6.278 | | +153 | to 30 yr | |
| 27 2051 | | | | | | | | | | | | | | | | | | | | |
| 28 2052 | | | | | | | | | | | | | | | | | | | | |
| 29 2053 | | | | | | | | | | | | | | | | | | | | |
| 30 2054 | 6.362 | | +170 | to 30 yr | | | | | | | | | | | | | | | | |
| 31 2055 | | | | | | | | | | | | | | | | | | | | |
| PAC | | | | | | | | 6.50C/6.057Y | | +154 | to 5 yr | 6.50C/6.063Y | | +150 | to 7 yr | 6.50C/6.02Y | | +148 | to 5 yr | |
| Notes | 9/24 priced to 2yr | | | | 1/34 priced to 5yr average life; 7/39 and 7/41 priced to 10yr (+143 and +148 to 30yr); 1/44 is 6.185% coupon | | | | 1/55 PAC is 6.50% coupon at 101.834 to yield 6.057% w/5 year avg. life 100-400% PSA | | | | 11/53 PAC is 6.50% coupon at 102.074 to yield 6.063% w/6 year avg. life 75-500% PSA | | | | 10/24 priced to 2yr; 4/54 PAC is 6.50% coupon at 102.000 to yield 6.02% w/5 year avg. life 75-400% PSA | | | |
| Maturity Dates | 9/1 and 3/1 | | | | 1/1 and 7/1 | | | | 1/1 and 7/1 | | | | 5/1 and 11/1 | | | | 10/1 and 4/1 | | | |
| Call Provisions | 9/1/32 at par | | | | 1/1/33 at par | | | | 7/1/32 at par | | | | 5/1/32 at par | | | | 10/1/32 at par | | | |
| Mkt Index | BBI / RBI 4.17% / 4.45% | | | | BBI / RBI 4.17% / 4.45% | | | | BBI / RBI 4.17% / 4.45% | | | | BBI / RBI 4.17% / 4.45% | | | | BBI / RBI 4.17% / 4.45% | | | |
| Sr Manager | J.P. Morgan | | | | RBC Capital Markets | | | | BofA | | | | RBC Capital Markets | | | | Barclays | | | |

TAXABLE SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST 3 MONTHS PLUS EARLIER MHFA

| Pricing Date | 10/31/23 | | | 10/24/23 | | | 9/12/23 | | | 8/23/23 | | | 7/27/23 | | |
|---------------------|---|--------|---------------|----------------------------|--------|----------|----------------------------|--------|---------------|--|--------|---------------|---|--------|---------------|
| Amount | \$66,565,000 | | | \$20,235,000 | | | \$60,000,000 | | | \$70,000,000 | | | \$130,000,000 | | |
| Issuer | Rhode Island HMFC | | | Pennsylvania HFA | | | Minnesota HFA | | | Minnesota HFA | | | Minnesota HFA | | |
| Series | Series 81-T-1,2 | | | Series 2023-143B | | | 2023 Series P | | | 2023 Series L | | | 2023 Series J | | |
| Program | Single Family / Negotiated | | | Single Family / Negotiated | | | Single Family / Negotiated | | | Single Family / Negotiated | | | Single Family / Negotiated | | |
| Rating(s) | Aa1 / AA+ / - | | | Aa1 / AA+ / - | | | Aa1 / AA+ / - | | | Aa1 / AA+ / - | | | Aa1 / AA+ / - | | |
| Tax Status | Taxable | | | Taxable | | | Taxable | | | Taxable | | | Taxable | | |
| Maturity | Coupon/ | Spread | | Coupon/ | Spread | | Coupon/ | Spread | | Coupon/ | Spread | | Coupon/ | Spread | |
| Year ('24 pricings) | Yield | to UST | | Yield | to UST | | Yield | to UST | | Yield | to UST | | Yield | to UST | |
| 0 2024 | | | | | | | | | | | | | | | |
| 1 2025 | 5.559 / 5.579 | +48 | +50 to 2 yr | | | | | | | | | | | | |
| 2 2026 | 5.579 / 5.599 | +50 | +52 to 2 yr | | | | | | | | | | | | |
| 3 2027 | 5.656 / 5.686 | +75 | +78 to 3 yr | | | | 5.38 / 5.38 | +65 | +65 to 3 yr | 5.217 / 5.217 | +57 | +57 to 3 yr | 5.241 / 5.241 | +65 | +65 to 3 yr |
| 4 2028 | 5.794 / 5.844 | +97 | +102 to 5 yr | | | | 5.372 / 5.392 | +95 | +97 to 5 yr | 5.264 / 5.344 | +90 | +98 to 5 yr | 5.232 / 5.262 | +97 | +100 to 5 yr |
| 5 2029 | 5.874 / 5.924 | +105 | +110 to 5 yr | | | | 5.442 / 5.522 | +102 | +110 to 5 yr | 5.364 / 5.414 | +100 | +105 to 5 yr | 5.332 / 5.382 | +107 | +112 to 5 yr |
| 6 2030 | 6.058 / 6.108 | +117 | +122 to 7 yr | | | | 5.547 / 5.597 | +117 | +122 to 7 yr | 5.48 / 5.54 | +117 | +123 to 7 yr | 5.355 / 5.405 | +121 | +126 to 7 yr |
| 7 2031 | 6.158 / 6.208 | +127 | +132 to 7 yr | | | | 5.657 / 5.707 | +128 | +133 to 7 yr | 5.58 / 5.61 | +127 | +130 to 7 yr | 5.445 / 5.485 | +130 | +134 to 7 yr |
| 8 2032 | 6.235 / 6.285 | +137 | +142 to 10 yr | | | | 5.616 / 5.656 | +133 | +137 to 10 yr | 5.546 / 5.576 | +134 | +137 to 10 yr | 5.378 / 5.428 | +137 | +142 to 10 yr |
| 9 2033 | 6.295 / 6.295 | +143 | +143 to 10 yr | | | | 5.696 / 5.696 | +141 | +141 to 10 yr | 5.596 / 5.626 | +139 | +142 to 10 yr | 5.438 / 5.448 | +143 | +144 to 10 yr |
| 10 2034 | 6.325 / 6.345 | +146 | +148 to 10 yr | | | | 5.716 / 5.726 | +143 | +144 to 10 yr | 5.626 / 5.646 | +142 | +144 to 10 yr | 5.498 / 5.518 | +149 | +151 to 10 yr |
| 11 2035 | | | | | | | | | | | | | | | |
| 12 2036 | | | | | | | | | | | | | | | |
| 13 2037 | | | | | | | | | | | | | | | |
| 14 2038 | | | | | | | | | | | | | | | |
| 15 2039 | 6.385 | +152 | to 10 yr | 6.381 | +155 | to 10 yr | 5.856 | +157 | to 10 yr | 5.666 | +146 | to 10 yr | 5.598 | +159 | to 10 yr |
| 16 2040 | | | | | | | | | | | | | | | |
| 17 2041 | | | | | | | | | | | | | | | |
| 18 2042 | | | | | | | | | | | | | | | |
| 19 2043 | | | | | | | | | | | | | | | |
| 20 2044 | 6.481 | +147 | to 30 yr | 6.458 | +150 | to 30 yr | 5.917 | +155 | to 30 yr | | | | 5.700 | +163 | to 30 yr |
| 21 2045 | | | | | | | | | | 5.843 | +154 | to 30 yr | | | |
| 22 2046 | | | | | | | | | | | | | | | |
| 23 2047 | | | | | | | | | | | | | | | |
| 24 2048 | | | | | | | | | | | | | | | |
| 25 2049 | | | | | | | 6.017 | +165 | to 30 yr | | | | 5.750 | +168 | to 30 yr |
| 26 2050 | | | | | | | | | | | | | | | |
| 27 2051 | | | | | | | | | | | | | | | |
| 28 2052 | | | | | | | | | | | | | | | |
| 29 2053 | | | | | | | | | | | | | | | |
| 30 2054 | | | | | | | | | | | | | | | |
| 31 2055 | | | | | | | | | | | | | | | |
| PAC | 6.50C/6.324Y | +150 | to 5 yr | | | | | | | 6.25C/5.704Y | +134 | to 5 yr | 6.00C/5.672Y | +141 | to 5 yr |
| Notes | 4/24 and 10/24 priced to 2yr; 10/52 PAC is 6.50% coupon at 100.736 to yield 6.324% w/5 year avg. life 75-500% PSA | | | | | | | | | 7/53 PAC is 6.25% coupon at 102.311 to yield 5.704% w/5.0 year avg. life 75-500% PSA | | | 1/54 PAC is 6% coupon at 101.388 to yield 5.672% w/5.0 year avg. life 75-500% PSA | | |
| Maturity Dates | 4/1 and 10/1 | | | 10/1 | | | 1/1 and 7/1 | | | 1/1 and 7/1 | | | 7/1 and 1/1 | | |
| Call Provisions | 10/1/32 at par | | | 4/1/33 at par | | | 1/1/33 at par | | | 1/1/33 at par | | | 1/1/33 at par | | |
| Mkt Index | BBi / RBI 4.19% / 4.47% | | | BBi / RBI 4.19% / 4.47% | | | BBi / RBI 3.85% / 4.13% | | | BBi / RBI 3.75% / 4.03% | | | BBi / RBI 3.60% / 3.88% | | |
| Sr Manager | Morgan Stanley | | | Wells Fargo | | | RBC Capital Markets | | | RBC Capital Markets | | | RBC Capital Markets | | |

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Item: Greater Minnesota Housing Fund “NOAH Impact Fund II” Class D Investment Update

Information Item: 9.B
Date: 03/28/2024
Staff Contacts: Tresa Larkin, 651.284.3177, tresa.larkin@state.mn.us
 Matt Dieveney, 651.282.2577, matthew.dieveney@state.mn.us
 Michael Solomon, 651.297.4009, michael.solomon@state.mn.us
Request Type: No Action, Information

Request Summary:

Staff is providing updated information regarding timing for the previously authorized investment in the Greater Minnesota Housing Fund (“GMHF”) NOAH Impact Fund Phase II (the “Fund”).

A preliminary commitment for an investment of \$5 million was approved by the Board in 2019, and updates were provided to the Board in 2022 and 2023. GMHF has now fully capitalized the Fund with partners committed to all investment classes and intends to close on the Fund in the Spring of 2024.

This \$5 million investment by Minnesota Housing will be used as part of the Fund to purchase naturally occurring affordable housing (NOAH) multi-family properties, to preserve housing affordable to low-income tenants. The general structure of the Fund will be similar to the NOAH Impact Fund that was approved by the Board in 2016 and which has been deployed.

Fiscal Impact:

With this request, the Agency will invest Pool 2 resources of \$5 million at 5% interest rate in a “Class D” position in the NOAH Impact Fund II capital stack. The Agency’s invested principal is expected to be outstanding for approximately 10-13 years. The Agency is expected to receive regular interest payments and full repayment of the principal at the sunset of the Fund dependent on Fund performance.

Agency Priorities:

☐ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Strengthen Communities

☐ Support People Needing Services

Attachments:

- Past Board Reports



Item: Greater Minnesota Housing Fund “NOAH Impact Fund II” Class D Investment

Staff Contact(s):

Tresa Larkin, 651.284.3177, tresa.larkin@state.mn.us

Matt Dieveney, 651.282.2577, matthew.dieveney@state.mn.us

Michael Solomon, 651.297.4009, michael.solomon@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input checked="" type="checkbox"/> Information |

Summary of Request:

Staff is providing information regarding the investment in the Greater Minnesota Housing Fund (GMHF) NOAH Impact Fund Phase II. A preliminary loan commitment was approved by the Board in 2019, and an update was provided to the Board in 2022. GMHF has now asked Minnesota Housing to consider closing on the investment of \$5 million mid-year 2023.

This investment will provide \$5 million for the GMHF “NOAH Impact Fund II” (the “Fund”). The Fund will invest in the purchase of naturally occurring affordable housing (NOAH) multi-family properties, in order to preserve housing affordable to low-income tenants. The general structure of the Fund will be similar to the NOAH Impact Fund that was approved by the Board in 2016 and which has been deployed.

Fiscal Impact:

With this request, the Agency will invest Pool 2 resources of \$5 million at 5% interest rate in a “Class D” position in the NOAH Impact Fund II capital stack. The Agency’s invested principal is expected to be outstanding for approximately 10-13 years. The Agency is expected to receive regular interest payments and full repayment of the principal at the sunset of the Fund dependent on Fund performance.

Meeting Agency Priorities:

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

Attachment(s):

- Prior Board Memos

Background

Greater Minnesota Housing Fund (GMHF) has asked Minnesota Housing to consider an investment of \$5 million in the second round of the NOAH Impact Fund to help acquire and preserve Naturally Occurring Affordable Housing (NOAH) in the Twin Cities Metro area.

At the September 2016 meeting, the Board of Directors of Minnesota Housing approved a request to invest in the NOAH Impact Fund I. On June 1, 2017, Minnesota Housing closed that investment of Pool 2 resources of \$5 million at 5% interest. That investment in a “Class D” position has since been substantially deployed to purchase NOAH properties and the fund is no longer actively available for new investments. The Agency has been receiving timely reporting and interest payments from the NOAH Impact Fund I.

On March 21, 2019, the Board of Directors approved a loan commitment to NOAH Impact Fund II in the amount of \$5 million. The expectation at that time was that the closing would proceed relatively quickly on terms substantially the same as with NOAH Impact Fund I. Given the passage of time and the change to market and financial conditions, staff again sought Board discussion of this investment opportunity at the August 25, 2022 meeting.

At this time, staff continues to recommend the investment in the NOAH Impact Fund II which we anticipate will close in mid-2023. The Agency’s investment would leverage an additional \$25-30 million of private capital in the Fund and \$80-100 million of private debt capital at the property level to preserve affordability of approximately 1,000 units of multi-family rental housing for another 15+ years.

NOAH properties are typically older apartment buildings that have become dated and lack the amenities desired by higher-income tenants, thus collecting lower rents without government subsidies. With low rental vacancy rates, rents continue to climb. Affordable housing is disappearing as investors buy up these properties, make modest upgrades, and convert to high-rent housing. The Fund will target NOAH properties across the seven-county metro that are at risk of being converted to higher-cost housing. GMHF will work with mission-oriented owner-operator partners to identify, purchase, and manage the properties. All properties must accept Section-8 vouchers, and this will be memorialized in the partnership agreements with the owner operators. Beyond compliance with Fair Housing law, the Fund will work proactively to require outreach to communities of color and renters who are least likely to apply.

GMHF and its consulting firms have run models of various scenarios to test the Fund’s ability to withstand a variety of stresses and magnitude of stresses. The stresses range from short-term spikes in vacancies to the liquidation of 50% of the properties at 100% losses. In all but the most catastrophic cases, which are considered remote, the Agency’s investment in Class-D notes is anticipated to be paid as expected.

Summary

This Fund presents an opportunity to earn a reasonable return on mission-rich investment. At this time, staff continues to recommend moving forward with the \$5 million investment in the NOAH Impact Fund II in a Class D position which we anticipate will close in mid-2023. While there are potential financial risks to the investment, the Agency feels it understands the risks and has identified reasonable protection against these risks. As with all Agency investments, the actual closing of the investment will be contingent upon the development and execution of Fund documentation including procedures acceptable to the Agency's finance staff and legal counsel.



Item: Greater Minnesota Housing Fund NOAH Impact Fund Phase II

Staff Contact(s):

Rachel Robinson, 651.297.3125, Rachel.robinson@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests a discussion of the Board's interest in continuing to pursue an investment in the Greater Minnesota Housing Fund (GMHF) NOAH Impact Fund Phase II. A preliminary loan commitment was approved by the Board in 2019, and GMHF has asked Minnesota Housing to consider fully underwriting and closing an investment of \$5 million in mid- to late-2022.

Fiscal Impact:

The agency would invest Pool 2 resources of up to \$5 million at a rate to be determined in a tranche/class position in the NOAH Impact Fund II capital stack. The agency would receive regular interest payments and full repayment of the loan principal at the sunset of the Fund.

Meeting Agency Priorities:

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

Attachment(s):

- Background
- 2019 NOAH Impact Fund II Board Report

Background:

Greater Minnesota Housing Fund (GMHF) has asked Minnesota Housing to consider a second-round investment of \$5 million in the NOAH Impact Fund II to help acquire and preserve Naturally Occurring Affordable Housing (NOAH) in the Twin Cities Metro area.

On June 1, 2017, Minnesota Housing closed an investment of Pool 2 resources in the NOAH Impact Fund I operated and managed by Greater Minnesota Housing Fund (GMHF). That investment of \$5 million at 5% interest has since been substantially deployed to purchase NOAH properties and the fund is no longer actively available for new investments. The agency's investment is in a "Class D" position, which is supported by subordinated funds from philanthropic and other local government funds that are considered "first loss".

On March 21, 2019, the Board of Directors approved a loan commitment to NOAH Impact Fund II in the amount of \$5 million. The expectation at that time was that the closing would proceed relatively quickly on terms substantially the same as with the Fund I closing.

As more than three years have passed since the initial commitment to the NOAH Impact Fund II, and the market and financial conditions have been impacted by the pandemic, staff are interested in a Board discussion of next steps in considering the potential investment in NOAH Impact Fund II.

GMHF is raising a total of \$33.5 million in investments to capitalize the NOAH Impacted Fund II pool of resources. Private, community banks would provide investments of approximately \$17 million in the Class A, B and C investments. Minnesota Housing would provide the Class D investment at \$5 million. And further subordinate investments would include county government, philanthropy and GMHF's own resources.

Once fully funded and closed, the NOAH Impact Fund II would use the pooled loan capital from investors to provide equity capital to developers purchasing NOAH properties. The properties will stabilize rents and provide cash flow returns that, along with credit enhancements built into the fund, will be used to pay simple interest to Minnesota Housing and other investors. At fund wind-down at ten to fifteen years from closing, the properties are generally sold or re-capitalized in order to repay principal to the NOAH Impact Fund II investors.

To proceed to a full investment in NOAH Impact Fund II, staff would fully underwrite a Fund model including a review of the market conditions impacting possible deployment, risk to the agency's resources, and Minnesota Housing's ability to provide Pool 2 resources for this purpose without negative impacts to the agency's other strategic priorities.

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

Staff Contact(s):

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Matt Dieveney, 651.282.2577, matthew.dieveney@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

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

Fiscal Impact:

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

Meeting Agency Priorities:

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

Attachment(s):

- Background

Background

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

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

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

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Item: Single Family Annual Report of Actions Taken Under Delegated Authority for CY2023

Information Item: 9.C
Date: 03/28/2024
Staff Contacts: Kim Stuart, 651.296.9959, kim.stuart@state.mn.us
Tal Anderson, 651.296.2198, tal.anderson@state.mn.us
Request Type: No Action, Information

Request Summary

The attached report for calendar year ("CY") 2023 describes actions taken under certain board delegations related to the Single Family Division. The delegations included in the report contemplate that the commissioner will make a written report to the board annually describing the actions taken using the delegated authority.

Fiscal Impact

The potential fiscal impact of each action taken under delegated authority is considered at the time of approval.

Agency Priorities

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

Attachments

Single Family Delegated Authority CY 2023 Report

Background

The board has delegated certain authority to the commissioner pursuant to a series of delegations. The delegations include a determination by the board that providing authority to the commissioner improves the efficiency of the Agency's loan and grant programs. Each delegation includes an allowable scope as well as parameters and limitations by which it may be used and how actions may be approved. A number of delegations provide for an annual report to the board of actions taken pursuant to that authority.

This report includes actions taken under delegated authority that require annual reporting, related to the Agency's Single Family division, in calendar year 2023.

Actions Taken

The following actions were taken under each of the delegations listed below during calendar year 2023.

Resolution No. MHFA 18-016, Board Delegation No. 003:

To authorize the commissioner to grant program and servicing waivers to certain Single Family loan requirements

Program Pre-Funding Actions Taken:

| Program | Reason for Action | Number of Uses |
|--|----------------------------------|----------------|
| Homeownership-First Mortgage | Program guideline/manual waivers | 61 |
| | Interest rate/fee waivers | 15 |
| | Document deficiency waivers | 4 |
| Homeownership-Downpayment and Closing Cost Loans | Program guideline/manual waivers | 88 |
| Home Improvement | Program guideline/manual waivers | 12 |
| | Interest rate/fee waivers | 2 |

| | | |
|--------------|-----------------------------|------------|
| | Document deficiency waivers | 2 |
| Total | | 184 |

Post-Closing Actions Taken:

| Program | Reason for Action | Number |
|--|----------------------------------|---------------|
| Homeownership-First Mortgage | Program guideline/manual waivers | 11 |
| Homeownership-Downpayment and Closing Cost Loans | Program guideline/manual waivers | 3 |
| Home Improvement | Program guideline/manual waivers | 0 |
| Quality Control | | |
| Homeownership | Program guideline/manual waivers | 49 |
| Home Improvement | Program guideline/manual waivers | 0 |
| RLP/ELP | Program guideline/manual waivers | 3 |
| Total | | 66 |

Resolution No. MHFA 18-036, Board Delegation No. 017: To authorize the commissioner to make certain funding modifications, herein call “Incentive Fund Awards,” under the Community Homeownership Impact Fund (“Impact Fund”).

Actions Taken:

The Agency made four Incentive Fund Awards in 2023 for a total of \$346,000 to complete an additional 14 units.

- City of Lakes Community Land Trust: \$120,000 to complete two additional units under their 2022 award.
- NeighborWorks Home Partners: \$42,000 to complete four additional units under their 2022 award.
- Semcac: \$102,000 to complete four additional units under their 2022 award.
- Twin Cities Habitat for Humanity: \$82,000 to complete an additional four units under their 2022 award.

Resolution No. MHFA 18-033, Board Delegation No. 024: To authorize the commissioner to approve grant extensions for all Single Family grants.

Actions taken:

106 extensions approved for the maximum incremental extension term of 6 months. No contracts have exceeded the States 5 year maximum contract term.

Common reasons for the need for extensions included limited contractor availability, product/material shortages, and increase in construction/material costs. Other common reasons for approved extensions included needing more time to finish construction.

Resolution No. MHFA 18-035, Board Delegation No. 026: To authorize the commissioner to grant waivers to certain visitability requirements for Single Family program related transactions authorized by Minn. Stat. § 462A.34, as it may be subsequently amended or revised.

Actions taken:

Total number of visitability waivers – 10.

100% (10) of the waivers were for the no-step entrance due to site conditions that make the requirement impractical.



Item: Multifamily Annual Report of Actions Taken under Delegated Authority for CY2023

Information Item: 9.D
Date: 3/28/2024
Staff Contacts: Jennifer Ho, 651.271.1362, jennifer.ho@state.mn.us
 James Lehnhoff, 651.296.3028, james.lehnhoff@state.mn.us
 Rinal Ray, 651.296.3789, rinal.ray@state.mn.us
Request Type: No Action, Information

Request Summary

The attached report for calendar year ("CY") 2023 describes actions taken under certain board delegations related to the Multifamily Division and Housing Stability Division. The delegations included in the report contemplate that the commissioner will make a written report to the board annually describing the actions taken using the delegated authority.

Fiscal Impact

The potential fiscal impact of each action taken under delegated authority is considered at the time of approval.

Agency Priorities

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

Attachments

- Multifamily Delegated Authority Report for Calendar Year 2023

Multifamily Delegated Authority Report for Calendar Year 2023

The board has delegated certain authority to the commissioner pursuant to a series of delegations. The delegations include a determination by the board that providing authority to the commissioner improves the efficiency of the Agency's loan and grant programs. Each delegation includes an allowable scope as well as parameters and limitations by which it may be used and how actions may be approved. A number of delegations require an annual report to the board of actions taken pursuant to that authority.

This report includes actions taken under delegated authority that requires annual reporting related to the Agency's Multifamily and Housing Stability Divisions in calendar year 2023. The current delegated authorities do not yet differentiate between the Multifamily Division and the recently established Housing Stability Division. We anticipate proposing updates to the delegated authority language in 2024 that identifies the Housing Stability Division, but this report uses the existing delegated authority language. The uses in Board Delegation Nos. 15 and 20 pertain to grant programs utilized by the Housing Stability Division.

Please note that a single project may be listed more than once on a table if the project received more than one approval through a delegated authority.

| Summary of Multifamily Delegation Usage in Calendar Year 2023 | | | |
|---|--------------------|---|----------------|
| Resolution No. | Board Delegation # | Description | Number of Uses |
| 18-018 | 5 | Deferred Loan Funding Modifications | 5 |
| 18-019 | 7 | Deferred Loan Debt Forgiveness | 4 |
| 18-020 | 8 | Deferred Loan Assumptions | 2 |
| 18-021 | 9 | Loan Commitment Extensions | 25 |
| 18-026 | 15 | Grant Funding Modifications | 3 |
| 18-029 | 20 | Grant Agreement Extensions | 1 |
| 20-017 | 29 | Extensions of deadlines and authorization of use as emergency housing for Federal LIHTC | 1 |
| 19-012 | 32 | Tax Credit Joint Powers Agreements | 3 |
| 22-005 | 34 | Servicing of the Multifamily Loan Portfolio | 20 |
| 22-006 | 35 | Loan Forbearance on Multifamily Loans | 5 |

Resolution No. MHFA 18-018, Board Delegation No. 005: Deferred Loan Funding Modifications: To authorize the commissioner to make certain funding modifications under the Multifamily deferred loan programs.

Actions Taken:

| Dev ID # | Development Name | City | Modification Date | Funding Source | Original Selection Amount | Increase | Modified Amount |
|----------|-------------------|----------|-------------------|--|---------------------------|-------------|-----------------|
| D8302 | Skyridge Flats | Duluth | 2/22/2023 | Housing Infrastructure Bonds | \$13,929,000 | \$300,000 | \$14,229,000 |
| D3419 | Parkview Heights | Owatonna | 3/15/2023 | Preservation Affordable Rental Investment Fund | \$1,735,000 | \$150,000 | \$1,885,000 |
| D8111 | The Sound on 76th | Edina | 4/29/2023 | Economic Development and Housing Challenge | \$888,634 | \$33,060 | \$921,694 |
| D8430 | The Edge* | Kasson | 8/23/2023 | Economic Development and Housing Challenge | \$1,618,000 | \$7,007,000 | \$8,625,000 |
| D8336 | Silver Linings | Moorhead | 12/27/2023 | Housing Infrastructure Bonds | \$9,585,000 | \$300,000 | \$9,885,000 |

The Edge funding modification consolidated a prior \$4,920,000 HOME award and a prior \$2,087,000 National Housing Trust Fund award into a single Economic Development and Housing Challenge loan.

Resolution No MHFA 18-019, Board Delegation No. 007: Multifamily Deferred Loan Debt Forgiveness: To authorize the commissioner to forgive the principal and/or interest on a deferred loan up to \$250,000.

Actions Taken:

| Dev ID # | Development Name | City | Approval Date | Funding Source | Original Loan Amount | Remaining Principal Loan Amount | Forgiven Loan Amount | Remaining Loan Amount |
|----------|------------------------|-------------|---------------|--|----------------------|---------------------------------|----------------------|-----------------------|
| D0423 | New Apollo Apartments | Duluth | 2/15/2023 | Housing Trust Fund | \$75,000 | \$75,000 | \$75,000 | \$0 |
| D0879 | Oakland Square | Minneapolis | 4/20/2023 | Financing Adjustment Factor/ Financing Adjustment | \$154,298 | \$150,000 | \$150,000 | \$0 |
| D0879 | Oakland Square | Minneapolis | 4/20/2023 | Financing Adjustment Factor/ Financing Adjustment | \$100,000 | \$100,000 | \$100,000 | \$0 |
| D0181 | 8101 & 8041 12th Ave S | Bloomington | 5/3/2023 | McKinney Transitional and Permanent Housing for the Handicapped Homeless Program | \$190,027 | \$190,027 | \$190,027 | \$0 |

Resolution No MHFA 18-020, Board Delegation No. 008: Multifamily Deferred Loan Assumptions: To authorize the commissioner to approve the assumption of Multifamily deferred loans.

Actions Taken:

| Dev ID # | Development Name | City | Modification Date | Funding Source | Assumed Loan Amount |
|----------|------------------|-------------|-------------------|--|---------------------|
| D2544 | ZOOM House | Minneapolis | 11/29/2023 | Preservation Affordable Rental Investment Fund Program | \$534,650 |
| D2544 | ZOOM House | Minneapolis | 11/29/2023 | Minnesota Families Affordable Rental Investment Fund Program | \$340,000 |

Resolution No MHFA 18-021, Board Delegation No. 009: Multifamily Loan Commitment Extensions:

To authorize the commissioner to approve Multifamily loan commitment extensions for Multifamily deferred loans and first mortgage loans for up to 24 months, but any one extension cannot exceed 12 months.

Please note that a single project may be listed more than once because the project may involve more than one loan type and may receive more than one extension.

Actions Taken:

| Dev ID # | Development Name | City | Approval Date | Funding Source | Selected Loan Amount | Original Expiration Date | New Expiration Date |
|----------|-----------------------------|----------------|---------------|--|----------------------|--------------------------|---------------------|
| D4065 | St. Paul (Midway) Residence | Saint Paul | 3/1/2023 | Preservation Affordable Rental Investment Fund | \$1,784,000 | 7/21/2022 | 6/30/2023 |
| D8118 | North Moorhead Village | Moorhead | 3/22/2023 | Low and Moderate Income Rental Program | \$2,409,000 | 3/23/2023 | 7/1/2023 |
| D8309 | Union Park Flats | St. Louis Park | 4/26/2023 | Low and Moderate Income Rental Program | \$4,253,000 | 4/30/2025 | 10/31/2025 |
| D8118 | North Moorhead | Moorhead | 6/14/2023 | Economic Development and Housing Challenge | \$583,475 | 7/1/2023 | 12/31/2023 |
| D8118 | North Moorhead | Moorhead | 6/14/2023 | Low and Moderate Income Rental Program | \$2,409,000 | 7/1/2023 | 12/31/2023 |
| D8317 | Royal Manor Apartments | Alexandria | 8/16/2023 | Housing Infrastructure Bonds | \$2,850,624 | 8/16/2023 | 12/31/2023 |
| D8407 | Kyle Garden Square | Minneapolis | 9/20/2023 | Housing Infrastructure Bonds | \$9,558,000 | 9/27/2023 | 9/26/2024 |

| Dev ID # | Development Name | City | Approval Date | Funding Source | Selected Loan Amount | Original Expiration Date | New Expiration Date |
|----------|--|-------------|---------------|--|----------------------|--------------------------|---------------------|
| D8407 | Kyle Garden Square | Minneapolis | 9/20/2023 | National Housing Trust Fund | \$2,300,000 | 9/27/2023 | 9/26/2024 |
| D8407 | Kyle Garden Square | Minneapolis | 9/20/2023 | HOME Investment Partnership | \$1,447,000 | 9/27/2023 | 9/26/2024 |
| D8341 | Mary Hall | Saint Paul | 9/20/2023 | Housing Infrastructure Bonds | \$7,222,000 | 9/27/2023 | 9/26/2024 |
| D8341 | Mary Hall | Saint Paul | 9/20/2023 | Housing Infrastructure Bonds | \$2,483,000 | 9/27/2023 | 9/26/2024 |
| D8248 | Rogers Main Street | Rogers | 9/20/2023 | Housing Infrastructure Bonds | \$4,988,000 | 9/27/2023 | 9/26/2024 |
| D8248 | Rogers Main Street | Rogers | 9/20/2023 | Housing Infrastructure Bonds | \$1,434,000 | 9/27/2023 | 9/26/2024 |
| D8316 | Simpson Community Shelter and Apartments | Minneapolis | 9/20/2023 | Housing Infrastructure Bonds | \$11,101,000 | 9/27/2023 | 7/31/2024 |
| D8341 | Lewis Lofts | Mankato | 9/20/2023 | Housing Infrastructure Bonds | \$5,594,000 | 9/27/2023 | 3/27/2024 |
| D8217 | Wadaag Commons | Minneapolis | 9/20/2023 | Economic Development and Housing Challenge | \$3,964,000 | 9/27/2023 | 6/30/2024 |
| D2959 | Windwood Townhomes | Duluth | 11/8/2023 | Low and Moderate Income Rental Program | \$677,000 | 12/31/2023 | 6/30/2024 |
| D8193 | Edison II | Roseville | 11/16/2023 | Low and Moderate Income Rental Program | \$4,620,000 | 11/18/2023 | 12/31/2023 |
| D8336 | Silver Linings Apartments | Moorhead | 11/22/2023 | Housing Infrastructure Bonds | \$9,585,000 | 11/30/2023 | 9/30/2024 |

| Dev ID # | Development Name | City | Approval Date | Funding Source | Selected Loan Amount | Original Expiration Date | New Expiration Date |
|----------|------------------------------|-------------|---------------|--|----------------------|--------------------------|---------------------|
| D8336 | Silver Linings Apartments | Moorhead | 11/22/2023 | Flexible Financing for Capital Costs | \$575,000 | 11/30/2023 | 9/30/2024 |
| D2475 | Kimball Court | Saint Paul | 11/22/2023 | Flexible Financing for Capital Costs | \$1,901,000 | 11/25/2023 | 6/30/2024 |
| D2475 | Kimball Court | Saint Paul | 11/22/2023 | Housing Infrastructure Bonds | \$7,902,000 | 11/25/2023 | 6/30/2024 |
| D0800 | Stonehouse Square Apartments | Minneapolis | 12/20/2023 | Low and Moderate Income Rental Program | \$6,281,000 | 12/28/2023 | 3/29/2024 |
| D8118 | North Moorhead Village | Moorhead | 12/20/2023 | Low and Moderate Income Rental Program | \$2,409,000 | 12/30/2023 | 3/30/2024 |
| D8118 | North Moorhead Village | Moorhead | 12/20/2023 | Economic Development and Housing Challenge | \$583,475 | 12/30/2023 | 3/30/2024 |

Resolution No MHFA 18-026, Board Delegation No. 015: Multifamily Grant Modifications: To authorize the commissioner to make certain funding modifications of Multifamily Grants.

Actions Taken:

| Program | Grantee | Approval Date | Original Selection Amount | Increase | Modified Amount |
|-----------------------------------|--|---------------|---------------------------|----------|-----------------|
| Housing Trust Fund | New Pathways, Inc. | 1/18/2023 | \$56,500 | \$19,150 | \$75,650 |
| Housing Trust Fund | Lutheran Social Service, Cedarview Commons and Rivertown Commons | 5/3/2023 | \$381,000 | \$53,434 | \$434,434 |
| Bridges Regional Treatment Center | Southwestern Minnesota Adult Mental Health Consortium | 6/7/2023 | \$37,760 | \$1,000 | \$38,760 |

Resolution No MHFA 18-029, Board Delegation No. 020: Multifamily Grant Agreement Extensions: To authorize the commissioner to approve grant agreement extensions for Multifamily Grants.

Action Taken:

| Dev ID # | Grantee | Extension Approval Date | Funding Source | Existing Grant Agreement Expiration | Extension Length | New Grant Agreement Expiration | Grant Amount |
|----------|--------------------|-------------------------|-----------------------------------|-------------------------------------|------------------|--------------------------------|--------------|
| D7564 | Guild Incorporated | 6/16/2023 | Bridges Regional Treatment Center | 6/30/2023 | 6 months | 12/31/2023 | \$204,377 |

Resolution No. MHFA 20-017, Board Delegation No. 029: Extensions of Deadline and Authorization of use as Emergency Housing for Federal Low-income Housing Tax Credit (HTC) Developments Located in a Major Disaster Area: To authorize the commissioner to approve extensions to Internal Revenue Service (IRS) deadlines under the federal HTC program and to authorize use of HTC developments as Emergency Housing Assistance as permitted by IRS guidance and procedures. This delegation is in effect only in the event that an HTC development is located in a federally declared disaster area.

Action Taken:

| Dev ID # | Development Name | City | Approval Date | Description |
|----------|------------------|-------------|---------------|--|
| D8333 | Shelby Commons | Minneapolis | 2/15/2023 | Extension of the placed in service deadline until December 31, 2024. |

Resolution No. MHFA 19-012, Board Delegation No. 032: Joint Powers Agreements with Suballocating Jurisdictions to Administer Federal Low-income Housing Tax Credits: To authorize the commissioner to enter into Joint Powers Agreements with cities or counties deemed allocation agencies (also known as suballocators) to administer the Housing Tax Credit (HTC) program for the suballocator in its jurisdiction.

Actions Taken:

| Jurisdiction | Approval Date | Purpose |
|---------------------|---------------|--|
| City of Saint Cloud | 05/26/22 | Housing Tax Credit Joint Powers Agreement with suballocators who agree to transfer its entire HTC Annual Tax Credit distribution to Minnesota Housing which become part of the Minnesota Housing 2023 Federal Low-income Housing Tax Credit ceiling. |
| City of Duluth | 05/26/22 | Housing Tax Credit Joint Powers Agreement with suballocators who agree to transfer its entire HTC Annual Tax Credit distribution to Minnesota Housing which become part of the Minnesota Housing 2023 Federal Low-income Housing Tax Credit ceiling. |
| City of Rochester | 05/26/22 | Housing Tax Credit Joint Powers Agreement with suballocators who agree to transfer its entire HTC Annual Tax Credit distribution to Minnesota Housing which become part of the Minnesota Housing 2023 Federal Low-income Housing Tax Credit ceiling. |

Resolution No MHFA 22-005, Board Delegation No. 034: Servicing of the Multifamily Loan Portfolio: To authorize the commissioner to make, under the Multifamily loan programs, certain actions relating to the servicing of the Multifamily loan portfolio that exceed the commissioner's administrative authority (as determined by the General Counsel and Assistant Commissioner for Multifamily).

Actions Taken:

| Dev ID # | Development Name | City | Approval Date | Funding Source | Loan Amount | Loan Servicing Type |
|----------|-------------------------|-----------|---------------|--|-------------|------------------------|
| D1591 | Delancey & Selby Stone | St. Paul | 1/4/2023 | Operating Loss Subsidy Loan | \$64,500 | Amendment |
| D2864 | Big Falls Housing | Big Falls | 1/25/2023 | Preservation Affordable Rental Investment Fund | \$235,000 | Extension |
| D3329 | Kelliher Apartments | Kelliher | 2/15/2023 | HOME | \$269,982 | Extension |
| D6675 | CIP Bass Lake Road | Crystal | 3/1/2023 | Preservation Affordable Rental Investment Fund | \$118,869 | Prepayment and Release |
| D7606 | CIP Scattered Site 2012 | Hopkins | 3/1/2023 | Preservation Affordable Rental Investment Fund | \$81,900 | Prepayment and Release |

| Dev ID # | Development Name | City | Approval Date | Funding Source | Loan Amount | Loan Servicing Type |
|----------|---|-------------|---------------|---|-------------|---|
| D1526 | Park Crossing Apartments | St. Paul | 3/29/2023 | Low Income Large Family Rental Housing Program | \$120,000 | Notice of Default |
| D0839 | Exodus Redeemer Apartments | Minneapolis | 4/19/2023 | Housing Trust Fund | \$90,243 | Extension |
| D0878 | Whittier Community Housing | Minneapolis | 6/14/2023 | Asset Management | \$892,400 | Assumption, Subordination & Extension |
| D0878 | Whittier Community Housing | Minneapolis | 6/14/2023 | Financing Adjustment (FA) | \$621,400 | Assumption, Subordination & Extension |
| D0878 | Whittier Community Housing | Minneapolis | 6/14/2023 | Ending Long-Term Homelessness Initiative Fund | \$875,000 | Assumption, Subordination & Extension |
| D6706 | PPL Foreclosure Redirection Program II | Minneapolis | 6/14/2023 | Economic Development and Housing Challenge Fund | \$650,000 | Change in Use/Modification |
| D8126 | Twenty08 | Alexandria | 7/18/2023 | Workforce Housing Development Program | \$499,000 | Extension |
| D8484 | Skyview Development | Plainview | 7/18/2023 | Workforce Housing Development Program | \$1,304,000 | Extension |
| D8295 | Steele Heights | Ellendale | 7/18/2023 | Workforce Housing Development Program | \$491,000 | Extension |
| D0213 | Trail Ridge | Brainerd | 7/18/2023 | Low Income Large Family Rental Housing Program | \$450,000 | Extension |
| D3518 | Watkins Area Homes II | Watkins | 8/30/2023 | HOME Rental Rehab | \$539,964 | Extension |
| D1194 | Jordan Tower II | Red Wing | 11/15/2023 | HOME Rental Rehab | \$1,044,110 | Extension |
| D2888 | Tofte Homestead Planned Development Phase I | Tofte | 11/15/2023 | Economic Development and Housing Challenge Fund | \$260,500 | Recommendation to issue a notice of default |

| Dev ID # | Development Name | City | Approval Date | Funding Source | Loan Amount | Loan Servicing Type |
|----------|--|-------------|---------------|---|-------------|---|
| D3118 | Tofte Homestead Planned Development Phase II | Tofte | 11/15/2023 | Economic Development and Housing Challenge Fund | \$257,237 | Recommendation to issue a notice of default |
| D7934 | Dundry/Hope Block Stabilization Phase II | Minneapolis | 12/13/2023 | Preservation Affordable Rental Investment Fund | \$1,124,000 | Partial Release |

Resolution No MHFA 22-006, Board Delegation No. 035: To authorize the commissioner to allow for forbearance on a Multifamily loan.

Actions Taken:

| Dev ID # | Development Name | City | Approval Date | Funding Source | Original Loan Amount | Current Loan Amount | Start of Forbearance | End of Forbearance |
|----------|--|-------------|---------------|---|----------------------|---------------------|----------------------|--------------------|
| D3427 | Willow Wood Estates | Plymouth | 5/31/2023 | Preservation Affordable Rental Investment Fund Loan | \$300,000 | \$200,000 | 7/30/2023 | 7/30/2024 |
| D0121 | Red Pine Estates | Bemidji | 8/9/2023 | Asset Management Loan | \$1,633,156 | \$1,185,109 | 9/1/2023 | 8/1/2024 |
| D2492 | Hayfield Greens | Hayfield | 6/14/2023 | Rehab Incentive Loan | \$430,000 | \$430,000 | 9/1/2023 | 9/1/2024 |
| D0860 | Minnesota Indian Women's Resource Center | Minneapolis | 1/25/2023 | Urban Indian Housing Program Loan | \$375,000 | \$375,000 | 2/1/2023 | 2/1/2024 |
| D0860 | Minnesota Indian Women's Resource Center | Minneapolis | 1/25/2023 | Urban Indian Housing Program Loan | \$25,000 | \$25,000 | 2/1/2023 | 2/1/2024 |

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Item: Chief Risk Officer Report (Status of fraud, Misuse of funds, COI Investigations for Period 7/1/23 – 12/31/23)

Information Item: 9.E
Date: 3/28/24
Staff Contacts: Mike Thone, 651.296.9813, Mike.Thone@state.mn.us
 Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us
Request Type: No Action, Information

Request Summary

This is an update from the Chief Risk Officer regarding the status of conflict of interest, misuse of funds, and fraud/embezzlement investigations for the period July 1, 2023, to December 31, 2023. The last Chief Risk Officer Report was made August 24, 2023, covering the period of January 1, 2023, through June 30, 2023.

The next semi-annual report is expected to be delivered to the board in August 2024, for the period covering January 1, 2024, to June 30, 2024.

Fiscal Impact

None

Agency Priorities

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

Attachments

- Background
- Exhibit 1: Status of Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer; period of 7/1/23 – 12/31/23
- Exhibit 2: RentHelpMN program potential fraud status update; period of 7/1/23 – 12/31/23
- Exhibit 3: HomeHelpMN program potential fraud status update; period of 7/1/23 – 12/31/23

Background

Minnesota Housing has established procedures by which the Chief Risk Officer or other staff receive and address allegations of conflict of interest, misuse of funds, and fraud/embezzlement related to Agency operations or Agency programs.

The Minnesota Housing Risk Management and Internal Control Framework contemplates the Chief Risk Officer report regularly to the board of directors on status of such allegations. The typical process is to report every six months.

This report includes separate categories for the RentHelpMN and HomeHelpMN programs. Those programs are federally funded COVID-19 emergency direct assistance programs that are unique in scope, structure, federal requirements, and risks from the Agency's standard operations and programs. The Agency is required to follow the program structure set out in federal guidelines and, for RentHelpMN, processed a significant number of applications in a very short period of time given the emergency nature of those funds.

By separating out the federal emergency relief programs from the standard reporting structure, staff are better able to illustrate some of the unique characteristics of these programs, while demonstrating that the volume of risk-related challenges appear limited to those programs. One unique factor to be aware of is that in this report each application is a "case," while there may be one person or entity associated with many cases/applications. Staff is also being as transparent as possible by including all submitted applications for assistance that were determined to be potential attempted fraud. As the numbers reflect, the largest number of applications that are reported are applications where it was identified that the application was potentially fraudulent before a payment was made.

The RentHelpMN program stopped accepting new applications in January 2022 and had finalized processing on all applications by the end of 2022. Starting in August 2023, RentHelpMN started accepting Targeted Rental Assistance applications through referrals from Housing Stability Service providers. The figures in Exhibit 2 reflect activity for both RentHelpMN and Targeted Rental Assistance. The federal grant that funds Targeted Rental Assistance expires in September of 2025, after which staff will no longer provide reporting for this program.

The HomeHelpMN program stopped accepting applications as of July 7, 2023, and this program has been closed out. Going forward, staff will no longer provide any reporting for this program.

Minnesota Housing, as a state housing finance agency, is not structured as an investigative body and does not have statutory investigatory or enforcement authority. The Agency conducts a thorough review of applications and otherwise coordinates with law enforcement, investigatory bodies, and the Minnesota Attorney General's office for appropriate next steps related to cases of suspected or potential fraud.

Exhibit 1 informs the board about the number of **non-federal direct assistance program** conflict of interest, misuse of funds, and fraud/embezzlement investigations opened, resolved, and still in-process for the period.

Exhibit 1

| Status of Non-Federal COVID Direct Assistance Program Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer For the Period 7/1/23 – 12/31/23 | | | | |
|---|---|--|--|--|
| Allegation Type | Investigations in-process as of 7/1/23 | Investigations Opened During Period | Investigations Resolved During Period | Comments Regarding Investigations |
| Alleged Conflict of Interest (COI) | 0 | 0 | 0 | No investigations in-process |
| Alleged Misuse of Funds (MOF) less than \$50,000 | 0 | 0 | 0 | No investigations in-process |
| Alleged Misuse of Funds (MOF) greater than \$50,000 | 0 | 0 | 0 | No investigations in-process |
| Alleged Fraud/Embezzlement | 0 | 1 | 1 | <ul style="list-style-type: none"> Allegation was unsubstantiated No investigations in-process |
| Summary | 0 | 1 | 1 | 0 cases in process |

Exhibit 2 informs the board about the number of **RentHelpMN federal direct assistance program** fraud/embezzlement reports opened, resolved, and still in-process for the period.

Exhibit 2

RentHelpMN COVID Direct Assistance Program Fraud/Embezzlement Investigations and Other Details For the Period 7/1/23 – 12/31/23

Fraud-Related Reports Received/Investigations Opened, Resolved, and In-Process

- 2 = Cases in-process as of 6/30/23 (prior period)
- 0 = Cases in-process as of 6/30/23 (prior period) resolved during this reporting period
- 14 = Total number of investigations opened during the reporting period in response to fraud-related reports received from contractor staff, online reporting, email and other sources, made up of:
 - 0 = reports/applications received by contractor fraud investigator from contractor staff
 - 13 = reports received from online reporting
 - 1 = reports received by MHFA Chief Risk Officer from email or other sources
- 14 = Reports received and resolved during the reporting period
- 2 = Investigations in-process as of 12/31/23

Applications Denied for Potential Attempted Fraud (before payment made)

- 8 = Total number of applications denied for potential attempted fraud before payment made during the reporting period

Applications Paid and Later Determined to be Potentially Fraudulent

- 2 = Total number applications paid that were later determined to be potentially fraudulent and not yet recouped
- \$26,550 = Total aggregate amount of assistance paid on the (2) applications determined to be potentially fraudulent

Recoupment of Paid Applications Later Determined to be Potentially Fraudulent

- 0 = Total number of recouped applications paid that were later determined to be potentially fraudulent

Cases Under Review with External Law Enforcement

- 604 = Total number of applications referred to external law enforcement offices for additional investigation or to the Minnesota Attorney General's Office for review and evaluation. This figure is made up of applications in process of review and evaluation from prior reporting period, plus new applications referred to external law enforcement during the current reporting period, minus applications resolved during the current reporting period:
 - 610 = Number of applications that remain under review and evaluation with external law enforcement from the prior reporting period. (Note: this figure includes paid and unpaid applications relating to specific entities and individuals under further review for potentially fraudulent activity and includes some duplication of applications reported above)

- 0 = Number of new applications referred to external law enforcement offices for additional investigation during the reporting period
 - 6 = Number of applications resolved by investigation during the current reporting period
- 106 = Number of potentially fraudulent paid applications pending referral to the Bureau of Criminal Apprehension (BCA) for further review to determine if criminal investigation for fraud is warranted

Exhibit 3 informs the board about the number of **HomeHelpMN federal direct assistance program** fraud/embezzlement investigations opened, resolved, and still in-process for the period.

Exhibit 3

**HomeHelpMN COVID Direct Assistance Program
Fraud/Embezzlement Reports Received, Investigation Statuses and Other Details
For the Period 7/1/23 – 12/31/23**

Fraud-Related Reports Received/Investigations Opened, Resolved, and In-Process (reports received from all sources)

- 1 = Cases in-process as of 6/30/23 (prior period)
- 1 = Case in-process as of 6/30/23 (prior period) that was resolved during this reporting period
- 6 = Applications referred for potential fraud by contractor staff to the contractor fraud investigator for review/investigation. Those applications aggregated to \$176,903 of assistance requested. None of those applications were denied for potential fraud prior to payment.
 - Six contractor staff applications referred for review/investigation were resolved during the period. None of those investigations remained in-process as of 12/31/23.
- 6 = Reports of potential fraud received from online reporting, from Minnesota Housing program staff, or by other means (e.g., notice from law enforcement)
 - Five of those six fraud investigations were resolved during the reporting period
 - One of the investigations remained in-process as of 12/31/23
- 5 = Instances of applications paid where it was later discovered after payment made that the applications were potentially fraudulent. Those applications aggregated to \$22,447. All those funds were recouped during the period.
- 0 = Applications referred to law enforcement for investigation of potential fraud