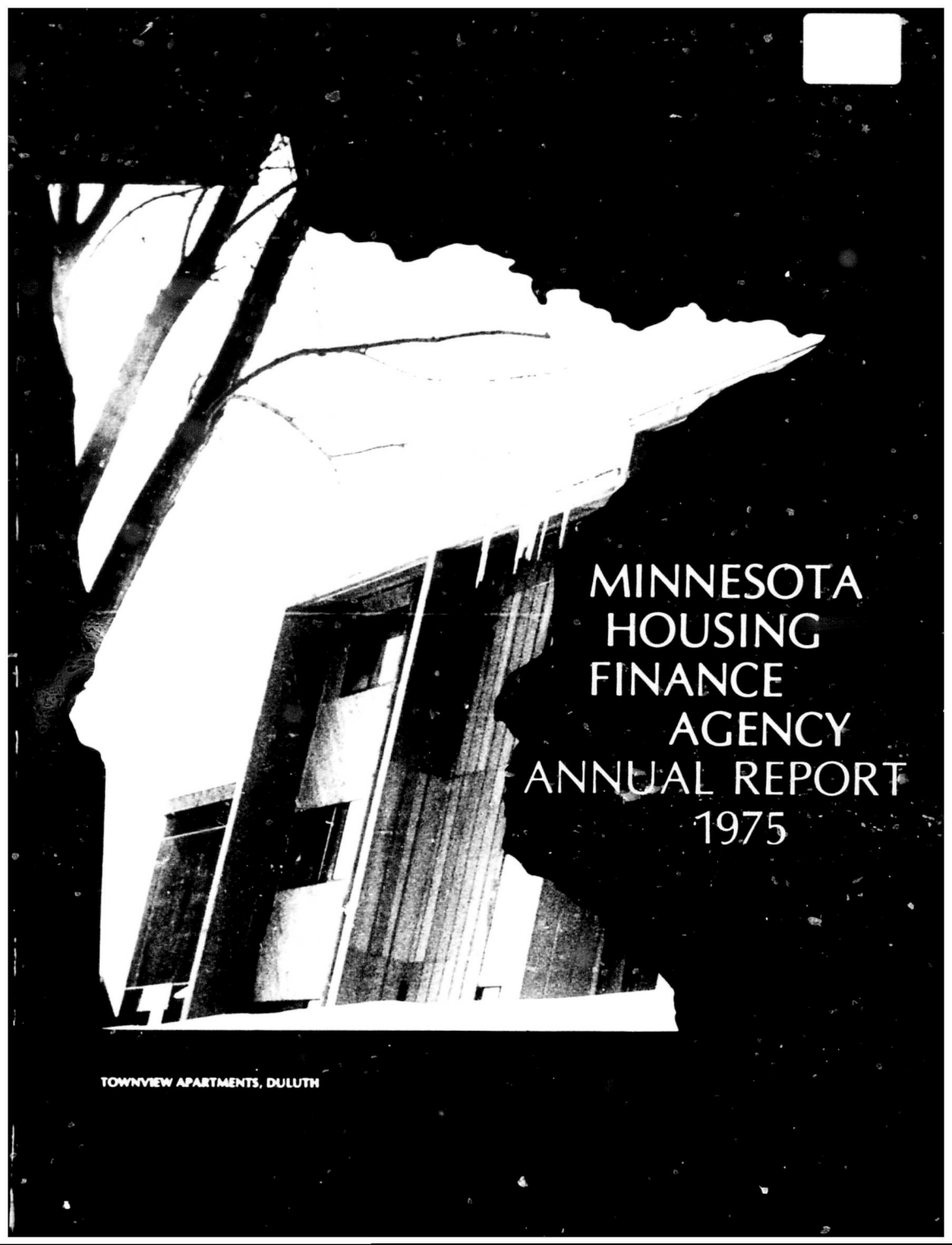
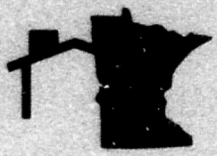


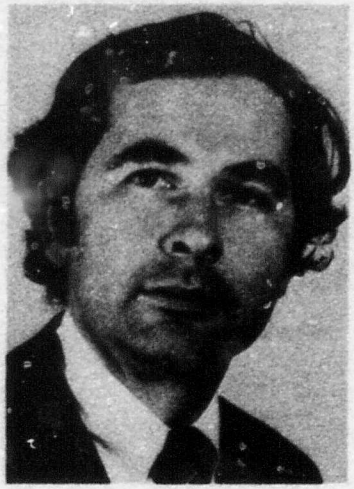
MINNESOTA HOUSING FINANCE AGENCY ANNUAL REPORT 1975

TOWNVIEW APARTMENTS, DULUTH

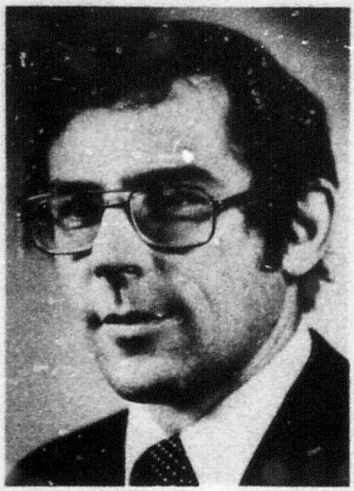


1975 PROGRESS REPORT

All developments pictured were financed under the Section 236 Program in 1975.



Richard R. Miller
Chairman



James F. Dlugosch
Executive Director

In its 1974 report, the Minnesota Housing Finance Agency (MHFA) stated that the framework had been established for the Agency to make maximum use of the statutory powers provided in the Agency's enabling legislation. These powers related primarily to the delivery of mortgage and consumer financing for the purchase, development and rehabilitation of housing for low and moderate income residents.

In 1975, the most severe recession to hit the housing industry since World War II had its effect on the Agency. High interest costs, high land and construction costs, and the impact of the recession on the building industry itself, have combined to make it increasingly difficult to establish the economic feasibility of proposed apartment developments. These factors have resulted in MHFA not delivering financing in the volume anticipated during the year. Delays by the federal government in delivering new housing assistance programs also reduced the total volume of MHFA assistance which the Agency initially anticipated for the year.

In spite of those obstacles, it is clear that the operation of the Minnesota Housing Finance Agency during this past year softened the impact of the recession on the housing industry in Minnesota by assisting substantial numbers of low and moderate income persons and families.

The operation of the Agency's Single Family Mortgage Loan Program provided financing for more than 3,000 families in their purchase of new homes. It is significant that more than 85 per cent of these families previously had rented, demonstrating the continued preference among Minnesotans for homeownership.

Agency financing has facilitated the development of more than 2,500 apartment units. Commitments have been issued by the Agency which will result in the construction of at least 3,000 more apartment units. The effective combination of federal housing assistance subsidies with Agency financing has resulted in a high degree of economic integration in developments financed by MHFA.

A home improvement program was identified as a key objective by the Agency and the Minnesota State Legislature in 1974. The sale of $8.9 million in bonds in 1975 enabled the Agency to pioneer in the development of a state-assisted Home Improvement Loan Program. More than 800 Minnesota families have benefited from this program and an additional 1,000 families will be assisted by the remaining funds available from the bond sale. Appropriated funds from the state legislature will allow the Agency to expand this program into assistance to lower income families in the form of grants or very low interest rate loans.

Basic Homes, an experimental program described in the 1974 report, has progressed to the point where, with the availability of mortgage insurance and appropriated funds, the Agency and the private sector soon will be able to offer a wide range of homeownership options to families now priced out of the housing market.



In February 1975, Virginia Rotary Apartments became the first MHFA apartment project to be completed. The project is owned by Virginia Rotary, Inc., and is the only FHA-insured development of MHFA.

In 1974, the Agency reserved $5 million for long-term financing of a residential development for the mentally retarded, as an alternative to institutionalized care. Commitments have been made in excess of $1 million for housing for more than 100 mentally retarded adults. Bonds amounting to over $750,000 have been sold to close mortgages, and applications are being completed for an additional 400 units requiring more than $4 million in mortgage funds.

Creative use of community development block grants provided through the Department of Housing and Urban Development, federal housing assistance subsidies and the unique capacities of private and public elements of the housing delivery system in Minnesota have relieved the burden of inadequate housing for many people. A continued commitment by the federal government to the objective of the 1949 Housing Act — to provide decent, safe and sanitary housing for people of all incomes — will be necessary if we are to continue in this task. The objective must be combined with adequate administrative and financial resources and we are hopeful that the federal government will be consistent in these areas during 1976. With this consistency, we are confident the Minnesota Housing Finance Agency will be able to continue its progressive efforts as a strong partner in solving our housing problems.

It is apparent that financing difficulties will continue to plague the housing industry during the coming year, severely reducing the ability of low and moderate income families to afford adequate housing. We will continue to make every effort to raise capital so that we may pioneer new areas and expand existing programs which have proved to be beneficial to those individuals and families. As we stated in 1974, so long as the Agency is able to demonstrate financial stability, we will continue to attract the necessary private capital for investment in our activities.

Respectfully submitted,

RICHARD R. MILLER
Chairman

JAMES F. DLUGOSCH
Executive Director

December 31, 1975

THE PUBLIC AND PRIVATE SECTOR WORKING TOGETHER

The Minnesota Housing Finance Agency (MHFA) in 1975 completed two years of operation, marked by significant housing benefits for low and moderate income residents of Minnesota.

More importantly, by the end of two years of operation, the Agency had clearly established its role in the housing delivery system of Minnesota to provide capital for financing the development, purchase and rehabilitation of housing in an economically integrated setting.

The capital is raised through the sale of tax-exempt revenue bonds to private investors. The bonds are paid off from the proceeds of mortgage loans made by the Agency and are secured by the mortgages. To the extent that they are available, federal subsidies are used to reduce the interest rate to occupants, thereby providing assistance to lower income groups.

One of the biggest challenges of the Agency has been to successfully interface its services and those of the housing system's private sector. By

working in concert with the existing housing delivery system, the Agency has avoided the expensive and lengthy process of establishing a totally self-contained financing system. Participation of the private sector has been notable over the two years of operation and has spawned many benefits which have been passed on to loan recipients. For example, through private lenders MHFA programs are reaching residents throughout the state, without the need to add substantially to the cost of a loan.

Those savings, as well as the savings resulting from the tax-exempt feature of the Agency's capital, are passed through to the low and moderate income families who occupy MHFA housing.

Working within the existing housing delivery system does not mean that MHFA can deliver its financing under the same terms and conditions as private lenders. Statutory and constitutional requirements obligate the Agency to operate and finance programs which are in direct response to a public need, while satisfying many requirements of public sector participation. Developers, borrowers, lenders and others with whom the Agency participates have observed at times that those requirements of public sector participation add to the time and, on occasion, the cost of bringing a deal to fruition. The Agency is intent on minimizing time and costs, while operating in a manner consistent with the public and fiduciary responsibilities of the Agency.

MHFA financing is provided through a variety of programs described in detail in the following sections. The three basic program areas — Home Improvement Loans, Homeownership Loans, and Apartment Development — have enabled the Agency to meet the housing needs of thousands of Minnesota residents. Future activity of the Agency will expand upon the program areas now established.

HOME IMPROVEMENT LOANS

In 1975, MHFA became the first state housing finance agency to introduce a home improvement loan program. Within a few months after its inauguration, the program had benefited more than 800 families with an average loan of $4,000.

The income range among borrowers has been $4,000 to $16,000, which meets the program goal of making loan funds available to low and moderate income homeowners for improvement of their residential property.

Another goal of the program is to maximize participation by private and public entities capable of delivering home improvement loans. More than 70 lenders participated in the Agency's first offering in this program.

Similar to the Homeownership Loan Program established the previous year, the Home Improvement Loan Program was intended to establish a delivery system of loans through a statewide network of private lenders. Within the first few months, loans were available through participating institutions in all regions of the state.

Another objective of the program is to make loans available to homeowners in need of reducing energy consumption in their homes. A large number of the loans were granted to families who remodeled their homes



A family in Duluth received a home improvement loan, granted in conjunction with the local housing redevelopment authority, for $3,395. In addition to a face lift, their 50-year-old home was completely rewired and the kitchen remodeled with modern conveniences.



This 60-year-old home is situated in a target urban renewal area in Duluth. With a loan of $7,380, its owners added new siding, windows, roof and dormer in back, and upgraded the plumbing.

in such energy-conserving ways as replacing furnaces, wall heaters and boiler systems, storm doors and windows, and installing insulation and weatherstripping.

All loans made under the program are for terms up to 12 years and are insured under the U.S. Department of Housing and Urban Development (HUD) FHA Title I Insurance Program. The combination of the term and the Title I insurance results in a substantial savings in interest costs for borrowers. During 1975, the Agency provided these loans at a simple interest rate of 7¼ per cent.

The Home Improvement Loan Program will reach out to more Minnesotans in the future. When the state Legislature established the program in 1974, it was viewed as a means of enhancing and preserving Minnesota's existing housing, which represents a valuable investment and resource and an inventory far too costly to replace. The program calls for eventually providing a total of $100 million in rehabilitation loans over a five-year period, enabling an estimated 25,000 families to remain in their homes and to improve their value and condition.

In addition, expansion of the program to lower-income groups will be possible with the use of a $28 million appropriation currently contained in the $40 million bill pending in the Legislature. These funds will be combined with borrowed money raised through the sale of additional bonds to make grants and to reduce interest rates on loans. Loans will be made at rates which are a direct reflection of the borrower's income and could be as low as 1 per cent.

HOMEOWNERSHIP LOAN PROGRAM

Thousands of first-time home buyers have moved from rental units into their own homes during the last two years through the Agency's Homeownership Program.

The trend in Minnesota, as elsewhere, has been toward the development of more rental than single-family units because of increased costs of land, construction, financing and maintenance of a home. The Homeownership Loan Program, however, has enabled Minnesota to maintain its rank as a state with one of the highest ratios of homeownership by easing financing cost for moderate income families.

Since the Homeownership Loan Program began, $80 million has been provided to home buyers at interest rates of 6¼ per cent, 8 per cent and 8¼ per cent. Loans up to $36,000 each, all FHA insured or VA guaranteed, have been made for terms up to 30 years. The typical family receiving a loan through the Agency has an income of slightly over $11,000 and is moving from a rental situation into a home.

Typically, the tax-exempt nature of MHFA bonds allows the Agency to secure capital and provide financing at rates which are about 2 per cent below the market when the Agency bonds are sold. Agency activity in the homeownership loan area, however, will generally be at its peak when mortgage money is not readily available in the private sector and is high in cost. This spread may narrow, therefore, as mortgage rates drop during the period before delivery of mortgages to the Agency.

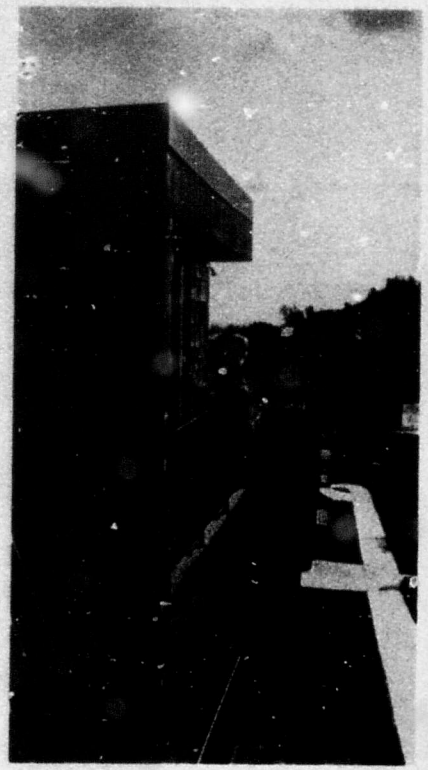
Since, as a matter of policy, the Agency has not established a direct lending program for homeownership loans, their availability is dependent on the cooperation of other lenders. More than 80 different lenders have



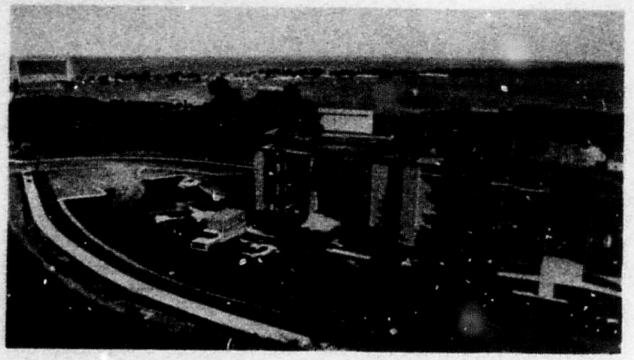
Located in a growing residential area of Glencoe, the Northwood Apartment project includes two buildings for family residents, one of townhouses and one of apartments with a total of 39 units.



New homes along Milwaukee Ave. were designed to blend with the historic neighborhood in Minneapolis. The 12 townhouses in the project replaced deteriorated homes which were too costly to repair.







Summit Square, a family apartment development with 77 units, is situated on the bluffs of Duluth overlooking Lake Superior. The apartments are a market rate development located in an urban renewal area.

originated loans for Agency purchase, resulting in statewide accessibility to Agency loans. All loans are serviced either by the originating lender or by another experienced private institution.

Future Agency activity in Homeownership Loans should include expansion to non-federally insured loans, statewide availability of Basic Home loans and condominium financing. The Basic Homes Program, in particular, offers the promise of providing low-cost, "no frill" homes to moderate income families in rural areas.

As more families are priced out of homeownership, national trends toward reduced amenity housing will soon be reflected in housing development patterns in Minnesota. The Basic Homes Program is designed to anticipate that trend.

APARTMENT DEVELOPMENT

Permanent Financing

MHFA provided interim and permanent financing for 25 apartment developments with more than 2,531 units. Some of these are completed; others are just getting under way.

More than half the units are financed through the federal Section 8 Rental Assistance Program, which provides direct subsidies to low-income renters based on the median income of a county. Although economic integration is an Agency objective in providing long-term financing for apartment development, it is recognized that not all developments lend themselves to partial subsidy. As a result, each application for apartment financing is carefully analyzed to determine whether subsidy coverage will enhance the development's long-range success.

The Agency's review process encourages the development of an economically sound project which satisfies local, state and federal requirements in providing housing for low and moderate income people. Particular attention is paid to site selection, architectural planning, marketing and project management.

Future Plans

The apartment development financing program offers the Agency an opportunity to address a wide variety of special needs which exist in the state. In smaller towns, for example, conversion of an obsolete but sound structure may offer an ideally situated site at less cost than constructing a new building. Also, smaller communities may be served by the Agency by including sites from several neighboring communities under one mortgage. To facilitate such programs, the Agency will be expanding its relationships with private lenders who have the capacity to participate in mortgage financing in small communities.

These are a few of the programs the Agency seeks to develop during the coming year. Projections indicate that between 2,000 and 3,000 units could be developed with Agency financing in the next 12 months.

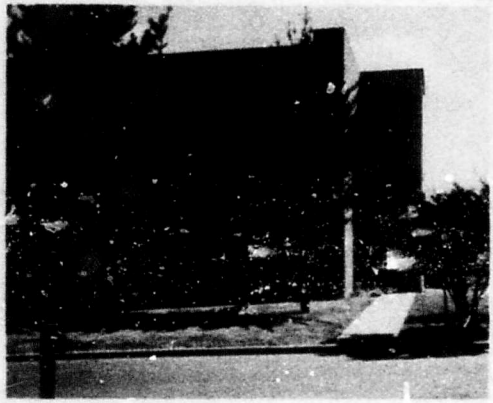
Construction Loans

The increased cost of short-term borrowing in the last two years during the construction period of apartment developments has threatened the feasibility of many low and moderate income housing proposals receiving permanent financing from the federal government.

The Minnesota Housing Finance Agency, in an effort to assure construction, has provided financing below the market rate for these construction loans. Through the purchase of a participation interest in the construction loan, the Agency is able to provide this financing in tandem with the private lender who originated the loan. Because of the high level of security obtained from the guaranteed permanent financing of the development, notes can be sold at rates which allow the construction loan to be made at the same interest rate as the permanent financing.

Under this arrangement, 24 developments with 2,153 units of housing are in various stages of completion. The majority of the developments are federally subsidized to permit occupancy by lower income families. These developments are spread geographically throughout the state, in urban and suburban areas and in small towns.

Heavy demand for this financing is expected as a result of past success of the tandem plan, leading to the possibility of an estimated $60 million in FHA loans currently pending in Minnesota.



Delton Manor in Bemidji provides 60 families with the convenience of apartment living. A large outside recreational area is provided for younger residents.



The apartment development at 2100 Bloomington in Minneapolis is one of the few buildings in the country designed exclusively for handicapped occupants. Ramps, an elevator, custom-built kitchens, wide doorways and special security and fire alarm systems are among the special design features. The building is owned by the United Handicapped Federation



Built on the banks of the Mississippi, Riverside Apartments provide elderly residents with picturesque views of the landscape around St. Cloud. When the weather is nice, many residents enjoy strolling down to the river to fish.



The community room at Riverside is spaciously designed for lounging, card playing and chatting. An adjoining party room is used for special occasions.

APARTMENT DEVELOPMENT
Construction Participation Loans

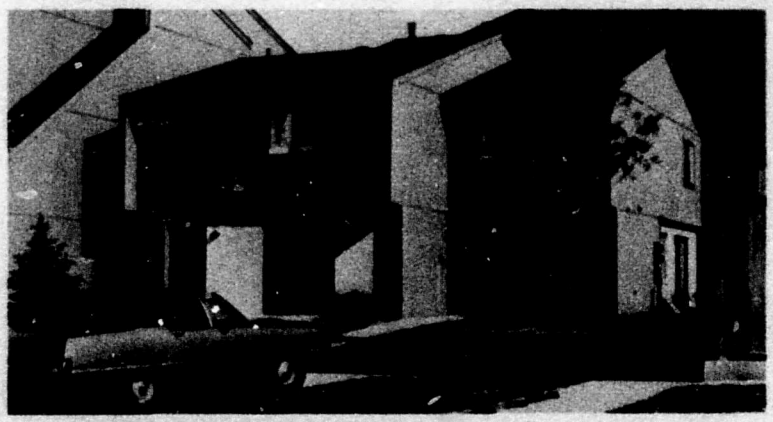
DEVELOPMENT	LOCATION	UNITS	MORTGAGE AMOUNT
Clearwood*	St. Cloud	86	$ 1,152,900
Country Village*	Redwood Falls	60	726,210
Archer Heights	Minnetonka	172	2,736,360
Douglas Manor*	Lan.herton	24	332,730
Eastview*	Eveleth	48	678,330
Franklin Lane*	Anoka	66	892,800
Archer Heights	Maplewood	168	2,494,440
Mountainview*	Detr[illegible]akes	52	609,210
Plymouth Avenue	M[illegible]olis	140	2,432,880
South Falls*	Int[illegible]ional Falls	60	738,630
Broadway Apartments*	Crookston	60	789,750
Hampden Square*	St. Paul	86	1,351,710
Hopkins Plaza	Hopkins	102	2,827,890
Lakeside Manor	Chisholm	48	725,040
LeSueur Apartments*	LeSueur	40	482,940
Park Rapids Apartments*	Park Rapids	48	629,010
Windom Apartments*	Windom	52	598,590
Booth Manor	Minneapolis	157	3,035,160
Bethel Manor	Alexandria	63	929,880
R.C. Square	Marshall	66	805,450
Rochester Villa*	Rochester	126	1,796,670
Briarhill*	Eden Prairie	130	2,215,980
Wilder Square	St. Paul	136	2,271,780
Wilder, Inc.	St. Paul	163	2,869,920
TOTAL - 24 projects		2,153	$34,124,260

* Denotes loan has been paid off

APARTMENT DEVELOPMENT
Permanent Financing
(Feasibility Approved)

DEVELOPMENT	LOCATION	TOTAL UNITS	SECTION 8 UNITS	MORTGAGE AMOUNT
Alice Nettell Tower (elderly high-rise apartments)	Virginia	156	156	$ 3,593,377
Bagley Apartments (elderly apartments)	Bagley	30	30	646,235
Birchwood East (family garden apartments)	Virginia	60	12	1,220,700
Blackduck Apartments* (elderly apartments)	Blackduck	30	30	661,655
Centennial Apartments* (elderly mid-rise apartments)	Luverne	54	54	1,200,195
Centennial Plaza* (elderly apartments)	LeCenter	40	40	695,613
Channel View (elderly apartments, family townhouses)	Albert Lea	110	80	2,508,714
Eveleth Elderly (elderly apartments)	Eveleth	50	50	1,220,700
Fairway Woods (family garden apartments)	Winona	111	22	2,500,000 (est.)
Findley Place Townhouses* (family townhouses)	Minneapolis	89	89	2,240,228
Galleria Towers (high-rise apartments)	St. Paul	186	0	6,473,927
Glenwood Housing* (elderly apartments)	Glenwood	48	48	909,263
Harmony Manor (elderly apartments)	Harmony	20	20	419,228
Hillsdale Apartments* (family garden apartments)	St. Paul	216	43	4,947,522
Labor Retreat* (elderly high-rise apartments)	Minneapolis	77	77	1,664,321
Matthews Park Townhouses* (family townhouses)	Minneapolis	24	24	633,715
Mears Park (mid-rise apartments)	St. Paul	223	45	7,568,246
Park View Terrace Apartments* (elderly high-rise apartments)	Moorhead	121	121	2,761,720
Richfield Seniors Housing (elderly high-rise apartments)	Richfield	150	150	3,444,416
Robbins Landing** (elderly high-rise apartments)	Robbinsdale	110	110	2,541,220
Sauk Rapids Housing (elderly apartments, family townhouses)	Sauk Rapids	91	71	2,066,749
Southview Apartments (family garden apartments)	Hibbing	144	43	3,098,542
West 7th Leased Housing (elderly high-rise apartments)	St. Paul	123	123	2,870,727
Westgate Apartments* (family garden apartments)	Hibbing	100	30	2,053,372
Windslope (family semi-detached apartments)	Eden Prairie	168	168	3,809,946
TOTAL - 25 Projects		2,531	1,636	$61,750,331

* Commitment approved
** Under construction







Dover Hill in Golden Valley was among the first subsidized housing developments in a Minneapolis suburb. Its 234 units house a mix of families and senior citizens. Dover Hill has the highest degree of economic integration among all MHFA developments — from $50 per month rent for some elderly individuals to $270 per month for certain family residents.

MINNESOTA HOUSING FINANCE AGENCY
BALANCE SHEET

June 30, 1975 with comparative combined total for June 30, 1974

ASSETS

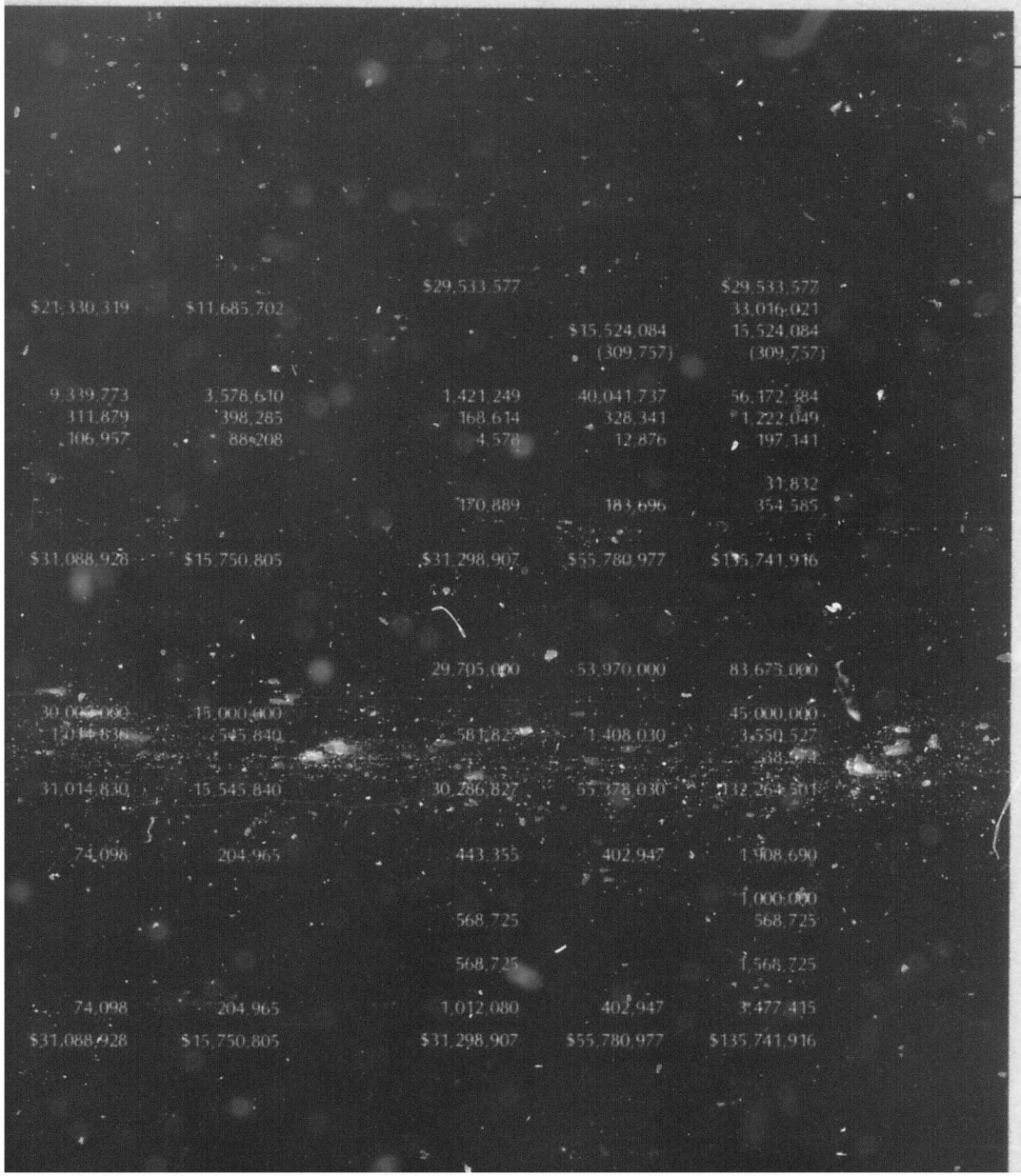
Government National Mortgage Association (GNMA) mortgage-backed securities				
Construction mortgage loans			$21,330,319	$11,685,702
Permanent mortgage loans				
Less unearned discounts				
Temporary investments in United States Government and bank obligations (Note 3)	$712,000	$1,079,015	9,339,773	3,578,810
Interest receivable		14,930	311,879	398,285
Cash (overdraft) (Note 3)	(21,611)	6,133	106,957	88,208
Furniture and fixtures, at cost, less accumulated depreciation of $2,290 in 1975 and $477 in 1974	31,832			
Deferred financing costs, net				
Inter-fund accounts	100,078	(100,078)		
Total assets	$822,299	$1,000,000	$31,088,928	$15,750,805

LIABILITIES AND FUND BALANCES

Bonds payable, amounts maturing in one year: 1975, $550,000; 1974, $295,000 (Note 4)				
Notes payable, amounts maturing in one year: 1975, $15,000,000; 1974, $24,000,000 (Note 5)			30,000,000	15,000,000
Accrued interest payable			1,014,830	545,840
Accounts payable	38,974			
Total liabilities	38,974		31,014,830	15,545,840
Fund balances:				
Unappropriated balances	783,325		74,098	204,965
Appropriated balances:				
Reserve for potential loan losses		1,000,000		
Reserve for debt service and bond redemption premiums				
Total fund balances	783,325	1,000,000	74,098	204,965
Total liabilities and fund balances	$822,299	$1,000,000	$31,088,928	$15,750,805

ISING FINANCE AGENCY

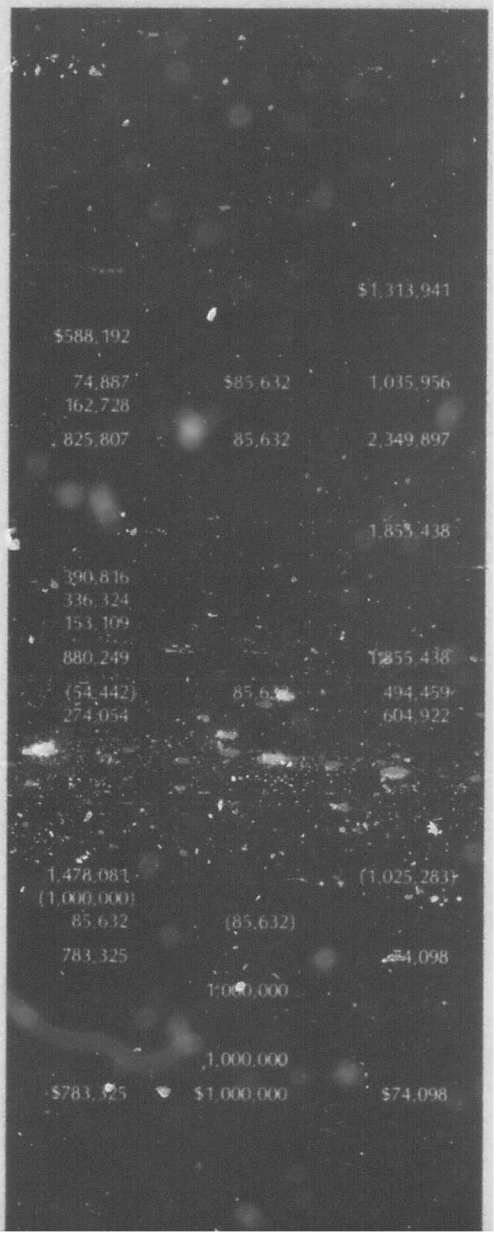
combined total for June 30, 1974



					1974
					Combined Total Memorandum Only
		$29,533,577		$29,533,577	$11,470,833
$21,330,319	$11,685,702			33,016,021	9,839,191
			$15,524,084	15,524,084	
			(309,757)	(309,757)	
9,339,773	3,578,610	1,421,249	40,041,737	56,172,384	37,018,192
311,879	398,285	168,614	328,341	1,222,049	398,444
106,957	88,208	4,578	12,876	197,141	120,072
				31,832	7,575
		170,889	183,696	354,585	79,782
$31,088,928	$15,750,805	$31,298,907	$55,780,977	$135,741,916	$58,934,089
		29,705,000	53,970,000	83,675,000	30,000,000
30,000,000	15,000,000			45,000,000	24,000,000
1,014,830	545,840	581,827	1,408,030	3,550,527	2,161,116
				38,573	17,750
31,014,830	15,545,840	30,286,827	55,378,030	132,264,527	56,178,866
74,098	204,965	443,355	402,947	1,908,690	1,186,498
				1,000,000	1,000,000
		568,725		568,725	568,725
		568,725		1,568,725	1,568,725
74,098	204,965	1,012,080	402,947	3,477,415	2,755,223
$31,088,928	$15,750,805	$31,298,907	$55,780,977	$135,741,916	$58,934,089

STATEMENT OF REVENUES, IN FUND BALANCES

for the year ended June 30, 1975 with comparative



REVENUES

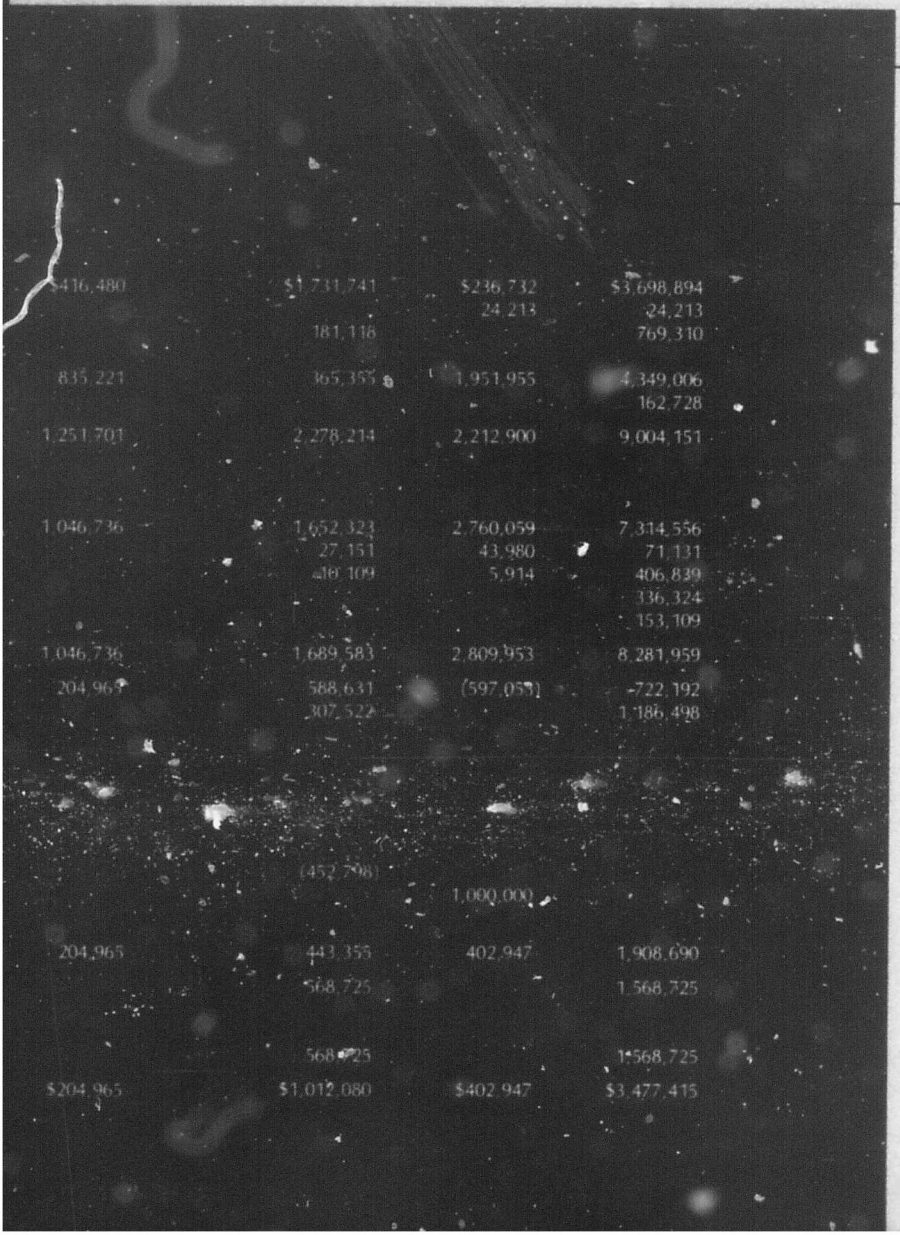
Interest income on GNMA securities and mortgage and construction loans			$1,313,941
Mortgage purchase discounts	$588,192		
Fee income			
Income (interest and gains and losses, net) on temporary investments (Note 6)	74,887	$85,632	1,035,956
Miscellaneous income	162,728		
Total revenues	825,807	85,632	2,349,897

EXPENSES

Interest expense			1,855,438
Amortization of deferred financing costs	390,816		
Professional and other contracted services	336,324		
Salaries	153,109		
General and administrative expenses			
Total expenses	880,249		1,855,438
Revenues over (under) expenses	(54,442)	85,632	494,459
Unappropriated fund balances, beginning of year	274,054		604,922
Appropriation from State of Minnesota			
Appropriations of fund balances:			
To reserve for potential loan losses			
To reserve for debt service and bond redemption premiums			
Inter-fund transfers:			
Transfer of surplus amounts of investment earnings to Housing Development Fund	1,478,081		(1,025,283)
To Single Family Housing Program Funds (Note 6)	(1,000,000)		
Other	85,632	(85,632)	
Unappropriated fund balances, end of year	783,325		74,098
Appropriated fund balance, beginning of year		1,000,000	
Transfers from unappropriated fund balance			
Appropriated fund balance, end of year		1,000,000	
Total fund balances, end of year	$783,325	$1,000,000	$74,098

EXPENSES AND CHANGES

combined total for the year ended June 30, 1974



				1974
				Combined Total Memorandum Only
$416,480	$1,731,741	$236,732	$3,698,894	$279,378
		24,213	24,213	
	181,116		769,310	464,519
835,221	365,355	1,951,955	4,349,006	3,160,090
			162,728	
1,251,701	2,278,214	2,212,900	9,004,151	3,903,987
1,046,736	1,652,323	2,760,059	7,314,556	2,023,339
	27,151	43,980	71,131	22,718
	410,109	5,914	406,839	109,877
			336,324	91,913
			153,109	32,895
1,046,736	1,689,583	2,809,953	8,281,959	2,280,742
204,965	588,631	(597,053)	-722,192	1,623,245
	307,522		1,186,498	131,978
				1,000,000
				(1,000,000)
				(568,725)
	(452,798)			
		1,000,000		
204,965	443,355	402,947	1,908,690	1,186,498
	568,725		1,568,725	
				1,568,725
	568,725		1,568,725	1,568,725
$204,965	$1,012,080	$402,947	$3,477,415	$2,755,223

NOTES TO FINANCIAL STATEMENTS

1. AUTHORIZING LEGISLATION AND FUNDS:

AUTHORIZING LEGISLATION:

The Minnesota Housing Finance Agency is a public body corporate and politic created in 1971 by an Act of the Minnesota Legislature. The Agency was established to facilitate the construction and rehabilitation of housing projects for families of low and moderate income by providing for mortgage loans, development loans and technical assistance to qualified housing sponsors to be used for such construction and rehabilitation. The Agency is authorized to issue bonds and other obligations to fulfill its corporate purposes up to an aggregate amount of $600,000,000. Amounts so issued shall not be deemed to constitute a debt of the State of Minnesota or any political subdivision thereof.

FUNDS:

The following describes the funds maintained by the Agency, all of which conform with the authorizing legislation and bond and note resolutions.

Housing Development Fund:

This fund, established by the enabling legislation, was initially funded in 1971 by a $250,000 appropriation from the State of Minnesota. Funding on an on-going basis is derived principally from loan origination and other fees, allowable transfers from other funds or groups of accounts, and investment income. Authorized activities of this fund include the following:

- to provide temporary loans to "nonprofit" sponsors to defray development costs;
- to make planning grants to local communities;
- to make rehabilitation grants and expenditures for correction of residential housing defects; and,
- to pay general and administrative expenses and other costs and expenses not payable by other funds or groups of accounts of the Agency.

The assets of the fund are pledged as collateral for the payment of principal and interest on all bonds and notes of the Agency.

Appropriated Debt Service Reserve Fund:

In 1974, the state legislature appropriated $1,000,000 to originate an Agency reserve fund for the security of bonds and notes to be issued for the purpose of providing funds for residential rehabilitation loans. No bonds or notes had been issued for such purpose at June 30, 1975. In August, 1975, the Agency issued $8,985,000 principal amount of Home Improvement Bonds (See Note 8).

Construction Loan Fund:

This fund, established under the Construction Loan Notes Resolution, adopted in 1973, is prescribed for accounting for the proceeds from the sale of the Notes and for the construction loans disbursed from such proceeds. The resolution imposes the following restrictions:

- advances on construction loans must be insured by the Federal Housing Administration; and,
- excess funds may be invested in direct obligations of the United States or interest-bearing bank time deposits.

Multi-Family Mortgage Loan Fund:

This fund, established under the Multi-Family Housing Bond Anticipation Note Resolution adopted July 12, 1974, is prescribed for accounting for the proceeds from the sale of Multi-Family Housing Bond Anticipation Notes. Activities of the fund are, in general, limited to the following:

- to provide interim financing for multi-family housing projects scheduled to be permanently financed by the Agency through a subsequent sale of bonds; and,
- to invest excess funds in securities which are direct obligations of or are guaranteed as to the payment of principal and interest by the United States or interest-bearing bank time deposits.

GNMA Program Funds:

These funds, established under the GNMA Bond Resolution adopted in 1973, are prescribed for accounting for the proceeds from the sale of the Housing Finance Bonds, dated September 1, 1973, the debt service requirements of the bond indebtedness, and the reserve for possible bond redemption premiums. Activities of these funds are, in general, limited to the following:

- to invest in Government National Mortgage Association (GNMA) mortgage-backed securities;
- to invest excess funds in (a) securities which are general obligations of the United States or obligations which are guaranteed by the United States; (b) temporary deposits in interest-bearing bank time deposits;
- to pay interest, principal and redemption premiums at or prior to maturity or redemption;
- to transfer surplus amounts of investment earnings to the Housing Development Fund.

Single Family Housing Program Funds:

These funds, established under the Single Family Housing Program Bond Resolution adopted September 19, 1974, are prescribed for accounting for the proceeds from the sale of the Single Family Housing Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, limited to the following:

- to make or purchase mortgage loans secured by eligible mortgages on single family residential housing made to finance the construction, rehabilitation and ownership of such housing, and insured by the Federal Housing Administration or guaranteed by the Veterans Administration;
- to invest excess funds in (a) direct and general obligations of the United States or any of its states; (b) obligations which are guaranteed by the United States; (c) obligations of any Agency or instrumentality of the United States; (d) obligations which are fully secured by contracts with the United States; (e) interest-bearing bank time deposits;
- to pay interest, principal and redemption premiums at or prior to maturity or redemption; and,
- to transfer surplus amounts of investment earnings to the Housing Development Fund.

2. ACCOUNTING POLICIES:

The following is a summary of the significant accounting policies applied in the preparation of these statements. The policies conform to that stipulated in the authorizing legislation and bond and other obligation resolutions.

BASIS OF ACCOUNTING:

The Agency follows the accrual basis of accounting.

INVESTMENTS:

Permanent investments in GNMA Program securities are carried at cost. Construction and permanent mortgage loans are recorded as amounts are disbursed. Temporary investments are carried at the lower of cost or market.

Market value of temporary investments, by fund, at June 30, 1975 was as follows:

Housing Development Fund	$ 712,000
Appropriated Debt Service Reserve Fund	1,093,726
Construction Loan Fund	9,366,787
Multi-Family Mortgage Loan Fund	3,873,893
GNMA Program Funds	1,421,409
Single Family Housing Program Funds	40,041,737
	$56,509,552

FEES:

Fees collected for the purpose of reimbursing the Housing Development Fund for costs incurred in developing and implementing the programs of the Agency and for other specific services are recorded as income in the period received. Financing fees collected for the purpose of reimbursing the Housing Development Fund for monitoring the multi-family projects during the interim construction period are deferred and recorded as income over the respective construction period of the multi-family project on the straight-line method.

MORTGAGE PURCHASE DISCOUNTS:

Single Family Housing Program mortgages are purchased at a discount from face value. The mortgage purchase discounts are being amortized ratably over the estimated average term (15 years) of the related mortgage.

PROVISION FOR POSSIBLE LOAN LOSSES:

A provision for possible loan losses will be made through charges against operations based on a periodic evaluation of the loan portfolio. Actual losses that may occur will be charged against such valuation reserves. No provisions were considered necessary at June 30, 1975.

DEFERRED FINANCING COSTS:

Costs of issuing bonds and other obligations of the Agency are amortized over the life of the issue.

3. RESTRICTED ASSETS:

Certain assets of the funds are designated for special purposes as set forth in various bond and note resolutions. Cash and temporary investments restricted under bond and note resolutions at June 30, 1975 were as follows:

Appropriated Debt Service Reserve Fund	
Restricted for debt service	$1,000,000
GNMA Program Funds	
Restricted for debt service and bond redemption premiums	$ 568,725
Single Family Housing Program Funds	
Restricted for:	
Debt Service Reserve	$3,948,000
Mortgage Reserve	200,000
	$4,148,000

4. BONDS PAYABLE:

Bonds payable consist of:

	Interest Rates (a)	Maturity Date	Aggregate Principal Amount
GNMA Program Funds:			
Serial bonds, maturing in scheduled annual amounts ranging from $550,000 to $1,240,000	5.75% to 8%	Sep 1, 1975 to Mar 1, 1983	$ 8,280,000
Term bonds, subject to redemption on or after September 1, 1978 at prices ranging from 101 to 100	5.25%	Sep 1, 1993	4,935,000
Term bonds, subject to redemption on or after September 1, 1978 at prices ranging from 102 to 100	5.70%	Sep 1, 2004	16,490,000
			$29,705,000

4. BONDS PAYABLE, continued:

The assets of the funds are pledged as collateral for the payment of principal and interest on the bonds. The reserve for debt service and bond redemption premiums must be maintained at a level equal to one and one-half times the aggregate amount of the premium that would be required for the redemption of bonds if they were redeemed at the earliest possible date.

	Interest Rates (a)	Maturity Date	Aggregate Principal Amount
Single Family Housing Program Funds:			
Serial bonds, maturing in scheduled annual amounts ranging from $605,000 to $2,185,000, subject to redemption in whole or in part on or after September 1, 1979 at prices ranging from 101-1/4 to 100	7% to 10%	Sep 1, 1976 to Sep 1, 1984	$15,710,000
Term bonds, maturing in scheduled annual amounts ranging from $1,325,000 to $1,805,000, subject to full redemption on or after September 1, 1982 at prices ranging from 101-1/4 to 100	7.20%	Sep 1, 1985 to Sep 1, 1989	7,940,000
Term bonds, maturing in scheduled annual amounts ranging from $1,610,000 to $1,620,000, subject to full redemption on or after September 1, 1986 at prices ranging from 101-1/2 to 100	7.40%	Sep 1, 1990 to Sep 1, 1994	8,070,000
Term bonds, maturing in scheduled annual amounts ranging from $1,630,000 to $2,570,000, subject to full redemption on or after September 1, 1989 at prices ranging from 103 to 100	7.75%	Sep 1, 1955 to Sep 1, 2006	22,250,000
			$53,970,000

(a) Interest is payable semiannually.

The income and assets of the funds are pledged for the payment of principal and interest on the bonds. A debt service reserve fund has been established from the proceeds of the bonds, and must be maintained from revenues of the program in excess of current debt service requirements, and from the Housing Development Fund, if necessary, in an amount at all times equal to the future average annual debt service requirements of each series of outstanding bonds issued for the program (see Note 3). A mortgage reserve fund is also to be accumulated from revenues of the program in excess of current debt service and debt service reserve requirements, up to a level equal to a percentage of the principal amount of the bonds of each series outstanding from time to time, increasing from 1/2 of 1% to 2% in the first five years of the term of each series, and dropping to 1-1/2% in the 10th year and to 1/2 of 1% in the 10th from the last year. The mortgage reserve fund is appropriated for debt service (before the debt service reserve fund), for payment of bond redemption premiums, and for reimbursement of the expense of the lost revenues from defaulted mortgages.

5. NOTES PAYABLE:

Notes payable consist of:

	Interest Rates	Maturity Date	Aggregate Principal Amount
Construction Loan Fund:			
Series 2	6.87%	Oct 1, 1975	$15,000,000
Series 3	6.58%	Oct 1, 1976	15,000,000
			$30,000,000

The assets of the fund are pledged as collateral for the payment of principal and interest on the notes. Interest on Series 2 is payable at maturity and on Series 3 is payable semiannually.

	Interest Rates	Maturity Date	Aggregate Principal Amount
Multi-Family Mortgage Loan Fund:			
Series 1	7.75%	Jul 11, 1976	$15,000,000

The assets of the fund are pledged as collateral for the payment of principal and interest on the notes. Interest is payable semiannually.

6. INCOME ON TEMPORARY INVESTMENTS:

Income on temporary investments for the year ended June 30, 1975, of the Single Family Housing Program Funds includes losses of approximately $900,000 from market declines. In anticipation of such market declines, $1,000,000 was transferred in March 1975 from the Agency's Housing Development Fund to the Single Family Housing Program Funds.

7. COMMITMENTS:

At June 30, 1975, the Agency was committed to (a) provide the remaining balance on interim construction mortgage loans aggregating approximately $2,563,000; (b) provide mortgage financing on multi-family mortgage loans aggregating approximately $4,228,000; and, (c) purchase single family mortgage pools aggregating approximately $34,456,000.

8. SUBSEQUENT EVENT:

In August 1975, the Agency issued $8,985,000 principal amount of Home Improvement Bonds. The proceeds from the issue will be used to make or purchase loans for the rehabilitation of existing residential housing. The bonds bear interest at rates ranging from 6% to 7-1/2%, payable semiannually, and mature in scheduled annual installments from February 1, 1977 to February 1, 1988.

AUDITOR'S REPORT

To the Chairman and Members of the
Minnesota Housing Finance Agency:

We have examined the balance sheet comprising the various funds of the Minnesota Housing Finance Agency as of June 30, 1975 and the related statements of revenues, expenses and changes in fund balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the various funds of the Minnesota Housing Finance Agency at June 30, 1975 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Certified Public Accountants

Minneapolis, Minnesota
August 18, 1975

MINNESOTA HOUSING FINANCE AGENCY MEMBERS

RICHARD R. MILLER, Chairman — Term expires January 1, 1979 — Alderman, City of Minneapolis

PETER L. VANDERPOEL, Vice Chairman — State Planning Director — St. Paul

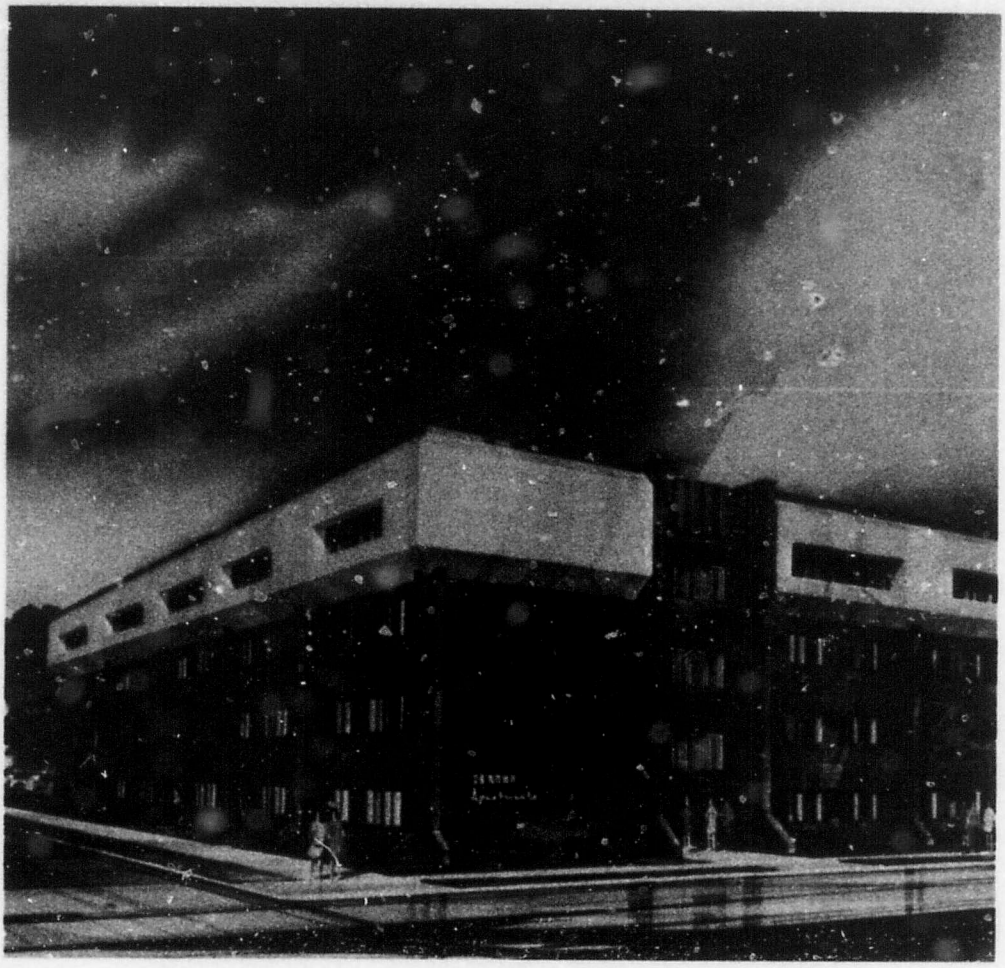
ROBERT W. MATTSON, Secretary — State Auditor — St. Paul

BERNARD O. CARLSON, Member — Term expires January 1, 1977 — Retired Legislator — Cloquet

REV. LAWRENCE C. GAVIN, Member — Term expires January 1, 1980 — Pastor, Church of St. Edward, Austin

DEMETRIUS G. JELATIS, Member — Term expires January 1, 1977 — Mayor, City of Red Wing

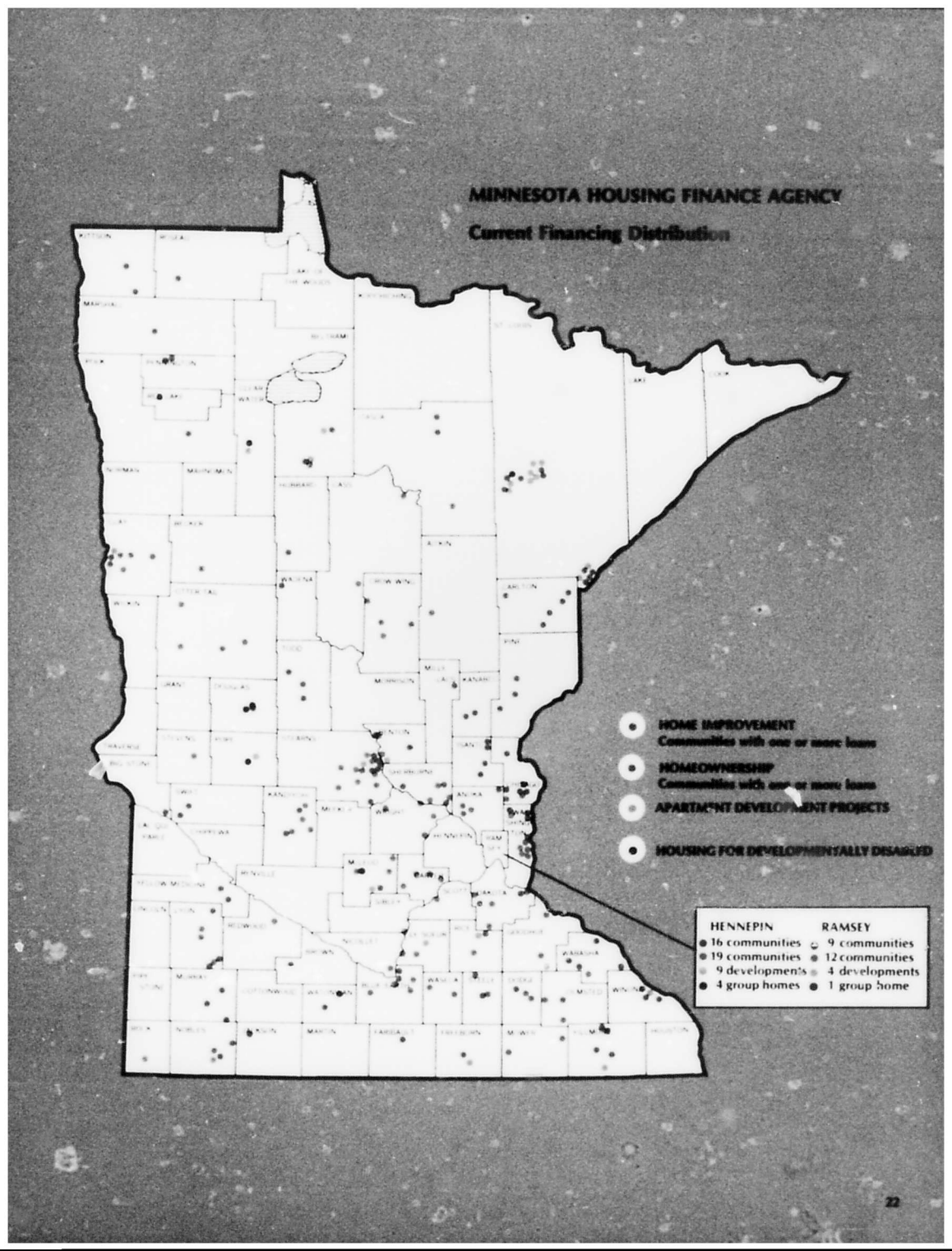
JAMES JOHNSON, Member — Term expires January 1, 1978 — Director of Public Affairs, Dayton-Hudson Corporation — Minneapolis



The City of Luverne demonstrated its support of the 54-unit apartment development for the elderly by purchasing the land and selling it to the developer for $100. In addition to an 800-sq. ft. community room on the main floor, each floor of the four-story structure has its own small community area for residents to gather and have coffee.



A 110-unit apartment development in Robbinsdale, a suburb north of Minneapolis, was designed with the recreational needs of elderly residents in mind. The building design includes a large greenhouse, a spacious community room and an arts and crafts area. Robbinsdale was one of the first developments in the country to be assisted by the Section 8 Program. Completion is anticipated in November 1978.


MINNESOTA HOUSING FINANCE AGENCY
Current Financing Distribution
HOME IMPROVEMENT
Communities with one or more loans
HOMEOWNERSHIP
Communities with one or more loans
APARTMENT DEVELOPMENT PROJECTS
HOUSING FOR DEVELOPMENTALLY DISABLED
HENNEPIN
16 communities
19 communities
9 developments
4 group homes
RAMSEY
9 communities
12 communities
4 developments
1 group home

MINNESOTA HOUSING FINANCE AGENCY
480 Cedar Street, Saint Paul, Minnesota 55101