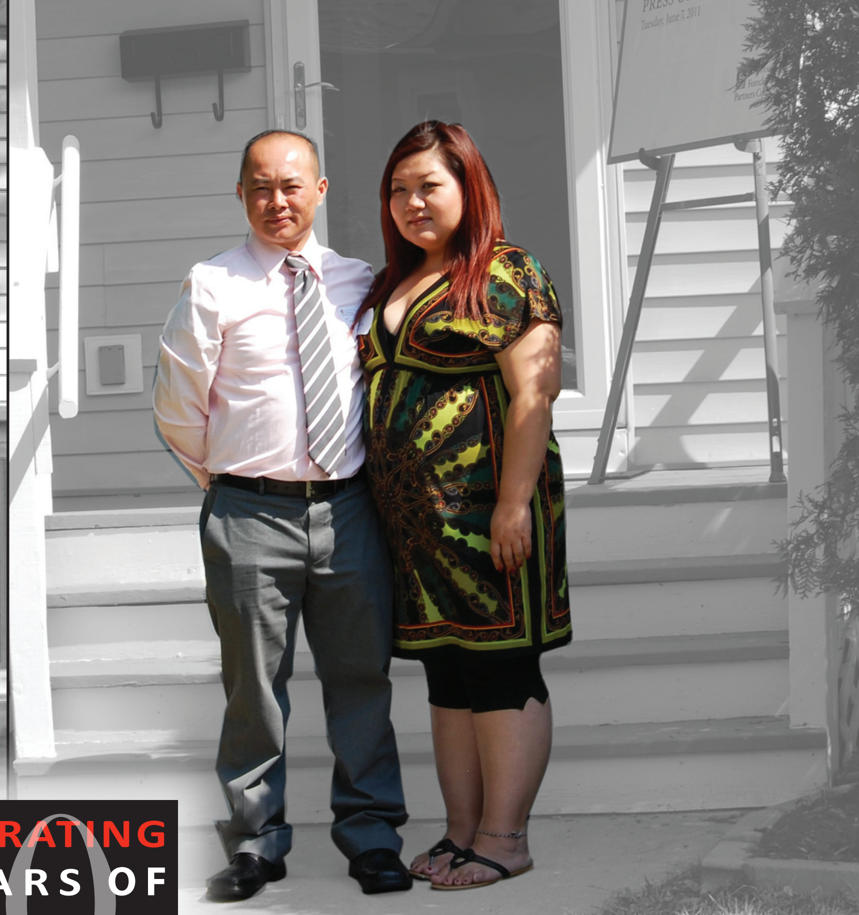

CELEBRATING 40 YEARS OF AFFORDABLE HOUSING

2011 Financial Report

Minnesota Housing Finance Agency

TABLE OF CONTENTS

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As Minnesota Housing celebrates the 40th anniversary of its formation, the Agency has achieved strong financial and programmatic results in a year when national and state housing markets continue to be weak. Focusing on the fundamentals of our business lines, we have achieved these results with three key items reflecting positive change from the previous year: reducing homeownership loan delinquencies, with a resulting significant reduction in loan loss expense for the first time in three years; reducing risk exposure by increasing reliance on mortgage-backed securities; and generating greater loan production in a difficult economy. Our strong financial performance paired with reduced risk exposure to whole loans has also made it possible to transfer $13.9 million to our Housing Affordability Fund for use in program funding during the next year.

These results have been achieved as the Agency saw a leadership change during the fiscal year. Last November, Minnesota elected a new Governor for the first time in eight years, and Governor Mark Dayton appointed me as the new Commissioner of Minnesota Housing in January. This has given me the opportunity to return to the Agency where I began my professional career in 1976. After 10 years at the Agency, I spent the intervening period in leadership roles in the financial services industry, working in the private mortgage banking sector and for national non-profit financial intermediaries. Governor Dayton also appointed Ken Johnson, a seasoned public finance professional, as the Agency's new Board Chair.

Several major trends in the financial marketplace provided the backdrop for the Agency's programmatic results.

- During the previous two fiscal years, Minnesota Housing was able to maintain a high level of program activity in a tough economy through the administration of programs that were part of the Federal stimulus program. These programs provided a helpful bridge for housing developers during a time when more traditional finance programs, especially the Low Income Housing Tax Credit, were not functioning effectively in the marketplace. Investors have now returned to the Tax Credit market as the stimulus programs are winding down.
- During a time of historically low interest rates for home mortgages, Minnesota Housing has been able to offer competitively priced mortgages for first time home buyers through careful debt management practices and use of the U.S. Treasury Department's New Issue Bond Program. This program was even more effective because of the Agency's earlier successful shift from holding whole loans to holding mortgage-backed securities, reducing the level of risk on its balance sheet. As investors have shown a preference for bonds backed by mortgage-backed securities, the Agency has enjoyed superior executions on its bond sales.
- As mortgage loan delinquencies and foreclosures nationally have remained stubbornly high, Minnesota Housing saw its delinquency rates fall during the last three months of the fiscal year. This is in part due to a decision by the Agency to proactively offer loan modifications to those borrowers with the financial capacity to maintain their mortgages with lower monthly payments.
- Minnesota Housing received strong bi-partisan support for continued state appropriations, taking only a modest 6.3% reduction from the previous biennium, despite a $5 billion State budget deficit.

During the fiscal year, Minnesota Housing achieved the following programmatic results:

- Made commitments for 2,184 new home mortgages for first time homebuyers, of which 23% were for borrowers from emerging markets.
- Closed on 106 loans for multifamily properties, providing or preserving affordable rental units for more than 4,700 low and moderate income households.
- Made significant progress in committing resources to support housing units for individuals and families that have suffered from long-term homelessness, reaching the 3,582-unit mark towards the State's goal of producing 4,000 such units by the year 2015.
- Received a renewed contract from the Department of Housing and Urban Development (HUD) to manage rental assistance payments for more than 35,000 rental housing units under the Performance-Based Contract Administration program, after successfully competing in HUD's competitive bid process for this program.
- Continued a strong commitment to foreclosure prevention, winning an allocation of more than $3 mil-

lion in counseling resources under the National Foreclosure Mitigation Counseling program that will allow us to assist an estimated 7,937 households. Minnesota Housing also received a significant award under a new federal program – the Emergency Homeowners Loan Program – that will help unemployed and underemployed homeowners to make their mortgage payments for up to 2 years or until they find new employment.

Minnesota Housing also took important steps during the year to ensure the strength of its financial, technology and risk management infrastructure:

- Engaged its financial advisor to conduct a Capital Adequacy assessment, with strong results.
- Made significant investments in technology support for both its single-family mortgage-backed securities platform and its multifamily asset management platform. These are the first steps in a program that will result in significant process improvements over the next 2 to 3 years.
- Engaged seasoned professionals for two new positions – a Chief Risk Officer who reports directly to the Board of Directors and a Senior Credit Officer who reports directly to the Chief Financial Officer.

We are proud that Minnesota Housing stands as a strong financial partner for the lenders, developers and counseling organizations that provide affordable housing opportunities for Minnesotans. Our financial and organizational strength will allow us to achieve our mission – financing and advancing affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities – for many years to come.

Mary Tingerthal, Commissioner
Minnesota Housing
August 24, 2011

Independent Auditors' Report

Members of the Board of Directors
Minnesota Housing Finance Agency
St. Paul, Minnesota

We have audited the accompanying financial statements of the business-type activities and each major fund (General Reserve, Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance, Multifamily Housing, State Appropriated, and Federal Appropriated) of Minnesota Housing Finance Agency (the Agency), a component unit of the State of Minnesota, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Agency's 2010 financial statements and, in our report dated August 25, 2010, we expressed unqualified opinions on the respective financial statements of the business-type activities and each major fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund (General Reserve, Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance, Multifamily Housing, State Appropriated, and Federal Appropriated) of the Agency, as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

LarsonAllen LLP

LarsonAllen LLP

Minneapolis, Minnesota
August 24, 2011

Management's Discussion and Analysis of Financial Condition and Results of Operations is not audited. However, it is supplementary information required by accounting principles generally accepted in the United States of America. This discussion should be read in conjunction with the financial statements and notes thereto.

Introduction

The Minnesota Housing Finance Agency (Minnesota Housing or the Agency) was created in 1971 by the Minnesota legislature through the enactment of Minnesota Statutes, Chapter 462A, which has been amended from time to time. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing mortgage loans, development loans, and technical assistance to qualified housing sponsors. Minnesota Housing is a component unit of the State of Minnesota and receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified state-defined programs and to pay debt service and related expenses on state appropriation-backed nonprofit housing bonds. Minnesota Housing also receives funds appropriated by the federal government for similar program purposes. The Agency's mission is to finance and advance affordable housing opportunities for low- and moderate-income Minnesotans to enhance quality of life and foster strong communities.

Minnesota Housing is authorized to issue bonds and notes to fulfill its corporate purposes up to a total outstanding amount of $5.0 billion and to incur other indebtedness. None of the bonds, notes or other indebtedness is a debt of the State of Minnesota or any political subdivision thereof.

Minnesota Housing operates three program divisions — Multifamily, Single Family and Community Development — which offer housing programs with funding from the sale of tax-exempt and taxable bonds, state and federal appropriations, the Housing Trust Fund and the Alternative Loan Fund. The federal Low Income Housing Tax Credit is another resource the Agency allocates. The members of Minnesota Housing (the Board) consist of six public members appointed by the Governor with the advice and consent of the state senate and the State Auditor as an ex-officio member..

Discussion of Financial Statements

The Financial Section of this report consists of three parts: the independent auditors' report, management's discussion and analysis (this section), and the basic financial statements. The basic financial statements are prepared on an accrual basis and presented on an Agency-wide basis and by fund.

- Agency-wide financial statements provide information about Minnesota Housing's overall financial position and results of operations. These statements consist of the Statement of Net Assets and the Statement of Activities. Significant interfund transactions have been eliminated within the Agency-wide statements. Assets and revenues of the separate funds that comprise the Agency-wide financial statements are generally restricted as to use and the reader should not assume they may be used for every corporate purpose.
- The fund financial statements provide information about the financial position and results of operations for Minnesota Housing's eight proprietary funds.
- The financial statements also include "Notes to Financial Statements" which provide more detailed explanations of certain information contained in the Agency-wide and fund financial statements.

Supplementary Information is presented following the Notes to Financial Statements for certain funds of Minnesota Housing, which have been established under the bond resolutions under which Minnesota Housing issues bonds and other debt for its programs. These funds consist of General Reserve and the bond funds, which are Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance and Multifamily Housing.

The basic financial statements also include comparative totals as of and for the year ended June 30, 2010. Although not required, these comparative totals are intended to facilitate an understanding of Minnesota Housing's financial position and results of operations for fiscal year 2011 in comparison to the prior fiscal year.

Discussion of Individual Funds

General Reserve

The purposes of General Reserve are to maintain sufficient liquidity for Minnesota Housing operations, to hold escrowed funds and to maintain the Housing Endowment Fund (also referred to as Pool 1). The costs of administering Minnesota Housing programs are captured on the Statement of Revenues and Expenses for General Reserve. The fees earned are generally related to the administration of the federal Low Income Housing Tax Credit program, administration of the federal Housing Assistance Payment program, and contract administration of the Section 8 program for developments not financed by Minnesota Housing.

Rental Housing

The majority of the developments with a first mortgage loan presently held in Rental Housing receive Section 8 payments under contracts that are for substantially the same length of time as the mortgage loans.

Inherent risks remain in these portfolios, especially for multifamily developments without project-based tenant subsidies. Maintaining asset quality is a high priority for Minnesota Housing; therefore, this portfolio receives a significant amount of oversight.

All of Minnesota Housing's bond-financed multifamily loans, except one loan financed under Multifamily Housing, are financed in Rental Housing as of June 30, 2011. Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Residential Housing Finance

Included within Residential Housing Finance are the bonds issued and outstanding under the Residential Housing Finance bond resolution, the limited obligation notes issued under separate resolutions, and the restricted by covenant Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2), the Housing Affordability Fund (Pool 3) and limited obligation note accounts.

Bonds have been issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family mortgage loans, certain entry cost housing assistance loans, and subordinated home improvement mortgage loans. The majority of the single family loans financed by these bond issues are insured by private mortgage insurance or the Federal Housing Administration (FHA), or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). While mortgage insurance and guarantees help mitigate the risk of loss to the Agency, inherent risks remain including the impact of declining home values on default recoveries and the risk of deterioration to the credit worthiness of insurers. The Agency's collection experience among mortgage insurers has been generally favorable.

This bond resolution was the principal source of financing for bond-financed homeownership programs from fiscal year 2002 until fiscal year 2011 (see Homeownership Finance, below). Minnesota Housing may also issue bonds for its home improvement loan program under this bond resolution although no bonds were issued to support home improvement lending during fiscal year 2011.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2011 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program, for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans, for tax credit bridge loans, loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable housing, loans to facilitate transfers of ownership of manufactured home parks to resident owners, contributions for limited obligation note expenses and bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire debt.

Assets of the Housing Affordability Fund (Pool 3) consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans, loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2011 funds from Pool 3 were used for entry cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, and deferred, subordinated multifamily loans.

Discussion of Individual Funds (continued)

Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Single Family

This fund was the principal source of financing for Minnesota Housing's bond-financed homeownership programs until fiscal year 2002 when Minnesota Housing began using the more flexible Residential Housing Finance fund as its principal source of financing for these programs. The majority of the loans in Single Family have either FHA insurance or a VA or RD guarantee.

Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Homeownership Finance

This bond resolution was adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program. Bonds issued under this resolution fund mortgage-backed securities backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by either the Government National Mortgage Association or the Federal National Mortgage Association. Mortgage-backed securities were funded for the first time by bonds issued under this resolution during fiscal year 2011.

Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Multifamily Housing

This bond resolution was adopted for the purpose of issuing multifamily housing bonds under the United States Treasury's Multifamily New Issue Bond Program. Bonds have been issued for a rental project under construction. The mortgage loan had closed but had yet to be funded as of the end of fiscal year 2011.

State and Federal Appropriated Funds

The appropriated funds are maintained by Minnesota Housing for the purpose of receiving and disbursing monies appropriated by the state and federal government for housing. All of the appropriated funds' net assets are restricted by law for specified uses set forth in the state appropriations or federal contracts and are not pledged or available to secure the bondholders or creditors of Minnesota Housing.

The State Appropriated fund was established to account for funds received from the state legislature, which are to be used for programs for low- and moderate-income persons and families and multifamily housing developments in the form of low-interest loans, no-interest deferred loans, low-interest amortizing loans, debt service and other costs associated with appropriation-backed bonds, and other housing-related program costs.

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families and multifamily housing developments in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments and other housing-related program costs.

General Overview

Minnesota Housing financial statements are presented in two formats: agency-wide and by fund. Funds include Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance and Multifamily Housing (collectively the bond funds); State and Federal Appropriated (collectively the appropriated funds) and General Reserve. Agency-wide financial statements are provided to display a comprehensive view of all Minnesota Housing funds as required by accounting principles generally accepted

General Overview (continued)

in the United States of America applicable to governmental entities under accounting standards promulgated from time to time by the Governmental Accounting Standards Board. Agency-wide financial statements reflect totals of similar accounts for various funds. However, substantially all of the funds in these accounts are restricted as to use by Agency covenants or legislation as further described below.

Assets and revenues of the bond funds are restricted to uses specifically set forth in the respective bond resolutions and are pledged for the primary benefit of the respective bondholders and swap counterparties. General Reserve is created under the Minnesota Housing bond resolutions as part of the pledge of the general obligation of Minnesota Housing. Minnesota Housing covenants in the bond resolutions that it will use the assets in General Reserve only for administration and financing of programs in accordance with the policy and purpose of the Minnesota Housing enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose.

Minnesota Housing has no taxing power and neither the State of Minnesota nor any political subdivision thereof is legally obligated to pay the principal of or interest on bonds or other obligations issued by Minnesota Housing. The state has pledged to and agreed with bondholders that it will not limit or alter the rights vested in Minnesota Housing to fulfill the terms of any agreements made with bondholders or in any way impair the rights and remedies of the bondholders.

Public funds directly appropriated to Minnesota Housing by the State of Minnesota or made available to Minnesota Housing from the federal government are restricted by law to specified uses set forth in the state appropriations or federal contracts. Assets and revenues of State Appropriated and Federal Appropriated funds are not pledged or available to secure bonds or other obligations of Minnesota Housing or its general obligation pledge in respect thereof.

In addition to its audited annual financial statements, Minnesota Housing has published unaudited quarterly disclosure reports for the Single Family, Residential Housing Finance, and Homeownership Finance bond resolutions and unaudited semiannual disclosure reports for the Rental Housing bond resolution. Recent disclosure reports can be found in the "Investors" section on Minnesota Housing's web site at www.mnhousing.gov.

Condensed Financial Information

Selected Elements from Statement of Net Assets (in $000s)

		Agency-wide Total		
		As of June 30, 2011	**As of June 30, 2010**	**Change**
Assets	Cash and Investments	$1,449,604	$1,403,723	$ 45,881
	Loans receivable, Net	2,065,339	2,268,115	(202,776)
	Interest Receivable	17,601	18,838	(1,237)
	Total Assets	3,614,326	3,785,148	(170,822)
Liabilities	Bonds Payable	2,555,414	2,704,507	(149,093)
	Interest Payable	46,799	48,211	(1,412)
	Accounts Payable and Other Liabilities	17,062	21,582	(4,520)
	Funds Held for Others	96,996	87,425	9,571
	Total Liabilities	2,750,720	2,900,100	(149,380)
Net Assets	Restricted by Bond Resolution	281,199	278,195	3,004
	Restricted by Covenant	469,496	476,902	(7,406)
	Restricted by Law	111,466	128,320	(16,854)
	Total Net Assets	863,606	885,048	(21,442)

Selected Elements From Statement of Revenues, Expenses, and Changes in Net Assets (in $000s)

		Agency-wide Total		
		Fiscal 2011	**Fiscal 2010**	**Change**
Revenues	Interest Earned	$151,328	$155,845	$ (4,517)
	Appropriations Received	303,615	284,483	19,132
	Fees and Reimbursements	18,855	17,769	1,086
	Total Revenues (1)	491,613	486,313	5,300
Expenses	Interest Expense	97,189	101,516	(4,327)
	Appropriations Disbursed	286,572	270,185	16,387
	Fees and Reimbursements	6,203	6,725	(522)
	Payroll, Gen. & Admin.	32,753	32,263	490
	Loan Loss/Value Adjust's	71,089	56,486	14,603
	Total Expenses (1)	513,055	486,984	26,071
	Revenues over (under) Expenses	(21,442)	(671)	(20,771)
	Beginning Net Assets	885,048	885,719	(671)
	Ending Net Assets	863,606	885,048	(21,442)

(1) Agency-wide totals include interfund amounts

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
As of June 30, 2011							
Excluding Pool 3	Pool 3	Total	As of June 30, 2010	Change	As of June 30, 2011	As of June 30, 2010	Change
$1,324,968	$ 28,687	$1,353,655	$1,302,496	$ 51,159	$ 95,949	$101,227	$ (5,278)
2,004,893	25,558	2,030,451	2,232,189	(201,738)	34,888	35,926	(1,038)
17,017	348	17,365	18,501	(1,136)	236	337	(101)
3,427,030	54,593	3,481,623	3,642,506	(160,883)	132,703	142,642	(9,939)
2,555,414	-	2,555,414	2,704,507	(149,093)	-	-	-
46,799	-	46,799	48,211	(1,412)	-	-	-
14,922	97	15,019	15,045	(26)	2,043	6,537	(4,494)
78,206	-	78,206	80,301	(2,095)	18,790	7,124	11,666
2,743,392	(13,909)	2,729,483	2,885,778	(156,295)	21,237	14,322	6,915
281,199	-	281,199	278,195	3,004	-	-	-
400,994	68,502	469,496	476,902	(7,406)	-	-	-
-	-	-	-	-	111,466	128,320	(16,854)
683,638	68,502	752,140	756,728	(4,588)	111,466	128,320	(16,854)

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2011							
Excluding Pool 3	Pool 3	Total	Fiscal 2010	Change	Fiscal 2011	Fiscal 2010	Change
$147,917	$ 1,545	$149,462	$ 153,283	$ (3,821)	$ 1,866	$ 2,562	$ (696)
-	-	-	-	-	303,615	284,483	19,132
15,222	(1,013)	14,209	13,920	289	4,646	3,849	797
180,471	350	180,821	193,930	(13,109)	310,792	292,383	18,409
97,189	-	97,189	101,516	(4,327)	-	-	-
-	-	-	-	-	286,572	270,185	16,387
23,147	1,045	24,192	24,332	(140)	64	72	(8)
23,432	3,782	27,214	27,260	(46)	5,539	5,003	536
22,398	14,416	36,814	34,933	1,881	34,275	21,553	12,722
166,166	19,243	185,409	188,041	(2,632)	327,646	298,943	28,703
14,305	(18,893)	(4,588)	5,889	(10,477)	(16,854)	(6,560)	(10,294)
683,233	73,495	756,728	750,839	5,889	128,320	134,880	(6,560)
683,638	68,502	752,140	756,728	(4,588)	111,466	128,320	(16,854)

FINANCIAL HIGHLIGHTS

The following financial highlights section refers to the General Reserve and bond funds. The reader is encouraged to review the Fund Financial Statements included as supplementary information in this 2011 Financial Report.

General Reserve and Bond Funds — Statement of Net Assets

Loans receivable, investments, cash and cash equivalents, deferred loss on interest rate swap agreements, real estate owned, and interest receivable comprise the majority of assets in the General Reserve and bond funds. Equipment, fixtures, furniture, capitalized software costs, and other assets continue to be insignificant in relation to the total General Reserve and bond fund assets.

Loans receivable, net is the largest single category of bond fund assets. Loans are limited to housing-related lending for low- and moderate-income individuals and families and multifamily housing developments. Loans receivable, net decreased 9% to $2,030.5 million at June 30, 2011 as a result of repayments, prepayments, and loss reserves net of new loan purchases and originations. Amortizing homeownership loans at fixed interest rates, secured by first mortgages, continue to be the dominant loan product offered by Minnesota Housing. In the last half of 2009, the Agency changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans. The reduction in loans receivable during fiscal year 2011 was attributable to the runoff of the homeownership loan portfolio. The reserve for loan loss for the homeownership loan portfolio increased due to an increase in the estimated loss per delinquent loan which was only partially offset by a decrease in the homeownership loan delinquency rates as displayed in the following delinquency data. Minnesota Housing also has amortizing home improvement and rental rehabilitation loans which are no-interest, low-interest, and market-rate loans generally secured with second or subordinate mortgages. The reserve for loan loss for the home improvement loan portfolio increased due to increased total loan delinquency rates (as displayed in the following delinquency data) and because of an increase in the reserve for inactive loans, which are excluded from the delinquency data. Amortizing multifamily loans at fixed interest rates, secured by first mortgages (referred to as the multifamily portfolio) exhibited little change in delinquency rate and the aggregate loan receivable balance. The reserve for loan loss for the multifamily portfolio was relatively unchanged during fiscal year 2011. Minnesota Housing's primary loan programs offer fixed interest rate financing and therefore differ from the high risk characteristics associated with some adjustable payment loan products.

Homeownership Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2011		June 30, 2010	
Current and less than 60 days past due	15,299	92.0%	16,732	90.8%
60-89 days past due	310	1.9%	414	2.2%
90-119 days past due	149	0.9%	232	1.3%
120+ days past due and foreclosures(1)	862	5.2%	1,057	5.7%
Total count	16,620		18,435	
Total past due(1)	1,321	8.0%	1,703	9.2%

(1) In addition to loans customarily included in foreclosure statistics, "foreclosures" include homeownership loans for which the sheriff's sale has been held and the redemption period (generally six months) has not yet elapsed. This causes the delinquency rates in the table not to be directly comparable to delinquency rates reported by the Mortgage Bankers Association of America.

General Reserve and Bond Funds — Statement of Net Assets (continued)

Home Improvement Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2011		June 30, 2010	
Current and less than 60 days past due	8,798	97.2%	9,133	97.4%
60-89 days past due	57	0.6%	76	0.8%
90-119 days past due	38	0.4%	48	0.5%
120+ days past due	164	1.8%	123	1.3%
Total count	9,057		9,380	
Total past due	259	2.8%	247	2.6%

The 60+ day delinquency rate as of June 30, 2011 for the entire Minnesota Housing homeownership loan portfolio, excluding those loans not customarily included in foreclosure statistics, exceed by approximately three percentage points the delinquency rates of similar loan data available as of March 31, 2011 from the Mortgage Bankers Association of America for loans in Minnesota (as adjusted to reflect the proportions of insurance types in the Agency's loan portfolio).

Due to the unique program characteristics of the Minnesota home improvement loan portfolio, the Agency has determined that comparable delinquency data from other available sources is not directly comparable.

FHA/VA insurance claims, net consist of non-performing homeownership loans that are FHA insured or VA guaranteed. These loans are reclassified as claims receivable at the time the Agency files a claim. FHA/VA insurance claims,net decreased 32% to $7.761 million at June 30, 2011 as a result of a decrease in the claim amount per loan.

Real estate owned, net consists of properties acquired upon foreclosure of homeownership loans. Real estate owned increased 2% to $24.604 million at June 30, 2011 as a result of increased foreclosures within the homeownership portfolio.

While the delinquency rates and foreclosures in the Agency's loan portfolio remained above historical norms during fiscal year 2011, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2011, being less than 1.62% of total net loans receivable. Management believes that reserves for loan losses are adequate based on the current assessment of asset quality.

There are no loans in General Reserve.

Investments, cash, and cash equivalents are the next largest categories of assets and are carefully managed to provide adequate resources for future debt service requirements and liquidity needs. The combined investments, cash, and cash equivalents increased 4% to $1,353.7 million at June 30, 2011. The increase is principally a result of two items. First, loans receivable decreased $201.7 million during fiscal year 2011 which resulted in an increase in cash and investments. Second, that increase was reduced by the cash and investments required to pay down bonds payable by $149.1 million. Certain mortgage-backed securities are pledged as security for the payment of certain Agency bonds and are held in an acquisition account. Mortgage-backed securities with these two characteristics are classified on the statement of net assets as "Investments- program mortgage-backed securities." All other mortgage-backed securities, including those held in anticipation of the Agency issuing mortgage revenue bonds (warehoused mortgage-backed securities), are classified as "Investment securities- other."

Interest receivable on loans and investments is a function of the timing of interest payments and the general level of interest rates. Combined loan and investment interest receivable decreased 6% to $17.365 million at June 30, 2011. The decrease is a result of a decrease in interest receivable on loans due to the reduction in the amount of outstanding loans.

Bonds payable, net is the largest single category of liabilities, resulting primarily from debt issued to fund housing-related lending. Bonds payable decreased 6% to $2,555.4 million at June 30, 2011 because scheduled redemptions and early bond redemptions of existing debt outpaced new bonding issuance.

General Reserve and Bond Funds — Statement of Net Assets (continued)

The companion category of interest payable decreased 3% to $46.799 million at June 30, 2011 primarily due to a decrease in bonds payable, net during fiscal year 2011.

While there is no debt issued in General Reserve, there is a significant liability for funds held for others. These funds are routinely collected and held in escrow on behalf of multifamily borrowers pursuant to loan documents and are used for future periodic payments of real property taxes, casualty insurance premiums, and certain capital expenditures. Funds held for others in General Reserve decreased 3% to $78.206 million at June 30, 2011 as multifamily escrows decreased.

Accounts payable and other liabilities were virtually unchanged at $15.019 million at June 30, 2011. The two largest components of accounts payable continue to be: arbitrage rebate liability on tax-exempt bonds calculated pursuant to federal law and payable to the United States Treasury, which decreased $1.408 million; and yield compliance liability, which increased $1.080 million. Minnesota Housing obtains from independent calculation specialists annual calculations of its arbitrage rebate liability. Other accounts payable items increased a net $0.302 million.

Interfund payable/receivable exists primarily as a result of interfund borrowing and pending administrative and program reimbursements between funds. Most administrative expenses are paid from General Reserve, with the bond funds and appropriated funds owing an administrative reimbursement to General Reserve for the respective fund's contribution to those administrative expenses.

Net assets of General Reserve and bond funds are divided into two primary categories. Net Assets Restricted by Bond Resolution are pledged to the payment of bonds, subject to bond resolution provisions that authorize Minnesota Housing to withdraw funds in excess of the amounts required to be maintained under the bond resolutions. Net Assets Restricted by Covenant are subject to a covenant with bondholders that the Agency will use the money in General Reserve and money that would otherwise have been released to General Reserve only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including the creation of reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose. The Board of the Agency has established investment guidelines for these funds to implement this covenant. Net assets decreased 1% to $752.140 million at June 30, 2011. If Pool 3 net expense were excluded, net assets would have increased 2%.

General Reserve and Bond Funds — Revenues Over Expenses

Revenues over expenses of General Reserve and bond funds decreased 178% from fiscal year 2010 when considering Pool 3 net expenses and the net effect of unrealized gains and losses that resulted from market valuation adjustments to certain investment assets. Ignoring the effects of unrealized gains and losses on investments, total revenues decreased 2%. Total expenses, excluding Pool 3, decreased 6% compared to the prior fiscal year. The largest revenue component, interest earned, decreased during fiscal year 2011. Combined interest revenues of General Reserve and bond funds from loans and investments decreased 2% to $149.462 million compared to the prior fiscal year. Loan interest revenue decreased 10% in fiscal year 2011 as repayments and prepayments decreased the size of the homeownership loan portfolio. That portfolio is in runoff because of the change to the mortgage-backed securities business model. Investment interest revenue increased 59% in fiscal year 2011 because program mortgage-backed securities were purchased for the first time by the Homeownership Finance bond resolution and because of increased warehousing of mortgage-backed securities in Pool 2.

Administrative reimbursements to General Reserve from bond funds were $18.053 million in fiscal year 2011 compared to $17.769 million during the prior fiscal year. The increase is a result of an increase in the total assets of the bond funds upon which the administrative reimbursement is calculated. General Reserve also incurs overhead expenses to administer state and federal appropriated housing programs. General Reserve received overhead reimbursements of $2.680 million from the State and Federal Appropriated funds to recover certain overhead expenses incurred during fiscal year 2011 compared to $3.979 million during the prior fiscal year. The decrease is mainly a result of decreased overhead reimbursement from State Appropriated during fiscal year 2011. Investment earnings within the State Appropriated fund were insufficient to reimburse $5.182 million of cumulative overhead expense.

Other fee income to General Reserve and bond funds of $11.529 million increased by $1.588 million compared to the prior fiscal year. The primary components are fees earned from the federal low income

General Reserve and Bond Funds — Revenues Over Expenses (continued)

housing tax credit program, Section 8 contract administration, federal Housing Assistance Payments administration, and various loan programs. During fiscal year 2011 the Agency received $0.691 million as a result of a penalty that was independently calculated and imposed on a former guaranteed investment contract bidder by the United States Department of Justice.

Minnesota Housing recorded $0.903 million of unrealized losses on investment securities during fiscal year 2011, compared to $9.048 million of unrealized gains during the prior year, a decrease of $9.951 million.

Interest expense of the bond funds decreased 4% to $97.189 million compared to the prior year as a result of a lower amount of outstanding debt during fiscal year 2011.

Combined expenses for loan administration, trustee fees and administrative reimbursements in the bond funds decreased by 1% to $24.192 million compared to the prior fiscal year. Of the total administrative reimbursement revenue in General Reserve of $18.053 million, an interfund charge to the bond funds was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of $17.716 million decreased 1% from the prior year. Other general operating expense in General Reserve and bond funds increased 1% to $9.498 million compared to the prior fiscal year. Reductions in carrying value of certain low interest rate deferred loans in the bond funds increased 53% to $14.387 million. The increase related to increased disbursements of deferred subordinated multifamily loans.

Provision for loan loss expense in the bond funds decreased $3.103 million or 12% to $22.427 million. The provision for loan loss expense for the homeownership loan portfolio decreased $4.585 million because new delinquencies (upon which a portion of the provision for loan loss expense is calculated as an estimate) were less than the prior fiscal year. The provision for loan loss expense for the home improvement loan portfolio increased $0.265 million as a result of the slight increase in loan delinquency rates. The provision for loan loss expense for the homeownership down payment assistance loan portfolio decreased $0.155 million. The provision for loan loss expense for the multifamily loan portfolio increased $1.372 million mainly due to newly originated first mortgage loans. The Agency's practice is to assign a general loss provision for newly originated multifamily loans. Please refer to the loans receivable comments in the Financial Highlights section of the Management's Discussion and Analysis of Financial Condition and Results of Operations for more information regarding loan asset quality.

Non-operating transfers occur as a result of bond sale contributions related to new debt issues, the periodic transfer of assets to maintain the Housing Endowment Fund (Pool 1) requirement, periodic fiscal year end transfers to the Housing Investment Fund (Pool 3), if any, and periodic transfers from the bond funds of amounts in excess of bond resolution requirements. During fiscal year 2011, $10.029 million of Pool 1 funds in excess of requirements were transferred to Pool 2. Revenues over expenses in General Reserve that are in excess of the Housing Endowment Fund (Pool 1) requirement are transferred periodically to the Housing Investment Fund (Pool 2) for use in housing programs. Pool 2 also recorded a $13.900 million contribution to Pool 3 to be used for highly subsidized housing programs. Revenues over expenses plus non-operating transfers in the Housing Investment Fund (Pool 2) may be transferred periodically, with approval of the Board, to the Housing Affordability Fund (Pool 3) for use in more highly subsidized housing programs. Board investment guidelines establishes required balances for Pool 1 and Pool 2. In addition, Pool 2 made $14.256 million in bond sale contributions, as follows: Homeownership Finance bond fund $13.066 million, Multifamily Housing bond fund $0.549 million, and Rental Housing bond resolution $0.641 million.

Combined revenues over expenses, including unrealized gains and losses for General Reserve and the bond funds, decreased $10.477 million to $(4.588) million compared to the prior fiscal year. After removing the effects of unrealized gains and losses and Pool 3 revenues and expenses, the combined revenues over expenses increased 102% to $13.991 million.

Total combined net assets of General Reserve and bond funds decreased 1% to $752.140 million as of June 30, 2011 as a result of expenses exceeding revenues for fiscal year 2011. The net assets of each individual bond fund increased, except for Residential Housing Finance, as a result of net revenues over expenses by fund and non-operating transfers of assets between funds. After the $10.029 million transfer of Pool 1 excesses to Pool 2, the net assets of General Reserve decreased $2.240 million mainly as a result of a

$2.029 million decrease in the Pool 1 requirement (which resides in General Reserve) caused by a decrease in the balance of outstanding loans on which its requirement is based, and a $0.186 million decrease in net assets invested in capital assets.

State and Federal Appropriated Funds — Statement of Net Assets

Assets of the appropriated funds are derived from the appropriation of funds by the State of Minnesota and funds made available to Minnesota Housing by the federal government for housing purposes. Housing preservation and development ordinarily requires appropriations received in the current period to be expended over several future years of planned development. This timing difference is the primary reason for the presence of investments, cash, and cash equivalent assets in the appropriated funds and for the balance of net assets restricted by law.

Investments, cash, and cash equivalents are the largest categories of assets in the appropriated funds. The June 30, 2011 combined balance decreased 5% to $95,949 million as a result of combined disbursements for programs, loans and expenses exceeding the combined appropriations received and revenues during the fiscal year.

Certain state appropriations are expended as housing loans with near- or below-market interest rates, resulting in net loans receivable. At June 30, 2011 State Appropriated fund net loans receivable decreased 3% to $34.888 million, reflecting lower net loan program activity.

Interest receivable in appropriated funds is a function of the timing of interest payments and the general level of interest rates on investments. Interest receivable on appropriated funds at June 30, 2011 decreased 30% to $0.236 million primarily as a result of lower interest rates on investments.

Accounts payable and other liabilities represent amounts payable for HUD's share of savings from certain debt refinancing activities and accrued expenses for federal and state housing programs. The balance payable at June 30, 2011 was $2.043 million compared to $6.537 million at June 30, 2010. The decrease in accounts payable and other liabilities is largely attributable to Section 1602/Exchange program funds received by the Agency at the end of fiscal year 2010 which were then paid to the ultimate recipients of those funds during fiscal year 2011.

For administrative convenience, certain State Appropriated fund loans are administered within the bond funds, resulting in an interfund receivable for the loan disbursement and servicing activities. Interfund payable occurs in the Federal Appropriated fund as a result of overhead expense and indirect cost recoveries owed to General Reserve. At June 30, 2011 the combined net interfund payable was $0.404 million.

At June 30, 2011 the balance of funds held for others was $18.790 million. In October 2009 and February 2011 the Agency issued nonprofit housing bonds under an indenture of trust. The indenture permits capital funding for long-term homeless households and other purposes through the issuance of Agency bonds secured solely by state appropriations. The proceeds of these provide capital funding for permanent supportive housing in seven multifamily housing developments. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008. The bonds are not recorded as a liability by the Agency since they are not an obligation of the Agency (see Appropriation Debt Obligation in notes to financial statements). The balance of the undisbursed proceeds of the issued bonds in the amount of $18.493 million is recorded as funds held for others. Excess federal housing assistance payments received for administration of the Section 8 program and the interest income earned on those unexpended funds in the amount of $0.297 million is also recorded as funds held for others.

All of the net assets of the appropriated funds are restricted by law for use with housing programs only and are not pledged or available to secure the bonds or other obligations of Minnesota Housing or its general obligation pledge in respect thereof. The combined net assets of the appropriated funds decreased to $111.466 million as of June 30, 2011, reflecting combined revenues less than disbursements and expenses during fiscal year 2011.

State and Federal Appropriated Funds — Revenues Over Expenses

State and Federal Appropriated funds are recorded as revenue in the period in which such appropriations are earned. Funds are spent for eligible program activities as defined by Minnesota Housing, the State of Minnesota or agencies of the federal government. Unexpended appropriations are invested and the interest income on the investments is recorded as it is earned, except for interest earned on certain unexpended federal appropriations, which is recorded as funds held for others. Similarly, interest income on certain State Appropriated fund loan receivables is recorded as it is earned.

The largest revenue category is appropriations received, and is a function of the fiscal, legislative, and political environment of the State of Minnesota and the federal government. The combined appropriations received increased from $284.483 million in fiscal year 2010 to $303.615 million at in fiscal year 2011. Federal appropriations received increased by $12.065 million, mostly due to increased funding in fiscal year 2011 for Section 8 contract administration, the National Stabilization Program (NSP), the Tax Credit Assistance Program (TCAP), and the Section 1602/ Exchange Program. These increases were partially offset by a decrease in HOME program funds. State appropriations received increased by $3.637 million, mainly due to appropriations received for debt service and other expenses for the nonprofit housing bonds.

Interest income from investments decreased as investment yields in general were below previous levels and the average balance of investment assets was less than the prior fiscal year. The combined interest income from investments decreased 34% to $1.585 million for fiscal year 2011.

Loan interest income from State Appropriations loan assets continues to be minimal at $0.281 million as relatively few loans bear interest.

Fees earned and other income in the amount of $2.175 million were recorded in the State Appropriated fund during fiscal year 2011. This consisted mainly of private donations and interagency transfers of funds to support certain state housing programs. Fees earned and other income of $3.667 million were recorded in the Federal Appropriation fund in fiscal year 2011. These were Energy Saver Rebate Program funds received from a Minnesota state agency to reimburse homeowners for qualifying energy improvements.

Unrealized gains or losses on investments are recorded to reflect current market valuations of investments, and may be reversed over time as investments are held. Combined unrealized losses of $0.531 million were recorded at June 30, 2011 compared to $0.641 million unrealized losses at June 30, 2010.

Administrative reimbursements to General Reserve of overhead expenses to administer State Appropriated fund programs decreased 44% to $1.196 million compared to the prior fiscal year. The Agency incurs the overhead expense in General Reserve. General Reserve is reimbursed for these overhead expenses by the State Appropriated fund to the extent of investment earnings on unexpended state appropriations. During fiscal year 2011 investment earnings in the State Appropriated fund were insufficient to reimburse $5.182 million of overhead expenses incurred in General Reserve during this fiscal year and unreimbursed expenses for the last fiscal year. Combined appropriations disbursed increased 6% to $286.572 million compared to the prior fiscal year, reflecting State Appropriations disbursed of $29.656 million and federal appropriations disbursed of $256.916 million.

Increased expenditures of State Appropriated funds for fully-reserved below-market and zero-percent interest rate loans resulted in higher expense from reductions in carrying value of certain loans. Net reductions of carrying value increased 62% to $32.544 million compared to the prior fiscal year.

Other general operating expenses in the State Appropriation fund represent fees for professional and technical support to implement and administer certain housing programs. Other general operating expenses in the State Appropriation fund increased 3% to $1.872 million at June 30, 2011. Other general operating expenses in the Federal Appropriation fund of $3.667 million are homeowner reimbursement for qualifying energy improvements from the Energy Saver Rebate Program.

Combined revenues were less than combined expenditures of the appropriated funds by $16.854 million at June 30, 2011. Ultimately, the entire State and Federal Appropriated funds' net assets will be expended for housing programs.

Significant Long-Term Debt Activity

Minnesota Housing issues a significant amount of bonds, having outstanding at June 30, 2011 long-term bonds totaling $2,202.1 million and short-term bonds totaling $350.9 million. Bond proceeds and related revenues are held by trustees, who are responsible for administration of bond resolution requirements including payment of debt service. The bond resolutions may require funding debt service reserve accounts and insurance reserve accounts. At June 30, 2011, amounts held by the respective trustees in principal, interest, redemption, and reserve accounts represented full funding of those requirements as of that date.

Minnesota Housing continually investigates and utilizes financing and debt management techniques designed to achieve its goals of reducing interest expense and efficiently utilizing bonding authority while managing risk and responding to changing capital markets. During 2011 fiscal year, Minnesota Housing issued 11 series of bonds and notes aggregating $1,391.1 million, compared to the issuance of eight series totaling $1,384.9 million the previous fiscal year. Aided by the United States Treasury’s New Issue Bond Program, long-term debt issuance to finance mortgage lending was more robust in fiscal year 2011 than it was in recent recessionary years. Long-term bonds are issued as capital is needed for program purposes and as opportunities arise to economically refund outstanding bonds. Short-term bonds and notes and other indebtedness are issued to preserve tax-exempt bonding authority for future program use and to warehouse purchases of mortgage-backed securities in advance of permanent financing.

A total of $1,484.9 million in principal payments and $97.2 million of interest payments were made during fiscal year 2011. Of the total principal payments, $1,294.9 million retired short-term debt and $144.6 million were payments made prior to the scheduled maturity date using a combination of optional and special redemption provisions.

Most of the bonds issued by Minnesota Housing bear interest that is not includable in gross income for federal and State of Minnesota income taxation, in accordance with requirements of the federal Internal Revenue Code and Treasury regulations governing either qualified mortgage bonds or bonds issued to provide qualified residential rental projects. Minnesota Housing’s ability to issue tax-exempt debt is limited by its share of the state’s allocation of private activity volume cap, which is established by Minnesota statutes. Minnesota Housing’s ability to issue tax-exempt debt is also limited by a provision in the Internal Revenue Code (commonly known as the 10-year rule) that prohibits refunding of mortgage repayments and prepayments received more than ten years after the date of issuance of the bonds that financed such mortgage loans.

While most of the Agency’s bonds are tax-exempt, taxable bonds have also been issued to supplement limited tax-exempt authority in order to meet demand for mortgage loans. Taxable bonds may also be issued to finance lending programs where federal tax-exempt bond restrictions are inconsistent with program goals. Variable-rate bonds and interest-rate swaps were incorporated into Minnesota Housing’s financings from fiscal year 2003 through fiscal year 2010, enabling the Agency to provide below-market mortgage financing at synthetically fixed interest rates. Interest-rate swaps help to hedge the mismatch between fixed-rate loans and variable-rate bonds. (See Interest Rate Swaps under the notes to the financial statements for further discussion of interest-rate swaps and their risks.)

The Agency also had outstanding at June 30, 2011 certain conduit bonds and appropriation-backed bonds which are not obligations of the Agency and which are discussed in notes to the financial statements. Board policy governs the process Minnesota Housing follows to issue and manage debt. State statute limits total outstanding bonds and notes of Minnesota Housing to $5.0 billion.

At June 30, 2011 Minnesota Housing’s issuer ratings were “AA+” and “Aa1” from Standard and Poor’s Ratings Services and Moody’s Investors Service, Inc., respectively. Minnesota Housing’s credit ratings are separate from, and are not directly dependent on, ratings on debt issued by the State of Minnesota. Ongoing reporting to and communications with the bond rating agencies are priorities for the Agency.

Significant Factors That May Affect Financial Condition and/or Operations

Legislative Actions

Following protracted negotiations, the Governor and legislature agreed on a package of measures to address the state's $5 billion deficit. As part of the package, state appropriations to the agency were reduced by 6.3%, for a base biennial budget of $76.096 million. The base for the previous biennium was $82 million. The reduction was slightly larger than that proposed by the Governor, but was less than either of the House or Senate bills.

Federal Stimulus Funds

As part of the Housing and Economic Recovery Act 2008 (HERA), Congress established the Neighborhood Stabilization Program (NSP) and the U.S. Treasury sponsored New Issue Bond Program (NIBP). Congress has funded the NSP program three times: once through HERA, once through the American Recovery and Reinvestment Act of 2009 (ARRA), and a third time through the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank). HERA and Dodd-Frank NSP funds were allocated among states and communities on a formula basis. The Governor designated Minnesota Housing as the administrator of the $38.8 million HERA and the $5 million Dodd-Frank allocations to the state, of which it has disbursed $30.7 million. Minnesota Housing has used both state appropriations and Agency resources to assist with efforts to remediate neighborhoods in the state hardest hit by the foreclosure crisis.

NIBP has provided competitive bond interest rates in an otherwise difficult bond market. The program is scheduled to end December 31, 2011.

ARRA included two funding programs to assist housing tax credit projects that were stalled due to the unfavorable tax credit market. The Agency administers $28.4 million under the Tax Credit Assistance program (TCAP) and over $62 million under the Section 1602/Exchange Program.

100% of the TCAP grant amount has been committed to projects and 99.98% has been expended; 100% of the Section 1602/Exchange funds have been committed to projects and 92.3% has been disbursed.

Nationwide Foreclosure Crisis

The nationwide housing foreclosure crisis continued to impact borrowers in Minnesota Housing's loan portfolio despite the Agency's practice of providing mortgage products designed to promote sustainable homeownership. Loan delinquencies and foreclosures were lower in fiscal year 2011 for the homeownership portfolio and slightly higher for the home improvement portfolios as described in Management's Discussion and Analysis of Financial Condition and Results of Operations–Financial Highlights. Economic conditions and their future impact on the Agency's loan portfolios are unpredictable. The Agency regularly reviews loan portfolio performance and records additional loss reserves when justified by actual delinquency, foreclosure and property loss experience. The Agency additionally utilizes several loss mitigation techniques to assist homeowners with avoiding foreclosure and to minimize Agency losses on foreclosed loans.

The Agency transitioned to a mortgage-backed securities business model during fiscal year 2010. This model was adopted to minimize losses on future homeownership lending.

Liquidity Facilities for Variable Rate Bonds

Standby liquidity facilities for certain variable rate bonds are scheduled to expire in calendar year 2012.

Additional Information

Questions and inquiries may be directed to Mr. Bill Kapphahn at Minnesota Housing Finance Agency, 400 Sibley Street, Suite 300, St. Paul, MN 55101 (651-296-7608 or 800-657-3769 or if T.T.Y. 651-297-2361)

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Net Assets (in thousands)
As of June 30, 2011 (with comparative totals as of June 30, 2010)

		Agency-wide Total as of June 30, 2011	Agency-wide Total as of June 30, 2010
Assets	Cash and cash equivalents	$ 527,605	$ 646,706
	Investments- program mortgage-backed securities	356,227	$33,686
	Investment securities- other	565,772	723,331
	Loans receivable, net	2,065,339	2,268,115
	Interest receivable on loans	14,142	16,287
	Interest receivable on investments	3,459	2,551
	Deferred loss on interest rate swap agreements	30,815	37,077
	FHA/VA insurance claims, net	7,761	11,407
	Real estate owned, net	24,604	24,026
	Unamortized bond issuance costs	13,307	12,927
	Capital assets, net	1,445	1,631
	Other assets	3,850	7,404
	Total assets	$3,614,326	$3,785,148
Liabilities	Bonds payable, net	$2,555,414	$2,704,507
	Interest payable	46,799	48,211
	Interest rate swap agreements	30,815	37,077
	Deferred revenue- service release fees	3,634	1,298
	Accounts payable and other liabilities	17,062	21,582
	Funds held for others	96,996	87,425
	Total liabilities	2,750,720	2,900,100
	Commitments and contingencies		
Net Assets	Restricted by bond resolution	281,199	278,195
	Restricted by covenant	469,496	476,902
	Restricted by law	111,466	128,320
	Invested in capital assets	1,445	1,631
	Total net assets	863,606	885,048
	Total liabilities and net assets	$3,614,326	$3,785,148

See accompanying notes to financial statements.

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Activities (in thousands)
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

		Agency-wide Total for the Year Ended June 30, 2011	Agency-wide Total for the Year Ended June 30, 2010
Revenues	Interest earned on loans	$123,823	$137,118
	Interest earned on investments- program mortgage-backed securities	7,814	702
	Interest earned on investments- other	19,691	18,025
	Appropriations received	303,615	284,483
	Administrative reimbursement	1,484	1,849
	Fees earned and other income	17,371	15,920
	Unrealized gains on investments	(1,434)	8,407
	Total revenues	472,364	466,504
Expenses	Interest	97,189	101,516
	Loan administration and trustee fees	6,203	6,725
	Salaries and benefits	17,716	17,815
	Other general operating	15,037	14,448
	Appropriations disbursed	286,572	270,185
	Reduction in carrying value of certain low interest rate deferred loans	46,931	29,441
	Provision for loan losses	24,158	27,045
	Total expenses	493,806	467,175
	Change in net assets	(21,442)	(671)
	Total net assets, beginning of year	885,048	885,719
Net Assets	Total net assets, end of year	$863,606	$885,048

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Net Assets (in thousands)
Proprietary Funds
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance	Single Family
Assets	Cash and cash equivalents	$ 57,539	$ 45,721	$ 223,081	$ 38,088
	Investments- program mortgage-backed securities	-	-	33,002	-
	Investment securities- other	45,318	40,757	425,165	11,537
	Loans receivable, net	-	171,839	1,741,123	117,871
	Interest receivable on loans	-	944	12,271	860
	Interest receivable on investments	257	694	976	108
	Deferred loss on interest rate swap agreements	-	-	30,815	-
	FHA/VA insurance claims, net	-	-	6,747	1,014
	Real estate owned, net	-	-	23,804	800
	Unamortized bond issuance costs	-	1,752	8,564	631
	Capital assets, net	1,445	-	-	-
	Other assets	1,320	5	162	721
	Total assets	$105,879	$261,712	$2,505,710	$171,630
Liabilities	Bonds payable, net	$ -	$157,692	$1,883,409	$ 97,505
	Interest payable	-	3,063	37,701	2,525
	Interest rate swap agreements	-	-	30,815	-
	Deferred revenue- service release fees	-	-	3,634	-
	Accounts payable and other liabilities	5,481	5,801	3,223	462
	Interfund payable (receivable)	879	(1)	(1,347)	63
	Funds held for others	77,590	-	616	-
	Total liabilities	83,950	166,555	1,958,051	100,555
	Commitments and contingencies				
Net Assets	Restricted by bond resolution	-	95,157	98,647	71,075
	Restricted by covenant	20,484	-	449,012	-
	Restricted by law	-	-	-	-
	Invested in capital assets	1,445	-	-	-
	Total net assets	21,929	95,157	547,659	71,075
	Total liabilities and net assets	$105,879	$261,712	$2,505,710	$171,630

See accompanying notes to financial statements

Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total as of June 30, 2011	Total as of June 30, 2010
Bond Funds		**Appropriated Funds**			
$ 93,735	$15,523	$ 52,042	$ 1,876	$ 527,605	$ 646,706
323,225	-	-	-	356,227	33,686
486	478	32,968	9,063	565,772	723,331
-	(382)	34,888	-	2,065,339	2,268,115
-	54	13	-	14,142	16,287
1,197	4	190	33	3,459	2,551
-	-	-	-	30,815	37,077
-	-	-	-	7,761	11,407
-	-	-	-	24,604	24,026
2,195	165	-	-	13,307	12,927
-	-	-	-	1,445	1,631
12	-	-	1,630	3,850	7,404
$420,850	$15,842	$120,101	$12,602	$3,614,326	$3,785,148
$401,808	$15,000	$ -	$ -	$2,555,414	$2,704,507
3,472	38	-	-	46,799	48,211
-	-	-	-	30,815	37,077
-	-	-	-	3,634	1,298
52	-	268	1,775	17,062	21,582
2	-	39	365	-	-
-	-	18,493	297	96,996	87,425
405,334	15,038	18,800	2,437	2,750,720	2,900,100
15,516	804	-	-	281,199	278,195
-	-	-	-	469,496	476,902
-	-	101,301	10,165	111,466	128,320
-	-		-	1,445	1,631
15,516	804	101,301	10,165	863,606	885,048
$420,850	$15,842	$120,101	$12,602	$3,614,326	$3,785,148

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Revenues, Expenses, and Changes in Net Assets (in thousands)
Proprietary Funds
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

			Bond Funds	
		General Reserve	Rental Housing	Residential Housing Finance
Revenues	Interest earned on loans	$ -	$10,055	$105,346
	Interest earned on investments- program mortgage-backed securities	-	-	1,321
	Interest earned on investments- other	292	2,045	13,129
	Appropriations received	-	-	-
	Administrative reimbursement	20,733	-	-
	Fees earned and other income	10,289	616	621
	Unrealized gains (losses) on investments	(95)	(859)	389
	Total revenues	31,219	11,857	120,806
Expenses	Interest	-	7,736	79,411
	Loan administration and trustee fees	-	141	5,539
	Administrative reimbursement	-	1,555	14,829
	Salaries and benefits	17,716	-	-
	Other general operating	5,714	-	3,784
	Appropriations disbursed	-	-	-
	Reduction in carrying value of certain low interest rate deferred loans	-	964	13,423
	Provision for loan losses	-	138	21,952
	Total expenses	23,430	10,534	138,938
	Revenues over (under) expenses	7,789	1,323	(18,132)
Other changes	Non-operating transfer of assets between funds	(10,029)	641	(4,227)
	Change in net assets	(2,240)	1,964	(22,359)
Net Assets	Total net assets, beginning of year	24,169	93,193	570,018
	Total net assets, end of year	$21,929	$95,157	$547,659

See accompanying notes to financial statements.

Bond Funds			Appropriated Funds			
Single Family	Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2011	Total for the Year Ended June 30, 2010
$ 7,787	$ -	$354	$ 281	$ -	$123,823	$137,118
-	6,493	-	-	-	7,814	702
2,349	274	17	1,248	337	19,691	18,025
-	-	-	47,801	255,814	303,615	284,483
-	-	-	-	-	20,733	21,658
-	-	3	2,175	3,667	17,371	15,920
(565)	224	3	(350)	(181)	(1,434)	8,407
9,571	6,991	377	51,155	259,637	491,613	486,313
5,539	4,304	199	-	-	97,189	101,516
405	55	(1)	64	-	6,203	6,725
1,069	568	32	1,196	-	19,249	19,809
-	-	-	-	-	17,716	17,815
-	-	-	1,872	3,667	15,037	14,448
-	-	-	29,656	256,916	286,572	270,185
-	-	-	32,544	-	46,931	29,441
337	-	-	1,731	-	24,158	27,045
7,350	4,927	230	67,063	260,583	513,055	486,984
2,221	2,064	147	(15,908)	(946)	(21,442)	(671)
-	13,066	549	-	-	-	-
2,221	15,130	696	(15,908)	(946)	(21,442)	(671)
68,854	386	108	117,209	11,111	885,048	885,719
$71,075	$15,516	$804	$101,301	$10,165	$863,606	$885,048

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

			Bond Funds	
		General Reserve	Rental Housing	Residential Housing Finance
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$21,046	$ 155,398
	Investment in loans/loan modifications and program mortgage-backed securities	-	(14,440)	(74,043)
	Interest received on loans and program mortgage-backed securities	-	10,997	101,893
	Other operating	-	-	(3,686)
	Fees and other income received	10,231	616	4,256
	Salaries, benefits and vendor payments	(21,918)	(145)	(7,220)
	Appropriations received	-	-	-
	Appropriations disbursed	-	-	-
	Administrative reimbursement from funds	21,026	(1,555)	(14,829)
	Deposits into funds held for others	31,942	-	-
	Disbursements made from funds held for others	(35,135)	-	-
	Interfund transfers and other assets	(1,155)	(1)	153
	Net cash provided (used) by operating activities	4,991	16,518	161,922
Cash flows from noncapital financing activities	Proceeds from sale of bonds and notes	-	23,125	1,939,445
	Principal repayment on bonds and notes	-	(15,880)	(2,217,165)
	Interest paid on bonds and notes	-	(7,106)	(82,654)
	Financing costs paid related to bonds issued	-	(430)	(839)
	Interest paid/received between funds	-	-	(482)
	Principal paid/received between funds	-	-	-
	Premium paid on redemption of bonds	-	-	-
	Agency contribution to program funds	-	641	(3,957)
	Transfer of cash between funds	(11,057)	-	11,057
	Net cash provided (used) by noncapital financing activities	(11,057)	350	(354,595)
Cash flows from investing activities	Investment in real estate owned	-	-	(4,387)
	Interest received on investments	1,524	2,164	11,833
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-	71,074
	Proceeds from maturity, sale or transfer of investment securities	25,000	28,135	1,772,099
	Purchase of investment securities	(15,053)	(37,703)	(1,645,898)
	Purchase of loans between funds	-	-	1,856
	Net cash provided (used) by investing activities	11,471	(7,404)	206,577
	Net increase (decrease) in cash and cash equivalents	5,405	9,464	13,904
Cash and cash equivalents:	Beginning of year	52,134	36,257	209,177
	End of year	$ 57,539	$45,721	$ 223,081

See accompanying notes to financial statements

Bond Funds			Appropriated Funds			
Single Family	Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2011	Total for the Year Ended June 30, 2010
$ 14,328	$ 3,175	$ -	$ 3,462	$ -	$ 197,409	$ 168,347
(109)	(316,300)	382	(34,755)	-	(439,265)	(164,519)
7,332	6,896	300	282	-	127,700	130,382
-	-	-	(1,874)	(3,667)	(9,227)	(4,862)
-	-	3	2,175	3,667	20,948	14,247
(414)	(75)	(3)	(64)	-	(29,839)	(29,754)
-	-	-	47,801	259,341	307,142	284,336
-	-	-	(30,399)	(260,806)	(291,205)	(270,969)
(1,069)	(568)	(32)	(1,430)	-	1,543	2,087
-	-	-	21,879	-	53,821	42,670
-	-	-	(10,215)	-	(45,350)	(39,987)
(19)	-	-	25	-	(997)	(1,179)
20,049	(306,872)	650	(3,113)	(1,465)	(107,320)	130,799
-	141,613	-	-	-	2,104,183	1,440,910
(18,900)	-	-	-	-	(2,251,945)	(1,208,085)
(5,768)	(959)	(167)	-	-	(96,654)	(100,549)
-	(2,053)	(60)	-	-	(3,382)	(2,650)
482	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,767	549	-	-	-	-
-	-	-	-	-	-	-
(24,186)	141,368	322	-	-	(247,798)	129,626
(677)	-	-	-	-	(5,064)	(3,557)
2,134	(923)	13	1,332	203	18,280	17,171
5,655	-	-	-	-	76,729	64,797
6,872	-	-	60,085	10,498	1,902,689	1,362,531
(13,393)	(476)	(475)	(32,789)	(10,830)	(1,756,617)	(1,465,447)
-	-	-	(1,856)	-	-	-
591	(1,399)	(462)	26,772	(129)	236,017	(24,505)
(3,546)	(166,903)	510	23,659	(1,594)	(119,101)	235,920
41,634	260,638	15,013	28,383	3,470	646,706	410,786
$ 38,088	$ 93,735	$ 15,523	$ 52,042	$ 1,876	$ 527,605	$ 646,706

(Continued)

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds (continued)
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance
Revenues over (under) expenses	$ 7,789	$ 1,323	$ (18,132)
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:			
Amortization of premiums (discounts) and fees on loans and program mortgage-backed securities	-	(62)	1,248
Depreciation	1,540	-	-
Realized losses (gains) on sale of securities, net	(5)	77	183
Unrealized losses (gains) on securities, net	95	859	(389)
Provision for loan losses	-	138	21,952
Reduction in carrying value of certain low interest rate and/or deferred loans	-	964	13,423
Capitalized interest on loans and real estate owned	-	(105)	(7,965)
Interest earned on investments	(287)	(2,251)	(12,404)
Interest expense on bonds and notes	-	7,736	79,411
Changes in assets and liabilities:			
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	6,606	81,355
Decrease (increase) in interest receivable on loans	-	29	1,943
Increase (decrease) in arbitrage rebate liability	-	1,209	(908)
Increase (decrease) in accounts payable	(24)	(2)	2,097
Increase (decrease) in interfund payable, affecting operating activities only	285	(1)	(17)
Increase (decrease) in funds held for others	(3,193)	-	-
Other	(1,209)	(2)	125
Total	(2,798)	15,195	180,054
Net cash provided (used) by operating activities	$ 4,991	$ 16,518	$ 161,922

See accompanying notes to financial statements

Bond Funds			Appropriated Funds			
Single Family	Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2011	Total for the Year Ended June 30, 2010
$ 2,221	$ 2,064	$ 147	$ (15,908)	$ (946)	$ (21,442)	$ (671)
(175)	403	-	-	-	1,414	690
-	-	-	-	-	1,540	2,590
(271)	-	-	(30)	(153)	(199)	469
565	(224)	(3)	350	181	1,434	(8,407)
337	-	-	1,731	-	24,158	27,045
-	-	-	32,544	-	46,931	29,442
(506)	-	-			(8,576)	(6,724)
(2,164)	(274)	(17)	(1,218)	(185)	(18,800)	(18,504)
5,539	4,304	199	-	-	97,189	101,515
14,219	(313,125)	382	(31,293)	-	(241,856)	3,828
226	-	(54)	1	-	2,145	(1,038)
86	-	-	-	-	387	126
(6)	(20)	(4)	(745)	(3,836)	(2,540)	2,987
(19)	-	-	(209)	(48)	(9)	-
-	-	-	11,664	-	8,471	2,682
(3)	-	-	-	3,522	2,433	(5,231)
17,828	(308,936)	503	12,795	(519)	(85,878)	131,470
$ 20,049	$ (306,872)	$ 650	$ (3,113)	$ (1,465)	$ (107,320)	$ 130,799

Nature of Business and Fund Structure

The Minnesota Housing Finance Agency (the Agency or Minnesota Housing) was created in 1971 by the Minnesota legislature through the enactment of Minnesota Statutes, Chapter 462A, which has been amended from time to time. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing mortgage loans, development loans, and technical assistance to qualified housing sponsors. The Agency, as a special purpose agency engaged in business-type activities, is a component unit of the State of Minnesota, and is reflected as a proprietary fund in the state's comprehensive annual financial report. The Agency receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified programs. The Agency also receives funds from the federal government or other entities for similar program purposes.

The Agency is authorized to issue bonds and notes to fulfill its corporate purposes up to a total outstanding amount of $5.0 billion and to incur other indebtedness. None of the bonds, notes or other indebtedness is a debt of the State of Minnesota or any political subdivision thereof.

The following describes the funds maintained by the Agency, which are included in this report, all of which conform to the authorizing legislation and bond resolutions:

General Reserve

General Reserve was established in fulfillment of the pledge by the Agency of its full faith and credit to the payment of its general obligation bonds in its bond resolutions. Administrative costs of the Agency and multifamily development escrow receipts and related disbursements are recorded in this account. The net assets of General Reserve are available to support the following funds which are further described below: Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance and Multifamily Housing.

Rental Housing

Activities relating to bond-financed multifamily housing programs are maintained under the Rental Housing bond resolution. Loans are generally secured by first mortgages on real property. The Rental Housing bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

Residential Housing Finance

Included within Residential Housing Finance are the bond funds, which include bonds issued and outstanding under the Residential Housing Finance bond resolution; limited obligation notes issued under separate resolutions; the Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2), the Housing Affordability Fund (Pool 3); and limited obligation note accounts,. All of these funds are restricted by a covenant with bondholders as to their use.

The bond resolution within Residential Housing Finance was the principal source of financing for bond-financed homeownership programs from fiscal year 2002 until fiscal year 2010 (see Homeownership Finance below). Bonds were issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family mortgage loans, some related entry cost housing assistance loans, and subordinated home improvement loans. The majority of the single family first mortgage loans financed by these bond issues are insured by private mortgage insurers or the Federal Housing Administration (FHA) or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). Assets of the bonds issued and outstanding under the resolution are pledged to the repayment of Residential Housing Finance bonds, except that the limited obligation debt is issued under separate resolutions and is secured by the proceeds thereof.

The Alternative Loan Fund has been established in Residential Housing Finance and residing therein are three subfunds: Housing Investment Fund (Pool 2), Housing Affordability Fund (Pool 3) and limited obligation note accounts. Except for funds in limited obligation note accounts and certain mortgage-backed securities warehoused for a Minnesota local governmental housing and redevelopment authority, funds deposited therein would otherwise be available to be transferred to General Reserve. The Alternative Loan

Nature of Business and Fund Structure (continued)

Fund is not pledged to the payment of the Residential Housing Finance bonds or any other debt obligation of the Agency and, to the extent that funds are available therein, is available to honor the general obligation pledge of the Agency.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2011 this fund provided capital for several Agency programs including its home improvement loan program, its multifamily first-mortgage loan program, warehousing purchases of mortgage-backed securities secured by single family first mortgage loans, for tax credit bridge loans, loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable housing, loans to facilitate transfers of ownership of manufactured home parks to resident owners, contributions for limited obligation note expenses, and bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire Agency high interest-rate debt.

Assets of the Housing Affordability Fund (Pool 3) consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans; loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2011 funds from Pool 3 were used for entry cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, and deferred, subordinated multifamily loans.

The Residential Housing Finance bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

The limited obligation debt resolutions prescribe the application of debt proceeds and permitted investments.

Single Family

Bonds issued for homeownership programs were issued under Single Family until 2002 when the Agency began using Residential Housing Finance. The Agency generally expects to issue bonds for homeownership programs under Homeownership Finance. Loans in Single Family are secured by first mortgages on real property.

The Single Family bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

Homeownership Finance

This bond resolution was adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program. Bonds issued under this resolution fund mortgage-backed securities backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by either the Government National Mortgage Association or the Federal National Mortgage Association. Mortgage-backed securities were funded for the first time this fiscal year by bonds issued under this resolution.

Multifamily Housing

This bond resolution was adopted for the purpose of issuing multifamily housing bonds under the United States Treasury's Multifamily New Issue Bond Program. Bonds have been issued for a rental housing project that is under construction. The mortgage loan had closed but had yet to be funded as of the end of fiscal year 2011.

State Appropriated

The State Appropriated fund was established to account for funds received from the Minnesota legislature which are to be used for programs for low- and moderate-income persons and families in the form of low-

Nature of Business and Fund Structure (continued)

interest loans, no-interest deferred loans, debt service and other costs associated with appropriation-backed bonds, and other housing-related program costs. The net assets of the State Appropriated fund are not pledged or available to secure bondholders or creditors of the Agency.

Federal Appropriated

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments and other housing-related program costs. The net assets of the Federal Appropriated fund are not pledged or available to secure bondholders or creditors of the Agency.

Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies.

Basis of Accounting

The Agency's financial statements have been prepared on the basis of the proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through fees and charges assessed primarily to the users of the services.

Generally Accepted Accounting Principles

The Agency has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.* The Agency has applied all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Since the business of the Agency is essentially that of a financial institution having a business cycle greater than one year, the statement of net assets is not presented in a classified format.

New Accounting Pronouncements

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides amendments for the following: National Council on Governmental Accounting Statement No. 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences; Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans; Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans; Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools; Statement No. 40, Deposit and Investment Risk Disclosures; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. The provisions of GASB Statement No. 59 are effective for the Agency's fiscal year ended June 30, 2011. The adoption of this statement did not affect the Agency's financial statements.

Cash and Cash Equivalents

Cash equivalents may include commercial paper, money market funds, repurchase agreements, State investment pool holdings and any other investments, primarily U.S. treasury and agency securities that have 90 or less days remaining to maturity at the time of purchase. Investment agreements are also classified as cash and cash equivalents.

Investments- Program Mortgage-backed Securities and Investment Securities-Other

The Agency carries all investment securities at fair market value. Unrealized gains and losses on investment securities resulting from changes in market valuation are recorded as revenue. However,

Summary of Significant Accounting Policies (continued)

unrealized gains and losses on investments of multifamily development escrow funds resulting from changes in market valuation are recorded as funds held for others. Also, unrealized loss on investments on mortgage-backed securities warehoused for a Minnesota local governmental housing and redevelopment authority is recorded as a deferred loss. Investments- program mortgage-backed securities, as previously described, are shown separately on the statement of net assets.

Loans Receivable, Net

Loans receivable are carried at their unpaid principal balances, net of an allowance for loan losses, unamortized premiums or discounts and fees.

The allowances for loan losses are established based on management's evaluation of the loan portfolio.

Generally, the Agency provides an allowance for loan losses for multifamily loans after considering the specific known risks: adequacy of collateral and projected cash flows; past experience; amount of federal or state rent subsidies, if any; the status and amount of past due payments, if any; the amount of deferred maintenance, if any; and current economic conditions.

For homeownership and home improvement loans, the Agency establishes varying amounts of reserves depending upon the number of delinquent loans, the estimated amount of loss per delinquent loan, the number of days delinquent and the type of insurance coverage in force, if any: FHA insurance, RD guarantee, VA guarantee, or private mortgage insurance.

Actual gains and losses are posted to allowance for loan losses. Management believes the allowances for loan losses adequately reserve for probable losses inherent in the loan portfolios as of June 30, 2011.

Premiums, discounts or fees resulting from the purchase of homeownership mortgage loans at other than face value are amortized over the life of the loans using the effective interest method. Estimated loan prepayments are taken into account in determining the life of homeownership mortgage loans for purposes of such amortization. Premiums or discounts resulting from the purchase of home improvement loans are amortized on a straight-line basis over the average loan life. Premiums, discounts or fees resulting from the origination of multifamily development loans are amortized using the effective interest method over the term of the loan. The amount amortized is included in interest earned on loans.

Interest Receivable on Loans

The Agency accrues interest on its amortizing loans until they become 90 days or more delinquent in the case of multifamily loans, until they become "real estate owned" (described below) for homeownership loans, or until they are classified by the Agency as inactive for home improvement loans.

Deferred Loss on Interest Rate Swaps Agreements

The Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2011. Because these agreements have been determined to be effective hedges under applicable accounting guidance, the negative fair value is recorded as a deferred loss.

FHA/VA Insurance Claims Receivable, Net

Mortgages that are FHA insured or VA guaranteed, and for which insurance claims have been filed, are included in this category. FHA/VA insurance claims receivable, net is carried at its estimated realizable value.

Real Estate Owned, Net

Real estate acquired through foreclosure is recorded at the lower of the investment in the loan or estimated fair market value less estimated selling costs. These properties may be RD guaranteed, uninsured or have private mortgage insurance. Real estate owned, net is carried at its estimated realizable value.

Summary of Significant Accounting Policies (continued)

Unamortized Bond Issuance Costs

Bond issuance costs are amortized using the effective interest method in the Single Family, Residential Housing Finance, Homeownership Finance, and Multifamily Housing funds. In the Rental Housing fund, bond issuance costs are amortized using the bonds outstanding method due to the unpredictable nature of prepayments of multifamily loans.

Bonds Payable, Net

Bonds payable are carried at their unpaid principal balances, net of unamortized premiums, discounts and deferred gain or loss on refunding. Premiums and discounts are amortized using the effective interest method in the Residential Housing Finance fund and the Single Family fund. In the Rental Housing fund, deferred gain or loss on refunding is amortized using the bonds outstanding method due to the unpredictable nature of prepayments of multifamily loans.

Interest Rate Swap Agreements

Because the Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2011 and they have been determined to be effective hedges under the applicable accounting guidance, they are recorded here as a liability.

Deferred Revenue- Service Release Fees

The Agency's master servicer pays the Agency a fee for the right to service the loans backing mortgage-backed securities that are purchased by the Agency. These fees are initially recorded as Deferred Revenue-Service Release Fees then amortized to Fees Earned and Other Income using the effective interest method over the expected life of the loans.

Interfund Payable (Receivable)

Interfund payable (receivable) primarily reflects pending transfers of cash and assets between funds. The more significant activities that flow through this fund may include funds advanced for purposes of optionally redeeming bonds when economically advantageous; funds advanced for loan warehousing; administrative fees receivable and payable between funds; non-operating transfers among the Housing Endowment Fund (Pool 1), the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3); and certain mortgage payments received but not yet transferred to their respective funds.

Funds Held for Others

Funds held for others are primarily escrow amounts held by the Agency on behalf of multifamily housing developments where the Agency holds the first mortgages. These amounts are held under the terms of the related loans and federal regulations regarding subsidized housing. Investment income relating to these funds is credited directly to the escrow funds and is not included in the investment income of General Reserve.

Undisbursed proceeds of nonprofit housing state appropriation bonds are recorded in Funds Held for Others until disbursed for their intended purpose.

Also included in funds held for others are unrealized gains and losses on investments of the multifamily housing development escrow funds and funds held for, and reimbursable to, HUD, such as Section 8 payments. In addition, investment income on unspent Section 8 funds is credited directly to Funds Held For Others and not included in the investment income of Federal Appropriated.

Restricted by Bond Resolution

Restricted by Bond Resolution Net Assets represents those assets restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Summary of Significant Accounting Policies (continued)

Restricted by Covenant

Restricted by Covenant Net Assets represents those assets in General Reserve and those assets that would otherwise be available to be transferred to General Reserve under the applicable bond resolutions. Under the Agency's bond resolutions, the Agency covenants that it will use the assets in General Reserve only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and will accumulate and maintain therein such balance of funds and investments as will be sufficient for the purpose. The Agency's Board establishes investment guidelines for these funds.

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as restricted by law.

Invested in Capital Assets

This represents the balance of capital assets, net of depreciation. No related debt exists.

Agency-wide Total

The Agency-wide Total columns reflect the totals of the similar accounts of the various funds. Since the assets of certain of the funds are restricted by either the related bond resolutions or legislation, the totaling of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in either the bond resolutions, Board resolutions or the legislation for the separate funds or groups of funds. The totals for fiscal year 2010 are for comparative purposes only.

Administrative Reimbursement

The largest source of funding for the Agency's administrative operations is a monthly transfer from each of the bond funds to General Reserve based on adjusted assets. Adjusted assets are defined as total assets excluding the reserve for loan loss, unearned discounts on loans, proceeds of debt issued to preserve bonding authority, proceeds of escrowed bonds issued under the federal New Issue Bond Program, premiums on loans, deferred bond issuance costs, unrealized appreciation and depreciation on investments including all mortgage-backed securities, and deferred loss on interest rate swap agreements.

For programs funded by state appropriations, the Agency recovers the cost of administering the programs but only to the extent of interest earnings on unexpended state appropriations.

For programs funded by federal appropriations, the Agency recovers the cost of administering programs through an approved federal indirect cost recovery rate. Certain other direct costs are also recovered. Total direct and indirect costs recovered from the federal government in the amount of $1.487 million are reflected as administrative reimbursement revenues in the General Reserve.

Administrative reimbursements in the amount of $19.249 million between the Agency's funds have been eliminated from the respective administrative reimbursement revenues and expenses line items for purposes of presentation in the Agency-wide statement of activities.

Fees Earned and Other Income

Fees earned and other income consists mainly of fees related to the financing and administration of Section 8 properties, including administration of a HUD-owned Section 8 portfolio, fees in connection with operating the federal Low Income Housing Tax Credits program, annual fees related to certain multifamily housing development loans, fees from the Low Income Rental Class program, private contributions restricted to use in the Agency's Homeownership Education, Counseling and Training Program, housing development operating subsidies received from other state agencies and fees for issuing and monitoring conduit bonds. Fees earned and other income is recorded as it is earned.

Summary of Significant Accounting Policies (continued)

Reduction in Carrying Value of Certain Low Interest Rate Deferred Loans

The carrying value of certain Housing Affordability Fund (Pool 3) loans and State Appropriated loans which are originated at below market interest rates and for which repayment is deferred for up to 30 years, is written down to zero at the time of origination by providing for a Reduction in Carrying Value of Certain Low Interest Rate Deferred Loans because of the nature of these loans and the risks associated with them. Certain of these loans may be forgiven at maturity.

Other Changes

The Agency utilizes the Other Changes section of the Statement of Revenues, Expenses and Changes in Net Assets to describe various transfers between funds.

Non-operating Transfer of Assets Between Funds

Non-operating transfers occur as a result of bond sale contributions related to new debt issues; transfers among the Housing Endowment Fund (Pool 1), the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3) to maintain the Pool 1 required balance; and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

Non-Cash Activities

Transfers from loans receivable to FHA/VA insurance claims receivable and real estate owned for fiscal year 2011 were $78.1 million and $4.2 million for Residential Housing Finance and Single Family, respectively.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Agency, as an agency of the State of Minnesota, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

Rebateable Arbitrage

Arbitrage earnings that are owed to the United States Treasury are recorded in Accounts Payable and based on estimated calculations performed by an independent calculation specialist on an ongoing basis. Also included in this category is yield compliance liability.

Cash, Cash Equivalents and Investment Securities

Permitted Agency investments include government obligations, commercial paper, repurchase agreements, money market funds, guaranteed investment contracts (i.e., investment agreements), the State investment pool, corporate obligations, municipal bonds and other investments consistent with requirements of safety and liquidity that comply with applicable provisions of the bond resolutions, state law or Board policy.

Cash and Cash Equivalents are generally stated at cost, which approximates market value. Certain investment agreements are stated at an amount that is less than cost. The balances were composed of the following at June 30, 2011 (in thousands):

Cash and Cash Equivalents

Funds	Deposits	Money Market Fund	State Investment Pool	Investment Agreements	Combined Totals
General Reserve Account	$ -	$ -	$57,539	$ -	$ 57,539
Federal Appropriated Accounts	-	1,568	308	-	1,876
State Appropriated Accounts	142	18,411	33,489	-	52,042
Rental Housing	5	23,580	-	22,136	45,721
Residential Housing Finance	1,245	117,900	-	103,936	223,081
Single Family	231	4,492	-	33,365	38,088
Homeownership Finance	-	93,735	-	-	93,735
Multifamily Housing	-	15,523	-	-	15,523
Combined Totals	$1,623	$275,209	$91,336	$159,437	$527,605

Deposits were cash awaiting investment, consisting of interest earned on investments received too late on the last day of the fiscal year to be invested and loan servicer deposits in transit.

The State investment pool is an internal investment pool managed by the Minnesota State Board of Investment (SBI). The SBI invests in debt securities, including U.S. treasury securities, U.S. agency securities, bankers' acceptances, high grade corporates, and commercial paper. This investment pool is unrated.

Generally, investment agreements are uncollateralized, interest-bearing contracts with financial institutions or corporations with variable liquidity features, which require a one-day to two-week notice for deposits and/or withdrawals, and are invested in accordance with the restrictions specified in the various bond resolutions. As of June 30, 2011, all the investment agreement providers, or the investment agreement guarantors if more highly rated, had a Standard & Poor's long-term credit rating of "A+" or higher and a Moody's long-term credit rating of "A1" or higher, except for Depfa Bank PLC's Standard & Poor's rating which is discussed below. The individual investment agreements are unrated. Substantially all of the agreements contain "termination" clauses so that the Agency may withdraw funds early if credit ratings deteriorate below specified levels and remedial action is not taken. Certain investment agreements with Depfa Bank PLC ($33.942 million) and Credit Agricole CIB ($11.503 million) require downgrade to the ratings on the related bonds before triggering the termination clauses. Because Depfa Bank PLC's rating is "BBB" from Standard & Poor's and Credit Agricole CIB's ratings was downgraded by Standard and Poor's to "A+" during fiscal year 2011, the Agency reduced the carrying value of those agreements by $0.612 million as of June 30, 2011.

Cash, Cash Equivalents and Investment Securities (continued)

Investment securities (comprising U.S. Treasury securities, U.S. Agency securities, certificates of deposit, commercial paper and corporate notes) are recorded at fair market value and were allocated to the following funds at June 30, 2011 (in thousands):

Investment Securities

Funds	Investment Securities-Other at Amortized Cost	Program Mortgage-backed Securities at Amortized Cost	Unrealized Appreciation (Depreciation) in Fair Market Value	Estimated Fair Market Value
General Reserve Account	$ 45,238	$ -	$ 80	$ 45,318
Federal Appropriated Accounts	8,990	-	73	9,063
State Appropriated Accounts	32,759	-	209	32,968
Rental Housing	40,839	-	(82)	40,757
Residential Housing Finance	421,872	31,680	4,615	458,167
Single Family Mortgage	11,511	-	26	11,537
Homeownership Finance	477	317,995	5,239	323,711
Multifamily Housing	475	-	3	478
Combined Totals	$562,161	$349,675	$10,163	$921,999

U.S. Treasury securities, U.S. Agency securities, corporate notes, mortgage-backed securities and commercial paper in General Reserve, State Appropriated and Federal Appropriated are held by the Agency's agent in the name of the State of Minnesota. U.S. treasury and U.S. agency securities in the remainder of the funds are held by the trustees under the Agency's bond resolutions in the Agency's name. Certificates of deposit pledged as collateral for certain limited obligation notes with the Federal Home Loan Bank of Des Moines are held by the Federal Home Loan Bank of Des Moines in the Agency's name.

Investment securities are subject to credit risk. The following table classifies investment securities by their lowest Standard & Poor's/Moody's rating. U.S. Treasury securities are not classified because they are not considered to have credit risk. Investment securities' credit rating categories (without qualifiers) at June 30, 2011 were (in thousands):

Credit Ratings of Investment Securities

Type	Par Value	AAA/Aaa	AA/Aa
Certificates of deposit	$265,870	$265,870	$ —
U.S. Agencies	603,755	603,755	—
Municipals	24,090	—	24,090
Agency-wide Totals	$893,715	$869,625	$ 24,090
U.S. Treasuries	10,983		
Agency-wide Totals	$904,698		

Cash, Cash Equivalents and Investment Securities (continued)

Examining the weighted average maturities of the Agency's investment securities can reveal information about interest rate risk. Cash, Cash Equivalents and Investment Securities (excluding unrealized appreciation of $3.613 million and net discounts of $1.249 million), along with the weighted average maturities (in years) as of June 30, 2011, consisted of the following (in thousands):

		Weighted Average Maturity, in Years							
Type	Par Value	General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated
Deposits	$ 1,623	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Certificates of deposit	$ 265,870	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial paper	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market fund	$ 275,209	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State investment pool	$ 91,336	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment agreements	$ 159,437	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
US Agencies	$ 603,755	1.7	13.2	24.0	13.6	29.1	14.8	2.3	14.6
US Treasuries	$ 10,983	0.0	0.0	8.7	5.6	0.0	0.0	0.0	6.4
Municipals	$ 24,090	0.0	0.0	0.0	0.0	0.0	0.0	13.7	0.0
Corporate notes	$ 5,200	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0
Agency-wide Totals	$1,437,503								
Weighted Average Maturity		0.7	6.3	5.9	3.1	22.4	0.4	1.8	9.8

Investments in any one issuer, excluding $.406 million of investments issued or explicitly guaranteed by the U.S. Government, that represent five percent or more of the par value of total investments, as defined by GASB Statement No. 40, as of June 30, 2011 were as follows (in thousands):

Investment Issuer	Amount
Federal Home Loan Bank of Des Moines, certificates of deposit	$265,870
Federal National Mortgage Association, U.S. Agencies	103,868

The Agency maintained certain deposits and investments throughout fiscal year 2011 that were subject to custodial credit risk. As of June 30, 2011, the amounts subject to this risk consisted of the following (in thousands):

	Amount
Deposits not covered by depository insurance and uncollateralized (including $275,209 in a money market fund and $91,336 in the State investment pool)	$ 368,168
Investment securities (which excludes investment agreements) uninsured, uncollateralized and not held in the Agency's name	994,087
Agency-wide Total	$1,362,255

Net realized gain on sale of investment securities of $0.199 million is included in interest earned on investments.

Certain balances are required to be maintained under the various bond resolutions. These balances represent debt service and insurance reserves. The required balances at June 30, 2011 were as follows (in thousands):

Funds	Amount
Multifamily Housing Bonds	$ 479
Rental Housing	19,493
Residential Housing Finance	48,162
Single Family Mortgage	6,375
Combined Totals	$74,509

Loans Receivable, Net

Loans receivable, net at June 30, 2011 consisted of (in thousands):

Funds	Outstanding Principal	Allowance for Loan Losses	Unamortized Premiums (Discounts) and Fees	Loans Receivable, Net
General Reserve	$ -	$ -	$ -	$ -
Rental Housing	180,456	(7,249)	(1,368)	171,839
Residential Housing Finance	1,774,876	(34,505)	752	1,741,123
Single Family	119,701	(1,077)	(753)	117,871
Multifamily Housing	-	-	(382)	(382)
State Appropriated	36,224	(1,336)	-	34,888
Federal Appropriated	-	-	-	-
Agency-wide Totals	$2,111,257	$(44,167)	$(1,751)	$2,065,339

Substantially all loans in the table above are secured by first or second mortgages on the real property financed. The majority of the loans in the Single Family fund and a significant portion of the homeownership first mortgage loans in the Residential Housing Finance fund have either FHA insurance or a VA or RD guarantee. Insurance reduces, but does not eliminate, loan losses. Losses on mortgage loans in the Single Family fund are also secured by an insurance reserve fund established under the bond resolution.

In addition to the loans in the table above, certain loans are carried at below-market interest rates and repayment is deferred for up to 30 years. These loans are generally in either a second or more subordinate mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination they are fully reserved resulting in a net carrying value of zero. During fiscal year 2011 the unpaid principal amount of loans with such characteristics aggregated $9.588 million in the Residential Housing Finance Housing Affordability Fund (Pool 3), $0.944 million in Rental Housing and $34.843 million in State Appropriated. Loans with net carrying values of zero are excluded from the tables above and below.

Loans receivable, net and gross in Residential Housing Finance at June 30, 2011 consist of a variety of loans as follows (in thousands):

Description	Net Outstanding Amount	Gross Outstanding Amount
Residential Housing Finance Bonds:		
Homeownership, first mortgage loans	$1,408,913	$1,420,589
Other homeownership loans, generally secured by a second mortgage	1,918	1,988
Alternative Loan Fund, Housing Investment Fund (Pool 2):		
Home Improvement loans, generally secured by a second mortgage	111,670	114,506
Homeownership, first mortgage loans	35,067	36,700
Multifamily, first mortgage loans	157,996	174,438
Alternative Loan Fund, Housing Affordability Fund (Pool 3):		
Other homeownership loans, generally secured by a second mortgage	25,559	26,655
Residential Housing Finance Totals	$1,741,123	$1,774,876

The Agency is limited by statute to financing real estate located within the State of Minnesota. Collectability depends on , among other things, local economic conditions.

Other Assets

Other assets, including receivables, at June 30, 2011 consisted of the following (in thousands):

Funds	Receivables Due from the Federal Government	Other Assets and Receivables	Total
General Reserve	$1,310	$ 10	$1,320
Rental Housing	—	5	5
Residential Housing Finance	—	162	162
Single Family	—	721	721
Homeownership Finance	—	12	12
Multifamily Housing	—	—	—
State Appropriated	—	—	—
Federal Appropriated	1,630	—	1,630
Agency-wide Totals	$2,940	$910	$3,850

Bonds Payable, Net

Bonds payable, net at June 30, 2011 were as follows (in thousands):

Funds	Par Bonds Outstanding	Net Unamortized Premium and Deferred Fees	Net Unamortized Deferred Loss	Bonds Payable, Net
Rental Housing	$ 159,200	$ -	$(1,508)	$ 157,692
Residential Housing Finance	1,881,285	2,503	(379)	1,883,409
Single Family	97,505	-	-	97,505
Homeownership Finance	399,990	1,818	-	401,808
Multifamily Housing	15,000	-	-	15,000
Totals	$2,552,980	$4,321	$(1,887)	$2,555,414

Summary of bond activity from June 30, 2010 to June 30, 2011 (in thousands):

Funds	June 30, 2010 Bonds Outstanding, at Par	Par Issued	Par Repaid	June 30, 2011 Bonds Outstanding, at Par
Rental Housing	$ 151,955	$ 23,125	$ 15,880	$ 159,200
Residential Housing Finance	2,103,005	1,228,445	1,450,165	1,881,285
Single Family	116,405	-	18,900	97,505
Homeownership Finance	260,490	139,500	-	399,990
Multifamily Housing	15,000	-	-	15,000
Totals	$ 2,646,855	$ 1,391,070	$ 1,484,945	$ 2,552,980

Bonds Payable, Net (continued)

Bonds payable at June 30, 2011 were as follows (in thousands):

Series	Interest rate	Final Maturity	Original Par	June 30, 2011 Bonds Outstanding, at Par
Rental Housing Bonds				
1995 Series C-2	5.85% to 5.95%	2015	$ 38,210	$ 3,490
1995 Series D	5.80% to 6.00%	2022	234,590	8,245
1997 Series A	5.45% to 5.875%	2028	4,750	3,655
1998 Series A	5.375%	2028	5,505	5,505
1998 Series B	6.60%	2019	4,180	2,290
1998 Series C	4.85% to 5.20%	2029	2,865	2,220
1999 Series A	4.75% to 5.10%	2024	4,275	2,980
1999 Series B	5.60% to 6.15%	2025	3,160	1,890
2000 Series A	5.65% to 6.15%	2030	9,290	5,220
2000 Series B	5.90%	2031	5,150	4,125
2001 Series A	4.50% to 5.35%	2033	4,800	4,115
2002 Series A	3.65% to 4.05%	2014	27,630	10,430
2003 Series A	4.55% to 4.95%	2045	12,770	11,875
2003 Series B	4.15% to 5.08%	2031	1,945	1,680
2003 Series C-1	4.35% to 5.20%	2034	2,095	1,875
2004 Series A	3.60% to 5.00%	2035	9,345	7,470
2004 Series B	4.00% to 4.85%	2035	3,215	2,920
2004 Series C	3.45% to 4.40%	2022	80,000	37,015
2005 Series A-1	4.25% to 4.85%	2035	1,725	1,590
2006 Series A-1	4.40% to 5.10%	2047	6,615	6,420
2006 Series B	4.89%	2037	5,020	4,755
2006 Series C-1	4.96%	2037	2,860	2,705
2007 Series A-1	4.65%	2038	3,775	3,605
2010 Series A-1	3.75% to 5.25%	2040	3,605	3,605
2010 Series A-2	1.25%	2012	2,630	2,630
2010 Series B	1.75%	2013	8,000	8,000
2011 Series A	0.5% to 5.45%	2041	8,890	8,890
			496,895	159,200
Residential Housing Finance Bonds				
2002 Series A	4.75% to 5.30%	2019	$ 14,035	$ 3,190
2002 Series B	5.00% to 5.65%	2033	59,650	11,160
2002 Series A-1	4.20% to 4.90%	2019	6,860	3,955
2002 Series B-1	4.30% to 5.35%	2033	25,760	11,130
2002 Series E	4.30% to 5.00%	2020	12,805	7,060
2002 Series F	4.45% to 5.40%	2032	52,195	19,040
2002 Series H	4.93%	2012	20,000	10,000
2003 Series A	3.25% to 4.30%	2034	40,000	13,200
2003 Series B	Variable	2033	25,000	25,000
2003 Series I	4.30% to 5.25%	2020	25,000	6,970
2003 Series J	Variable	2033	25,000	20,480
2004 Series A	3.20% to 4.25%	2018	22,480	18,465
2004 Series B	3.60% to 5.00%	2033	94,620	39,850

continued

Bonds Payable, Net (continued)

Series	Interest rate	Final Maturity	Original Par	June 30, 2011 Bonds Outstanding, at Par
Residential Housing Finance Bonds (continued)				
2004 Series C	4.70%	2035	$ 14,970	$ 12,445
2004 Series E-1	4.10% to 4.60%	2016	5,110	3,360
2004 Series E-2	4.40% to 4.60%	2016	6,475	4,255
2004 Series F-1	4.40% to 4.50%	2012	4,600	220
2004 Series F-2	4.40% to 5.25%	2034	36,160	19,045
2004 Series G	Variable	2032	50,000	36,690
2005 Series A	3.75% to 4.125%	2018	14,575	7,575
2005 Series B	4.75% to 5.00%	2035	20,425	13,760
2005 Series C	Variable	2035	25,000	18,915
2005 Series G	4.25% to 4.30%	2018	8,950	7,875
2005 Series H	4.00% to 5.00%	2036	51,050	32,190
2005 Series I	Variable	2036	40,000	30,365
2005 Series J	3.625% to 4.00%	2015	11,890	10,880
2005 Series K	3.95% to 4.40%	2028	41,950	26,310
2005 Series L	4.75% to 5.00%	2036	48,165	33,895
2005 Series M	Variable	2036	60,000	44,765
2005 Series O	3.90% to 4.20%	2015	4,510	4,510
2005 Series P	4.15% to 5.00%	2036	65,490	47,935
2006 Series A	3.60% to 4.00%	2016	13,150	7,585
2006 Series B	4.60% to 5.00%	2037	43,515	33,020
2006 Series C	Variable	2037	28,335	24,075
2006 Series F	3.85% to 4.25%	2016	11,015	5,805
2006 Series G	4.85% to 5.50%	2037	58,985	51,155
2006 Series H	5.85%	2036	15,000	5,790
2006 Series I	4.20% to 5.75%	2038	95,000	73,590
2006 Series J	6.00% to 6.51%	2038	45,000	34,820
2006 Series L	3.60% to 3.95%	2016	6,740	4,765
2006 Series M	4.625% to 5.75%	2037	35,260	34,025
2006 Series N	5.27% to 5.76%	2037	18,000	11,965
2007 Series C	3.70% to 3.95%	2017	12,515	9,455
2007 Series D	4.60% to 5.50%	2038	62,485	53,795
2007 Series E	Variable	2038	25,000	19,035
2007 Series H	3.65% to 3.95%	2017	12,230	12,230
2007 Series I	4.00% to 5.50%	2038	100,270	83,365
2007 Series J	Variable	2038	37,500	29,260
2007 Series L	4.10% to 5.50%	2048	105,000	91,160
2007 Series M	6.345%	2038	70,000	61,135
2007 Series P	3.50% to 3.90%	2017	4,305	4,035
2007 Series Q	3.90% to 5.50%	2038	42,365	37,495
2007 Series R	4.51% to 4.76%	2013	2,840	1,415
2007 Series S	Variable	2038	18,975	18,975
2007 Series T	Variable	2048	37,160	31,425

continued

Bonds Payable, Net (continued)

Series	Interest rate	Final Maturity	Original Par	June 30, 2011 Bonds Outstanding, at Par
Residential Housing Finance Bonds (continued)				
2008 Series A	3.00% to 4.65%	2023	$ 25,090	$ 19,705
2008 Series B	5.50% to 5.65%	2033	34,910	31,695
2008 Series C	Variable	2048	40,000	40,000
2009 Series A	2.35% to 5.20%	2023	26,795	22,085
2009 Series B	5.00% to 5.90%	2038	33,205	28,185
2009 Series C	Variable	2036	40,000	40,000
2009 Series D	1.25% to 4.00%	2020	19,830	17,490
2009 Series E	2.05% to 5.10%	2040	103,960	100,860
2009 Series F	Variable	2031	34,120	31,530
			2,191,280	1,615,415
Limited Obligation Notes				
Series 2011 B	0.15%	2011	53,000	53,000
Series 2011 B	0.21%	2011	212,870	212,870
			265,870	265,870
Single Family Mortgage Bonds				
1994 Series E	5.60% to 5.90%	2025	31,820	9,775
1996 Series A	6.375%	2028	34,480	1,960
1996 Series C	6.10%	2015	12,345	390
1996 Series D	6.00%	2017	23,580	440
1996 Series E	6.25%	2023	14,495	790
1996 Series F	6.30%	2028	18,275	990
1997 Series D	5.80% to 5.85%	2021	15,885	1,860
1997 Series E	5.90%	2029	23,495	1,590
1998 Series F-1	5.45%	2017	10,650	540
1998 Series G-1	5.60%	2022	6,150	815
1998 Series H-1	5.65%	2031	14,885	1,975
1998 Series F-2	5.70%	2017	11,385	1,360
1998 Series G-2	6.00%	2022	6,605	1,910
1998 Series H-2	6.05%	2031	15,965	4,640
1999 Series H	5.30% to 5.80%	2021	16,350	2,740
1999 Series I	6.05%	2031	34,700	3,285
1999 Series J	5.00%	2017	4,745	1,640
1999 Series K	4.50% to 5.35%	2033	44,515	13,150
2000 Series F	Variable	2031	20,000	5,360
2000 Series G	4.50% to 5.40%	2025	39,990	11,435
2000 Series H	5.50%	2023	32,475	7,345
2001 Series A	5.35% to 5.45%	2022	14,570	4,560
2001 Series B	5.00% to 5.675%	2030	34,855	5,195
2001 Series E	3.55% to 4.90%	2035	23,000	13,760
			505,215	97,505

Bonds Payable, Net (continued)

Series	Interest rate	Final Maturity	Original Par	June 30, 2011 Bonds Outstanding, at Par
Homeownership Finance Bonds				
2009 Series A	Variable	2011	$ 260,490	$ 84,990
2009 Series A-1	3.01%	2041	108,000	108,000
2009 Series A-2	3.55%	2041	67,500	67,500
2010 Series A	0.45% to 4.25%	2028	72,000	72,000
2011 Series A	0.50% to 1.25%	2013	3,740	3,740
2011 Series B	1.25% to 4.50%	2031	63,760	63,760
			575,490	399,990
Multifamily Housing Bonds				
Series 2009	3.01%	2051	15,000	15,000
			15,000	15,000
Combined Totals			$4,049,750	$2,552,980

The final maturities of the Homeownership Finance Bonds, 2009 Series A are listed in the foregoing table as 2011, because the conditions for release of proceeds of these bonds under the Treasury Department's New Issue Bond Program had not been met as of June 30, 2011. If the conditions for release of proceeds are satisfied, the bonds will bear interest at a long-term rate and amortize over a term ending on July 1, 2041.

The Agency uses special and optional redemption provisions to retire certain bonds prior to their stated maturity from unexpended bond proceeds and revenues in excess of scheduled debt service resulting primarily from loan prepayments.

Substantially all bonds are subject to optional redemption after various dates at an amount equal to 100% to 102% of the unpaid principal and accrued interest as set forth in the applicable series resolution.

Annual debt service requirements to maturity for bonds outstanding as of June 30, 2011, are as follows (in thousands):

	Rental Housing		Residential Housing Finance	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2012	$ 12,015	$ 7,218	$ 297,705	$ 59,780
2013	21,815	6,686	42,390	58,126
2014	12,725	6,056	34,390	56,676
2015	7,280	5,543	36,960	55,379
2016	7,405	5,215	37,370	53,968
2017-2021	34,590	20,755	201,440	247,877
2021-2026	18,635	14,066	254,955	207,629
2027-2031	17,590	9,251	346,365	153,369
2032-2036	12,980	5,310	391,075	87,288
2037-2041	9,425	2,599	217,645	18,384
2042-2046	4,210	662	13,085	1,247
2047-2051	530	25	7,905	185
2051-2056	-	-	-	-
Total	$159,200	$83,386	$1,881,285	$999,908

Bonds Payable, Net (continued)

Fiscal Year	Single Family Principal	Single Family Interest	Homeownership Finance Principal	Homeownership Finance Interest
2012	$ 3,255	$ 5,029	$ 4,270	$ 8,564
2013	3,335	4,864	90,660	10,415
2014	3,660	4,683	5,765	10,355
2015	4,005	4,485	5,885	10,276
2016	3,930	4,271	6,040	10,170
2017-2021	24,180	17,787	33,445	48,279
2021-2026	24,750	11,081	41,765	41,615
2027-2031	23,350	4,882	53,810	31,615
2032-2036	7,040	695	69,270	20,815
2037-2041	-	-	84,060	8,343
2042-2046	-	-	5,020	82
2047-2051	-	-	-	-
2051-2056	-	-	-	-
Totals	$97,505	$57,777	$399,990	$200,529

Fiscal Year	Multifamily Housing Principal	Multifamily Housing Interest	Combined Totals Principal	Combined Totals Interest
2012	$ -	$ 451	$ 317,245	$ 81,042
2013	110	450	158,310	80,541
2014	230	445	56,770	78,215
2015	230	438	54,360	76,121
2016	230	431	54,975	74,055
2017-2021	1,200	2,048	294,855	336,746
2021-2026	1,200	1,867	341,305	276,258
2027-2031	1,640	1,663	442,755	200,780
2032-2036	1,800	1,396	482,165	115,504
2037-2041	2,310	1,093	313,440	30,419
2042-2046	2,670	724	24,985	2,715
2047-2051	3,200	282	11,635	492
2051-2056	180	1	180	1
	$15,000	$11,289	$2,552,980	$1,352,889

Principal due on limited obligation notes is reflected in the table above based on the maturity date of the notes. This presentation does not alter the expectation that these notes will be redeemed in whole or in part from proceeds of refunding bonds or notes issued on or before the maturity date. Limited obligation notes are secured by certificates of deposit which are included in Investment Securities in the statement of net assets.

Residential Housing Finance Bonds 2003 Series B and J; 2004 Series G; 2005 Series C, I and M; 2006 Series C; 2007 Series E (Taxable), J (Taxable), S and T (Taxable); 2008 Series C; and 2009 Series C and F accrue interest at rates that change weekly as determined by a remarketing agent for such series based on market conditions. Future interest due for these bonds, as displayed above in the annual debt service requirements table, assumes that the respective rates in effect on June 30, 2011 continue for the term of the bonds. Variable rate bond interest payments will vary as general short-term interest rates vary. Associated interest rate swaps are not included in the annual debt service requirements table. See the Swap Payments and Associated Debt table below to view those amounts.

Bonds Payable, Net (continued)

Single Family Bonds, 2000 Series F accrue interest at a variable rate that is recalculated each calendar month. The rate is the one-month LIBOR (London Interbank Offered Rate) plus 0.30% per annum provided that the rate may not exceed 11.00% per annum. Future interest due for this series, as displayed above in the annual debt service requirements table, assumes that the respective rates in effect on June 30, 2011 continue for the term of the bonds. Interest payments on this series of bonds will vary with the one-month LIBOR rate.

The income and assets of each of the bond funds are pledged on a parity basis for the payment of principal and interest on the bonds issued, and to be issued, under the respective resolutions. All but one of the bond resolutions contain covenants that require the Agency to maintain certain reserves. The Agency believes that as of June 30, 2011, it is in compliance with those covenants in all material respects and the assets of all funds and accounts in the bond funds equaled or exceeded the requirements as established by the respective bond resolutions.

Call notices were issued on or before June 30, 2011 for the redemption of certain bonds thereafter. See Subsequent Events.

Interest Rate Swaps

The Agency has entered into certain interest rate swap agreements that are considered to be derivative instruments under Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). A consultant was engaged by the Agency to determine the fair value of these agreements and to evaluate their effectiveness as hedges as of June 30, 2011. The fair values approximate the termination payments that would have been due had the swaps been terminated as of June 30, 2011. In accordance with GASB 53, the Agency recorded the fair value of the agreements on the statement of net assets. The fair values exclude accrued interest. As of June 30, 2011, all of the Agency's interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed on the statement of net assets as a liability named "Interest rate swap agreements." The inception-to-date change in fair value as of June 30, 2011 is included in the asset account identified as "Deferred loss on interest rate swap agreements."

Objective of Swaps

The Agency entered into interest rate swap agreements in connection with its issuance of variable rate mortgage revenue bonds under Residential Housing Finance Bonds from 2003 through 2009. Using variable-rate debt hedged with interest-rate swaps reduced the Agency's cost of capital at the time of issuance compared to using long-term fixed rate bonds and, in turn, enabled the Agency to reduce mortgage rates offered to the Agency's low- and moderate-income, first-time home buyers.

Swap Payments and Associated Debt

Using rates as of June 30, 2011, debt service requirements of the Residential Housing Finance outstanding variable rate debt and net swap payments, assuming interest rates remain the same for the term of the bonds, are as follows (in thousands). As interest rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2012	$ 11,515	$ 688	$14,813	$ 27,016
2013	815	379	14,105	15,299
2014	1,125	377	13,350	14,852
2015	1,440	374	12,591	14,405
2016	4,195	371	11,768	16,334
2017-2021	35,775	1,753	48,255	85,783
2022-2026	70,775	1,524	34,656	106,955
2027-2031	106,540	1,158	23,959	131,657
2032-2036	118,830	671	14,316	133,817
2037-2041	44,825	199	3,388	48,412
2042-2045	9,110	81	1,052	10,243
2042-2045	5,570	13	164	5,747

Interest Rate Swaps (continued)

Terms of Swaps

Terms of the swaps, the fair values, changes in fair values, and the credit ratings of the three counterparties thereto as of June 30, 2011, are contained in the three tables below (in thousands). All swaps are pay-fixed, receive-variable. Initial swap notional amounts matched original principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. With respect to the outstanding swaps (except for the 2009 F swap), the Agency has also purchased the right, generally based upon a 300% PSA prepayment rate (The Standard Prepayment Model of The Securities Industry and Financial Markets Association and formerly the Public Securities Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match the outstanding principal amount of the associated bond series and, except for the 2003B, 2003J, 2004G, and 2009F swaps, the right to terminate the swaps at par at approximately the 10-year anniversary date of the swap. The Agency also has the right to terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Counterparty: UBS AG

Moody's Aa3 (negative outlook) / Standard & Poor's A+ (stable outlook)

Associated Bond Series	Notional Amount as of June 30, 2011	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value (1) as of June 30,2011	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2011
RHFB 2003B	$ 25,000	July 23, 2003	January 1, 2033	3.532%	65% of 1 month LIBOR* plus 0.23% per annum	$ (1,001)	$ (345)
RHFB 2003J	20,480	October 15, 2003	July 1, 2033	4.183%	65% of 1 month LIBOR* plus 0.23% per annum	(1,816)	(394)
RHFB 2005C	18,915	March 2, 2005	January 1, 2035	3.587%	64% of 1 month LIBOR* plus 0.28% per annum	(1,150)	(226)
RHFB 2006C	24,075	March 21, 2006	January 1, 2037	3.788%	64% of 1 month LIBOR* plus 0.29% per annum	(1,955)	(286)
RHFB 2007S	18,975	December 19, 2007	July 1, 2038	4.340%	100% of SIFMA** Index plus 0.06% per annum	(713)	(125)
RHFB 2007T (Taxable)	31,425	December 19, 2007	July 1, 2026	4.580%	100% of 1 month LIBOR*	(2,588)	(600)
Counterparty	$ 138,870					$ (9,223)	$ (1,976)

Counterparty: Royal Bank of Canada

Moody's Aa1 (stable outlook) / Standard & Poor's AA- (positive outlook)

Associated Bond Series	Notional Amount as of June 30, 2011	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value (1) as of June 30, 2011	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2011
RHFB 2004G	$ 36,690	July 22, 2004	January 1, 2032	4.165%	64% of 1 month LIBOR* plus 0.26% per annum	$ (2,899)	$ (725)
RHFB 2007E (Taxable)	19,035	March 7, 2007	July 1, 2038	5.738%	100% of 1 month LIBOR*	(1,868)	(445)
RHFB 2007J (Taxable)	29,260	May 17, 2007	July 1, 2038	5.665%	100% of 1 month LIBOR*	(2,825)	(653)
RHFB 2008C (Taxable)	40,000	August 7, 2008	July 1, 2048	4.120%	64% of 1 month LIBOR* plus 0.30% per annum	(3,543)	(879)
RHFB 2009C (Taxable)	40,000	February 12, 2009	July 1, 2039	3.070%	64% of 1 month LIBOR* plus 0.30% per annum	(4,679)	(879)
RHFB 2009F	31,530	December 1, 2009	September 12, 2017	2.365%	100% of weekly SIFMA** plus 0.80% per annum	(976)	85
Counterparty	$196,515					$ (16,790)	$ (3,494)

Interest Rate Swaps (continued)

Counterparty: Citibank, N.A.

Moody's A1 (negative watch) / Standard & Poor's A+ (negative outlook)

Associated Bond Series	Notional Amount as of June 30, 2011	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value (1) as of June 30, 2011	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2011
RHFB 2005I	$ 30,365	June 2, 2005	January 1, 2036	3.570%	64% of 1 month LIBOR* plus .28% per annum	$ (2,045)	$ (356)
RHFB 2005M	44,765	August 4, 2005	January 1, 2036	3.373%	64% of 1 month LIBOR* plus 0.29% per annum	(2,757)	(439)
Counterparty	$ 75,130					$ (4,802)	$ (795)
Combined Totals	$410,515					$ (30,815)	$ (6,528)

(1) A positive fair value represents money due to the Agency by the counterparty upon an assumed termination of the swap while a negative fair value represents the amount payable by the Agency. Fair values exclude accrued interest.

* London Inter-Bank Offered Rate

** Securities Industry and Financial Markets Association Municipal Swap Index

Termination Risk

The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract or upon certain termination events. Upon termination at market, a payment is due by one party based upon the fair value of the swap even if the payment is owed to a defaulting party. The potential termination risks to the Agency are the liability for a termination payment to the counterparty or the inability to replace the swap upon favorable financial terms, in which event the variable rate bonds would no longer be hedged. To reduce the risk of termination, swap contracts generally limit counterparty terminations to the following Agency actions or events: payment default, other defaults that remain uncured for 30 days after notice, bankruptcy and insolvency.

Credit Risk

A swap potentially exposes the Agency to credit risk with the counterparty. The fair value of a swap represents the Agency's current potential credit exposure to the swap counterparty assuming the occurrence of a termination event. As of June 30, 2011, the Agency did not have a net credit risk exposure to any of its three counterparties because their respective combined swap positions had a negative net fair value, as set forth in the foregoing tables. Each of the swap agreements requires that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral threshold for each counterparty and the Agency is $50 million if the ratings on the unsubordinated, unsecured long-term indebtedness of the counterparty, in the case of the counterparty, or the hedged bonds, in the case of the Agency, are not less than "AA-" and "Aa3" from Standard & Poor's and Moody's, respectively, $5 million if the ratings are not less than "A+" and "A1", $3 million if the ratings are not less than "A" and "A2", and $0, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2011, neither the Agency nor any counterparty had been required to post collateral.

Amortization Risk

The Agency is subject to amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding principal amount of variable rate bonds to decline faster than the amortization of the notional amount of the swap. To ameliorate amortization risk, termination options were structured within most of the outstanding swaps to enable the Agency to manage the outstanding balances of variable rate bonds and notional swap amounts. (See *Terms of Swaps*) Additionally, the Agency may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Interest Rate Swaps (continued)

Basis Risk

The potential for basis risk exists when variable interest payments on the Agency's bonds do not equal variable interest receipts payable by the counterparty under the associated swap. The variable rate the Agency pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month, taxable LIBOR rate or the SIFMA index rate, plus a specified spread if the swap relates to tax-exempt bonds. Basis risk will vary over time due to inter-market conditions. As of June 30, 2011, the interest rate on the Agency's variable rate tax-exempt debt ranged from 0.08% to 0.09% per annum while the variable interest rate on the associated swaps ranged from 0.17% to 0.45% per annum. As of June 30, 2011, the interest rate on the Agency's variable rate taxable debt ranged from 0.19% to 0.24% per annum while the variable interest rate on the corresponding swaps was 0.19% per annum. In order to reduce the cumulative effects of basis risk on the swaps relating to tax-exempt variable rate debt, the determination of the spread from one-month LIBOR payable by the counterparty under the swap was based upon a regression analysis of the long-term relationship between one-month LIBOR and the tax-exempt variable rate SIFMA index (which ordinarily would approximate the weekly variable rate on the Agency's tax-exempt variable rate bonds).

Tax Risk

The structure of the variable interest rate payments the Agency receives from its LIBOR-based swap contracts relating to tax-exempt variable rate bonds is based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents the risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Agency chose to assume this risk at the time the swaps were entered into because it was not economically favorable to transfer to the swap counterparties.

Conduit Debt Obligation

On December 21, 2005, the Agency issued tax-exempt bonds on a conduit basis to assist a Minnesota nonprofit organization in preserving assisted elderly rental housing. The proceeds of the bonds were used by the organization to refinance certain HUD Section 202 elderly housing projects. The bonds were sold on a private placement basis. As of June 30, 2011, $30.5 million of the bonds were outstanding. Neither the Agency, the State of Minnesota, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Appropriation Debt Obligation

The Agency has outstanding bonds under a certain indenture of trust that permits capital funding for permanent supportive housing for long-term homeless households and other purposes. As of June 30, 2011, $33.130 million of bonds were outstanding. These bonds are secured solely by state appropriations. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008. Thus, the bonds are not recorded as a liability in the accompanying financial statements.

Accounts Payable and Other Liabilities

Accounts payable and other liabilities at June 30, 2011 consisted of the following (in thousands):

Funds	Arbitrage Rebate Payable to the Federal Government and Yield Compliance Liability	Accrued Salaries, Compensated Absences and Employee Benefits	Other Liabilities and Accounts Payable	Total
General Reserve	$ —	$3,342	$ 2,139	$ 5,481
Rental Housing	5,784	—	17	5,801
Residential Housing Finance	2,415	—	808	3,223
Single Family	434	—	28	462
Homeownership Finance	—	—	52	52
Multifamily Housing	—	—	—	—
State Appropriated	—	—	268	268
Federal Appropriated	—	—	1,775	1,775
Agency-wide Totals	$8,633	$3,342	$5,087	$17,062

The amount of arbitrage rebate payable and yield compliance liability that is not due within one year in Rental Housing is $5.784 million, in Residential Housing Finance is $1.724 million and in Single Family is $0.434 million, for a total of $7.942 million.

Interfund Balances

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2011 consisted of the following (in thousands):

Due to: Funds	Due from: General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total
General Reserve	$ —	$—	$—	$—	$—	$—	$176	$365	$541
Rental Housing	—	—	—	—	1	—	—	—	1
Residential Housing Finance	1,420	—	—	—	—	—	—	—	1,420
Single Family	—	—		—	1	—	—	—	1
Homeownership Finance Bonds	—	—	—	—	—	—	—	—	0
Multifamily Housing Bonds	—	—	—	—	—	—	—	—	0
State Appropriated	—	—	73	64	—	—	—	—	137
Federal Appropriated	—	—	—	—	—	—	—	—	0
Agency-wide Totals	$1,420	$ 0	$73	$64	$ 2	$ 0	$176	$365	$2,100

All balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

Interfund transfers recorded in Interfund Payable (Receivable) for the year ended June 30, 2011 consisted of the following (in thousands)

		Transfer from								
	Funds	**General Reserve**	**Rental Housing**	**Residential Housing Finance**	**Single Family**	**Home-ownership Finance**	**Multifamily Housing**	**State Appropriated**	**Federal Appropriated**	**Total**
Transfer to	General Reserve	$—	$1,555	$14,829	$1,069	$568	$32	$1,427	$1,547	$21,027
	Rental Housing	—	—	—	—	—	—	—	—	$0
	Residential Housing Finance	—	—	—	—	—	—	1,859		1,859
	Single Family	—	—	482	—	—	—	—	—	482
	Homeownership Finance	—	—	—	—	—	—	—	—	$0
	Multifamily Housing	—	—	—	—	—	—	—	—	$0
	State Appropriated	—	—	17	19	—	—	—	—	36
	Federal Appropriated	—	250	—	—	—	—	—	—	250
	Agency-wide Totals	$ 0	$1,805	$15,328	$1,088	$568	$32	$3,286	$1,547	$23,654

Interfund transfers recorded in Interfund Payable (Receivable) were made to move loan payments that were deposited for administrative convenience in a fund not holding the loans; to make administrative reimbursements to the General Reserve from other funds; to pay for loans transferred between funds including $1.856 million of entry cost assistance loans transferred from Residential Housing Finance to State Appropriated; and to make payments from Single Family to Residential Housing Finance on loans outstanding between those funds. Interfund transfers recorded in Non-operating Transfer of Assets Between Funds for the year ended June 30, 2011, consisted of the following (in thousands):

		Transfer from								
	Funds	**General Reserve**	**Rental Housing**	**Residential Housing Finance**	**Single Family**	**Home-ownership Finance**	**Multifamily Housing**	**State Appropriated**	**Federal Appropriated**	**Total**
Transfer to	General Reserve	$ —	$—	$ —	$—	$—	$—	$—	$—	$ 0
	Rental Housing	—	—	641	—	—	—	—	—	641
	Residential Housing Finance	10,029	—	—	—	—	—	—	—	10,029
	Single Family	—	—							0
	Homeownership Finance Bonds	—	—	13,066	—	—	—	—	—	13,066
	Multifamily Housing Bonds	—	—	549	—	—	—	—	—	549
	State Appropriated	—	—	—	—	—	—	—	—	$0
	Federal Appropriated	—	—	—	—	—	—	—	—	$0
	Agency-wide Totals	$10,029	$0	$14,256	$ 0	$ 0	$ 0	$ 0	$ 0	$24,285

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds normally result from bond sale contributions to new debt issues in other funds, the transfer of assets to maintain the Housing Endowment Fund (Pool 1) requirement and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

Net Assets

Restricted by Bond Resolution

Restricted by Bond Resolution Net Assets represents those funds restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

In accordance with provisions of the respective bond resolutions, the Agency may transfer excess money from bond funds to General Reserve. The Agency has pledged to deposit in General Reserve any such funds transferred from the bond funds, except for any amounts as may be necessary to reimburse the state for money appropriated to restore a deficiency in any debt service reserve fund. The Agency further covenanted that it will use the money in General Reserve (or any such transferred funds deposited directly in the Alternative Loan Fund) only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose. All interfund transfers are approved by the Board of the Agency.

In order to provide financial security for the Agency's general obligation bonds, and to provide additional resources for housing loans to help meet the housing needs of low- and moderate-income Minnesota residents, the Agency's Board adopted the investment guidelines in the following table. These guidelines are periodically evaluated in consideration of changes in the economy and in the Agency's specific risk profile.

The $469.496 million of net assets restricted by covenant are restricted by a covenant made with bondholders authorized by the Agency's enabling legislation.

The Housing Endowment Fund (Pool 1) is maintained in the Restricted by Covenant Net Assets of General Reserve. The Housing Investment Fund (Pool 2) and the Housing Affordability Fund (Pool 3) are maintained in the Restricted by Covenant Net Assets of Residential Housing Finance fund.

The combined net assets of the General Reserve and bond funds (exclusive of Pool 3) are required by Board investment guidelines to be not less than the combined net assets of the same funds as of the immediately preceding fiscal year end. These combined net assets were $683.233 million as of June 30, 2010 and are $683.638 million as of June 30, 2011.

The following table describes total net assets restricted by covenant, including the balances to be maintained according to the Agency's Board investment guidelines, as of June 30, 2011 (in thousands):

Net Assets — Restricted By Covenant	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation (Depreciation) in Fair Market Value of Investments	Mitigate Pool 1 Unrealized Depreciation in Fair Market Value	Total Net Assets Restricted by Covenant
Housing Endowment Fund (Pool 1), General Reserve				
Pool 1 is an amount equal to 1% of gross loans outstanding (excluding Pool 3 and appropriated loans) and must be invested in short-term, investment-grade securities at market interest rates	$ 20,484	$ —	$—	$ 20,484
Unrealized depreciation in fair market value of investments, excluding multifamily development escrow investments	—	(70)	70	—
Subtotal, Housing Endowment Fund (Pool 1), General Reserve	$ 20,484	$(70)	$70	$ 20,484

Net Assets (continued)

Net Assets — Restricted By Covenant	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation (Depreciation) in Fair Market Value of Investments	Mitigate Pool 1 Unrealized Depreciation in Fair Market Value	Total Net Assets Restricted by Covenant
Housing Investment Fund (Pool 2), Residential Housing Finance				
An amount that causes the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3) to be the greater of the combined net assets of the same funds for the immediately preceding audited fiscal year end or the combined net assets of the same funds for the immediately preceding fiscal year end plus current fiscal year income over expenses and transfers to Pool 2 less an amount transferred to Pool 3 ($13,900 for fiscal year 2011). Pool 2 is invested in investment-quality housing loans, as defined by the Agency, or investment-grade securities.	379,101	—	—	379,101
Unrealized depreciation in fair market value of investments	—	1,409	—	1,409
Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance	379,101	1,409	—	380,510
Housing Affordability Fund (Pool 3), Residential Housing Finance				
Funds in excess of the combined requirement of Pool 1, Pool 2 and General Reserve may be transferred to Pool 3. Assets are invested in deferred loans, zero percent and low interest-rate loans, other loans with higher than ordinary risk factors, or, pending use, investment-grade securities.	67,993	—	—	67,993
Unrealized appreciation in fair market value of investments	—	509	—	509
Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance	67,993	509	—	68,502
Agency-wide Total	$467,578	$1,848	$70	$469,496

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as Net Assets Restricted by Law. The $10.165 million of net assets restricted by law in the Federal Appropriated fund as of June 30, 2011 are restricted by federal requirements that control the use of the funds. The $101.301 million of net assets restricted by law in the State Appropriated fund as of June 30, 2011 are restricted by the state laws appropriating such funds.

Defined Benefit Pension Plan

The Agency contributes to the Minnesota State Retirement System (the System), a multiple-employer public employee retirement system, which provides pension benefits for all permanent employees.

Employees who retire at "normal" retirement age or, for those hired on or before June 30, 1989, at an age where they qualify for the "Rule of 90" (i.e., at an age where age plus years of service equals or exceeds 90) are entitled to an unreduced monthly benefit payable for life. For those hired on or before June 30, 1989, normal retirement age is age 65, or age 62 with 30 years of service. For those hired after June 30, 1989, normal retirement age is the Social Security retirement age. The monthly benefit is calculated according to the "step formula" for anyone retiring under the Rule of 90. For those hired on or before June 30, 1989 and not retiring under the Rule of 90, the monthly benefit is calculated according to the step formula or the "level formula," whichever provides the largest benefit. For those hired after June 30, 1989, the monthly benefit is calculated according to the level formula. Under the step formula, an employee earns a 1.2% credit for each of the first 10 years of employment and a 1.7% credit for each year thereafter. The monthly benefit is then determined by applying the sum of these credits to the average monthly salary earned during the employee's five years of greatest earnings. Under the level formula the monthly benefit is computed just as it is under the step formula except that an employee earns a 1.7% credit for each year of employment, not just for those years beyond the first 10. A reduced benefit is available to those retiring at age 55 with at least three years of service. With 30 years of service, a reduced benefit is available at any age to those hired on or before June 30, 1989. The System also provides death and disability benefits. Benefits are established by Minnesota state law.

The statutory pension contribution rates for the employee and employer (as a percentage of salary) are 5% each.

The Agency's pension contribution to the System for the fiscal year ended June 30, 2011 was $775 thousand.

Details of the benefit plan are provided on a System-wide basis. The Agency portion is not separately determinable. The funding status of the System's benefit plan is summarized as follows.

Schedule of Funding Progress
(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Actual Covered Payroll (Previous FY)	UAAL as a % of Covered Payroll
07/01/10	$8,960,391	$10,264,071	$1,303,680	87.30%	$2,327,398	56.01%
07/01/09	9,030,401	10,512,760	1,482,359	85.90%	2,329,499	63.63%
07/01/08	9,013,456	9,994,602	981,146	90.18%	2,256,528	43.48%

Schedule of Employer Contributions
(dollars in thousands)

Year Ended June 30	Actuarially Required Contribution Rate	Actual Covered Payroll	Actual Member Contributions	Annual Required Employer Contributions	Actual Employer Contributions*	Percent Contributed
2010	14.85%	$2,327,398	$115,180	$230,439	$113,716	49.35%
2009	12.39%	2,329,499	108,866	179,759	107,211	59.64%
2008	11.76%	2,256,528	99,280	166,088	96,746	58.25%

*This includes contributions from other sources (if applicable).

Defined Benefit Pension Plan (continued)

The information presented was as of July 1, 2010, which is the latest actuarial information available.

The above summarizes the defined benefit pension plan. Please refer to the July 1, 2010, Minnesota State Employees Retirement Fund Actuarial Valuation and Review for a more comprehensive description. The actuarial valuation and review can be obtained from the financial information page of the Minnesota State Retirement System website at www.msrs.state.mn.us. The information contained in that website is also available in alternative formats to individuals with disabilities. Please call 1-800-657-5757 or use the MN Relay Service at 1-800-627-3529.

Other Postemployment Benefits

The Agency's employees participate in the State of Minnesota-sponsored hospital, medical, and dental insurance group. State statute requires that former employees and their dependents be allowed to continue participation indefinitely, under certain conditions, in the insurance that the employees participated in immediately before retirement. The former employees must pay the entire premium for continuation coverage. An implicit rate subsidy exists for the former participants that elect to continue coverage. That subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate greater claims on average than active participants.

The State of Minnesota obtained an actuarial valuation from an independent firm of its postretirement medical benefits as of July 1, 2006 to determine its other postemployment benefits (OPEB) liability. The state intends to fund the OPEB liability on a "pay as you go" basis. The State and the Agency recorded the liability for the first time during fiscal year 2008. The State calculated the Agency's portion of the OPEB obligation based upon active employee count. For the Agency in fiscal year 2008, the annual required contribution (ARC) was $96 thousand, the employer contribution was $58 thousand and the net OPEB obligation (NOO) was $38 thousand. The NOO is $151 thousand for fiscal year 2010. The NOO was recorded as an expense and a corresponding liability by the Agency. The Agency recorded an additional $50 thousand for fiscal year 2011 increasing the NOO to $201 thousand.

This is a cost sharing plan. The State of Minnesota has not prepared separate financial statements for the plan. The actuarial method used to determine the actuarial accrued liability and the annual required contribution was the entry age normal method. The assumed discount rate was 4.75% and the assumed payroll growth rate was 4.0%. Future retirees who are eligible for an implicit subsidy are assumed to elect coverage at a 50% rate. The projected annual medical claims cost trend rate is 9.13% initially, reduced by decrements to an ultimate rate of 5.0% for the year 2026 and beyond. Mortality was determined using 1983 Group Annuity Mortality Tables.

The funding status, from the report dated July 31, 2008, which is the latest available, is described in the following tables on a plan-wide basis. The Agency portion is not separately determinable. The State of Minnesota also subsidizes the healthcare and dental premium rates for certain other state agency retirees. That liability is reflected in the tables along with the implicit rate subsidy.

The funding status is summarized as follows.

Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/06	$0	$564,809	$564,809	0.0%	$1,961,643	28.79%
07/01/08	0	664,452	664,452	0.0	1,891,300	35.13
06/30/10	0	693,297	693,297	0.0	2,048,761	33.84

Schedule of Employer Contributions (dollars in thousands)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
06/30/09	$65,480	$24,055	36.74%	$ 73,127
06/30/10	67,663	28,343	41.89	112,447
06/30/11	66,526	34,208	51.42	144,765
06/30/12	70,195	46,519	66.27	168,441

Other Postemployment Benefits (continued)

Development of NOO and Annual OPEB Cost Pursuant to GASB No. 45
(dollars in thousands)

Fiscal Year Ended	(a) Annual Required Contribution (ARC)	(b) Employer Contribution	(c) Interests on NOO	(d) ARC Adjustment with Interest (h) / (e) * 1.0475	(e) Amortization Factor	(f) Annual OPEB Cost (a) + (c) – (d)	(g) Change in NOO (f) – (b)	(h) NOO Balance LY + (g)
06/30/09	65,200	24,055	1,506	1,226	27.0839*	65,480	41,425	73,127
06/30/10	67,018	28,343	3,474	2,828	27.0839*	67,663	39,320	112,447
06/30/11	65,534	34,208	5,341	4,349	27.0839*	66,526	32,318	144,765
06/30/12	68,918	46,519	6,876	5,599	27.0839*	70,195	23,676	168,441

*30-year amortization using 4.75% interest and 4.00% payroll growth.

Risk Management

Minnesota Housing is exposed to various insurable risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions; and employer obligations. Minnesota Housing manages these risks through State of Minnesota insurance plans including the State of Minnesota Risk Management Fund (a self-insurance fund) and through purchased insurance coverage. Property, casualty, liability, and crime coverage is provided by the Minnesota Risk Management Fund which may also purchase other insurance from qualified insurers for Minnesota Housing's needs. Minnesota Housing bears a $1,000 deductible per claim for the following coverage limits.

Type of coverage	Coverage Limit
Real and personal property loss	$ 4,781,597
Business interruption/loss of use/extra expense	50,000,000
Bodily injury and property damage per person	500,000
Bodily injury and property damage per occurrence	1,500,000
Faithful performance/commercial crime	14,000,000
Employee dishonesty	250,000

Minnesota Housing retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three fiscal years.

The Agency participates in the State Employee Group Insurance Plan, which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations.

Minnesota Housing participates in the State of Minnesota Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims. Minnesota Housing workers compensation costs and claims have been negligible during the last three fiscal years.

Commitments

As of June 30, 2011, the Agency had committed the following amounts for the purchase or origination of future loans or other housing assistance amounts (in thousands):

Funds	Amount
General Reserve	$ —
Rental Housing	9,285
Multifamily Finance	15,000
Residential Housing Finance	113,648
Single Family	—
Homeownership Finance	119,344
State Appropriated	66,864
Federal Appropriated	29,774
Agency-wide Totals	$353,915

Commitments (continued)

Board-approved selections of future loans or other housing assistance for multifamily housing projects are included in the above table. Multifamily developers frequently proceed with their projects based upon their selection by the Board and, therefore, a selection is treated like a de facto commitment although it is merely a reservation of funds. The Agency retains the unilateral discretion to cancel any reservation of funds that has not been formally and legally committed.

The Agency has cancellable lease commitments for office facilities through May 2012 and for parking through February 2012, totalling $1.133 million. Combined office facilities and parking lease expense for fiscal year 2011 was $1.204 million.

On June 30, 2011 the Agency had in place a $32.2 million revolving line of credit with the Federal Home Loan Bank of Des Moines collateralized with $36.1 million of mortgage-backed securities, all of which reside in Pool 2. The advances taken during fiscal year 2011 were used to purchase and warehouse mortgage-backed securities in Pool 2. The line of credit activity for the year ended June 30, 2011, is summarized as follows (in thousands):

Beginning Balance	Draws	Repayments	Ending Balance
$56,000	$711,000	$767,000	$0

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of such actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

Subsequent Events

The Agency called for redemption subsequent to June 30, 2011 the following bonds (in thousands):

Program	Redemption Date	Par
Residential Housing Finance	July 1, 2011	$75,465,000
Single Family	July 1, 2011	8,885,000
Homeownership Finance	July 1, 2011	245,000
Rental Housing	July 7, 2011	1,930,000
Rental Housing	July 18, 2011	260,000
Rental Housing	August 1, 2011	1,330,000

On May 26, 2011 the Board of the Agency adopted a series resolution authorizing the issuance of $8.310 million bonds for the purpose of providing funds for certain of the Agency's homeownership programs. The Homeownership Finance Bonds, 2011 Series C (Mortgage-Backed Securities Program) were delivered on July 20, 2011.

On May 26, 2011 the Board of the Agency adopted a series resolution authorizing the issuance of $33.690 million bonds for the purpose of providing funds for certain of the Agency's homeownership programs. The Homeownership Finance Bonds, 2011 Series D (Mortgage-Backed Securities Program) were delivered on July 20, 2011.

Subsequent to June 30, 2011 the U.S. Sovereign rating was downgraded by Standard & Poor's to "AA+" and placed on negative outlook. Moody's also assigned the U.S. Sovereign "Aaa" rating a negative outlook but has not downgraded the rating as of the date of this report.

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MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
General Reserve and Bond Funds
Five Year Financial Summary (in thousands)
Fiscal Years 2007 – 2011

		2007	2008	2009	2010	2011
Loan Receivable, net (as of June 30)	Multifamily programs	$ 348,974	$ 346,509	$ 348,563	$ 334,565	$329,452
	Homeownership programs	1,588,871	1,899,313	1,934,766	1,780,911	1,589,329
	Home Improvement programs	121,977	115,452	108,893	116,713	111,670
	Total	$2,059,822	$2,361,274	$2,392,222	$2,232,189	$2,030,451
Mortgage-backed securities net, at par (as of June 30)	Program mortgage-backed securities	$ -	$ -	$ -	$ 32,321	$ 49,676
	Warehoused mortgaged-backed securities	-	-	-	107,330	49,688
	Total	$ -	$ -	$ -	$ 139,651	$ 99,364
Bonds Payable, net (as of June 30)	Multifamily programs	$ 191,691	$ 178,431	$ 162,288	$ 165,085	$ 72,692
	Homeownership programs	2,187,297	2,217,945	2,296,445	2,524,422	2,372,722
	Home Improvement programs	20,000	15,000	15,000	15,000	10,000
	Total	$2,398,988	$2,411,376	$2,473,733	$2,704,507	$2,555,414
Mortgage-backed securities purchased, at par and loans purchased or originated during fiscal year	Multifamily programs	$ 19,306	$ 30,169	$ 41,897	$ 20,874	$ 33,956
	Homeownership programs	424,436	436,263	207,050	55,891	31,372
	Program and warehoused mortgage-backed securities	-	-	-	140,992	288,580
	Home Improvement programs	29,456	19,883	17,977	32,299	22,780
	Total	$ 473,198	$ 486,315	$ 266,924	$ 250,056	$ 376,688
Net Assets (as of June 30)	Total Net Assets*	$ 750,990	$ 662,124	$ 68,242	$ 683,233	$ 683,638
	Percent of total assets*	22.8%	19.9%	20.2%	19.1%	19.9%
Revenue over Expenses	Revenues over expenses*	$ 31,103	$ 35,352	$ 6,118	$ 14,991	$ 14,305

Notes:

*Excludes Pool 3 except for 2007

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Net Assets (in thousands)
General Reserve and Bond Funds
As of June 30, 2011 (with comparative totals as of June 30, 2010)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance Excluding Pool 3	Single Family
Assets	Cash and cash equivalents	$ 57,539	$ 45,721	$ 219,159	$ 38,088
	Investments- program mortgage-backed securities	-	-	33,002	-
	Investment securities- other	45,318	40,757	400,400	11,537
	Loans receivable, net	-	171,839	1,715,565	117,871
	Interest receivable on loans	-	944	12,195	860
	Interest receivable on investments	257	694	704	108
	Deferred loss on interest rate swap agreements	-	-	30,815	-
	FHA/VA insurance claims, net	-	-	6,747	1,014
	Real estate owned, net	-	-	23,804	800
	Unamortized bond issuance costs	-	1,752	8,564	631
	Capital assets, net	1,445	-	-	-
	Other assets	1,320	5	162	721
	Total assets	105,879	261,712	2,451,117	171,630
Liabilities	Bonds payable, net	$ -	$157,692	$1,883,409	$ 97,505
	Interest payable	-	3,063	37,701	2,525
	Interest rate swap agreements	-	-	30,815	-
	Deferred revenue- service release fees	-	-	3,634	-
	Accounts payable and other liabilities	5,481	5,801	3,126	462
	Interfund payable (receivable)	879	(1)	12,659	63
	Funds held for others	77,590	-	616	-
	Total liabilities	83,950	166,555	1,971,960	100,555
	Commitments and contingencies				
Net Assets	Restricted by bond resolution	-	95,157	98,647	71,075
	Restricted by covenant	20,484	-	380,510	-
	Restricted by law	-	-	-	-
	Invested in capital assets	1,445	-	-	-
	Total net assets	21,929	95,157	479,157	71,075
	Total liabilities and net assets	$105,879	$261,712	$2,451,117	$171,630

Bond Funds						
Homeownership Finance	Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total as of June 30, 2011	General Reserve & Bond Funds Excluding Pool 3 Total as of June 30, 2010	Residential Housing Finance Pool 3	General Reserve & Bond Funds Total as of June 30, 2011	General Reserve & Bond Funds Total as of June 30, 2010
$93,735	$15,523	$ 469,765	$ 610,246	$ 3,922	$ 473,687	$ 614,853
323,225	-	356,227	33,686	-	356,227	33,686
486	478	498,976	608,474	24,765	523,741	653,957
-	(382)	2,004,893	2,208,963	25,558	2,030,451	2,232,189
-	54	14,053	16,195	76	14,129	16,273
1,197	4	2,964	2,067	272	3,236	2,228
-	-	30,815	37,077	-	30,815	37,077
-	-	7,761	11,407	-	7,761	11,407
-	-	24,604	24,026	-	24,604	24,026
2,195	165	13,307	12,927	-	13,307	12,927
-	-	1,445	1,631	-	1,445	1,631
12	-	2,220	2,249	-	2,220	2,252
420,850	15,842	3,427,030	3,568,948	54,593	3,481,623	3,642,506
$401,808	$15,000	$2,555,414	$2,704,507	$ -	$2,555,414	$2,704,507
3,472	38	46,799	48,211	-	46,799	48,211
-	-	30,815	37,077	-	30,815	37,077
-	-	3,634	1,298	-	3,634	1,298
52	-	14,922	14,970	97	15,019	15,045
2	-	13,602	(649)	(14,006)	(404)	(661)
-	-	78,206	80,301	-	78,206	80,301
405,334	15,038	2,743,392	2,885,715	(13,909)	2,729,483	2,885,778
15,516	804	281,199	278,195	-	281,199	278,195
-	-	400,994	403,407	68,502	469,496	476,902
-	-	-	-	-	-	-
-	-	1,445	1,631	-	1,445	1,631
15,516	804	683,638	683,233	68,502	752,140	756,728
$420,850	$15,842	$3,427,030	$3,568,948	$ 54,593	$3,481,623	$3,642,506

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Revenues, Expenses and Changes in Net Assets (in thousands)
General Reserve and Bond Funds
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance Excluding Pool 3	Single Family
Revenues	Interest earned on loans	$ -	$10,055	$104,968	$ 7,787
	Interest earned on investments-program mortgage-backed securities	-	-	1,321	-
	Interest earned on investments- other	292	2,045	11,962	2,349
	Administrative reimbursement	20,733	-	-	-
	Fees earned and other income	10,289	616	599	-
	Unrealized gains (losses) on Investments	(95)	(859)	1,606	(565)
	Total revenues	31,219	11,857	120,456	9,571
Expenses	Interest	-	7,736	79,411	5,539
	Loan administration and trustee fees	-	141	5,529	405
	Administrative reimbursement	-	1,555	13,794	1,069
	Salaries and benefits	17,716	-	-	-
	Other general operating	5,714	-	2	-
	Reduction in carrying value of certain low interest rate deferred loans	-	964	31	-
	Provision for loan losses	-	138	20,928	337
	Total expenses	23,430	10,534	119,695	7,350
	Revenues over (under) expenses	7,789	1,323	761	2,221
Other changes	Non-operating transfer of assets between funds	(10,029)	641	(18,127)	-
	Change in net assets	(2,240)	1,964	(17,366)	2,221
Net Assets	Total net assets, beginning of year	24,169	93,193	496,523	68,854
	Total net assets, end of year	$21,929	$95,157	$479,157	$71,075

Bond Funds						
Homeownership Finance	Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2011	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2010	Residential Housing Finance Pool 3	General Reserve & Bond Funds Total for the Year Ended June 30, 2011	General Reserve & Bond Funds Total for the Year Ended June 30, 2010
$ -	$354	$123,164	$136,622	$ 378	$123,542	$136,945
6,493	-	7,814	702	-	7,814	702
274	17	16,939	14,673	1,167	18,106	15,636
-	-	20,733	21,658	-	20,733	21,658
-	3	11,507	9,803	22	11,529	9,941
224	3	314	8,068	(1,217)	(903)	9,048
6,991	377	180,471	191,526	350	180,821	193,930
4,304	199	97,189	101,516	-	97,189	101,516
55	(1)	6,129	6,646	10	6,139	6,653
568	32	17,018	16,653	1,035	18,053	17,679
-	-	17,716	17,815	-	17,716	17,815
-	-	5,716	8,847	3,782	9,498	9,445
		-	-			-
-	-	995	748	13,392	14,387	9,403
-	-	21,403	24,310	1,024	22,427	25,530
4,927	230	166,166	176,535	19,243	185,409	188,041
2,064	147	14,305	14,991	(18,893)	(4,588)	5,889
13,066	549	(13,900)	-	13,900	-	-
15,130	696	405	14,991	(4,993)	(4,588)	5,889
386	108	683,233	668,242	73,495	756,728	750,839
$15,516	$804	$683,638	$683,233	$68,502	$752,140	$756,728

Supplementary Information (Unaudited)
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds
Year ended June 30, 2011 (with comparative totals for the year ended June 30, 2010)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance Excluding Pool 3	Single Family
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$21,046	$ 153,719	$ 14,328
	Investment in loans and program mortgage-backed securities	-	(14,440)	(53,636)	(109)
	Interest received on loans and program mortgage-backed securities	-	10,997	101,539	7,332
	Other operating	-	-	(2)	-
	Fees and other income received	10,231	616	4,234	-
	Salaries, benefits and vendor payments	(21,918)	(145)	(7,134)	(414)
	Administrative reimbursement from funds	21,026	(1,555)	(13,794)	(1,069)
	Deposits into funds held for others	31,942	-	-	-
	Disbursements made from funds held for others	(35,135)	-	-	-
	Interfund transfers and other assets	(1,155)	(1)	94	(19)
	Net cash provided (used) by operating activities	4,991	16,518	185,020	20,049
Cash flows from noncapital financing activities	Proceeds from sale of bonds and notes	-	23,125	1,939,445	-
	Principal repayment on bonds and notes	-	(15,880)	(2,217,165)	(18,900)
	Interest paid on bonds and notes	-	(7,106)	(82,654)	(5,768)
	Financing costs paid related to bonds issued	-	(430)	(839)	-
	Interest paid/received between funds	-	-	(482)	482
	Agency contribution to program funds	-	641	(3,957)	-
	Transfer of cash between funds	(11,057)	-	11,057	-
	Net cash provided (used) by noncapital financing activities	(11,057)	350	(354,595)	(24,186)
Cash flows from investing activities	Investment in real estate owned	-	-	(4,387)	(677)
	Interest received on investments	1,524	2,164	10,653	2,134
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-	71,074	5,655
	Proceeds from maturity, sale or transfer of investment securities	25,000	28,135	1,720,323	6,872
	Purchase of investment securities	(15,053)	(37,703)	(1,613,499)	(13,393)
	Purchase of loans between funds	-	-	-	-
	Net cash provided (used) by investing activities	11,471	(7,404)	184,164	591
	Net increase (decrease) in cash and cash equivalents	5,405	9,464	14,589	(3,546)
Cash and cash equivalents	Beginning of year	52,134	36,257	204,570	41,634
	End of year	$57,539	$45,721	$ 219,159	$38,088

Bond Funds					
Homeownership Finance	Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2011	Residential Housing Finance Pool 3	General Reserve & Bond Funds Year Ended June 30, 2011	General Reserve & Bond Funds Year Ended June 30, 2010
$ 3,175	$ -	$ 192,268	$ 1,679	$ 193,947	$ 165,140
(316,300)	382	(384,103)	(20,407)	(404,510)	(141,854)
6,896	300	127,064	354	127,418	130,209
-	-	(2)	(3,684)	(3,686)	(3,038)
-	3	15,084	22	15,106	11,200
(75)	(3)	(29,689)	(86)	(29,775)	(29,682)
(568)	(32)	4,008	(1,035)	2,973	3,413
-	-	31,942	-	31,942	29,480
-	-	(35,135)	-	(35,135)	(31,551)
-	-	(1,081)	59	(1,022)	(1,275)
(306,872)	650	(79,644)	(23,098)	(102,742)	132,042
141,613	-	2,104,183	-	2,104,183	1,440,910
-	-	(2,251,945)	-	(2,251,945)	(1,208,085)
(959)	(167)	(96,654)	-	(96,654)	(100,549)
(2,053)	(60)	(3,382)	-	(3,382)	(2,650)
-	-	-	-	-	-
2,767	549	-	-	-	-
-	-	-	-	-	-
141,368	322	(247,798)	-	(247,798)	129,626
-	-	(5,064)	-	(5,064)	(3,557)
(923)	13	15,565	1,180	16,745	14,429
-	-	76,729	-	76,729	64,797
-	-	1,780,330	51,776	1,832,106	1,315,711
(476)	(475)	(1,680,599)	(32,399)	(1,712,998)	(1,408,702)
-	-	-	1,856	1,856	2,096
(1,399)	(462)	186,961	22,413	209,374	(15,226)
(166,903)	510	(140,481)	(685)	(141,166)	246,442
260,638	15,013	610,246	4,607	614,853	368,411
$ 93,735	$15,523	$ 469,765	$ 3,922	$ 473,687	$ 614,853

(Continued)

Supplementary Information (Unaudited)
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds (continued)
Year ended June 30, 2011 (with comparative totals for the year ended June 30, 2010)

Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities

		Bond Funds		
	General Reserve	Rental Housing	Residential Housing Finance Excluding Pool 3	Single Family
Revenues over (under) expenses	$7,789	$1 ,323	$ 761	$ 2,221
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:				
Amortization of premiums (discounts) and fees on loans and program mortgage-backed securities	-	(62)	1,274	(175)
Depreciation	1,540	-	-	-
Realized losses (gains) on sale of securities, net	(5)	77	168	(271)
Unrealized losses (gains) on securities, net	95	859	(1,606)	565
Provision for loan losses	-	138	20,928	337
Reduction in carrying value of certain low interest rate and/or deferred loans	-	964	31	-
Capitalized interest on loans and real estate owned	-	(105)	(7,965)	(506)
Interest earned on investments	(287)	(2,251)	(11,222)	(2,164)
Interest expense on bonds and notes	-	7,736	79,411	5,539
Changes in assets and liabilities:				
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	6,606	100,083	14,219
Decrease (increase) in interest receivable on loans	-	29	1,941	226
Increase (decrease) in arbitrage rebate liability	-	1,209	(908)	86
Increase (decrease) in accounts payable	(24)	(2)	2,075	(6)
Increase (decrease) in interfund payable, affecting operating activities only	285	(1)	(73)	(19)
Increase (decrease) in funds held for others	(3,193)	-	-	-
Other	(1,209)	(2)	122	(3)
Total	(2,798)	15,195	184,259	17,828
Net cash provided (used) by operating activities	$4,991	$16,518	$185,020	$20,049

Bond Funds					
Homeownership Finance	Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2011	Residential Housing Finance Pool 3	General Reserve & Bond Funds Year Ended June 30, 2011	General Reserve & Bond Funds Year Ended June 30, 2010
$ 2,064	$147	$ 14,305	$(18,893)	$ (4,588)	$ 5,889
403	-	1,440	(26)	1,414	690
-	-	1,540	-	1,540	2,590
-	-	(31)	15	(16)	469
(224)	(3)	(314)	1,217	903	(9,048)
-	-	21,403	1,024	22,427	25,530
-	-	995	13,392	14,387	9,404
-	-	(8,576)	-	(8,576)	(6,724)
(274)	(17)	(16,215)	(1,182)	(17,397)	(16,115)
4,304	199	97,189	-	97,189	101,515
(313,125)	382	(191,835)	(18,728)	(210,563)	23,286
-	(54)	2,142	2	2,144	(1,038)
-	-	387	-	387	126
(20)	(4)	2,019	22	2,041	(96)
-	-	192	56	248	(753)
-	-	(3,193)	-	(3,193)	(2,071)
-	-	(1,092)	3	(1,089)	(1,612)
(308,936)	503	(93,949)	(4,205)	(98,154)	126,153
$(306,872)	$650	$ (79,644)	$(23,098)	$(102,742)	$132,042

Other Information

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Wells Fargo Bank, National Association

Bond Counsel
Dorsey & Whitney LLP, Minneapolis

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Certified Public Accountants
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Location

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End long-term homelessness.
Finance new affordable housing opportunities.
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Address foreclosure through prevention
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