APPENDIX A-1: OVERVIEW OF FUNDING SOURCES

Our strong balance sheet and financial resources are a key strength. This Appendix describes each of our funding sources and outlines how we will use them in 2022 and 2023. Table A-1 shows estimates of our planned program investments by funding source. Table A-2 is a crosswalk that shows how we currently plan to allocate resources from each source to each program.

TABLE A-1: 2022-2023 ESTIMATED PROGRAM INVESTMENTS BY FUNDING SOURCE

Program Category	2022-2023 Estimated Resources Available
Federal Resources	$1,036,079,609
State Appropriated Resources	$164,442,853
Mortgage Capital from Bond or Agency Resources	$2,628,500,000
Housing Affordability Fund (Pool 3)	$96,500,000
Total	**$3,925,522,461**

FUNDING SOURCE DESCRIPTIONS

Federal Resources: There are various types of federal resources, including appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing and Low-Income Housing Tax Credits from the Internal Revenue Service (IRS). For planning purposes, we generally assume that 2022 and 2023 HUD appropriations will remain at 2021 levels, which is subject to change. The amount of federal housing tax credits is based on a per capita formula. This Affordable Housing Plan (AHP) also includes for 2022 and 2023 about $508 million in one-time funding for COVID-19 housing recovery, doubling the federal funding that we typically receive.

State Appropriated Resources: The amount of funding is based on the 2022-2023 general fund budget adopted by the 2021 Minnesota Legislature. Any unused funds from previous year appropriations and repayments of loans are included.

Mortgage Capital from Bond or Agency Resources

State Capital Investments: These funds have traditionally come from the state capital budget (bonding bill) and include State General Obligation (GO) Bond and Housing Infrastructure Bonds (HIBs), for which the State pays the debt service. However, HIBs can be authorized through the regular appropriations and budget process, which occurred in 2019 and 2021.

Agency Bond Proceeds and Other Mortgage Capital: Bond proceeds are generated by the issuance of tax-exempt and taxable bonds. Certain tax-exempt bonding activity is limited statewide by IRS rules, which cap the amount of new issuance, making it a limited resource. We can also sell mortgage-backed securities backed by loans originated under our Home Mortgage program on the secondary market.

Housing Investment Fund (Pool 2): We generate earnings from our lending and investment activities and reinvest them in a wide variety of housing programs. Most of our investment-earning assets are carried in the Housing Investment Fund, and most assets in Pool 2 produce revenue that supports our operations and programs. The earning assets that use Pool 2 funds are required to be of investment-grade quality.

Housing Affordability Fund (Pool 3): Pool 3 resources come from: (1) transfers from Pool 2 that capture a portion of the Agency's earnings, and (2) repayments or prepayments from loans previously funded under Pool 3. We can transfer Pool 2 earnings to Pool 3 only to the extent that we project that our aggregate net position will satisfy our Board policy and rating agency stress tests. Because Pool 3 has no earnings requirements, it is more flexible than Pool 2 and can be used for deferred loans and grants. However, Pool 3 is a more limited resource than Pool 2 because it is dependent on the transfer of earnings from Pool 2.

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