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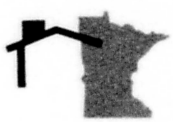
Minnesota Housing Finance Agency

Annual report 1976





1976 Progress report



We are pleased at this time to transmit the third annual report of the operations of the Minnesota Housing Finance Agency.

As you review the content of this report, you will note that the Agency has taken significant steps in fulfillment of the legislative pledge of assuring decent housing for all citizens of the state of Minnesota. The Agency has been charged by the Legislature to make use of its powers in a variety of ways to direct financing for home purchase and rehabilitation and for the development of rental housing.

In three years of operation, the Agency has provided or reserved financing affecting over 21,000 families in the state. More than 3,200 families have purchased or built a home with Agency assistance. We have made over 5,500 home improvement loans and 1,000 low income families have been assisted with rehabilitation grants. Agency construction financing has aided in the construction of 2,500 apartment units. Construction loans have been combined with permanent loans and federal subsidy funds to develop 3,000 apartments with funds for an additional 6,500 units having been reserved.

Obviously, the provision of this level of assistance is possible only through maximum leveraging of a variety of resources. To date, the Agency has secured federal housing assistance subsidy contracts which, over the life of the contracts, provide in excess of $1 billion in subsidy assistance. In addition, the State Legislature in 1976 funded a major effort directed at specific problems in securing adequate housing for low income families in Minnesota. Over $34 million was appropriated by the Legislature to the Agency for a variety of housing purposes.

The major emphasis of the 1976 appropriation was to stimulate the preservation of our existing stock of housing. This

resource is the most viable option available to families of limited incomes. It is, therefore, essential that major efforts be made to preserve older existing housing and to assure its availability to the coming generation of new households. $21 million of the $24.2 million appropriation was earmarked for housing rehabilitation purposes, with special emphasis on assisting elderly families and on improving the energy efficiency of the homes being rehabilitated.

$5 million has been made available for the development of housing for occupancy by Native Americans in the state. The Minnesota Chippewa Tribe is currently in the process of financing an estimated 100 families building new homes through the use of this resource. Other Indian communities in the state are expected to begin shortly to make use of these funds.

The combination of tax exempt bonds with state appropriations and federal subsidies has made it possible for the Agency to secure funds at rates which are among the lowest for comparable agencies in the country. We suggested in the annual report in 1975 that financing difficulties will continue to plague the housing industries during 1976. As suggested in that report, retention of the financial stability of the Agency has served us well in being able to secure necessary funds to finance our programs. As we look to 1977, we have a considerably higher degree of optimism than we had in the past.

Much of this optimism comes from our perception of the objectives being pursued by the Carter Administration in the housing area. Evidence of a strong belief that federal housing programs can play a significant role in relieving pressures on families of limited means suggest that we can look forward to a sustained level of federal support absent the stops and starts which marked the last few years. The financial markets have strengthened to the point where Agency borrowings can be expected at rates significantly below those of the past two years. We will continue to carefully monitor the operations of our programs and to take necessary steps to secure them financially in order to assure our continued access to the source of funds essential to our operation. We are proud of our accomplishments of the past. We expect to continue to offer people-oriented services during the coming years.

Respectfully submitted,

Richard R. Miller
Chairman

James F. Dlugosch
Executive Director

December 31, 1976



Richard R. Miller, Minnesota Housing Finance Agency, Board Chairman

James F. Dlugosch, Executive Director



Peter L. Vanderpoel, Vice Chairman



Lawrence C. Gavin, Member

Home improvement loans and grants

In 1975, the MHFA launched the nation's first major housing finance agency effort to preserve the substantial resource of existing housing. The Agency sold $8.9 million in revenue bonds for loans targeted to improve single family homes owned by families with incomes under $16,000. These bonds were the first in a series to eventually total $100 million authorized by 1975 legislation.

To permit the Agency to make these loans to families with lower incomes, the Minnesota Legislature in 1976 created a $12 million revolving fund to supplement the revenue bond funds. This combination of appropriated and borrowed funds permits the Agency to make loans at interest rates down to 1%.

The first bonds for this program were issued in early 1976; $14 million in bond funds was combined with $4.6 million in appropriations to permit an estimated 4,500 loans averaging $4,000 each.

Some 175 private lenders and public agencies in virtually all parts of the state are participating in the program by taking applications and processing loans. Over the last several months, these participants have been delivering loans to the Agency at rates in excess of $1 million per week.

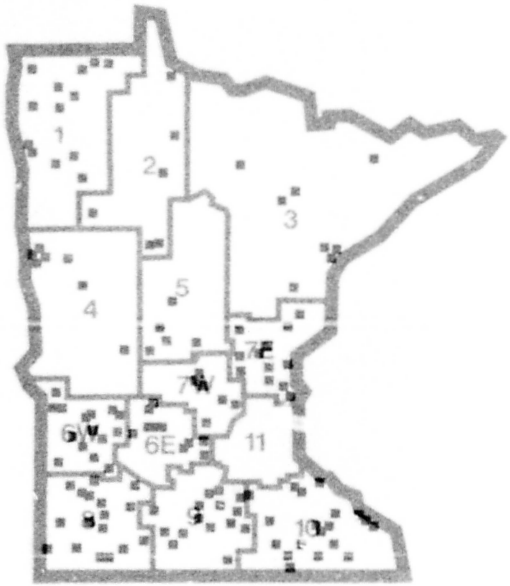
The interest rate depend upon a recipient's income. The average rate has been 5% and the average incomes of borrowers approximately $10,000.

All loans in this program are insured through the Federal Housing Administration Title I Program. Under the Title I Program, loans of up to $10,000 for single family homes may be insured. Structures with up to six units are eligible for loans not to exceed $5,000 per unit. The loans can be repaid over periods extending as long as 12 years.

A substantial effort has been made to direct recipients to improvements that will reduce the consumption of energy in their homes. A large percentage of the recipients (or borrowers) have added or replaced insulation, replaced doors and windows, installed weatherstripping and improved the efficiency of heating plants.

Minnesota Housing Finance Agency home improvements loan program

■(Distribution of lenders)



The home improvement loan program allows the Agency an opportunity to develop a flexible program that can complement local efforts at housing or neighborhood improvement. In many communities, the Agency has worked closely with private lenders and city officials to make maximum use of existing resources. Neighborhood Housing Service areas in Minneapolis and St. Paul operated under the auspices of the Federal Urban Reinvestment Task Force have benefited from allocation of improvement loan and grant resources from the Agency.

Home improvement grants

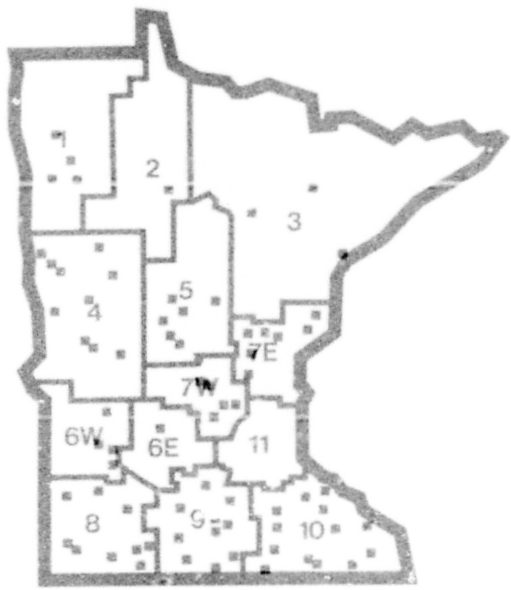
Although the flexible interest rate formula used for home improvement loans offers an opportunity to provide very low cost financing to some lower income families, others cannot repay even the principal amount of a home improvement loan. The Legislature in 1976 recognized this problem and — in keeping with its stated desire to significantly improve homes owned by low income families — appropriated $9 million for grants to homeowners with incomes under $5,000.

The Agency restricted these grants to three general purposes: correcting defects or deficiencies related to safety, habitability or energy consumption of older homes. To date, more than 1,000 homes have been improved under this program with grants totalling over $2 million. A vast majority of these sums were granted to homeowners over 62 years old. The legislation earmarked $6 million of the $21 million total in rehabilitation loan and grant appropriations for elderly homeowners.

Grants are up to $5,000, and are secured by a lien, which is gradually reduced over five years so that if title to the property is transferred within that period the remaining portion of the grant must be reimbursed to the Agency.

Unlike the rehab loans, the grant program is delivered exclusively by local public or non-profit organizations which can provide assistance to families rehabilitating their homes. Grant funds were allocated to all regions of the state and sub-allocated by Minnesota's Regional Development Commissions to every county in the state. When this program is completed in 1977, it will have assisted more than 3,000 families by improving the habitability as well as the energy consumption of their homes.

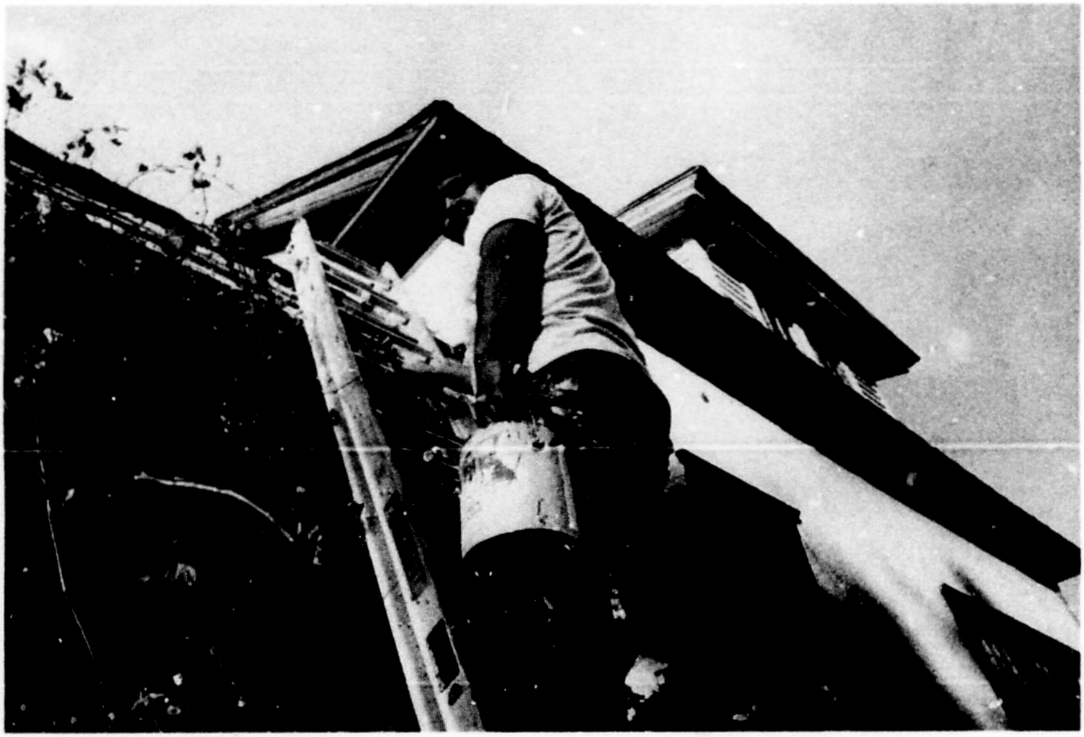
Minnesota Housing Finance Agency
home improvement grant program
(Distribution of administrative centers)



Distribution by region
($9 million total)

Reg.	Centers	$*	%
1	4	369	4.1%
2	1	252	2.8%
3	4	981	10.9%
4	10	684	7.6%
5	6	468	5.2%
6E	1	306	3.4%
6W	4	261	2.9%
7E	8	270	3.0%
7W	5	351	3.9%
8	9	567	6.3%
9	10	630	7.0%
10	13	909	10.1%
11	18	2,970	33.0%
	93	**9,000**	**100.0%**

*In thousands of dollars.



A new coat of paint and stucco.



Correcting structural deficiencies.



Smaller home being renovated and expanded to house a large family.

Affordable homes

The 1976 State Legislature designated $5 million of its $34 million appropriation to the Agency for a new statewide construction program for economical yet high quality homes for Minnesotans with modest incomes.

This program was developed through Agency research under the federally funded Basic Home Project. This effort demonstrated the possibility of filling a clear need, particularly in rural areas, for new homes with less than 1,000 square feet of living space in the $20,000 to $25,000 price range. The Agency developed four specific designs for these homes, but will allow the use of other plans, subject to Agency approval and certification as meeting federal minimum property standards.

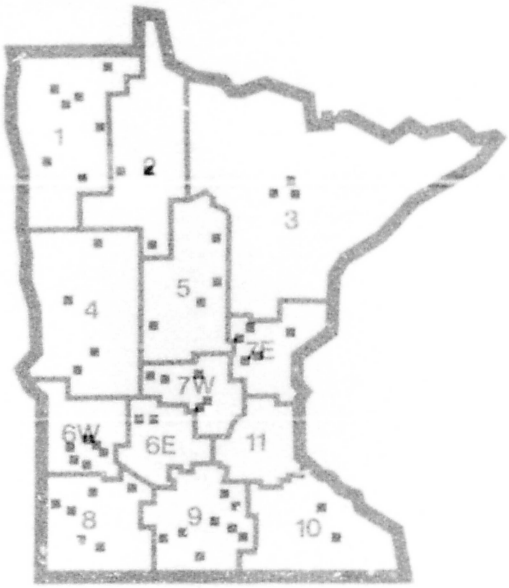
Mortgage loans may be federally insured or conventionally financed. Maximum income is $16,000; interest rates are related directly to each family's ability to pay for housing and range from 1% to 8% with 30-year terms. Interest rates will increase annually in one percentage point rises to the 8% ceiling if the homeowner's income increases enough to absorb higher payments.

The Agency allocated funds to each region of the state based on analysis of housing needs. The Agency also contracted with 71 private financial institutions to take applications and originate loans for a fee. This partnership has proven to be a convenient, flexible and efficient delivery system for funding.

In 1976, more than $9 million in applications was received and approximately 40 commitments were issued to borrowers to begin construction.

The Agency's overall single family home program, of which affordable homes is a part, has concentrated on existing housing in the past. During the next biennium, increasing emphasis will be placed on mortgage purchases for new homes.

Minnesota Housing Finance Agency affordable home program
(Distribution of lenders and allocation of funds by region)



Distribution by region

Reg.	%
1	4.9%
2	3.5%
3	13.5%
4	6.8%
5	5.3%
6E	2.7%
6W	2.3%
7E	1.7%
7W	3.8%
8	5.2%
9	7.5%
10	9.7%
11 and SMSA's*	33.0%
	99.9%

*Duluth, Rochester, Moorhead, and St. Cloud are grouped with region 11 metro area for allocation purposes.

Apartment development

The Agency's apartment development program provides interim and permanent financing for multi-family rental housing for low and moderate income families. Because of this capacity to provide non-insured financing, the Agency has been allocated nearly $1 billion in federal housing assistance. The federal funds reduce rents in apartments the Agency is financing to levels that families with very low incomes can afford.

The relatively high quality of the facilities being financed by the Agency has made it possible for owners to attract individuals capable of paying full market rents in addition to those who require substantial subsidy. Economic integration is one major objective of the state and the Agency.

The apartment development division is divided into three major functional areas: loan underwriting, construction administration and housing management.

As part of the loan underwriting function, the Agency conducts an extensive review of all development proposals with respect to site, market, design, mortgage credit, development team qualifications and economic feasibility. Underwriting is complete on 35 developments containing more than 2,500 units. As of December 1976, facilities financed by the Agency have no vacant units.

The Agency is reviewing the economic feasibility of 80 additional apartment proposals and expects that construction will begin on all of them during calendar 1977. They will provide 6,000 apartments, including 4,700 subsidized under the federal Section 8 program, and will require nearly $150 million in state mortgage funds and $17.4 million in Section 8 funds.

The Agency is inspecting 23 developments under construction with interim and permanent financing from the Agency. Responsibilities of the Agency during this period include assurance that the project is on schedule and in conformance with the agreed upon requirements, and that amounts spent reflect a reasonable approximation of the value of the work completed. The Agency expects that an additional 50 developments will be under construction by mid-1977; they will provide more than 3,000 man years of construction employment.

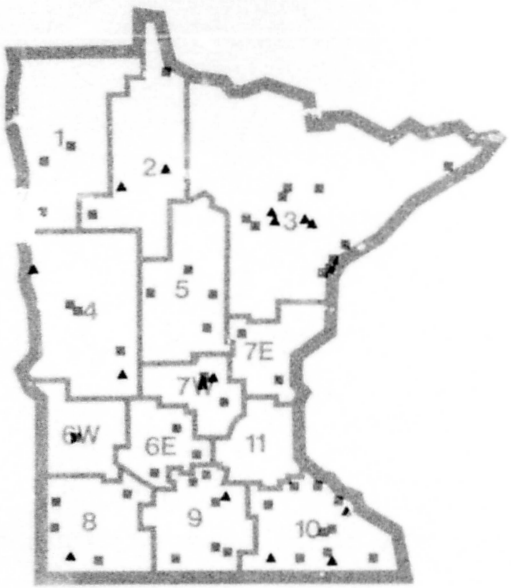
The Agency responsibility during the operating phase of a development includes monitoring, marketing and management agreements to determine that the project is being operated according to agreed upon provisions. All tenant applications are reviewed, along with monthly occupancy reports, monthly operating reports, certifications of compliance with federal marketing requirements and compliance with Agency and federal tenant eligibility requirements.

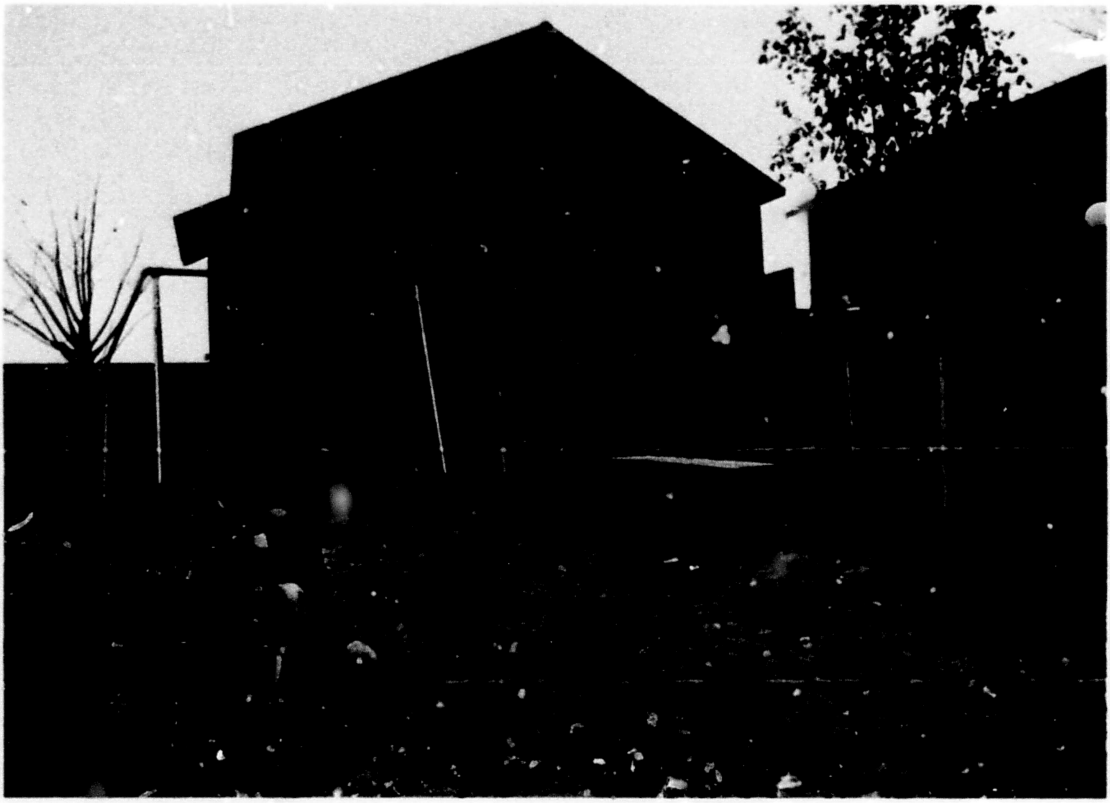
The Agency also finances community based facilities for developmentally disabled adults. The Agency will have provided about $5 million in this type of financing by the end of fiscal year 1978.

Minnesota Housing Finance Agency

▲ Apartment developments under construction

■ Apartment development proposals in process





Matthews Park Townhouses, Minneapolis, Minnesota.



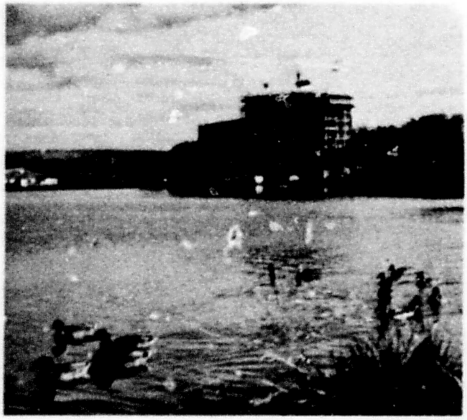
Matthews Park Townhouses, Minneapolis, Minnesota.



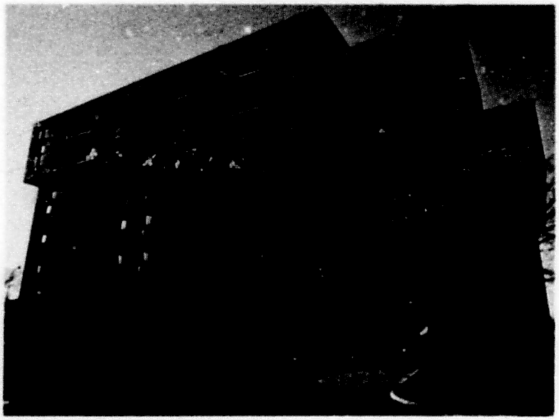
Matthews Park Townhouses, Minneapolis, Minnesota.



Dover Hill Elderly Community Room,
Golden Valley, Minnesota.



Alice Nettell Tower, Virginia, Minnesota.



Robbins Landing, Robbinsdale, Minnesota.



St. Stephens Group Home, Bloomington, Minnesota.



Resident St. Stephens Group Home, Bloomington, Minnesota.



Findley Place Townhouses, Minneapolis, Minnesota.



St. Stephens Group Home, Bloomington, Minnesota.

Section 8 housing development proposals

1976 section 8 set-aside — selected for processing

Location	Number of units	Number of section 8 units	Location	Number of units	Number of section 8 units
Ada	40	40	Spring Valley	35	35
Crookston	72	72	Caledonia	35	35
Fergus Falls	32	32	St. Paul	250	50
Alexandria	40	40	St. Paul	100	40
Fergus Falls	120	120	St. Paul	104	21
Appleton	35	35	Bloomington	296	271
Baudette	30	30	Brooklyn Center	18	18
Mahnomen	30	30	Crystal	144	144
Two Harbors	40	40	New Hope	47	47
Duluth	96	19	Robbinsdale	45	14
Duluth	37	37	Anoka	101	101
Grand Marais	30	30	Fridley	144	58
Proctor	60	60	Farmington	59	59
Gilbert	104	21	Maplewood	60	24
Grand Rapids	14	14	Roseville	125	125
Grand Rapids	100	60	Roseville	140	100
Brainerd	113	88	St. Louis Park	108	32
Pierz	30	30	St. Louis Park	140	80
North Branch	48	48	Stillwater	50	20
Onamia	32	32	Stillwater	86	86
St. Cloud	52	52	Columbia Heights	84	84
Monticello	50	50	North St. Paul	110	110
Glencoe	40	40	Plymouth	120	24
Hutchinson	51	51	Wayzata	70	70
Litchfield	30	30	Minneapolis	300	205
Fairfax	33	33	Minneapolis	16	16
Worthington	61	61	Minneapolis	120	120
Pipestone	52	52	Minneapolis	76	15
Wabasso	30	30	Minneapolis	27	6
Winnebago	40	40	Red Lake Falls*	24	24
St. Peter	63	63	Hibbing*	77	77
Gaylord	30	30	Ely*	40	40
Arlington	39	39	Chisholm*	86	86
Fairmont	70	70	Wadena*	55	55
Mankato	78	30	Pine River*	30	30
Ivanhoe	30	30	St. Cloud*	100	100
Cannon Falls	40	40	Wells*	43	43
Faribault	51	51	Red Wing*	102	102
Lake City	35	35	Mower County*	30	30
Rochester	150	150	St. Paul*	100	25
Rochester	96	30	Minneapolis*	200	100
			TOTALS	**6,121**	**4,607**

Total estimated mortgage amount: $140 million

*Public Housing Authority owned projects.

Apartment developments under construction

(1975 section 8 set-aside)

Development name and location	Number of units	Number of section 8 units	Mortgage amount
Robbins Landing Robbinsdale, Mn.	110 E	110 E	$ 2,541,220
Centennial Plaza LeCenter, Mn.	40 E	40 E	$ 695,613
Glenview Housing* Glenwood, Mn.	48 E	48 E	$ 909,263
Westgate Apartments* Hibbing, Mn.	100 F	30 F	$ 2,053,372
Alice Nettell Tower Virginia, Mn.	156 E	155 E	$ 3,548,484
Blackduck Apartments* Blackduck, Mn.	30 E	30 E	$ 661,655
Matthews Park Townhouses Minneapolis, Mn.	24 F	24 F	$ 633,715
Park View Terrace Apartments Moorhead, Mn.	121 E	121 E	$ 2,761,720
Labor Retreat Apartments Minneapolis, Mn.	77 E	77 E	$ 1,664,321
Centennial Apartments Luverne, Mn.	54 E	54 E	$ 1,200,195
Findley Place Townhouses Minneapolis, Mn.	89 F	89 F	$ 2,152,618
Harmony Manor Harmony, Mn.	20 E	20 E	$ 438,755
Fairway Woods Winona, Mn.	111 F	22 F	$ 2,436,602
Russell Arms Northwood Villa Sauk Rapids, Mn.	59 E 32 F	59 E 12 F	$ 2,137,194
Southview Terrace Apartments Hibbing, Mn.	144 F	43 F	$ 3,098,538
Otterkill Garden Apartments Bagley, Mn.	30 E	30 E	$ 664,411
Hillsdale Apartments St. Paul, Mn.	216 F	43 F	$ 4,947,522
The Winslow St. Paul, Mn.	121 E	121 E	$ 2,959,004
Channel View Apartments Albert Lea, Mn.	50 E 60 F	50 E 30 F	$ 2,538,660
Birchwood East Apartments Virginia, Mn.	60 F	30 F	$ 1,388,285
Richfield Seniors Housing Richfield, Mn.	150 E	150 E	$ 3,441,099
Windslope Eden Prairie, Mn.	168 F	168 F	$ 3,809,946
Calhoun Beach Apartments Minneapolis, Mn.	76 F	15 F	$ 2,535,093
SUB-TOTAL	**2,146 1,066 E 1,080 F**	**1,571 1,065 E 506 F**	**$49,217,285**
Pacific Avenue Apartments Argyle, Mn.	**8****	**0**	**122,200**
TOTAL	**2,154 1,066 E 1,080 F**	**1,571 1,065 E 506 F**	**$49,339,485**

***Substantial completion**
****Market rate units**
E Elderly
F Family

Indian housing

The 1976 Minnesota Legislature appropriated $5 million for housing for American Indians in the state of Minnesota. The law allocated this money to various tribal organizations and instructed the Agency to distribute these funds according to the adopted formula. The tribal organizations were charged with developing specific plans to address the needs of tribal members and other qualifying Indians.

This appropriation is expected to result immediately in the development of approximately 500 new homes for Indians of moderate income. Since the appropriation establishes a revolving fund, it is expected that the tribal organizations will be able to make loans on an ongoing basis.

A unique feature of the program is that the plans developed by the tribal organizations must reflect an attempt to meet the needs of Indians residing both on and off their respective reservations. Consequently, a minimum percentage of the available funds must be targeted to provide housing for urban Indians. The Chippewa Tribe, for example, has allocated a minimum of 20 percent of its funds for use off the reservations. A minimum of 75 percent of this amount must be allocated for housing in the major metropolitan areas of the state.

It is anticipated that, once established, this program will be expanded; with a larger revolving loan fund base, it could provide a major new thrust in improved housing for American Indians.

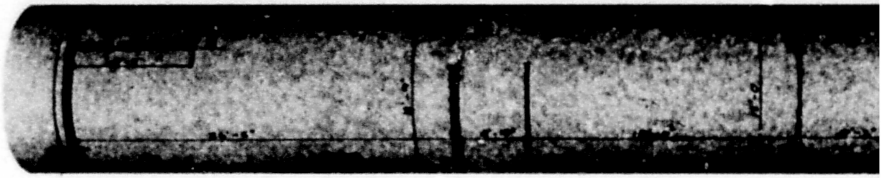


Replaced siding and electrical service upgrading.

Minnesota Housing Finance Agency
Balance Sheet

June 30, 1976 with comparative combined total as of June 30, 1975

	Housing Development Fund		
	Appropriated Accounts	General Reserve Account	Construction Loan
Assets			
Unrestricted:			
Cash and temporary investments:			
Agency-held funds	$ 42,130	$352,413	$14,894,732
Trustee-held funds			
	42,130	352,413	14,894,732
Government National Mortgage Association (GNMA) mortgage backed securities			
Construction mortgage loans			8,612,571
Permanent mortgage loans		82,592	
Less unearned discounts			
Interest receivable	8,547	2,201	201,685
Furniture and fixtures, at cost, less depreciation		45,115	
Deferred loan origination costs, net			
Deferred financing costs, net			
	50,677	482,321	23,708,988
Restricted:			
Cash and temporary investments:			
Agency-held funds	35,036,007	204,362	
Trustee-held funds			
	35,036,007	204,362	
Interest receivable	211,890		
	35,247,897	204,362	
Total assets	**$35,298,574**	**$686,683**	**$23,708,988**



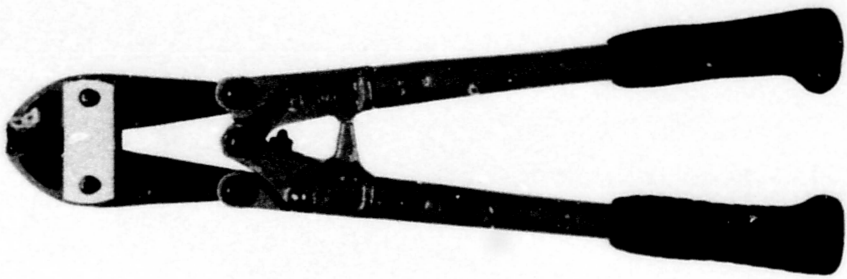
1976					1975
Program Funds				Combined Total — Memorandum Only	Combined Total — Memorandum Only
Multi-Family Housing	GNMA	Single Family Housing	Home Improvement		
$32,533,446				$ 47,822,721	$ 13,889,085
9,890,904	$ 1,515,129	$ 4,580,197	$ 870,583	16,856,813	36,763,715
42,424,350	1,515,129	4,580,197	870,583	64,679,534	50,652,800
	28,288,113			28,288,113	29,533,577
6,026,547				14,639,118	33,016,021
14,030,651		47,528,842	,644,515	69,286,600	15,524,084
		(1,239,669)		(1,239,669)	(309,757)
571,396	170,990	434,882	55,100	1,444,801	1,222,049
				45,115	31,832
			162,874	162,874	
785,582	248,799	374,589	30,536	1,439,506	354,585
63,838,526	30,223,031	51,678,841	8,763,608	178,745,992	130,025,191
701,897				35,942,266	1,000,000
26,793,400	568,725	4,148,000	938,126	32,448,251	4,716,725
27,495,297	568,725	4,148,000	938,126	68,390,517	5,716,725
				211,890	
27,495,297	568,725	4,148,000	938,126	68,602,407	5,716,725
$91,333,823	**$30,791,756**	**$55,826,841**	**$9,701,734**	**$247,348,399**	**$135,741,916**

The accompanying notes are an integral part of the financial statements.

Minnesota Housing Finance Agency
Balance Sheet

June 30, 1976 with comparative combined total as of June 30, 1975, Continued

	Housing Development Fund		
	Appropriated Accounts	General Reserve Account	Construction Loan
Liabilities and fund balances			
Liabilities payable from unrestricted assets:			
Bonds payable, less debt service reserve			
Notes payable			$23,000,000
Interest payable			557,805
Deferred income		$ 69,672	
Accounts payable		44,473	
		114,145	23,557,805
Liabilities payable from restricted assets:			
Bonds payable, debt service reserve			
Notes payable			
Escrow reserve accounts		204,362	
		204,362	
Total liabilities		318,507	23,557,805
Fund balances:			
Unrestricted	$ 50,677	308,176	151,183
Restricted:			
Reserve for debt service and bond redemption premiums:			
Home Improvement	736,874		
Multi-Family and Single Family	3,027,346		
Home improvement loans	12,107,619		
Home improvement grants	9,083,322		
Native American Program	5,045,477		
Basic Homes	5,045,442		
Research	201,817		
	35,247,897		
Total fund balances	35,298,574	368,176	151,183
Total liabilities and fund balances	**$35,298,574**	**$686,683**	**$23,708,988**



1976					1975
Program Funds				Combined Total — Memorandum Only	Combined Total — Memorandum Only
Multi-Family Housing	GNMA	Single Family Housing	Home Improvement		
$27,340,697	$28,586,275	$50,022,000	$8,310,000	$114,258,972	$ 79,158,275
34,040,903				57,040,903	45,000,000
2,297,723	563,439	1,408,030	257,588	5,084,585	3,550,527
				69,672	
				44,473	38,974
63,679,323	29,149,714	51,430,030	8,567,588	176,498,605	127,747,776
2,484,303	568,725	3,948,000	675,000	7,676,028	4,516,725
24,309,097				24,309,097	
701,897				906,259	
27,495,297	568,725	3,948,000	675,000	32,891,384	4,516,725
91,174,620	29,718,439	55,378,030	9,242,588	209,389,989	132,264,501
159,203	1,073,317	248,811	196,020	2,247,387	1,908,690
			263,126	1,000,000	1,000,000
		200,000		3,227,346	568,725
				12,107,619	
				9,083,322	
				5,045,477	
				5,045,442	
				201,817	
		200,000	263,126	35,711,023	1,568,725
159,203	1,073,317	448,811	459,146	37,958,410	3,477,415
$91,333,823	**$30,791,756**	**$55,826,841**	**$9,701,734**	**$247,348,399**	**$135,741,916**

The accompanying notes are an integral part of the financial statements.

Minnesota Housing Finance Agency
Statement of Revenues and Expenses

for the year ended June 30, 1976 with comparative combined total for the year ended June 30, 1975

	Housing Development Fund		
	Appropriated Accounts	General Reserve Account	Construction Loan
Revenues			
Interest income on GNMA securities and mortgage and construction loans		$1,588	$1,147,287
Mortgage loan discounts			
Fee income		512,033	
Income (interest and gains and losses, net) on temporary investments	$361,700	24,518	491,051
Miscellaneous income		40,669	
Total revenues	361,700	578,808	1,638,338
Expenses			
Interest			1,561,253
Amortization of deferred financing costs			
Amortization of deferred loan origination costs			
Professional and other contracted services		248,219	
Salaries		614,265	
General and administrative		185,499	
Total expenses		1,047,983	1,561,253
Revenues over (under) expenses	**$361,700**	**$ (469,175)**	**$ 77,085**



1976					1975
Program Funds				Combined Total — Memorandum Only	Combined Total — Memorandum Only
Multi-Family Housing	GNMA	Single Family Housing	Home Improvement		
$1,337,193	$1,795,089	$2,684,056	$315,409	$ 7,280,622	$3,698,894
		140,432		140,432	24,213
				512,033	769,310
1,417,018	112,835	1,356,109	274,566	4,037,817	4,349,006
			387	41,056	162,728
2,754,211	1,907,924	4,180,597	590,382	12,011,960	9,004,151
2,789,608	1,603,595	3,963,020	504,291	10,421,767	7,314,556
10,365	26,592	58,640	30,481	126,078	71,131
			9,300	9,300	
	6,699	113,073	6,065	374,056	406,839
				614,265	336,324
				185,499	153,109
2,799,973	1,636,886	4,134,733	550,137	11,730,965	8,281,959
$ (45,762)	**$ 271,038**	**$ 45,864**	**$ 40,245**	**$ 280,995**	**$ 722,192**

The accompanying notes are an integral part of the financial statements.

Minnesota Housing Finance Agency
Statement of Changes in Fund Balances

for the year ended June 30, 1976 with comparative combined total for the year ended June 30, 1975

	Housing Development Fund		
	Appropriated Accounts	**General Reserve Account**	**Construction Loan**
Unrestricted fund balances, beginning of year		$783,325	$ 74,098
Revenues over (under) expenses	$ 361,700	(469,175)	77,085
Inter-fund transfers:			
Transfer of surplus amounts of investment earnings to Housing Development Fund		209,801	
To Home Improvement Program Funds		(155,775)	
Transfer of earnings on 1976 appropriation from State of Minnesota to restricted fund balance	(311,023)		
Reclassifications (to) from restricted fund balance			
Unrestricted fund balances, end of year	50,677	368,176	151,183
Restricted fund balances, beginning of year	1,000,000		
Appropriation from State of Minnesota	34,200,000		
Transfer of earnings on 1976 state appropriation from unrestricted fund balances	311,023		
Inter-fund transfer to Home Improvement Program Funds	(263,126)		
Reclassifications (to) from unrestricted fund balance			
Restricted fund balance, end of year	35,247,897		
Total fund balances, end of year	**$35,298,574**	**$368,176**	**$151,183**



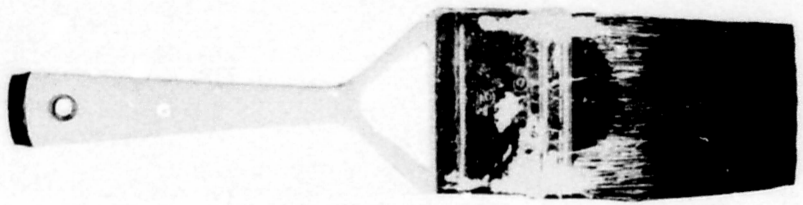
1976 Program Funds				Combined Total — Memorandum Only	1975 Combined Total — Memorandum Only
Multi-Family Housing	GNMA	Single Family Housing	Home Improvement		
$204,965	$ 443,355	$402,947		$ 1,908,690	$1,186,498
(45,762)	271,038	45,864	$ 40,245	280,995	722,192
	(209,801)		155,775		
				(311,023)	
	568,725	(200,000)		368,725	
159,203	1,073,317	248,811	196,020	2,247,387	1,908,690
	568,725			1,568,725	1,568,725
				34,200,000	
				311,023	
			263,126		
	(568,725)	200,000		(368,725)	
		200,000	263,126	35,711,023	1,568,725
$159,203	**$1,073,317**	**$448,811**	**$459,146**	**$37,958,410**	**$3,477,415**

The accompanying notes are an integral part of the financial statements.

Minnesota Housing Finance Agency
Statement of Changes in Financial Position

for the year ended June 30, 1976 with comparative combined total for the year ended June 30, 1975

	Housing Development Fund		
	Appropriated Accounts	General Reserve Account	Construction Loan
Sources			
From operations:			
Revenues over (under) expenses	$ 361,700	$ (469,175)	$ 77,085
Amortization of loan discounts, bond premiums and issuance costs, net			
Depreciation		4,565	
Changes in accounts:			
Interest receivable	(205,507)	(2,201)	110,194
Accounts payable		5,499	
Interest payable			(457,025)
Deferred income		69,672	
Deferred loan origination costs			
Cash and temporary investments provided from operations	156,193	(391,640)	(269,746)
Transfers from (to) other funds	(363,204)	154,104	
Principal repayments, mortgage loans and GNMA securities		608	18,001,565
Increase in escrow reserve accounts		204,362	
Proceeds from sale of bonds and notes			8,000,000
Appropriation, State of Minnesota	34,200,000		
Total	33,992,989	(32,566)	25,731,819
Uses			
Purchase of mortgage loans and GNMA securities		83,200	5,283,817
Repayment of bonds and notes payable			15,000,000
Purchase of furniture and fixtures		17,848	
Total		101,048	20,283,817
Increase (decrease) in cash and temporary investments	33,992,989	(133,614)	5,448,002
Cash and temporary investments, beginning of year	1,085,148	690,389	9,446,730
Cash and temporary investments, end of year	$35,078,137	$ 556,775	$14,894,732
Cash and temporary investments consist of:			
Agency-held funds:			
Unrestricted	42,130	352,413	14,894,732
Restricted	35,036,007	204,362	
	35,078,137	556,775	14,894,732
Trustee-held funds:			
Unrestricted			
Restricted			
	$35,078,137	**$ 556,775**	**$14,894,732**



1976					1975
Program Funds				Combined Total — Memorandum Only	Combined Total — Memorandum Only
Multi-Family Housing	GNMA	Single Family Housing	Home Improvement		
$ (45,762)	$ 271,038	$ 45,864	$ 40,245	$ 280,995	$ 722,192
(930)	(77,910)	(331,325)	(30,536)	(440,701)	(274,803)
				4,565	1,813
(173,111)	(2,376)	(106,541)	(55,100)	(434,642)	(823,605)
				5,499	21,224
1,751,883	(18,388)		257,588	1,534,058	1,389,411
				69,672	
			(162,874)	(162,874)	
1,532,080	172,364	(392,002)	49,323	856,572	1,036,232
	(209,801)		418,901		
1,709	1,245,464	934,720	381,756	20,565,822	4,892,809
701,897				906,259	
72,390,348			8,985,000	89,375,348	98,970 000
				34,200,000	
74,626,034	1,208,027	542,718	9,834,980	145,904,001	104,899,041
8,373,205		31,869,134	8,026,271	53,635,627	61,346,710
	550,000			15,550,000	24,295,000
				17,848	26,070
8,373,205	550,000	31,869,134	8,026,271	69,203,475	85,667,780
66,252,829	658,027	(31,326,416)	1,808,709	76,700,526	19,231,261
3,666,818	1,425 827	40 054,613		56,369,525	37,138,264
$69,919,647	$2,083,854	$ 8,728,197	$1,808,709	$133,070,051	$ 56,369,525
32,533,446				47,822,721	13,889,085
701,897				35,942,266	1,000,000
33,235,343				83,764,987	14,889,085
9,890,904	1,515,129	4,580,197	870,583	16,856,813	36,763,715
26,793,400	568,725	4,148,000	938,126	32,448,251	4,716,725
36,684,304	2,083,854	8,728,197	1,808,709	49,305,064	41,480,440
$69,919,647	**$2,083,854**	**$ 8,728,197**	**$1,808,709**	**$133,070,051**	**$ 56,369,525**

The accompanying notes are an integral part of the financial statements.



Dover Hill, Golden Valley, Minnesota.

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 to the general reserve account. Funding of the general reserve account 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 the general reserve account 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 general reserve account are pledged as collateral for the payment of principal and interest on all bonds and notes of the Agency.

In 1974, the state legislature appropriated $1,000,000 to the Agency to establish a debt service reserve fund for the security of bonds and notes to be issued for the purpose of providing funds for residential rehabilitation loans. As of June 30, 1976, the Agency has issued $8,985,000 principal amount of Home Improvement Program Bonds and $15,895,000 principal amount of State Assisted Home Improvement Program Bonds. In accordance with the resolutions authorizing these programs, the Agency has transferred from this fund, $263,126 to the Home Improvement Program Funds and $135,000 to the State Assisted Home Improvement Program Funds.

In 1976 the state legislature appropriated $34,200,000 to be used for the following purposes:

- $21,000,000 for making rehabilitation grants and low interest rehabilitation loans to persons and families of low and moderate income. Of this amount $9,000,000 may be used for making rehabilitation grants, and up to 5% may be used for related administrative costs and expenses.
- $5,000,000 for the purpose of establishing a revolving loan fund for the development of housing for occupancy by native Americans, and for the payment of costs and expenses necessary and incidental to such programs.
- $5,000,000 for establishing a revolving loan fund for financing low income purchasers of low cost basic homes. Up to 5% of this amount may be used for related administrative costs and expenses.
- $3,000,000 for deposit in a debt service account to be allocated by the Agency as security for bonds or notes to be issued by the Agency to provide loans for single and multi-family housing for persons and families of low and moderate income or refunding bonds or notes issued for such purposes.
- $150,000 to engage in research, design, coordination, and marketing of alternative housing delivery systems for senior citizens
- $50,000 to research the potential for utilization of resources provided in Minnesota Statutes, Chapter 462A for the development, purchase or rehabilitation of mobile homes and other alternative housing delivery systems.

Earnings from investments of any of the above amounts appropriated to the Agency in 1976 are to be used for the same purposes as the respective original appropriations.

Construction Loan Program 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 Housing Program Funds:

These funds, established under the Multi-Family Housing Bond Resolutions adopted June 20, 1974 and amended November 20, 1975, are prescribed for accounting for the proceeds from the sale of Multi-Family Housing Bonds and Multi-Family Housing Bond Anticipation Notes and the debt service requirements of the bond and note indebtedness. Activities of these funds are, in general, limited to the following:

- to make or purchase mortgage loans on eligible multi-family residential housing;
- to invest excess funds in (a) direct general obligations of the United States or any one 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 general reserve account in the Housing Development Fund.

GNMA Program Funds:

These funds, established under the GNMA Bond Resolution adopted in 1973, are prescribed for accounting for the

Continued

Funds, continued:

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; and,
- to transfer surplus amounts of investment earnings to the general reserve account in 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 general reserve account in the Housing Development Fund.

Home Improvement Program Funds:

These funds, established under the Home Improvement Bond Resolution adopted July 24, 1975, are prescribed for accounting for the proceeds from the sale of the Home Improvement 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 eligible loans insured by the Federal Housing Administration under Title I of the National Housing Act for the rehabilitation of existing residential housing;
- 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;



Roof shingles and insulation.

- to pay interest, principal and redemption premiums at or prior to maturity or redemption; and,
- to transfer surplus amounts of investment earnings to the general reserve account in the Housing Development Fund.

2/Summary of significant accounting policies:

Basis of accounting:

The Agency follows the accrual basis of accounting.

Investments:

Temporary investments are carried at the lower of cost or market. At June 30, 1976, the cost of temporary investments approximated quoted market values. Permanent investments in GNMA securities are carried at cost. Construction and permanent mortgage loans are recorded as amounts are disbursed.

Mortgage loan discounts:

Discounts from the purchase of Single Family Housing Program mortgages at less than face value are being amortized ratably over the estimated average remaining lives of the related mortgages.

Fee income:

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. Inspection 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.

Deferred financing costs:

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

Deferred loan origination costs:

Costs of obtaining home improvement loans are amortized ratably over the estimated average remaining lives of the related loans.

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, 1976.

3/Bonds payable:

Bonds payable consist of:

	Interest Rates(a)	Maturity Date	Aggregate Principal Amount
Multi-Family Housing Program Funds:			
1975 Series A:			
Serial bonds, maturing in scheduled annual amounts ranging from $70,000 to $355,000, subject to redemption at any interest payment date at prices ranging from 103 to 100	7% to 9%	Feb 1, 1978 to Feb 1, 1999	$ 3,945,000
Term bonds, subject to redemption at any interest payment date at prices ranging from 103 to 100	8.5%	Feb 1, 2017	14,695,000
1976 Series A:			
Serial bonds, maturing in scheduled annual amounts ranging from $65,000 to $200,000, subject to redemption at any interest payment date at prices ranging from 103 to 100	5.7% to 6.8%	Feb 1, 1979 to Feb 1, 1998	2,370,000
Term bonds, subject to redemption at any interest payment date at prices ranging from 103 to 100	7%	Feb 1, 2018	8,815,000
			$29,825,000

	Interest Rates(a)	Maturity Date	Aggregate Principal Amount
GNMA Program Funds:			
Serial bonds, maturing in scheduled annual amounts ranging from $830,000 to $1,240,000	5.75% to 8%	Sep 1, 1976 to Mar 1, 1983	$ 7,730,000
Term bonds, subject to redemption in whole or in part on or after September 1, 1978 at prices ranging from 101 to 100	5.25%	Sep 1, 1983	4,935,000
Term bonds, subject to redemption in whole or in part on or after September 1, 1983 at prices ranging from 102 to 100	5.70%	Sep 1, 2004	16,490,000
			$29,155,000
Single Family Housing Program Funds:			
Serial bonds, maturing in scheduled annual amounts ranging from $605,000 to $2,185,000, subject to redemption in part on or after September 1, 1979 at prices ranging from 101¼ 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 redemption in whole or in part on or after September 1, 1982 at prices ranging from 101¼ 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 redemption in whole or in part on or after September 1, 1986 at prices ranging from 101½ 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 redemption in whole or in part on or after September 1, 1989 at prices ranging from 103 to 100	7.75%	Sep 1 1995 to Sep 1, 2006	22,250,000
			$53,970,000

	Interest Rates(a)	Maturity Date	Aggregate Principal Amount
Home Improvement Program Funds:			
Serial bonds, maturing in scheduled annual amounts ranging from $515,000 to $810,000, subject to redemption in whole or in part on or after February 1, 1981 at prices ranging from 101¾ to 100	6% to 7.5%	Feb 1, 1977 to Feb 1, 1988	**$ 8,985,000**

The income and assets of each of the groups of program funds listed above are pledged for the payment of principal

Continued

Bonds Payable, continued:

and interest on the bonds issued and to be issued by the respective programs.

(a) Interest is payable semiannually.

Amounts maturing in one year:	
GNMA Program Funds	$ 830,000
Single Family Housing Program Funds	605,000
Home Improvement Program Funds	515,000
	$1,950,000

4/Notes payable:

Notes payable consist of:

	Interest Rates	Maturity Date	Aggregate Principal Amount
Construction Loan Program Fund:			
Series 3	6.58%	Oct 1, 1976	$15,000,000
Series 4	5.09%	Oct 1, 1976	8,000,000
			$23,000,000

The assets of the funds are pledged as collateral for the payment of principal and interest on the notes. Interest on Series 3 is payable semiannually and on Series 4 is payable at maturity.

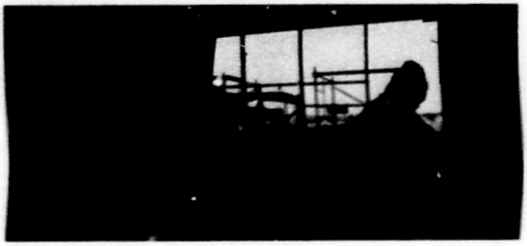
Multi-Family Housing Program Funds:
Bond Anticipation Notes:

	Interest Rates	Maturity Date	Aggregate Principal Amount
Series 1	7.75%	Jul 11, 1976	$15,000,000(a)
Series 2	6.04%	Dec 15, 1976	15,000,000(b)
Series 3	5.10%	Mar 15, 1977	12,500,000(b)
Series 4	5.21%	Jun 15, 1977	15,850,000
			$58,350,000

(a) $15,000,000 of the proceeds of the 1975 Series A Multi-Family Housing Program Bonds are being held for the repayment of the Series 1 notes at their maturity.

(b) $9,309,097 of the proceeds of the 1976 Series A Multi-Family Housing Program Bonds are being held for the repayment of $7,644,776 of the Series 2 notes at their maturity and $1,664,321 of Series 3 notes at their maturity.

The assets of the fund are pledged as collateral for the payment of principal and interest on the notes. Interest on Series 1 is payable semiannually and on Series 2, 3 and 4 is payable at maturity.



5/Commitments:

At June 30, 1976, the Agency was committed to (a) provide the remaining balance on interim construction mortgage loans aggregating approximately $4,500,000; (b) provide mortgage financing on multi-family mortgage loans aggregating approximately $39,000,000; (c) purchase single family mortgage loans aggregating approximately $1,000,000; (d) purchase home improvement loans aggregating approximately $16,670,000 subject to the successful sale of bonds (see Note 6); and, (e) to pay from the Housing Development Fund an annual rental of $50,000 for office space. Rental expense for the current year under this agreement amounted to $48,000.

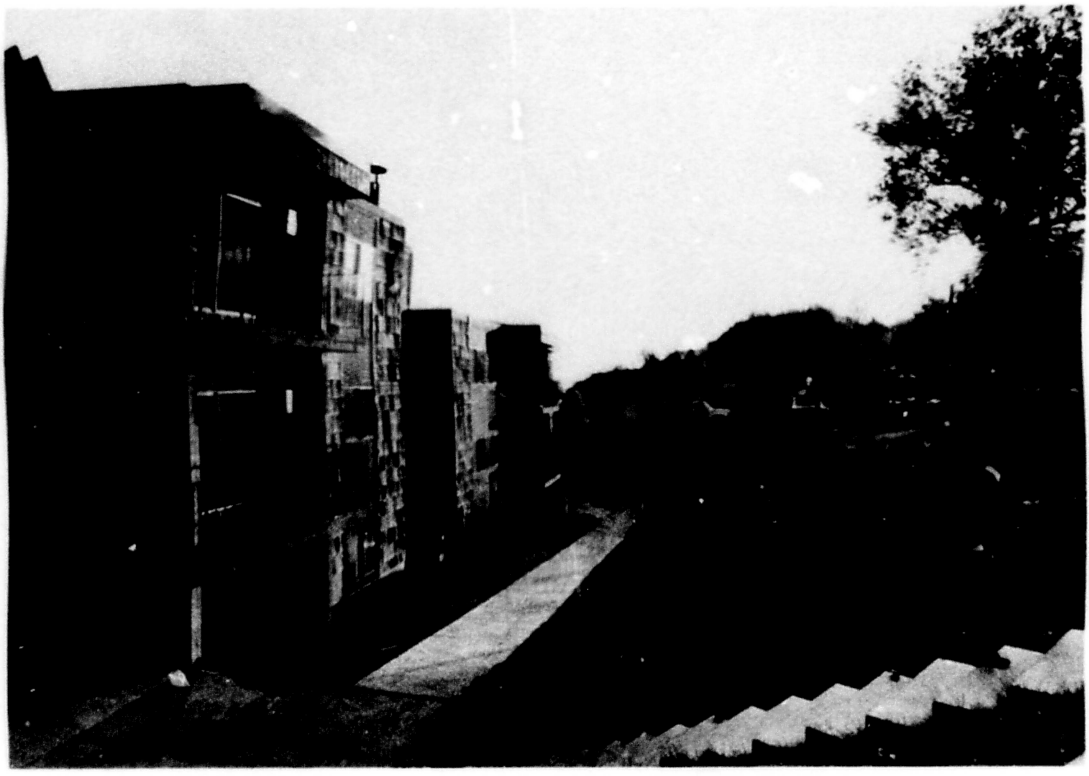
6/Subsequent event:

In July 1976, the Agency issued $15,895,000 of State Assisted Home Improvement Program Bonds. The proceeds from the issue will be combined with $4,625,000 appropriated from the state legislature (see Note 1 of Notes to Financial Statements) to make or purchase loans for the rehabilitation of existing residential housing. The bonds bear interest at rates ranging from 4.9% to 7%, payable semiannually, and mature in scheduled annual installments from February 1, 1978 to February 1, 1989.

7/Housing Development Fund Restatement:

During January, 1977, the Agency and its bond counsel, after reviewing all applicable statutes, have determined that it would be preferable to combine the Appropriated Debt Service Reserve Fund with the Housing Development Fund. Accordingly, the Agency's June 30, 1976 financial statements have been restated to reflect this combination.

In addition, to illustrate which assets in the Housing Development Fund are available for general Agency purposes, including the payment of interest and principal on all its bonds and notes, the General Reserve Account has been segregated from the Appropriated Accounts in the Housing Development Fund. Appropriated Accounts were established by the State legislature and are restricted for specific purposes as discussed in Note 1.



Summit Square Apartments, Duluth, Minnesota.

Report of Independent Certified Public Accountants

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, 1976 and the related statements of revenues and expenses, changes in fund balances and changes in financial position 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, 1976 and the results of their operations and changes in financial position for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, with which we concur, in the method of reporting the Housing Development Fund as described in Note 7 to the financial statements.

Coopers & Lybrand
Certified Public Accountants

St. Paul, Minnesota August 17, 1976, except for Note 7 as to which the date is January 28, 1977



Minnesota Housing Finance Agency Board Meeting.

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



Bernard O. Carlson, Member.