STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the
Adoption of Rules
Governing the Innovative
Housing Loan Program
Without a Public Hearing

Statement Of Need and Reasonableness

12 MCAR § 3.120

This proposed rule expands the eligibility for loans made under the Innovative Housing Loan Program to include borrowers which are limited dividend entities.

This revision is necessary to bring this rule into compliance with Minnesota Statutes Section 462A.05, Subd. 18, which was amended by the 1983 session to permit loans to be made to for-profit entities. The Agency has not experienced the scarcity of funds which had been anticipated at the time that 462A.05, Subd. 18 was initially enacted. Therefore, it is reasonable to expand the eligibility for Innovative Housing Loans to include for-profit as well as non-profit entities.

The limited dividend entities which are to become eligible for loans under the Innovative Housing Loan Program can include partnerships, joint ventures, and business corporations which agree with the Agency to limit their rate of return on investments in housing. The Agency's loan application and underwriting criteria for all loan applicants is designed to meet the Agency's fiduciary obligations to its investors under its bond resolutions and otherwise, and, for that reason, cannot be made less stringent or waived and, accordingly, although the Agency is mindful of the provisions of Minnesota Statutes Section 14.115, it would be contrary to the Agency's statutory objectives under Chapter 462A of Minnesota Statutes to apply different methods for loan underwriting to small business loan applicants under Subd. 2 of said Section 14.115, then are required to meet its fiduciary responsibilities. Further, the end of the proposed rule is to implement the legislature's desire to broaden the availability of Innovative Housing Loans to include small businesses which agree to limit their investment rate of return in housing and, as such, the proposed rule has no negative effect on small businesses.