

CHAPTER 462A

HOUSING FINANCE AGENCY LAW OF 1971

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462A.01 CITATION. Sections 462A.01 to 462A.24 shall be known as and may be cited as the "Minnesota housing finance agency law of 1971."

[1971 c 702 s 1]

462A.02 POLICY. Subdivision 1. It is hereby found and declared that as a result of public actions involving highways, public facilities and urban renewal activities, and as a result of the spread of deteriorated housing and blight to formerly sound urban and rural neighborhoods, and as a result of the inability of private enterprise and investment to produce without public assistance a sufficient supply of decent, safe and sanitary residential dwellings at prices and rentals which persons and families of low and moderate income can afford, there exists within the state of Minnesota a serious shortage of decent, safe and sanitary housing at prices or rentals within the means of persons and families of low and moderate income.

Subd. 2. It is further declared that this shortage of housing for low and moderate income families is inimical to the safety, health, morals and welfare of the residents of the state and to the sound growth and development of its communities. An adequate supply of housing of a variety of housing types serving persons and families of all income levels and properly planned and related to public transportation, public facilities, public utilities and sources of employment and service is essential to the orderly growth and prosperity of the state and its communities. Present patterns of providing housing unduly limit the housing options for many people in the state's urban centers, smaller communities and non-metropolitan areas.

Subd. 3. It is further declared that continuing present patterns of providing housing in the state will limit the ability of the private building industry and the investment industry to produce, without assistance, the needed construction of sanitary, decent and safe residential dwellings at prices or rentals which persons and families of low and moderate income can afford, and will result in a failure to provide sufficient long term mortgage financing for housing for low and moderate income families.

Subd. 4. It is further declared that housing assistance programs provided by the federal government are inadequate both in the amount of housing given assistance and the number of dollars available for assistance and that it will not be possible to meet the housing needs of low and moderate income families in Minnesota without state action to supplement federal programs. The legislature also finds that the provision of additional federal resources to assist in the reduction of housing costs for low and moderate income families is dependent upon the state of Minnesota providing administrative capability and a state housing finance program to add to and more effectively utilize federal funds. It is further declared that the provision of an adequate supply of housing for low and moderate income families has been greatly restricted by the rapidly increasing costs of financing housing and that providing an adequate supply of housing to meet the needs of low and moderate income families will not be possible until and unless the

cost of mortgage financing for housing for low and moderate income families is reduced by state action.

Subd. 5. It is further declared that in establishing a Minnesota housing finance agency, the legislature is acting in all respects for the benefit of the people of the state of Minnesota to serve a public purpose in improving and otherwise promoting their health, welfare and prosperity and that the Minnesota housing finance agency, as created and established, is empowered to act on the behalf of the people of the state of Minnesota in serving this public purpose for the benefit of the general public.

Subd. 6. It is further declared that it is a valid public purpose to construct housing for low and moderate income families who would otherwise be unable to obtain adequate housing at prices or rentals they could afford and to assist in the elimination of substandard housing conditions and to prevent the recurrence of such conditions by housing persons of varied economic means and a wide range of incomes in the same developments and neighborhoods properly planned and related to public facilities and sources of employment and services and to provide the necessary powers to accomplish these public purposes.

[1971 c 702 s 2]

462A.03 DEFINITIONS. Subdivision 1. For the purpose of sections 462A.01 to 462A.24 the terms defined in this section have the meanings ascribed to them.

Subd. 2. "Development costs" means the costs approved by the agency as appropriate expenditures which may be incurred by sponsors of land development for residential housing or residential housing, within this state, prior to commitment and initial advance of the proceeds of a federally insured construction loan, or federally insured mortgage, and for which temporary loans from the housing development fund may be made by the agency subject to the provisions of section 462A.05, subdivision 2, including but not limited to:

(a) Payments for options to purchase properties on the proposed residential housing site, deposits on contracts of purchase, or, with prior approval of the housing development fund, payments for the purchase of such properties;

(b) Legal and organizational expenses, including payments of attorneys' fees, project manager and clerical staff salaries, office rent and other incidental expenses;

(c) Payment of fees for preliminary feasibility studies, advances for planning, engineering and architectural work;

(d) Expenses for tenant surveys and market analyses; and

(e) Necessary application and other fees.

Subd. 3. "Federally insured construction loan" means a construction loan for residential housing which is insured by the United States or an instrumentality thereof, or by a commitment by the United States or an instrumentality thereof to insure such a loan or to make mortgage insurance available for a residential housing project upon the completion thereof in accordance with federal law and regulations.

Subd. 4. "Federally insured mortgage" means a mortgage loan for residential housing insured or guaranteed by the United States or an instrumentality thereof, or by a commitment by the United States or an instrumentality thereof to insure such a mortgage.

Subd. 5. "Federally insured security" means an evidence of indebtedness insured or guaranteed as to repayment of principal and interest by the United States or an instrumentality thereof.

Subd. 6. "Agency" means the Minnesota housing finance agency created by sections 462A.01 to 462A.24.

Subd. 7. "Residential housing" means a specific work or improvement within this state undertaken primarily to provide dwelling accommodations, including land development and the acquisition, construction or rehabilitation of buildings and improvements thereto, for residential housing, and such other nonhousing facilities as may be incidental or appurtenant thereto.

Subd. 8. "Land development" means the process of acquiring land for residential housing construction, and of making, installing, or constructing nonresidential housing improvements, including waterlines and water supply installations, sewer lines and sewage disposal installations, steam, gas and electric lines and installations, roads, streets, curbs, gutters, sidewalks, whether on or off the

site, which the agency deems necessary or desirable to prepare such land for residential housing construction within this state.

Subd. 9. "Loan fund," and "bond fund," and "housing development fund," mean the funds which may be created and established in accordance with sections 462A.20, 462A.22 and 462A.23, respectively.

Subd. 10. "Persons and families of low and moderate income" means persons and families, irrespective of race, creed, national origin or sex, determined by the agency to require such assistance as is made available by sections 462A.01 to 462A.24 on account of personal or family income not sufficient to afford adequate housing, and to be eligible or potentially eligible to occupy residential housing constructed and financed, wholly or in part, with federally insured construction loans, federally insured mortgages, federally insured securities, or with other public or private assistance, and in making such determination the agency shall take into account the following: (a) The amount of the total income of such persons and families available for housing needs, (b) the size of the family, (c) the cost and condition of housing facilities available, (d) 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. In the case of federally insured mortgages with respect to which income limits have been established by any agency of the federal government having jurisdiction thereover for the purpose of defining eligibility of low and moderate income families, the limits so established shall govern under the provision of sections 462A.01 to 462A.24. In all other cases income limits for the purpose of defining low or moderate income persons shall be established by the agency in its rules.

[1971 c 702 s 3]

462A.04 HOUSING FINANCE AGENCY. Subdivision 1. There is created a public body corporate and politic to be known as the "Minnesota Housing Finance Agency." The agency shall consist of the state planning director, state auditor, and three public members appointed by the governor with advice and consent of the senate for terms of four years commencing on the dates their predecessors' terms expire; provided, that the first three public members appointed by the governor shall serve terms of two, three and four years expiring on January 1, 1973, 1974, and 1975, respectively. Each member shall hold office until his successor has been appointed and has qualified. A certificate of appointment or reappointment of any member shall be conclusive evidence of the due and proper appointment of the member.

Subd. 2. In case of any vacancy such vacancy shall be filled by appointment by the governor for the unexpired term.

Subd. 3. The governor after due notice and hearing, may remove any public member whom he may appoint in case of incompetence, neglect of duty, gross immorality, or malfeasance in office; and he may declare his office vacant and may appoint a person for such vacancy as provided in other cases of vacancy.

Subd. 4. The chairman of the board of directors shall be designated by the governor from among the public members appointed. The vice chairman of the board shall be the state planning director.

Subd. 5. The members, including the chairman and vice chairman shall receive no compensation for their services but shall be entitled to their reasonable and necessary expenses actually incurred in discharging their duties under this article.

Subd. 6. The management and control of the agency shall be vested solely in the members in accordance with the provisions of sections 462A.01 to 462A.24.

Subd. 7. The powers of the agency shall be vested in the members thereof in office from time to time and a majority of the members of the agency constitutes a quorum for the purpose of conducting its business and exercising its powers and for all other purposes, notwithstanding the existence of any vacancies. Action may be taken by the agency upon a vote of a majority of the members present.

Subd. 8. The agency shall employ an executive director, legal and technical experts and such other officers, agents and employees, permanent and temporary, as it may require, and shall determine their qualifications, duties and compensation. The agency may delegate to one or more of its agents or employees such powers or duties as it might deem proper. All permanent employees of the agency, except the executive director, are in the classified service of the state.

Subd. 9. The members and officers of the agency shall not be liable personally, either jointly or severally, for any debt or obligation created or incurred by the agency.

[1971 c 702 s 4]

462A.05 SPECIFIC POWERS OF THE AGENCY. Subdivision 1. The agency shall have the specific powers and duties set forth in this section.

Subd. 2. It may make or participate in the making of federally insured construction loans to sponsors of residential housing for occupancy by persons or families of low and moderate income. Such loans shall be made only upon determination by the agency that construction loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions.

Subd. 3. It may make or participate in the making and enter into commitments for the making of long term federally insured mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income, or to persons and families of low and moderate income who may purchase such residential housing. Such loans shall be made only upon determination by the agency that long term mortgage loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions.

Subd. 4. It may purchase and enter into commitments for the purchase of federally insured securities provided that the agency shall first determine that the proceeds of such securities will be utilized for the purpose of residential housing for occupancy by persons or families of low and moderate income.

Subd. 5. It may make temporary loans to "nonprofit" sponsors as defined by the agency, with or without interest, and with such security for repayment, if any, as the agency determines reasonably necessary and practicable, solely from the housing development fund, in accordance with the provisions of section 462A.21, to defray development costs to sponsors of residential housing construction for occupancy by persons and families of low and moderate income which development costs are eligible or potentially eligible for federally insured construction loans, or federally insured mortgages. Provided that no temporary loans shall be made to limited dividend corporations.

Subd. 6. It may accept appropriations, gifts, grants, bequests and devises, and utilize or dispose of the same to carry out its corporate purpose.

Subd. 7. It may make and execute contracts, releases, compromises, compositions and other instruments necessary or convenient for the exercise of its powers, or to carry out its corporate purpose.

Subd. 8. It may collect reasonable interest, fees, and charges in connection with making and servicing its loans, notes, bonds, obligations, commitments and other evidences of indebtedness, and in connection with providing technical, consultative and project assistance services. Such interest, fees and charges shall be limited to the amounts required to pay the costs of the agency, including operating and administrative expenses, and reasonable allowances for losses which may be incurred.

Subd. 9. It may invest any funds not required for immediate disbursement in direct obligations of the United States government or in obligations the principal of which and interest on which are guaranteed by the United States government or an agency thereof, subject to the provisions of section 462A.23.

Subd. 10. It may sell federally insured mortgages or securities to the federal national mortgage association or another instrumentality of the United States, and may invest in stock of such instrumentality to the extent, if any, required as a condition of such sale.

[1971 c 702 s 5]

462A.06 GENERAL POWERS OF THE AGENCY. Subdivision 1. For the purpose of exercising the specific powers granted in section 462A.05 and effectuating the other purposes of sections 462A.01 to 462A.24, the agency shall have the general powers granted in this section.

Subd. 2. It may sue and be sued.

Subd. 3. It may have a seal and alter the same at will.

Subd. 4. It may make, and from time to time, amend and repeal rules and regulations not inconsistent with the provisions of this article.

Subd. 5. It may acquire, hold and dispose of personal property for its corporate purposes.

Subd. 6. It may enter into agreements or other transactions with any federal or state agency, any person and any domestic or foreign partnership, corporation, association or organization.

Subd. 7. It may acquire real property, or an interest therein, in its own name, by purchase or foreclosure, where such acquisition is necessary or appropriate to protect any loan in which the agency has an interest and may sell, transfer and convey any such property to a buyer and, in the event such sale, transfer or conveyance cannot be effected with reasonable promptness or at a reasonable price, may lease such property to a tenant.

Subd. 8. It may sell, at public or private sale, any note, mortgage or other instrument or obligation evidencing or securing a loan.

Subd. 9. It may procure insurance against any loss in connection with its property in such amounts, and from such insurers, as may be necessary or desirable.

Subd. 10. It may consent, whenever it deems it necessary or desirable in the fulfillment of its corporate purpose, to the modification of the rate of interest, time of payment or any installment of principal or interest, or any other term, of any mortgage loan, mortgage loan commitment, construction loan, temporary loan, contract or agreement of any kind to which the agency is a party.

Subd. 11. It may make and publish rules and regulations respecting its federally insured mortgage lending, construction lending and temporary lending, and any such other rules and regulations as are necessary to effectuate its corporate purpose.

Subd. 12. It may borrow money to carry out and effectuate its corporate purpose and may issue its negotiable bonds or notes as evidence of any such borrowing in such principal amounts and upon such terms as shall be necessary to provide sufficient funds for achieving its corporate purpose, except that no negotiable notes shall be issued to mature more than ten years from date of issuance and no negotiable bonds shall be issued to mature more than 50 years from date of issuance.

Subd. 13. It may issue renewal notes, may issue bonds to pay notes and, whenever it deems refunding expedient, may refund any bonds by the issuance of new bonds, whether the bonds to be refunded have or have not matured except that no such renewal notes shall be issued to mature more than ten years from date of issuance of the notes renewed and no such refunding bonds shall be issued to mature more than 50 years from date of issuance.

Subd. 14. It may apply the proceeds from the sale of renewal notes or refunding bonds to the purchase, redemption or payment of the notes or bonds to be refunded.

Subd. 15. The agency shall submit a biennial report of its activities to the governor and the legislature by January 15 of the odd-numbered years.

Subd. 16. The agency shall be subject to the audit of the public examiner in the manner usually prescribed for agencies of state government.

[1971 c 702 s 6]

462A.07 ADDITIONAL POWERS AND DUTIES OF THE AGENCY. Subdivision 1. In addition to the powers granted in sections 462A.05 and 462A.06 the agency shall have the further powers granted in this section.

Subd. 2. It may provide general technical services to assist in the planning, processing, design, construction or rehabilitation of residential housing for occupancy by persons and families of low and moderate income.

Subd. 3. It may provide general consultative project assistance services for residential housing for occupancy by persons and families of low and moderate income and for the residents thereof with respect to management, training and social services.

Subd. 4. It may promote research and development in scientific methods of constructing low cost residential housing of high durability.

Subd. 5. It may enter into agreements with sponsors, mortgagors, or the issuers of securities for the purpose of regulating the planning, development and management of housing projects financed in whole or in part by the proceeds of federally insured mortgages or securities purchased by the agency.

Subd. 6. It may undertake and carry out studies and analyses of housing needs within the state and ways of meeting such needs including data with respect to population and family and size; and the distribution thereof according

to income groups, the amount and quality of available housing and its distribution according to rentals and sales prices, employment, wages and other factors affecting housing needs and the meeting thereof; and may make the results of such studies and analyses available to the public and the housing and supply industries, and may engage in research and disseminate information on housing.

Subd. 7. It may survey and investigate the housing conditions and needs, both urban and rural, throughout the state and make recommendations to the governor and the legislature as to legislation and other measures necessary or advisable to alleviate any existing housing shortage in the state.

Subd. 8. It may assist the commissioner of administration in the development, implementation and revision of a uniform state building code.

Subd. 9. It may establish such rules and regulations as may be necessary to insure that priority for assistance by the agency will be given to projects located in municipal jurisdictions or counties, which have adopted the uniform state building code.

Subd. 10. It may establish and enforce such rules as may be necessary to insure that occupancy of housing assisted under sections 462A.01 to 462A.24 shall be open to all persons regardless of race, religion, sex or age, and the contractors and subcontractors engaged in the construction of housing assisted by the agency, shall provide an equal opportunity for employment without discrimination as to race, religion or creed.

Subd. 11. It may establish cooperative relationships with such regional county and multi-county housing authorities as may be established, including the metropolitan council, and may develop priorities for the utilization of agency resources and assistance within a region in cooperation with regional county and multi-county housing authorities.

[1971 c 702 s 7]

462A.08 BONDS AND NOTES; PURPOSES, TERMS, APPROVAL. Subdivision 1. The agency from time to time may issue its negotiable bonds and notes in such principal amount, as, in the opinion of the agency, shall be necessary to provide sufficient funds for achieving its purposes through the making of federally insured construction loans and mortgage loans for residential housing for low and moderate income persons and families, and the purchase of federally insured securities, and the maintenance of a reserve as provided in section 462A.22.

Subd. 2. The agency from time to time may issue renewal notes, issue bonds to pay notes and whenever it deems refunding expedient, refund any bonds by the issuance of new bonds, whether the bonds to be refunded have or have not matured, and issue bonds partly to refund bonds then outstanding and partly for any other purpose. The refunding bonds shall be sold and the proceeds applied to the purchase, redemption or payment of the bonds to be refunded.

Subd. 3. All notes or bonds shall be negotiable investment securities under the uniform commercial code.

[1971 c 702 s 8]

462A.09 BONDS AND NOTES; RESOLUTIONS AUTHORIZING, ADDITIONAL TERMS, SALE. The notes and bonds shall be authorized by resolution of the members of the agency, shall bear such date or dates, and shall mature at such time or times, in the case of any note, or any renewal thereof, not exceeding ten years from the date of issue of such original note, and in the case of any bond, not exceeding 50 years from the date of issue, as the resolution may provide. The notes and bonds shall bear interest at such rate or rates, be in such denominations, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in such medium of payment, at such place or places and be subject to such terms of redemption as such resolution or resolutions may provide. The notes and bonds of the agency may be sold by the agency, at public or private sale, at such price or prices as the agency shall determine.

[1971 c 702 s 9]

462A.10 BONDS AND NOTES; OPTIONAL RESOLUTION AND CONTRACT PROVISIONS. Subdivision 1. Any resolution authorizing any notes or bonds or any issue thereof may contain provisions, which shall be a part of the contract with the holders thereof, as to the matters referred to in this section.

Subd. 2. It may pledge all or any part of the moneys received in payment of loans and interest thereon, and otherwise, to secure the payment of the notes or bonds or of any issue thereof, subject to such agreements with bondholders or noteholders as may then exist, and subject to the provisions of sections 462A.22 and 462A.23.

Subd. 3. It may provide for the use and disposition of the gross income from mortgages owned by the agency and payment of principal of mortgages owned by the agency.

Subd. 4. It may set aside reserves in the bond fund and provide for the regulation and disposition thereof.

Subd. 5. It may limit the guaranteed loans and securities to which the proceeds of sale of notes or bonds may be applied and may pledge repayments thereon to secure the payment of the notes or bonds or of any issue thereof.

Subd. 6. It may limit the issuance of additional notes or bonds, the terms upon which additional notes or bonds may be issued and secured, and the refunding of outstanding or other notes or bonds.

Subd. 7. It may prescribe the procedure, if any, by which the terms of any contract with noteholders or bondholders may be amended or abrogated, the amount of notes or bonds the holders of which must consent thereto, and the manner in which such consent may be given.

Subd. 8. It may vest in a trustee or trustees such property, rights, powers and duties in trust as the agency may determine, which may include any or all of the rights, powers and duties of the bondholders, or may limit the rights, powers and duties of such trustee.

Subd. 9. It may provide any other matters, consistent with sections 462A.01 to 462A.24, which in any way affect the security or protection of the notes or bonds.

[1971 c 702 s 10]

462A.11 PLEDGES. Any pledge made by the agency shall be valid and binding from the time when the pledge is made, the moneys or property so pledged and thereafter received by the agency shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the agency, irrespective of whether such parties have notice thereof. Neither the resolution nor any other instrument by which a pledge is created need be recorded.

[1971 c 702 s 11]

462A.12 BONDS AND NOTES; NONLIABILITY OF INDIVIDUALS. Neither the members of the agency nor any person executing the notes or bonds shall be liable personally on the notes or bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

[1971 c 702 s 12]

462A.13 BONDS AND NOTES; PURCHASE AND CANCELLATION BY AGENCY. The agency, subject to such agreements with noteholders or bondholders as may then exist, shall have power out of any funds available therefor to purchase notes or bonds of the agency, which shall thereupon be cancelled, at a price not exceeding (a) if the notes or bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date thereon, or (b) if the notes or bonds are not redeemable, the redemption price applicable on the first date after such purchase upon which the notes or bonds become subject to redemption plus accrued interest to such date.

[1971 c 702 s 13]

462A.14 BONDS AND NOTES; NONLIABILITY OF STATE. The state of Minnesota shall not be liable on notes or bonds of the agency and such notes and bonds shall not be a debt of the state. The notes and bonds shall contain on the face thereof, a statement to such effect.

[1971 c 702 s 14]

462A.15 STATE PLEDGE AGAINST IMPAIRMENT OF CONTRACTS. The state pledges and agrees with the holders of any notes or bonds issued under sections 462A.01 to 462A.24, that the state will not limit or alter the rights vested in the agency to fulfill the terms of any agreements made with the holders thereof, or in any way impair the rights and remedies of the holders until the

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notes or bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The agency is authorized to include this pledge and agreement of the state in any agreement with the holders of such notes or bonds.

[1971 c 702 s 15]

462A.16 DEFAULT IN PAYMENTS; APPOINTMENT OF TRUSTEE. If the agency defaults in the payment of principal or interest on any issue of notes or bonds after the same shall become due, whether at maturity or upon call for redemption, and such default continues for a period of 30 days, or if the agency fails or refuses to comply with the provisions of sections 462A.01 to 462A.24, or defaults in any agreement made with the holders of any issue of notes or bonds, the holders of 25 percent in aggregate principal amount of the notes or bonds of such issue then outstanding may appoint a trustee to represent the holders of such notes or bonds for the purposes set forth.

[1971 c 702 s 16]

462A.17 POWERS AND DUTIES OF TRUSTEE. Subdivision 1. The trustee appointed pursuant to section 462A.14 may, and upon written request of the holders of 25 percent in principal amount of such notes or bonds then outstanding shall, in his own name:

(a) Enforce all rights of the noteholders or bondholders, including the right to require the agency to collect fees and charges and interest and amortization payments on mortgage loans made by it adequate to carry out any agreement as to, or pledge of, such fees and charges and interest and to require the agency to carry out any other agreements with the holders of such notes or bonds and to perform its duties under sections 462A.01 to 462A.24;

(b) Bring suit upon such notes or bonds;

(c) Require the agency to account as if it were the trustee of any express trust for the holders of such notes or bonds;

(d) Enjoin any acts or things which may be unlawful or in violation of the holders of such notes or bonds; or

(e) Declare all such notes or bonds due and payable, and if all defaults shall be made good, then, with the consent of the holders of 25 percent of the principal amount of such notes or bonds then outstanding, to annul such declaration and consequences.

Subd. 2. In addition to the powers specifically granted herein, the trustee shall have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of bondholders or noteholders in the enforcement and protection of their rights.

Subd. 3. The venue of any action or proceedings brought by the trustees under sections 462A.01 to 462A.24, shall be in Ramsey county. Before declaring the principal of notes or bonds due and payable, the trustee shall first give 30 days notice in writing to the governor, to the agency and to the state treasurer.

[1971 c 702 s 17]

462A.18 MONEYS OF AGENCY. Subdivision 1. **Functions of state treasurer.** All moneys of the agency, except as otherwise authorized or provided in this section, shall be paid to the state treasurer as agent of the agency, who shall not commingle such moneys with any other moneys. The moneys in such accounts shall be paid out on warrants drawn by the state auditor on requisition of the chairman of the agency or of such other officer or employee as the agency shall authorize to make such requisition. All deposits of such moneys shall, if required by the state treasurer or the agency, be secured by obligations of the United States or of the state of a market value equal at all times to the amount of the deposit and all banks and trust companies are authorized to give such security for such deposits.

Subd. 2. **Contracts and security.** Notwithstanding the provisions of this section, the agency shall have power, subject to the approval of the state treasurer, to contract with the holders of any of its notes or bonds, as to the custody, collection, securing, investment, and payment of any moneys of the agencies, or any moneys held in trust or otherwise for the payment of notes or bonds, and to carry out such contract. Moneys held in trust or otherwise for the payment

of notes or bonds or in any way to secure notes or bonds and deposits of such moneys may be secured in the same manner as moneys of the agency, and all banks and trust companies are authorized to give such security for such deposits.

Subd. 3. **System of accounts.** Subject to agreements with noteholders and bondholders, the state auditor shall prescribe a system of accounts.

[1971 c 702 s 18]

462A.19 EXEMPTION FROM TAXES. Subdivision 1. The property of the agency and its income and operation shall be exempt from all taxation by the state or any of its political subdivisions and all bonds and notes of the agency shall be exempt from all taxation by the state or any of its political subdivisions.

Subd. 2. The state covenants with the purchasers and all subsequent holders and transferees of notes and bonds issued by the agency in consideration of the acceptance of and payment for the notes and bonds, that the notes and bonds of the agency issued pursuant to sections 462A.01 to 462A.24 and the income therefrom and all its fees, charges, gifts, grants, revenues, receipts, and other moneys received or to be received, pledges to pay or secure the payment of such notes or bonds shall at all times be free and exempt from all state, city, county or other taxation provided by the laws of the state, except for estate and gift taxes and taxes on transfers, and except for the Minnesota corporate franchise tax measured by income, so long as the interest on federal bonds is included in the income by which such tax is measured.

[1971 c 702 s 19]

462A.20 HOUSING DEVELOPMENT FUND; CREATION, SOURCES. Subdivision 1. There is created and established under the jurisdiction and control of the agency a revolving fund to be known as the "housing development fund."

Subd. 2. There shall be paid into the housing development fund:

- (a) Any moneys appropriated and made available by the state for the purposes of the fund;
- (b) Any moneys which the agency receives in repayment of advances made from the fund;
- (c) Any other moneys which may be made available to the authority for the purpose of the fund from any other source or sources;
- (d) All fees and charges collected by the agency;
- (e) All interest or other income not required to be paid into the bond fund or loan fund.

[1971 c 702 s 20]

462A.21 HOUSING DEVELOPMENT FUND; ADVANCES, USE REPAYMENT. Subdivision 1. The agency may use the moneys held in the housing development fund for the following purposes.

Subd. 2. To make temporary loans to "nonprofit" sponsors to defray development costs, as provided by section 462A.05, subdivision 5. Each such loan shall be repaid in full by the borrower to the agency concurrent with the initial endorsement of such borrowers federally insured construction loan, unless the authority extends the period for the repayment of the advances. In no event shall the time of repayment be extended later than the date of the final endorsement of the federally insured mortgage loan. If no permanent financing is obtained from the federal agency, the loan shall be repaid in accordance with such terms and conditions as the agency has prescribed by rule.

Subd. 3. To make planning grants to local communities, pursuant to rules promulgated by the agency, in such amounts as the agency determines, not to exceed the net costs, exclusive of any federal aid or assistance, as are incurred by the local community in planning for land and building acquisition, improvements, renewal, relocation or conservation. Such grants shall be limited to planning for specific sites upon which housing is, or is to be, situated and sites designated for other uses that are reasonably related to such housing.

Subd. 4. For the payment of all costs, expenses and financing not paid out of the loan fund.

Subd. 5. For such other agency purposes as the agency in its discretion shall determine and provide.

[1971 c 702 s 21]

462A.22 BOND FUND. Before issuing any bonds or notes the agency shall establish a special bond fund on its official books and records, and shall deposit in it, whenever money is received or available from any of the sources described below, such amount of such money as may be needed to increase the balance then on hand in the bond fund to an amount at least equal to the maximum amount of principal and interest to become due in any subsequent fiscal year on all bonds then outstanding and payable from the bond fund; or to such greater amount as may be covenanted and agreed in the resolutions, indentures, or other instruments authorizing the issuance of the bonds. The obligation to make these deposits shall be a first and prior lien and charge on (a) the proceeds of each issue of agency bonds, (b) all repayments of principal and interest on federally insured mortgage loans made and securities purchased from the loan fund, and (c) all cash and investments from time to time on hand in the loan fund (other than proceeds of notes and repayments of federally insured construction loans and interest thereon). The bond fund shall be used only to pay when due the principal of and interest on bonds of the agency, and all fees and expenses of trustees and paying agents designated for bond issues. Investments of money in the bond fund shall be limited to direct obligations of the United States government maturing within one year from the date of investment, and shall be valued at their maturity value. The aggregate principal amount of bonds which are outstanding at any time shall not exceed \$150,000,000. To the extent consistent with the provisions of resolutions of the agency or other instruments authorizing the issuance of bonds, the interest rate on loans made from the proceeds thereof may be decreased or increased from time to time, provided that the rate shall at no time be less than the rate paid by the agency on bonds issued to fund the loan.

[1971 c 702 s 22]

462A.23 LOAN FUND. Subdivision 1. The agency shall also establish a special loan fund on its official books and records, and shall deposit in it (a) all proceeds of sale of agency bonds and notes and all repayments of principal and interest on loans made and securities purchased from the loan fund, except the amounts from these sources which are at any time required by the provisions of section 462A.22 to be deposited in the bond fund; and (b) all other money which may be made available to the agency for the purpose of this fund from any other source or sources and (c) all proceeds of sale of federally insured mortgages or securities to a federal instrumentality as contemplated in section 462A.05, subdivision 10; provided that interest received on loans and securities in excess of interest payable on bonds and notes may be transferred to the housing development fund, to the extent permitted by resolutions, and other instruments authorizing the issuance of bonds and notes.

Subd. 2. The agency shall also establish a special account or accounts in the loan fund for the segregation of the proceeds of notes issued by the agency, the disbursement of federally insured construction loans therefrom and the application of repayments of such loans and interest thereon to the repayment of such notes, upon such terms and conditions as shall be provided in resolutions of the agency authorizing the issuance of such notes. No funds shall be disbursed for any construction loan unless such construction loan is directly insured by a federal instrumentality, until the agency receives copies of letter of commitment from the federal instrumentality insuring the mortgage loan to be made for the permanent financing of the project; final plans and specifications for the construction of the project; a surety bond in the amount of the construction cost, executed by a surety company licensed in Minnesota and securing completion in accordance with the plans and specifications and payment of all persons supplying labor and materials to the contractor; and a letter of commitment from the sponsor of the project, undertaking to comply fully with all regulations of the agency and of the federal instrumentality.

Subd. 3. Except as provided in subdivision 2, money in the loan fund shall be used (a) for required transfers to the bond fund in accordance with section 462A.22, (b) for payment of bonds when called for redemption before maturity, with redemption premiums thereon, (c) for the purchase of bonds, (d) for the purchase of stock of a federal instrumentality to the extent permitted in section 462A.05, subdivision 10, and (e) for making or participating in the making of

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such federally insured mortgage loans and purchasing such federally insured securities as are authorized by sections 462A.01 to 462A.24.

[1971 c 702 s 23]

462A.24 CONSTRUCTION. Sections 462A.01 to 462A.24 are necessary for the welfare of the state of Minnesota and its inhabitants; therefore, it shall be liberally construed to effect its purpose.

[1971 c 702 s 24]