

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed
Rules Governing the
Homeownership Assistance Fund

Statement of Need
and Reasonableness

Minnesota Rules 4900.1330

Minnesota Statutes, Section 462A.21, Subdivision 8, authorizes the Minnesota Housing Finance Agency (MHFA) to establish a homeownership assistance fund (HAF) on terms and conditions it deems advisable, to assist persons and families of low and moderate income in paying installments of eligible loans for affordable housing and in providing the required equity investment enabling such persons to purchase an affordable home.

The present annual adjusted income limits and initial maximum monthly assistance were established in June, 1984. MHFA proposes no change to the annual adjusted income limits or the initial maximum monthly assistance currently in effect for the range of interest rates now specified. Rather, MHFA proposes an additional set of income limits based upon the MHFA's anticipated higher cost of obtaining money. Uncertain bond market conditions make it possible that the current income limits for the range of interest rates provided will not be adequate to assure the availability of monthly assistance to mortgagors should the interest rates to be charged to the mortgagor increase as a result of an increase of MHFA's cost of money, as determined in each bond sale.

The additional adjusted income limits and initial maximum monthly assistance levels will allow a household to purchase a \$60,000 home in the Seven County Twin City Metropolitan Area and a \$40,000 home in the balance of the state. These home purchase price levels are substantially below the purchase price limits established for the Single Family Mortgage Loan Program by the Agency Board (\$83,000 in the Seven County Twin City Metropolitan Area and \$63,000 in the balance of the state) as the Board believes that (a) households requiring additional subsidy need not purchase the maximum priced house the Single Family Mortgage Loan Program would allow and (b) the additional amount of subsidy needed to reach higher priced homes would be cost prohibitive.

The Agency is mindful of the provisions of Section 14.115 of Minnesota Statutes, entitled Small Business Considerations in Rulemaking, but since the recipients of HAF loans under the proposed regulation must be natural persons and families of low and moderate income who purchase a home with a first mortgage from the Agency, the regulation does not affect small businesses directly, and the said law, by its terms, is inapplicable to this proposed regulation. Further, to the extent that the HAF loans which are the subject of this regulation may have an indirect effect on small businesses, the effect of the proposed rule is to make such loans more capable of feasible underwriting, and, consequently, more obtainable; and, as a result, the proposed rule has no negative effect on small businesses.