


# Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

Make file 423

# RULES REVIEW CHECKLIST

DATE RULES RECEIVED ~~5/25~~ 5/2 Temporary Rule _____

Resubmitted and Received _____

DUE DATE ~~6/14~~ 6/1

a. Returned to Agency w/o filing w/Secy of State _____
b. Approved _____ Date Sent Back to Agency _____

- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -

1. Rules as Adopted ✓
2. Rules as Proposed ✓ They're attached to Notice of Hearing
3. Certificate of Board's Authorizing Resolution, where applicable ✓
4. Order for Hearing ✓
5. Notice of Hearing ✓
   (i) Sufficiency ✓
6. Secretary of State's List ✓
7. Certificate of Acquisition of Secretary of State's List ✓
8. Affidavit of Mailing ✓
   (i) At least 30 days prior to hearing ✓
9. Statement of Need and Evidence ✓
10. Hearing Examiner's Report ✓
11. Agency's Findings of Fact ✓
12. Certificate of Board's Resolution Adopting Rules, where applicable ✓
13. Order Adopting ✓
14. ~~Report of Chief Hearing Examiner~~ ✓
    ~~(i) Finding of No Substantial~~ Change ✓
    ~~(ii) Permission to Incorporate~~ by Reference, where applicable ✓
15. Certificate of Compliance with Rulemaking Procedures ✓
16. Copy of Notice of Intent to Solicit Outside Opinion, where applicable N.A.
17. Petition by Public, where applicable N.A.

(1) MHFA 132 O.K. – Even if inconsistent in practice, in theory could be consistent
B.) Says "primarily"
D.) Wouldn't it make it only Limited Dividend Mortg. Loan?

(2) MHFA 132 (F): "at the option of the agency w/o criteria Business Judgment – Public already in privity in contracts

(3) MHFA 133
Confusion between HE Report p. 3 bottom and Rule – Is it $5/mo. in first yr. or not? Miller explained – $5 decrease in monthly payment. early yr.

(4)

DEPARTMENT Attorney General

# Office Memorandum

423

TO : M. Patricia Schaffer
Attorney at Law
Leonard, Street and Deinard
1200 National City Bank Building

DATE: June 7, 197

FROM : Lee E. Sheehy
Special Assistant
Attorney General

PHONE 296-6228

SUBJECT: Rules as Approved /Housing Finance Agency Rules Relating To The Homeownership Assistance Fund Program.

Enclosed herewith are the rules you have submitted for approval. These rules have been approved by this office and filed with the Secretary of State. Note that they have NOT been filed with the State Register; this must be done promptly by your agency.

Upon receipt and before transmittal to your agency, however, it is important that you recheck these rules as to:

1. Affixation of the stamps of the Attorney General and Secretary of State to the last page of the rules;

2. Coverage by these stamps of all rules submitted; and

3. Inclusion of all pages of the rules in the approved set.

Directly following the approved rules is a complete set of required documents and transcript which must be retained with the rules by you or your agency.

If you have any questions in this regard, please contact me.

LES/dw
Enclosure

423 - Housing - Finance Agency

RULES REVIEW CHECKLIST

DATE RULES RECEIVED 5/12 Temporary Rule —

Resubmitted and Received _____

DUE DATE 6/1

a. Returned to Agency w/o filing w/Secy of State _____
b. Approved _____ Date Sent Back to Agency _____

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1. Rules as Adopted _____
2. Rules as Proposed _____
3. Certificate of Board's Authorizing Resolution, where applicable _____
4. Order for Hearing _____
5. Notice of Hearing _____
   (i) Sufficiency _____
6. Secretary of State's List _____
7. Certificate of Acquisition of Secretary of State's List _____
8. Affidavit of Mailing _____
   (i) At least 30 days prior to hearing _____
9. Statement of Need and Evidence _____
10. Hearing Examiner's Report _____
11. Agency's Findings of Fact _____
12. Certificate of Board's Resolution Adopting Rules, where applicable _____
13. Order Adopting _____
14. Report of Chief Hearing Examiner _____
    (i) Finding of No Substantial Change _____
    (ii) Permission to Incorporate by Reference, where applicable _____
15. Certificate of Compliance with Rulemaking Procedures _____
16. Copy of Notice of Intent to Solicit Outside Opinion, where applicable _____
17. Petition by Public, where applicable _____.

Darline:

Top pile is for our file. Bottom file is to be sent back to agency's atty, who is Pat Schaffer. Pat is with a private law firm in town. See a letter from her in our pile which has her address on letterhead.

If you have questions, please ask.



LAW OFFICES

**LEONARD, STREET AND DEINARD**

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GEORGE B. LEONARD (1872-1956)
ARTHUR L. H. STREET (1877-1961)
BENEDICT DEINARD (1899-1969)

OF COUNSEL
IRENE SCOTT

May 11, 1978

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

RECEIVED
MAY 12 1978
ATTORNEY GENERAL
ADMINISTRATIVE AGENCIES

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 May 4, 1978 along with a complete hearing record on those Rules. No transcript of the hearing has been included because the hearing was recorded on tape and no written transcript ever required. You will note that the Agency proposed a change in one of the rules at the hearing. To meet the objections that you had raised to the temporary rules for the Homeownership Assistance Fund Program the explanation of the amendment is enclosed in a letter to the Hearing Examiner. 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
M. Patricia Schaffer

MPS:jm

Enclosures

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

| | |
|---|---|
| IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE HOUSING FINANCE AGENCY RELATING TO THE HOMEOWNERSHIP ASSISTANCE FUND PROGRAM | CERTIFICATE OF RESOLUTION OF THE MINNESOTA HOUSING FINANCE AGENCY |

The undersigned hereby certifies 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 resolution attached hereto as Exhibit A 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 4th day of May, 1978; 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 has not been altered, modified or annulled and remains in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 4th day of May, 1978.

Attest: Demetrius G. Jelatis

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 THE HOMEOWNERSHIP ASSISTANCE FUND PROGRAM | Resolution No. 78-<br>RESOLUTION ADOPTING REPORT OF HEARING EXAMINER AND RULES |

WHEREAS, pursuant to Board Resolution No. 78-5 of January 31, 1978, 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 an amendment to the proposed rules, a copy of which amendment is attached hereto as Exhibit A; and

WHEREAS, the above-entitled matter having come on for hearing before Steve M. Mihalchick, Hearing Examiner of the State of Minnesota on March 29, 1978, at 9:30 a.m. at 500 Rice Street, 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 April 25, 1978, after consideration of the proposed rules, suggested Agency amendment, and the evidence presented in writing and at the public hearing, the Hearing Examiner issued a report approving the rules and amendment as proposed by the Agency at the hearing;

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 April 25, 1978 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

Exhibit A

3. that 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 4th day of May, 1978.

By Demetrius G. Jelatis
Chairman

Attest: Robert W Matts
Secretary

MINNESOTA HOUSING FINANCE AGENCY

Suggested Amendment to Proposed Rules Governing

The Homeownership Assistance Fund Program

MHFA 133 - Homeownership Assistance Fund - Monthly Assistance

The Agency may provide eligible recipients with interest-free Monthly Assistance loans in the form of monthly payments of a portion of the principal and interest installment due on the Limited-Unit Development Mortgage on qualifying property. Such payments shall not exceed $75 per month and shall decrease by $5 per month (or $60 per year) each year. The maximum amount of Monthly Assistance to which a recipient is originally entitled shall be determined by the Agency from time to time on the basis of the percentage of income which may reasonably be spent on mortgage payments, the interest rate charged for Limited-Unit Development Mortgage Loans, and general housing and construction costs in the State of Minnesota, provided however, that the initial maximum Monthly Assistance which the Agency shall determine to be available shall not exceed the following amounts for persons and families within the following Annual Adjusted Income ranges:

| Annual Adjusted Income Between | Initial Maximum Monthly Assistance |
|---|---|
| - 11,500 | 75 |
| 10,000 - 12,000 | 65 |
| 10,500 - 12,500 | 55 |
| 11,000 - 13,000 | 45 |
| 11,500 - 13,500 | 35 |
| 12,000 - 14,000 | 25 |
| 12,500 - 16,000 | 15 |

EXHIBIT A

Minnesota Housing Finance Agency

Rules Governing the Homeownership
Assistance Fund Program

Chapter 11 - Homeownership Assistance Fund

MHFA 131 - Eligible Recipients of Homeownership Assistance Fund Loans

To qualify for a Homeownership Assistance Fund loan, a recipient must satisfy the requirements of MHFA 36 for a Limited-Unit Development Mortgage Loan. No recipient shall have held any ownership interest (either under fee title or by contract for deed) in any residential dwelling within two years prior to the date of the application for the Homeownership Assistance Fund loan.

MHFA 132 - General Requirements of Homeownership Assistance Fund Loans

A. The property to be purchased with the assistance of a Homeownership Assistance Fund loan must be a newly-constructed or existing single family residential dwelling located within the State of Minnesota.

B. The purchase of the dwelling must be financed primarily through a Limited-Unit Development Mortgage Loan.

C. The recipient shall obtain and furnish to the Agency all information reasonably required to demonstrate the recipient's eligibility for both a Homeownership Assistance Fund loan and a Limited-Unit Development Mortgage Loan.

D. Each Homeownership Assistance Fund loan shall be secured by a second mortgage on the property to be purchased, which property must otherwise be free and clear of any lien, charge, or encumbrance other than the Limited-Unit Development Mortgage.

E. A Homeownership Assistance Fund loan shall be deemed in default if the recipient defaults in the timely observance and performance of any condition or covenant of the Limited-Unit Development Mortgage Loan or of the Homeownership Assistance Fund loan, or sells, assigns, rents, or transfers the property, whether by deed, contract for deed, or otherwise. A transfer of the property to a surviving joint tenant, if any, by reason of the death of the recipient shall not constitute a default.

EXHIBIT B

F. In the event of default, the Homeownership Assistance Fund loan shall become immediately due and payable in its entirety, at the option of the Agency, and shall be subject to interest from the date of default until the date of payment at that rate of interest which is applicable to the Limited-Unit Development Mortgage on the property.

MHFA 133 - Homeownership Assistance Fund-Monthly Assistance

The Agency may provide eligible recipients with interest-free Monthly Assistance loans in the form of monthly payments of a portion of the principal and interest installment due on the Limited-Unit Development Mortgage on qualifying property. Such payments shall not exceed $75 per month and shall decrease by $5 per month (or $60 per year) each year. The maximum amount of Monthly Assistance to which a recipient is originally entitled shall be determined by the Agency from time to time on the basis of the percentage of income which may reasonably be spent on mortgage payments, the interest rate charged for Limited-Unit Development Mortgage Loans, and general housing and construction costs in the State of Minnesota, provided however, that the initial maximum Monthly Assistance which the Agency shall determine to be available shall not exceed the following amounts for persons and families within the following Annual Adjusted Income ranges:

| Annual Adjusted Income Between | Initial Maximum Monthly Assistance |
|---|---|
| - 11,500 | 75 |
| 10,000 - 12,000 | 65 |
| 10,500 - 12,500 | 55 |
| 11,000 - 13,000 | 45 |
| 11,500 - 13,500 | 35 |
| 12,000 - 14,000 | 25 |
| 12,500 - 16,000 | 15 |

MHFA 134 - Homeownership Assistance Fund-Downpayment Assistance

The Agency may provide interest-free Downpayment Assistance loans to eligible recipients who are determined, on the basis of normal credit procedures, to lack the cash or land equity necessary to pay the required downpayment, plus closing costs, expenses, and origination fees on the dwelling to be purchased. The amount of the Downpayment Assistance loan shall equal the amount by which the sum of the downpayment, closing costs, expenses, and origination fees exceeds five percent of the purchase price of the dwelling, but shall not exceed the lesser of 50 percent of the downpayment or $1,000.

MHFA 135 - Repayment

Unless earlier repayment is required as the result of default, repayment of the aggregate amount of Monthly Assistance and Down-payment Assistance loans shall commence when the Monthly Assistance payments have declined to zero. Repayment shall be at the rate of $10 per month for the first year and shall increase by $10 per month (or $120 per year) each year until the total Homeownership Assistance Fund loan has been repaid.

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

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|---|---|
| IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO THE HOMEOWNERSHIP ASSISTANCE FUND PROGRAM | 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 on my personal familiarity with the applicable procedures, the Manual of Rule Making Procedures has been followed.

George Reilly
Special Attorney

Dated: May , 1978

STATE OF MINNESOTA )
) ss.
COUNTY OF RAMSEY )

Eileen A. Gaiovnik, being first duly sworn, hereby deposes and says:

That at the City of St. Paul, county and state aforementioned, on the _____ day of April, 1978, she did serve the Report of Hearing Examiner, HFA-78-002-SM

upon the Minnesota Housing Finance Agency by personally handing to Michael Kuschke,

said Report of Hearing Examiner.

Eileen A. Gaiovnik

Subscribed and sworn to before me this 26th day of April, 1977.

Steve M. Mihalchick

STEVE M. MIHALCHICK
NOTARY PUBLIC - MINNESOTA
ANOKA COUNTY
My Commission Expires Dec. 29, 1982

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 the Homeownership Assistance Fund Program.

REPORT OF HEARING EXAMINER

The above-entitled matter came on for hearing in St. Paul on March 29, 1978, before Steve M. Mihalchick, Hearing Examiner assigned by the Chief Hearing Examiner.

This is a rule hearing pursuant to Minn. Stat. Ch. 15, to determine whether proposed new Minn. Rules MHFA 131-135 [12 MCAR §§ 3.131 - 3.135] should be adopted.

Mark Korell, Deputy Director, and M. Patricia Schaffer, Special Attorney, appeared for the Minnesota Housing Finance Agency (hereinafter "Agency"). Two persons attending the hearing signed the hearing register. The hearing continued until all interested persons had an opportunity to participate.

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

The 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 five days subsequent to the receipt of this Report. This submission shall 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 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 and for notifying persons who have indicated that they wish to be notified of such filing.

Based upon all the records and proceedings herein, the Examiner makes the following:

## FINDINGS OF FACT

### PROCEDURAL REQUIREMENTS

1. On January 19, 1978, the Agency 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 February 20, 1978, a Notice of Hearing and a copy of the proposed rules were published at 2 State Register 1575.

3. On February 24, 1978, the Agency 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 3, 1978, the Agency filed the following documents:

(a) The Order for Hearing and authorizing resolution;
(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;
(f) The Statement of Need; and
(g) The Statement of Evidence, including the names of witnesses to be called.

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 April 5, 1978 for the receipt of written comments and statements. One comment was received which supported the proposed rules.

### STATUTORY AUTHORITY

6. Minn. Stat. § 462A.06, subd. 11, grants the Agency the following general authority:

> It **may make and publish rules and regulations re**specting its mortgage lending, construction lending, rehabilitation lending, grants, and temporary lending, and any such other rules and regulations as are necessary to effectuate its corporate purpose.

Minn. Stat. § 462A.21, subd. 8 (1977 Supp.), authorizes the Agency to:

> . . . establish a home ownership assistance fund, on terms and conditions it deems advisable, to assist persons and families of low and moderate income in making down payments and paying installments of eligible loans for affordable residential housing. . . .

These laws provide both the statutory authority and general need for the promulgation of the proposed rules. The proposed rules establish guidelines for the Homeownership Assistance Fund Program.

PROPOSED MINN. RULE MHFA 131: Eligible Recipients of Homeownership Assistance Fund Loans.

7. MHFA 131 establishes the qualifications for a recipient of a Homeownership Assistance Fund (hereinafter "HAF") loan. The Examiner adopts the Agency's Statement of Evidence in regard to MHFA 133 as his Finding demonstrating the Agency's need for and reasonableness of the rule. The Statement is attached hereto.

PROPOSED MINN. RULE MHFA 132: General Requirements of Homeownership Assistance Fund Loans.

8. MHFA 132 delineates the general requirements for HAF loans. The Examiner adopts the Agency's Statement of Evidence in regard to MHFA 132 as his Findings demonstating the need for and reasonableness of the rule. However, MHFA 132 F, deserves additional comment. It states that upon default, at the option of the Agency, the loan shall be due in full and subject to interest at the rate of the underlying mortgage. The Examiner finds no express authorization granting the Agency the right to impose interest on defaulted HAF loans. Minn. Stat. § 462A.21, subd. 8, requires that the loan shall normally be repaid in full without interest. However, the Examiner finds that it is certainly necessary and reasonable for the Agency to impose interest as a means of detering defaults and protecting the fund monies. As such, it is within the authority of the Agency under Minn. Stat. § 462A.21, subd. 8.

PROPOSED MINN. RULE MHFA 133: Homeownership Assistance Fund - Monthly Assistance.

9. This rule describes the mechanics of the monthly payment assistance portion of the program. Generally, an initial amount (not exceeding $75) is determined. That amount is paid by the Agency each month for the first year. Each year thereafter, the amount of the monthly assistance is reduced by $5.00.

In the originally proposed rule, the Agency allowed itself to revise the schedule for determining the initial amount without going through the rulemaking process, though it listed several factors that were to be considered. At the hearing, the Agency proposed a modification to this rule that provided for a range in which these initial values could be set. For the reasons stated in the Statement of Evidence and Exhibit L, the Examiner finds the rule to be necessary and reasonable as modified. There is a need for the Agency to be able to revise the schedule quickly in response to the economic conditions, and the rulemaking process is too slow to meet that need. The modified rule provides sufficient standards and criteria by which the Agency can set the schedule.

PROPOSED MINN. RULE MHFA 134: Homeownership Assistance Fund - Down Payment Assistance.

10. MHFA 134 provides for limited down payment assistance. The Agency has found that requiring the borrower to have some equity in the home tends to increase the financial responsibility of the mortgagor. Thus, in addition to the $1,000 limit required by statute, MHFA 134 further requires that the HAF down payment assistance may not exceed 50% of the down payment. The Examiner finds this rule to be both needed and reasonable for the reasons given in the Statement of Evidence.

PROPOSED MINN. RULE MHFA 135: Repayment

11. MHFA 135 provides for an increasing rate of repayment to assure a timely return of HAF payments to the revolving fund, thus making available subsidies for other recipients and maximizing use of the appropriated funds. The rule is necessary and reasonable for this and the reasons given in the Statement of Evidence.

## CONCLUSIONS

1. Due, timely and adequate notice of the hearing was properly served and published by the Agency. All other substantive and procedural requirements have been fulfilled.

2. The Agency has demonstrated its statutory authority to adopt the proposed rules.

3. The Agency has demonstrated the need for and reasonableness of the proposed rules, as modified, by an affirmative presentation of facts.

RECOMMENDATION

The Hearing Examiner recommends that the proposed Rules be modified as suggested in Exhibit L and that, so modified, they be adopted.

Dated this 25th day of April, 1978.

STEVE M. MIHALCHICK
Hearing Examiner

RECEIVED
MAR 3 1978
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 ) STATEMENT OF EVIDENCE
RELATING TO THE HOMEOWNERSHIP ASSISTANCE )
FUND PROGRAM )

In addition to the "Statement of Need", which is available for inspection or purchase at the Office of the Hearing Examiner, Room 300, 1745 University Avenue, St. Paul, Minnesota and in support thereof the Minnesota Housing Finance Agency will introduce the following evidence to prove the need for and the reasonableness of the proposed rules:

Introduction:

Section 17 of the Laws of Minnesota 1977 ch 431, authorizes the Agency to:

> " . . . establish a home ownership assistance fund, on terms and conditions it deems advisable to assist persons and families of low and moderate income in making down payments and paying installments of eligible loans for affordable residential housing . . . "

Pursuant to this authority the Agency has established the Homeownership Assistance Fund Program (HAF) with the following goals:

- To encourage and assist households of modest income in purchasing a home, through the provision of interest-free loans made in conjunction with first mortgage loans in the Agency's Limited-Unit Development Mortgage Program.
- To provide assistance in meeting downpayment requirements and to partially subsidize monthly installments of eligible Agency mortgage loans for affordable residential housing.
- To provide the greatest assistance in the early years of the mortgage, and decrease the amount annually as the recipient's income and ability to pay rise.
- To establish a revolving Fund through repayment without interest of downpayment and monthly payment assistance either at the time of sale of the property or before the last normal mortgage payment is due.

Housing prices have increased at almost twice the rate of household incomes, creating a deepening gap between the costs of buying a home and ability to pay. The HAF program is designed to meet this problem.

MHFA 131:

MHFA 131 establishes the qualifications for a recipient of a HAF loan. The legislature in Minnesota Laws 1977, Ch. 401 Section 17 provided that the HAF funds be used for paying installments of "eligible loans". Eligible loans are the Agency's limited unit development mortgage loans, which supply the purchase price of the dwelling. A recipient of a HAF loan must therefore qualify for a limited unit development mortgage loan, as set out in MHFA 36 which requires that the recipient be a person or family of low or moderate income, be a fee owner of the dwelling to be financed through the loan, intend to occupy such dwelling as his principal place of residence, satisfy minimum standards of creditworthiness and execute the appropriate Agency documents to secure the loan. MHFA 131 requires as well that the recipient not have held an ownership interest in any residential housing within the two years prior to the date of his application for the HAF loan. The intent of this program is to assist persons to enter the housing market who otherwise would not be able to do so. Under normal circumstances the person who already owns a home or has owned a home within the recent past should be capable of selling that residence in order to finance the purchase of the new home and therefore is in less need of the HAF assistance.

MHFA 132:

MHFA 132 delineates the general requirements for HAF loans. MHFA 132-A requires that the property to be purchased with the assistance of the HAF loan be a single family residence. The purpose of this program is to increase the potential for low and moderate income persons in Minnesota to own their own home rather than rely on rental housing. The emphasis is on encouraging individual homeownership rather than necessarily promoting new construction. Therefore, the loans under this program are limited to single family houses rather than multi-unit rental housing, and the home to be purchased may be either newly constructed or already existing. 132-B reflects

the statutory requirement discussed above that the purchase of the new dwelling be financed primarily through a limited-unit development mortgage loan. MHFA 132-C requires the applicant for a HAF loan to cooperate with the Agency to provide the information necessary to establish his eligibility for both the HAF program and the limited-unit development mortgage loan. Without such cooperation the Agency would be unable to identify those recipients who would qualify for both of these programs. MHFA 132-D provides for securing the HAF loan by a second mortgage on the property, which must be clear of any encumbrance other than the limited-unit development mortgage. The HAF program is a loan program, to be operated as a revolving fund maintained out of repayments of prior HAF loans. Thus it is necessary to secure the loan in order to ensure repayment and the continued operation of the program. MHFA 132-E provides that the HAF loan shall be in default upon failure to perform any of the conditions of either the HAF loan or the limited-unit development mortgage loan. The HAF loan consists essentially of a subsidy to the recipient to pay the limited-unit development mortgage payments. The two loans are so tied together that a default on the underlying mortgage loan necessarily constitutes a default on the subsidy for that loan. Furthermore, any default on the limited-unit development mortgage loan would endanger the security for the HAF loan in that both are secured by mortgages on the same property. 132-E further provides for default on sale or other transfer of the property. The purpose of the HAF loan is to enable families to acquire and live in their own home. Sale or other transfer of that home, other than to a surviving joint tenant by reason of death of the recipient (normally a surviving spouse) would terminate the purpose for which the HAF loan was created. Furthermore, in the sale of his home the recipient should be able to include in the selling price the amount due on the HAF loan and therefore should suffer no hardship by the immediate repayment requirement of MHFA 132-F. Any delay in repayment after default will result in the imposition of interest from the date of default at the same interest rate applicable to the first mortgage on the property. 132-F makes the duty of immediate repayment optional with the Agency, so as to permit flexibility in cases of hardship.

MHFA 133:

MHFA 133 describes the characteristics of the monthly assistance portion of the HAF fund. The statute provides that the HAF monthly assistance shall not exceed $75 per month, and shall decrease over the term of the assistance payments, which shall not exceed 15 years. A yearly decrease of $5 per month or $60 per year, as provided by MHFA 133, will result in the termination of subsidy payments by the end of the 15th year where the maximum subsidy of $75 per month had been granted. Such $5 increments provide a modest rate of growth in mortgage payments during the first half of the mortgage period which should in normal circumstances be covered by the family's increased income due to real growth of income and inflation. Maximum monthly payment assistance varies directly with the adjusted income level of the household so that more help is available to those with greater needs. The borrower is required to make a minimum contribution toward monthly mortgage payments based upon the percentage of family income which Agency experience has found to be reasonably allocable to housing costs. At present, these contributions range from 15% to 20% of adjusted income, depending upon income. The actual amount of monthly assistance for which a family is eligible is a function of the percentage of the family income which may reasonably be expected to be spent on mortgage payments, the interest rate charged for limited unit development mortgage loans, and general housing and construction costs in Minnesota. On the basis of these variables the Agency has prepared a schedule of initial maximum HAF monthly assistance loans as a function of the adjusted annual income of the recipients, a copy of which schedule is attached hereto as Exhibit A. The schedule reflects the experience of the Agency that at current cost and income levels, families in the $10,000 to $13,000 income range are most in need of a subsidy program to enable them to enter the housing market. The Agency has found that families earning $10,000 in adjusted annual income require the maximum monthly subsidy of $75 in order to purchase a decent, modestly-priced home, and that as income rises, the amount of the necessary subsidy decreases. In the future, however, the schedule of maximum initial HAF assistance payments may change. As the cost of housing, the interest rates on residential mortgages, or the cost of living apart from housing varies over time, the amount of HAF

subsidy, and the percentage of income available for housing may require adjustment to reflect current economic realities. MHFA 133 therefore provides that the Agency may from time to time amend the schedule according to the criteria listed in that regulation, and promulgate such changes in the state register. Such a provision is necessary to permit the Agency to take into account changes in the state economy which cannot be foretold in advance.

MHFA 134:

With regard to HAF downpayment assistance the statute provides:

> "Any assistance in making down payments shall not exceed $1,000 and shall be repaid in full without interest."

Downpayment assistance pursuant to MHFA 134 is available to persons who lack the cash or land equity to pay the downpayment plus all of the normal closing costs, expenses, and origination fees. The downpayment and costs normally required to purchase a house often constitute a barrier for families who have not previously owned a home, and therefore downpayment assistance is not dependent upon eligibility for monthly payment assistance. The borrower who can realistically afford to maintain a home should be capable of providing an initial five percent of the cost of a moderately priced home without undue financial hardship. Furthermore, the Agency has found that such an initial payment, by providing some equity in the borrower, tends to increase the financial responsibility of the mortgagor. Therefore, HAF downpayment assistance is limited to that portion of the downpayment costs, including closing costs and fees, which exceed five percent of the purchase price of the home. The maximum downpayment assistance cannot exceed the $1,000 maximum established by the legislature. In order to ensure that the borrower acquire some initial equity in the dwelling, as well as pay for the closing costs and origination fee, MHFA 134 further requires that the HAF downpayment assistance may not exceed 50% of the downpayment.

MHFA 135:

MHFA 135 requires repayment of the total HAF loan, including where relevant both the downpayment assistance and monthly assistance loans. The HAF fund is a revolving fund. Further loans to eligible families can thus

only be continued if repayments are continuously made into the fund. The legislature required that HAF loans be repaid in full not later than the date on which the limited unit development mortgage is repaid, a period which does not exceed 30 years. A recipient who receives the maximum HAF monthly assistance of $75 per month plus some downpayment assistance mathematically cannot repay the entire HAF loan by the end of the required 30-year period if the repayment increases were to be set at the same $5 per month annual rate which governed subsidy decreases. MHFA 135, therefore, provides a repayment schedule which will begin at $10 per month and increase annually by $10 per month (or $120 per year) until the total loan has been repaid. The eligible recipient thus incurs a $5 per month (or $60 per year) increase in his mortgage payments throughout the period in which he is receiving a HAF subsidy, but when his subsidy reaches zero and the repayment obligation begins the recipient will incur an annual increase in mortgage payments of $10 per month (or $120 per year) until the total loan has been repaid. By the time that the monthly assistance payments cease the family income should have risen through normal increased earning ability plus inflation in an amount sufficient to cover the increased monthly mortgage payments. The increased rate of repayment assures a prompt return of HAF payments to the revolving fund, thus making available other subsidies for needy families and maximizing the use of the appropriated funds. MHFA 135 provides that repayment is to begin when the monthly assistance payments reach zero. Where the recipient receives downpayment assistance alone without the monthly assistance his repayment requirement begins immediately at a rate of $10 per month for the first year and a $10 per month annual increase thereafter until the total downpayment assistance loan has been repaid.

The Agency intends to call Mark Korell, Deputy Director of the Minnesota Housing Finance Agency and Mae Hutchinson, director of the HAF program, as expert witnesses to testify at the hearing on these proposed rules. The Agency will cite the following statutes: Minn. Stat. Chapter 462A;

Minnesota Laws of 1977, Chapter 401: and Rules and Regulations of the Minnesota Housing Finance Agency.

MINNESOTA HOUSING FINANCE AGENCY

By George Reilly
George Reilly
Special Attorney for the
Minnesota Housing Finance Agency

Dated:

EXHIBIT A

HAF AVAILABLE

| Line | Column One: Annual Adjusted Income not exceeding | Column two: Minimum Percentage of Borrowers' Adjusted Income required to be paid toward monthly P & I payment | Column three: Initial Maximum HAF Monthly Assistance | Column four: Cumulative Total Monthly Assistance | Column five: Maximum HAF Downpayment Assistance |
|---|---|---|---|---|---|
| 1 | 8,000 | 15% (100) | $75 | $7200 | $1000 |
| 2 | 8,500 | 15.5% (110) | 75 | 7200 | 1000 |
| 3 | 9,000 | 16% (120) | 75 | 7200 | 1000 |
| 4 | 9,500 | 16.5% (131) | 75 | 7200 | 1000 |
| 5 | 10,000 | 17% (142) | 75 | 7200 | 1000 |
| | | | (70) | (6300) | 1000 |
| 6 | 10,500 | 17.5% (153) | 65 | 5460 | 1000 |
| | | | (60) | (4680) | 1000 |
| 7 | 11,000 | 18% (165) | 55 | 3960 | 1000 |
| | | | (50) | (3300) | 1000 |
| 8 | 11,500 | 18.5% (177) | 45 | 2700 | 1000 |
| | | | (40) | (2160) | 1000 |
| 9 | 12,000 | 19% (190) | 35 | 1680 | 1000 |
| | | | (30) | (1260) | 1000 |
| 10 | 12,500 | 19.5% (203) | 25 | 900 | 1000 |
| | | | (20) | (600) | 1000 |
| 11 | 13,000 | 20% (216) | 15 | 360 | 1000 |
| 12 | 16,000 | N/A | 0 | 0 | 1000 |

| HAF Monthly Payment/Repayment | Annual Amount | HAF Monthly Payment/Repayment | Annual Amount |
|---|---|---|---|
| 5 | 60 | 55 | 660 |
| 10 | 120 | 60 | 720 |
| 15 | 180 | 65 | 780 |
| 20 | 240 | 70 | 840 |
| 25 | 300 | 75 | 900 |
| 30 | 360 | 80 | 960 |
| 35 | 420 | 90 | 1080 |
| 40 | 480 | 100 | 1200 |
| 45 | 540 | 110 | 1320 |
| 50 | 600 | 120 | 1440 |

LAW OFFICES

LEONARD, STREET AND DEINARD

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GEORGE B. LEONARD (1872-1956)
ARTHUR L. H. STREET (1877-1961)
BENEDICT DEINARD (1899-1969)

OF COUNSEL
IRENE SCOTT

Mr. Steve Mahalchick
Hearing Examiner
Office of Hearing Examiners
Room 300
1745 University Avenue
St. Paul, Minnesota 55104

Dear Mr. Mahalchick:

In response to a suggestion from the office of the Attorney General, the Minnesota Housing Finance Agency has proposed a modification to MHFA 133 which will clarify the basis on which the Agency will determine the initial maximum monthly assistance available for persons and families within various income ranges.

The HAF Program is currently being administered by the Agency under temporary emergency rules. Under these rules, the Agency has set up a schedule of monthly assistance payments as a function of income as follows:

| Line | Column One: Annual Adjusted Income (per MHFA 2(n)) not exceeding | Column Two: Minimum Percentage of Borrowers' Adjusted Income required to be paid toward monthly Principal and Interest Payment | Column Three: Initial Maximum HAF Monthly Assistance |
|---|---|---|---|
| 1 | 8,000 | 15% | $75 |
| 2 | 8,500 | 15.5% | 75 |
| 3 | 9,000 | 16% | 75 |
| 4 | 9,500 | 16.5% | 75 |
| 5 | 10,000 | 17% | 75 |
| 6 | 10,500 | 17.5% | 65 |
| 7 | 11,000 | 18% | 55 |
| 8 | 11,500 | 18.5% | 45 |
| 9 | 12,000 | 19% | 35 |
| 10 | 12,500 | 19.5% | 25 |
| 11 | 13,000 | 20% | 15 |
| 12 | 16,000 | N/A | 0 |

This schedule was established on the basis of Agency experience that persons and families whose annual adjusted income fell between $10,000 and $13,000 were not being adequately served by existing Agency mortgage programs. Persons and families within these income ranges would, however, be capable of affording their own home if they were able to receive assistance in the early years of their purchase. Exhibit A shows 54,536 households in the State of Minnesota with annual earnings of between $10,000 and $13,999. Persons and families within this income range compose twenty-two percent of the total non-elderly households in the state, who are currently living in rental housing. The Agency's experience has shown that persons and families with adjusted income above $13,000 per year, given current economic conditions and interest rates, are able to take part in the normal mortgage programs of the Agency without HAF assistance. Thus, the Agency established a schedule of maximum initial monthly assistance payments so that the maximum payments would reach households with an annual adjusted income of $10,000 or less, and lesser assistance would go to persons or families with annual adjusted incomes between $10,000 and $13,000.

Exhibit B is a graph showing the maximum amount of monthly principal and interest payments which households of varying income may reasonably be expected to pay (lower figure in each square) and the amount of HAF monthly assistance required to make up the total principal and interest payment which would be due on varying mortgage amounts (upper figure in each square), assuming a 30-year mortgage term and a 7% interest rate. The chart demonstrates that for mortgages of between 33 and 35 thousand dollars, which under current economic conditions should be the maximum necessary for the purchase of a moderately priced home in Minnesota, the amount of HAF monthly assistance for each income level follows the schedule currently used by the Agency, with households of up to $10,000 in annual adjusted income requiring the maximum subsidy of $75 per month for a $33,000 mortgage and households earning $13,000 requiring only $15 in monthly assistance for a $35,000 mortgage.

During the life of the HAF program, however, changing economic conditions are likely to affect the cost of home ownership. As housing costs increase, the mortgage necessary to purchase a modest home will move closer to the upper end of the mortgage scale pictured on Exhibit B. If the mortgage amount were raised to $38,000, to reflect rising construction costs, the maximum HAF subsidy of $75 would be required to assist households of up to $11,500 in annual income; households of $13,000 per year would need a $35 initial subsidy, and households of more than $13,000 would also begin to require some HAF assistance in order to enter the housing market. To permit the Agency to meet such changing conditions, MHFA 133 establishes parameters within which the initial maximum monthly assistance may be varied.

In addition to increased housing costs, an increase in the interest rate that the Agency must charge on its limited-unit development mortgage loans will increase the monthly principal and interest payments under those mortgages.

Currently, Agency mortgages are available at 6-3/4 percent. While no immediate change in this percentage is foreseen, during the life of the HAF Program a change of as much as one point in this percentage is possible. The Agency obtains its funds by the sale of interest bearing bonds, and the interest rates which must

be offered in those bonds are determined by current market conditions, which change quickly and dramatically from time to time. Mortgage interest rates must, of course, cover bond interest costs.

Thus, if mortgage interest rates increase, the amount of monthly assistance should similarly increase. The Agency rule of thumb is that a household in the income range of $10,000 to $13,000 per year should not spend more than 20 percent of its income on mortgage and interest payments. An increase of one point in the interest rate for an average mortgage of $30,000 amortized over the standard 30-year life of the mortgage would cost the home owner an additional $20 per month or $240 per year, and would require an additional $1,200 worth of income ($240 x 5) for the same mortgage amount. For example, a household earning $11,000 at today's interest rate would need $55 per month in initial HAF monthly assistance. If the interest rate increased by one point, the same $55 would be necessary to a family earning $12,000. Taking into account, therefore, possible increases in mortgage interest rates and future changes in the cost of living and construction, the Agency estimates that it needs a flexibility of about $1,500 in income ranges to determine initial maximum monthly assistance if the HAF program is to meet the future needs of Minnesota households earning less than $16,000 per year. Thus, the proposed amendment to MHFA 133 spells out the Agency's power to establish the initial maximum monthly assistance within these specific income ranges as required by the criteria set forth in the rule.

As this modification to the proposed rule merely clarifies the schedule-making process already referred to in the prior edition of MHFA 133, without affecting the substantive rights of any recipient, and without fundamentally changing the rule as contained in the Notice of Hearing, the Agency has presented this amendment as an insubstantial amendment appropriate for presentation at the hearing.

Yours truly,

LEONARD, STREET AND DEINARD

By M. Patricia Schaffer

MPS:jm

Enclosures

EXHIBIT A-1

## 1976 INCOME DISTRIBUTION

### Renter Households - Non Elderly

| Income | Households | Percent | Percent Cumulative |
|---|---|---|---|
| ess Than 2,000 | 13,265 | 5.4 | - |
| 2,000- 3,999 | 15,528 | 6.3 | 11.7 |
| 4,000- 5,999 | 22,271 | 9.0 | 20.7 |
| 6,000- 7,999 | 25,785 | 10.4 | 31.1 |
| 8,000- 9,999 | 29,739 | 12.0 | 43.1 |
| 10,000-11,999 | 28,033 | 11.3 | 54.4 |
| 12,000-13,999 | 26,503 | 10.7 | 65.1 |
| 14,000-15,999 | 18,132 | 7.3 | 72.4 |
| 16,000-19,999 | 29,620 | 12.0 | 84.4 |
| 20,000-23,999 | 19,231 | 7.8 | 92.2 |
| 24,000-27,999 | 8,526 | 3.4 | 95.6 |
| 28,000 or more | 10,795 | 4.4 | 100.0 |
| TOTAL | 247,428 | | |

Increase factor = 1.46

Median income = $10,999-$11,999

EXHIBIT A-2

## 1976 INCOME DISTRIBUTION

### All Households

| Income | Households | Percent | Percent Cumulative |
|---|---|---|---|
| Less Than 2,000 | 84,620 | 7.4 | - |
| 2,000- 3,999 | 90,524 | 7.9 | 15.3 |
| 4,000- 5,999 | 88,966 | 7.7 | 23.0 |
| 6,000- 7,999 | 89,954 | 7.8 | 30.8 |
| 8,000- 9,999 | 92,632 | 8.0 | 38.8 |
| 10,000-11,999 | 96,009 | 8.3 | 47.1 |
| 12,000-13,999 | 99,035 | 8.6 | 55.7 |
| 14,000-15,999 | 83,038 | 7.2 | 62.9 |
| 16,000-19,999 | 154,122 | 13.4 | 76.3 |
| 20,000-23,999 | 109,066 | 9.5 | 85.8 |
| 24,000-27,999 | 61,724 | 5.4 | 91.2 |
| 28,000 or more | 101,304 | 8.8 | 100.0 |
| TOTAL | 1,150,994 | | |

Income factor = 1.46 times 1969 incomes.

Median income = $12,000-$13,999

EXHIBIT B

# HAF MONTHLY ASSISTANCE SCHEDULE

Mortgage Amount 000's

Adjusted Income

| | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8,000 | 65<br>101.33 | 70<br>102.98 | 75<br>104.64 | 75<br>111.29 | 75<br>117.94 | 75<br>124.60 | 75<br>131.25 | 75<br>137.90 | 75<br>144.55 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.1 |
| 8,500 | 55<br>111.33 | 60<br>112.98 | 65<br>114.64 | 75<br>111.29 | 75<br>117.94 | 75<br>124.60 | 75<br>131.25 | 75<br>137.90 | 75<br>144.55 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.1 |
| 9,000 | 45<br>121.33 | 50<br>122.98 | 55<br>124.64 | 65<br>121.29 | 70<br>122.94 | 75<br>124.60 | 75<br>131.25 | 75<br>137.90 | 75<br>144.55 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.1 |
| 9,500 | 35<br>131.33 | 40<br>132.98 | 45<br>134.64 | 55<br>131.29 | 60<br>132.94 | 65<br>134.60 | 75<br>131.25 | 75<br>137.90 | 75<br>144.55 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.1 |
| 10,000 | 20<br>146.33 | 30<br>142.98 | 35<br>144.64 | 40<br>146.29 | 50<br>142.94 | 55<br>144.60 | 60<br>146.25 | 70<br>142.90 | 75<br>144.55 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.1 |
| 10,500 | | 20<br>152.98 | 25<br>154.64 | 30<br>156.29 | 35<br>157.94 | 45<br>154.60 | 50<br>156.25 | 55<br>157.90 | 65<br>154.35 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.1 |
| 11,000 | | | | 20<br>166.29 | 15<br>177.94 | 20<br>179.60 | 40<br>166.25 | 45<br>167.90 | 50<br>169.55 | 60<br>166.21 | 65<br>167.86 | 70<br>169.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.1 |
| 11,500 | | | | | | 20<br>179.60 | 25<br>181.25 | 35<br>177.90 | 40<br>179.55 | 45<br>181.21 | 55<br>177.86 | 60<br>179.51 | 65<br>181.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.1 |
| 12,000 | | | | | | | 15<br>191.25 | 20<br>192.90 | 20<br>199.55 | 35<br>191.21 | 40<br>192.86 | 45<br>194.51 | 55<br>191.17 | 60<br>192.82 | 65<br>204.47 | 75<br>191.1 |
| 12,500 | | | | | | | | | 15<br>204.55 | 20<br>206.21 | 25<br>207.86 | 35<br>204.51 | 40<br>206.17 | 45<br>207.82 | 55<br>204.47 | 60<br>206.1 |
| 13,000 | | | | | | | | | | | 15<br>217.86 | 20<br>219.51 | 25<br>221.17 | 35<br>217.82 | 40<br>219.47 | 45<br>221.1 |

Thirty year mortgage term, 7% interest rate, Upper Figure-HAF Monthly Subsidy, Lower Figure-Borrowers' Minimum Payment toward principal and interest.

MINNESOTA HOUSING FINANCE AGENCY

Suggested Amendment to Proposed Rules Governing

The Homeownership Assistance Fund Program

MHFA 133 - Homeownership Assistance Fund - Monthly Assistance

The Agency may provide eligible recipients with interest-free Monthly Assistance loans in the form of monthly payments of a portion of the principal and interest installment due on the Limited-Unit Development Mortgage on qualifying property. Such payments shall not exceed $75 per month and shall decrease by $5 per month (or $60 per year) each year. The maximum amount of Monthly Assistance to which a recipient is originally entitled shall be determined by the Agency from time to time on the basis of the percentage of income which may reasonably be spent on mortgage payments, the interest rate charged for Limited-Unit Development Mortgage Loans, and general housing and construction costs in the State of Minnesota, provided however, that the initial maximum Monthly Assistance which the Agency shall determine to be available shall not exceed the following amounts for persons and families within the following Annual Adjusted Income ranges:

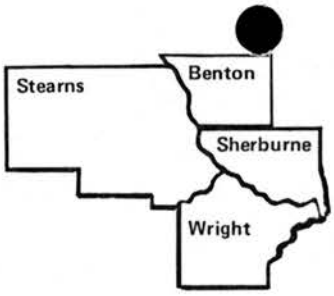
| Annual Adjusted Income Between | Initial Maximum Monthly Assistance |
|---|---|
| - 11,500 | 75 |
| 10,000 - 12,000 | 65 |
| 10,500 - 12,500 | 55 |
| 11,000 - 13,000 | 45 |
| 11,500 - 13,500 | 35 |
| 12,000 - 14,000 | 25 |
| 12,500 - 16,000 | 15 |

** PLEASE PRINT CLEARLY

HEARING REGISTER

HFA-78-002-SM 3/29/78

| NAME | REPRESENTING | STREET ADDRESS | CITY | STATE | ZIP CODE | TELEPHONE NO. | WISH TO BE NOTIFIED BY THE AGENCY WHEN THE HEARING RECORD HAS BEEN SUBMITTED TO THE ATTORNEY GENERAL. |
|---|---|---|---|---|---|---|---|
| N. H. KAFKA | self | 1230 E. Como Blvd | St. Paul | MN. | 55117 | 489. 0667 | X |
| John Lenz | Pineers Community Development Corp. | 34-Riverside N.E. | St. Cloud | MN | 56301 | 612-253-2912 | |




**FOUR RIVERS COMMUNITY DEVELOPMENT CORP.**

34 N.E. Riverside Drive
St. Cloud, Minnesota 56301
Phone: 253-2912

RECEIVED
APR 3 1978
OFFICE OF HEARING EXAMINERS

March 31, 1978

Office of Hearing Examiners
1745 University Avenue, Room 300
St. Paul, Mn. 55104

Gentlemen:

I am writing this in regard to the hearing which I attended concerning the Minnesota Housing Finance Agency Homeownership Assistance Fund program.

I feel this is the most appropriate housing plan in existence to do the job for which it is meant, enabling low and moderate-income persons to own their own homes. It is especially helpful to young couples who will be making their first home purchase.

Sincerely,

John Lanz

Four Rivers CDC
John Lanz, Director

JL:jm

Pubtics

HFA-78-002-SM

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 THE HOME-OWNERSHIP ASSISTANCE FUND PROGRAM. | REPORT OF THE CHIEF HEARING EXAMINER |

WHEREAS, a hearing was held on March 29, 1978, before Steve M. Mihalchick, 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 Report of Hearing Examiner made pursuant to Minn. Stat. § 15.052, Subd. 3, was issued to the Housing Finance Agency on April 25, 1978; 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 9th day
of May, 1978.

DUANE R. HARVES
Chief Hearing Examiner

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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 THE HOMEOWNERSHIP ASSISTANCE FUND PROGRAM | ORDER FOR HEARING |

IT IS HEREBY ORDERED that a public hearing on the above-captioned rules be held at 500 Rice Street, St. Paul, Minnesota, on March 29, 1978, 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: January 31, 1978

Agy's Exhibit No. E
File No.
Date

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

RESOLUTION NO. 78 - 5

RESOLUTION AUTHORIZING PUBLIC HEARING ON
PROPOSED RULES

BE IT 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 the homeownership assistance fund program; (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 31st day of
January, 1978.

By Demetrius G. Jelatis
Chairman

Attest: Lawrence C. Gavrie

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 31st day of January, 1978; 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:

"BE IT 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 the homeownership assistance fund program; (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 31st day of January, 1978.

Attest: Lawrence A. Gavin
Member

Robert W. Mattson
Secretary

RECEIVED
MAR 3 1978
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 ) NOTICE OF HEARING
RELATING TO THE HOMEOWNERSHIP ASSISTANCE )
FUND PROGRAM )

NOTICE IS HEREBY GIVEN that a public hearing in the above-entitled matter will be held at 500 Rice Street, St. Paul, Minnesota, on March 29, 1978 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 Steve Mihalchick, Room 300, 1745 University Avenue, St. Paul, Minnesota, 55104 either before the hearing or within 5 working days after the close of the hearing, or 20 days if ordered by the hearing examiner.

The proposed rules, if adopted, would establish guidelines for the homeownership assistance fund program, as authorized by Laws of 1977, Chapter 401, Section 17.

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.

In addition, please be advised that Minn. Stat. ch. 10A requires each lobbyist to register with the State Ethical Practices Board within five (5) days after he commences lobbying. Lobbying includes attempting to influence rulemaking by communicating or urging others to communicate with public officials. A lobbyist is generally any individual who spends more than $250 per year for lobbying or any individual who is engaged for pay or authorized to spend money by another individual or association and who spends more than $250 a year or five (5) hours per month for lobbying. The statute provides certain exceptions. Questions should be directed to the Ethical Practices Board, 41 State Office Building, Saint Paul, Minnesota 55155, telephone: (612) 296-5615.

James F. Dlugosch
Executive Director

Date: January 31, 1978

Exhibit No. F
File No.
Date

Minnesota Housing Finance Agency

Proposed Rules Governing the
Homeownership Assistance Fund Program

Chapter 11 - Homeownership Assistance Fund

MHFA 131 - Eligible Recipients of Homeownership Assistance Fund Loans

To qualify for a Homeownership Assistance Fund loan, a recipient must satisfy the requirements of MHFA 36 for a Limited-Unit Development Mortgage Loan. No recipient shall have held any ownership interest (either under fee title or by contract for deed) in any residential dwelling within two years prior to the date of the application for the Homeownership Assistance Fund loan.

MHFA 132 - General Requirements of Homeownership Assistance Fund Loans

A. The property to be purchased with the assistance of a Homeownership Assistance Fund loan must be a newly-constructed or existing single family residential dwelling located within the State of Minnesota.

B. The purchase of the dwelling must be financed primarily through a Limited-Unit Development Mortgage Loan.

C. The recipient shall obtain and furnish to the Agency all information reasonably required to demonstrate the recipient's eligibility for both a Homeownership Assistance Fund loan and a Limited-Unit Development Mortgage Loan.

D. Each Homeownership Assistance Fund loan shall be secured by a second mortgage on the property to be purchased, which property must otherwise be free and clear of any lien, charge, or encumbrance other than the Limited-Unit Development Mortgage.

E. A Homeownership Assistance Fund loan shall be deemed in default if the recipient defaults in the timely observance and performance of any condition or covenant of the Limited-Unit Development Mortgage Loan or of the Homeownership Assistance Fund loan, or sells, assigns, rents, or transfers the property, whether by deed, contract for deed, or otherwise. A transfer of the property to a surviving

joint tenant, if any, by reason of the death of the recipient shall not constitute a default.

F. In the event of default, the Homeownership Assistance Fund loan shall become immediately due and payable in its entirety, at the option of the Agency, and shall be subject to interest from the date of default until the date of payment at that rate of interest which is applicable to the Limited-Unit Development Mortgage on the property.

MHFA 133 - Homeownership Assistance Fund-Monthly Assistance

The Agency may provide eligible recipients interest-free Monthly Assistance loans in the form of monthly payments of a portion of the principal and interest installment due on the Limited-Unit Development Mortgage on qualifying property. Such payments shall not exceed $75 per month and shall decrease by $5 per month (or $60 per year) each year. The maximum amount of Monthly Assistance to which a recipient is originally entitled shall be a function of the recipient's Adjusted Income and shall be determined by a schedule prepared by the Agency and published in the State Register. In preparing the schedule, the Agency shall consider the percentage of income which may reasonably be spent on mortgage payments, the interest rate charged for Limited-Unit Development Mortgage Loans, and general housing and construction costs in the State of Minnesota. Revisions of the schedule may be made from time to time and will be effective 30 days after publication in the State Register.

MHFA 134 - Homeownership Assistance Fund-Downpayment Assistance

The Agency may provide interest-free Downpayment Assistance loans to eligible recipients who are determined, on the basis of normal credit procedures, to lack the cash or land equity necessary to pay the required downpayment, plus closing costs, expenses, and origination fees on the dwelling to be purchased. The amount of the Downpayment Assistance loan shall equal the amount by which the sum of the downpayment, closing costs, expenses, and origination fees exceeds five percent of the purchase price of the dwelling, but shall not exceed the lesser of 50 percent of the downpayment or $1,000.

MHFA 135 - Repayment

Unless earlier repayment is required as the result of default, repayment of the aggregate amount of Monthly Assistance and Downpayment Assistance loans shall commence when the Monthly Assistance payments have declined to zero. Repayment shall be at the rate of $10 per month for the first year and shall increase by $10 per month (or $120 per year) each year until the total Homeownership Assistance Fund loan has been repaid.

AFFIDAVIT

The undersigned, being first duly sworn, on oath deposes and says:

1. That he/she is an employee of the Minnesota Housing Finance Agency.

2. That on the 21st day of February, 1978, he/she went to the office of the Secretary of State of 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 Minnesota Statutes § 15.0412.

3. That on the 21st day of February, 1978, in response to the above request the Secretary of State provided him with such list, a copy of which is attached hereto and incorporated herein by this reference.

Further Affiant saith not.

Mike Kuschke

Subscribed and sworn to before

me this 21st day of February, 1978.

Roseann M. Koran
Notary Public

ROSEANN M. KORAN
Notary Public, Ramsey County, Minn.
MY COMMISSION EXPIRES
March 14, 1979

Agy's Exhibit No. 6
File No.
Date

STATE OF MINNESOTA

COUNTY OF RAMSEY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO THE HOMEOWNERSHIP ASSISTANCE FUND PROGRAM

CERTIFICATE

, Sheet

I hereby certify that the attached 487 labels constitute the complete list of persons, associations and other interested groups who as of 9:45 A.m., this 21st day of February, 1978, have requested pursuant to Minnesota Statutes § 15.0412, that their names be placed on file with the Secretary of State for the purpose of receiving notice of public hearings on proposed rules on the above captioned subject.

Joan Anderson Growe
Joan Anderson Growe
Secretary of State

By Cheri L. Mattson

Agy's Exhibit No. H
File No.
Date

STATE OF MINNESOTA

COUNTY OF RAMSEY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO THE HOMEOWNERSHIP ASSISTANCE FUND PROGRAM

AFFIDAVIT OF MAILING

---

Bonnie Nelson, being first duly sworn, deposes and says:

That on the 24th day of February, 1978, at the City of St. Paul, County of Ramsey, State of Minnesota, he/she 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 as well as the persons authorized to accept notice of said hearing on behalf of the Minnesota Legislature.

Bonnie Nelson

Subscribed and sworn to before

me this 24th day of February, 1978.

Roseann M. Koran

ROSEANN M. KORAN
Notary Public, Ramsey County, Minn.
MY COMMISSION EXPIRES
March 14, 1979

Exhibit No. II

File No.

Date

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

| | |
|---|---|
| IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE HOUSING FINANCE AGENCY RELATING TO THE HOMEOWNERSHIP ASSISTANCE FUND PROGRAM | STATEMENT OF NEED |

The above-captioned rules contain amendments to existing rules of the Minnesota Housing Finance Agency relating to the Homeownership Assistance Fund Program. The most recent formal amendment of the rules of the Minnesota Housing Finance Agency was June 23, 1977.

In general, the need to adopt these rules arises because of a 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 rules are necessary to define eligible recipients and to establish the general requirements for loans under the Homeownership Assistance Fund Program authorized by Minnesota Laws of 1977, Chapter 401, Section 17, Minn. Stat. §462A.21, subd. 8 as amended. These sections empower the Agency to make interest-free loans to assist low and moderate income persons and families to make down payments and monthly installments on eligible loans for affordable residential housing.

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

By George Reilly
George Reilly
Special Attorney

Dated:

Agy's Exhibit No. J
File No.
Date

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

| | | |
|---|---|---|
| IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE HOUSING FINANCE AGENCY RELATING TO THE HOMEOWNERSHIP ASSISTANCE FUND PROGRAM | ) ) ) ) | STATEMENT OF EVIDENCE |

In addition to the "Statement of Need", which is available for inspection or purchase at the Office of the Hearing Examiner, Room 300, 1745 University Avenue, St. Paul, Minnesota and in support thereof the Minnesota Housing Finance Agency will introduce the following evidence to prove the need for and the reasonableness of the proposed rules:

Introduction:

Section 17 of the Laws of Minnesota 1977 authorizes the Agency to:

> " . . . establish a home ownership assistance fund, on terms and conditions it deems advisable to assist persons and families of low and moderate income in making down payments and paying installments of eligible loans for affordable residential housing . . . "

Pursuant to this authority the Agency has established the Homeownership Assistance Fund Program (HAF) with the following goals:

- To encourage and assist households of modest income in purchasing a home, through the provision of interest-free loans made in conjunction with first mortgage loans in the Agency's Limited-Unit Development Mortgage Program.
- To provide assistance in meeting downpayment requirements and to partially subsidize monthly installments of eligible Agency mortgage loans for affordable residential housing.
- To provide the greatest assistance in the early years of the mortgage, and decrease the amount annually as the recipient's income and ability to pay rise.
- To establish a revolving Fund through repayment without interest of downpayment and monthly payment assistance either at the time of sale of the property or before the last normal mortgage payment is due.

k

Housing prices have increased at almost twice the rate of household incomes, creating a deepening gap between the costs of buying a home and ability to pay. The HAF program is designed to meet this problem.

MHFA 131:

MHFA 131 establishes the qualifications for a recipient of a HAF loan. The legislature in Minnesota Laws 1977, Section 17 provided that the HAF funds be used for paying installments of "eligible loans". Eligible loans are the Agency's limited unit development mortgage loans, which supply the purchase price of the dwelling. A recipient of a HAF loan must therefore qualify for a limited unit development mortgage loan, as set out in MHFA 36 which requires that the recipient be a person or family of low or moderate income, be a fee owner of the dwelling to be financed through the loan, intend to occupy such dwelling as his principal place of residence, satisfy minimum standards of creditworthiness and execute the appropriate Agency documents to secure the loan. MHFA 131 requires as well that the recipient not have held an ownership interest in any residential housing within the two years prior to the date of his application for the HAF loan. The intent of this program is to assist persons to enter the housing market who otherwise would not be able to do so. Under normal circumstances the person who already owns a home or has owned a home within the recent past should be capable of selling that residence in order to finance the purchase of the new home and therefore is in less need of the HAF assistance.

MHFA 132:

MHFA 132 delineates the general requirements for HAF loans. MHFA 132-A requires that the property to be purchased with the assistance of the HAF loan be a single family residence. The purpose of this program is to increase the potential for low and moderate income persons in Minnesota to own their own home rather than rely on rental housing. The emphasis is on encouraging individual homeownership rather than necessarily promoting new construction. Therefore, the loans under this program are limited to single family houses rather than multi-unit rental housing, and the home to be purchased may be either newly constructed or already existing. 132-B reflects

the statutory requirement discussed above that the purchase of the new dwelling be financed primarily through a limited-unit development mortgage loan. MHFA 132-C requires the applicant for a HAF loan to cooperate with the Agency to provide the information necessary to establish his eligibility for both the HAF program and the limited-unit development mortgage loan. Without such cooperation the Agency would be unable to identify those recipients who would qualify for both of these programs. MHFA 132-D provides for securing the HAF loan by a second mortgage on the property, which must be clear of any encumbrance other than the limited-unit development mortgage. The HAF program is a loan program, to be operated as a revolving fund maintained out of repayments of prior HAF loans. Thus it is necessary to secure the loan in order to ensure repayment and the continued operation of the program. MHFA 132-E provides that the HAF loan shall be in default upon failure to perform any of the conditions of either the HAF loan or the limited-unit development mortgage loan. The HAF loan consists essentially of a subsidy to the recipient to pay the limited-unit development mortgage payments. The two loans are so tied together that a default on the underlying mortgage loan necessarily constitutes a default on the subsidy for that loan. Furthermore, any default on the limited-unit development mortgage loan would endanger the security for the HAF loan in that both are secured by mortgages on the same property. 132-E further provides for default on sale or other transfer of the property. The purpose of the HAF loan is to enable families to acquire and live in their own home. Sale or other transfer of that home, other than to a surviving joint tenant by reason of death of the recipient (normally a surviving spouse) would terminate the purpose for which the HAF loan was created. Furthermore, in the sale of his home the recipient should be able to include in the selling price the amount due on the HAF loan and therefore should suffer no hardship by the immediate repayment requirement of MHFA 132-F. Any delay in repayment after default will result in the imposition of interest from the date of default at the same interest rate applicable to the first mortgage on the property. 132-F makes the duty of immediate repayment optional with the Agency, so as to permit flexibility in cases of hardship.

MHFA 133:

MHFA 133 describes the characteristics of the monthly assistance portion of the HAF fund. The statute provides that the HAF monthly assistance shall not exceed $75 per month, and shall decrease over the term of the assistance payments, which shall not exceed 15 years. A yearly decrease of $5 per month or $60 per year, as provided by MHFA 133, will result in the termination of subsidy payments by the end of the 15th year where the maximum subsidy of $75 per month had been granted. Such $5 increments provide a modest rate of growth in mortgage payments during the first half of the mortgage period which should in normal circumstances be covered by the family's increased income due to real growth of income and inflation. Maximum monthly payment assistance varies directly with the adjusted income level of the household so that more help is available to those with greater needs. The borrower is required to make a minimum contribution toward monthly mortgage payments based upon the percentage of family income which, Agency experience has found to be reasonably allocable to housing costs. At present, these contributions range from 15% to 20% of adjusted income, depending upon income. The actual amount of monthly assistance for which a family is eligible is a function of the percentage of the family income which may reasonably be expected to be spent on mortgage payments, the interest rate charged for limited unit development mortgage loans, and general housing and construction costs in Minnesota. On the basis of these variables the Agency has prepared a schedule of initial maximum HAF monthly assistance loans as a function of the adjusted annual income of the recipients, a copy of which schedule is attached hereto as Exhibit A. The schedule reflects the experience of the Agency that at current cost and income levels, families in the $10,000 to $13,000 income range are most in need of a subsidy program to enable them to enter the housing market. The Agency has found that families earning $10,000 in adjusted annual income require the maximum monthly subsidy of $75 in order to purchase a decent, modestly-priced home, and that as income rises, the amount of the necessary subsidy decreases. In the future, however, the schedule of maximum initial HAF assistance payments may change. As the cost of housing, the interest rates on residential mortgages, or the cost of living apart from housing varies over time, the amount of HAF

subsidy, and the percentage of income available for housing may require adjustment to reflect current economic realities. MHFA 133 therefore provides that the Agency may from time to time amend the schedule according to the criteria listed in that regulation, and promulgate such changes in the state register. Such a provision is necessary to permit the Agency to take into account changes in the state economy which cannot be foretold in advance.

MHFA 134:

With regard to HAF downpayment assistance the statute provides:

> "Any assistance in making down payments shall not exceed $1,000 and shall be repaid in full without interest."

Downpayment assistance pursuant to MHFA 134 is available to persons who lack the cash or land equity to pay the downpayment plus all of the normal closing costs, expenses, and origination fees. The downpayment and costs normally required to purchase a house often constitute a barrier for families who have not previously owned a home, and therefore downpayment assistance is not dependent upon eligibility for monthly payment assistance. The borrower who can realistically afford to maintain a home should be capable of providing an initial five percent of the cost of a moderately priced home without undue financial hardship. Furthermore, the Agency has found that such an initial payment, by providing some equity in the borrower, tends to increase the financial responsibility of the mortgagor. Therefore, HAF downpayment assistance is limited to that portion of the downpayment costs, including closing costs and fees, which exceed five percent of the purchase price of the home. The maximum downpayment assistance cannot exceed the $1,000 maximum established by the legislature. In order to ensure that the borrower acquire some initial equity in the dwelling, as well as pay for the closing costs and origination fee, MHFA 134 further requires that the HAF downpayment assistance may not exceed 50% of the downpayment.

MHFA 135:

MHFA 135 requires repayment of the total HAF loan, including where relevant both the downpayment assistance and monthly assistance loans. The HAF fund is a revolving fund. Further loans to eligible families can thus

only be continued if repayments are continuously made into the fund. The legislature required that HAF loans be repaid in full not later than the date on which the limited unit development mortgage is repaid, a period which does not exceed 30 years. A recipient who receives the maximum HAF monthly assistance of $75 per month plus some downpayment assistance mathematically cannot repay the entire HAF loan by the end of the required 30-year period if the repayment increases were to be set at the same $5 per month annual rate which governed subsidy decreases. MHFA 135, therefore, provides a repayment schedule which will begin at $10 per month and increase annually by $10 per month (or $120 per year) until the total loan has been repaid. The eligible recipient thus incurs a $5 per month (or $60 per year) increase in his mortgage payments throughout the period in which he is receiving a HAF subsidy, but when his subsidy reaches zero and the repayment obligation begins the recipient will incur an annual increase in mortgage payments of $10 per month (or $120 per year) until the total loan has been repaid. By the time that the monthly assistance payments cease the family income should have risen through normal increased earning ability plus inflation in an amount sufficient to cover the increased monthly mortgage payments. The increased rate of repayment assures a prompt return of HAF payments to the revolving fund, thus making available other subsidies for needy families and maximizing the use of the appropriated funds. MHFA 135 provides that repayment is to begin when the monthly assistance payments reach zero. Where the recipient receives downpayment assistance alone without the monthly assistance his repayment requirement begins immediately at a rate of $10 per month for the first year and a $10 per month annual increase thereafter until the total downpayment assistance loan has been repaid.

The Agency intends to call Mark Korell, Deputy Director of the Minnesota Housing Finance Agency and Mae Hutchinson, director of the HAF program, as expert witnesses to testify at the hearing on these proposed rules. The Agency will cite the following statutes: Minn. Stat. Chapter 462A;

Minnesota Laws of 1977, Chapter 401; and Rules and Regulations of the Minnesota Housing Finance Agency.

MINNESOTA HOUSING FINANCE AGENCY

By_____
George Reilly
Special Attorney for the
Minnesota Housing Finance Agency

Dated:

EXHIBIT "A"

HAF AVAILABLE

| Line | Annual Adjusted Income not exceeding | Minimum Percentage of Borrowers' Adjusted Income required to be paid toward monthly P & I payment | Initial Maximum HAF Monthly Assistance | Cumulative Total Monthly Assistance | Maximum HAF Downpayment Assistance |
|---|---|---|---|---|---|
| | Column one | Column two | Column three | Column four | Column five |
| 1 | 8,000 | 15% ($100) | $75 | $7200 | $1000 |
| 2 | 8,500 | 15.5% (110) | 75 | 7200 | 1000 |
| 3 | 9,000 | 16% (120) | 75 | 7200 | 1000 |
| 4 | 9,500 | 16.5% (131) | 75 | 7200 | 1000 |
| 5 | 10,000 | 17% (142) | 75 | 7200 | 1000 |
| | | | (70) | (6300) | 1000 |
| 6 | 10,500 | 17.5% (153) | 65 | 5460 | 1000 |
| | | | (60) | (4680) | 1000 |
| 7 | 11,000 | 18% (165) | 55 | 3960 | 1000 |
| | | | (50) | (3300) | 1000 |
| 8 | 11,500 | 18.5% (177) | 45 | 2700 | 1000 |
| | | | (40) | (2160) | 1000 |
| 9 | 12,000 | 19% (190) | 35 | 1680 | 1000 |
| | | | (30) | (1260) | 1000 |
| 10 | 12,500 | 19.5% (203) | 25 | 900 | 1000 |
| | | | (20) | (600) | 1000 |
| 11 | 13,000 | 20% (216) | 15 | 360 | 1000 |
| 12 | 16,000 | N/A | 0 | 0 | 1000 |

| HAF Monthly Payment/Repayment | Annual Amount | HAF Monthly Payment/Repayment | Annual Amount |
|---|---|---|---|
| 5 | 60 | 55 | 660 |
| 10 | 120 | 60 | 720 |
| 15 | 180 | 65 | 780 |
| 20 | 240 | 70 | 840 |
| 25 | 300 | 75 | 900 |
| 30 | 360 | 80 | 960 |
| 35 | 420 | 90 | 1080 |
| 40 | 480 | 100 | 1200 |
| 45 | 540 | 110 | 1320 |
| 50 | 600 | 120 | 1440 |

LAW OFFICES

**LEONARD, STREET AND DEINARD**

1200 NATIONAL CITY BANK BUILDING

510 MARQUETTE AVENUE

**MINNEAPOLIS, MINNESOTA 55402**

TELEPHONE (612) 339-1200

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M. PATRICIA SCHAFFER
MICHAEL A. NEKICH
GREGORY L. DAHL

GEORGE B. LEONARD (1872-1956)
ARTHUR L.H. STREET (1877-1961)
BENEDICT DEINARD (1899-1969)

OF COUNSEL
IRENE SCOTT

Mr. Steve Mahalchick
Hearing Examiner
Office of Hearing Examiners
Room 300
1745 University Avenue
St. Paul, Minnesota 55104

Dear Mr. Mahalchick:

In response to a suggestion from the office of the Attorney General, the Minnesota Housing Finance Agency has proposed a modification to MHFA 133 which will clarify the basis on which the Agency will determine the initial maximum monthly assistance available for persons and families within various income ranges.

The HAF Program is currently being administered by the Agency under temporary emergency rules. Under these rules, the Agency has set up a schedule of monthly assistance payments as a function of income as follows:

| Line | Annual Adjusted Income (per MHFA 2(n)) not exceeding | Minimum Percentage of Borrowers' Adjusted Income required to be paid toward monthly Principal and Interest Payment | Initial Maximum HAF Monthly Assistance |
|---|---|---|---|
| | Column One | Column Two | Column Three |
| 1 | 8,000 | 15% | $75 |
| 2 | 8,500 | 15.5% | 75 |
| 3 | 9,000 | 16% | 75 |
| 4 | 9,500 | 16.5% | 75 |
| 5 | 10,000 | 17% | 75 |
| 6 | 10,500 | 17.5% | 65 |
| 7 | 11,000 | 18% | 55 |
| 8 | 11,500 | 18.5% | 45 |
| 9 | 12,000 | 19% | 35 |
| 10 | 12,500 | 19.5% | 25 |
| 11 | 13,000 | 20% | 15 |
| 12 | 16,000 | N/A | 0 |

This schedule was established on the basis of Agency experience that persons and families whose annual adjusted income fell between $10,000 and $13,000 were not being adequately served by existing Agency mortgage programs. Persons and families within these income ranges would, however, be capable of affording their own home if they were able to receive assistance in the early years of their purchase. Exhibit A shows 54,536 households in the State of Minnesota with annual earnings of between $10,000 and $13,999. Persons and families within this income range compose twenty-two percent of the total non-elderly households in the state, who are currently living in rental housing. The Agency's experience has shown that persons and families with adjusted income above $13,000 per year, given current economic conditions and interest rates, are able to take part in the normal mortgage programs of the Agency without HAF assistance. Thus, the Agency established a schedule of maximum initial monthly assistance payments so that the maximum payments would reach households with an annual adjusted income of $10,000 or less, and lesser assistance would go to persons or families with annual adjusted incomes between $10,000 and $13,000.

Exhibit B is a graph showing the maximum amount of monthly principal and interest payments which households of varying income may reasonably be expected to pay (lower figure in each square) and the amount of HAF monthly assistance required to make up the total principal and interest payment which would be due on varying mortgage amounts (upper figure in each square), assuming a 30-year mortgage term and a 7% interest rate. The chart demonstrates that for mortgages of between 33 and 35 thousand dollars, which under current economic conditions should be the maximum necessary for the purchase of a moderately priced home in Minnesota, the amount of HAF monthly assistance for each income level follows the schedule currently used by the Agency, with households of up to $10,000 in annual adjusted income requiring the maximum subsidy of $75 per month for a $33,000 mortgage and households earning $13,000 requiring only $15 in monthly assistance for a $35,000 mortgage.

During the life of the HAF program, however, changing economic conditions are likely to affect the cost of home ownership. As housing costs increase, the mortgage necessary to purchase a modest home will move closer to the upper end of the mortgage scale pictured on Exhibit B. If the mortgage amount were raised to $38,000, to reflect rising construction costs, the maximum HAF subsidy of $75 would be required to assist households of up to $11,500 in annual income; households of $13,000 per year would need a $35 initial subsidy, and households of more than $13,000 would also begin to require some HAF assistance in order to enter the housing market. To permit the Agency to meet such changing conditions, MHFA 133 establishes parameters within which the initial maximum monthly assistance may be varied.

In addition to increased housing costs, an increase in the interest rate that the Agency must charge on its limited-unit development mortgage loans will increase the monthly principal and interest payments under those mortgages.

Currently, Agency mortgages are available at 6-3/4 percent. While no immediate change in this percentage is foreseen, during the life of the HAF Program a change of as much as one point in this percentage is possible. The Agency obtains its funds by the sale of interest bearing bonds, and the interest rates which must

be offered in those bonds are determined by current market conditions, which change quickly and dramatically from time to time. Mortgage interest rates must, of course, cover bond interest costs.

Thus, if mortgage interest rates increase, the amount of monthly assistance should similarly increase. The Agency rule of thumb is that a household in the income range of $10,000 to $13,000 per year should not spend more than 20 percent of its income on mortgage and interest payments. An increase of one point in the interest rate for an average mortgage of $30,000 amortized over the standard 30-year life of the mortgage would cost the home owner an additional $20 per month or $240 per year, and would require an additional $1,200 worth of income ($240 x 5) for the same mortgage amount. For example, a household earning $11,000 at today's interest rate would need $55 per month in initial HAF monthly assistance. If the interest rate increased by one point, the same $55 would be necessary to a family earning $12,000. Taking into account, therefore, possible increases in mortgage interest rates and future changes in the cost of living and construction, the Agency estimates that it needs a flexibility of about $1,500 in income ranges to determine initial maximum monthly assistance if the HAF program is to meet the future needs of Minnesota households earning less than $16,000 per year. Thus, the proposed amendment to MHFA 133 spells out the Agency's power to establish the initial maximum monthly assistance within these specific income ranges as required by the criteria set forth in the rule.

As this modification to the proposed rule merely clarifies the schedule-making process already referred to in the prior edition of MHFA 133, without affecting the substantive rights of any recipient, and without fundamentally changing the rule as contained in the Notice of Hearing, the Agency has presented this amendment as an insubstantial amendment appropriate for presentation at the hearing.

Yours truly,

LEONARD, STREET AND DEINARD

By M. Patricia Schaffer

MPS:jm

Enclosures

EXHIBIT A-1

## 1976 INCOME DISTRIBUTION

### Renter Households - Non Elderly

| Income | Households | Percent | Percent Cumulative |
|---|---|---|---|
| Less Than 2,000 | 13,265 | 5.4 | - |
| 2,000- 3,999 | 15,528 | 6.3 | 11.7 |
| 4,000- 5,999 | 22,271 | 9.0 | 20.7 |
| 6,000- 7,999 | 25,785 | 10.4 | 31.1 |
| 8,000- 9,999 | 29,739 | 12.0 | 43.1 |
| 10,000-11,999 | 28,033 | 11.3 | 54.4 |
| 12,000-13,999 | 26,503 | 10.7 | 65.1 |
| 14,000-15,999 | 18,132 | 7.3 | 72.4 |
| 16,000-19,999 | 29,620 | 12.0 | 84.4 |
| 20,000-23,999 | 19,231 | 7.8 | 92.2 |
| 24,000-27,999 | 8,526 | 3.4 | 95.6 |
| 28,000 or more | 10,795 | 4.4 | 100.0 |
| TOTAL | 247,428 | | |

Increase factor = 1.46

Median income = $10,999-$11,999

EXHIBIT A-2

## 1976 INCOME DISTRIBUTION

### All Households

| Income | Households | Percent | Percent Cumulative |
|---|---|---|---|
| Less Than 2,000 | 84,620 | 7.4 | - |
| 2,000- 3,999 | 90,524 | 7.9 | 15.3 |
| 4,000- 5,999 | 88,966 | 7.7 | 23.0 |
| 6,000- 7,999 | 89,954 | 7.8 | 30.8 |
| 8,000- 9,999 | 92,632 | 8.0 | 38.8 |
| 10,000-11,999 | 96,009 | 8.3 | 47.1 |
| 12,000-13,999 | 99,035 | 8.6 | 55.7 |
| 14,000-15,999 | 83,038 | 7.2 | 62.9 |
| 16,000-19,999 | 154,122 | 13.4 | 76.3 |
| 20,000-23,999 | 109,066 | 9.5 | 85.8 |
| 24,000-27,999 | 61,724 | 5.4 | 91.2 |
| 28,000 or more | 101,304 | 8.8 | 100.0 |
| TOTAL | 1,150,994 | | |

Income factor = 1.46 times 1969 incomes.

Median income = $12,000-$13,999

EXHIBIT B

# HAF MONTHLY ASSISTANCE SCHEDULE

Mortgage Amount 000's

Adjusted Income

| | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8,000 | 65<br>101.33 | 70<br>102.98 | 75<br>104.64 | 75<br>111.29 | 75<br>117.94 | 75<br>124.60 | 75<br>131.25 | 75<br>137.90 | 75<br>144.55 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.13 |
| 8,500 | 55<br>111.33 | 60<br>112.98 | 65<br>114.64 | 75<br>111.29 | 75<br>117.94 | 75<br>124.60 | 75<br>131.25 | 75<br>137.90 | 75<br>144.55 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.13 |
| 9,000 | 45<br>121.33 | 50<br>122.98 | 55<br>124.64 | 65<br>121.29 | 70<br>122.94 | 75<br>124.60 | 75<br>131.25 | 75<br>137.90 | 75<br>144.55 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.13 |
| 9,500 | 35<br>131.33 | 40<br>132.98 | 45<br>134.64 | 55<br>131.29 | 60<br>132.94 | 65<br>134.60 | 75<br>131.25 | 75<br>137.90 | 75<br>144.55 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.13 |
| 10,000 | 20<br>146.33 | 30<br>142.98 | 35<br>144.64 | 40<br>146.29 | 50<br>142.94 | 55<br>144.60 | 60<br>146.25 | 70<br>142.90 | 75<br>144.55 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.13 |
| 10,500 | | 20<br>152.98 | 25<br>154.64 | 30<br>156.29 | 35<br>157.94 | 45<br>154.60 | 50<br>156.25 | 55<br>157.90 | 65<br>154.35 | 75<br>151.21 | 75<br>157.86 | 75<br>164.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.13 |
| 11,000 | | | | 20<br>166.29 | 15<br>177.94 | 20<br>179.60 | 40<br>166.25 | 45<br>167.90 | 50<br>169.55 | 60<br>166.21 | 65<br>167.86 | 70<br>169.51 | 75<br>171.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.13 |
| 11,500 | | | | | | 20<br>179.60 | 25<br>181.25 | 35<br>177.90 | 40<br>179.55 | 45<br>181.21 | 55<br>177.86 | 60<br>179.51 | 65<br>181.17 | 75<br>177.82 | 75<br>184.47 | 75<br>191.13 |
| 12,000 | | | | | | | 15<br>191.25 | 20<br>192.90 | 20<br>199.55 | 35<br>191.21 | 40<br>192.86 | 45<br>194.51 | 55<br>191.17 | 60<br>192.82 | 65<br>204.47 | 75<br>191.13 |
| 12,500 | | | | | | | | | 15<br>204.55 | 20<br>206.21 | 25<br>207.86 | 35<br>204.51 | 40<br>206.17 | 45<br>207.82 | 55<br>204.47 | 60<br>206.13 |
| 13,000 | | | | | | | | | | | 15<br>217.86 | 20<br>219.51 | 25<br>221.17 | 35<br>217.82 | 40<br>219.47 | 45<br>221.13 |

Thirty year mortgage term, 7% interest rate, Upper Figure-HAF Monthly Subsidy, Lower Figure-Borrowers' Minimum Payment toward principal and interest.

MINNESOTA HOUSING FINANCE AGENCY

Suggested Amendment to Proposed Rules Governing

The Homeownership Assistance Fund Program

MHFA 133 - Homeownership Assistance Fund - Monthly Assistance

The Agency may provide eligible recipients with interest-free Monthly Assistance loans in the form of monthly payments of a portion of the principal and interest installment due on the Limited-Unit Development Mortgage on qualifying property. Such payments shall not exceed $75 per month and shall decrease by $5 per month (or $60 per year) each year. The maximum amount of Monthly Assistance to which a recipient is originally entitled shall be determined by the Agency from time to time on the basis of the percentage of income which may reasonably be spent on mortgage payments, the interest rate charged for Limited-Unit Development Mortgage Loans, and general housing and construction costs in the State of Minnesota, provided however, that the initial maximum Monthly Assistance which the Agency shall determine to be available shall not exceed the following amounts for persons and families within the following Annual Adjusted Income ranges:

| Annual Adjusted Income Between | Initial Maximum Monthly Assistance |
|---|---|
| - 11,500 | 75 |
| 10,000 - 12,000 | 65 |
| 10,500 - 12,500 | 55 |
| 11,000 - 13,000 | 45 |
| 11,500 - 13,500 | 35 |
| 12,000 - 14,000 | 25 |
| 12,500 - 16,000 | 15 |

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

| | |
|---|---|
| IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE HOUSING FINANCE AGENCY RELATING TO THE HOMEOWNERSHIP ASSISTANCE FUND PROGRAM | Resolution No. 78-<br>RESOLUTION ADOPTING REPORT OF HEARING EXAMINER AND RULES |

WHEREAS, pursuant to Board Resolution No. 78-5 of January 31, 1978, 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 an amendment to the proposed rules, a copy of which amendment is attached hereto as Exhibit A; and

WHEREAS, the above-entitled matter having come on for hearing before Steve M. Mihalchick, Hearing Examiner of the State of Minnesota on March 29, 1978, at 9:30 a.m. at 500 Rice Street, 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 April 25, 1978, after consideration of the proposed rules, suggested Agency amendment, and the evidence presented in writing and at the public hearing, the Hearing Examiner issued a report approving the rules and amendment as proposed by the Agency at the hearing;

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 April 25, 1978 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 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 4th day of May, 1978.

By Demetrius G. Jellatis
Chairman

Attest: Robert W Matthews
Secretary

MINNESOTA HOUSING FINANCE AGENCY

Suggested Amendment to Proposed Rules Governing

The Homeownership Assistance Fund Program

MHFA 133 - Homeownership Assistance Fund - Monthly Assistance

The Agency may provide eligible recipients with interest-free Monthly Assistance loans in the form of monthly payments of a portion of the principal and interest installment due on the Limited-Unit Development Mortgage on qualifying property. Such payments shall not exceed $75 per month and shall decrease by $5 per month (or $60 per year) each year. The maximum amount of Monthly Assistance to which a recipient is originally entitled shall be determined by the Agency from time to time on the basis of the percentage of income which may reasonably be spent on mortgage payments, the interest rate charged for Limited-Unit Development Mortgage Loans, and general housing and construction costs in the State of Minnesota, provided however, that the initial maximum Monthly Assistance which the Agency shall determine to be available shall not exceed the following amounts for persons and families within the following Annual Adjusted Income ranges:

| Annual Adjusted Income Between | Initial Maximum Monthly Assistance |
|---|---|
| - 11,500 | 75 |
| 10,000 - 12,000 | 65 |
| 10,500 - 12,500 | 55 |
| 11,000 - 13,000 | 45 |
| 11,500 - 13,500 | 35 |
| 12,000 - 14,000 | 25 |
| 12,500 - 16,000 | 15 |

EXHIBIT A

Minnesota Housing Finance Agency

Rules Governing the Homeownership
Assistance Fund Program

Chapter 11 - Homeownership Assistance Fund

MHFA 131 - Eligible Recipients of Homeownership Assistance Fund Loans

To qualify for a Homeownership Assistance Fund loan, a recipient must satisfy the requirements of MHFA 36 for a Limited-Unit Development Mortgage Loan. No recipient shall have held any ownership interest (either under fee title or by contract for deed) in any residential dwelling within two years prior to the date of the application for the Homeownership Assistance Fund loan.

MHFA 132 - General Requirements of Homeownership Assistance Fund Loans

A. The property to be purchased with the assistance of a Homeownership Assistance Fund loan must be a newly-constructed or existing single family residential dwelling located within the State of Minnesota.

B. The purchase of the dwelling must be financed primarily through a Limited-Unit Development Mortgage Loan.

C. The recipient shall obtain and furnish to the Agency all information reasonably required to demonstrate the recipient's eligibility for both a Homeownership Assistance Fund loan and a Limited-Unit Development Mortgage Loan.

D. Each Homeownership Assistance Fund loan shall be secured by a second mortgage on the property to be purchased, which property must otherwise be free and clear of any lien, charge, or encumbrance other than the Limited-Unit Development Mortgage.

E. A Homeownership Assistance Fund loan shall be deemed in default if the recipient defaults in the timely observance and performance of any condition or covenant of the Limited-Unit Development Mortgage Loan or of the Homeownership Assistance Fund loan, or sells, assigns, rents, or transfers the property, whether by deed, contract for deed, or otherwise. A transfer of the property to a surviving joint tenant, if any, by reason of the death of the recipient shall not constitute a default.

EXHIBIT B

F. In the event of default, the Homeownership Assistance Fund loan shall become immediately due and payable in its entirety, at the option of the Agency, and shall be subject to interest from the date of default until the date of payment at that rate of interest which is applicable to the Limited-Unit Development Mortgage on the property.

MHFA 133 - Homeownership Assistance Fund-Monthly Assistance

The Agency may provide eligible recipients with interest-free Monthly Assistance loans in the form of monthly payments of a portion of the principal and interest installment due on the Limited-Unit Development Mortgage on qualifying property. Such payments shall not exceed $75 per month and shall decrease by $5 per month (or $60 per year) each year. The maximum amount of Monthly Assistance to which a recipient is originally entitled shall be determined by the Agency from time to time on the basis of the percentage of income which may reasonably be spent on mortgage payments, the interest rate charged for Limited-Unit Development Mortgage Loans, and general housing and construction costs in the State of Minnesota, provided however, that the initial maximum Monthly Assistance which the Agency shall determine to be available shall not exceed the following amounts for persons and families within the following Annual Adjusted Income ranges:

| Annual Adjusted Income Between | Initial Maximum Monthly Assistance |
|---|---|
| - 11,500 | 75 |
| 10,000 - 12,000 | 65 |
| 10,500 - 12,500 | 55 |
| 11,000 - 13,000 | 45 |
| 11,500 - 13,500 | 35 |
| 12,000 - 14,000 | 25 |
| 12,500 - 16,000 | 15 |

MHFA 134 - Homeownership Assistance Fund-Downpayment Assistance

The Agency may provide interest-free Downpayment Assistance loans to eligible recipients who are determined, on the basis of normal credit procedures, to lack the cash or land equity necessary to pay the required downpayment, plus closing costs, expenses, and origination fees on the dwelling to be purchased. The amount of the Downpayment Assistance loan shall equal the amount by which the sum of the downpayment, closing costs, expenses, and origination fees exceeds five percent of the purchase price of the dwelling, but shall not exceed the lesser of 50 percent of the downpayment or $1,000.

MHFA 135 - Repayment

Unless earlier repayment is required as the result of default, repayment of the aggregate amount of Monthly Assistance and Down-payment Assistance loans shall commence when the Monthly Assistance payments have declined to zero. Repayment shall be at the rate of $10 per month for the first year and shall increase by $10 per month (or $120 per year) each year until the total Homeownership Assistance Fund loan has been repaid.

APPROVED AS TO FORM AND LEGALITY
June 5, 1978
WARREN SPANNAUS, ATTORNEY GENERAL
BY
SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
JUN 6 - 1978
Joan Anderson Growe
Secretary of State
3:00 P.M.