

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

Our File No. 236

RULE REVIEW CHECKLIST

DATE RULE RECEIVED 9/29
DATE FOR REVIEW 10/8
DATE DUE 10/13

Adopted w/a hearing
Adopted w/o a hearing x
Temporary rule

Approved _____ Disapproved 10/12 Returned to Agency _____

Resubmitted _____ Due _____
Approved _____ Disapproved _____ Returned to Agency _____

Date filed w/Secretary of State _____

REVISOR approved 10/1 disapproved

✓ Rule as Adopted

___ Rule as Proposed

✓ Order Adopting 9.24.81

N/A Notice of Intent to Solicit Outside Opinion

✓ Order for rulemaking
_____ Date of Hearing

✓ Certificate of Board's Authorizing Resolution

? Notice of rulemaking
? Sufficiency

✓ Affidavit of Mailing Notice of rulemaking
8.21.81 At least 30 days prior to ~~hearing~~/adoption

✓ Mailing list Certificate

✓ Publication in State Register
8.24.81 At least 30/~~20~~ days prior to ~~hearing~~/adoption

N/A Hearing Examiner's Report

___ Chief Hearing Examiner's Report(s)
_____ Approving H.E.'s Report
_____ Approving agency action

? Agency's Findings of Fact See transmittal memo for changes from Rule as Proposed

N/A LCRAR Report or agency Affidavit

✓ Certificate of Board's Resolution Adopting Rules

N/A Order Approving Incorporation by Reference

✓ Statement of Need and Reasonableness

N/A Petition for Adoption of a Rule

✓ Record (includes transcript or tape, exhibits, comments received by agency, requests for a hearing, and other relevant materials)

✓ Certificate of Compliance w/Rulemaking Procedures

? Affidavit of Mailing Notice of Submission to Attorney General

? Notice of Submission to the Attorney General

MINNESOTA HOUSING FINANCE AGENCY

September 25, 1981

Mr. Jerry Anderson
Special Assistant Attorney General
G-25 - Administration Building
50 Sherburne Avenue
St. Paul, Minnesota 55155

RE: In the Matter of the Proposed Amendment to and Adoption of Rules Governing Income Limits for Limited Unit Development Without a Public Hearing.

Dear Mr. Anderson:

Enclosed please find for your review pursuant to Minnesota Statutes Section 15.0412, Subdivision 4h, the adopted rules of the Minnesota Housing Finance Agency.

The following materials are submitted to you for your review pursuant to 1 MCAR § 1.203:

Rule as Adopted.

Order Adopting.

Certificate of Board's Resolution Adopting a Rule.

Order for Notice of Intent to Adopt a Rule Without Public Hearing.

Certificate of Agency's Authorizing Resolution.

Notice of Intent to Adopt a Rule Without Public Hearing.

Affidavit of Mailing Notice of Intent to Adopt a Rule Without Public Hearing.

Mailing list Certificate.

Rule as Proposed.

Statement of Need and Reasonableness.

Written Comment.

Certificate of Compliance With Rulemaking Procedures.

The Agency did not publish a Notice of Intent to Solicit Outside Opinion in connection with their rules. No requests for a hearing were received during

the 30 day period.

The only change in the rule as proposed has been made in response to the written comment from the Department of Veterans Affairs.

Sincerely,

James J. Solem
Executive Director

JJS/jak

Encl.

SF-00006-02

STATE OF MINNESOTA

DEPARTMENT ATTORNEY GENERAL

Office Memorandum

TO : JAMES J. SOLEM
Executive Director
Minnesota Housing Finance Agency

DATE: October 13, 1981

ATTN : Jim Dinerstein
Special Assistant Attorney General

FROM : Ted A. Martinez TAM
Special Assistant
Attorney General

PHONE: 296-0315

SUBJECT: In the Matter of the Proposed Amendment to and Adoption of Rules Governing Income Limits for Limited Unit Development Without a Public Hearing

The above-captioned rules have been rejected for the following reason:

The Notice of Intent to Adopt Rules Without a Public Hearing appears to be defective and fails to comply with Attorney General Rule 1 MCAR § 1.203 G.8 and 9. The statement regarding submission to the Attorney General and the citation to statutory authority for promulgation of the rule are not present.

After consideration of the above comments and agency action, if any, these rules may be resubmitted for review. Upon resubmission, please include two copies of a new or supplemental Order Adopting, and the original and two copies of the new Rule as Adopted. Also, please include a memorandum specifying that the rules are being resubmitted so that we may obtain our initial file in this matter.

Please be advised that pursuant to Minn. Stat. § 15.0412 subd. 4g effective July 1, 1981, "(n)o rule shall be filed with the secretary of state or published in the state register unless the revisor of statutes has endorsed on the rule that it is approved as to form." Therefore, at the time when you resubmit the new rule to this office, you must submit two copies of the same to the revisor of statutes.

If you have any questions concerning the issue raised in this memorandum. Please do not hesitate to call me.

TAM/cae

Enc.

cc: Duane Harves
Kathy Burek

Minnesota Housing Finance Agency

Adopted Rule Governing Income Limits for Limited Unit Developments

Rule as Adopted

12 MCAR S 3.002

O. "Persons and families of low and moderate income" means:

1. With respect to limited-unit mortgage loans pursuant to Chapter Four of these rules, development cost loans pursuant to Chapter Three of these rules, planning grants pursuant to Chapter Five of these rules, and American Indian housing loans pursuant to Chapter Eight of these rules, which loans and grants are intended for a limited-unit development, or a dwelling unit in a planned unit development or a condominium, those persons and families whose adjusted income does not exceed the amounts set forth in Exhibit 12 MCAR S 3.002 O.-1. or such lower amount as shall be required to assure that the interest on obligations of the agency will be exempt from federal income taxation. "Metropolitan area" has the meaning given it in Minn. Stat. S 473.121, subd. 2.;

APPROVED IN THE REVISOR OF STATUTES OFFICE BY:

Exhibit 12 MCAR S 3.002 0.-1.

Mortgage Interest Rate	Nonmetropolitan Area Maximum Adjusted Income	Metropolitan Area Maximum Adjusted Income
0-10.59%	$19,000	$24,000
10.60-11.09%	$20,000	$25,000
11.10-11.59%	$21,000	$26,000
11.60-12.00%	$22,000	$27,000

2. With respect to limited-unit mortgage loans to veterans and veterans' dependents to assist in making down payments pursuant to Minn. Stat. S 462A.05, subd. 19, those persons and families whose adjusted income does not exceed $22,000 for the nonmetropolitan area and $27,000 for the metropolitan area regardless of the interest rate on the mortgage loan for which down payment assistance has been given;

Reletter. Reletter 12 MCAR S 3.002 0.2.-4. as 0.3.-5.

APPROVED IN THE
REVISOR OF STATUTES
OFFICE BY:

OFFICE OF THE REVISOR OF STATUTES

Certificate of Approval of Adopted Rules

Agency: Minnesota Housing Finance Agency

Rule Numbers: 12 MCAR 3.002

Rule Title: Adopted Rule Governing Income Limits for Limited Unit Developments

Type of Rules: Permanent X

Temporary _____

Documents Incorporated by Reference:

The attached Rules are approved as to form.

Steven C. Cross
Revisor of Statutes

Name: Ann L. Bateson
Ann L. Bateson

Title: Deputy Revisor

Phone: 296-1536

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

Proposed Amendment to and Adoption of
Rules Governing Income Limits for Limited
Unit Developments Without a Public Hearing

ORDER ADOPTING
RULES

Notice of the Agency's intent to adopt the above-entitled rules without a public hearing was published in the State Register on August 24, 1981, and was sent by United States mail to all persons on the list maintained by the Agency pursuant to Minnesota Statutes section 15.0412, subdivision 4 on August 21, 1981. After affording interested and affected persons an opportunity to submit comments for 30 days after Notice, receiving fewer than seven written requests for a public hearing within the 30-day comment period, reviewing and considering the comments, and determining the need for and reasonableness of the above-captioned rules.

NOW, THEREFORE, IT IS ORDERED that these rules identified as Rules of the Minnesota Housing Finance Agency Relating to the Income Limits for Limited Unit Developments are adopted this 24th day of September, 1981 pursuant to authority vested in the Agency by Minnesota Statutes section 462A.06, subdivision 4 and 11.

James J. Solem, Executive Director

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Amendment to and Adoption of Rules Governing Income Limits for Limited Unit Developments Without a Public Hearing

ORDER FOR NOTICE OF INTENT TO ADOPT RULES WITHOUT PUBLIC HEARING

IT IS ORDERED this 23rd day of July, 1981 that a Notice of Intent to Adopt Rules Without Public Hearing in the above-entitled matter be given to all persons who have registered their names with the Minnesota Housing Finance Agency for that purpose and be published in the State Register.

MINNESOTA HOUSING FINANCE AGENCY

James J. Solem, Executive Director

CERTIFICATE OF AGENCY'S

AUTHORIZING RESOLUTION

I, James J. Solem, do hereby certify that I am the Executive Director of the Minnesota Housing Finance Agency, an Agency duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Agency and properly called and held on the 23rd day of July, 1981, that a quorum was present at said meeting, that a majority of those present voted for the resolution and that said resolution is set forth in the minutes of said meeting and has not been rescinded or modified.

> "RESOLVED, that James J. Solem, Executive Director of the Minnesota Housing Finance Agency, by and he hereby is authorized and directed to give public notice for the purpose of promulgating rules of the Minnesota Housing Finance Agency without a public hearing, said rules relating to the Income Limits for Limited Unit Developments, as well as to perform any and all acts incidental thereto, including the signing of a notice of intent to adopt rules without a public hearing."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 25th day of September, 1981.

James J. Solem, Executive Director

Minnesota Housing Finance Agency

Proposed Amendment to and Adoption of Rules Governing Income Limits for Limited Unit Developments

Notice of Intent to Adopt Rules without a Public Hearing

Notice is hereby given that the Minnesota Housing Finance Agency ("agency") proposes to adopt the above-entitled rules without a public hearing. The agency has determined that the proposed adoption of these rules will be noncontroversial in nature and has elected to follow the procedures set forth in Minn. Stat. § 15.(subd. 4h(1980).

Persons interested in these rules shall have 30 days to submit comments on th proposed rules. The proposed rules may be modified if the modifications are supported by the data and views submitted to the agency and do not result in a subst tial change in the proposed language.

Unless seven or more persons submit written requests for a public hearing on the proposed rules within the 30-day comment period, a public hearing will not be held. In the event a public hearing is required, the agency will proceed accordin to the provisions of Minn. Stat. § 15.0412, subds. 4-4f. If a public hearing is requested, identification of the particular objection, the suggested modifications to the proposed language, and the reasons or data relied on to support the suggest modifications is desired.

Persons who wish to submit comments or a written request for a public hearing should submit such comments or request to:

Monte Aaker, Research Coordinator
Research Division
Minnesota Housing Finance Agency
Suite 200 - Nalpak Building
333 Sibley Street
St. Paul, Minnesota 55101
Telephone (612) 296-9952

Rule as Proposed

12 MCAR S 3.002

O. "Persons and families of low and moderate income" means:

1. With respect to limited-unit mortgage loans pursuant to Chapter Four of these rules, development cost loans pursuant to Chapter Three of these rules, planning grants pursuant to Chapter Five of these rules, and American Indian housing loans pursuant to Chapter Eight of these rules, which loans and grants are intended for a limited-unit development, or a dwelling unit in a planned unit development or a condominium, those persons and families whose adjusted income does not exceed ~~$19,000 in the metropolitan area as defined in Minn. Stat. S 473.121, subd. 2 and $17,500 in the remainder of the state~~ the amounts set forth in Exhibit 12 MCAR S 3.002 O.-1. or such lower amount as shall be required to assure that the interest on obligations of the agency will be exempt from federal income taxation~~, and~~. "Metropolitan area" has the meaning given it in Minn. Stat. S 473.121, subd. 2.

Exhibit 12 MCAR S 3.002 0.-1.

Mortgage Interest Rate	Nonmetropolitan Area Maximum Adjusted Income	Metropolitan Area Maximum Adjusted Income
0-10.59%	$19,000	$24,000
10.60-11.09%	$20,000	$25,000
11.10-11.59%	$21,000	$26,000
11.60-12.00%	$22,000	$27,000

STATE OF MINNESOTA

COUNTY OF RAMSEY

In the matter of the Proposed Amendment to and Adoption of Rules Governing Income Limits for Limited Unit Developments Without a Public Hearing

AFFIDAVIT OF MAILING

Mike Kuschke, being first duly sworn, deposes and says:

That on the 21st day of August, 1981, at the City of St. Paul, County of Ramsey, State of Minnesota, he served the attached Notice of Intent to Adopt Rules Without Public Hearing by depositing in the United States mail at said City of St. Paul, a copy thereof, properly enveloped, with postage prepaid, on all persons and associations who have requested that their names be placed on file with the State Minnesota Housing Finance Agency for the purpose of receiving notice of the proposed adoption of rules by this Agency.

Mike Kuschke

Subscribed and sworn to before me this 21st day of August, 1981.

Kathleen J. Johnson

KATHLEEN J. JOHNSON
NOTARY PUBLIC—MINNESOTA
RAMSEY COUNTY
My Comm. Expires Dec. 9, 1986

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

CERTIFICATE

In the Matter of the Proposed Amendment
to and Adoption of Rules Governing Income
Limits for Limited United Developments
Without a Public Hearing

I hereby certify that the list of persons, associations, and other interested groups who have requested, pursuant to Minn. Stat. § 15.0412, subd. 4, that their names be placed on file with and maintained by the Minnesota Housing Finance Agency for the purpose of receiving notice of the proposed adoption of rules by this Agency is accurate and complete as of 1:00 p.m., this 21st day of August, 1981.

Judith A. Keiser

Judith A. Keiser

Proposed Amendment to and Adoption of Rules Governing Income Limits for Limited Unit Developments

Notice of Intent to Adopt Rules without a Public Hearing

Notice is hereby given that the Minnesota Housing Finance Agency ("agency") proposes to adopt the above-entitled rules without a public hearing. The agency has determined that the proposed adoption of these rules will be noncontroversial in nature and has elected to follow the procedures set forth in Minn. Stat. § 15.0412, subd. 4h(1980).

Persons interested in these rules shall have 30 days to submit comments on the proposed rules. The proposed rules may be modified if the modifications are supported by the data and views submitted to the agency and do not result in a substantial change in the proposed language.

Unless seven or more persons submit written requests for a public hearing on the proposed rules within the 30-day comment period, a public hearing will not be held. In the event a public hearing is required, the agency will proceed according to the provisions of Minn. Stat. § 15.0412, subds. 4-4f. If a public hearing is requested, identification of the particular objection, the suggested modifications to the proposed language, and the reasons or data relied on to support the suggested modifications is desired.

Persons who wish to submit comments or a written request for a public hearing should submit such comments or request to:

Monte Aaker, Research Coordinator
Research Division
Minnesota Housing Finance Agency
Suite 200—Nalpak Building
333 Sibley Street
St. Paul, Minnesota 55101
Telephone (612) 296-9952

Rules as Proposed

12 MCAR § 3.002

O. "Persons and families of low and moderate income" means:

1. With respect to limited-unit mortgage loans pursuant to Chapter Four of these rules, development cost loans pursuant to Chapter Three of these rules, planning grants pursuant to Chapter Five of these rules, and American Indian housing loans

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.



pursuant to Chapter Eight of these rules, which loans and grants are intended for a limited-unit development, or a dwelling unit in a planned unit development or a condominium, those persons and families whose adjusted income does not exceed ~~$19,000 in the metropolitan area as defined in Minn. Stat. § 473.121, subd. 2 and $17,500 in the remainder of the state~~ the amounts set forth in Exhibit 12 MCAR § 3.002 O.-1. or such lower amount as shall be required to assure that the interest on obligations of the agency will be exempt from federal income taxation~~,~~ ~~and~~. "Metropolitan area" has the meaning given it in Minn. Stat. § 473.121, subd. 2.

Exhibit 12 MCAR § 3.002 O.-1.

Mortgage Interest Rate	Nonmetropolitan Area Maximum Adjusted Income	Metropolitan Area Maximum Adjusted Income
0-10.59%	$19,000	$24,000
10.60-11.09%	$20,000	$25,000
11.10-11.59%	$21,000	$26,000
11.60-12.00%	$22,000	$27,000

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

Proposed Amendment to and Adoption of
Rules Governing Income Limits for Limited
Unit Developments Without a Public Hearing

CERTIFICATE OF BOARD'S
RESOLUTION ADOPTING RULES

I, Arne Carlson, do hereby certify that I am Secretary of the Minnesota Housing Finance Agency, an agency duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Agency, duly and properly called and held on the 24th day of September, 1981, that a quorum was present at said meeting, that a majority of those present voted for the resolution and that said resolution is set forth in the minutes of said meeting and has not been rescinded or modified.

> "RESOLVED, that the rules relating to Amendment to and Adoption of Rules Governing Income Limits for Limited Unit Developments attached hereto as Exhibit A be and hereby are approved and adopted, pursuant to authority vested in us by Minnesota Statutes section 462A.06, subdivision 4 and 11 and that James J. Solem, the Executive Director of the Agency, be and hereby is authorized to sign an order adopting these rules and further is authorized to perform the necessary acts to provide that these rules shall have the force and effect of law."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 24th day of September, 1981.

Chairman

Secretary

EXHIBIT A

Rule as Adopted

12 MCAR § 3.002

O. "Persons and families of low and moderate income" means:

1. With respect to limited-unit mortgage loans pursuant to Chapter Four of these rules, development cost loans pursuant to Chapter Three of these rules, planning grants pursuant to Chapter Five of these rules, and American Indian housing loans pursuant to Chapter Eight of these rules, which loans and grants are intended for a limited-unit development, or a dwelling unit in a planned unit development or a condominium, those persons and families whose adjusted income does not exceed the amounts set forth in Exhibit 12 MCAR § 3.002 O.-1. or such lower amount as shall be required to assure that the interest on obligations of the agency will be exempt from federal income taxation. "Metropolitan area" has the meaning given it in Minn. Stat. § 473.121, subd. 2. With respect to limited-unit mortgage loans to veterans and veterans' dependents to assist in making down payments pursuant to Minn. Stat. § 462A.05, Subdivision 19, those persons and families who adjusted income does not exceed $22,000 for the Non-Metropolitan area and $27,000 for the Metropolitan Area regardless of the interest rate on the mortgage loan for which down payment assistance has been given.

Exhibit 12 MCAR § 3.002 O.-1.

Mortgage Interest Rate	Nonmetropolitan Area Maximum Adjusted Income	Metropolitan Area Maximum Adjusted Income
0-10.59%	$19,000	$24,000
10.60-11.09%	$20,000	$25,000
11.10-11.59%	$21,000	$26,000
11.60-12.00%	$22,000	$27,000

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

Proposed Amendment to and Adoption of
Rules Governing Income Limits for Limited
Unit Developments Without a Public Hearing.

STATEMENT OF
NEED AND REASONABLENESS

12 MCAR 3.002 (O).

Minnesota Statutes, Section 462A.03, Subdivision 10, requires that the Minnesota Housing Finance Agency (Agency) establish in its rules income limits for the purpose of defining persons and families of low and moderate income. This is established in two Agency rules. In 12 MCAR §3.003(O) maximum adjusted income limits are established. Adjusted income is, in turn, determined pursuant to a formula set in the definition in 12 MCAR § 3.002 (N). The adjusted income limits were most recently set in May of 1979 at $19,000 in the metropolitan area as defined in Minnesota Statutes, Section 473.121, subdivision 2 and at $17,500 in the nonmetropolitan areas in the State. The proposed rule defines persons and families of low and moderate income as those whose adjusted income does not exceed the amounts set forth in Exhibit 12 MCAR § 3.002 (O)-1. By its terms, the rule applies to programs for three types of housing: limited unit developments, dwelling units in a planned unit development and condominiums. The term "limited unit development" refers to new or existing residential housing intended for occupancy by a person or family of low and moderate income and by not more than 5 other families. See 12 MCAR § 3.002(V).

It is necessary to increase the income limits because interest rates and house prices have risen substantially since 1979. It is also necessary to propose a set of income limits rather than one income limit. Uncertain bond market conditions make it difficult to plan a program based on one income limit. Tables 1 and 2 illustrate the uncertainty of the bond market. These tables show the fluctuations in the Bond Buyer weekly 20 year revenue bond index for several time periods in the past year. The income limit will be based on the interest rate charged to the mortgagor. For example (see Exhibit 12 MCAR §3.002(O)) if the interest rate on the mortgages is 11.25%, the maximum income limit in the metropolitan area will be $26,000 and in the nonmetropolitan area $21,000. The Agency is not proposing either a variable rate program or a variable income limit program. The same interest rate will be charged to all mortgagors.

Exhibit 1 MCAR § 3.002(O)-1

Mortgage Interest Rate	Nonmetropolitan Area Maximum Adjusted Income	Metropolitan Area Maximum Adjusted Income
0-10.59%	$19,000	$24,000
10.60-11.09%	$20,000	$25,000
11.10-11.59%	$21,000	$26,000
11.60-12.00%	$22,000	$27,000

Minnesota Statutes, Section 462A.03, subdivision 10 specifies four criteria for the determination of persons and families of low and moderate income. They are (1) the amount of total income of such persons and families available for housing needs, (2) the size of the family, (3) the cost and condition of housing facilitities available, (4) the eligibility of such persons and families to compete successfully in the normal housing market and to pay the amounts at which private enterprise is providing sanitary, decent and safe housing. These criteria will be reviewed in more detail below.

The first criterion specified in Section 462A, subdivision 10 is "the amount of total income of such persons and families available for housing needs". The general underwriting standard in the mortgage loan industry is that the estimated monthly mortgage payment (principal, interest, taxes and insurance) should not exceed 28% of gross monthly income. The analyses below will use this standard.

The second criterion specified in the statutory definitions of persons and families of low and moderate income is the size of the family. This factor is addressed by the Agency in the formula for adjusting income under 12 MCAR § 3.002(N), which is not the subject of amendment of this rule hearing. The Agency Board did, however, take the income adjustments in 12 MCAR § 3.002(N) into account in the analysis leading to a determination that the rule establishing income levels needed to be amended. The typical household receiving a home mortgage loan under the existing Agency program has $2,000 in deductions. Under 12 MCAR § 3.002(N), such a household typically receives a $750 deduction for each adult ($1,500) and $500 for a child for a total of $2,000. Throughout this Statement of Need and Reasonableness both gross and adjusted income will be given, although it is the level of adjusted income which is being set in the amended rule. The difference in the two figures will always be $2,000 for the purposes of the analyses below.

The third criterion specified in the statute is the cost and condition of housing facilities available. Table 3 shows actual house prices for 1975 through 1980 and projected prices for 1981 through 1982. House prices have risen substantially since 1975 and should continue to rise in the immediate future. House prices have risen faster in the metropolitan area than in the nonmetropolitan areas in the State. By 1980 the median house price in the metropolitan area was 50% more than the median price in the nonmetropolitan areas of the State. The proposed set of income limits will allow a household in the metropolitan area to purchase a $60,000 house (the proposed existing price limit) and a $50,000 house in the nonmetropolitan areas of the State (the proposed existing house price limit).

Next, table 4 shows the relationship between interest rates and income limits in the metropolitan area (the same relationship also exists for these interest rates and the proposed income limits for the nonmetropolitan areas of the State). For example, with a 10.5% loan a household with a gross annual income of $26,000 or an adjusted income of $24,000 could afford a $60,000 house. However, a household with a 12% loan would need an adjusted income of $27,000 (gross of $29,000) to afford a house price of $60,000.

Table 5 shows the availability of housing and the relationship between house prices, interest rates and income. This table shows the maximum house price that a household with a gross income of $26,000 (adjusted $24,000) could afford at various interest rates. For every 1% increase in interest rate the maximum house price drops approximately $3,000. The table also shows that the number of houses sold drops rapidly with decreases in price.

In 1980 approximately 43% of all houses in the metropolitan area sold below $60,000, but only 7% sold below $41,000.

The proposed income limits are designed to provide an adequate selection of affordable houses.

The fourth criterion specified in the statute is the ability of such persons and families to compete in the normal housing market. In both tables 4 and 5 the Agency has included the current FHA/VA interest rate of 16.5%. As table 5 shows the purchase of a $60,000 house

with a 16.5% mortgage requires a gross annual income of $38,000; or as table 6 shows a household with a gross income of $26,000 ($24,000 adjusted) and a 16.5% mortgage could only afford a $41,000 house. In 1980 a detached house selling for under $41,000 in the metropolitan area was probably not safe, decent and sanitary. It is obvious then that families with incomes in the ranges proposed in this amended rule could not compete in the normal housing market.

TABLE 1

THE MONTHLY BOND BUYER INDEX FOR 20 YEAR REVENUE BONDS FROM 2/17/78 TO 3/20/81.

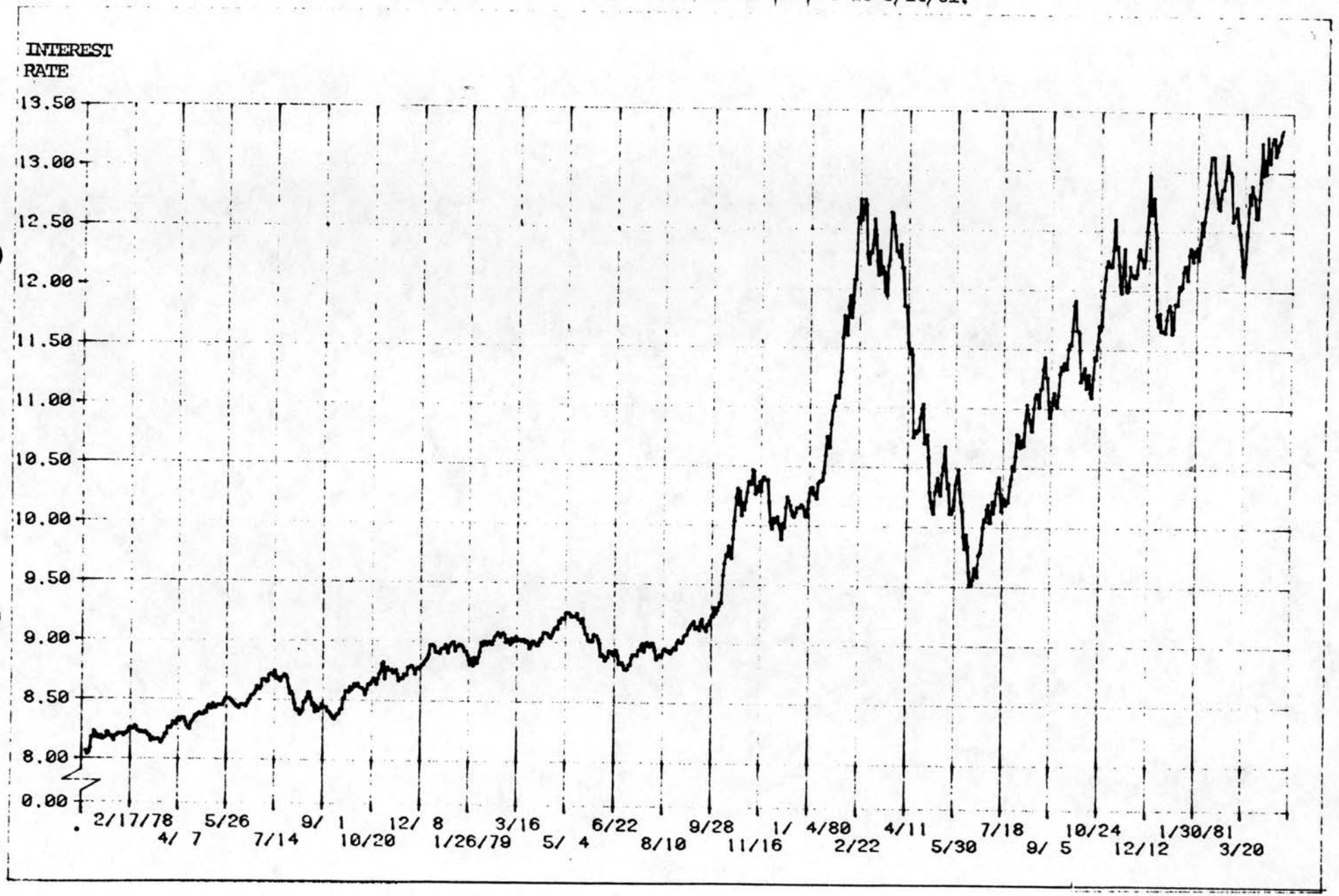


TABLE 2

THE WEEKLY BOND BUYER INDEX FOR 20 YEAR REVENUE BONDS FROM 10/10/80 TO 4/24/81.

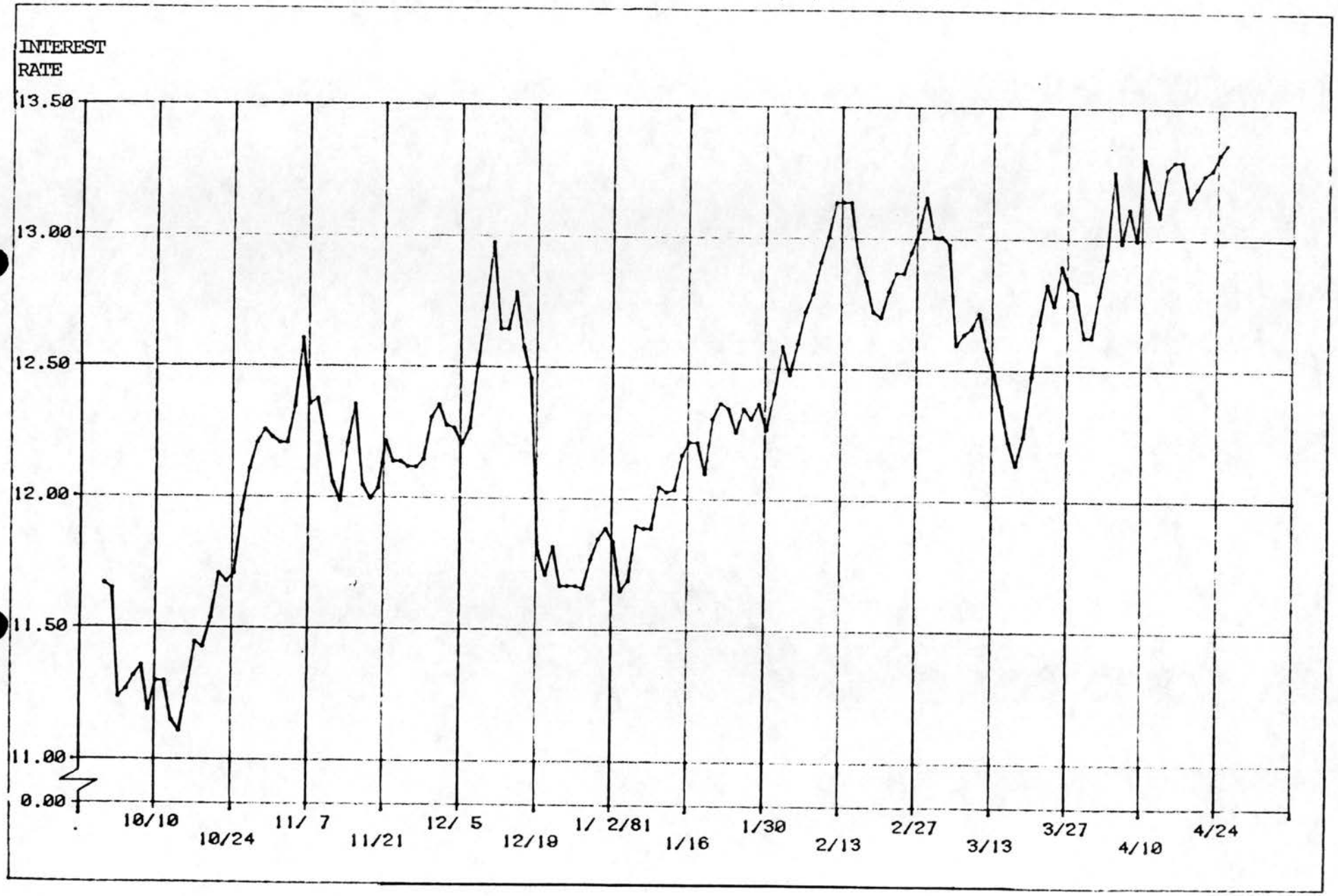


TABLE 3

MEDIAN HOUSE PRICES IN THE METROPOLITAN AREA FROM 1975 - 1982

1975	1976	1977	1978	1979	1980	1981	1982
$35,000	$38,000	$43,000	$51,000	$59,000	$63,000	$71,000	$79,000

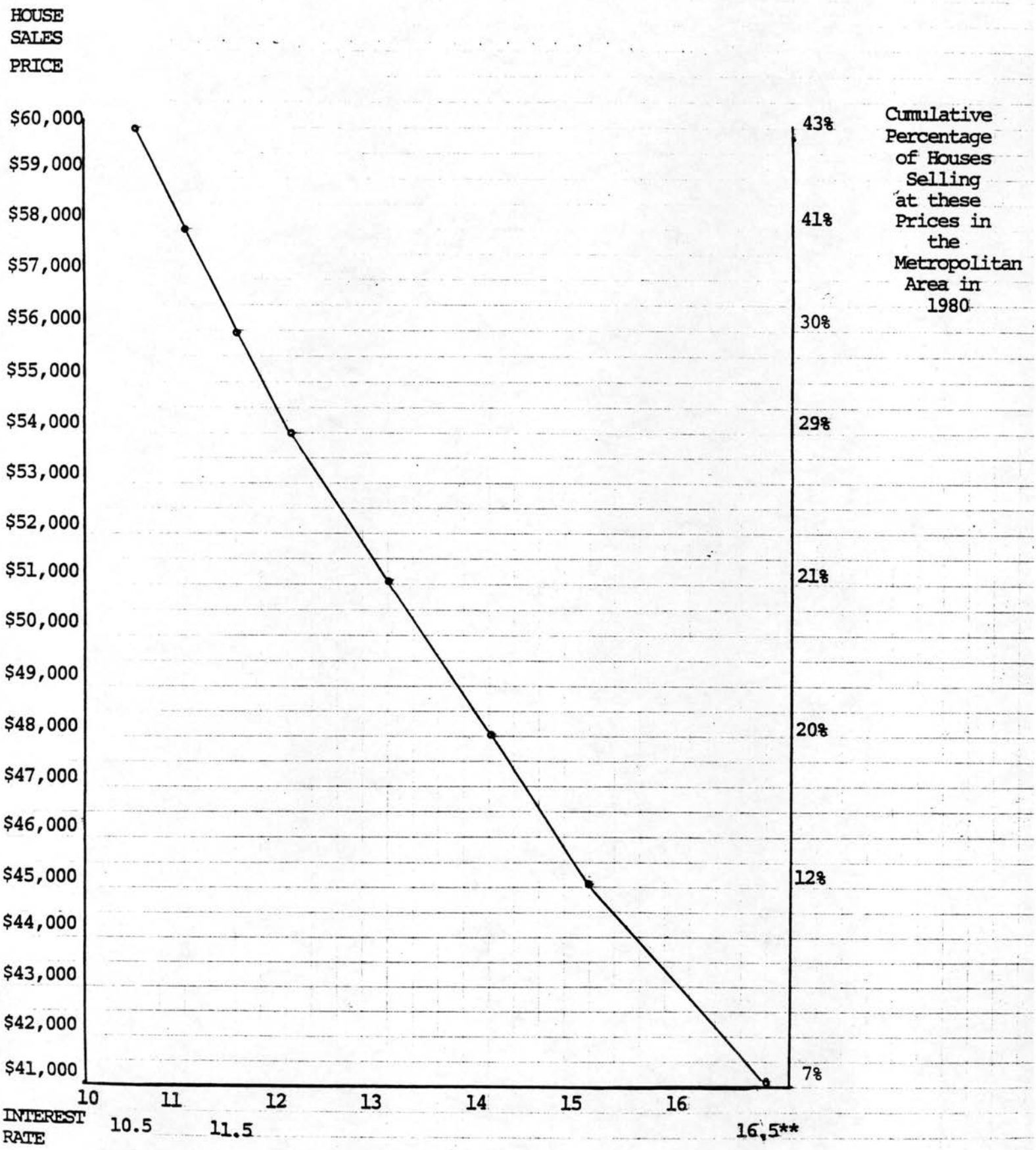
MEDIAN HOUSE PRICES IN THE NONMETROPOLITAN AREA FROM 1975 - 1982

1975	1976	1977	1978	1979	1980	1981	1982
$24,000	$28,000	$33,000	$37,000	$40,000	$41,000	$47,000	$53,000

NOTE: House prices for the years 1975 to 1980 are based on Certificates of Real Estate value filed with the Department of Revenue. House prices for the years 1981 to 1982 were projected using actual sales price data from 1980. A 12% rate of inflation was assumed. New distributions of sales prices were generated and then the median prices were calculated.

TABLE 4

The maximum house price a household with a $26,000 annual income could afford at various mortgage loan interest rates*

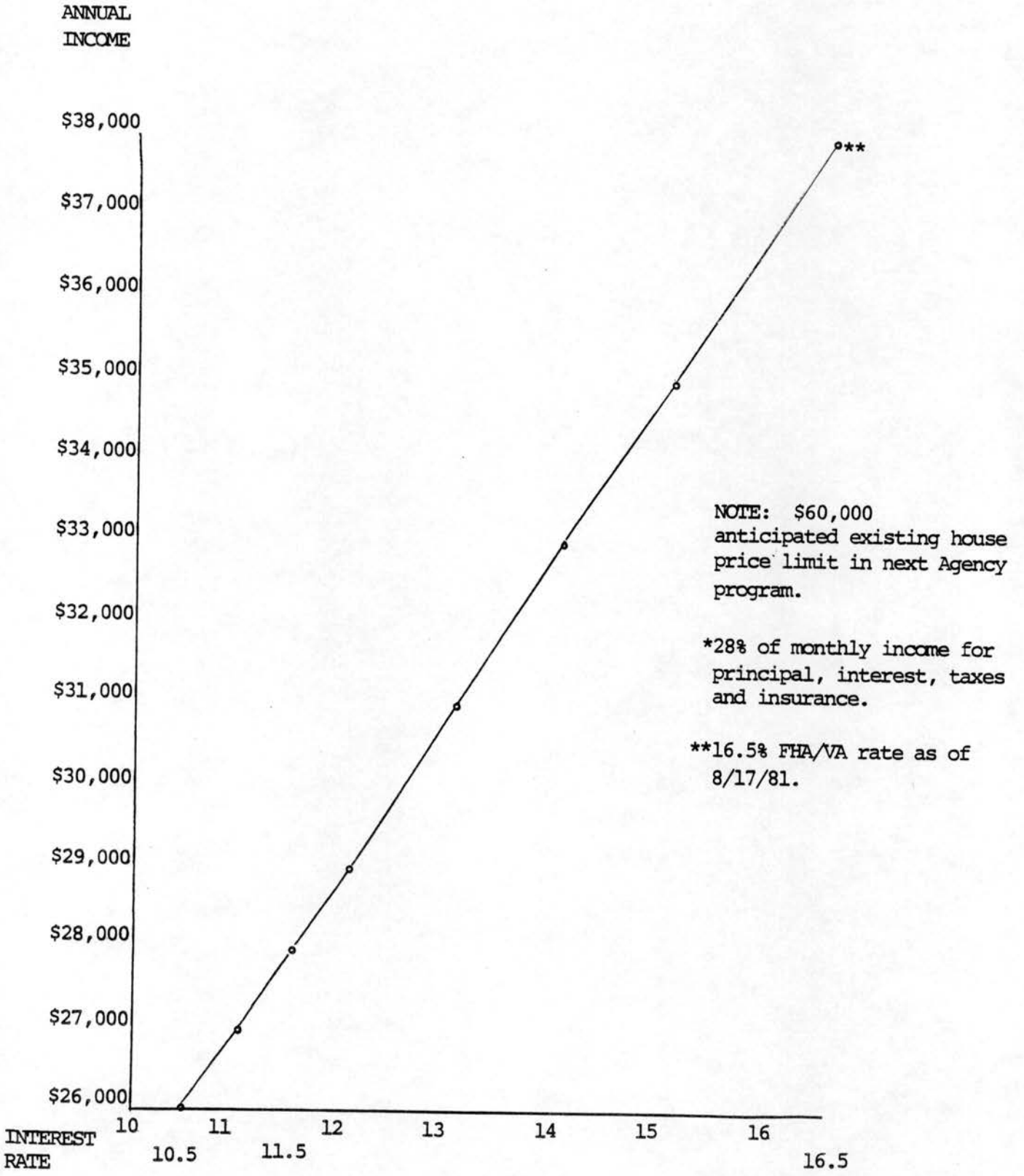


*28% monthly income for principal, interest, taxes and insurance.

**FHA/VA rates as of 8/17/81.

TABLE 5

Annual income required to purchase a $60,000 house at various interest rates*



NOTE: $60,000 anticipated existing house price limit in next Agency program.

*28% of monthly income for principal, interest, taxes and insurance.

**16.5% FHA/VA rate as of 8/17/81.

STATE OF MINNESOTA
DEPARTMENT OF VETERANS AFFAIRS
VETERANS SERVICE BUILDING
SAINT PAUL, MINN. 55155

OFFICE OF THE
COMMISSIONER
(612) 296-2783

REPLY TO: (612) 296-_____

September 15, 1981

Mr. Monte Aaker
Research Coordinator
Minnesota Housing Finance Agency
333 Sibley Street
St. Paul, MN 55101

Dear Mr. Aaker:

With regard to the proposed rules governing income limits for limited unit developments, I would like to suggest that the maximum adjusted income for downpayment assistance loans under the Vietnam Era Veterans Downpayment Assistance Program be included in this change.

Veterans' organizations and Veterans Service Officers have expressed enthusiastic endorsement for an increase in the income limits. The Minnesota Housing Finance Agency has indicated that it would not oppose a change, and in fact, expressed its support.

In light of the above, I propose the following regarding maximum adjusted income limits for the Vietnam Era Veterans Downpayment Assistance Program authorized by Minnesota Statutes 462A.05, Subdivision 19 (1980):

$22,000 for regions 1-10
$27,000 for region 11

Thank you for your consideration.

Yours truly,

Ronald J. Lavell
Deputy Commissioner

kk

AN EQUAL OPPORTUNITY EMPLOYER

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Amendment to and Adoption of Rules Governing Income Limits for Limited Unit Developments Without a Public Hearing

STATEMENT OF COMPLIANCE WITH RULEMAKING PROCEDURES

I, Special Assistant Attorney General, James E. Dinerstein do hereby declare that I have examined the rules and all related documents and that, based on my examination and my personal familiarity with the applicable procedures, the Administrative Procedure Act, the rules of the Office of Administrative Hearings, and the rules of the Attorney General have been followed. Any exception are noted below.

James E. Dinerstein
Special Assistant Attorney General

Dated: 9/25/81