

1 Minnesota Housing Finance Agency

2

3 Adopted Permanent Rules Relating to Mortgage Revenue Bonds for
4 the Purchase of New Housing

5

6 Rules as Adopted

7 4900.3300 SCOPE.

8 Parts 4900.3300 to 4900.3360 govern the financing of new
9 housing under the agency's mortgage revenue bond programs to
10 finance the purchase of single family housing.

11 4900.3310 DEFINITIONS.

12 Subpart 1. **Scope.** For the purposes of parts 4900.3300 to
13 4900.3360, the following terms have the meanings given them.

14 Subp. 2. **Agency.** "Agency" means the Minnesota Housing
15 Finance Agency.

16 Subp. 3. **City.** "City" means a city as defined in
17 Minnesota Statutes, section 462C.02, subdivision 6.

18 Subp. 4. **Existing housing.** "Existing housing" means
19 single family housing that either has been previously occupied
20 before the first day of the origination period or has been
21 available for occupancy for at least 12 months but has not been
22 previously occupied.

23 Subp. 5. **Metropolitan area.** "Metropolitan area" means the
24 Minneapolis-St. Paul Metropolitan Statistical Area as defined by
25 the United States Department of Commerce, Bureau of the Census,
26 or other area specified in Minnesota Statutes, section 474A.048,
27 subdivision 1.

28 Subp. 6. **Mortgage revenue bonds.** "Mortgage revenue bonds"
29 means tax exempt bonds issued by public entities payable from
30 revenues derived from repayment of principal and interest on
31 mortgage loans that were financed from the proceeds of the bonds.

32 Subp. 7. **New housing.** "New housing" means single family
33 housing that has not been previously occupied.

34 Subp. 8. **Origination period.** "Origination period" means
35 the period that loans financed with the proceeds of mortgage

1 revenue bonds are available for the purchase of single family
2 housing. The origination period begins when financing actually
3 becomes available to the borrowers for loans.

4 Subp. 9. Program. "Program" means a program under parts
5 4900.3320 to 4900.3360.

6 Subp. 10. Redevelopment area. "Redevelopment area" means
7 a compact and contiguous area within which the city finds by
8 resolution that 70 percent of the parcels in the area are
9 occupied buildings, streets, utilities, or other improvements
10 and more than 25 percent of the buildings, not including
11 outbuildings, are structurally substandard to a degree requiring
12 substantial renovation or clearance.

13 Subp. 11. Single family housing. "Single family housing"
14 means one to four family dwelling units eligible to be financed
15 from the proceeds of mortgage revenue bonds under federal law.

16 Subp. 12. Structurally substandard. "Structurally
17 substandard" means containing defects in structural elements or
18 a combination of deficiencies in essential utilities and
19 facilities, light, ventilation, fire protection including
20 adequate egress, layout and condition of interior partitions, or
21 similar factors. The defects or deficiencies must be of
22 sufficient total significance to justify substantial renovation
23 or clearance.

24 4900.3320 LIMITATIONS ON NEW CONSTRUCTION; METROPOLITAN AREA.

25 During the first ten months of an origination period, the
26 agency may not make mortgage loans for the purchase of new
27 housing in the metropolitan area unless one of the conditions in
28 items A to C is met.

29 A. The new housing is located in a redevelopment area
30 and is replacing a structurally substandard structure or
31 structures.

32 B. The new housing is located on a parcel purchased
33 by a city or conveyed to a city under Minnesota Statutes,
34 section 282.01, subdivision 1.

35 C. The new housing is part of a housing affordability

1 initiative, other than those financed with the proceeds from the
2 sale of mortgage revenue bonds, in which federal, state, or
3 local assistance is used to substantially improve the terms of
4 financing or to substantially write down the purchase price of
5 the new housing. A housing affordability initiative must meet
6 one or more of the criteria in subitems (1) to (5).

7 (1) The program is accepted or designated under
8 the United States Department of Housing and Urban Development
9 (HUD) Affordable Housing Program or any successor program
10 sponsored by HUD to encourage affordable new housing.

11 (2) The program provides that financial resources
12 other than those necessary to complete the mortgage revenue bond
13 sale are applied to reduce the cost of the housing or improve
14 the terms of the mortgage loans provided through the sale. A
15 contribution greater than or equal to five percent of the
16 purchase price of each newly constructed home to be financed
17 with mortgage revenue bond proceeds must be provided to meet
18 this criterion. The contribution may be provided either in
19 whole or in part from federal, state, or local government
20 resources or programs, private foundations, or the Federal
21 Housing Finance Board.

22 (3) The program provides that the applicable
23 local government authority in the jurisdiction in which the new
24 housing is to be constructed takes affirmative steps to relax
25 regulation to result in greater housing affordability. The
26 steps must demonstrably reduce the cost of the housing by at
27 least five percent.

28 (4) The program supports the efforts of housing
29 groups that support self-help or owner built housing initiatives
30 in which at least 15 percent of the labor or materials or both
31 needed to complete the new housing is acquired or donated
32 through the efforts of such groups.

33 (5) The program provides that the new housing is
34 constructed by a nonprofit entity as defined in part 4900.0010,
35 subpart 21, that has as a primary purpose the provision or
36 development of affordable housing to low and moderate income

1 homebuyers.

2 4900.3330 LIMITATIONS ON NEW CONSTRUCTION; OUTSIDE METROPOLITAN
3 AREA.

4 During the first ten months of an origination period, the
5 agency may make mortgage loans for the purchase of existing
6 housing or new housing in areas outside the metropolitan area.
7 If mortgage loans are provided for new housing outside the
8 metropolitan area during the first ten months of an origination
9 period, the agency must determine that a need for new housing
10 exists either in the entire area or in specific counties,
11 cities, or other geographic areas by reviewing pertinent data
12 including, but not limited to, economic development and
13 employment growth trends, housing starts, and mortgage activity
14 and interest rates. If mortgage loans for new housing are to be
15 provided, the house price limits for the housing may not be more
16 than \$10,000 higher than the house price limits for existing
17 housing regardless of the variance that may be allowed in
18 federal law pertaining to mortgage revenue bonds. The agency
19 may also provide mortgage loans for new housing outside the
20 metropolitan area under the conditions in part 4900.3320 without
21 regard to the preceding conditions in this part.

22 4900.3340 BUILDER SET ASIDE LIMITATIONS.

23 The agency may not make available, provide set asides, or
24 commit to make available proceeds of mortgage revenue bonds for
25 the exclusive use of builders or developers for loans to
26 eligible purchasers of new housing except as provided in parts
27 4900.3320 and 4900.3330.

28 4900.3350 OTHER PROPERTY REQUIREMENTS.

29 The agency may make mortgage loans to finance the purchase
30 of existing housing either inside or outside the metropolitan
31 area immediately upon commencement of the origination period.
32 After the first ten months of the origination period, the agency
33 may make mortgage loans to finance the purchase of existing
34 homes and new homes without regard to the restrictions contained

1 in parts 4900.3320 and 4900.3330.

2 4900.3360 REPORTING.

3 The agency shall report to the chairs of the appropriate
4 housing-related standing committees or divisions of the state
5 senate and house of representatives by January 1 of each year
6 detailing new housing activity financed with the proceeds of
7 mortgage revenue bonds, including a description of affordable
8 housing initiatives, the number of loans, the average purchase
9 price of homes financed, and steps taken to encourage loan
10 activity as required in parts 4900.3320 and 4900.3330.