

State of Minnesota

Minnesota Housing Finance Agency

In the Matter of the Proposed Rules
Relating to Home Equity Conversion
Counseling Program

Statement of Need
and Reasonableness

4900.2020 through 4900.2070:

Minnesota Statutes, Section 462A.28, Subdivisions 1 and 2 establishes that The Minnesota Housing Finance Agency (Agency) shall select and contract with a nonprofit organization to administer a home equity conversion loan counseling program for senior homeowners. This law was passed in anticipation of the development and growth of home equity conversion programs and, specifically, the implementation of a demonstration program through the United States Department of Housing and Urban Development (HUD) for such loans and the passage of legislation authorizing the Agency to develop such programs. An appropriation of \$50,000 was provided to fund this program. The proposed rule has been developed under the above-referenced statute.

Proposed Minnesota Rules 4900.2030, subparts 1 through 7 provide definitions under these rules. Particular note should be taken of the definitions provided in subpart 5 and subpart 7. Under subpart 5, home equity conversion was defined to preclude standard home equity loan programs found at financial institutions to meet the more limited intent of the legislation regarding home equity conversion programs as are being developed for senior homeowners. In subpart 7, "senior homeowners" is defined to include homeowners that would be eligible for both HUD and the state programs, but flexibility is provided so that other government sponsored or supported programs which may define senior homeowners differently may be included under these rules.

Proposed Minnesota Rules 4900.2040 describes home equity conversion counseling. Most of the material provided therein was derived directly from the statute. However, recordkeeping and documentation requirements were imposed both to assure that senior homeowners may receive the materials which they need to apply for home equity conversion loan programs and so that the actual performance of the grant recipient under the program may be monitored or audited by the Agency. This rule also anticipates that grant proceeds may not be sufficient to pay all the costs of providing counseling services and allows for the charging of a reasonable fee for clients under the program, but it also provides that no client may be denied access to counseling due to inability to pay such a fee.

Proposed Minnesota Rule 4900.2050 describes the eligibility standards for applicants that wish to apply for a grant under the program. As above, most of the eligibility requirements were taken directly from the statute. Additional "standard" requirements

pertaining to a description of the program and the providing of a budget was also incorporated under these rules. However, two other items should also be noted.

First, it may be noted that the applicant may not be in any way a part of or affiliated with a lender or any other vendor of home equity conversion loans and/or products to receive a grant under this program. It is felt that an entity that provides home equity conversion products would be, by its very nature, unable to provide impartial counseling services. Thus, such potential applicants were precluded from applying under these rules.

Second, it may be noted that the applicant must provide a description of the means that it plans to use to provide outreach and counseling on a state-wide basis. This rule implies that only one applicant shall be selected for the program, which is further implied both under the legislative history of this statute, the statutory language, and by the amount of appropriations that were provided for providing such services.

Proposed Minnesota Rule 4900.2060 provides for the selection criteria of the applicant under this program. It may be noted that the selection criteria refers back to the eligibility criteria.

Proposed Minnesota Rule 4900.2070 provides for recordkeeping and reporting requirements under the program. This rule was included so that the Agency may receive periodic reports as to activity under the program and may have access to information if it is deemed appropriate to audit the grant recipient.

The Agency is cognizant of the provisions of section 14.115 of the Minnesota Statutes, entitled Small Business Considerations in Rulemaking. The proposed rules do not establish any compliance or reporting requirements, or design of operational standards that directly affect the way any business must operate. Therefore, the provisions contained in Minnesota Statutes 14.115 (1986) do not apply to the proposed rules discussed herein.