

1 Housing Finance Agency

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3 Adopted Permanent Rules Relating to Single Family Mortgage

4 Revenue Bond Authority

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6 Rules as Adopted

7 4900.3200 SCOPE.

8 Parts 4900.3200 to 4900.3290 govern the allocation from the
9 housing pool for single family housing programs submitted by
10 cities to the agency as authorized by Minnesota Statutes,
11 section 474A.061, subdivision 2a.

12 4900.3210 DEFINITIONS.

13 Subpart 1. Scope. For the purposes of parts 4900.3200 to
14 4900.3290 the following terms have the meanings given them.

15 Subp. 2. Agency. "Agency" means the Minnesota Housing
16 Finance Agency.

17 Subp. 3. Applicant. "Applicant" means a city applying for
18 mortgage revenue bond authority under parts 4900.3200 to
19 4900.3290.

20 Subp. 4. Application. "Application" means a submittal
21 requesting mortgage revenue bond authority according to parts
22 4900.3200 to 4900.3290 as described in part 4900.3230.

23 Subp. 5. City. "City" means a city as defined in
24 Minnesota Statutes, section 462C.02, subdivision 6.

25 Subp. 6. Existing housing. "Existing housing" means
26 single family housing that either has been previously occupied
27 before the first day of the origination period or has been
28 available for occupancy for at least 12 months but has not been
29 previously occupied.

30 Subp. 7. Housing pool. "Housing pool" means the pool into
31 which the amount of the annual volume cap allocated to housing
32 pursuant to Minnesota Statutes, section 474A.03, subdivision 1,
33 is deposited.

34 Subp. 8. Metropolitan area. "Metropolitan area" means the
35 Minneapolis-St. Paul Metropolitan Statistical Area as defined by

1 the United States Department of Commerce, Bureau of the Census.

2 Subp. 9. **Mortgage revenue bonds.** "Mortgage revenue bonds"
3 means tax exempt bonds issued by public entities payable from
4 revenues derived from repayment of principal and interest on
5 mortgage loans that were financed from the proceeds of the bonds.

6 Subp. 10. **New construction, newly constructed housing, or**
7 **new housing.** "New construction," "newly constructed housing,"
8 or "new housing" means single family housing that has not been
9 previously occupied.

10 Subp. 11. **Origination period.** "Origination period" means
11 the period that loans financed with the proceeds of mortgage
12 revenue bonds are available for the purchase of single family
13 housing. The origination period begins when financing actually
14 becomes available to the borrowers for loans.

15 Subp. 12. **Program.** "Program" means program under part
16 4900.3220, subparts 1 to 7.

17 Subp. 13. **Recycling.** "Recycling" means the use of money
18 generated from the repayment and prepayment of loans for further
19 eligible loans or for the redemption of bonds and the issuance
20 of current refunding bonds.

21 Subp. 14. **Redevelopment area.** "Redevelopment area" means a
22 compact and contiguous area within which the city finds by
23 resolution that 70 percent of the parcels in the area are
24 occupied buildings, streets, utilities, or other improvements
25 and more than 25 percent of the buildings, not including out
26 buildings, are structurally substandard to a degree requiring
27 substantial renovation or clearance.

28 Subp. 15. **Single family housing.** "Single family housing"
29 means one to four family dwelling units eligible to be financed
30 from the proceeds of mortgage revenue bonds under federal law.

31 Subp. 16. **Structurally substandard.** "Structurally
32 substandard" means containing defects in structural elements or
33 a combination of deficiencies in essential utilities and
34 facilities, light, ventilation, fire protection including
35 adequate egress, layout and condition of interior partitions, or
36 similar factors. The defects or deficiencies must be of

1 sufficient total significance to justify substantial renovation
2 or clearance.

3 4900.3220 ELIGIBLE PROGRAMS.

4 Subpart 1. **General program eligibility.** All applications
5 for single family housing programs under Minnesota Statutes,
6 section 474A.061, subdivision 2a, must be made by a city and
7 must meet the requirements of this part.

8 Subp. 2. **Borrower income limits.** The adjusted income of
9 borrowers receiving mortgage loans under eligible programs may
10 not exceed the agency's income limits as determined under
11 applicable administrative rule except as provided in this
12 subpart. For purposes of this subpart, adjusted income is as
13 defined in part 4900.0010, subpart 3.

14 In the metropolitan area, adjusted incomes of borrowers
15 receiving mortgage loans under eligible programs may not exceed
16 the greater of the agency's income limits or 80 percent of the
17 area median income as published by the United States Department
18 of Housing and Urban Development from time to time.

19 If the agency's income limits are lowered during the
20 origination period, cities may use the income limits in effect
21 at the time the bonds were issued for the duration of the
22 origination period. If the agency's income limits are raised
23 during the origination period, cities may use the higher income
24 limits for the duration of the origination period.

25 Subp. 3. **House price limits.** House price limits for homes
26 that are security for mortgages under eligible programs may not
27 exceed the greater of agency house price limits or 90 percent of
28 the median purchase price in the city for which the bonds are to
29 be sold up to a maximum of 80 percent of the safe harbor limits
30 for existing housing provided under section 143(e) of the
31 Internal Revenue Code of 1986, as amended through December 31,
32 1989, except that house price limits may be 80 percent of the
33 safe harbor limitation for existing housing if a subsidy is used
34 to reduce the effective purchase price of the property to the
35 above levels.

1 If the agency's house price limits are lowered during the
2 origination period, cities may use the house price limits in
3 effect at the time the bonds were issued for the duration of the
4 origination period. If the agency's house price limits are
5 raised during the origination period, cities may use the higher
6 house price limits for the duration of the origination period.

7 Cities requesting house price limits higher than the
8 agency's house price limits must include data establishing the
9 median purchase price in the city in the application. The data
10 may be provided in the form of an independent study conducted by
11 the city which reflects at least six months of real estate
12 activity pertaining to closed house sales within the city during
13 the previous 12-month period. Data may be accumulated from
14 multiple listing services, appraisers or real estate agents,
15 filings pertaining to closed real estate sales, records from the
16 county auditor pertaining to real estate sales, or other sources
17 that are demonstrated to provide accurate data pertaining to
18 city real estate activity.

19 Subp. 4. Limits on new construction in metropolitan area.
20 During the first ten months of an origination period, the agency
21 or cities may not make mortgage loans for the purchase of newly
22 constructed housing in the metropolitan area unless one of the
23 following conditions is met:

24 A. The newly constructed housing is located in a
25 redevelopment area and is replacing a structurally substandard
26 structure or structures.

27 B. The new housing is located on a parcel purchased
28 by the city or conveyed to the city under Minnesota Statutes,
29 section 282.01, subdivision 1.

30 C. The new housing is part of a housing affordability
31 initiative, other than those financed with the proceeds from the
32 sale of mortgage revenue bonds, in which federal, state, or
33 local assistance is used to substantially improve the terms of
34 financing or to substantially write down the purchase price of
35 the new housing. A housing affordability initiative must meet
36 one or more of the following criteria:

1 (1) The new construction program is accepted or
2 designated under The United States Department of Housing and
3 Urban Development (HUD) Affordable Housing Program or any
4 successor program sponsored by HUD to encourage affordable,
5 newly constructed housing.

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

17 (3) The program provides that the applicable
18 local government authority in the jurisdiction in which the
19 houses are to be constructed takes affirmative steps to relax
20 regulation to result in greater housing affordability. The
21 steps must demonstrably reduce the cost of the housing by at
22 least five percent.

23 (4) The program supports the efforts of housing
24 groups that support self-help or owner built housing initiatives
25 in which at least 15 percent of the labor or materials or both
26 needed to complete the construction of each house is acquired or
27 donated through the efforts of such groups.

28 (5) The program provides that the housing is
29 constructed by a nonprofit entity as defined in part 4900.0010,
30 subpart 21, that has a primary purpose the provision or
31 development of affordable housing to low and moderate income
32 homebuyers.

33 Subp. 5. Limits on new construction outside metropolitan
34 area. During the first ten months of an origination period, the
35 agency or cities may make mortgage loans for the purchase of
36 existing housing or newly constructed housing in areas outside

1 the metropolitan area. A city must include in its application a
2 description, if applicable, of the steps it will initiate in
3 nonmetropolitan areas to encourage loans for existing housing as
4 opposed to new housing. The steps may include, but are not
5 limited to, the conditions in subpart 4.

6 Subp. 6. **Builder set aside limits.** The agency or cities
7 may not make available, provide set asides, or commit to make
8 available proceeds of mortgage revenue bonds for the exclusive
9 use of builders or developers for loans to eligible purchasers
10 of new housing except as provided in subparts 4 and 5.

11 Subp. 7. **Other property requirements.** The agency or
12 cities may make mortgage loans to finance the purchase of
13 existing housing both in and outside the metropolitan area
14 immediately upon commencement of the origination period. After
15 the first ten months of the origination period, the agency or
16 cities may make mortgage loans to finance the purchase of
17 existing homes and new construction without regard to the
18 restrictions contained in subparts 4 and 5.

19 Subp. 8. **Reporting.** The agency and any city that provides
20 funds for new housing financed with the proceeds of mortgage
21 revenue bonds shall report to the chairs of the appropriate
22 housing related standing committees or divisions of the state
23 senate and house of representatives by January 1 of each year
24 detailing new housing activity financed with the proceeds of
25 mortgage revenue bonds, including a description of affordable
26 housing initiatives, the number of loans, the average purchase
27 price of homes financed, and steps taken to encourage loan
28 activity as required in subpart 5.

29 4900.3230 APPLICATION FOR MORTGAGE REVENUE BOND AUTHORITY.

30 Subpart 1. **General.** Cities may apply to the agency for
31 mortgage revenue bond authority from the housing pool as
32 established under Minnesota Statutes, chapter 474A, as provided
33 in subparts 2 and 3. Upon application and selection for
34 mortgage revenue bond authority, cities may elect to either
35 issue mortgage revenue bonds for eligible programs on their own

1 behalf or through joint powers agreements, or have the agency
2 issue bonds on their behalf.

3 Subp. 2. **Application period.** In the event that bonding
4 authority is available in the housing pool on the dates
5 prescribed, cities may submit applications to the agency for
6 single family mortgage revenue bond authority for eligible
7 programs after April 1 and until April 15, and after July 1 and
8 until July 15, of each year.

9 Subp. 3. **Application requirements.** Cities that wish to
10 apply for single family mortgage revenue bond authority may do
11 so by providing the information described in this subpart. The
12 agency may develop a form and format by which the information
13 may be provided, but also will accept submittals from cities
14 that do not meet the agency developed form and format and meet
15 the requirements of this subpart.

16 A. The city may submit a housing plan as described in
17 Minnesota Statutes, section 462C.03, subdivisions 1 and 1a, or
18 may submit an application on a form developed by the agency
19 which describes the program and demonstrates that the program
20 meets a locally identified housing need and is economically
21 viable.

22 B. The city must provide information which clearly
23 establishes that the program to be funded with mortgage revenue
24 bonds meets the requirements of part 4900.3220, subparts 2 to 7.

25 C. The city must request a specific allocation from
26 the housing pool which may not exceed the lesser of \$4,000,000
27 or 20 percent of the total amount available for allocation after
28 the first Monday in April. The minimum allocation that may be
29 requested shall be \$250,000.

30 D. The city must describe, if applicable, the steps
31 it will initiate in nonmetropolitan areas to encourage loans for
32 existing housing before new housing under the conditions in part
33 4900.3220, subpart 5.

34 E. The city must submit an application deposit equal
35 to one percent of the requested allocation from the housing pool.

1 4900.3250 APPLICANT SELECTION.

2 Subpart 1. **Negotiations of allocation.** Within a
3 reasonable period after the application periods specified in
4 part 4900.3230, subpart 2, but in no circumstances later than 30
5 days after the end of an application period, the agency shall
6 convene a meeting to allocate the available funds from the
7 housing pool. Before the meeting, applicants shall designate
8 their representatives to the meeting in writing to the agency.
9 At the meeting, the agency and a representative for each
10 applicant shall negotiate the terms of an agreement regarding
11 the available bonding authority among the applicants. The
12 agreement must allot available bonding authority among the
13 applicants. At the meeting, the agency and a representative for
14 each applicant may discuss matters pertaining to the terms under
15 which the agency would issue bonds on behalf of cities.

16 Subp. 2. **Notification to finance commissioner.** Upon the
17 establishment of an agreement with cities, the agency shall
18 forward to the commissioner of finance the amounts allotted to
19 each applicant under the agreement. The agency shall also
20 forward the application fee. A copy of the agreement forwarded
21 to the commissioner of finance shall be sent to each applicant.

22 Subp. 3. **Designation of issuance.** Upon the establishment
23 of the agreement in subpart 1, the city must designate within 15
24 days of the date of the agreement whether it plans to issue
25 mortgage revenue bonds on its own behalf or through a joint
26 powers agreement, or whether it plans to ask the agency to issue
27 mortgage revenue bonds on its behalf. If the city does not
28 choose to have the agency issue bonds on its behalf, it shall
29 proceed according to part 4900.3290. If the city plans to have
30 the agency issue bonds on its behalf, it shall proceed according
31 to part 4900.3270.

32 4900.3270 AGENCY ISSUANCE ON BEHALF OF CITIES.

33 Subpart 1. **Agency bond issuance.** The agency may issue
34 bonds on behalf of participating cities pursuant to part
35 4900.3250, subpart 3. The agency shall request an allocation

1 from the commissioner of finance for all cities who choose to
2 have the agency issue bonds on their behalf and the commissioner
3 shall allocate the requested amount to the agency. The agency
4 may request an allocation at any time between the first Monday
5 in April and the last Monday in August, but may request an
6 allocation no later than the last Monday in August.

7 Subp. 2. **Program administration.** The agency may develop
8 agreements which govern administrative procedures pertaining to
9 programs funded with mortgage revenue bonds sold on behalf of
10 cities. The agreements may govern matters including, but not
11 limited to, local lender participation, mortgage servicing and
12 servicers, mortgage processing and underwriting, and the period
13 of time that funds may remain exclusively available to
14 participating cities. In developing the agreements, the agency
15 shall attempt to facilitate city programs while prudently
16 addressing agency credit risk.

17 Subp. 3. **Homeownership assistance fund.** The agency may
18 make the homeownership assistance fund as described in parts
19 4900.1300 to 4900.1390 available to cities participating under
20 this part.

21 Subp. 4. **Application deposit refund.** Any application
22 deposits returned to the agency pursuant to Minnesota Statutes,
23 section 474A.061, subdivision 4, or 474A.131, subdivision 1,
24 shall be forwarded by the agency to the appropriate city.

25 4900.3290 CITY ISSUANCE ON ITS OWN BEHALF.

26 Subpart 1. **City bond issuance.** A city may choose to issue
27 bonds on its own behalf or through a joint powers agreement and
28 may request an allocation from the commissioner of finance. If
29 the total amount requested by all applicants exceeds the amount
30 available in the housing pool, the city may not receive a
31 greater amount than it would have received under the agreement
32 forwarded by the agency to the commissioner. No city may
33 request or receive an allocation under this subpart until the
34 agreement under part 4900.3250, subpart 1, has been forwarded to
35 the commissioner. Between the first Monday in April and the

1 last Monday in August, no city may receive an allocation from
2 the housing pool which has not first applied to the agency. The
3 commissioner of finance shall allocate the requested amount to
4 the city or cities subject to the limits under this subpart.

5 Subp. 2. **Recycling.** If a city issues mortgage revenue
6 bonds from an allocation under this part, the issuer must
7 provide for the recycling of funds into new loans. If the
8 issuer is not able to provide for recycling, the issuer must
9 notify the commissioner of finance in writing of the reason that
10 recycling was not possible and the reason the issuer elected not
11 to have the agency issue the bonds.