

Minnesota Attorney General: Administrative Rules Proceedings

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- Housing Finance Agency relating to certain definitions, income limitations, procedures for applying for certain agency loans and grants

PROPOSED
MINNESOTA HOUSING FINANCE AGENCY
RULES

1. Minn. Reg. MHFA 1 is hereby amended to read as follows:

"MHFA 1 - Scope

These Rules are made and published pursuant to Subdivisions 4 and 11 of Section 6 and Subdivision 10 of Section 7 of the Minnesota Housing Finance Agency Law of 1971, and relate to the providing of Development Cost Loans, Mortgage Loans, rehabilitation loans and grants, development grants and technical assistance to qualified Housing Sponsors for construction and rehabilitation of housing [projects] for occupancy by Persons and Families of Low and Moderate Income."

2. Minn. Reg. MHFA 2(g) is hereby amended to read as follows:

"[[(g)]] G. 'Non-Profit' or 'Non-Profit Entity' means and refers to (1) housing and redevelopment authorities established under and pursuant to the provisions of Minn. Stat. Sections 462.411 to 462.711 (1971), and (2) those partnerships, joint-ventures, [and] corporations, and associations which (i) [which] are established for a purpose not involving pecuniary gain to the members, partners or shareholders thereof; (ii) [which] pay no dividends or other pecuniary remuneration, directly or indirectly, to the members, partners, or shareholders thereof; and (iii) [which] in the case of private, non-profit corporations, are established under and pursuant to Minn. Stat. Ch. 317 and are in compliance with all the provisions thereof; provided, however, that in no event shall a Limited Dividend Entity be deemed a Non-Profit Entity."

3. Minn. Reg. MHFA 2(k) is hereby amended to read as follows:

"[[(k)]] K. 'Mortgage Loan' means a loan authorized by resolution of the Members and made or to be made to a Housing Sponsor, or to a Person or Family of Low or Moderate income, or to a Low Income Purchaser, from the proceeds of sale of the Agency's bonds or notes, or from appropriations, for the purpose of providing construction financing, long term financing, or both, for residential housing, and the payment of which is secured or to be secured. [as provided in the Act.]"

4. Minn. Reg. MHFA 2(n) is hereby amended to read as follows:

"[[(n)]] N. 'Adjusted Income' means the gross annual income, from all sources and before taxes or withhol-d-ing, of all [members of the family living in] residents of a housing unit, after deducting the following:

1. the income of any [family member (other than the head of the household or his spouse)] resident (except the primary income recipient) who is under eighteen years of age or is a full time student, and who is related by blood, adoption, or marriage to a resident income recipient or his/her spouse;

[(5)] 2. nonrecurring income, as determined by the Executive Director, and sums received for foster child care;

[(6)] 3. extraordinary medical or other expenses as the Executive Director approves for exclusion; [and]

[(7)] [an amount equal to the sums received by the head of the household or his spouse from, or under the direction of, any public or private non-profit child placing agency for the care and maintenance of one or more persons who are under eighteen years of age and were placed in the household by such agency.]

[(2)] 4. [the first $300] an amount up to $750 of the income of [a secondary wage earner who is the spouse of the head of the household] an additional income recipient eighteen years of age or older other than the primary income recipient;

[(3)] [an amount equal to 5 per centum of the income of the head of the household and his spouse (or, in the case of an elderly family, 10 per centum of such income);]

[(4)] 5. an amount equal to [$300] $750 for each [member of the family residing in the household (other than the head of the household or his spouse)] resident [who is under eighteen years of age or who is eighteen years of age or older but has no income included in family income for the purposes of this section] of the housing unit who is eighteen years of age or over, (maximum of two) and $500 for each additional resident;

6. an amount up to $750 for child care expenses which are eligible for deduction under United States Internal Revenue Service tax regulations.

Gross annual income from self-employment shall be deemed to be the net profit from said self-employment as declared by the applicant in schedule C, F, or E, Part III, as appropriate, of the United States Internal Revenue Service Form 1040, or such other schedule as may be hereafter promulgated, but including as income all depreciation."

5. Minn. Reg. MHFA 2(o) is hereby amended to read as follows:

"[[(o)]] 0. 'Persons and Families of Low and Moderate Income' means:

[[(i)]] 1. With respect to [a structure or structures designed primarily for residential use by not more than four families] Limited-Unit Mortgage Loans pursuant to Chapter Four of these Rules, Development Cost Loans pursuant to Chapter Three of these Rules, Planning Grants pursuant to Chapter Five of these Rules, and American Indian Housing Loans pursuant to Chapter Eight of these Rules, which loans and grants are intended for a Limited-Unit Development, or a dwelling unit in a planned unit development or a condominium, those persons and families whose Adjusted Income does not exceed $16,000; and

[[(ii)]] 2. With respect to [all other structures] Multi-Unit Mortgage Loans pursuant to Chapter Four of these Rules, Development Cost Loans pursuant to Chapter Three of these Rules, Planning Grants pursuant to Chapter Five of these Rules, and American Indian Housing Loans pursuant to Chapter Eight of these Rules, which loans or grants are intended for a Multi-Unit Development, those persons and families whose Adjusted Income does not exceed the greater of $16,000 or 550 percent of the gross rental for the dwelling unit to be occupied; provided, however, that the gross rentals for at least 75 percent of the dwelling units in such [structure or structures] development shall not exceed 120% of the Fair Market Rents for the geographical area in which such [structure or structures] projects are located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development;

provided [however] further, that the Members may allow higher gross rentals for units in any structure if the Members determine that such higher gross rentals are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs; [and]

[[(iii)]] 3. With respect to home improvement grants to be made by the Agency, those persons and families whose Adjusted Income does not exceed $5,000 and whose [[gross]] assets, excluding the property to be improved, does not exceed $25,000; and

[[(iv)]] 4. With respect to home improvement loans pursuant to Chapter Six of these Rules, those persons and families whose Adjusted Income does not exceed [[$14,000.]] $16,000."

6. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"[[(r)]] R. 'Low Income Purchasers' means with respect to Chapter Nine of these Rules, those persons and families whose Adjusted Income does not exceed $14,000."

7. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"[[(s)]] S. 'Builder' means a person or entity engaged in the business of housing construction who meets all licensing and other requirements of applicable laws, ordinances, and regulations; who possesses satisfactory experience and creditworthiness; and who will enter into an agreement satisfactory to the Agency to sell or rent the residential housing constructed in whole or in part from the proceeds of an Agency Loan, to Persons and Families of Low and Moderate Income."

8. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"[[(t)]] T. 'Administering Entity' means a nonprofit or governmental entity (including but not limited to an incorporated county or municipality, a housing redevelopment authority, and a community action organization), which enters into a contract with the Agency for the

local administration of the home improvement grant program, pursuant to Chapter Seven of these Rules."

9. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"[[(u)]] U. 'Multi-Unit Development' means a loan or grant for new or existing residential housing which is intended for occupancy by more than one family, and the mortgagor of which is a Non-Profit or Limited Dividend Entity."

10. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"[[(v)]] V. 'Limited-Unit Development' means a loan or grant to a Person or Family of Low or Moderate Income for new or existing residential housing intended for occupancy by such person or family and by not more than five other families."

11. Minn. Reg. MHFA 3 is hereby renumbered as MHFA 14.

12. Minn. Reg. MHFA 4 is hereby renumbered as MHFA 34, and as so renumbered, is hereby amended to read as follows:

"MHFA [4] 34 - Occupancy

Initial occupancy in [housing units] Multi-Unit Developments financed by the Agency shall be limited to Persons and Families of Low and Moderate Income; provided however, that (i) to the extent necessary to avoid economic loss resulting from inability to achieve full occupancy, and (ii) in order to encourage economic integration, a Housing Sponsor may, with the prior written approval of the Executive Director, permit initial occupancy of up to 25% of the units in the housing project by persons and families who are not Persons and Families of Low and Moderate Income."

13. Minn. Reg. MHFA 5 is hereby renumbered as MHFA 15.

14. Minn. Reg. MHFA 6 is hereby renumbered as MHFA 16.

15. Minn. Reg. MHFA 7 is hereby renumbered as MHFA 3, and as so renumbered is hereby amended to read as follows:

"MHFA [7] 3 - Agency Meetings

[[(a)]] A. Regular meetings of the Agency shall be held on the [[third]] fourth Thursday of each month at 1:00 PM at the offices of the Agency

in St. Paul, Minnesota, unless another place of meeting is designated by resolution. In the event such date shall fall on a legal holiday, the regular meeting shall be held the next succeeding business day.

[[(b)]] B. Special meetings of the Agency may be called by the [Chairman] Chairperson or by a majority of the existing Members of the Agency, for the purpose of transacting any business designated in the notice, and shall be held at the business offices of the Agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. At any such special meeting, no business shall be considered other than as designated in the notice; provided, however, that if all of the Members of the Agency are present at such special meeting, this limitation shall not apply.

[[(c)]] C. A majority of the existing Members of the Agency shall constitute a quorum for the purpose of conducting the Agency's business and exercising its powers and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. When a quorum is in attendance, action may be taken by the Agency on the vote of the majority of the Members present."

16. Minn. Reg. MHFA 8 is hereby renumbered as MHFA 4, and as so renumbered is hereby amended to read as follows:

"MHFA [8] 4 - Public Appearances at Meetings of the Members

The following procedures shall govern public appearances at meetings of the Members:

[[(a)]] A. With respect to regular meetings, the Executive Director shall complete the agenda for meetings of the Members, not less than five nor more than seven days prior to the date of any such meeting.

[[(b)]] B. With respect to regular meetings, any person who desires to appear and address the Members [with respect to any matter not enumerated on the agenda] shall make a written request to the Executive Director, with a copy to the [Chairman] Chairperson, at least ten days prior to the date of the meeting, setting forth the nature of the matter about which such person wishes to appear.

[[(c)]] C. With respect to regular or special meetings, any person who desires to appear and address the Members with respect to any matter enumerated on the agenda shall make a written request to the Executive Director, with a copy to the [Chairman] Chairperson, at least twenty-four hours before the meeting.

[[(d)]] D. Any Member may at any time request that a person be permitted to appear and address the Members at any regular or special meeting.

[[(e)]] E. All such requests shall be placed on the agenda for review by the Members at the meeting. A majority vote of the Members present shall be required in order to grant any such request to address the Members."

17. Minn. Reg. MHFA 9 is hereby renumbered as MHFA 5-9.

18. Minn. Reg. MHFA Chapter Two is hereby amended to read as follows:

"Chapter Two: [Application Procedures] General Provisions

MHFA 10 - Applications

The Executive Director may provide staff services to assist a Housing Sponsor in complying with the requirements of the Act and these Rules and may establish a preapplication procedure.

MHFA 11 - Eligible Housing Sponsors

No Development Cost Loan, pursuant to Chapter Three of these Rules, or Multi-Unit Development Mortgage Loan, pursuant to Chapter Four of these Rules, shall be made or disbursed until such time as the Housing Sponsor is an eligible Sponsor. An eligible Housing Sponsor is a Sponsor which is authorized by the Act to receive a Development Cost Loan or a Multi-Unit Development Mortgage Loan and which has obtained the Executive Director's approval of its organizational documents, including proposed or existing articles of incorporation, proposed or existing partnership agreement, joint venture agreement, trust agreement or other document of basic organization, and proposed amendments thereto, together with such other documents as the Executive Director may determine, in specific cases, are necessary in order to determine eligibility.

MHFA 12 - Civil Rights

All Agency projects must be administered in compliance with all applicable federal, state and local civil rights laws, ordinances, and regulations including but not limited to those applying to the selection of recipients for agency loans and grants, and the site selection, construction, purchase and rental of residential housing financed in whole or in part with Agency participation. Any determination that a project or recipient has failed to comply with the civil rights laws, if made by a court or an administrative agency charged with the enforcement of said laws, shall be sufficient grounds for termination of Agency participation and immediate recall of outstanding Agency loans. This section shall not be construed to prohibit housing programs administered by or for American Indians.

MHFA 13 - Credit Review

The Agency may review, or cause to be reviewed, loan and mortgage applications for suitable creditworthiness. In evaluating creditworthiness the Agency may consider 1) the percentage of applicant's income which can reasonably be expected to be spent on housing costs; 2) the amount of applicant's outstanding debts; 3) the applicant's employment history and likelihood of continued employment; 4) the applicant's credit history; 5) whether applicant has ever sought bankruptcy relief; and 6) on a case by case basis, the general educational background and residential stability of the applicant.

MHFA 14 - Forms and Procedures

With respect to each Mortgage Loan program, rehabilitation loan program, rehabilitation grant program and Development Cost Loan program from time to time instituted by the Agency, the Executive Director shall prepare guides setting forth uniform procedures by which applications for loans or grants shall be submitted, the contents thereof, and the conditions upon which loans or grants shall be made. Each said guide, and any amendment thereto, shall be submitted to the Members of the Agency for their review at any regular or special meeting called for such purpose and shall become effective only upon the approving vote of the Members.

MHFA 15 - Waivers

The provisions of these Rules may be waived by the Members upon their determination that the application of

such Rules, in specific cases, may result in undue hardship.

MHFA 16 - Separability

If any word, phrase, sentence, paragraph, section or part of these Rules is finally adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of these Rules.

MHFA 17 - Preference in Occupancy

Each recipient of an Agency loan who is the owner of residential housing occupied in whole or in part by renters shall give preference in occupancy to those Persons and Families of Low and Moderate Income who occupied the residence at the time of the loan application, subject to the right of the owner to reside there himself.

MHFA [12] 18-20 - Reserved for Future Use."

19. Minn. Reg. MHFA 31 is hereby amended to read as follows:

"MHFA 31 - Applications for Multi-Unit Development Mortgage Loans

An application by a Housing Sponsor, or by an Approved Mortgagee on behalf of a Housing Sponsor, for a Multi-Unit Development Mortgage Loan or for Agency participation in a Multi-Unit Development Mortgage Loan shall contain:

[[(a)]] A. Information with respect to the eligibility of the Housing Sponsor, or with respect to the steps which have been taken by such Sponsor to become eligible.

[[(b)]] B. Information with respect to the site of the proposed housing project, including location, dimensions, ownership, present zoning, present use and occupancy, relocation requirements as to present occupants, present on-site utilities and streets, present property taxes and assessment, utility charges and liens or other charges on the land and all physical characteristics of the site which might affect construction.

[[(c)]] C. Information with respect to the characteristics of the proposed housing project, including

number and size of dwelling units, type of occupancy (ownership, rental or cooperative), rehabilitation or new construction, range of proposed rents, occupancy charges or sale prices, building type, federally aided mortgage or otherwise, and proposed incidental or appurtenant educational, social, recreational, commercial, community and other supporting facilities.

[[(d)]] D. Identity and qualifications of the design architect, supervisory architect, Sponsor's attorney, housing consultant, general contractor, marketing or sales agent and management agent.

[[(e)]] E. Architectural drawings and specifications, site plan, schedule of construction costs, reports of soil tests or engineering studies performed, executed construction contract and evidence of approval of the architectural drawings, specifications and site plan by governmental bodies having jurisdiction.

[[(f)]] F. Proposed marketing plan, reports of market surveys or analyses, schedule of proposed rents, occupancy charges or sale prices, proposed operating budget, proposed management plan, proposed relocation plan and cost analysis, schedule of the proposed uses of the requested Mortgage Loan and the amounts to be allocated to each such use including the Sponsor's equity investment where applicable, and a proposed construction schedule.

[[(g)]] G. A schedule of the proposed initial rents or occupancy charges.

[[(h)]] H. A plan setting forth (i) arrangements contemplated for tenant referral from local housing authorities or other governmental agencies or community organizations, having contract with potential eligible occupants, and (ii) procedures contemplated to make generally known to minority groups the availability of units on a nondiscriminatory basis.

[[(i)]] I. Such other information as to the proposed housing project, the Housing Sponsor, or other parties involved in the housing project, as the Executive Director may require."

20. Minn. Reg. MHFA 32 is hereby amended to read as follows:

"MHFA 32 - Authorization of Multi-Unit Development Mortgage Loans

No Multi-Unit Development Mortgage Loan shall be made until the Members of the Agency have received and reviewed the recommendation of the Executive Director relating to such loan, and until the Members of the Agency have adopted a resolution approving such loan; which resolution shall include determinations that:

[[(a)]] A. A Multi-Unit Development Mortgage Loan would not otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

[[(b)]] B. The development of the proposed housing project will assist in fulfilling the purposes of the Act.

[[(c)]] C. In the case of a Housing Sponsor which is a Limited Dividend Entity, the rate of return on the investment in the proposed housing project is reasonable in light of then existing conditions in the housing industry and financial markets and rate of return then prescribed by other governmental agencies.

[[(d)]] D. The obligation of the Agency to make such loans is contingent on the ability of the Agency to sell its bonds or bond anticipation notes, on terms which the Members of the Agency, in their sole discretion, deem acceptable.

In addition, any such resolution may contain such other provisions and conditions which the Members of the Agency, in their sole discretion, deem advisable."

21. Minn. Reg. MHFA 33 is hereby renumbered as MHFA 35, and as so renumbered is hereby amended to read as follows:

"MHFA 35 - Evidence of Limited-Unit Development and Multi-Unit Development Mortgage Loans

The Executive Director of the Agency shall not permit any disbursement of an approved Mortgage Loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, a mortgage, appropriate evidence of [federal] insurance, if applicable, and by such other instruments as the Executive Director may in specific cases deem necessary or appropriate."

22. Minn. Reg. MHFA 34 is hereby renumbered as MHFA 33, and as so renumbered is hereby amended to read as follows:

"MHFA 33 - Project Selection Criteria for Multi-Unit Development Mortgage Loans

In determining whether to accept applications of Housing Sponsors for Development Cost Loans or Multi-Unit Development Mortgage Loans, the Members shall examine the following facts and make their determinations thereon:

[[(a)]] A. Whether a need exists in the geographical area for the proposed development.

[[(b)]] B. Whether adequate provision has been made for housing opportunities for minority families, including elderly persons and families.

[[(c)]] C. Whether the proposed development is consistent with orderly growth and development in the geographical area.

[[(d)]] D. The impact of the proposed development on the physical environment of the surrounding neighborhood.

[[(e)]] E. Whether the Housing Sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development.

[[(f)]] F. The extent to which the proposed development will create minority employment and business opportunities.

[[(g)]] G. The effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions.

[[(h)]] H. The extent to which the proposed development will reduce the cost of mortgage financing or rentals for housing for low and moderate income persons and families.

[[(i)]] I. The extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes.

[[(j)]] J. The relationship of the proposed development to public facilities, sources of employment and services (including public transportation,

health, education and recreation facilities, and public utilities) essential to orderly growth.

[[(k)]] K. The relationship of the housing development to any comprehensive plans, policies, procedures and programs adopted and approved according to law by an agency of state or local government acting pursuant to legislative authority, including but not limited to the plans, policies, procedures and programs of regional development commissions and the Metropolitan Council.

[[(l)]] L. Whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

[[(m)]] M. In the case of a Housing Sponsor which is a Limited Dividend Entity, whether the rate of return on its investment in the proposed development is reasonable in light of then existing conditions in the housing industry and financial markets and in the rates of return then prescribed by other governmental agencies.

[[(n)]] N. Whether the proposed development will assist in fulfilling the purposes of the Act."

23. Minn. Reg. MHFA 35 is hereby renumbered as MHFA 36, and as so renumbered is hereby amended to read as follows:

"MHFA 36 - Mortgage Loans for [Single Family Dwellings] Limited-Unit Developments

Mortgage Loans for [single family dwellings] Limited-Unit Developments shall be made only to applicants who (i) are Persons or Families of Low or Moderate Income; (ii) are fee owners of the dwelling and who intend to occupy such dwelling as their principal place of residence; (iii) satisfy minimum standards of creditworthiness; and (iv) execute such documents as the Agency deems necessary to secure the Mortgage Loan. No Mortgage Loan shall be approved unless the Agency determines that a Mortgage Loan would not otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions."

24. Minn. Reg. MHFA 51 is hereby amended by adding a subdivision, to read as follows:

"[[(j)]] J. Each applicant who is an owner of residential housing occupied in whole or in part by renters,

shall enter into such agreement as the Agency shall require to ensure that for the term of the loan Persons and Families of Low and Moderate Income will occupy at least one of the units in the case of a two unit residence, two of the units in the case of a three unit residence, three of the units in the case of a four unit residence, and four of the units in the case of a five or six unit residence."

25. Minn. Reg. MHFA 61 is hereby amended to read as follows:

"MHFA 61 - Reservation of Funds

[[(a)]] A. For a period of at least [three months] 45 days after the Agency gives notice that the funds for making rehabilitation grants are available, the Agency shall receive requests for reservation of funds from prospective Administering Entities.

[[(b)]] B. Requests for reservation of funds for rehabilitation grants may be made by prospective Administering Entities to the Agency, and shall [be accompanied by (a)] contain (i) a plan setting forth the proposed method of delivery of the rehabilitation grants; [(b)] (ii) evidence satisfactory to the Agency that [the person or organization which will administer the delivery of the grants] the Administering Entity has the capacity effectively and efficiently to carry out the plan; [and (c)] (iii) evidence satisfactory to the Agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered; (iv) the specific funding amount requested for a 12-month period and the administrative allowance, if any, required by the Administering Entity to defray the expenses of administering the program; (v) other funding sources available to the Administering Entity for administration and home improvement; (vi) a description of the local housing problems; (vii) specific goals to be accomplished with requested funds; and (viii) a description of the targeting plan, if any, whereby the Administering Entity will establish priorities for awarding grant funds based on an assessment of need within its jurisdiction, in the event that the number of applications exceeds the number of grants which can be awarded. The targeting plan, if any, shall be subject to approval by the Agency and may not have the effect of excluding any

otherwise eligible applicant from making an application and being considered eligible for a grant.

[[(c)]] C. The Agency shall submit all plans to the applicable Regional Development Commission (including the Metropolitan Council) and shall consider the comments and recommendations of such Commissions with respect to the extent to which the plan assists in satisfying the housing needs for such region.

[[(d)]] D. The Agency shall allocate the total funds available at any time ratably among the several regions, based upon data assembled by the Agency and accurately reflecting housing needs and related factors. [[At least 50 percent of the total grant funds allocated to each Administering Entity must be delivered to elderly applicants, i.e., persons 62 years of age or older, who are Eligible Recipients]]."

26. Minn. Reg. MHFA 65 is hereby renumbered as MHFA 62, and as so renumbered is hereby amended to read as follows:

"MHFA 62 - Eligible Recipients of Rehabilitation Grants

In addition to all conditions imposed by the Act, an application for a rehabilitation grant shall satisfy the following requirements:

[[(a)]] A. [The applicant must have an Adjusted Income not in excess of $5,000.] The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least (i) a life estate or (ii) a one-third interest in the fee title or in the contract for deed with respect to such structure. The Agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations.

[[(b)]] B. [The gross assets of the applicant, excluding the property to be improved with the proceeds of the grant, may not exceed $25,000.] For the purpose of complying with the ownership requirements, the recipient may aggregate his interest in such property with the ownership interests of other individuals also occupying the property as their principal place of residence. All individuals occupying the structure to be improved as their

principal place of residence and having an ownership interest in such structure must join in the application.

[[(c)]] C. [The applicant must use the proceeds of the grant to correct defects or deficiencies in the property affecting directly the safety, habitability or energy usage of the property.] Each recipient must be a Person or Family of Low or Moderate Income as defined in MHFA 2(o)(iii).

[[(d)]] D. [['Gross]] Assets' for purposes of the home improvement grant program shall be the sum of the following, after deducting any outstanding indebtedness:

[[(i)]] 1. cash on hand or in checking or savings accounts;

[[(ii)]] 2. securities or U.S. Savings Bonds;

[[(iii)]] 3. market value of all interests in real estate (exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located);

[[(iv)]] 4. cash value of life insurance policies; and

[[(v)]] 5. all other property, exclusive of household furnishings, clothing, and one automobile."

27. Minn. Reg. MHFA 63 is hereby amended to read as follows:

"MHFA 63 - Amount of Grant

The amount of the rehabilitation grant shall not exceed the lesser of (i) $5,000 or (ii) the actual cost of the work performed or (iii) that portion of the cost of rehabilitation which the Agency determines cannot otherwise be paid by such person or family without spending an unreasonable portion of the income of such person or family thereon."

28. Minn. Reg. MHFA 64 is hereby amended to read as follows:

"MHFA 64 - Responsibilities of Administering Entity

The Administering Entity shall have the following responsibilities:

[[(a)]] A. The Administering Entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients and [[ensuring]] certifying that the rehabilitation work is satisfactorily completed.

[[(b)]] B. The Administering Entity shall make on-site inspections of the properties to be improved (i) before such application is approved and (ii) after work has been completed and before the contractors have been paid in full.

[[(c)]] C. The Administering Entity shall not charge an applicant or recipient any application, processing, or other fee.

[[(d)]] D. The Administering Entity may, with the prior written consent of the Agency, allocate [[up to three percent of the total funding in municipal areas and up to five percent of the total funding in primarily rural areas]] part of its total funding in accordance with a formula based upon data assembled by the Agency and reflecting administrative costs, geographic area, level of funding, and other related factors, to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the Administering Entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the Agency according to a budget submitted by the Administering Entity and approved by the Agency. Disbursements of the administrative allowance shall be contingent upon the Agency's review and approval of the satisfactory progress of the program."

29. Minn. Reg. MHFA 65 is hereby amended to read as follows:

"MHFA 65 - Eligible Properties

Grant funds shall be used only to improve properties which meet the following criteria:

[[(a)]] A. The property shall be located within the State of Minnesota, be used primarily for residential purposes, and contain no more than two dwelling units, one of them owner-occupied.

[[(b)]] B. The property to be improved shall conform to applicable zoning ordinances and possess all appropriate use permits.

[[(c)]] C. The improvements shall be made upon or in connection with existing permanent structures. Mobile homes or trailers shall not be eligible.

[[(d)]] D. No property shall be eligible for a home improvement grant if it has been improved by such a grant within the five year period next preceding the date on which application for such grant is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant or to failure of plumbing, heating, or electrical systems, as determined by the Agency in its sole discretion.

[[(e)]] E. The property to be improved with grant funds shall be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, rehabilitation funds shall be used to the extent necessary to increase such efficiency. Energy saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor and duct installation, storm windows and doors, and caulking and weather stripping. Energy saving features shall be consistent with the energy standards promulgated as part of the State Building Code but such improvements need not bring the housing into full compliance with such energy standards."

30. Minn. Reg. MHFA 66 is hereby adopted to read as follows:

"MHFA 66 - Eligible Improvements

Improvements made with home improvement grant funds shall satisfy the following requirements:

[[(a)]] A. Each improvement shall be a Permanent General Improvement. Permanent General Improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property affecting directly the safety, habitability, or energy usage of the property. Permanent General Improvements shall be economically viable in terms of a determination that (i) the structure will have a reasonable life

after the improvement is made, and (ii) the structure will be reasonably livable, safe, and habitable after the improvement is made. Permanent General Improvements shall not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for decent, safe and sanitary properties of the same general type as the property to be improved.

[[(b)]] B. Each improvement shall be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a home improvement grant shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

[[(c)]] C. Home improvement grant funds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or a sewage disposal system (including septic systems) into compliance with local, state or federal environmental and sanitary standards.

[[(d)]] D. All contracts covering all or any portion of an improvement shall contain an Agency approved warranty of workmanship and materials.

[[(e)]] E. No grant funds shall be used for the purpose of refinancing or paying off existing indebtedness. All such funds shall be used to finance improvements begun after application for such funds has been approved."

31. Minn. Reg. MHFA 67 is hereby adopted to read as follows:

"MHFA 67 - Repayment

The recipient of a grant fund and all individuals who signed the application for such fund shall enter into an agreement with the Agency for repayment, which shall provide that in the event that the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within [[five]] six years from the date upon which the grant application was approved, then the recipient shall repay, and the Agency

shall have a lien as security for repayment of, all or a portion of such grant funds in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency occurs	Percent Repayment
Prior to end of [[12th]] 36th full month	100%
After end of [[12th]] 36th full month until end of [[24th]] 48th full month	[[80%]] 75%
After end of [[24th]] 48th full month until end of [[36th]] 60th full month	[[60%]] 50%
After end of [[36th]] 60th full month until end of [[48th]] 72nd full month	[[40%]] 25%
[[After end of 48th full month until end of 60th full month]]	[[20%]]
After end of [[60th]] 72nd full month	No repayment

If any grant funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the grant. No repayment shall be required to the extent that the grant is made to improve the accessibility of residential housing to a handicapped occupant."

32. Minn. Reg. MHFA 68 is hereby adopted to read as follows:

"MHFA 68 - Home Owner Labor Agreement

An eligible recipient may agree with an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant, if the Administering Entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances [[the Agency shall forward to the Administering Entity funds sufficient to cover the estimated material costs of the

improvements and shall withhold from the Administering Entity]] sufficient grant funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld. [[The total amount of the funds so forwarded and so withheld shall not exceed $5,000 for each grant.]] Upon successfull completion of the improvement work so funded, the Administering Entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work."

33. Minn. Reg. MHFA 69 is hereby adopted to read as follows:

"MHFA 69 - Emergency Home Improvement Grant Fund

The Agency may establish a separate fund known as the Emergency Home Improvement Grant Fund. [[for the purpose of making home improvement grants]] Grants from the Emergency Home Improvement Fund shall be made to eligible applicants [[to correct]] provided that the dwelling contains defects or deficiencies which (i) are the direct result of an occurrance which took place [[not more than 60 days]] within a reasonably recent period of time prior to the grant application, and (ii) if left uncorrected would render the dwelling immediately uninhabitable. Before an application to the Emergency Home Improvement Grant Fund is accepted, the Administering Entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant fund to cover the cost of repairs. Such funds may also be used to correct serious defects or deficiencies in the dwelling other than the specific defect or deficiency which rendered the dwelling immediately uninhabitable. Grants from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these Rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of MHFA 61(d)."

34. Minn. Reg. MHFA Chapter 9 is hereby adopted to read as follows:

"Chapter 9: Affordable Home Mortgages

MHFA 111 - Applications for Affordable Home Mortgages

Affordable home mortgages made from the revolving loan fund established pursuant to Section 16(c) of the Minnesota Laws of 1976, Ch. 254, shall meet the following requirements:

[[(a)]] A. The proceeds of the affordable home mortgage must be used to construct in Minnesota, a new, single family, owner occupied home of one, two, or three bedrooms.

[[(b)]] B. The affordable home mortgage must be used only to finance construction of homes built in conformance with Federal Housing Administration minimum property standards and with design standards approved by the Agency.

[[(c)]] C. The affordable home mortgage must create a valid first lien on the real property on which the eligible home is constructed.

MHFA 112 - Terms of Affordable Home Mortgage Loans

Each affordable home loan and mortgage shall contain the following terms and limitations:

[[(a)]] A. The maximum amount of each affordable home mortgage loan shall be the sum of the actual construction costs plus the development costs. Actual construction costs, which shall be subject to review and approval by the Agency, shall not exceed $26,500 for a three-bedroom unit; $24,000 for a two-bedroom unit, and $21,000 for a one-bedroom unit. Development costs shall not exceed $7,500 and shall consist only of the actual costs of land, water and sewer, sewer accessibility charges, and such similar costs of improving the property for occupancy as are approved by the Agency.

[[(b)]] B. The mortgage shall be for 30 years from the date of initial mortgage closing and shall be without interest until the first day of the fifth month following initial closing or until final closing, whichever first occurs.

[[(c)]] C. A minimum downpayment of 3% of the first $25,000 and 10% of the remainder of the development and construction costs shall be required. No downpayment shall be required, however, on Veterans Administration mortgages where the mortgagor has not previously used any portion of his guarantee.

[[(d)]] D. Closing costs shall be paid by the mortgagor.

[[(e)]] E. Each mortgage shall be covered by a title insurance policy approved by the Agency or, with the prior written consent of the Agency, by an Attorney's Opinion if title insurance is unavailable.

[[(f)]] F. A plat drawing shall be supplied by the mortgagor unless the Agency determines that a plat of survey certified by a licensed surveyor or engineer is necessary. The legal description of the property to be mortgaged shall be by metes and bounds, or lots and blocks on a recorded map or plat, or in such other form as is acceptable to the Agency.

[[(g)]] G. A hazard insurance policy acceptable to the Agency shall cover the mortgaged property and contain a standard mortgagee clause naming the Agency as first mortgagee. Such policy shall be issued by a company authorized to do business in Minnesota and which has a financial rating in Best's Insurance Reports of BBB+ or better.

MHFA 113 - Interest

The interest rate on the affordable home mortgage shall be calculated as follows:

[[(a)]] A. The mortgage note shall bear interest at 8%, reduced by an interest credit to reflect family income.

[[(b)]] B. To determine the initial interest, the Agency shall determine a Maximum Monthly Housing Expense for the mortgagor based upon thirty-five (35%) percent of his Adjusted Income, converted to a monthly average amount for that period. There shall be deducted from the Maximum Monthly Housing Expense the average amount, as determined by the Agency, for expenses in maintaining the premises to be mortgaged, including real estate taxes, mortgage insurance, hazard insurance, heat, utilities, and maintenance, but excluding principal and interest payments on the mortgage. The balance remaining shall constitute the sum available for the monthly payment of principal and interest for the initial period, based upon the following 29 year, 8 month amortization schedule:

1% interest rate = $3.25 per month per thousand dollars of mortgage amount

2% interest rate = $3.73 per month per thousand dollars of mortgage amount

3% interest rate = $4.25 per month per thousand dollars of mortgage amount

4% interest rate = $4.81 per month per thousand dollars of mortgage amount

5% interest rate = $5.40 per month per thousand dollars of mortgage amount

6% interest rate = $6.02 per month per thousand dollars of mortgage amount

7% interest rate = $6.68 per month per thousand dollars of mortgage amount

8% interest rate = $7.37 per month per thousand dollars of mortgage amount

In calculating the initial interest rate for the mortgage, the highest rate is to be utilized which will cause the balance of the Maximum Monthly Housing Expense over the projected monthly expenses in maintaining the premises, as defined above, to equal or exceed the monthly payment of principal and interest. Applicants whose Adjusted Income will not support a monthly debt service of at least 1%, determined in accordance with the above, shall not be eligible for an affordable home loan.

[[(c)]] C. Example of an Eligible Mortgage:

Mortgage Amount		Constant Monthly Housing Costs	
$21,000	Construction Cost	$35.00	Utilities
2,650	Land and Development Cost	23.30	Property Taxes
$23,650	Total Cost	8.17	Hazard Insurance
710	Down Payment	14.00	Maintenance
$22,940	Mortgage Amount	$80.47	Total

Mortgagor's Annual Adjusted Income = $6,000

Mortgagor's Monthly Adjusted Income = $500 ($6,000 ÷ 12 months)

35% of Mortgagor's Monthly Adjusted Income = $175 (35% of $500)

Calculation for Monthly Mortgage Payment of Principal and Interest

$175.00	35% of Mortgagor's Monthly Adjusted Income
80.47	Constant Monthly Housing Expenses
$ 94.53	Mortgagor's amount available for principal and interest

Calculation of Interest Rate

Amount available for principal and interest ÷ mortgage amount in thousands = monthly amortization factor:

$94.53 ÷ $22.94 = $4.12 per month per thousand dollars of mortgage amount

The above amortization schedule shows that $4.12 falls between $3.73 (which is 2%) and $4.25 (which is 3%); rounding down gives a 2% interest rate for this example.

Amortization factor of $3.73 (2%) times mortgage, $22,940, gives principal and interest payment of $85.57.

[[(d)]] D. For those notes having an initial rate of less than 8%, the interest rate, and the monthly payment of principal and interest based thereon, shall be increased over the rate for the initial period by 1/2 of 1% unless the mortgagor shall submit to the Agency, on or before that March 15 which is not less than twelve (12) months nor more than twenty-four (24) months after final mortgage closing a Recertification of Interest Credit Eligibility, which establishes to the Agency's satisfaction that the mortgagor's current Adjusted Income and Maximum Monthly Housing Expense will not support an increase in debt service payments. On June 1 of each succeeding year, the interest rate, and payments of principal and interest based thereon, will be increased an additional 1/2 of 1%, up to a maximum rate of eight percent (8%) per annum, unless, on March 15 of each succeeding year, the mortgagor submits a Recertification of Interest Credit Eligibility establishing that an increase in interest rate cannot be supported by the mortgagor's current Adjusted Income.

[[(e)]] E. The affordable home mortgage may be assumed with permission of the Agency at 8%, or at a lower rate if the new mortgagor is eligible for the interest credit.

MHFA 114 - Eligible Mortgagors

To be eligible for an affordable home mortgage, a mortgagor must be a Low Income Purchaser, have an Adjusted Income sufficient to support a monthly debt service as determined in MHFA 113 of at least 1%, and intend to occupy the mortgaged premises as his principal residence.

MHFA 115 - Construction Loans

The Agency may make loans for the construction of affordable homes subject to the following terms:

[[(a)]] A. A loan may be made to a Builder or a Non-Profit Entity upon a determination that such loan is necessary in order to encourage an adequate supply of affordable homes or to demonstrate the feasibility of affordable homes in a particular area.

[[(b)]] B. The construction loan borrower need not be a Person or Family of Low or Moderate Income nor a Low Income Purchaser.

[[(c)]] C. The construction loan shall meet all the requirements of and be subject to the same terms as an affordable home mortgage, except that no down payment shall be required, no closing fee shall be payable and unless the borrower is in default, no interest shall accrue until the affordable home is sold, or the note reaches maturity.

[[(d)]] D. The construction loan borrower shall make a reasonable marketing effort to sell the home constructed with the construction loan to a Low Income Purchaser who is eligible to obtain an affordable home mortgage under this Chapter.

[[(e)]] E. Upon request of eligible Low Income Purchasers, the Agency shall make affordable home mortgages for the homes constructed with the proceeds of such construction loans.

[[(f)]] F. The construction loan borrower shall agree to abide by the requirements of this Chapter relating to the construction, specifications, sale, and mortgage of the home to be constructed with such loan.

[[(g)]] G. The Agency may withhold such part of the construction loan as is necessary to assure completion of the home.

[[(h)]] H. The Agency may elect to use the home built with such construction loan for demonstration purposes, in which event the Agency shall pay all maintenance, taxes, and insurance on the home for as long as it is used for demonstration purposes."

APPROVED AS TO FORM AND LEGALITY
AUG 10 1977 19
WARREN SPANNAUS, ATTORNEY GENERAL
BY /s/ Michael B. Miller
SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
AUG 10 1977
Joan Anderson Growe
Secretary of State
1:45 P.M.

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OF COUNSEL
IRENE SCOTT

July 11, 1977

Mr. Michael Miller
Special Assistant Attorney General
State Administration Building
Room G-19K
St. Paul, Minnesota 55155

Dear Mike:

Pursuant to Minn. Stat. §15.0412 I am hereby submitting to the Attorney General for his review as to form and legality the Rules adopted by the Minnesota Housing Finance Agency on June 23, 1977, along with a complete hearing record on those Rules. Enclosed please find five copies of the Rules as adopted, five copies of the resolution of the board of the Minnesota Housing Finance Agency adopting the Rules, one transcript of the public hearing on the proposed Rules along with all exhibits, one copy of the Secretary of State's mailing list, and three sets of:

1) Rules as proposed,
2) Order for Hearing,
3) Notice of Hearing,
4) Affidavit of Receipt of the Secretary of State's Mailing List,
5) Secretary of State's Certificate,
6) Affidavit of Mailing,
7) Statement of Need,
8) Findings of Fact, Conclusions and Recommendations of the Hearing Officer,
9) Report of Chief Hearing Examiner,
10) Notification of Availability to the Public of the Report of the Hearing Officer,
11) Statement of Compliance with the Manual of Rule Making Procedures,
12) Order Adopting Rules.

If any other documents are needed for the Attorney General's review, please let me know. Thank you for your assistance.

Yours truly,

LEONARD, STREET AND DEINARD

By George Reilly
George Reilly

GR:jm

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, INCOME LIMITATIONS, PROCEDURES FOR APPLYING FOR CERTAIN AGENCY LOANS AND GRANTS, AND CRITERIA GOVERNING SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY	)	STATEMENT OF COMPLIANCE WITH MANUAL OF RULE MAKING PROCEDURES

As a Special Attorney, I, George Reilly, do hereby declare that I have examined the rules of the Minnesota Housing Finance Agency and all related documents and that, based on them and my personal familiarity with the applicable procedures, the Manual of Rule Making Procedures has been followed.

George Reilly
Special Attorney

Dated: July 8, 1976

STATE OF MINNESOTA
OFFICE OF HEARING EXAMINERS

FOR THE MINNESOTA HOUSING FINANCE AGENCY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, INCOME LIMITATIONS, PROCEDURES FOR APPLYING FOR CERTAIN AGENCY LOANS AND GRANTS, AND CRITERIA GOVERNING SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY.

REPORT OF THE CHIEF HEARING EXAMINER

WHEREAS, a hearing was held on April 14, 1977, before George A. Beck, a Hearing Examiner of the State Office of Hearing Examiners, on the above-entitled matter in compliance with Minn. Stat. §15.0412, Subd. 4; and

WHEREAS, the Findings of Fact, Conclusions and Recommendation made pursuant to Minn. Stat. §15.052, Subd. 3, were issued to the Housing Finance Agency on May 17, 1977; and

WHEREAS, the Housing Finance Agency has now determined to adopt rules pursuant to Minn. Stat. §15.0412, Subd. 4; and

WHEREAS, the Housing Finance Agency has submitted said rules to the Chief Hearing Examiner for review pursuant to Minn. Stat. §15.052, Subd. 4, and Rule HE 107; and

WHEREAS, the Chief Hearing Examiner finds that the final proposed rules are not substantially different from those proposed at the public hearing and that the Housing Finance Agency has met all requirements of Minn. Stat. §15.0412, Subd. 4.

NOW, THEREFORE, upon receipt of this Report, the Housing Finance Agency has the responsibility of submitting the complete hearing record and the rules as adopted by the Agency to the Attorney General and to publish in the State Register, all pursuant to Minn. Stat. §15.0412, Subd. 4.

Dated this 29th day of June, 1977.

Duane R. Harves

DUANE R. HARVES
Chief Hearing Examiner

STATE OF MINNESOTA
OFFICE OF HEARING EXAMINERS

FOR THE MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Adoption of Rules of the Minnesota Housing Finance Agency relating to Certain Definitions, Income Limitations, Procedures for Applying for Certain Agency Loans and Grants, and Criteria Governing Selection of Projects to be Financed by the Agency.	FINDINGS OF FACT, CONCLUSIONS AND RECOMMENDATION

The above-entitled matter came on for hearing before George A. Beck, duly appointed as Hearing Examiner in this matter on April 14, 1977 at Conference Room D of the Veterans Service Building, Capitol Approach, in the City of Saint Paul, County of Ramsey, State of Minnesota.

This proceeding is a rules hearing held pursuant to Minn. Stat. Chapter 15 to determine whether proposed rules and proposed rule amendments should be adopted. Copies of this Report are available for review from the Minnesota Housing Finance Agency and the Office of Hearing Examiners.

Members of the Agency Panel included: James F. Dlugosch, Executive Director, Minnesota Housing Finance Agency; May Hutchinson, supervisor, Program Development and Management, Minnesota Housing Finance Agency; Ellen Hawkinson, mortgage finance officer, Minnesota Housing Finance Agency; John Vranicar, coordinator of the Home Improvement Grant Program, Minnesota Housing Finance Agency; Mark Korell, Director of the Home Improvement Mortgage Program, Minnesota Housing Finance Agency; Marvin Tero, Director, Multi-Family Development, Minnesota Housing Finance Agency; James Barenscheer, Housing Management Supervisor, Minnesota Housing Finance Agency; and M. Patricia Schaffer, Attorney at Law, of the firm of Leonard, Street and Deinard, 1200 National City Bank Building, Minneapolis, Minnesota 55402, who appeared representing the Minnesota Housing Finance Agency.

Witnesses at the hearing included: Phillip Handy, Deputy

Director for Housing Resources, Minneapolis Housing and Redevelopment Authority and Thomas H. Tate. Eleven written comments were received concerning the proposed rules.

Based upon all the testimony, exhibits and written comments, the Hearing Examiner makes the following:

FINDINGS OF FACT

1. On February 1, 1977, the MHFA filed the following documents with the Chief Hearing Examiner:

(a) A copy of the proposed rules;
(b) A proposed Order for Hearing;
(c) A proposed Notice of Hearing; and
(d) A Statement of the estimated length and number of people attending the hearing.

2. On March 14, 1977, a Notice of Hearing and a copy of the proposed rules were published at 1 State Register 36.

3. On March 11, 1977, the MHFA mailed the Notice of Hearing to all persons and associations who had registered their names with the Secretary of State for the purpose of receiving such notice.

4. On March 18, 1977, the MHFA filed the following documents:

(a) The Order for Hearing;
(b) The Notice of Hearing as mailed;
(c) The Affidavit of Receipt of the Secretary of State's list;
(d) The Affidavit of Mailing;
(e) The Secretary of State's Certificate and list;
(f) The Statement of Need; and
(g) The Statement of Evidence, including the names of witnesses to be called;
(h) The names of MHFA personnel who will represent the agency.

The documents were available for inspection at the Office of Hearing Examiners from the date of filing to the date of the hearing.

5. The record remained open through May 4, 1977 for the receipt of written comments and statements.

6. The Agency cites the following statutes as authority for promulgation of the proposed rules: Minn. Stat. § 15.0412, subd. 3; Minn. Stat. § 462A.06, subd. 11; Minn. Stat. § 462A.03, subd. 10; Minn. Stat. § 462A.03, subd. 13; Minn. Stat. § 462A.05, subd. 15; Minn. Laws 1976, Chapter 254, Section 16A; Minn. Laws 1976, Chapter 254, Section 16C; Minn. Stat. § 462A.07, subd. 10.

The Statement of Need, marked as MHFA Exhibit No. 7, relates the above-cited statutes to each portion of the proposed rules.

7. The following proposed rules or rule amendments received no comment either at the hearing or in the written submissions. The need for and the reasonableness of these proposed rules and rule amendments was demonstrated by the Statement of Need (MHFA Exhibit No. 7) and the Statement of Evidence (MHFA Exhibit No. 8). The rules are: MHFA 1, MHFA 2g, MHFA 2k, MHFA 2r, MHFA 2s, MHFA 2t, MHFA 2u, MHFA 2v, MHFA 14, MHFA 34, MHFA 15, MHFA 16, MHFA 3, MHFA 4, MHFA 5 through 9, MHFA 10, MHFA 11, MHFA 12, MHFA 15, MHFA 17, MHFA 31, MHFA 32, MHFA 35, MHFA 33, MHFA 36, MHFA 65, MHFA 66, MHFA 67, MHFA 111, MHFA 112, MHFA 113, MHFA 114, and MHFA 115.

8. The amendments to rule MHFA 2(n) substantially alter the definition of adjusted income. The Agency is attempting to reflect more precisely the amount of the total income which a family has actually available to meet its housing needs, taking into account the size of the family, the cost and condition of housing facilities available and the ability of persons to compete in the normal housing market. The amendments omit all references to family or head of household and refer instead to "primary income recipient". Rule 2(n)(1) excludes from adjusted income the income of any children or full-time students since these people tend to be dependent on their family and their income tends to be sporatic and of a small amount. The same rationale does not apply, however, to unrelated residents.

Rule 2(n)(2) excludes nonrecurring income and foster child care payments. Rule 2(n)(3) excludes extraordinary medical and other expenses.

Proposed rule 2(n)(4) excludes $750 of the income of additional income recipients in a housing unit. The reason for this deduction is because the situation where all adults in a household are working is not identical to the household in which one or more of the adults are at home even though the total income available to the household may be the same. Where all adults are working, the household is deprived of the value of the services

of an adult staying at home and is also subjected to additional costs of employment. The amount is increased from the former rule to reflect current economic reality. An exclusion of 5% of the income of the household which was contained in the former rule has been deleted in light of the substantial increases in other deductions.

Rule 2(n)(5) allows a deduction of $750 for up to two adult residents of the housing unit and a deduction of $500 for each child or additional adult resident. The Agency seeks here to define income in accordance with family size. While the cost of living does increase with the size of family, it does not increase at the same rate for each additional member.

Proposed rule 2(n)(6) provides a deduction for actual child care expenses up to $750 if they also qualify under the applicable IRS regulations. The purpose of allowing a deduction for child care expenses is to enable the income recipients to be gainfully employed.

The final paragraph of 2(n) includes a definition of income from self-employment since it is necessary to deduct the costs of doing business from gross income so that a self-employed person can be compared to a wage earner. The definition relies upon the appropriate federal income tax form, but requires that depreciation be included as income since the calculation of depreciation is subject to abuse when applied to agency programs. It could result in the inclusion of individuals in the program who in fact earn substantial income which is unduly discounted because of paper deductions based on depreciation.

The housing director of the City of Mankato submitted comments relative to rule 2(n) [Public Exhibit A]. Although Mankato's comments were not directed specifically to the rules as proposed, many of the suggestions made were incorporated in the proposed rule such as deductions for family wage earners, deductions for extraordinary medical expenses, the exclusion of full-time students, and the use of net income in the case of self-employed persons.

The Metropolitan Council (Public Exhibit G) generally supported the amendments to 2(n) while noting that the proposed

deductions are much more generous than the previous ones or those used by federal programs. The Minneapolis Housing and Redevelopment Authority (MHRA) viewed the amendment of rule 2(n) as a positive effort toward recognition of current economic factors. (Public Exhibit K) The MHRA suggests that the amendments will greatly increase the spectrum of eligible grant applicants and perhaps create some overlap between applicants who appear to be able to afford a loan but are also eligible for a grant. The MHRA also suggests that one further deduction be allowed for applicants over 62 years of age which would permit the deduction of income of any resident (other than the primary income recipient and his or her spouse) who was related by blood, adoption or marriage to a resident. The MHRA suggests that the inclusion of the income of a grown child in calculating eligibility can often exclude the elderly from receiving financial assistance, and appears to be arbitrary in light of the fact that pooling of income within the household probably does not take place, and the child's income is not available to the elderly applicant to finance home repairs. The MHRA suggests that if the adult child does pay rent or board, that this would then be included in applicant's gross income.

The Examiner concludes that all of the Agency's proposed amendments to rule 2(n) are reasonable and needed and the Examiner specifically concludes that the rule is reasonable even without the MHRA's suggestion in regard to applicants over 62 years of age, since it is reasonable to presume that the income of an adult child resident will be available in some manner to finance home repairs. The suggestion is commended to the MHFA for their consideration, however.

9. MHFA 2(o) is the rule which sets forth the income limitations for persons and families of low and moderate income. Rule 2(o)(i) is amended to clarify which programs permit a maximum adjusted income of $16,000. Rule 2(o)(ii) was amended to make it clear that it applies only to multi-unit programs. The former rule provided that a renter can qualify as a person or family of low or moderate income if his adjusted income did not

exceed a certain percentage of the rent. The purpose of the formula was to ensure that persons and families with incomes greater than $16,000 may still qualify for Agency-financed rental housing where, because of the high cost of construction, the Agency is forced to permit the owner to charge higher rent. Unintentionally, however, families of less than $16,000 were excluded in situations in which the agency financed housing could be rented at a low rent. Thus, a further amendment to the rule puts a floor of $16,000 on the definition of low and moderate income similar to the figure in subdivision (i).

The amendments to rule 2(o)(ii) were commented on by the Metropolitan Council. (Public Exhibit G) The Metropolitan Council expressed concern that the 550% of rent calculation extends the income limits for eligible persons to $25,000 and above in some instances. The Council points out that such income limits would be higher than current federal or regional definitions of low and moderate income. Since the 550% figure was not the subject of amendment at this rule hearing, but was contained in the former rule, it cannot be modified by the MHFA in this rule proceeding. The Metropolitan Council's comments may be considered for future action by the Agency, however.

Rule 2(o)(iii) was not changed by the amendments as proposed by the Agency. The purpose of the rule is to restrict grants to the most needy portion of the population. The MHFA did offer an amendment to this rule at the hearing which would strike the word "gross" which appears before the word "assets" in the rule. (The amendments offered by the MHFA for the first time at the hearing, which were not included in the rules as originally proposed, are attached hereto and marked "Exhibit A".) The purpose of the amendment is to conform the rule to other rules. It would appear that the word "gross" makes more sense in regard to income than assets. This amendment would not be a substantial change.

Rule 2(o)(iii) was commented on by the housing director for the City of Mankato, who suggested that the asset limitation be reduced from $25,000 to $15,000 since persons with assets in excess

of $15,000 should be financially capable of repaying a loan regardless of income. Since the Agency was proposing no change in regard to the $25,000 figure, it cannot at this time consider amending it. However, the comment is referred to the Agency for future action. Rule 2(o)(iii), as amended by the Agency, is reasonable and needed.

Proposed rule 2(o)(iv) would lower the maximum adjusted income of home improvement loan recipients to $14,000 from $16,000. In support of the rule, the Agency stated that it has found that the private loan market is willing and able to provide adequate financing for rehabilitation purposes for persons and families with incomes above $14,000. The MHFA is mandated to consider this factor by Minn. Stat. § 462A.03, subd. 10. The Agency stated at the hearing that private enterprise will provide rehabilitation loans to persons of lower income than it will new construction mortgages and that therefore, the income limitation for home improvement should be set at a lower rate than for mortgage loan programs. The Agency stated at the hearing that this change, taken together with the change proposed in a calculation formula for adjusted gross income, will provide a result in terms of recipients very similar to the previous $16,000 adjusted income figure.

Proposed rule 2(o)(iv) was the subject of considerable comment by the MHRA both at the hearing and by written submission (Public Exhibit K). Due to the liberalization of the deductions allowed in computing adjusted income, the proposed change would not mean a full $2,000 drop in the income level of eligible families. For example, in the case of a couple with two minor children and one spouse working, the highest eligible income would be reduced from $17,350 to $16,500 should the proposed amendment be adopted. The MHRA states that the adoption of this amendment will eliminate 100% of the 8% interest rate loans currently being made and eliminate approximately 10% of the 7% interest rate loans. This would mean that approximately 10% of the MHRA's loan workload would be prevented from receiving financial assistance for home improvements. Smaller families would be

most affected by this change since there is less difference between the former rule and proposed rule as family size increases.

Minn. Stat. § 462A.03, subd. 10 requires the Agency, in determining who are "persons and families of low and moderate income" to consider the ability of such persons and families to compete successfully in the normal housing market and to pay the amounts at which private enterprise is providing sanitary, decent and safe housing. Minn. Stat. § 462A.05, subd. 14, in its last sentence, provides that "rehabilitation loans shall be made only when the agency determines that financing is not otherwise available, in whole or in part, from private lenders upon equivalent terms and conditions." The data submitted by the MHRA, based upon a survey of four Minneapolis lenders, clearly indicates that none of the lenders are offering terms or conditions equivalent to the MHFA 8% loans. The MHRA assembled no data on the question of whether a family with an adjusted income in excess of $14,000 as defined in the rule might be judged creditworthy by a commercial lender. It does argue, however, that during the past five years on a national basis housing costs have increased 73% while personal income has increased only 40%. The MHRA suggests that the effect of the proposed amendment is to discourage moderate income persons and families from living in Minneapolis by excluding them from the home improvement loan program. The MHRA also suggests that a reasonable solution would be to retain the $16,000 figure for urban areas with a lower figure for rural areas where the cost of living is not as high.

It is the Examiner's finding that MHFA has failed to sustain its burden of showing the reasonableness of and need for proposed rule 2(o)(iv) with an affirmative presentation of facts since the only evidence presented in support of the rule were the bare conclusions that the private market is willing to provide rehabilitation financing for families with an adjusted income in excess of $14,000 and the equally unsupported conclusion that private enterprise will provide rehabilitation loans to persons of lower income than it will provide new construction mortgages.

It further appears that there is insufficient evidence in this record to support adoption of MHRA's suggestion as to different income levels for urban and rural areas. The Agency may, consistent with Chapter 15, either not adopt the proposed amendment or, if it is possible to do so, revise the amendment so that the income figure is lowered only as much as is consistent with the liberalization of the proposed change in the computation of adjusted income. The record would support any amendment of the adjusted income ceiling which would not exclude persons now eligible from the program, but which would merely adjust the income ceiling to compensate for the revision of the adjusted income computation. Anything beyond this, which relies on the conclusion that the private loan market will provide financing to persons excluded from MHFA loans by the proposed amendment, is not supported by facts in the record.

All of the Agency's other amendments to rule 2(o) are found to be reasonable and needed.

10. MHFA 13 is a new rule which allows the Agency to review loan and mortgage applications for creditworthiness. The proposed rule sets out the criteria to be applied in evaluating creditworthiness. The rule is needed because, since applicants for Agency programs are normally persons of low or moderate income, the Agency must examine not only the income, but look at the total financial picture and history of the applicant to make a judgment on the likelihood of repayment of the loan.

The Agency testified at the hearing that it did not intend to use a fixed percentage under subsection 1 of the proposed rule and that the primary function of the rule is to make it clear that credit review is an integral part of determining whether or not the loan should be made. So interpreted, the MHRA comments were in support of this rule. A question was raised at the hearing as to whether or not including these factors in credit review might perpetuate a type of institutional racism since certain minority groups might be more affected by the criteria. The Agency noted that discrimination was prohibited in the program and that past experience is that minority groups have particpated in the

loan and grant programs beyond the proportion of their numbers in the general population. The rule was demonstrated to be both reasonable and necessary.

11. MHFA 51(j) is a new rule which provides that the applicant-owner of residential housing occupied by renters must agree with the Agency to rent a certain proportion of his housing units to persons and families of low and moderate income. This is mandated by Minn. Laws 1976, Chapter 254. The Agency also seeks to encourage economic integration in housing units by providing that some of the units need not be occupied by families of low and moderate income, thereby fulfilling the mandate of Minn. Stat. § 462A.02, subd. 6. A question was raised at the hearing as to how this would be enforced and the Agency indicated that the owner of the property would be asked to execute an agreement upon receipt of the loan wherein he agreed to rent his units pursuant to the rule. The rule was shown to be reasonable and needed.

12. Proposed rule MHFA 61 deals with the reservation of funds to and the duties of the administering entities of the home improvement grant program. Rule 61(a) reduces the period in which the request for reservation of funds may be made. Rule 61(b) expands the initial information required from administering entities and allows the Agency to oversee the administering entity more effectively and ensure that the rehabilitation grant funds are being used in the most effective manner. Rule 61(b) is amended to require at least 50% of the total grant funds allocated to each administering entity be delivered to the elderly. This is intended to carry out the mandate of Minn. Laws 1976, Chapter 254, section 16(a).

The Metropolitan Council addressed some comments to rule 61(c) and (d) and suggested changes that would allow more flexibility at the regional level in the allocation of the funds by permitting factors other than need to be used in the allocation formula. The suggested new language changes portions of the rule which the Agency had not proposed to change in this rule hearing proceeding. Therefore, the changes would be of a substantial nature and without notice to the public, and are, therefore,

impermissible. The changes are referred to the Agency for its consideration, however.

13. Proposed rule MHFA 62 sets out the eligibility requirements for recipients of rehabilitation grants. Rule 62(a) sets out the ownership requirements for recipients pursuant to Minn. Stat. § 462A.05, subd. 15. The Agency itself proposed an amendment at the hearing which would permit Agency waiver of the security requirement for repayment agreements for rehabilitation grants on Indian reservations in addition to the waiver of ownership requirements. This is not a substantial change and the rule as amended is reasonable and needed.

Rule 62(b) permits the aggregating of ownership interests as long as all owner-occupants join in the application. Rule 62(c) refers the reader to rule 2(o)(iii) for a definition of a person or family of low or moderate income.

Rule 62(d) defines what should be included as assets for purposes of the home improvement grant program. The Agency offered an amendment at the hearing which, once again, would strike the word "gross" from the rule. The intent of the rule is to define assets so as to cover all property except household furnishings, clothing and one automobile, with the purpose of limiting eligible recipients to those most in need. The rule does exclude from assets the structure to be improved and two acres on which the structure is located in order to include those applicants who have very little income, but do own a home and some land on which the home is located. Written comments from the Mankato Housing Director basically supported this rule although suggesting some further specificity.

Seven written comments were received addressed to a proposal made by the Otter Tail County Housing and Redevelopment Authority commission (Public Exhibit F). The Otter Tail HRA suggested that a clause be added to rule 62(d) providing that "in the case of a farmstead, the value of the farm land will not be considered as part of the gross assets." The Yellow Medicine County planner commented that they had been unable to rehabilitate many farm homes which are in desperate need of rehabilitation due to

the fact that the value of the farm land must be considered as part of the gross assets. He stated that many of the farmers are really land poor which is obvious when you see the exceptionally poor housing in which they are living. (Public Exhibit B) The Lincoln County program administrator commented that the current asset limit almost automatically disqualifies any farm family from receiving home improvement grant assistance. He commented that there is a significant difference between having $25,000 invested in stocks or bonds and a similar amount in farm land since one is easily convertable to cash and the other is not. (Public Exhibit D) Others who supported the proposal of the Otter Tail County HRA included the executive director of the Scott Carver Economic Council, Inc. (Public Exhibit I), the executive director of the Grant County HRA (Public Exhibit J) and the executive director of the Lake & Pines Community Action Council, Inc. (Public Exhibit E). The director of the Douglas County Office of Community Development commented, however, that the former rule had caused no problems in his county and speculated that following this proposed suggestion would open a pandora's box of who is in debt and who is not in debt. He raised the question of whether a marginal small rural businessman whose inventory and equipment are not readily convertable should have the inventory and equipment counted as his assets.

The Agency stated at the hearing that persons with incomes of less than $5,000 a year who do own farm land free and clear which is valued in excess of $25,000, exclusive of the two acre exemption mentioned in the rule, should be in a position to obtain credit for rehabilitation of their homes and therefore are not considered to be in the low income group who are to be served by the grant program. The Examiner is unable to conclude that the absence of the clause proposed by the Otter Tail HRA makes the rule as proposed by the Agency unreasonable. The suggestion is therefore referred to the Agency for its consideration. The rule as proposed is reasonable and needed.

14. MHFA 63 sets out the maximum grant and is taken directly from the statute, Minn. Stat. § 462A.05, subd. 15. The MHRA

asked that the Agency recommend to the legislature that the maximum grant amount be increased from $5,000 to $6,000. The Agency is obviously unable to do that through rule making at this time. The rule as proposed is reasonable and needed.

15. Proposed rule MHFA 64 sets out the responsibilities of the administering entity as the local administrator of the rehabilitation grant program, including the selection of recipients and the supervision of the construction work. Rule 64(a) gives the administering entity full responsibility for program implementation. The Agency itself proposed an amendment at the hearing which substituted "certifying" for the word "insuring" in the rule. Rule 64(b) mandates onsight inspections by the administering entity. Rule 64(c) prohibits the administering entity from charging a fee.

Rule 64(d) allows an administering entity to allocate a percentage of the funding to defray a portion of the administrative costs of the program. The Agency itself proposed an amendment at the hearing which replaced the 3% and 5% limits in the rule as proposed with a general formula. The Metropolitan Council commented in writing prior to the hearing that the 3% and 5% language may well have been so specific as to prohibit the use of the full administrative allowance by multi-jurisdictional agencies such as the metro HRA or Anoka CAP which may be operating in both urban and rural areas. The Agency's amendment appears to meet the Metropolitan Council's objection. The proposed rule 64 as amended is reasonable and needed.

16. Proposed rule MHFA 68 allows an administering entity to permit a recipient to do some or all of the improvement work. The Agency offered an amendment itself at the hearing to provide that the administering entity, rather than the Agency, withhold funds subject to successful progress of the rehabilitation work, and permit the withheld funds to be released to the owner for additional work, as he demonstrates his ability to complete the work satisfactorily. This change is not substantial and the rule as amended is reasonable and needed.

17. Proposed rule MHFA 69 allows the Agency to establish a

fund for the purpose of making home improvement grants to eligible applicants to correct defects or deficiencies on an emergency basis. The Agency itself proposed an amendment at the hearing which would substitute the term "reasonably recent period of time" for "sixty days" and would make explicit the requirement that the relevant administering entity have no funds available from its regular funds before a dwelling could be repaired with funds from the emergency fund, and which would permit the use of the emergency fund to repair defects which existed prior to the occurrence which rendered the dwelling uninhabitable. This would not be a substantial change and the rule as amended by the Agency is reasonable and needed.

Based upon the foregoing Findings of Fact, the Hearing Examiner makes the following:

CONCLUSIONS

1. That the Minnesota Housing Finance Agency gave proper notice of the promulgation of the proposed rules and proposed rule amendments.

2. That the Minnesota Housing Finance Agency has statutory authority to take the action proposed, to wit, the promulgation of the proposed rules and rule amendments.

3. That the Minnesota Housing Finance Agency fulfilled all relevant substantive and procedural requirements of law or rule.

4. That the Minnesota Housing Finance Agency has demonstrated the need for and reasonableness of its proposed action, to wit, the promulgation of the proposed rules and rule amendments, with an affirmative presentation of facts, except as otherwise noted in Finding of Fact No. 9, in regard to proposed rule 2(o)(iv).

Based upon the foregoing Conclusions, the Hearing Examiner makes the following:

RECOMMENDATION

It is recommended that the proposed rules be adopted by the Minnesota Housing Finance Agency except as noted in Finding of Fact No. 9, in regard to proposed rule 2(o)(iv), contained herein.

Dated: May 17, 1977.

GEORGE A. BECK
Hearing Examiner

N O T I C E

Pursuant to Minn. Stat. § 15.0412, subd. 4 (1976), this Report shall be available for review to all affected individuals upon request for at least ten days.

The Minnesota Housing Finance Agency shall, if it proposes to adopt the rules as originally proposed or amended, submit the complete hearing record, including its Findings and Order, to the Chief Hearing Examiner no earlier than ten days subsequent to the receipt of this Report. This submission shall also clearly indicate any changes made to the rules as originally proposed, preferably in the format that will be submitted to the State Register for publication. The Chief Hearing Examiner shall complete his review and submit his report to the Minnesota Housing Finance Agency on the issues of substantial changes in the rule and compliance with Minn. Stat. § 15.0412 within ten calendar days. Thereafter, the Agency shall be responsible for filing the rules with the Attorney General.

STATE OF MINNESOTA)
(ss.
COUNTY OF RAMSEY)

HFA-77-002-GB

AFFIDAVIT OF SERVICE

SUSAN WOJCIK, being first duly sworn, deposes and says that on the 17th day of May 1977, at the City of St. Paul, County of Ramsey, State of Minnesota, she served the attached Notice to Interested Persons

unstamped, by placing in the designated tray to be collected by messenger for delivery to the central mailing station as required by Minn. Stat., § 16.54 (1974), a true and correct copy thereof on all persons at the addresses shown on the Hearing Register who indicated thereon that they wished to be notified when the Examiner's Report was submitted to the Agency, and those who submitted written comments.

Susan Wojcik

Subscribed and sworn to before me
this 17th day of May, 1977.

Sandra A. Haven

SANDRA A. HAVEN
NOTARY PUBLIC-MINNESOTA
RAMSEY COUNTY
My Comm. Expires July 29, 1983

STATE OF MINNESOTA
OFFICE OF HEARING EXAMINERS
ROOM 300 – 1745 UNIVERSITY AVENUE
ST. PAUL, MINNESOTA 55104
(612) 296-6910

May 17, 1977

TO ALL INTERESTED PARTIES:

RE: In the Matter of the Proposed Adoption of Rules of the Housing Finance Agency Relating to Certain Definitions, Income Limitations, Procedures for Applying for Certain Agency Loans and Grants, and Criteria Governing Selection of Projects to be Financed by the Agency.
DOCKET NO. HFA-77-002-GB

The Report of the Hearing Examiner in the above-entitled matter has been submitted to the Minnesota Housing Finance Agency. Please note that the Report is a recommendation only and that the Agency may accept, modify or reject any part of it. However, the Agency may not take any final action on the proposed rule until at least ten days have expired. During that time, the Agency and the Office of Hearing Examiners will make a copy of the Report available for review by any interested individual. Copies will be furnished by the Office of Hearing Examiners for $ 2.20 each. Please use the enclosed order form.

A copy of the Report has also been filed with the Legislative Reference Library.

Yours very truly,

Susan K. Derus

SUSAN K. DERUS
Administrative Assistant

SKD/eag
Enc.1

AN EQUAL OPPORTUNITY EMPLOYER

TO: Office of Hearing Examiners
Room 300
1745 University Avenue
St. Paul, Minnesota - 55104

Please send me _____ copy(ies) of the Report of the Hearing Examiner in Docket No. _____. I have enclosed a check in the amount of $_____ made payable to: State Treasurer - Hearing Examiners' account.

_____ (name)

_____ (address)

_____ (city)

(Please type or print the above information clearly.)

Mr. Ken R. Gauthier
St. Paul Housing and Redevelopment
Authority
601 Northwestern National Bank Bldg.
55 East Fifth Street
Saint Paul, Minnesota 55101

Mr. Bill Slininger
252 U. S. Courthouse
Saint Paul, Minnesota 55101

Mr. Phillip T. Handy
Minneapolis Housing and Redevelopment
Authority
217 South Third Street
Minneapolis, Minnesota 55401

Mr. Thomas H. Tate
Hamline University School of Law
Hewitt Avenue and North Snelling Ave.
Saint Paul, Minnesota

Mr. Dale A. Darrow
Housing Director
City of Mankato
202 East Jackson Street
PO Box 3368
Mankato, Minnesota 56001

Mr. George D. Christians
Yellow Medicine County Minnesota
Office of County Planner
P. O. Box 675
Clarkfield, Minnesota 56223

Mr. Bill Haskins
Director
Office of Community Development
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Alexandria, Minnesota 56308

Mr. Paul K. Olson
Program Administrator
Lincoln County Planning &
Development Commission
Lincoln County Courthouse
Ivanhoe, Minnesota 56142

LaVerne Kelling
Executive Director
Lakes & Pines Community Action
Council, Inc.
129 West Forest Avenue
Mora, Minnesota 55051

Ms. Karen A. Peterson
Housing Program Director
Otter Tail County Housing and
Redevelopment Authority
Courthouse
Fergus Falls, Minnesota 56537

Mr. John Boland
Chairman
Metropolitan Council
300 Metro Square Building
Seventh and Robert Streets
Saint Paul, Minnesota 55101

Mr. Jim Standish
Executive Director
Grant County HRA
Office of County Coordinator
Grant County Courthouse
Elbow Lake, Minnesota 56531

Mr. Richard Brustad
Executive Director
Minneapolis Housing and Redevelop-
ment Authority
217 South Third Street
Minneapolis, Minnesota 55401

Mr. Judson L. Kenyon
Executive Director
Scott-Carver Economic Council, Inc.
Sixth and Oak
Carver, Minnesota 55315

MINNESOTA HOUSING FINANCE AGENCY

PUBLIC HEARING APRIL 14, 1977

Name	Address	Telephone #	Group Represented	Do you intend to speak?	Want Copy of Hearing Examiner's Report?
KEN R. GAUTHIER	ST. PAUL HRA	298-5495	HRA	NO	YES
BILL SCHINGER	252 US Fed Bldg	725-5814	FmHA	NO	Yes
Phillip T. Handy	Mpls HRA 217 S. 3rd ST.	348-2563	MHRA	Yes	yes
DONALD A.D. SNYDER	" "	348-4982	"	NO	NO
Thomas H. Tate	Hamline Univ. School of Law	-	-	Yes	Yes

RECEIVED
MAR 18 1977
OFFICE OF HEARING EXAMINERS

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, INCOME LIMITATIONS, PROCEDURES FOR APPLYING FOR CERTAIN AGENCY LOANS AND GRANTS, AND CRITERIA GOVERNING SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY

STATEMENT OF NEED

The above-captioned rules contain amendments to existing rules of the Minnesota Housing Finance Agency and also an entirely new chapter concerning the affordable home mortgage program. The last time the above-captioned rules were formally amended was May 26, 1976. Emergency Rules relating to the American Indian Housing Program were adopted on July 30, 1976.

In general, the need to adopt these rules arises because of the legislative mandate contained in Minn. Stat. §15.0412, subd. 3 and Minn. Stat. §462A.06, subd. 11 that the Agency adopt rules setting forth the nature and requirements of the procedures relating to Agency programs. In particular, the proposed rules are necessary for the following reasons:

1. To establish new and revised income limitations for eligible recipients of Agency loans and grants as required by Minn. Stat. §462A.03, subd. 10. The proposed rules will alter the definition of adjusted income, define income from self-employment, and set different income limitations for different Agency programs. These changes are based on current economic conditions, the past experience of the Agency in administering its programs, and the establishment of new programs which meet the particular housing needs of different income groups.
2. To establish occupancy requirements for that housing financed by the Agency which is inhabited in whole or in part by tenants. These rules were required by the 1976 amendments to Minn. Stat. §462A.03, subd. 13.
3. To establish application procedures and selection criteria for home improvement grants and to set forth the conditions

MHFA Exhibit # 7

under which repayment of said grants is necessary, as required by Minn. Stat. §462A.05, subd. 15 and Minnesota Laws, 1976, Chapter 254, §16(a).

4. To establish application procedures, eligibility requirements, and mortgage terms for low cost basic home mortgages and requirements for construction loans for the building of low cost basic homes. These Rules were mandated by the $5,000,000 appropriation for a revolving loan fund for low cost basic homes contained in Minnesota Laws, 1976, Chapter 254, §16(c).
5. To establish rules to ensure compliance with federal and state civil rights laws in the administration of Agency programs as required by Minn. Stat. §462A.07, subd. 10.
6. To provide additional definitions of terms contained in the Minnesota Housing Finance Agency statute and the rules promulgated pursuant thereto and to make certain stylistic and organizational changes in the rules to improve their clarity in the light of the Agency's administrative experience.

It is the considered judgment of the Agency that the rules as proposed are necessary to delineate program administration and are required to discharge the legislative mandate noted.

MINNESOTA HOUSING FINANCE AGENCY

DATED: March 16, 1977

By George Reilly
George Reilly
Special Attorney

RECEIVED
MAR 18 1977
OFFICE OF HEARING
EXAMINERS

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, INCOME LIMITATIONS, PROCEDURES FOR APPLYING FOR CERTAIN REHABILITATION LOAN AND GRANTS AND CRITERIA GOVERNING SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY

AFFIDAVIT OF MAILING

Ed Rauchwarter, being first duly sworn, deposes and says:

That on the 11th day of March, 19 77, at the City of St. Paul, County of Ramsey, State of Minnesota, he served the attached Notice of Hearing by depositing in the United States mail at said City of St. Paul, a true and correct copy thereof, properly enveloped, with postage prepaid, to all persons and associations at the addresses listed on the attached Certificate of the Secretary of State.

Ed Rauchwarter

Subscribed and sworn to before me this
11th day of March, 19 77.

Linda M. Kluwe
Notary Public

LINDA M. KLUWE
NOTARY PUBLIC — MINNESOTA
RAMSEY COUNTY
My Commission Expires Feb. 16, 1983

MHFA Exhibit #5

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, INCOME LIMITATIONS, PROCEDURES FOR APPLYING FOR CERTAIN REHABILITATION LOANS AND GRANTS AND CRITERIA GOVERNING SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY

AFFIDAVIT OF RECEIPT OF THE SECRETARY OF STATE'S LIST

Bruce D. Campbell, being duly sworn on oath deposes and says:

1) That he is an employee of the Attorney General's Office, assigned to the Minnesota Housing Finance Agency, an Agency of the State of Minnesota.

2) That on the 10th day of March, 1977, he went to the Secretary of State's Office for the State of Minnesota and requested a current list of all representatives of associations or other interested groups or persons who had registered their names with the Secretary of State for the purpose of obtaining notices of public hearings relating to the promulgation of rules pursuant to M. S. 15.0412.

3) That on the 10th day of March, 1977, in response to the above request, the Secretary of State provided him with such a list, a copy of which is attached hereto and incorporated by reference.

Further affiant sayeth not.

Bruce D Campbell

Subscribed and sworn to before me this 10th day of March, 1977.

Notary Public, Ramsey County, Minnesota.

My Commission Expires: 2/16/83

LINDA M. KLUWE
NOTARY PUBLIC — MINNESOTA
RAMSEY COUNTY
My Commission Expires Feb. 16, 1983

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, INCOME LIMITATIONS, PROCEDURES FOR APPLYING FOR CERTAIN REHABILITATION LOANS AND GRANTS AND CRITERIA GOVERNING SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY

CERTIFICATE

I hereby certify that the attached 507 Cable 4 one sheet constitute the complete list of persons, associations, and other interested groups who as of 9:00 o'clock A.M., this 10th day of March, 1977, have requested pursuant to M. S. 1974, Section 15.0412, that their names be placed on file with the Secretary of State for the purpose of receiving notice of public hearing on proposed rules on the subject captioned above.

SECRETARY OF STATE

Joan Anderson Growe

By: Ceil Dunn

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, INCOME LIMITATIONS, PROCEDURES FOR APPLYING FOR CERTAIN AGENCY LOANS AND GRANTS, AND CRITERIA GOVERNING SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY	)	ORDER FOR HEARING

IT IS HEREBY ORDERED that a public hearing on the above-captioned rules be held in Conference Room D, Veterans Service Building, Capitol Approach, on April 14, 1977, commencing at 9:30 a.m. and continuing until all persons have had an opportunity to be heard.

IT IS FURTHER ORDERED that a Notice of Hearing be mailed to all persons or representatives of associations or other interested groups who have registered their names with the Secretary of State for that purpose.

IT IS FURTHER ORDERED that the Notice of Hearing be published in the State Register.

James F. Dlugosch
Executive Director

Date: February 17, 1977

MINNESOTA HOUSING FINANCE AGENCY
480 Cedar Street
St. Paul, Minnesota 55101

RESOLUTION NO. 77 - 7

RESOLUTION AUTHORIZING PUBLIC HEARING ON PROPOSED RULES

WHEREAS, on January 27, 1977 the Minnesota Housing Finance Agency adopted Resolution No. 77-1, authorizing the Executive Director to call a hearing on certain proposed rules which were presented to the Board on that date; and

WHEREAS, notice of such hearing has not yet been published or given to interested persons; and

WHEREAS, the Minnesota Housing Finance Agency desires to alter said proposed rules in certain respects; and

WHEREAS, the Agency deems it advisable to affirm the authorization of the Executive Director to call a hearing on the proposed rules as so altered;

NOW THEREFORE RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

That James Dlugosch, the Executive Director of the Minnesota Housing Finance Agency, be and he hereby is authorized and directed (1) to call a hearing for the purpose of promulgating rules of the Minnesota Housing Finance Agency, relating to certain definitions, income limitations, procedures for applying for certain Agency loans and grants, and criteria governing the selection of projects to be financed by the Agency; (2) to arrange for a hearing examiner to act as presiding officer at said hearing; and (3) to perform all other acts incidental to such hearing including without limitation signing an order of hearing and notice of hearing.

Adopted by the Minnesota Housing Finance Agency this 17th day of February, 1977.

By Richard L. Miller
Chairman

Attest: Robert W. Matz
Secretary

MINNESOTA HOUSING FINANCE AGENCY
480 Cedar Street
St. Paul, Minnesota 55101

CERTIFICATE OF RESOLUTION
OF
THE MINNESOTA HOUSING FINANCE AGENCY

The undersigned does hereby certify that he is the Secretary of the Minnesota Housing Finance Agency, an Agency duly authorized under the laws of the State of Minnesota; that the following is a true, complete and correct copy of a resolution adopted at a meeting of the Minnesota Housing Finance Agency duly and properly called and held on the 17th day of February, 1977; that a quorum was present at said meeting; that a majority of those present voted in favor of the adoption of said resolution; that said resolution is set forth in the minutes of said meeting; and that said resolution has not been altered, modified or annulled and remains in full force and effect:

"WHEREAS, on January 27, 1977 the Minnesota Housing Finance Agency adopted Resolution No. 77-1, authorizing the Executive Director to call a hearing on certain proposed rules which were presented to the Board on that date; and

"WHEREAS, notice of such hearing has not yet been published or given to interested persons; and

"WHEREAS, the Minnesota Housing Finance Agency desires to alter said proposed rules in certain respects; and

"WHEREAS, the Agency deems it advisable to affirm the authorization of the Executive Director to call a hearing on the proposed rules as so altered;

NOW THEREFORE RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

"That James Dlugosch, the Executive Director of the Minnesota Housing Finance Agency, be and he hereby is authorized and directed (1) to call a hearing for the purpose of promulgating rules of the Minnesota Housing Finance Agency, relating to certain definitions, income limitations, procedures for applying for certain Agency loans and grants, and criteria governing the selection of projects to be financed by the Agency; (2) to arrange for a hearing examiner to act as presiding officer at

said hearing; and (3) to perform all other acts incidental to such hearing including without limitation signing an order of hearing and notice of hearing."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 17th day of February, 1977.

Attest: Mark Kaplan
Member

Robert W Math
Secretary

MINNESOTA HOUSING FINANCE AGENCY
480 Cedar Street
St. Paul, Minnesota 55101

CERTIFICATE OF RESOLUTION
OF
THE MINNESOTA HOUSING FINANCE AGENCY

The undersigned does hereby certify that he is the Secretary of the Minnesota Housing Finance Agency, an Agency duly authorized under the laws of the State of Minnesota; that the attached resolution is a true, complete and correct copy of a resolution adopted at a meeting of the Minnesota Housing Finance Agency duly and properly called and held on the 23rd day of June, 1977; that a quorum was present at said meeting; that a majority of those present voted in favor of the adoption of said resolution; that said resolution is set forth in the minutes of said meeting; and that said resolution has not been altered, modified or annulled and remains in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my name this ____ day of _____, 1977.

Attest:_____ _____
Member Secretary

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, INCOME LIMITATIONS, PROCEDURES FOR APPLYING FOR CERTAIN AGENCY LOANS AND GRANTS, AND CRITERIA GOVERNING SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY	Resolution No. 77-44 RESOLUTION ADOPTING REPORT OF HEARING EXAMINER AND RULES

WHEREAS, pursuant to Board Resolution No. 77-7 of February 17, 1977, the Executive Director was authorized to call a public hearing on the above-entitled proposed rules which were presented to the Board on that date; and

WHEREAS, at said public hearing the Agency suggested amendments to the proposed rules, a copy of which amendments is attached hereto as Exhibit A; and

WHEREAS, the above-entitled matter having come on for hearing before George Beck, Hearing Examiner of the State of Minnesota on the 14th day of April, 1977, at 9:30 a.m. in the Veterans Service Building, St. Paul, Minnesota after proper notice required by Minn. Stat. §15.0412 was served upon all persons, associations, and other interested groups registered with the Secretary of State for that purpose; and

WHEREAS, on May 17, 1977, after consideration of the proposed rules, suggested Agency amendments, and the evidence presented in writing and at the public hearing, the Hearing Examiner issued a report approving the rules and amendments as proposed by the Agency at the hearing with the exception of proposed Minn. Reg. 2(0)(4); and

WHEREAS, because of the Hearing Examiner's rejection of the proposed Minn. Reg. MHFA 2(0)(4), the income limitation for Low Income Purchasers should remain at the previous level of $16,000; and

WHEREAS, in the 1977 session of the Minnesota legislature, amendments were made to Minn. Stat. §§462A.01-462A.26 which necessitate the following changes in the rules as proposed by the Agency and approved by the Hearing Examiner:

1. that Minn. Reg. MHFA 61(D) eliminate the reservation of 50 percent of rehabilitation grant funds to the elderly; and

2. that Minn. Reg. MHFA 67 provide for repayment of rehabilitation grants on conveyance of the rehabilitated structure within 6 years of receipt of the grant in the amounts specified by the legislature; and

3. that Minn. Reg. MHFA 67 further provide for no repayment of grant funds used to improve the accessibility of housing to the handicapped;

NOW THEREFORE, having afforded interested persons an opportunity to present written and oral data, statements, and arguments, having considered all of the testimony and evidence contained in the records, files and proceedings herein, and applicable statutory standards and criteria, and having confirmed the need for the above-captioned rules,

IT IS HEREBY RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

1. that the findings of fact, conclusions, and recommendations of the Hearing Examiner dated May 17, 1977 be and hereby are adopted; and

2. that the rules attached hereto as Exhibit B and incorporated herein by this reference as if fully set forth herein be and hereby are adopted; and

3. that James Dlugosch, the Executive Director of the Minnesota Housing Finance Agency, be and he hereby is authorized and directed to present these rules as adopted to the Chief Hearing Examiner and to the Attorney General for review and approval pursuant to Minn. Stat. §15.0412; to arrange at the appropriate time for the publication of these rules in the State Register; and to perform all other acts necessary in connection with the promulgation of said rules.

Adopted by the Minnesota Housing Finance Agency this 23rd day of June, 1977.

By Richard L. Miller
Chairman

Attest: Robert W. Matson
Secretary

EXHIBIT A

MINNESOTA HOUSING FINANCE AGENCY

SUGGESTED AMENDMENTS TO PROPOSED RULES

1. Proposed Minn. Reg. MHFA 2(o)(iii) would be amended to eliminate the word "gross", and would read as follows:

"(iii) With respect to home improvement grants to be made by the Agency, those persons and families whose Adjusted Income does not exceed $5,000 and whose [gross] assets, excluding the property to be improved, does not exceed $25,000; and"

2. Proposed Minn. Reg. MHFA 62(a) would be amended to permit Agency waiver of the security requirement for repayment agreements for rehabilitation grants on Indian reservations, and would read as follows:

"(a) [The applicant must have an Adjusted Income not in excess of $5,000.] The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least (i) a life estate or (ii) a one-third interest in the fee title or in the contract for deed with respect to such structure. The Agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations.

3. Proposed Minn. Reg. MHFA 62(d) would be amended to eliminate the word "gross" before "assets" and specify that outstanding indebtedness should be subtracted from assets, and would read as follows:

"(d) '[Gross] Assets' for purposes of the home improvement grant program shall be the sum of the following, after deducting any outstanding indebtedness:

(i) cash on hand or in checking or savings accounts;

(ii) securities or U.S. Savings Bonds;

(iii) market value of all interests in real estate (exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located);

(iv) cash value of life insurance policies; and

(v) all other property, exclusive of household furnishings, clothing, and one automobile."

4. Proposed Minn. Reg. MHFA 64(a) would be amended to substitute the word "certifying" for the word "ensuring" and would read as follows:

"(a) The Administering Entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients and [ensuring] certifying that the rehabilitation work is satisfactorily completed."

5. Proposed Minn. Reg. MHFA 64(d) would be amended to replace the three percent and five percent limits on administrative costs with a general formula, and would read as follows:

"(d) The Administering Entity may, with the prior written consent of the Agency, allocate [up to three percent of the total funding in municipal areas and up to five percent of the total funding in primarily rural areas] part of its total funding, in accordance with a formula based upon data assembled by the Agency and reflecting administrative costs, geographic area, level of funding, and other related factors, to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the Administering Entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the Agency according to a budget submitted by the Administering Entity and approved by the Agency. Disbursements of the administrative allowance shall be contingent upon the Agency's review and approval of the satisfactory progress of the program."

6. Proposed Minn. Reg. MHFA 68 would be amended to provide that the Administering Entity, rather than the Agency, withhold funds subject to successful progress of the rehabilitation work, and permit the withheld funds to be released to the owner for additional work, as he demonstrates his ability to complete the work satisfactorily. The section as amended would read as follows:

"An eligible recipient may agree with an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant, if the Administering Entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances [the Agency shall forward to the Administering Entity funds sufficient to cover the estimated material costs of the improvements and shall withhold from the Administering Entity] sufficient grant funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld.

[The total amount of the funds so forwarded and so withheld shall not exceed $5,000 for each grant.] Upon successful completion of the improvement work so funded, the Administering Entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work."

7. Proposed Minn. Reg. MHFA 69 is amended to substitute the term "reasonably recent period of time" for "60 days"; to make explicit the requirement that the relevant Administering Entity have no funds available from its regular fund before a dwelling may be repaired with funds from the Emergency Fund; and to permit the use of the Emergency Fund to repair defects which existed prior to the occurrence which rendered the dwelling uninhabitable. The section as amended would read as follows:

"The Agency may establish a separate fund known as the Emergency Home Improvement Grant Fund. [for the purpose of making home improvement grants] Grants from the Emergency Home Improvement Grant Fund shall be made to eligible applicants [to correct] provided that the dwelling contains defects or deficiencies which (i) are the direct result of an occurrence which took place [not more than 60 days] within a reasonably recent period of time prior to the grant application, and (ii) if left uncorrected would render the dwelling immediately uninhabitable. Before an application to the Emergency Home Improvement Grant Fund is accepted, the Administering Entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant fund to cover the cost of repairs. Such funds may also be used to correct serious defects or deficiencies in the dwelling other than the specific defect or deficiency which rendered the dwelling immediately uninhabitable. Grants from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these Rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of MHFA 61(d)."

PROPOSED
MINNESOTA HOUSING FINANCE AGENCY
RULES

1. Minn. Reg. MHFA 1 is hereby amended to read as follows:

"MHFA 1 - Scope

These Rules are made and published pursuant to Subdivisions 4 and 11 of Section 6 and Subdivision 10 of Section 7 of the Minnesota Housing Finance Agency Law of 1971, and relate to the providing of Development Cost Loans, Mortgage Loans, rehabilitation loans and grants, development grants and technical assistance to qualified Housing Sponsors for construction and rehabilitation of housing [projects] for occupancy by Persons and Families of Low and Moderate Income."

2. Minn. Reg. MHFA 2(g) is hereby amended to read as follows:

"[[(g)]] G. 'Non-Profit' or 'Non-Profit Entity' means and refers to (1) housing and redevelopment authorities established under and pursuant to the provisions of Minn. Stat. Sections 462.411 to 462.711 (1971), and (2) those partnerships, joint-ventures, [and] corporations, and associations which (i) [which] are established for a purpose not involving pecuniary gain to the members, partners or shareholders thereof; (ii) [which] pay no dividends or other pecuniary remuneration, directly or indirectly, to the members, partners, or shareholders thereof; and (iii) [which] in the case of private, non-profit corporations, are established under and pursuant to Minn. Stat. Ch. 317 and are in compliance with all the provisions thereof; provided, however, that in no event shall a Limited Dividend Entity be deemed a Non-Profit Entity."

3. Minn. Reg. MHFA 2(k) is hereby amended to read as follows:

"[[(k)]] K. 'Mortgage Loan' means a loan authorized by resolution of the Members and made or to be made to a Housing Sponsor, or to a Person or Family of Low or Moderate income, or to a Low Income Purchaser, from the proceeds of sale of the Agency's bonds or notes, or from appropriations, for the purpose of providing construction financing, long term financing, or both, for residential housing, and the payment of which is secured or to be secured. [as provided in the Act.]"

4. Minn. Reg. MHFA 2(n) is hereby amended to read as follows:

"[[(n)]] N. 'Adjusted Income' means the gross annual income, from all sources and before taxes or withhol-d-ing, of all [members of the family living in] residents of a housing unit, after deducting the following:

1. the income of any [family member (other than the head of the household or his spouse)] resident (except the primary income recipient) who is under eighteen years of age or is a full time student, and who is related by blood, adoption, or marriage to a resident income recipient or his/her spouse;

[(5)] 2. nonrecurring income, as determined by the Executive Director, and sums received for foster child care;

[(6)] 3. extraordinary medical or other expenses as the Executive Director approves for exclusion; [and]

[(7)] [an amount equal to the sums received by the head of the household or his spouse from, or under the direction of, any public or private non-profit child placing agency for the care and maintenance of one or more persons who are under eighteen years of age and were placed in the household by such agency.]

[(2)] 4. [the first $300] an amount up to $750 of the income of [a secondary wage earner who is the spouse of the head of the household] an additional income recipient eighteen years of age or older other than the primary income recipient;

[(3)] [an amount equal to 5 per centum of the income of the head of the household and his spouse (or, in the case of an elderly family, 10 per centum of such income);]

[(4)] 5. an amount equal to [$300] $750 for each [member of the family residing in the household (other than the head of the household or his spouse)] resident [who is under eighteen years of age or who is eighteen years of age or older but has no income included in family income for the purposes of this section] of the housing unit who is eighteen years of age or over, (maximum of two) and $500 for each additional resident;

6. an amount up to $750 for child care expenses which are eligible for deduction under United States Internal Revenue Service tax regulations.

Gross annual income from self-employment shall be deemed to be the net profit from said self-employment as declared by the applicant in schedule C, F, or E, Part III, as appropriate, of the United States Internal Revenue Service Form 1040, or such other schedule as may be hereafter promulgated, but including as income all depreciation."

5. Minn. Reg. MHFA 2(o) is hereby amended to read as follows:

"[[(o)]] 0. 'Persons and Families of Low and Moderate Income' means:

[[(i)]] 1. With respect to [a structure or structures designed primarily for residential use by not more than four families] Limited-Unit Mortgage Loans pursuant to Chapter Four of these Rules, Development Cost Loans pursuant to Chapter Three of these Rules, Planning Grants pursuant to Chapter Five of these Rules, and American Indian Housing Loans pursuant to Chapter Eight of these Rules, which loans and grants are intended for a Limited-Unit Development, or a dwelling unit in a planned unit development or a condominium, those persons and families whose Adjusted Income does not exceed $16,000; and

[[(ii)]] 2. With respect to [all other structures] Multi-Unit Mortgage Loans pursuant to Chapter Four of these Rules, Development Cost Loans pursuant to Chapter Three of these Rules, Planning Grants pursuant to Chapter Five of these Rules, and American Indian Housing Loans pursuant to Chapter Eight of these Rules, which loans or grants are intended for a Multi-Unit Development, those persons and families whose Adjusted Income does not exceed the greater of $16,000 or 550 percent of the gross rental for the dwelling unit to be occupied; provided, however, that the gross rentals for at least 75 percent of the dwelling units in such [structure or structures] development shall not exceed 120% of the Fair Market Rents for the geographical area in which such [structure or structures] projects are located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development;

provided [however] further, that the Members may allow higher gross rentals for units in any structure if the Members determine that such higher gross rentals are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs; [and]

[[(iii)]] 3. With respect to home improvement grants to be made by the Agency, those persons and families whose Adjusted Income does not exceed $5,000 and whose [[gross]] assets, excluding the property to be improved, does not exceed $25,000; and

[[(iv)]] 4. With respect to home improvement loans pursuant to Chapter Six of these Rules, those persons and families whose Adjusted Income does not exceed [[$14,000.]] $16,000."

6. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"[[(r)]] R. 'Low Income Purchasers' means with respect to Chapter Nine of these Rules, those persons and families whose Adjusted Income does not exceed $14,000."

7. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"[[(s)]] S. 'Builder' means a person or entity engaged in the business of housing construction who meets all licensing and other requirements of applicable laws, ordinances, and regulations; who possesses satisfactory experience and creditworthiness; and who will enter into an agreement satisfactory to the Agency to sell or rent the residential housing constructed in whole or in part from the proceeds of an Agency Loan, to Persons and Families of Low and Moderate Income."

8. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"[[(t)]] T. 'Administering Entity' means a nonprofit or governmental entity (including but not limited to an incorporated county or municipality, a housing redevelopment authority, and a community action organization), which enters into a contract with the Agency for the

local administration of the home improvement grant program, pursuant to Chapter Seven of these Rules."

9. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"[[(u)]] U. 'Multi-Unit Development' means a loan or grant for new or existing residential housing which is intended for occupancy by more than one family, and the mortgagor of which is a Non-Profit or Limited Dividend Entity."

10. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"[[(v)]] V. 'Limited-Unit Development' means a loan or grant to a Person or Family of Low or Moderate Income for new or existing residential housing intended for occupancy by such person or family and by not more than five other families."

11. Minn. Reg. MHFA 3 is hereby renumbered as MHFA 14.

12. Minn. Reg. MHFA 4 is hereby renumbered as MHFA 34, and as so renumbered, is hereby amended to read as follows:

"MHFA [4] 34 - Occupancy

Initial occupancy in [housing units] Multi-Unit Developments financed by the Agency shall be limited to Persons and Families of Low and Moderate Income; provided however, that (i) to the extent necessary to avoid economic loss resulting from inability to achieve full occupancy, and (ii) in order to encourage economic integration, a Housing Sponsor may, with the prior written approval of the Executive Director, permit initial occupancy of up to 25% of the units in the housing project by persons and families who are not Persons and Families of Low and Moderate Income."

13. Minn. Reg. MHFA 5 is hereby renumbered as MHFA 15.

14. Minn. Reg. MHFA 6 is hereby renumbered as MHFA 16.

15. Minn. Reg. MHFA 7 is hereby renumbered as MHFA 3, and as so renumbered is hereby amended to read as follows:

"MHFA [7] 3 - Agency Meetings

[[(a)]] A. Regular meetings of the Agency shall be held on the [[third]] fourth Thursday of each month at 1:00 PM at the offices of the Agency

in St. Paul, Minnesota, unless another place of meeting is designated by resolution. In the event such date shall fall on a legal holiday, the regular meeting shall be held the next succeeding business day.

[[(b)]] B. Special meetings of the Agency may be called by the [Chairman] Chairperson or by a majority of the existing Members of the Agency, for the purpose of transacting any business designated in the notice, and shall be held at the business offices of the Agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. At any such special meeting, no business shall be considered other than as designated in the notice; provided, however, that if all of the Members of the Agency are present at such special meeting, this limitation shall not apply.

[[(c)]] C. A majority of the existing Members of the Agency shall constitute a quorum for the purpose of conducting the Agency's business and exercising its powers and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. When a quorum is in attendance, action may be taken by the Agency on the vote of the majority of the Members present."

16. Minn. Reg. MHFA 8 is hereby renumbered as MHFA 4, and as so renumbered is hereby amended to read as follows:

"MHFA [8] 4 - Public Appearances at Meetings of the Members

The following procedures shall govern public appearances at meetings of the Members:

[[(a)]] A. With respect to regular meetings, the Executive Director shall complete the agenda for meetings of the Members, not less than five nor more than seven days prior to the date of any such meeting.

[[(b)]] B. With respect to regular meetings, any person who desires to appear and address the Members [with respect to any matter not enumerated on the agenda] shall make a written request to the Executive Director, with a copy to the [Chairman] Chairperson, at least ten days prior to the date of the meeting, setting forth the nature of the matter about which such person wishes to appear.

[[(c)]] C. With respect to regular or special meetings, any person who desires to appear and address the Members with respect to any matter enumerated on the agenda shall make a written request to the Executive Director, with a copy to the [Chairman] Chairperson, at least twenty-four hours before the meeting.

[[(d)]] D. Any Member may at any time request that a person be permitted to appear and address the Members at any regular or special meeting.

[[(e)]] E. All such requests shall be placed on the agenda for review by the Members at the meeting. A majority vote of the Members present shall be required in order to grant any such request to address the Members."

17. Minn. Reg. MHFA 9 is hereby renumbered as MHFA 5-9.

18. Minn. Reg. MHFA Chapter Two is hereby amended to read as follows:

"Chapter Two: [Application Procedures] General Provisions

MHFA 10 - Applications

The Executive Director may provide staff services to assist a Housing Sponsor in complying with the requirements of the Act and these Rules and may establish a preapplication procedure.

MHFA 11 - Eligible Housing Sponsors

No Development Cost Loan, pursuant to Chapter Three of these Rules, or Multi-Unit Development Mortgage Loan, pursuant to Chapter Four of these Rules, shall be made or disbursed until such time as the Housing Sponsor is an eligible Sponsor. An eligible Housing Sponsor is a Sponsor which is authorized by the Act to receive a Development Cost Loan or a Multi-Unit Development Mortgage Loan and which has obtained the Executive Director's approval of its organizational documents, including proposed or existing articles of incorporation, proposed or existing partnership agreement, joint venture agreement, trust agreement or other document of basic organization, and proposed amendments thereto, together with such other documents as the Executive Director may determine, in specific cases, are necessary in order to determine eligibility.

MHFA 12 - Civil Rights

All Agency projects must be administered in compliance with all applicable federal, state and local civil rights laws, ordinances, and regulations including but not limited to those applying to the selection of recipients for agency loans and grants, and the site selection, construction, purchase and rental of residential housing financed in whole or in part with Agency participation. Any determination that a project or recipient has failed to comply with the civil rights laws, if made by a court or an administrative agency charged with the enforcement of said laws, shall be sufficient grounds for termination of Agency participation and immediate recall of outstanding Agency loans. This section shall not be construed to prohibit housing programs administered by or for American Indians.

MHFA 13 - Credit Review

The Agency may review, or cause to be reviewed, loan and mortgage applications for suitable creditworthiness. In evaluating creditworthiness the Agency may consider 1) the percentage of applicant's income which can reasonably be expected to be spent on housing costs; 2) the amount of applicant's outstanding debts; 3) the applicant's employment history and likelihood of continued employment; 4) the applicant's credit history; 5) whether applicant has ever sought bankruptcy relief; and 6) on a case by case basis, the general educational background and residential stability of the applicant.

MHFA 14 - Forms and Procedures

With respect to each Mortgage Loan program, rehabilitation loan program, rehabilitation grant program and Development Cost Loan program from time to time instituted by the Agency, the Executive Director shall prepare guides setting forth uniform procedures by which applications for loans or grants shall be submitted, the contents thereof, and the conditions upon which loans or grants shall be made. Each said guide, and any amendment thereto, shall be submitted to the Members of the Agency for their review at any regular or special meeting called for such purpose and shall become effective only upon the approving vote of the Members.

MHFA 15 - Waivers

The provisions of these Rules may be waived by the Members upon their determination that the application of

such Rules, in specific cases, may result in undue hardship.

MHFA 16 - Separability

If any word, phrase, sentence, paragraph, section or part of these Rules is finally adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of these Rules.

MHFA 17 - Preference in Occupancy

Each recipient of an Agency loan who is the owner of residential housing occupied in whole or in part by renters shall give preference in occupancy to those Persons and Families of Low and Moderate Income who occupied the residence at the time of the loan application, subject to the right of the owner to reside there himself.

MHFA [12] 18-20 - Reserved for Future Use."

19. Minn. Reg. MHFA 31 is hereby amended to read as follows:

"MHFA 31 - Applications for Multi-Unit Development Mortgage Loans

An application by a Housing Sponsor, or by an Approved Mortgagee on behalf of a Housing Sponsor, for a Multi-Unit Development Mortgage Loan or for Agency participation in a Multi-Unit Development Mortgage Loan shall contain:

[[(a)]] A. Information with respect to the eligibility of the Housing Sponsor, or with respect to the steps which have been taken by such Sponsor to become eligible.

[[(b)]] B. Information with respect to the site of the proposed housing project, including location, dimensions, ownership, present zoning, present use and occupancy, relocation requirements as to present occupants, present on-site utilities and streets, present property taxes and assessment, utility charges and liens or other charges on the land and all physical characteristics of the site which might affect construction.

[[(c)]] C. Information with respect to the characteristics of the proposed housing project, including

number and size of dwelling units, type of occupancy (ownership, rental or cooperative), rehabilitation or new construction, range of proposed rents, occupancy charges or sale prices, building type, federally aided mortgage or otherwise, and proposed incidental or appurtenant educational, social, recreational, commercial, community and other supporting facilities.

[[(d)]] D. Identity and qualifications of the design architect, supervisory architect, Sponsor's attorney, housing consultant, general contractor, marketing or sales agent and management agent.

[[(e)]] E. Architectural drawings and specifications, site plan, schedule of construction costs, reports of soil tests or engineering studies performed, executed construction contract and evidence of approval of the architectural drawings, specifications and site plan by governmental bodies having jurisdiction.

[[(f)]] F. Proposed marketing plan, reports of market surveys or analyses, schedule of proposed rents, occupancy charges or sale prices, proposed operating budget, proposed management plan, proposed relocation plan and cost analysis, schedule of the proposed uses of the requested Mortgage Loan and the amounts to be allocated to each such use including the Sponsor's equity investment where applicable, and a proposed construction schedule.

[[(g)]] G. A schedule of the proposed initial rents or occupancy charges.

[[(h)]] H. A plan setting forth (i) arrangements contemplated for tenant referral from local housing authorities or other governmental agencies or community organizations, having contract with potential eligible occupants, and (ii) procedures contemplated to make generally known to minority groups the availability of units on a nondiscriminatory basis.

[[(i)]] I. Such other information as to the proposed housing project, the Housing Sponsor, or other parties involved in the housing project, as the Executive Director may require."

20. Minn. Reg. MHFA 32 is hereby amended to read as follows:

"MHFA 32 - Authorization of Multi-Unit Development Mortgage Loans

No Multi-Unit Development Mortgage Loan shall be made until the Members of the Agency have received and reviewed the recommendation of the Executive Director relating to such loan, and until the Members of the Agency have adopted a resolution approving such loan; which resolution shall include determinations that:

[[(a)]] A. A Multi-Unit Development Mortgage Loan would not otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

[[(b)]] B. The development of the proposed housing project will assist in fulfilling the purposes of the Act.

[[(c)]] C. In the case of a Housing Sponsor which is a Limited Dividend Entity, the rate of return on the investment in the proposed housing project is reasonable in light of then existing conditions in the housing industry and financial markets and rate of return then prescribed by other governmental agencies.

[[(d)]] D. The obligation of the Agency to make such loans is contingent on the ability of the Agency to sell its bonds or bond anticipation notes, on terms which the Members of the Agency, in their sole discretion, deem acceptable.

In addition, any such resolution may contain such other provisions and conditions which the Members of the Agency, in their sole discretion, deem advisable."

21. Minn. Reg. MHFA 33 is hereby renumbered as MHFA 35, and as so renumbered is hereby amended to read as follows:

"MHFA 35 - Evidence of Limited-Unit Development and Multi-Unit Development Mortgage Loans

The Executive Director of the Agency shall not permit any disbursement of an approved Mortgage Loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, a mortgage, appropriate evidence of [federal] insurance, if applicable, and by such other instruments as the Executive Director may in specific cases deem necessary or appropriate."

22. Minn. Reg. MHFA 34 is hereby renumbered as MHFA 33, and as so renumbered is hereby amended to read as follows:

"MHFA 33 - Project Selection Criteria for Multi-Unit Development Mortgage Loans

In determining whether to accept applications of Housing Sponsors for Development Cost Loans or Multi-Unit Development Mortgage Loans, the Members shall examine the following facts and make their determinations thereon:

[[(a)]] A. Whether a need exists in the geographical area for the proposed development.

[[(b)]] B. Whether adequate provision has been made for housing opportunities for minority families, including elderly persons and families.

[[(c)]] C. Whether the proposed development is consistent with orderly growth and development in the geographical area.

[[(d)]] D. The impact of the proposed development on the physical environment of the surrounding neighborhood.

[[(e)]] E. Whether the Housing Sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development.

[[(f)]] F. The extent to which the proposed development will create minority employment and business opportunities.

[[(g)]] G. The effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions.

[[(h)]] H. The extent to which the proposed development will reduce the cost of mortgage financing or rentals for housing for low and moderate income persons and families.

[[(i)]] I. The extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes.

[[(j)]] J. The relationship of the proposed development to public facilities, sources of employment and services (including public transportation,

health, education and recreation facilities, and public utilities) essential to orderly growth.

[[(k)]] K. The relationship of the housing development to any comprehensive plans, policies, procedures and programs adopted and approved according to law by an agency of state or local government acting pursuant to legislative authority, including but not limited to the plans, policies, procedures and programs of regional development commissions and the Metropolitan Council.

[[(l)]] L. Whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

[[(m)]] M. In the case of a Housing Sponsor which is a Limited Dividend Entity, whether the rate of return on its investment in the proposed development is reasonable in light of then existing conditions in the housing industry and financial markets and in the rates of return then prescribed by other governmental agencies.

[[(n)]] N. Whether the proposed development will assist in fulfilling the purposes of the Act."

23. Minn. Reg. MHFA 35 is hereby renumbered as MHFA 36, and as so renumbered is hereby amended to read as follows:

"MHFA 36 - Mortgage Loans for [Single Family Dwellings] Limited-Unit Developments

Mortgage Loans for [single family dwellings] Limited-Unit Developments shall be made only to applicants who (i) are Persons or Families of Low or Moderate Income; (ii) are fee owners of the dwelling and who intend to occupy such dwelling as their principal place of residence; (iii) satisfy minimum standards of creditworthiness; and (iv) execute such documents as the Agency deems necessary to secure the Mortgage Loan. No Mortgage Loan shall be approved unless the Agency determines that a Mortgage Loan would not otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions."

24. Minn. Reg. MHFA 51 is hereby amended by adding a subdivision, to read as follows:

"[[(j)]] J. Each applicant who is an owner of residential housing occupied in whole or in part by renters,

shall enter into such agreement as the Agency shall require to ensure that for the term of the loan Persons and Families of Low and Moderate Income will occupy at least one of the units in the case of a two unit residence, two of the units in the case of a three unit residence, three of the units in the case of a four unit residence, and four of the units in the case of a five or six unit residence."

25. Minn. Reg. MHFA 61 is hereby amended to read as follows:

"MHFA 61 - Reservation of Funds

[[(a)]] A. For a period of at least [three months] 45 days after the Agency gives notice that the funds for making rehabilitation grants are available, the Agency shall receive requests for reservation of funds from prospective Administering Entities.

[[(b)]] B. Requests for reservation of funds for rehabilitation grants may be made by prospective Administering Entities to the Agency, and shall [be accompanied by (a)] contain (i) a plan setting forth the proposed method of delivery of the rehabilitation grants; [(b)] (ii) evidence satisfactory to the Agency that [the person or organization which will administer the delivery of the grants] the Administering Entity has the capacity effectively and efficiently to carry out the plan; [and (c)] (iii) evidence satisfactory to the Agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered; (iv) the specific funding amount requested for a 12-month period and the administrative allowance, if any, required by the Administering Entity to defray the expenses of administering the program; (v) other funding sources available to the Administering Entity for administration and home improvement; (vi) a description of the local housing problems; (vii) specific goals to be accomplished with requested funds; and (viii) a description of the targeting plan, if any, whereby the Administering Entity will establish priorities for awarding grant funds based on an assessment of need within its jurisdiction, in the event that the number of applications exceeds the number of grants which can be awarded. The targeting plan, if any, shall be subject to approval by the Agency and may not have the effect of excluding any

otherwise eligible applicant from making an application and being considered eligible for a grant.

[[(c)]] C. The Agency shall submit all plans to the applicable Regional Development Commission (including the Metropolitan Council) and shall consider the comments and recommendations of such Commissions with respect to the extent to which the plan assists in satisfying the housing needs for such region.

[[(d)]] D. The Agency shall allocate the total funds available at any time ratably among the several regions, based upon data assembled by the Agency and accurately reflecting housing needs and related factors. [[At least 50 percent of the total grant funds allocated to each Administering Entity must be delivered to elderly applicants, i.e., persons 62 years of age or older, who are Eligible Recipients]]."

26. Minn. Reg. MHFA 65 is hereby renumbered as MHFA 62, and as so renumbered is hereby amended to read as follows:

"MHFA 62 - Eligible Recipients of Rehabilitation Grants

In addition to all conditions imposed by the Act, an application for a rehabilitation grant shall satisfy the following requirements:

[[(a)]] A. [The applicant must have an Adjusted Income not in excess of $5,000.] The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least (i) a life estate or (ii) a one-third interest in the fee title or in the contract for deed with respect to such structure. The Agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations.

[[(b)]] B. [The gross assets of the applicant, excluding the property to be improved with the proceeds of the grant, may not exceed $25,000.] For the purpose of complying with the ownership requirements, the recipient may aggregate his interest in such property with the ownership interests of other individuals also occupying the property as their principal place of residence. All individuals occupying the structure to be improved as their

principal place of residence and having an ownership interest in such structure must join in the application.

[[(c)]] C. [The applicant must use the proceeds of the grant to correct defects or deficiencies in the property affecting directly the safety, habitability or energy usage of the property.] Each recipient must be a Person or Family of Low or Moderate Income as defined in MHFA 2(o)(iii).

[[(d)]] D. [['Gross]] Assets' for purposes of the home improvement grant program shall be the sum of the following, after deducting any outstanding indebtedness:

[[(i)]] 1. cash on hand or in checking or savings accounts;

[[(ii)]] 2. securities or U.S. Savings Bonds;

[[(iii)]] 3. market value of all interests in real estate (exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located);

[[(iv)]] 4. cash value of life insurance policies; and

[[(v)]] 5. all other property, exclusive of household furnishings, clothing, and one automobile."

27. Minn. Reg. MHFA 63 is hereby amended to read as follows:

"MHFA 63 - Amount of Grant

The amount of the rehabilitation grant shall not exceed the lesser of (i) $5,000 or (ii) the actual cost of the work performed or (iii) that portion of the cost of rehabilitation which the Agency determines cannot otherwise be paid by such person or family without spending an unreasonable portion of the income of such person or family thereon."

28. Minn. Reg. MHFA 64 is hereby amended to read as follows:

"MHFA 64 - Responsibilities of Administering Entity

The Administering Entity shall have the following responsibilities:

[[(a)]] A. The Administering Entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients and [[ensuring]] certifying that the rehabilitation work is satisfactorily completed.

[[(b)]] B. The Administering Entity shall make on-site inspections of the properties to be improved (i) before such application is approved and (ii) after work has been completed and before the contractors have been paid in full.

[[(c)]] C. The Administering Entity shall not charge an applicant or recipient any application, processing, or other fee.

[[(d)]] D. The Administering Entity may, with the prior written consent of the Agency, allocate [[up to three percent of the total funding in municipal areas and up to five percent of the total funding in primarily rural areas]] part of its total funding in accordance with a formula based upon data assembled by the Agency and reflecting administrative costs, geographic area, level of funding, and other related factors, to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the Administering Entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the Agency according to a budget submitted by the Administering Entity and approved by the Agency. Disbursements of the administrative allowance shall be contingent upon the Agency's review and approval of the satisfactory progress of the program."

29. Minn. Reg. MHFA 65 is hereby amended to read as follows:

"MHFA 65 - Eligible Properties

Grant funds shall be used only to improve properties which meet the following criteria:

[[(a)]] A. The property shall be located within the State of Minnesota, be used primarily for residential purposes, and contain no more than two dwelling units, one of them owner-occupied.

[[(b)]] B. The property to be improved shall conform to applicable zoning ordinances and possess all appropriate use permits.

[[(c)]] C. The improvements shall be made upon or in connection with existing permanent structures. Mobile homes or trailers shall not be eligible.

[[(d)]] D. No property shall be eligible for a home improvement grant if it has been improved by such a grant within the five year period next preceding the date on which application for such grant is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant or to failure of plumbing, heating, or electrical systems, as determined by the Agency in its sole discretion.

[[(e)]] E. The property to be improved with grant funds shall be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, rehabilitation funds shall be used to the extent necessary to increase such efficiency. Energy saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor and duct installation, storm windows and doors, and caulking and weather stripping. Energy saving features shall be consistent with the energy standards promulgated as part of the State Building Code but such improvements need not bring the housing into full compliance with such energy standards."

30. Minn. Reg. MHFA 66 is hereby adopted to read as follows:

"MHFA 66 - Eligible Improvements

Improvements made with home improvement grant funds shall satisfy the following requirements:

[[(a)]] A. Each improvement shall be a Permanent General Improvement. Permanent General Improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property affecting directly the safety, habitability, or energy usage of the property. Permanent General Improvements shall be economically viable in terms of a determination that (i) the structure will have a reasonable life

after the improvement is made, and (ii) the structure will be reasonably livable, safe, and habitable after the improvement is made. Permanent General Improvements shall not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for decent, safe and sanitary properties of the same general type as the property to be improved.

[[(b)]] B. Each improvement shall be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a home improvement grant shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

[[(c)]] C. Home improvement grant funds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or a sewage disposal system (including septic systems) into compliance with local, state or federal environmental and sanitary standards.

[[(d)]] D. All contracts covering all or any portion of an improvement shall contain an Agency approved warranty of workmanship and materials.

[[(e)]] E. No grant funds shall be used for the purpose of refinancing or paying off existing indebtedness. All such funds shall be used to finance improvements begun after application for such funds has been approved."

31. Minn. Reg. MHFA 67 is hereby adopted to read as follows:

"MHFA 67 - Repayment

The recipient of a grant fund and all individuals who signed the application for such fund shall enter into an agreement with the Agency for repayment, which shall provide that in the event that the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within [[five]] six years from the date upon which the grant application was approved, then the recipient shall repay, and the Agency

shall have a lien as security for repayment of, all or a portion of such grant funds in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency occurs	Percent Repayment
Prior to end of [[12th]] 36th full month	100%
After end of [[12th]] 36th full month until end of [[24th]] 48th full month	[[80%]] 75%
After end of [[24th]] 48th full month until end of [[36th]] 60th full month	[[60%]] 50%
After end of [[36th]] 60th full month until end of [[48th]] 72nd full month	[[40%]] 25%
[[After end of 48th full month until end of 60th full month]]	[[20%]]
After end of [[60th]] 72nd full month	No repayment

If any grant funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the grant. No repayment shall be required to the extent that the grant is made to improve the accessibility of residential housing to a handicapped occupant."

32. Minn. Reg. MHFA 68 is hereby adopted to read as follows:

"MHFA 68 - Home Owner Labor Agreement

An eligible recipient may agree with an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant, if the Administering Entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances [[the Agency shall forward to the Administering Entity funds sufficient to cover the estimated material costs of the

improvements and shall withhold from the Administering Entity]] sufficient grant funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld. [[The total amount of the funds so forwarded and so withheld shall not exceed $5,000 for each grant.]] Upon successfull completion of the improvement work so funded, the Administering Entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work."

33. Minn. Reg. MHFA 69 is hereby adopted to read as follows:

"MHFA 69 - Emergency Home Improvement Grant Fund

The Agency may establish a separate fund known as the Emergency Home Improvement Grant Fund. [[for the purpose of making home improvement grants]] Grants from the Emergency Home Improvement Fund shall be made to eligible applicants [[to correct]] provided that the dwelling contains defects or deficiencies which (i) are the direct result of an occurrance which took place [[not more than 60 days]] within a reasonably recent period of time prior to the grant application, and (ii) if left uncorrected would render the dwelling immediately uninhabitable. Before an application to the Emergency Home Improvement Grant Fund is accepted, the Administering Entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant fund to cover the cost of repairs. Such funds may also be used to correct serious defects or deficiencies in the dwelling other than the specific defect or deficiency which rendered the dwelling immediately uninhabitable. Grants from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these Rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of MHFA 61(d)."

34. Minn. Reg. MHFA Chapter 9 is hereby adopted to read as follows:

"Chapter 9: Affordable Home Mortgages

MHFA 111 - Applications for Affordable Home Mortgages

Affordable home mortgages made from the revolving loan fund established pursuant to Section 16(c) of the Minnesota Laws of 1976, Ch. 254, shall meet the following requirements:

[[(a)]] A. The proceeds of the affordable home mortgage must be used to construct in Minnesota, a new, single family, owner occupied home of one, two, or three bedrooms.

[[(b)]] B. The affordable home mortgage must be used only to finance construction of homes built in conformance with Federal Housing Administration minimum property standards and with design standards approved by the Agency.

[[(c)]] C. The affordable home mortgage must create a valid first lien on the real property on which the eligible home is constructed.

MHFA 112 - Terms of Affordable Home Mortgage Loans

Each affordable home loan and mortgage shall contain the following terms and limitations:

[[(a)]] A. The maximum amount of each affordable home mortgage loan shall be the sum of the actual construction costs plus the development costs. Actual construction costs, which shall be subject to review and approval by the Agency, shall not exceed $26,500 for a three-bedroom unit; $24,000 for a two-bedroom unit, and $21,000 for a one-bedroom unit. Development costs shall not exceed $7,500 and shall consist only of the actual costs of land, water and sewer, sewer accessibility charges, and such similar costs of improving the property for occupancy as are approved by the Agency.

[[(b)]] B. The mortgage shall be for 30 years from the date of initial mortgage closing and shall be without interest until the first day of the fifth month following initial closing or until final closing, whichever first occurs.

[[(c)]] C. A minimum downpayment of 3% of the first $25,000 and 10% of the remainder of the development and construction costs shall be required. No downpayment shall be required, however, on Veterans Administration mortgages where the mortgagor has not previously used any portion of his guarantee.

[[(d)]] D. Closing costs shall be paid by the mortgagor.

[[(e)]] E. Each mortgage shall be covered by a title insurance policy approved by the Agency or, with the prior written consent of the Agency, by an Attorney's Opinion if title insurance is unavailable.

[[(f)]] F. A plat drawing shall be supplied by the mortgagor unless the Agency determines that a plat of survey certified by a licensed surveyor or engineer is necessary. The legal description of the property to be mortgaged shall be by metes and bounds, or lots and blocks on a recorded map or plat, or in such other form as is acceptable to the Agency.

[[(g)]] G. A hazard insurance policy acceptable to the Agency shall cover the mortgaged property and contain a standard mortgagee clause naming the Agency as first mortgagee. Such policy shall be issued by a company authorized to do business in Minnesota and which has a financial rating in Best's Insurance Reports of BBB+ or better.

MHFA 113 - Interest

The interest rate on the affordable home mortgage shall be calculated as follows:

[[(a)]] A. The mortgage note shall bear interest at 8%, reduced by an interest credit to reflect family income.

[[(b)]] B. To determine the initial interest, the Agency shall determine a Maximum Monthly Housing Expense for the mortgagor based upon thirty-five (35%) percent of his Adjusted Income, converted to a monthly average amount for that period. There shall be deducted from the Maximum Monthly Housing Expense the average amount, as determined by the Agency, for expenses in maintaining the premises to be mortgaged, including real estate taxes, mortgage insurance, hazard insurance, heat, utilities, and maintenance, but excluding principal and interest payments on the mortgage. The balance remaining shall constitute the sum available for the monthly payment of principal and interest for the initial period, based upon the following 29 year, 8 month amortization schedule:

1% interest rate = $3.25 per month per thousand dollars of mortgage amount

2% interest rate = $3.73 per month per thousand dollars of mortgage amount

3% interest rate = $4.25 per month per thousand dollars of mortgage amount

4% interest rate = $4.81 per month per thousand dollars of mortgage amount

5% interest rate = $5.40 per month per thousand dollars of mortgage amount

6% interest rate = $6.02 per month per thousand dollars of mortgage amount

7% interest rate = $6.68 per month per thousand dollars of mortgage amount

8% interest rate = $7.37 per month per thousand dollars of mortgage amount

In calculating the initial interest rate for the mortgage, the highest rate is to be utilized which will cause the balance of the Maximum Monthly Housing Expense over the projected monthly expenses in maintaining the premises, as defined above, to equal or exceed the monthly payment of principal and interest. Applicants whose Adjusted Income will not support a monthly debt service of at least 1%, determined in accordance with the above, shall not be eligible for an affordable home loan.

[[(c)]] C. Example of an Eligible Mortgage:

Mortgage Amount		Constant Monthly Housing Costs	
$21,000	Construction Cost	$35.00	Utilities
2,650	Land and Development Cost	23.30	Property Taxes
$23,650	Total Cost	8.17	Hazard Insurance
710	Down Payment	14.00	Maintenance
$22,940	Mortgage Amount	$80.47	Total

Mortgagor's Annual Adjusted Income = $6,000

Mortgagor's Monthly Adjusted Income = $500 ($6,000 ÷ 12 months)

35% of Mortgagor's Monthly Adjusted Income = $175 (35% of $500)

Calculation for Monthly Mortgage Payment of Principal and Interest

$175.00 35% of Mortgagor's Monthly Adjusted Income
80.47 Constant Monthly Housing Expenses
$ 94.53 Mortgagor's amount available for principal and interest

Calculation of Interest Rate

Amount available for principal and interest ÷ mortgage amount in thousands = monthly amortization factor:

$94.53 ÷ $22.94 = $4.12 per month per thousand dollars of mortgage amount

The above amortization schedule shows that $4.12 falls between $3.73 (which is 2%) and $4.25 (which is 3%); rounding down gives a 2% interest rate for this example.

Amortization factor of $3.73 (2%) times mortgage, $22,940, gives principal and interest payment of $85.57.

[[(d)]] D. For those notes having an initial rate of less than 8%, the interest rate, and the monthly payment of principal and interest based thereon, shall be increased over the rate for the initial period by 1/2 of 1% unless the mortgagor shall submit to the Agency, on or before that March 15 which is not less than twelve (12) months nor more than twenty-four (24) months after final mortgage closing a Recertification of Interest Credit Eligibility, which establishes to the Agency's satisfaction that the mortgagor's current Adjusted Income and Maximum Monthly Housing Expense will not support an increase in debt service payments. On June 1 of each succeeding year, the interest rate, and payments of principal and interest based thereon, will be increased an additional 1/2 of 1%, up to a maximum rate of eight percent (8%) per annum, unless, on March 15 of each succeeding year, the mortgagor submits a Recertification of Interest Credit Eligibility establishing that an increase in interest rate cannot be supported by the mortgagor's current Adjusted Income.

[[(e)]] E. The affordable home mortgage may be assumed with permission of the Agency at 8%, or at a lower rate if the new mortgagor is eligible for the interest credit.

MHFA 114 - Eligible Mortgagors

To be eligible for an affordable home mortgage, a mortgagor must be a Low Income Purchaser, have an Adjusted Income sufficient to support a monthly debt service as determined in MHFA 113 of at least 1%, and intend to occupy the mortgaged premises as his principal residence.

MHFA 115 - Construction Loans

The Agency may make loans for the construction of affordable homes subject to the following terms:

[[(a)]] A. A loan may be made to a Builder or a Non-Profit Entity upon a determination that such loan is necessary in order to encourage an adequate supply of affordable homes or to demonstrate the feasibility of affordable homes in a particular area.

[[(b)]] B. The construction loan borrower need not be a Person or Family of Low or Moderate Income nor a Low Income Purchaser.

[[(c)]] C. The construction loan shall meet all the requirements of and be subject to the same terms as an affordable home mortgage, except that no down payment shall be required, no closing fee shall be payable and unless the borrower is in default, no interest shall accrue until the affordable home is sold, or the note reaches maturity.

[[(d)]] D. The construction loan borrower shall make a reasonable marketing effort to sell the home constructed with the construction loan to a Low Income Purchaser who is eligible to obtain an affordable home mortgage under this Chapter.

[[(e)]] E. Upon request of eligible Low Income Purchasers, the Agency shall make affordable home mortgages for the homes constructed with the proceeds of such construction loans.

[[(f)]] F. The construction loan borrower shall agree to abide by the requirements of this Chapter relating to the construction, specifications, sale, and mortgage of the home to be constructed with such loan.

[[(g)]] G. The Agency may withhold such part of the construction loan as is necessary to assure completion of the home.

[[(h)]] H. The Agency may elect to use the home built with such construction loan for demonstration purposes, in which event the Agency shall pay all maintenance, taxes, and insurance on the home for as long as it is used for demonstration purposes."

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GOLDEN VALLEY MN
55422

HORNER WALDORF - KAZIUKEWICZ
PO BOX 3260
ST PAUL MN
55165

HULSTRAND ANDERSON & LARSON
PO BOX 130
WILLMAR MN
56201

HUMAN RIGHTS
200 CAPITOL SQ BLDG
ST PAUL MN
55101

HUTCHISON R.M. ANOKA CO.COMP
COURT HOUSE
ANOKA MN
55303

HYDROLOGIST
CHIPPEWA NATL FOREST
CASS LAKE MN
56633

ILLINGWORTH ROBERT C
6750 FRANCE AVE S RM290
MPLS MN

INGEBRIGTSEN DR K H
23 SE 4TH ST
MPLS MN
55414

INTERSTATE POWER RW STEELE
1000 MAIN ST
DUBUQUE IA
52001

IUOE LOC 49 CHAS SWENSON
2580 UNIV AVE
ST PAUL MN
55101

JAIN NIRMAL ENIV PROCESS
1220 GLENWOOD AVE
MPLS MN
55405

JENSEN CARL A
127 E MAIN ST
SLEEPY EYE MN
56085

JENSEN MRS GAYNOLD
111 WEST 107TH ST
MPLS MN
55420

JOHNSON CLARENCE IBEW LU 292
3615 37TH AVE S
MPLS MN
55406

JOHNSON G ROBERT
4344 IDS CENTER
MPLS MN
55402

265 S LAFAYETTE
ST PAUL MN
55107

KEABLE MIKE
909 6TH AVE N
ST CLOUD MN
56301

KEENAN RICHARD J
4444 IDS BLDG
MPLS MN
55402

KJERVIK DIANE
4302 POWEL HALL U OF M
MPLS MN

KLOSTER MARION PEAVEY CO
730 2ND AVE S
MPLS MN
55402

KNOPP TIMOTHY
COLLEGE FORESTRY U OF M
ST PAUL MN
55108

KNUTSON DR KEITH, BIOLOGY DPT
ST CLOUD STATE
ST CLOUD MN
56301

KOLLER MR & MRS ERWIN A
1568 DULUTH ST
ST PAUL MN
55108

KOPP MRS VERNON
2050 65TH ST E
INVER GR HGHT MN
55075

KRONLOKKEN J E
10048 NORD RD
BLOOMINGTON MN
55437

KROON H CLIFTON
210 E WALNUT
MANKATO MN
56001

LABELLE JUANITA MRS
5816 AQUILA AVE NO
NEW HOPE MN
55428

LANGVIN DAVID
7500 80TH ST S
COTTAGE GROVE MN
55016

LANSING & CAKES
400 SIBLEY ST
ST PAUL MN
55101

LARSON HANS P DIV HOSP SERV
717 DELAWARE ST SE
MPLS MN
55440

LEAGUE MN MUNIC
300 HANOVER 480 CEDAR
ST PAUL MN
55101

LEVEY JESS MET STATE UNIV
METRO SQ RM 121
ST PAUL MN
55101

LEAVEY THOS
829 22ND AVE SE
MPLS MN
55414

LINDALL & JONATHAN DEVELOP.
VILLAGE ONE CENTER
CHASKA MN
55318

LOCKNER GARY
R R 1 BOX 23
BAUDETTE MN
56623

LUTH SOC SERVICE OF MN
2414 PARK AVE
MPLS MN
55404

LYNCH DONALD SIBLEY CO
184 E 6TH ST
ST PAUL MN
55102

MADSEN HUGH
AETNA 212 S 6TH ST
MPLS MN
55402

MANKATO STATE STUDENT ASSN
BOX 58 MANKATO COLLEGE
MANKATO MN
56001

MASTOR & MATTSON LTD
315 PEAVEY BLDG
MPLS MN
55402

MCDONALD PHILIP M
2077 SELBY AVE
ST PAUL MN
55104

MECCA
867 GRAND AVE
ST PAUL MN
55105

METROPOLITAN COUNCIL LIBRARY
300 METRO SQUARE
ST PAUL MN
55155

MILLER PAUL J PHARMACY SERV
ST MARYS HOSP
ROCHESTER MN
55901

MINN ASPHALT PAVEMENT ASSN
555 WABASHA RM 209
ST PAUL MN
55102

MINN ASSN VOL SOC SERVICE
1821 UNIV SUITE 389
ST PAUL MN
55114

MINN COMM FOR HANDICAPPED
METRO SQ 492 7TH & ROBT
ST PAUL MN
55101

MINN FARMERS UNION PRES OFF
1275 UNIV AVE
ST PAUL MN
55104

MINN. HOTEL & MTR. ASSN
2001 UNIVERSITY AVE
ST PAUL MN

MARIE R CARTER
2850 METRO DR SUITE 431
BLOOMINGTON MN
55420

MANSFIELD LARRY HCARC
1800 CHICAGO AVE S
MPLS MN
55404

MAUL WARREN E
320 S 4TH ST
MPLS MN
55415

MCFADDEN G H DISPATCH-PRESS
55 E 4TH ST
ST PAUL MN
55101

MET. WASTE CONTOL COMM.
350 METRO SQ BLG
ST PAUL MN
55101

MEYER HERBERT
10824 ZENITH AVE S
BLCOMINGTON MN
55431

MILLER RICHARD A
1020 PLYMOUTH BLDG
MPLS MN
55402

MINN ASSN COOPERATIVES
55 SHERBURNE AVE
ST PAUL MN
55103

MINN ASSN WATERSHED DIST'S

ADA MN
56510

MINN COMMUNITY DEVELOP SERV
512 ROSSMOR BLDG
ST PAUL MN
55101

MINN FOOD RETAILERS ASSN
555 WABASHA
ST PAUL MN
55101

MINN HOUSING INST N T CARTER
7801 METRO PKWY
MPLS MN
55420

MINN LD ASSN
7515 KAYZATA AV 106
MPLS MN
55426

MINN MIG CREDIT UNION
3005 HUDSON PK S 100
ST PAUL MN
55119

MINN POLLUTION CONTROL AGCY
1935 W CO RD B2
ROSEVILLE MN
55113

MINN POULTRY & HATCHERY ASSN
BOX 158
MADELIA MN
56062

MINN RETAIL FED INS
131 METRO SP
ST PAUL MN
55101

MINN RETAIL HARDWARE ASSN
3033 EXCELSIOR BLVD 313
MPLS MN
55416

MINN STATE BAR ASSN
100 MINN FED BLDG
MPLS MN
55402

MINN STATE BD PHARMACY
717 DELAWARE ST SE #351
MPLS MN
55414

MINN TEAMSTERS CREDIT UNION
2021 HENN AVE E
MPLS MN
55413

MINN TBR PRODUCERS ASSN
200 CHRISTIE BLDG
DULUTH MN
55802

MINN WATER RESOURCES BD
RM 206 555 WABASHA ST
ST PAUL MN
55102

MINN-WISC BOUNDARY AREA COMM
600 2ND ST
HUDSON WI
54016

MN.BD OF NURSING
717 DELAWARE ST SE
MPLS MN
55414

MN ELECTRICAL ASSN
3100 HUMBOLT SO
MPLS MN
55408

MN STATE SER BLIND-K NATARDY
1745 UNIVERSITY AVE
ST PAUL MN
55104

MOFFITT R C
RM 301 M MPLS CITYHALL
MPLS MN
55415

MPIRG
BOX 45 ST MARYS COLLEGE
WINONA MN
55987

MPLS ASSN RETARDED CITIZENS
3100 W LAKE ST
MPLS MN
55416

MPLS TRIBUNE CITY DESK
425 PORTLAND AVE
MPLS MN
55415

MT OLIVET ROLLING ACRES
R 1 BOX 576
EXCELSIOR MN
55331

NASS GEO V HENN CO GEN HOSP
5TH AND PORTLAND AVE
MPLS MN
55415

NATL CAR RENTAL ATT D MITZEL
5501 GREEN VALLEY DR
MPLS MN
55437

NAT'L SOLID WASTES-R. GRASSO
1730 RHODE ISLAND AV.NW
WASHINGTON DC
20036

NCEC INC C/O DR DAHLBERG
CONCORDIA COLLEGE
MOORHEAD MN
56560

KERFS MADONNA
376 NEAL AV[illegible]S
AFTON MN
55001

NEUMAN RALPH W
RT [illegible] BOX 25
EMBARRASS MN
55732

NORTH CENTRAL ELEC ASSN
PO BOX 202
BATTLE LAKE MN
56515

NUGENT, CYNTHIA L.
3581 OWASSO ST #209
ST PAUL MN
55112

NURSING HOME RES ADV CO.
111 E FRANKLIN S210
MPLS MN
55404

NUTTER JULIA
743 W MONTANA
ST PAUL MN
55117

NYQUIST DEAN A
3707 53RD PL N
BROOKLYN CTR MN
55429

OLD COLONY GAS & OIL COMPANY
17TH AVE N AT 2ND ST
MPLS MN
55411

OLOFSON ARTHUR MBC & MAINC
927 SOO LINE BLDG
MPLS MN
55402

OTTER TAIL POWER CO.
215 S. CASCADE ST.
FERGUS FALLS MN
56537

PAYNE WM B
2400 FIRST NATL BK BLDG
MPLS MN
55402

PETERSON GARY
854 MIDLAND BK BLDG
MPLS MN
55401

PHILLIPS LEGISLATIVE SERVICE
459 RICE ST
ST PAUL MN
55103

PINNETTI NICK M HALEY & ASS.
40 CENTRAL PARK S
NEW YORK NY
10019

PORTER LYLE O

TRACY MN
56175

PORT AUTH CITY OF ST PAUL
330 MINNESOTA BLDG
ST PAUL MN
55101

PRAUSE JOS.C.
2220 105TH AVE.N.W.
COON RAPIDS MN
55433

PROCTOR&GAMBLE L THECHARCUS
IVORYDALE TECH CENTER
CINCINNATI CH
45217

RADMAN RICHARD-LABOR TEMPLE
418 AUDITORIUM
ST PAUL MN
55102

RAMSEY CO MEDICAL SOC
908 AM NATL BK BLDG
ST PAUL MN
55101

RAUENHORST CORP-C ANDERSON
7900 XERXES S. S-2200
MPLS MN
55431

REID DAVID H
6469 N GRAHAM RD
INDIANAPOLIS IN
46220

RED OWL STORES INC
215 EXCELSIOR AVE
HOPKINS MN
55343

REIERSON G
1335 WHITE BEAR AVE
ST PAUL MN
55106

REINO O LAINE 3M COMPANY
3M CENTER
ST PAUL MN
55101

RICHARDSON THOS
7851 METRO PKWY S 103
MPLS MN
55420

RICHARDS MONTGOMERY ET AL
1430 RAND TOWER
MPLS MN
55402

ROE DAVID
175 AURORA
ST PAUL MN
55103

ROBBIE JOSEPH
904 CARGILL BLDG NO CTR
MPLS MN
55402

ROSS ALFRED
6356 WARE RD
LINO LAKES MN
55014

ROSS ROY J
CLK TREAS
LITCHFIELD MN
55355

SAN SIMEON DEVELOP CORP
OLD 1ST STATE BK BLDG
PAYNESVILLE MN

SANFORD S M
7000 PORTLAND AVE
RICHFIELD MN
55423

ST PAUL BUR HLTH DR P COX
555 CEDAR ST
ST PAUL MN
55101

ST PAUL FOOD RETAILERS ASSN
1220 ARCADE
ST PAUL MN
55106

SCHLICHT REV ROBT
611 W MAIN ST
BELLE PLAINE MN
56011

SCHMIDT D R MN ASSN REALTORS
6101 WAYZATA BLVD
MPLS MN
55416

SCHMIDT WARREN WELCOME MH5
GARDEN CITY
MN
56034

SCHNEIDER MAHLON
GREEN GIANT
LESUEUR MN
56058

SCHWERMAN EARL JR
1535 8TH AVE SE
ROCHESTER MN
55901

SCHWINN ROBT.P.
1400 SOO LINE BLDG.
MPLS. MN
55402

SELECTVISION INC FR VALENTIN
245 PARK AVE
NEW YORK NY
10017

SEMHSA R C MELIN
1903 S BDWY
ROCHESTER MN
55901

SENATE GOV OP COMM
RM 303 STATE CAPITOL
ST PAUL MN
55155

SHABATURA EUGENE H
2833 LAKE AVE SO
DULUTH MN
55811

SILVERMAN JUDITH
8545 W 28TH
ST LOUIS PARK MN
55426

SITE ENGINEERS INC
900 [illegible] LANE
APPLE VALLEY MN
55124

SMERIKA WN.
BOISE CASCADE PAPERS
INTL FALLS MN
56649

SMITH MICHAEL
318 HARVARD ST SE
MPLS MN
55414

SODERBERG HAROLD J
1500 MIDWEST PLAZA BLDG
MPLS MN
55402

SODERMAN ANTHONY
1414 FOSHAY TOWER
MPLS MN
55402

STATE&FED ASSOC
1101 15TH ST NW_S.309
WASHINGTON DC
20005

STATE & FED ASSOCIATES
1101 15TH ST NW S 309
WASHINGTON DC
20005

STEELWORKERS CREDIT UNION
BOX 250
BABBITT MN
55706

STOLPESTAD BROWN & SMITH
1550 NW BK BLDG
ST PAUL MN
55101

SULLIVAN JEANETTE
COIC SW STATE UNIV
MARSHALL MN
56258

SUMMIT NATL BANK D L MORRILL
205 AURORA AVE
ST PAUL MN
55103

SWANSON CALE
P O BOX 339
FOREST LAKE MN
55025

SWANSON GERALD H
212 CITY HALL
ROCHESTER MN
55901

TATE VERN 3M CO
3M CENTER 220/6W
ST PAUL MN
55101

THOMPSON CONRAD
1107 23RD ST NW
ROCHESTER MN
55901

TOUCHE ROSS & CO K H STOCKE
780 NORTHSTAR CNTR
MPLS MN
55402

TWIN CITIES PIPING IND ASSN
5304 UNIV AVE SE
MPLS MN
55414

UNION STOCK YARDS
ATTN PRES
SO ST PAUL MN
55075

VAN EVERA MUNCT ET AL
700 TORREY BLDG
DULUTH MN
55802

VERRILL JOHN E
DEPT SECONDARY ED UOF M
DULUTH MN
55812

VOSS REV GORDON O
11120 NE 7TH ST
BLAINE MN
55434

VOS LEROY
2137 BURNS AVE
ST PAUL MN
55119

WALTERS THO[redacted]
4510 W 77TH ST STE 235
MPLS MN
55435

WA[redacted]IST[redacted]LLEN
RM 232 FEDERAL BLDG
ST PAUL MN
55101

WELLINGTON R R SKELLY OIL
PO BOX 1650
TULSA OK
75102

WEST CENTRAL REG. DEV.
ADM BLDG, COMMUNITY COLL
FERGUS FALLS MN
56537

WHITLOCK A G
ECON LAB OSBORN BLDG
ST PAUL MN
55102

WILCOX J PATRICK
1220 NORTHERN FED BLDG
ST PAUL MN
55102

WILLIAMS THOS W
[redacted] 7505 W. Hwy 7
[redacted] St. Louis MN
55426 Park

WILSON R GARY PPG INDUSTR
1 GATEWAY CENTER
PITTSBURGH PA
15222

WOZNIAK D D
401 FIRST FED BLDG
ST PAUL MN
55101

WYANT CLINTON W ATTY

ATKIN MN
56431

Chavarria, Adam
1325 W 25½ St.
Apt. 206
Mpls, Mn. 55405

ZIMMERMAN & OFFERMAN
CAMBRIDGE STATE HOSP
CAMBRIDGE MN
55008

Malecki, James
150. State St.
New Ulm, Mn. 56073

ALBERT, AA CALDER CORP
366 JACKSON ST
ST PAUL MN
55101

ALLENDORF MARSHALL
220 GRAIN EX 4[illegible] S 4TH
MPLS MN
55415

AM INST PROF GEOLOGISTS
2201 PRINCETON AVE
ST PAUL MN
55105

ANCHOR BLOCK COMPANY
PO BOX 3360
ST PAUL MN
55165

ANDERSON HAROLD
BOX 3047
MANKATO MN
56001

ANDERSON JAMES
7703 NORMANDALE RD
MPLS MN
55435

ANDREW MARK STATE SENATE
235 STATE CAPITOL
ST PAUL MN
55155

ANTHONY DICK WDSM RADIO
230 E SUPR ST
DULUTH MN
55102

ARROWHEAD REG. DEV COMM.
211 W 2ND ST
DULUTH MN
55802

ARROWHEAD REGIONAL DEV CO
200 ARROWHEAD PLACE
DULUTH MN
55802

ASSOCIATED GEN CONTROF MN
48 E 8TH STREET
ST PAUL MN
55101

ASSN OF MINN COUNTIES
55 SHERBURNE AVE #203
ST PAUL MN
55103

BABCOCK LOCHER NELSON ET
118 E MAIN ST
ANOKA MN
55303

BARTHOLOW HAROLD E FIRE CHF
2600 109 AVE N W
COON RAPIDS MN
55433

BATES DENNIS
446 STATE OFF BLDG
ST PAUL MN
55155

BEGALKA D REV
212 N ELK ST
BELLE PLAINE MN
56011

BEMIDJI STATE COLLEGE
PLACEMEN BUR C.BRADY
BEMIDJI MN
56601

BERGSETH THOMAS
1011 NICOLLET MALL
MPLS MN
55403

BERGUSON & LOFGREN
MN GAS 700 LINDEN W
MPLS MN
55403

BLADIN PAPER CO W J LICKE
115 1ST ST SW
GRAND RAPIDS MN
55744

BLOMQUIST BARRY L

NORTH BRANCH MN
55056

BOLTON MALCOLM
422 ALDRICH AVE NO
MPLS MN
55405

BOWMAN & BRUNS ATTN P MAS
1616 PIONEER BLDG
ST PAUL MN
55101

BRIGGS & MORGAN - B F FRIEL
2200 W 1ST NATL BK BLDG
ST PAUL MN
55101

BRIGHAM E M III
PO BOX 237
RED WING MN
55066

BROWN D M GOODRIDGE PUB SCH
IND DIST #561
GOODRIDGE MN
56725

BROWN H D
4961 KINGSBERRY LANE
MINNETONKA MN
55343

BUSCH NOEL
SUITE 705 510 MARQUETTE
MPLS MN
55402

BUCHHOLTZ CHARLES
5044 BRENT AVE E
INV GRV HTS MN
55075

BUR NATL AFFAIRS INC
1231 25TH ST NW
WASHINGTON DC
20037

CAIRNS JOHN A
47TH FLR IDS CENTER
MPLS MN
55402

CARLSON CARL L
7516 80TH ST S
COTTAGE GROVE MN
55016

CARTER LOCEY & ASSOC
2353 N RIDE ST
ST PAUL MN
55113

CENTRAL MN REG DEV COMM
1139 FRANKLIN AVE
SAUK RAPIDS MN
56379

CHRISTIAN SCI COMM ON PUB
1821 UNIV AVE SUITE 271
ST PAUL MN
55104

CHRISTIANSEN FREDRIK
RM 505 CAPITOL SQ BLDG
ST PAUL MN
55155

CITIZENS LEAGUE
530 SYNDICATE BLDG
MPLS MN
55402

CITY OF ROBBINSDALE
C LARSON 4221 LAKE RD
ROBBINSDALE MN
55422

HELP CT 317-17TH [redacted] SE
MPLS [redacted]

COLEMAN NICHOLAS
208 STATE CAPITOL
ST PAUL [redacted] MN
55155

CONCORDIA COLLEGE
DEAN
MOORHEAD MN
56560

CONSUMER SERVICES DEPT CO
5TH FLR METRO SQ BLDG
ST PAUL MN
55101

CROW WING CO PLANNING & ADV
COURT HOUSE
BRAINERD MN
56401

CUSHMAN J S DAYTON HUDSON
700 NICOLLET MALL
MPLS MN
55402

DAILEY THOMAS ECONOMICS LAB
370 WABASHA ST
ST PAUL MN
55102

DANKERS, KENNETH
1200 WEST FOURTH STREET
RED WING MN
55066

DEVELOP DISABILITIES PROGRAM
STATE PLAN 101 CAP SQ
ST PAUL MN
55155

DICKINSON MRS JOANNE
BOX 1065
MARSHALL MN
56258

DORSEY MARQUART
2400 1ST NATL BANK BLDG
MPLS MN
55402

DOUGLAS BELL ET AL
2212 AM. NATL BK BLDG
ST PAUL MN
55102

DUNN OLIVER PLUMBERS LOC 15
708 SO 10TH ST.
MPLS MN
55404

DZUGAN KEN ST PAUL PLANNI
421 WABASHA ST
ST PAUL MN
55102

EBELING EDWARD H.
161 W. MAIN
PERHAM MN
56573

EICHTEN DANIEL
3794 HAZEL
WHITE BEAR LK MN
55110

ELMER EDWIN W
2901 PLEASANT AVE
MPLS MN
55408

EMERICK RICHARD A
1908 IDS CENTER
MPLS MN
55402

ENV SERV-GEN RESOURCE CORP
6340 INDUSTRIAL DR
HOPKINS MN
55343

ERDMAN ROGER TENNANT CO
701 N LILAC DR
MPLS MN
55441

ETHICS COMM
RM 410 STATE OFF BLDG
ST PAUL MN
55155

EVANS CHAS.L. PRENTICE-H
ENGELWOOD CLIFFS
NEW JERSEY

FAEGRE & BENSON ATTN LIBR
1300 NW BANK BLDG
MPLS MN
55402

EELHAGEN R S
W 1ST NATL BANK BLDG
ST PAUL MN
55101

FILTER LOREN
BOX 36
BRITT MN
55701

FITZGERALD DR BOB
3007 LYNDALE AVE SO
MPLS MN
55408

FITZPATRICK LEO
8138 HENSLOWE AVE S
COTTAGE GROVE MN
55016

FORBES GORDON MINN RRS ASSN
203 HANOVER 480 CEDAR
ST PAUL MN
55101

FORSBERG AGR SERV
518 SUMMIT AVE
NEW ULM MN
56073

FREDIN CONRAD M
811 FIRST NATL BK BLDG
DULUTH MN
55802

FREDLUND MRS PHYLLIS
RR 4 BOX 37
CANBY MN
56220

GALVIN M J JR
W2162 1ST NATL BK BLDG
ST PAUL MN
55101

GEO A HORMEL & CO LAW DEPT
PO BOX 800
AUSTIN MN
55912

GIEL DAVID
RM B-28 STATE CAPITOL
ST PAUL MN
55155

GODIN RALPH J
3824 47TH AVE SO
MPLS MN
55406

GOODMAN DF TEL CABLE TV
302 E SUPERIOR
DULUTH MN
55802

GREATER MET AREA HOSPITALITY
5152 CEDAR AVE S
MPLS MN
55417

GREEN DEL CITY MGR
BLOOMINGTON CITY HALL
BLOOMINGTON MN
55431

GRUMMERT REV DONALD
1435 ADAMS ST
MPLS MN
55413

GUSTAFSON DAN-LABOR TEMPL
312 CENTRAL
MPLS MN
55414

H B FULLER CO
2400 KASOTA AVE
ST PAUL MN
55108

HAFNER DR A J
BOX393 MAYO U OF M
MPLS MN
55455

HAROLD J WESTIN CONSTRUCTORS
45 E 8TH ST
ST PAUL MN
55101

HALLBERG LEE & MCCABE
4927 34TH AVE S
MPLS MN
55417

HEALTH MANPOWER C LARSON
717 DELAWARE ST SE
MPLS MN
55440

HART PATRICK V
112 E LIBERTY BOX 3271
MANKATO MN
56001

HEAD & TRUHN
1007 SOO LINE BLD
MPLS MN
55402

HEADWATERS REG DEV. COMM
BOX 584 [redacted] HEALTH
BEMIDJI MN
56601

HEIM PAUL M
3944 IDS CENTER 80 S 8
MPLS MN
55402

HEINTZ MARY ELLEN
PO BOX 599
CINCINNATI OH
45201

HENDRICKSON A WM
100 FREEMAN DRIVE
ST PETER MN
56082

HENDRICKSON MRS VIRGINIA
3324 COUNTRY WOOD DR
BURNSVILLE MN
55337

HOLEY GEO AERONAUTICS
DOWNTOWN AIRPORT
ST PAUL MN
55107

HOLMES EUSTIS ET AL
4610 IDS CENTER
MPLS MN
55402

HOULE MELVIN
881 W HWY 96
SHOREVIEW MN
55112

HOUSE APPROPRIATIONS COMM
RM 109 STATE CAPITOL
ST PAUL MN
55101

HUMAN SERVICES
414 LAFFAYETTE RD 5THFL
ST PAUL MN
55101

HUSEBYE, CRAIG J.
5036 FRANCE S.
EDINA MN
55410

HYLAND DEAN
1501 W 50TH ST
MPLS MN
55419

INGVALSON VERN MN.FARM BUR.
3110 WOODDALE DR PO 337
OST PAUL MN
55165

INS FED OF MINN
902 SOO LINE BLDG
MPLS MN
55402

IVERSON DR JOS DEPT ED
ST OLAF COLLEGE
NORTHFIELD MN
55057

IZAAK WALTON MN DIV
111 E FRANKLIN RM-210
MPLS MN
55404

JENOS INC
525 LAKE AVE SO
DULUTH MN
55801

JENSEN ARTHUR,CITY CLK
2215 W OLD SHAKOPEE RD
BLOOMINGTON MN
55431

JOHANSEN BUS SERV INC
19 DAYTON RD
CHAMPLIN MN
55316

JOHNSON & SANDERSON
ST MARYS HOSPITAL
ROCHESTER MN
55901

JOHNSON LEROY
9939 BLUEBIRD ST NW
COON RAPIDS MN
55433

JOHNSON M.D. FRUNDT & FRU

BLUE EARTH MN
56013

KAVALEY RICHARD W
BETHEL
55006

KAVALEY RICHARD
1220 NORTHERN FED BLDG
ST PAUL MN
55102

KEILY DANILE
3549 V2 PLEASANT AVE
MPLS MN
55408

KIMBALL ROBERT
647 CAPITOL SQ BLDG
ST PAUL MN
55101

KLUZ STEVEN J
1910 1ST NATL BK BLDG
MPLS MN
55402

KNAPP J A
RM 3 CAPITOL
ST PAUL MN
55155

KNUTSON R N GRANNIS ETAL
F J SCHULT BLDG
ST ST PAUL MN
55075

KNVDSON ROBT
4375 BROWNDALE AVE
MPLS MN
55424

KRAMER ERNEST W
717 DELAWARE ST SE
MPLS MN
55440

KROEGER CHARLES
122 NW 7TH STREET
FARIBAULT MN
55021

KUHL CARL
4421 4TH ST NE
COL HEIGHTS MN
55421

KVB ENGINEERING INC
600 S CO RD 18
MPLS MN
55426

LAKE SUPERIOR INDUSTRIAL BUR
828 FIRST AM. BK. BLDG.
DULUTH MN
55802

LANAHAN E F - SIBLEY CO
184 E 6TH ST
ST PAUL MN
55101

LAPP LAZAR LAURIE ET AL
1200 BUILDERS EXCHANGE
MINNEAPOLIS MN
55402

LARSON C L
3800 MINNEHAHA AVE SO
MPLS MN
55406

LEAGUE WOMEN VOTERS OF MINN
555 WABASHA
ST PAUL MN
55102

LEG.REF.LIB-Z. DEWITT
RM 111 STATE CAPITOL
ST PAUL MN
55155

LEWIS DR.G.M JR.
ABBOTT 110 E 18TH ST
MPLS MN
55403

LIBBEY LEONARD
BOX 17011 NOKOMIS STA
MPLS MN
55417

LOOS CALVIN J
6809 LYNDALE AVE SO
MPLS MN
55423

LOWE DOUG
2701 N LEXINGTON AVE
ROSEVILLE MN
55113

MALONE E I COMM LABOR & INDU
444 LAFAYETTE RO[illegible]TH
ST PAUL MN
55101

MANKATO STAT STUDENT SENA
CENTENNI[illegible] ST[illegible]ENT UN
MANKATO MN
56001

MANTHEY T J PICKANDS MATHER
1100 SUPERIOR AVE
CLEVELAND OH
44114

MARRINAN MARGARET M
1117 COMMERCE BLDG
ST PAUL MN
55101

MAYO FOUNDATION G ORWOLL
200 FIRST AVE NW
ROCHESTER MN
55901

MCCLURG EUNICE
1061·109TH AVE NE
BLAINE MN
55434

MCKIBBON MRS SHIRLEY
11 EVERGREEN LN
BABBITT MN
55706

MCLELLAN LARKIN
215 ADM BLDG ST CAPITOL
ST PAUL MN
55101

MEIEROTTO, JOAN
1794 SO LEXINGTON
ST PAUL MN
55118

MET TFR MEN ASSN A ROSENT
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55104

MEYERLE KATHLEEN
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MIDLAND GLASS-HD SPURLING
PO BOX 69
SHAKOPEE MN
55379

MILLER TOM
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55404

MINN APT ASSN
GRIGGS-MIDWAY BLDG
ST PAUL MN
55104

MINN ASSN ELEC COOPERATIVES
4901 W 77TH ST
MPLS MN
55435

MINN. ASSN. PET RETAILERS
1115 2ND AVE. SO.
MINNEAPOLIS MN
55403

MINN AUTOMOBILE DEALERS ASSN
GRIGGS MIDWAY BLDG
ST PAUL MN
55104

MINN CHAP ASSOC BLDRS-CON
7204 W 27TH ST
MPLS MN
55426

MINN COUNCIL STATE EMP NO 6
475 RICE ST
ST PAUL MN
55103

MINN DEPT HEALTH J C MCKA
717 DELAWARE S E
MPLS MN
55440

MINN GOV ENG COUNCIL
2400 SHERWOOD HILL RD
MINNETONKA MN
55343

MINN HEREFORD-LJ SCHAFER

BUFFALO LAKE MN
55314

MINN HWYS MANAGEMENT SERVICE
407 HWY BLDG
ST PAUL MN
55101

MINN LAND USE COMMITTEE
4344 IDS CENTER
MPLS MN
55402

1021 UNIV.
ST.PAUL MN
55104

1020 NORTHERN FED BLDG
ST PAUL MN
55102

MN REP STATE CENTRAL COMM
555 WABASHA AVE
ST PAUL MN
55102

MINN RESTAURANT ASSN
2001 UNIVERSITY AVE.
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55104

MINN SOCIETY ARCHITECTS AIA
NW NATL BK BLDG
ST PAUL MN
55101

MINN SOC CERTIFIED PUB AC
1102 WESLEY TEMPLE BLDG
MPLS MN
55403

MINN STATE MED ASSN
375 JACKSON ST
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55101

MINN STATE RETIREMENT SYS
529 JACKSON ST
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55101

MINN.TURKEY GROWERS ASSN
2383 UNIV AVE
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55114

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2175 W HWY 36
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MN SOC SERV ASS J HOOD
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MOOD R BLOOMINGTON HLTH DEPT
10200 PENN SO
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MORTON BUILDINGS INC
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56329

MPLS CITY ATTORNEY
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MPLS STAR PRESS ROOM
STATE CAPITOL
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55038

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2487 HELEN COURT
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55109

NW COUNTRY ELEVATOR ASSN
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NURSING HOME ADMRS BD EXA
RM 340 717 DELAWARE SE
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REARDON MRS HELEN
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ST PAUL MN
55101

SE MN REG DEV COMM
301 MARQ BK BLDG
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55901

SW REGIONAL DEV COMM
2811 BDWY
SLAYTON MN
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OSSEO MN
55369

WIS FEEDER PIG MARKET CO-OP

FRANCIS CREEK WI

WOLKERSTORTER THEODORE
676 17TH AVE NW
NEW BRIGHTON MN
55112

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, INCOME LIMITATIONS, PROCEDURES FOR APPLYING FOR CERTAIN AGENCY LOANS AND GRANTS, AND CRITERIA GOVERNING SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY	)	NOTICE OF HEARING

NOTICE IS HEREBY GIVEN that a public hearing in the above-entitled matter will be held in Conference Room D, Veterans Service Building, Capitol Approach, on April 14, 1977 commencing at 9:30 a.m. and continuing until all persons have had an opportunity to be heard.

All interested or affected persons will have an opportunity to participate. Statements may be made orally and written materials may be submitted at the hearing or by mail to George A. Beck, Room 300, 1745 University Avenue, St. Paul, Minnesota, 55104 either before the hearing or within 20 days after the close of the hearing.

The proposed rules, if adopted, would do the following:

1. Revise income limitations for participation in Agency programs as authorized by M.S. Section 462A.03, Subd. 10.

2. Establish occupancy requirements for Agency financed rented housing, as authorized by the 1976 amendments to M.S. Section 462A.03, Subd. 13.

3. Establish guidelines for the home improvement grant program, as authorized by M.S. Section 462A.05, Subd. 15 and the Laws of 1976, Chapter 254, Section 16(a).

4. Establish guidelines for the affordable home mortgage program, as authorized by Laws of 1976, Chapter 254, Section 16(c).

5. Require compliance with civil rights laws, as authorized by M.S. Section 462A.07, Subd. 10.

6. Provide additional definitions and clarifications of existing rules, as authorized by M.S. Sections 462A.06, Subd. 11 and 15.0412, Subd. 3.

A copy of the proposed rules is attached hereto and one additional free copy may be obtained by writing to the Minnesota Housing Finance Agency, First Floor-Hanover Building, 480 Cedar Street, St. Paul, Minnesota, 55101. Additional copies will be available at the door at the date of the hearing. A "statement of need" explaining why the Agency believes the proposed rules are necessary and a "statement of evidence" outlining the testimony which the Agency will introduce will be filed with the Hearing Examiner's Office at least 25 days prior to the hearing and will be available there for public inspection.

Please be advised that pursuant to Minn. Stat. Sec. 10A.01, Subd. 11 (1974) any individual engaged for pay or other consideration for the purpose of representing persons or associations attempting to influence administrative action, such as the promulgation of these rules, must register with the State Ethics Commission as a lobbyist within five days of the commencement of such activity by the individual.

James F. Dlugosch
Executive Director

Date: February 17, 1977

PROPOSED
MINNESOTA HOUSING FINANCE AGENCY
RULES

1. Minn. Reg. MHFA 1 is hereby amended to read as follows:

"MHFA 1 - Scope

These Rules are made and published pursuant to Subdivisions 4 and 11 of Section 6 and Subdivision 10 of Section 7 of the Minnesota Housing Finance Agency Law of 1971, and relate to the providing of Development Cost Loans, Mortgage Loans, rehabilitation loans and grants, development grants and technical assistance to qualified Housing Sponsors for construction and rehabilitation of housing [projects] for occupancy by Persons and Families of Low and Moderate Income."

2. Minn. Reg. MHFA 2(g) is hereby amended to read as follows:

"(g) 'Non-Profit' or 'Non-Profit Entity' means and refers to (1) housing and redevelopment authorities established under and pursuant to the provisions of Minn. Stat. Sections 462.411 to 462.711 (1971), and (2) those partnerships, joint-ventures, [and] corporations, and associations which (i) [which] are established for a purpose not involving pecuniary gain to the members, partners or shareholders thereof; (ii) [which] pay no dividends or other pecuniary remuneration, directly or indirectly, to the members, partners, or shareholders thereof; and (iii) [which] in the case of private, non-profit corporations, are established under and pursuant to Minn. Stat. Ch. 317 and are in compliance with all the provisions thereof; provided, however, that in no event shall a Limited Dividend Entity be deemed a Non-Profit Entity."

3. Minn. Reg. MHFA 2(k) is hereby amended to read as follows:

"(k) 'Mortgage Loan' means a loan authorized by resolution of the Members and made or to be made to a Housing Sponsor, or to a Person or Family of Low or Moderate income, or to a Low Income Purchaser, from the proceeds of sale of the Agency's bonds or notes, or from appropriations, for the purpose of providing construction financing, long term financing, or both, for residential housing, and the payment of which is secured or to be secured. [as provided in the Act.]"

4. Minn. Reg. MHFA 2(n) is hereby amended to read as follows:

"(n) 'Adjusted Income' means the gross annual income, from all sources and before taxes or withholding, of all [members of the family living in] residents of a housing unit, after deducting the following:

(1) the income of any [family member (other than the head of the household or his spouse)] resident (except the primary income recipient) who is under eighteen years of age or is a full time student, and who is related by blood, adoption, or marriage to a resident income recipient or his/her spouse;

[(5)] (2) nonrecurring income, as determined by the Executive Director, and sums received for foster child care;

[(6)] (3) extraordinary medical or other expenses as the Executive Director approves for exclusion; [and]

[(7)] [an amount equal to the sums received by the head of the household or his spouse from, or under the direction of, any public or private non-profit child placing agency for the care and maintenance of one or more persons who are under eighteen years of age and were placed in the household by such agency.]

[(2)] (4) [the first $300] an amount up to $750 of the income of [a secondary wage earner who is the spouse of the head of the household] an additional income recipient eighteen years of age or older other than the primary income recipient;

[(3)] [an amount equal to 5 per centum of the income of the head of the household and his spouse (or, in the case of an elderly family, 10 per centum of such income);]

[(4)] (5) an amount equal to [$300] $750 for each [member of the family residing in the household (other than the head of the household or his spouse)] resident [who is under eighteen years of age or who is eighteen years of age or older but has no income included in family income for the purposes of this section] of the housing unit who is eighteen years of age or over, (maximum of two) and $500 for each additional resident;

(6) an amount up to $750 for child care expenses which are eligible for deduction under United States Internal Revenue Service tax regulations.

Gross annual income from self-employment shall be deemed to be the net profit from said self-employment as declared by the applicant in schedule C, F, or E, Part III, as appropriate, of the United States Internal Revenue Service Form 1040, or such other schedule as may be hereafter promulgated, but including as income all depreciation."

5. Minn. Reg. MHFA 2(o) is hereby amended to read as follows:

"(o) 'Persons and Families of Low and Moderate Income' means:

(i) With respect to [a structure or structures designed primarily for residential use by not more than four families] Limited-Unit Mortgage Loans pursuant to Chapter Four of these Rules, Development Cost Loans pursuant to Chapter Three of these Rules, Planning Grants pursuant to Chapter Five of these Rules, and American Indian Housing Loans pursuant to Chapter Eight of these Rules, which loans and grants are intended for a Limited-Unit Development, or a dwelling unit in a planned unit development or a condominium, those persons and families whose Adjusted Income does not exceed $16,000; and

(ii) With respect to [all other structures] Multi-Unit Mortgage Loans pursuant to Chapter Four of these Rules, Development Cost Loans pursuant to Chapter Three of these Rules, Planning Grants pursuant to Chapter Five of these Rules, and American Indian Housing Loans pursuant to Chapter Eight of these Rules, which loans or grants are intended for a Multi-Unit Development, those persons and families whose Adjusted Income does not exceed the greater of $16,000 or 550 percent of the gross rental for the dwelling unit to be occupied; provided, however, that the gross rentals for at least 75 percent of the dwelling units in such [structure or structures] development shall not exceed 120% of the Fair Market Rents for the geographical area in which such [structure or structures] projects are located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided [however] further, that the Members may allow higher gross

rentals for units in any structure if the Members determine that such higher gross rentals are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs; [and]

(iii) With respect to home improvement grants to be made by the Agency, those persons and families whose Adjusted Income does not exceed $5,000 and whose gross assets, excluding the property to be improved, does not exceed $25,000; and

(iv) With respect to home improvement loans pursuant to Chapter Six of these Rules, those persons and families whose Adjusted Income does not exceed $14,000."

6. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"(r) 'Low Income Purchasers' means with respect to Chapter Nine of these Rules, those persons and families whose Adjusted Income does not exceed $14,000."

7. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"(s) 'Builder' means a person or entity engaged in the business of housing construction who meets all licensing and other requirements of applicable laws, ordinances, and regulations; who possesses satisfactory experience and creditworthiness; and who will enter into an agreement satisfactory to the Agency to sell or rent the residential housing constructed in whole or in part from the proceeds of an Agency Loan, to Persons and Families of Low and Moderate Income."

8. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"(t) 'Administering Entity' means a nonprofit or governmental entity (including but not limited to an incorporated county or municipality, a housing redevelopment authority, and a community action organization), which enters into a contract with the Agency for the local administration of the home improvement grant program, pursuant to Chapter Seven of these Rules."

9. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"(u) 'Multi-Unit Development' means a loan or grant for new or existing residential housing which is intended for occupancy by more than one family, and the mortgagor of which is a Non-Profit or Limited Dividend Entity."

10. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"(v) 'Limited-Unit Development' means a loan or grant to a Person or Family of Low or Moderate Income for new or existing residential housing intended for occupancy by such person or family and by not more than five other families."

11. Minn. Reg. MHFA 3 is hereby renumbered as MHFA 14.

12. Minn. Reg. MHFA 4 is hereby renumbered as MHFA 34, and as so renumbered, is hereby amended to read as follows:

"MHFA [4] 34 - Occupancy

Initial occupancy in [housing units] Multi-Unit Developments financed by the Agency shall be limited to Persons and Families of Low and Moderate Income; provided however, that (i) to the extent necessary to avoid economic loss resulting from inability to achieve full occupancy, and (ii) in order to encourage economic integration, a Housing Sponsor may, with the prior written approval of the Executive Director, permit initial occupancy of up to 25% of the units in the housing project by persons and families who are not Persons and Families of Low and Moderate Income."

13. Minn. Reg. MHFA 5 is hereby renumbered as MHFA 15.

14. Minn. Reg. MHFA 6 is hereby renumbered as MHFA 16.

15. Minn. Reg. MHFA 7 is hereby renumbered as MHFA 3, and as so renumbered is hereby amended to read as follows:

"MHFA [7] 3 - Agency Meetings

(a) Regular meetings of the Agency shall be held on the third Thursday of each month at 1:00 PM at the offices of the Agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. In the event such date shall fall on a legal holiday, the regular meeting shall be held the next succeeding business day.

(b) Special meetings of the Agency may be called by the [Chairman] Chairperson or by a majority of the existing Members of the Agency, for the purpose of transacting any business designated in the notice, and shall be held at the business offices of the Agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. At any such special meeting, no business shall be considered other than as designated in the notice; provided, however, that if all of the Members of the Agency are present at such special meeting, this limitation shall not apply.

(c) A majority of the existing Members of the Agency shall constitute a quorum for the purpose of conducting the Agency's business and exercising its powers and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. When a quorum is in attendance, action may be taken by the Agency on the vote of the majority of the Members present."

16. Minn. Reg. MHFA 8 is hereby renumbered as MHFA 4, and as so renumbered is hereby amended to read as follows:

"MHFA [8] 4 - Public Appearances at Meetings of the Members

The following procedures shall govern public appearances at meetings of the Members:

(a) With respect to regular meetings, the Executive Director shall complete the agenda for meetings of the Members, not less than five nor more than seven days prior to the date of any such meeting.

(b) With respect to regular meetings, any person who desires to appear and address the Members [with respect to any matter not enumerated on the agenda] shall make a written request to the Executive Director, with a copy to the [Chairman] Chairperson, at least ten days prior to the date of the meeting, setting forth the nature of the matter about which such person wishes to appear.

(c) With respect to regular or special meetings, any person who desires to appear and address the Members with respect to any matter enumerated on the agenda shall make a written request to the Executive Director, with a copy to the [Chairman] Chairperson, at least twenty-four hours before the meeting.

(d) Any Member may at any time request that a person be permitted to appear and address the Members at any regular or special meeting.

(e) All such requests shall be placed on the agenda for review by the Members at the meeting. A majority vote of the Members present shall be required in order to grant any such request to address the Members."

17. Minn. Reg. MHFA 9 is hereby renumbered as MHFA 5-9.

18. Minn. Reg. MHFA Chapter Two is hereby amended to read as follows:

"Chapter Two: [Application Procedures] General Provisions

MHFA 10 - Applications

The Executive Director may provide staff services to assist a Housing Sponsor in complying with the requirements of the Act and these Rules and may establish a preapplication procedure.

MHFA 11 - Eligible Housing Sponsors

No Development Cost Loan, pursuant to Chapter Three of these Rules, or Multi-Unit Development Mortgage Loan, pursuant to Chapter Four of these Rules, shall be made or disbursed until such time as the Housing Sponsor is an eligible Sponsor. An eligible Housing Sponsor is a Sponsor which is authorized by the Act to receive a Development Cost Loan or a Multi-Unit Development Mortgage Loan and which has obtained the Executive Director's approval of its organizational documents, including proposed or existing articles of incorporation, proposed or existing partnership agreement, joint venture agreement, trust agreement or other document of basic organization, and proposed amendments thereto, together with such other documents as the Executive Director may determine, in specific cases, are necessary in order to determine eligibility.

MHFA 12 - Civil Rights

All Agency projects must be administered in compliance with all applicable federal, state and local civil rights laws, ordinances, and regulations including but not limited to those applying to the selection of recipients for agency loans and grants, and the site

selection, construction, purchase and rental of residential housing financed in whole or in part with Agency participation. Any determination that a project or recipient has failed to comply with the civil rights laws, if made by a court or an administrative agency charged with the enforcement of said laws, shall be sufficient grounds for termination of Agency participation and immediate recall of outstanding Agency loans. This section shall not be construed to prohibit housing programs administered by or for American Indians.

MHFA 13 - Credit Review

The Agency may review, or cause to be reviewed, loan and mortgage applications for suitable creditworthiness. In evaluating creditworthiness the Agency may consider 1) the percentage of applicant's income which can reasonably be expected to be spent on housing costs; 2) the amount of applicant's outstanding debts; 3) the applicant's employment history and likelihood of continued employment; 4) the applicant's credit history; 5) whether applicant has ever sought bankruptcy relief; and 6) on a case by case basis, the general educational background and residential stability of the applicant.

MHFA 14 - Forms and Procedures

With respect to each Mortgage Loan program, rehabilitation loan program, rehabilitation grant program and Development Cost Loan program from time to time instituted by the Agency, the Executive Director shall prepare guides setting forth uniform procedures by which applications for loans or grants shall be submitted, the contents thereof, and the conditions upon which loans or grants shall be made. Each said guide, and any amendment thereto, shall be submitted to the Members of the Agency for their review at any regular or special meeting called for such purpose and shall become effective only upon the approving vote of the Members.

MHFA 15 - Waivers

The provisions of these Rules may be waived by the Members upon their determination that the application of such Rules, in specific cases, may result in undue hardship.

MHFA 16 - Separability

If any word, phrase, sentence, paragraph, section or part of these Rules is finally adjudged by a court of

competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of these Rules.

MHFA 17 - Preference in Occupancy

Each recipient of an Agency loan who is the owner of residential housing occupied in whole or in part by renters shall give preference in occupancy to those Persons and Families of Low and Moderate Income who occupied the residence at the time of the loan application, subject to the right of the owner to reside there himself.

MHFA [12] 18-20 - Reserved for Future Use."

19. Minn. Reg. MHFA 31 is hereby amended to read as follows:

"MHFA 31 - Applications for Multi-Unit Development Mortgage Loans

An application by a Housing Sponsor, or by an Approved Mortgagee on behalf of a Housing Sponsor, for a Multi-Unit Development Mortgage Loan or for Agency participation in a Multi-Unit Development Mortgage Loan shall contain:

(a) Information with respect to the eligibility of the Housing Sponsor, or with respect to the steps which have been taken by such Sponsor to become eligible.

(b) Information with respect to the site of the proposed housing project, including location, dimensions, ownership, present zoning, present use and occupancy, relocation requirements as to present occupants, present on-site utilities and streets, present property taxes and assessment, utility charges and liens or other charges on the land and all physical characteristics of the site which might affect construction.

(c) Information with respect to the characteristics of the proposed housing project, including number and size of dwelling units, type of occupancy (ownership, rental or cooperative), rehabilitation or new construction, range of proposed rents, occupancy charges or sale prices, building type, federally aided mortgage or otherwise, and proposed incidental or appurtenant educational, social, recreational, commercial, community and other supporting facilities.

(d) Identity and qualifications of the design architect, supervisory architect, Sponsor's attorney, housing consultant, general contractor, marketing or sales agent and management agent.

(e) Architectural drawings and specifications, site plan, schedule of construction costs, reports of soil tests or engineering studies performed, executed construction contract and evidence of approval of the architectural drawings, specifications and site plan by governmental bodies having jurisdiction.

(f) Proposed marketing plan, reports of market surveys or analyses, schedule of proposed rents, occupancy charges or sale prices, proposed operating budget, proposed management plan, proposed relocation plan and cost analysis, schedule of the proposed uses of the requested Mortgage Loan and the amounts to be allocated to each such use including the Sponsor's equity investment where applicable, and a proposed construction schedule.

(g) A schedule of the proposed initial rents or occupancy charges.

(h) A plan setting forth (i) arrangements contemplated for tenant referral from local housing authorities or other governmental agencies or community organizations, having contract with potential eligible occupants, and (ii) procedures contemplated to make generally known to minority groups the availability of units on a nondiscriminatory basis.

(i) Such other information as to the proposed housing project, the Housing Sponsor, or other parties involved in the housing project, as the Executive Director may require."

20. Minn. Reg. MHFA 32 is hereby amended to read as follows:

"MHFA 32 - Authorization of Multi-Unit Development Mortgage Loans

No Multi-Unit Development Mortgage Loan shall be made until the Members of the Agency have received and reviewed the recommendation of the Executive Director relating to such loan, and until the Members of the Agency have adopted a resolution approving such loan; which resolution shall include determinations that:

(a) A Multi-Unit Development Mortgage Loan would not otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

(b) The development of the proposed housing project will assist in fulfilling the purposes of the Act.

(c) In the case of a Housing Sponsor which is a Limited Dividend Entity, the rate of return on the investment in the proposed housing project is reasonable in light of then existing conditions in the housing industry and financial markets and rate of return then prescribed by other governmental agencies.

(d) The obligation of the Agency to make such loans is contingent on the ability of the Agency to sell its bonds or bond anticipation notes, on terms which the Members of the Agency, in their sole discretion, deem acceptable.

In addition, any such resolution may contain such other provisions and conditions which the Members of the Agency, in their sole discretion, deem advisable."

21. Minn. Reg. MHFA 33 is hereby renumbered as MHFA 35, and as so renumbered is hereby amended to read as follows:

"MHFA 35 - Evidence of Limited-Unit Development and Multi-Unit Development Mortgage Loans

The Executive Director of the Agency shall not permit any disbursement of an approved Mortgage Loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, a mortgage, appropriate evidence of [federal] insurance, if applicable, and by such other instruments as the Executive Director may in specific cases deem necessary or appropriate."

22. Minn. Reg. MHFA 34 is hereby renumbered as MHFA 33, and as so renumbered is hereby amended to read as follows:

"MHFA 33 - Project Selection Criteria for Multi-Unit Development Mortgage Loans

In determining whether to accept applications of Housing Sponsors for Development Cost Loans or Multi-Unit Development Mortgage Loans, the Members shall examine the following facts and make their determinations thereon:

(a) Whether a need exists in the geographical area for the proposed development.

(b) Whether adequate provision has been made for housing opportunities for minority families, including elderly persons and families.

(c) Whether the proposed development is consistent with orderly growth and development in the geographical area.

(d) The impact of the proposed development on the physical environment of the surrounding neighborhood.

(e) Whether the Housing Sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development.

(f) The extent to which the proposed development will create minority employment and business opportunities.

(g) The effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions.

(h) The extent to which the proposed development will reduce the cost of mortgage financing or rentals for housing for low and moderate income persons and families.

(i) The extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes.

(j) The relationship of the proposed development to public facilities, sources of employment and services (including public transportation, health, education and recreation facilities, and public utilities) essential to orderly growth.

(k) The relationship of the housing development to any comprehensive plans, policies, procedures and programs adopted and approved according to law by an agency of state or local government acting pursuant to legislative authority, including but not limited to the plans, policies, procedures and programs of regional development commissions and the Metropolitan Council.

(l) Whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

(m) In the case of a Housing Sponsor which is a Limited Dividend Entity, whether the rate of return on its investment in the proposed development is reasonable in light of then existing conditions in the housing industry and financial markets and in the rates of return then prescribed by other governmental agencies.

(n) Whether the proposed development will assist in fulfilling the purposes of the Act."

23. Minn. Reg. MHFA 35 is hereby renumbered as MHFA 36, and as so renumbered is hereby amended to read as follows:

"MHFA 36 - Mortgage Loans for [Single Family Dwellings] Limited-Unit Developments

Mortgage Loans for [single family dwellings] Limited-Unit Developments shall be made only to applicants who (i) are Persons or Families of Low or Moderate Income; (ii) are fee owners of the dwelling and who intend to occupy such dwelling as their principal place of residence; (iii) satisfy minimum standards of creditworthiness; and (iv) execute such documents as the Agency deems necessary to secure the Mortgage Loan. No Mortgage Loan shall be approved unless the Agency determines that a Mortgage Loan would not otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions."

24. Minn. Reg. MHFA 51 is hereby amended by adding a subdivision, to read as follows:

"(j) Each applicant who is an owner of residential housing occupied in whole or in part by renters, shall enter into such agreement as the Agency shall require to ensure that for the term of the loan Persons and Families of Low and Moderate Income will occupy at least one of the units in the case of a two unit residence, two of the units in the case of a three unit residence, three of the units in the case of a four unit residence, and four of the units in the case of a five or six unit residence."

25. Minn. Reg. MHFA 61 is hereby amended to read as follows:

"MHFA 61 - Reservation of Funds

(a) For a period of at least [three months] 45 days after the Agency gives notice that the funds for making rehabilitation grants are available, the

Agency shall receive requests for reservation of funds from prospective Administering Entities.

(b) Requests for reservation of funds for rehabilitation grants may be made by prospective Administering Entities to the Agency, and shall [be accompanied by (a)] contain (i) a plan setting forth the proposed method of delivery of the rehabilitation grants; [(b)] (ii) evidence satisfactory to the Agency that [the person or organization which will administer the delivery of the grants] the Administering Entity has the capacity effectively and efficiently to carry out the plan; [and (c)] (iii) evidence satisfactory to the Agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered; (iv) the specific funding amount requested for a 12-month period and the administrative allowance, if any, required by the Administering Entity to defray the expenses of administering the program; (v) other funding sources available to the Administering Entity for administration and home improvement; (vi) a description of the local housing problems; (vii) specific goals to be accomplished with requested funds; and (viii) a description of the targeting plan, if any, whereby the Administering Entity will establish priorities for awarding grant funds based on an assessment of need within its jurisdiction, in the event that the number of applications exceeds the number of grants which can be awarded. The targeting plan, if any, shall be subject to approval by the Agency and may not have the effect of excluding any otherwise eligible applicant from making an application and being considered eligible for a grant.

(c) The Agency shall submit all plans to the applicable Regional Development Commission (including the Metropolitan Council) and shall consider the comments and recommendations of such Commissions with respect to the extent to which the plan assists in satisfying the housing needs for such region.

(d) The Agency shall allocate the total funds available at any time ratably among the several regions, based upon data assembled by the Agency and accurately reflecting housing needs and related factors. At least 50 percent of the total grant funds allocated to each Administering Entity must be delivered to elderly applicants, i.e., persons 62 years of age or older, who are Eligible Recipients."

26. Minn. Reg. MHFA 65 is hereby renumbered as MHFA 62, and as so renumbered is hereby amended to read as follows:

"MHFA 62 - Eligible Recipients of Rehabilitation Grants

In addition to all conditions imposed by the Act, an application for a rehabilitation grant shall satisfy the following requirements:

(a) [The applicant must have an Adjusted Income not in excess of $5,000.] The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least (i) a life estate or (ii) a one-third interest in the fee title or in the contract for deed with respect to such structure. The Agency may waive or modify the ownership requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations.

(b) [The gross assets of the applicant, excluding the property to be improved with the proceeds of the grant, may not exceed $25,000.] For the purpose of complying with the ownership requirements, the recipient may aggregate his interest in such property with the ownership interests of other individuals also occupying the property as their principal place of residence. All individuals occupying the structure to be improved as their principal place of residence and having an ownership interest in such structure must join in the application.

(c) [The applicant must use the proceeds of the grant to correct defects or deficiencies in the property affecting directly the safety, habitability or energy usage of the property.] Each recipient must be a Person or Family of Low or Moderate Income as defined in MHFA 2(o)(iii).

(d) 'Gross Assets' for purposes of the home improvement grant program shall be the sum of the following:

(i) cash on hand or in checking or savings accounts;

(ii) securities or U.S. Savings Bonds;

(iii) market value of all interests in real estate (exclusive of the structure to be improved

and a parcel of real property of not more than two acres on which such structure is located);

(iv) cash value of life insurance policies; and

(v) all other property, exclusive of household furnishings, clothing, and one automobile."

27. Minn. Reg. MHFA 63 is hereby amended to read as follows:

"MHFA 63 - Amount of Grant

The amount of the rehabilitation grant shall not exceed the lesser of (i) $5,000 or (ii) the actual cost of the work performed or (iii) that portion of the cost of rehabilitation which the Agency determines cannot otherwise be paid by such person or family without spending an unreasonable portion of the income of such person or family thereon."

28. Minn. Reg. MHFA 64 is hereby amended to read as follows:

"MHFA 64 - Responsibilities of Administering Entity

The Administering Entity shall have the following responsibilities:

(a) The Administering Entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients and ensuring that the rehabilitation work is satisfactorily completed.

(b) The Administering Entity shall make on-site inspections of the properties to be improved (i) before such application is approved and (ii) after work has been completed and before the contractors have been paid in full.

(c) The Administering Entity shall not charge an applicant or recipient any application, processing, or other fee.

(d) The Administering Entity may, with the prior written consent of the Agency, allocate up to three percent of the total funding in municipal areas and up to five percent of the total funding in primarily rural areas to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the Administering

Entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the Agency according to a budget submitted by the Administering Entity and approved by the Agency. Disbursements of the administrative allowance shall be contingent upon the Agency's review and approval of the satisfactory progress of the program."

29. Minn. Reg. MHFA 65 is hereby amended to read as follows:

"MHFA 65 - Eligible Properties

Grant funds shall be used only to improve properties which meet the following criteria:

(a) The property shall be located within the State of Minnesota, be used primarily for residential purposes, and contain no more than two dwelling units, one of them owner-occupied.

(b) The property to be improved shall conform to applicable zoning ordinances and possess all appropriate use permits.

(c) The improvements shall be made upon or in connection with existing permanent structures. Mobile homes or trailers shall not be eligible.

(d) No property shall be eligible for a home improvement grant if it has been improved by such a grant within the five year period next preceding the date on which application for such grant is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant or to failure of plumbing, heating, or electrical systems, as determined by the Agency in its sole discretion.

(e) The property to be improved with grant funds shall be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, rehabilitation funds shall be used to the extent necessary to increase such efficiency. Energy saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor and duct installation, storm windows and doors, and caulking and weather stripping. Energy saving features shall be consistent with the

energy standards promulgated as part of the State Building Code but such improvements need not bring the housing into full compliance with such energy standards."

30. Minn. Reg. MHFA 66 is hereby adopted to read as follows:

"MHFA 66 - Eligible Improvements

Improvements made with home improvement grant funds shall satisfy the following requirements:

(a) Each improvement shall be a Permanent General Improvement. Permanent General Improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property affecting directly the safety, habitability, or energy usage of the property. Permanent General Improvements shall be economically viable in terms of a determination that (i) the structure will have a reasonable life expectancy after the improvement is made, and (ii) the structure will be reasonably livable, safe, and habitable after the improvement is made. Permanent General Improvements shall not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for decent, safe and sanitary properties of the same general type as the property to be improved.

(b) Each improvement shall be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a home improvement grant shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

(c) Home improvement grant funds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or a sewage disposal system (including septic systems) into compliance with local, state or federal environmental and sanitary standards.

(d) All contracts covering all or any portion of an improvement shall contain an Agency approved warranty of workmanship and materials.

(e) No grant funds shall be used for the purpose of refinancing or paying off existing indebtedness. All such funds shall be used to finance improvements begun after application for such funds has been approved."

31. Minn. Reg. MHFA 67 is hereby adopted to read as follows:

"MHFA 67 - Repayment

The recipient of a grant fund and all individuals who signed the application for such fund shall enter into an agreement with the Agency for repayment, which shall provide that in the event that the property (upon which the improvement is located) is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within five years from the date upon which the grant application was approved, then the recipient shall repay, and the Agency shall have a lien as security for repayment of, all or a portion of such grant funds in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency occurs	Percent Repayment
Prior to end of 12th full month	100%
After end of 12th full month until end of 24th full month	80%
After end of 24th full month until end of 36th full month	60%
After end of 36th full month until end of 48th full month	40%
After end of 48th full month until end of 60th full month	20%
After end of 60th full month	No repayment

If any grant funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the grant."

32. Minn. Reg. MHFA 68 is hereby adopted to read as follows:

"MHFA 68 - Home Owner Labor Agreement

An eligible recipient may agree with an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant, if the Administering Entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances the Agency shall forward to the Administering Entity funds sufficient to cover the estimated material costs of the improvements and shall withhold from the Administering Entity sufficient grant funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements. The total amount of the funds so forwarded and so withheld shall not exceed $5,000 for each grant."

33. Minn. Reg. MHFA 69 is hereby adopted to read as follows:

"MHFA 69 - Emergency Home Improvement Grant Fund

The Agency may establish a separate fund known as the Emergency Home Improvement Grant Fund for the purpose of making home improvement grants to eligible applicants to correct defects or deficiencies which (i) are the direct result of an occurrance which took place not more than 60 days prior to the grant application, and (ii) if left uncorrected would render the dwelling immediately uninhabitable. Grants from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these Rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of MHFA 61(d)."

34. Minn. Reg. MHFA Chapter 9 is hereby adopted to read as follows:

"Chapter 9: Affordable Home Mortgages

MHFA 111 - Applications for Affordable Home Mortgages

Affordable home mortgages made from the revolving loan fund established pursuant to Section 16(c) of the Minnesota Laws of 1976, Ch. 254, shall meet the following requirements:

(a) The proceeds of the affordable home mortgage must be used to construct in Minnesota, a new, single family, owner occupied home of one, two, or three bedrooms.

(b) The affordable home mortgage must be used only to finance construction of homes built in conformance with Federal Housing Administration minimum property standards and with design standards approved by the Agency.

(c) The affordable home mortgage must create a valid first lien on the real property on which the eligible home is constructed.

MHFA 112 - Terms of Affordable Home Mortgage Loans

Each affordable home loan and mortgage shall contain the following terms and limitations:

(a) The maximum amount of each affordable home mortgage loan shall be the sum of the actual construction costs plus the development costs. Actual construction costs, which shall be subject to review and approval by the Agency, shall not exceed $26,500 for a three-bedroom unit; $24,000 for a two-bedroom unit, and $21,000 for a one-bedroom unit. Development costs shall not exceed $7,500 and shall consist only of the actual costs of land, water and sewer, sewer accessibility charges, and such similar costs of improving the property for occupancy as are approved by the Agency.

(b) The mortgage shall be for 30 years from the date of initial mortgage closing and shall be without interest until the first day of the fifth month following initial closing or until final closing, whichever first occurs.

(c) A minimum downpayment of 3% of the first $25,000 and 10% of the remainder of the development and construction costs shall be required. No downpayment shall be required, however, on Veterans Administration mortgages where the mortgagor has not previously used any portion of his guarantee.

(d) Closing costs shall be paid by the mortgagor.

(e) Each mortgage shall be covered by a title insurance policy approved by the Agency or, with the prior written consent of the Agency, by an Attorney's Opinion if title insurance is unavailable.

(f) A plat drawing shall be supplied by the mortgagor unless the Agency determines that a plat of survey certified by a licensed surveyor or engineer is

necessary. The legal description of the property to be mortgaged shall be by metes and bounds, or lots and blocks on a recorded map or plat, or in such other form as is acceptable to the Agency.

(g) A hazard insurance policy acceptable to the Agency shall cover the mortgaged property and contain a standard mortgagee clause naming the Agency as first mortgagee. Such policy shall be issued by a company authorized to do business in Minnesota and which has a financial rating in Best's Insurance Reports of BBB+ or better.

MHFA 113 - Interest

The interest rate on the affordable home mortgage shall be calculated as follows:

(a) The mortgage note shall bear interest at 8%, reduced by an interest credit to reflect family income.

(b) To determine the initial interest, the Agency shall determine a Maximum Monthly Housing Expense for the mortgagor based upon thirty-five (35%) percent of his Adjusted Income, converted to a monthly average amount for that period. There shall be deducted from the Maximum Monthly Housing Expense the average amount, as determined by the Agency, for expenses in maintaining the premises to be mortgaged, including real estate taxes, mortgage insurance, hazard insurance, heat, utilities, and maintenance, but excluding principal and interest payments on the mortgage. The balance remaining shall constitute the sum available for the monthly payment of principal and interest for the initial period, based upon the following 29 year, 8 month amortization schedule:

1% interest rate = $3.25 per month per thousand dollars of mortgage amount

2% interest rate = $3.73 per month per thousand dollars of mortgage amount

3% interest rate = $4.25 per month per thousand dollars of mortgage amount

4% interest rate = $4.81 per month per thousand dollars of mortgage amount

5% interest rate = $5.40 per month per thousand dollars of mortgage amount

6% interest rate = $6.02 per month per thousand dollars of mortgage amount

7% interest rate = $6.68 per month per thousand dollars of mortgage amount

8% interest rate = $7.37 per month per thousand dollars of mortgage amount

In calculating the initial interest rate for the mortgage, the highest rate is to be utilized which will cause the balance of the Maximum Monthly Housing Expense over the projected monthly expenses in maintaining the premises, as defined above, to equal or exceed the monthly payment of principal and interest. Applicants whose Adjusted Income will not support a monthly debt service of at least 1%, determined in accordance with the above, shall not be eligible for an affordable home loan.

(c) Example of an Eligible Mortgage:

Mortgage Amount		Constant Monthly Housing Costs	
$21,000	Construction Cost	$35.00	Utilities
2,650	Land and Development Cost	23.30	Property Taxes
$23,650	Total Cost	8.17	Hazard Insurance
710	Down Payment	14.00	Maintenance
$22,940	Mortgage Amount	$80.47	Total

Mortgagor's Annual Adjusted Income = $6,000

Mortgagor's Monthly Adjusted Income = $500 ($6,000 ÷ 12 months)

35% of Mortgagor's Monthly Adjusted Income = $175 (35% of $500)

Calculation for Monthly Mortgage Payment of Principal and Interest

$175.00	35% of Mortgagor's Monthly Adjusted Income
80.47	Constant Monthly Housing Expenses
$ 94.53	Mortgagor's amount available for principal and interest

Calculation of Interest Rate

Amount available for principal and interest ÷ mortgage

amount in thousands = monthly amortization factor:

$94.53 ÷ $22.94 = $4.12 per month per thousand dollars of mortgage amount

The above amortization schedule shows that $4.12 falls between $3.73 (which is 2%) and $4.25 (which is 3%); rounding down gives a 2% interest rate for this example.

Amortization factor of $3.73 (2%) times mortgage, $22,940, gives principal and interest payment of $85.57.

(d) For those notes having an initial rate of less than 8%, the interest rate, and the monthly payment of principal and interest based thereon, shall be increased over the rate for the initial period by 1/2 of 1% unless the mortgagor shall submit to the Agency, on or before that March 15 which is not less than twelve (12) months nor more than twenty-four (24) months after final mortgage closing a Recertification of Interest Credit Eligibility, which establishes to the Agency's satisfaction that the mortgagor's current Adjusted Income and Maximum Monthly Housing Expense will not support an increase in debt service payments. On June 1 of each succeeding year, the interest rate, and payments of principal and interest based thereon, will be increased an additional 1/2 of 1%. up to a maximum rate of eight percent (8%) per annum, unless, on March 15 of each succeeding year, the mortgagor submits a Recertification of Interest Credit Eligibility establishing that an increase in interest rate cannot be supported by the mortgagor's current Adjusted Income.

(e) The affordable home mortgage may be assumed with permission of the Agency at 8%, or at a lower rate if the new mortgagor is eligible for the interest credit.

MHFA 114 - Eligible Mortgagors

To be eligible for an affordable home mortgage, a mortgagor must be a Low Income Purchaser, have an Adjusted Income sufficient to support a monthly debt service as determined in MHFA 113 of at least 1%, and intend to occupy the mortgaged premises as his principal residence.

MHFA 115 - Construction Loans

The Agency may make loans for the construction of affordable homes subject to the following terms:

(a) A loan may be made to a Builder or a Non-Profit Entity upon a determination that such loan is necessary in order to encourage an adequate supply of affordable homes or to demonstrate the feasibility of affordable homes in a particular area.

(b) The construction loan borrower need not be a Person or Family of Low or Moderate Income nor a Low Income Purchaser.

(c) The construction loan shall meet all the requirements of and be subject to the same terms as an affordable home mortgage, except that no down payment shall be required, no closing fee shall be payable and unless the borrower is in default, no interest shall accrue until the affordable home is sold, or the note reaches maturity.

(d) The construction loan borrower shall make a reasonable marketing effort to sell the home constructed with the construction loan to a Low Income Purchaser who is eligible to obtain an affordable home mortgage under this Chapter.

(e) Upon request of eligible Low Income Purchasers, the Agency shall make affordable home mortgages for the homes constructed with the proceeds of such construction loans.

(f) The construction loan borrower shall agree to abide by the requirements of this Chapter relating to the construction, specifications, sale, and mortgage of the home to be constructed with such loan.

(g) The Agency may withhold such part of the construction loan as is necessary to assure completion of the home.

(h) The Agency may elect to use the home built with such construction loan for demonstration purposes, in which event the Agency shall pay all maintenance, taxes, and insurance on the home for as long as it is used for demonstration purposes."

MINNESOTA HOUSING FINANCE AGENCY

SUGGESTED AMENDMENTS TO PROPOSED RULES

1. Proposed Minn. Reg. MHFA 2(o)(iii) would be amended to eliminate the word "gross", and would read as follows:

"(iii) With respect to home improvement grants to be made by the Agency, those persons and families whose Adjusted Income does not exceed $5,000 and whose [gross] assets, excluding the property to be improved, does not exceed $25,000; and"

2. Proposed Minn. Reg. MHFA 62(a) would be amended to permit Agency waiver of the security requirement for repayment agreements for rehabilitation grants on Indian reservations, and would read as follows:

"(a) [The applicant must have an Adjusted Income not in excess of $5,000.] The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least (i) a life estate or (ii) a one-third interest in the fee title or in the contract for deed with respect to such structure. The Agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations.

3. Proposed Minn. Reg. MHFA 62(d) would be amended to eliminate the word "gross" before "assets" and specify that outstanding indebtedness should be subtracted from assets, and would read as follows:

"(d) '[Gross] Assets' for purposes of the home improvement grant program shall be the sum of the following, after deducting any outstanding indebtedness:

(i) cash on hand or in checking or savings accounts;

(ii) securities or U.S. Savings Bonds;

(iii) market value of all interests in real estate (exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located);

(iv) cash value of life insurance policies; and

(v) all other property, exclusive of household furnishings, clothing, and one automobile."

4. Proposed Minn. Reg. MHFA 64(a) would be amended to substitute the word "certifying" for the word "ensuring" and would read as follows:

"(a) The Administering Entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients and [ensuring] certifying that the rehabilitation work is satisfactorily completed."

5. Proposed Minn. Reg. MHFA 64(d) would be amended to replace the three percent and five percent limits on administrative costs with a general formula, and would read as follows:

"(d) The Administering Entity may, with the prior written consent of the Agency, allocate [up to three percent of the total funding in municipal areas and up to five percent of the total funding in primarily rural areas] part of its total funding, in accordance with a formula based upon data assembled by the Agency and reflecting administrative costs, geographic area, level of funding, and other related factors, to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the Administering Entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the Agency according to a budget submitted by the Administering Entity and approved by the Agency. Disbursements of the administrative allowance shall be contingent upon the Agency's review and approval of the satisfactory progress of the program."

6. Proposed Minn. Reg. MHFA 68 would be amended to provide that the Administering Entity, rather than the Agency, withhold funds subject to successful progress of the rehabilitation work, and permit the withheld funds to be released to the owner for additional work, as he demonstrates his ability to complete the work satisfactorily. The section as amended would read as follows:

"An eligible recipient may agree with an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant, if the Administering Entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances [the Agency shall forward to the Administering Entity funds sufficient to cover the estimated material costs of the improvements and shall withhold from the Administering Entity] sufficient grant funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld.

[The total amount of the funds so forwarded and so withheld shall not exceed $5,000 for each grant.] Upon successful completion of the improvement work so funded, the Administering Entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work."

7. Proposed Minn. Reg. MHFA 69 is amended to substitute the term "reasonably recent period of time" for "60 days"; to make explicit the requirement that the relevant Administering Entity have no funds available from its regular fund before a dwelling may be repaired with funds from the Emergency Fund; and to permit the use of the Emergency Fund to repair defects which existed prior to the occurrence which rendered the dwelling uninhabitable. The section as amended would read as follows:

"The Agency may establish a separate fund known as the Emergency Home Improvement Grant Fund. [for the purpose of making home improvement grants] Grants from the Emergency Home Improvement Grant Fund shall be made to eligible applicants [to correct] provided that the dwelling contains defects or deficiencies which (i) are the direct result of an occurrence which took place [not more than 60 days] within a reasonably recent period of time prior to the grant application, and (ii) if left uncorrected would render the dwelling immediately uninhabitable. Before an application to the Emergency Home Improvement Grant Fund is accepted, the Administering Entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant fund to cover the cost of repairs. Such funds may also be used to correct serious defects or deficiencies in the dwelling other than the specific defect or deficiency which rendered the dwelling immediately uninhabitable. Grants from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these Rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of MHFA 61(d)."

EXHIBIT A

MINNESOTA HOUSING FINANCE AGENCY

SUGGESTED AMENDMENTS TO PROPOSED RULES

1. Proposed Minn. Reg. MHFA 2(o)(iii) would be amended to eliminate the word "gross", and would read as follows:

"(iii) With respect to home improvement grants to be made by the Agency, those persons and families whose Adjusted Income does not exceed $5,000 and whose [gross] assets, excluding the property to be improved, does not exceed $25,000; and"

2. Proposed Minn. Reg. MHFA 62(a) would be amended to permit Agency waiver of the security requirement for repayment agreements for rehabilitation grants on Indian reservations, and would read as follows:

"(a) [The applicant must have an Adjusted Income not in excess of $5,000.] The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least (i) a life estate or (ii) a one-third interest in the fee title or in the contract for deed with respect to such structure. The Agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian Reservations.

3. Proposed Minn. Reg. MHFA 62(d) would be amended to eliminate the word "gross" before "assets" and specify that outstanding indebtedness should be subtracted from assets, and would read as follows:

"(d) '[Gross] Assets' for purposes of the home improvement grant program shall be the sum of the following, after deducting any outstanding indebtedness:

(i) cash on hand or in checking or savings accounts;

(ii) securities or U.S. Savings Bonds;

(iii) market value of all interests in real estate (exclusive of the structure to be improved and a parcel of real property of not more than two acres on which such structure is located);

(iv) cash value of life insurance policies; and

(v) all other property, exclusive of household furnishings, clothing, and one automobile."

4. Proposed Minn. Reg. MHFA 64(a) would be amended to substitute the word "certifying" for the word "ensuring" and would read as follows:

"(a) The Administering Entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients and [ensuring] certifying that the rehabilitation work is satisfactorily completed."

5. Proposed Minn. Reg. MHFA 64(d) would be amended to replace the three percent and five percent limits on administrative costs with a general formula, and would read as follows:

"(d) The Administering Entity may, with the prior written consent of the Agency, allocate [up to three percent of the total funding in municipal areas and up to five percent of the total funding in primarily rural areas] part of its total funding, in accordance with a formula based upon data assembled by the Agency and reflecting administrative costs, geographic area, level of funding, and other related factors, to defray a portion of the administrative costs of the program, to the extent that other sources are not available. It shall be the responsibility of the Administering Entity to bear all administrative costs, including salaries and office rental, automobile and telephone expenses and costs of counseling or technical assistance. The administrative allowance, if any, shall be distributed by the Agency according to a budget submitted by the Administering Entity and approved by the Agency. Disbursements of the administrative allowance shall be contingent upon the Agency's review and approval of the satisfactory progress of the program."

6. Proposed Minn. Reg. MHFA 68 would be amended to provide that the Administering Entity, rather than the Agency, withhold funds subject to successful progress of the rehabilitation work, and permit the withheld funds to be released to the owner for additional work, as he demonstrates his ability to complete the work satisfactorily. The section as amended would read as follows:

"An eligible recipient may agree with an Administering Entity to do some or all of the improvement work without compensation from the proceeds of the grant, if the Administering Entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances [the Agency shall forward to the Administering Entity funds sufficient to cover the estimated material costs of the improvements and shall withhold from the Administering Entity] sufficient grant funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld.

[The total amount of the funds so forwarded and so withheld shall not exceed $5,000 for each grant.] Upon successful completion of the improvement work so funded, the Administering Entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work."

7. Proposed Minn. Reg. MHFA 69 is amended to substitute the term "reasonably recent period of time" for "60 days"; to make explicit the requirement that the relevant Administering Entity have no funds available from its regular fund before a dwelling may be repaired with funds from the Emergency Fund; and to permit the use of the Emergency Fund to repair defects which existed prior to the occurrence which rendered the dwelling uninhabitable. The section as amended would read as follows:

"The Agency may establish a separate fund known as the Emergency Home Improvement Grant Fund. [for the purpose of making home improvement grants] Grants from the Emergency Home Improvement Grant Fund shall be made to eligible applicants [to correct] provided that the dwelling contains defects or deficiencies which (i) are the direct result of an occurrence which took place [not more than 60 days] within a reasonably recent period of time prior to the grant application, and (ii) if left uncorrected would render the dwelling immediately uninhabitable. Before an application to the Emergency Home Improvement Grant Fund is accepted, the Administering Entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant fund to cover the cost of repairs. Such funds may also be used to correct serious defects or deficiencies in the dwelling other than the specific defect or deficiency which rendered the dwelling immediately uninhabitable. Grants from the Emergency Home Improvement Fund shall be made to eligible applicants pursuant to the procedures set forth in Chapter Seven of these Rules, provided however, that the Emergency Home Improvement Fund shall not be subject to the allocation requirements of MHFA 61(d)."