State of Minnesota

Minnesota Housing Finance Agency

In the Matter of the Proposed
Adoption of Rules of the Minnesota
Housing Finance Agency Governing
Rehabilitation Loans

Statement of Need & Reasonableness

4900.0010

This part sets forth definitions for the purpose of Parts 4900.0610 to 4900.0700.

Subp. 23

The Agency has adopted a policy of providing housing rehabilitation financing assistance to individuals and families which do not meet the eligibility criteria for deferred rehabilitation loans or other assistance. The policy provides financing on the most advantageous terms (deferred loans) to applicants with the lowest income and the least assets. Applicants with higher incomes and more assets may qualify for loans requiring monthly payments of principal and interest (revolving loans).

Subpart 23D., in conjunction with 4900.0630, Subpart 4, defines assets for each of the two kinds of assistance. The establishment of separate income limits for the twin cities metropolitan area and the rest of the state recognizes the difference in income levels between these two regions. The changes in Subpart 23D. are necessary to implement the policy adopted by the Agency Board of Directors, as identified, above.

4900.0610

This part sets forth the scope of the Home Improvement Grant Program and the Rehabilitation Loan Program. Loans with interest and periodic payments will now be referred to as revolving loans rather than flexible loans. This revision is reasonable to more accurately reflect the nature of the program; all repayments go back in to the program to be loaned to other persons or families.

The rule requiring applicants for flexible loans to meet the requirements of parts 4900.0510 to 4900.0520 have been eliminated. Prior to this time, flexible loans were financed with the proceeds of tax-exempt bonds and insured by the federal government. To maintain the tax-exempt status of the bonds and the federal insurance, flexible loans had to meet the requirements of 4900.0510 to 4900.0520. Because Revolving loans will not be funded by tax-exempt bonds, nor will they be insured by the federal government, this change is reasonable. The change is also necessary to avoid program requirements which serve no purpose.

4900.0630

This part establishes eligibility criteria for recipients of rehabilitation grants and loans.

Subp. 4

The definition of assets for deferred loans is necessary to implement the Agency policy of providing financing on the most advantageous terms to those applicants with the fewest assets.

The definition of assets for the revolving loan program is expanded beyond the definition of assests for deferred loans to include up to 160 contiguous acres of land and real estate, equipment, supplies and inventory used in a business. This is necessary to implement the Agency policy of providing housing rehabilitation financing assistance to individuals who are not eligible for deferred loans, but who may not be eligible for other financing. This limit is reasonable because it coincides with the DOE Weatherization program asset limits which will ease coordination of the programs, thereby improving the efficiency and effectiveness of the delivery of the programs.

Subp. 5

This subpart limits the total amount that can be borrowed by a person or family to $15,000 and the amount that can be owed at any one time to $7,500.

It is reasonable to limit the amount of assistance that can be obtained so that the scarce resources can be used to assist as many persons and families as possible. The $15,000 lifetime limit is the same limit that is applied to the Home Improvement Loan Program. The outstanding balance restriction is the Rehabilitation Loan Program limit.

Subp. 6

This subpart specifies that eligible applicants can not be eligible for the necessary assistance through any other available program.

This rule insures that the funds are used as a last resort for individuals who have no other means of financing the project.

4900.0640

This part establishes the loan limit for recipients of rehabilitation grants and loans.

Subp. 2

This subpart ties the loan limit to the amount designated in the appropriate statute.

This eliminates the need to revise the rules when the statute is revised.

Subp. 3

This subpart sets forth standards to determine a borrower's eligibility for a deferred loan or flexible loan. The subpart is deleted to simplify the determination of the type of assistance for which borrowers may qualify.

4900.0660

This part establishes the criteria for property eligibility.

Subp. D

This subpart clarifies that no property is eligible for a deferred loan if it has been improved by such a loan within five years except under extraordinary circumstances. It also specifies that no property is eligible for a revolving loan if it has been improved by such a loan within two years except under extraordinary circumstances. The five year limitation for deferred loans is reasonable and necessary to ensure that the property is rehabilitated to the maximum extent possible, given the loan limit, thereby minimizing the Agency's administrative expenses.

The two-year limitation for revolving loans is reasonable in recognition of the fact that individuals who wil be required to make monthly loan payments may not be able to afford complete rehabilitation at the time they take out their loan. After two years, their loan may be paid down to a level that would permit them to take a second loan to complete the necessary rehabilitation.

The Agency is cognizant of the provisions of Section 14.115 of Minnesota Statutes, entitled Small Business Considerations in Rulemaking. To the extent that the rehabilitation loan and grant funds directly benefit the low income occupant's in structures within the Agency's Program, the statute is inapplicable. To the extent that the funds may inure to the benefit of small businesses, the proposed rules do not establish any compliance or reporting requirements, design or operational standards not mandated by the federal government, and the effect of the Agency's Program in making the loan and grant funds available is to make decent, safe, and sanitary housing affordable for low income persons and, as a consequence, the proposed regulations have no negative effect on small businesses.