

Minnesota Housing Finance Agency
Annual report 1977















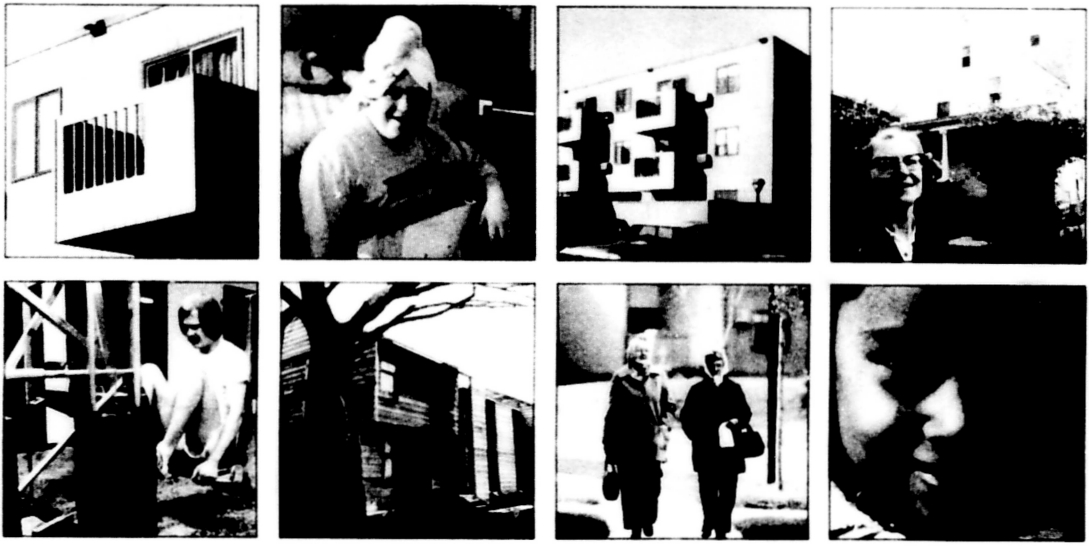














1977 Progress report

We are pleased at this time to submit the Fourth Annual Report of the operations of the Minnesota Housing Finance Agency.

In each of our previous reports, we have attempted to focus on Minnesota's commitment to the assurance of affordable, adequate housing for its citizens. It is out of that basic concern for the well being of the people in their pursuit of one of life's necessities that the Agency was proposed by then Governor Wendell R. Anderson, supported by the State Legislature, and given further substantial support by Governor Rudy Perpich. This same concern has directed the Board and the staff of the Agency in carrying out the enabling legislation, in pursuing federal housing funds, in marketing its bonds and in seeking legislative changes and further State support.

The result of these attempts to respond to a critical problem has been the development of the most comprehensive array of State directed housing programs in the country. Assistance has been made available to those seeking to buy or improve their home, to those desiring decent, affordable rental housing, to those with special needs such as the handicapped and the elderly, and to local officials desiring to aid in the effort of developing and improving our basic housing stock. Minnesota has allocated substantial resources to the effort, including nearly $75 million in General Fund appropriations, and $900 million in bonding authority. Federal housing subsidy payments contracted for by the Agency now amounts to nearly $50 million per year and will assist over 11,000 families.

As you will discover in reviewing the following pages, the Agency has had a tremendous economic impact on the state. Over a quarter of a billion dollars in construction activity has created jobs, provided substantial tax revenues, stimulated the State's economy and provided markets for materials. It has also resulted in substantial new housing resources, and, most importantly, has aided large numbers of low and moderate income people by providing that housing under terms which are more affordable to them. In fact, over 35,000 families have been or will be aided on the basis of commitments on hand as of June 30, 1977.

An effort of this magnitude has required the commitment of a large number of people from all areas. In this report, we have attempted to identify those people, at the same time as we highlight the impact of the programs on those who have benefitted. Bankers, builders, architects, realtors, Agency staff, the Legislature, the Governor's Office, the Board all have given of themselves to move Minnesotans to being the best housed people in the nation.

Sincerely,

Demetrius G. Jelatis

Demetrius G. Jelatis
Chairman

James F. Dlugosch
Executive Director

December 31, 1977



Demetrius G. Jelatis
Chairman



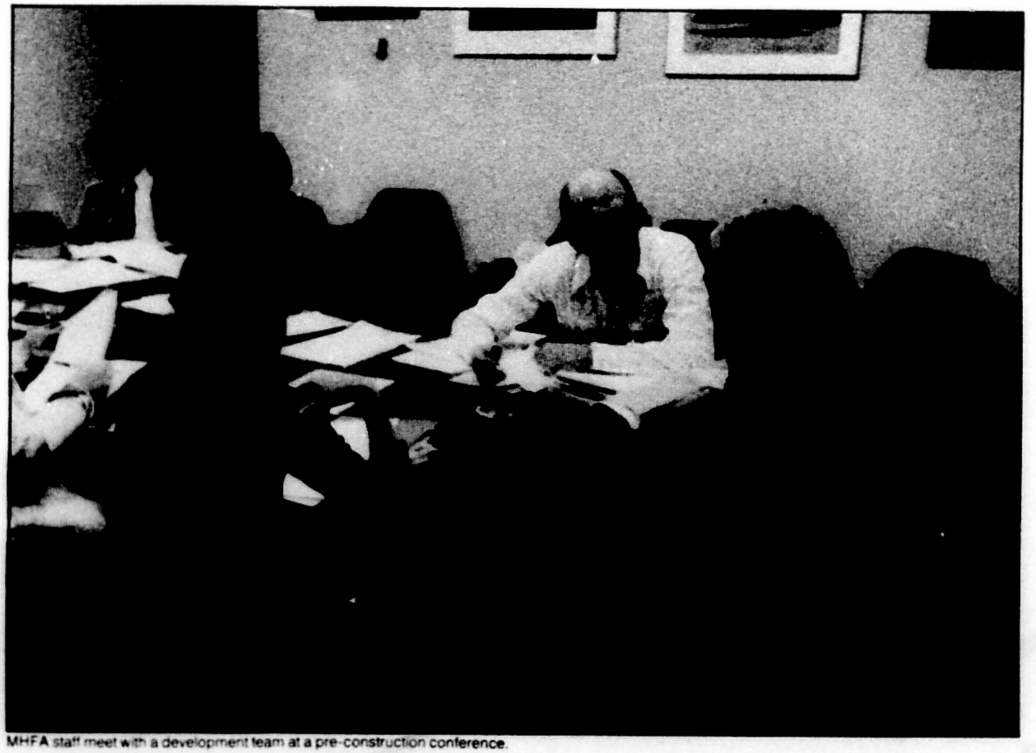
James F. Dlugosch
Executive Director

Purpose of MHFA

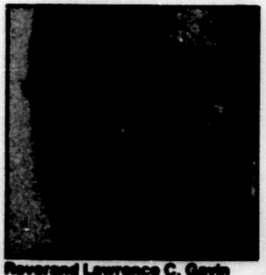
The Minnesota Housing Finance Agency was created to ensure that Minnesotan's of low and moderate income have access to decent, safe, and sanitary housing. To meet this charge, the Agency has attempted to identify segments of the population not served by private enterprise or other public sector servicers.

The following pages focus on the results of these efforts, cataloging the Agency's response in assembling the most comprehensive array of housing assistance programs in the country. With an emphasis on the personal housing needs of people, the Agency has consistently responded with strong and diligent efforts to assure that the citizens of Minnesota are afforded the maximum possible access to the scarce housing resources available. This has required diligent attention to identifying those needs, allocating available revenues toward meeting those needs, and the creation of innovative approaches to fill gaps which are found to exist.

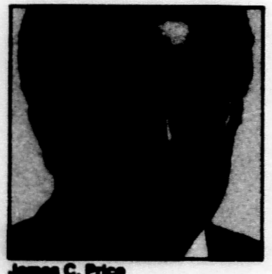




MHFA staff meet with a development team at a pre-construction conference.



Reverend Lawrence C. Gavin
Member



James C. Price
Member



Mark Kaplan
Member



Peter L. Vanderpool
Vice-Chairman

Home improvement loans and grants

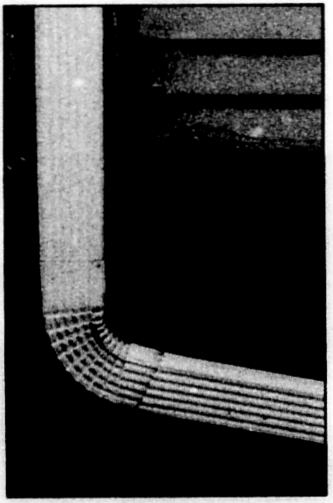
Because the construction of new housing units is so costly, it is imperative that we attempt to preserve our existing housing stock as the primary source of affordable housing for low and moderate income families. Home improvement loans are generally available for five year terms through the private sector at 12% interest. Many low and moderate income families, however, either cannot afford to pay these rates or are unable to afford a large enough loan to do an adequate job of renovation. The problem is particularly serious because lower or moderate income families are most likely to live in the older houses which are in need of repair. Most often, these homes can benefit from improved insulation, storm windows, weatherstripping, and other improvements which will reduce the burden of high utility bills while also conserving scarce energy resources. In recognition of this problem, the Legislature in 1974 enacted legislation empowering the Agency to establish a rehabilitation loan and grant program.

In 1975, utilizing bond proceeds, the Agency made 1,800 home improvement loans to qualified individuals at 7¾%. These loans were insured under Title I of the Federal Housing Administration (FHA) and had a maximum loan amount of $10,000 and a maximum term of 12 years. While this program stimulated many needed improvements, reduced energy consumption and reached a segment of the population not served by the private sector, reliance on revenue bonds for the source of capital left the lower income sector of the market under served because of the resultant interest rates.

To permit the Agency to make these loans to families with lower incomes, the Minnesota Legislature in 1976 appropriated a $12 million revolving fund which was increased to $22 million in 1977. These funds were to be used to supplement revenue bonds sold for this program. This combination of appropriated and borrowed funds permits the Agency to make loans at interest rates down to 1%. During the first year the program was in operation, the Agency made 7,000 loans aggregating $30 million at an average interest rate of slightly over 5%. Because the interest rate on the loans is not dependent on the interest rate on the bonds, the Agency is now able to serve even those who are able to pay only a small amount each month. Based on our current revenue and expense projections, the Agency will be able to continue operating this program for as long as there is a need. The combination of currently available bonding authority plus the appropriated funds will support a loan program in the volume of $25 million per year with no further increase in either bonding or appropriations.

The Legislature has recognized that for some individuals the burden of regular loan payments cannot be supported within their limited income. In an effort to provide assistance to these people, and in order to assure that their properties are maintained, the Legislature appropriated $9 million in 1976 and $21.5 million in 1977 for grants to homeowners with incomes under $5,000. A portion of this money has been earmarked for improving accessibility for the handicapped.

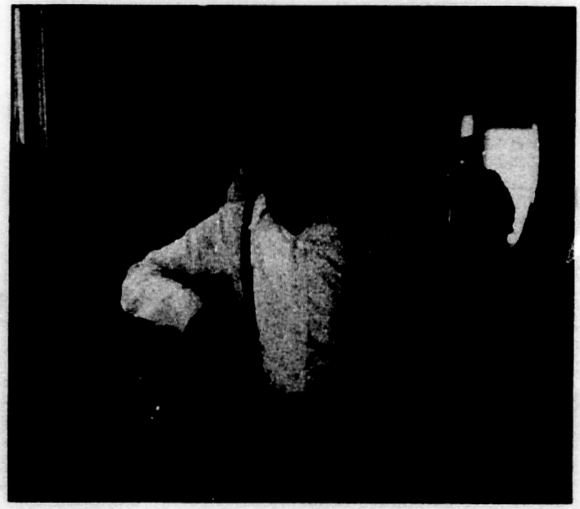
Wherever possible, home improvement loan and grant money is combined with existing federal and local resources, particularly Community Development Block Grants, to maximize benefits. The Agency is now targeting to assist 12,000 families per year with needed property improvements.











Single family mortgages

During the last five years, there has been no lack of media attention to the problem of accelerated homeownership costs. A major Agency effort has been made in an attempt to increase the opportunities of moderate income families to achieve this objective of purchasing their own home. Starting in 1974, over 5,000 families have been provided low cost mortgage money. Over 85% of them were buying their first house.

In Fiscal Year 1977 the Agency fully implemented the Affordable Homes Program. This Program, funded by a $5 million appropriation from the State of Minnesota, provided economical yet high quality newly constructed homes for less than $30,000. Interest rates ranged to a low of 1% making these homes available to Minnesotans with modest incomes.

The Agency is currently in the midst of a revenue bond program providing for $72 million in mortgages with interest at 6½% for new construction and 7¼% for existing homes. Primarily as a result of the demonstrated success of the Affordable Homes Program, the Agency is anticipating that 75% of these mortgages will be for modestly priced newly constructed houses. This Program will assist over 2,000 families seeking to buy a home.

To further alleviate the high cost of homeownership for families buying their first home, the Minnesota Legislature appropriated $7.5 million for no interest loans to be used to assist a home buyer in making down payments and the monthly payments of principal and interest during the early years of the mortgage. This Program, called the Housing Assistance Fund Program, recognizes the fact that for most buyers, their ability to make monthly payments increases as their incomes rise. Thus, lower payments in the early years will permit them to buy adequate housing today.

The monthly assistance amount is based on need with a maximum payment of $75 per month. Thus, a family might have their monthly mortgage payment reduced from $300 per month to $225 per month. The amount of monthly subsidy decreases by $5 each year until it reaches zero at which time the individual must start repaying the loan. This program will become fully operational in conjunction with the next home mortgage bond sale scheduled for the spring of 1978.

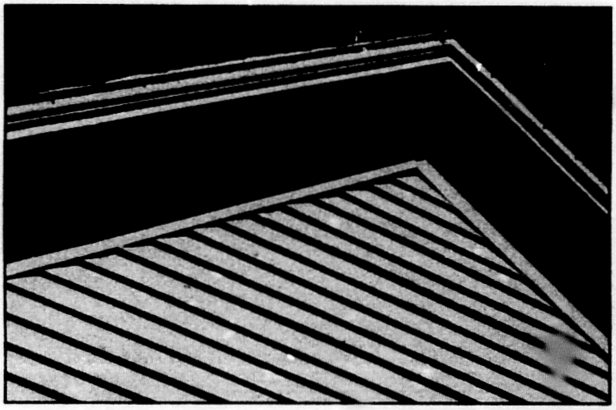
Indian housing

To meet the special needs of American Indians both on and off the reservation, the 1976 Minnesota Legislature appropriated $5 million for a revolving loan fund for the various tribal organizations. These funds are being used primarily to increase the supply of housing available to Indians on tribal reservations, with about 20% earmarked for assisting those currently in urban areas. The Minnesota Chippewa Tribe, the Red Lake Band of the Chippewa Tribe, and the Sioux Community will administer the funds, providing benefits directly to their members as well as non-members residing on and off the reservations. It is expected that the fund will result in a substantial increase in the reservation housing stock. To date, over 100 new homes have been built under this program.



Indian Hearing – Indian housing needs were explained to State legislators at a hearing by the Minnesota Chippewa Tribe.







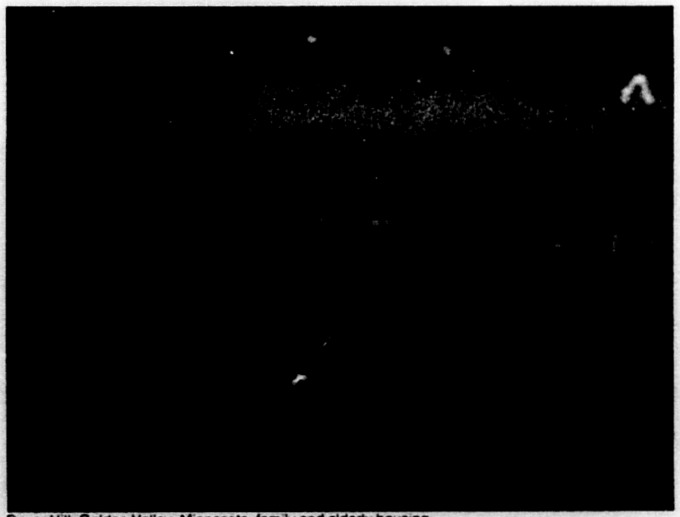


Apartment development

During the past several years, the Agency has represented the primary source of financing for new rental housing projects. Again, the cost of development of new rental units has inflated rental rates necessary to pay debt service, operating cost and provide a reasonable rate of return for the investor, to a level unaffordable by all but the most affluent. As a result, most new multi-unit housing being developed is marketed to the ownership segment and not the rental segment of the market. Assistance provided by the Agency in the form of lower interest rates, reduced taxes and federal subsidies provides the main hope for maintenance of a reasonable supply of rental housing in the state.

As of June 30, 1977, the Agency had financed 27 apartment developments containing 1,904 units which were completed and available for occupancy. The Agency had also financed 7 developments containing 969 units which were under construction on June 30, 1977, and are in the process of underwriting an additional 67 developments containing 5,158 units which are expected to be in various phases of construction during 1978. All of these developments are scheduled to have at least 20% of the units subsidized under the federal Section 8 program which provides for rents that families with very low incomes can afford. Since the Section 8 subsidy is a scarce resource, the Agency cooperates with regional development commissions and the Metropolitan Council in setting priorities for funding within the various regions.

Designs are reviewed carefully to ensure that the needs of the intended clientele are being properly met. Apartment developments for families generally are provided with playgrounds, swimming pools, exercise rooms and other amenities considered necessary to achieve economic integration. The Agency encourages high quality facilities in order that owners will be able to rent some units to families capable of paying full market rents as well as assisting those who require varying amounts of subsidy. The Agency also finances developments which are located and designed to meet the needs of the elderly, and in one instance has financed a development totally designed for occupancy by the handicapped. Additional developments for the handicapped are planned for the future, and many of the family and elderly developments are provided with some units which are designed to accommodate the handicapped. To provide adequate housing for developmentally disabled adults, the Agency has financed, as of June 30, 1977, 6 community based facilities which receive assistance from the Minnesota Department of Public Welfare.



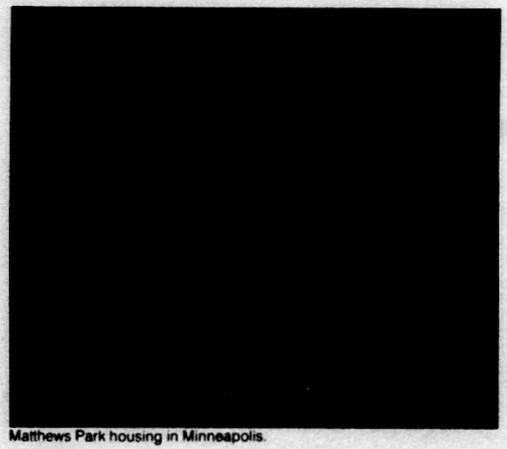
Dover Hill, Golden Valley, Minnesota, family and elderly housing.





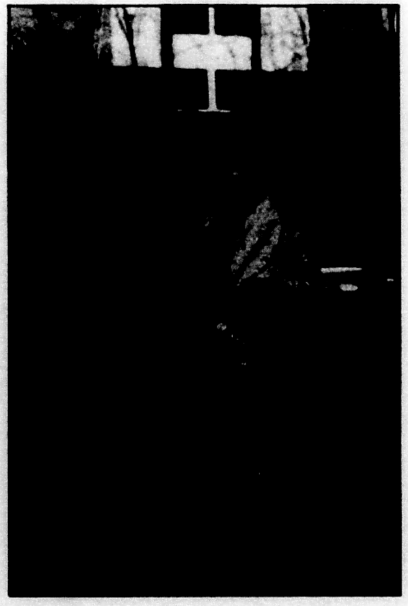
Grand Pre in the Park, St. Paul family housing.





Matthews Park housing in Minneapolis.



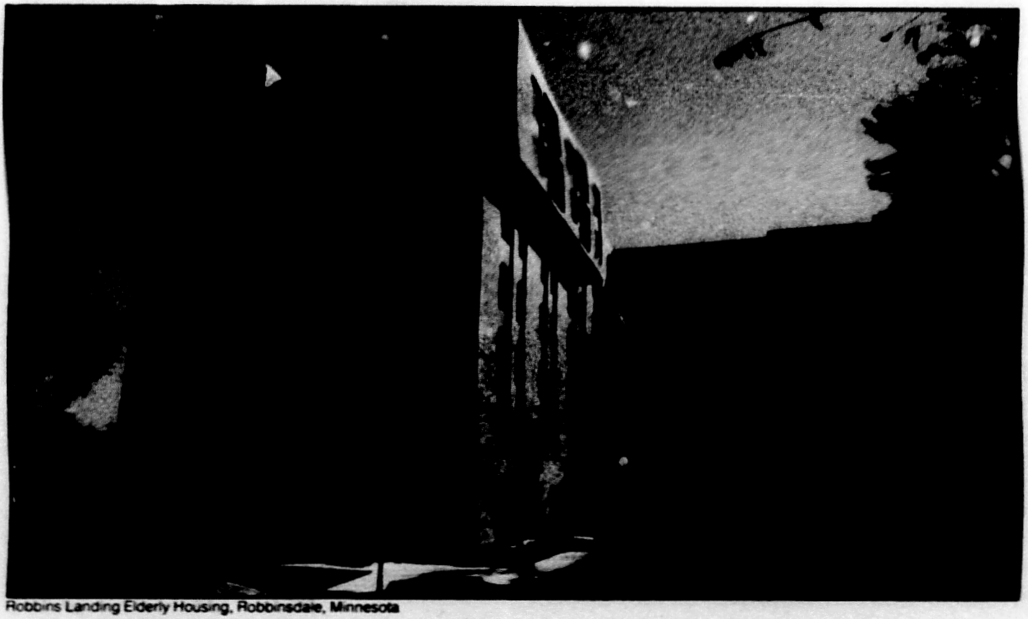


Muriel Humphrey Residences, one of over two dozen facilities for the retarded financed by the Agency.

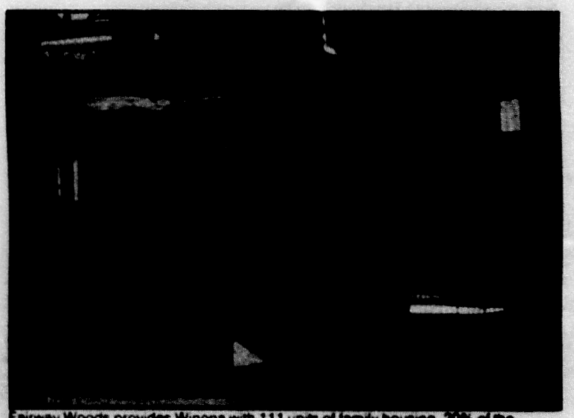








Robbins Landing Elderly Housing, Robbinsdale, Minnesota



Fairway Woods provides Winona with 111 units of family housing. 20% of the occupants receive Section 8 subsidy.



2100 Bloomington, sponsored by the United Handicapped Federation, is one of three such developments financed by the Agency.

Minnesota Housing Finance Agency

Balance Sheet

June 30, 1977 with comparative combined total as of June 30, 1976

Assets	Housing Development Fund					
	Appropriated Accounts	General Reserve Account	Construction Loan	Multi-Family Housing	Housing Development Bonds	
Unrestricted:						
Cash and temporary investments:						
Agency-held funds	$ 73,456	$1,483,261	$3,770,288			
Trustee-held funds				$ 1,626,088	$13,589,755	
	73,456	1,483,261	3,770,288	1,626,088	13,589,755	
Government National Mortgage Association (GNMA) mortgage backed securities						
Construction loans			3,845,086	5,360,672	26,271,948	
Permanent loans				20,392,902	2,663,216	
Less unearned discounts						
Less allowance for loan losses						
Receivables, interest and other	11,375	79,803	205,109	382,054	465,992	
Furniture and fixtures, at cost, less depreciation		67,487				
Deferred loan origination costs, net						
Deferred financing costs, net				783,219	1,165,369	
	84,831	1,630,551	7,820,483	28,544,935	44,156,280	
Restricted:						
Cash and temporary investments:						
Agency-held funds	12,271,631	2,446,511				
Trustee-held funds				2,484,303	3,525,677	
	12,271,631	2,446,511		2,484,303	3,525,677	
Loans receivable	4,287,438					
Interest receivable	254,710					
	16,813,779	2,446,511		2,484,303	3,525,677	
Total assets	**$16,898,610**	**$4,077,062**	**$7,820,483**	**$31,029,238**	**$47,681,957**	



1977

Program Funds

Housing Development Notes	GNMA	Single Family Housing	Home Mortgage	Home Improvement	State Assisted Home Improvement	Combined Total - Memorandum Only	1976 Combined Total - Memorandum Only
$32,993,332						$ 38,320,337	$ 47,822,721
	$ 2,374,931	$ 5,751,301	$72,637,168	$1,328,224	$17,587,701	114,895,168	16,856,813
32,993,332	2,374,931	5,751,301	72,637,168	1,328,224	17,587,701	153,215,505	64,679,534
	26,168,159					26,168,159	28,288,113
						35,477,706	14,639,118
		45,248,600	1,838,425	6,623,457	18,123,191	94,889,791	69,286,600
		(1,121,874)	(19,177)			(1,141,051)	(1,239,669)
		(12,000)		(16,000)	(10,000)	(38,000)	
363,568	174,160	680,261	397,854	68,836	324,341	3,153,353	1,444,801
						67,487	45,115
				130,144	437,527	567,671	162,874
	304,344	542,279	963,635	56,965		3,815,811	1,439,506
33,356,900	29,021,594	51,088,567	75,817,905	8,191,626	36,462,760	316,176,432	178,745,992
						14,718,142	35,942,266
	556,725	4,458,942	5,600,000	938,126	4,392,000	21,955,773	32,448,251
	556,725	4,458,942	5,600,000	938,126	4,392,000	36,673,915	68,390,517
					8,625,000	12,912,438	
						254,710	211,890
	556,725	4,458,942	5,600,000	938,126	13,017,000	49,841,063	68,602,407
$33,356,900	**$29,578,319**	**$55,547,509**	**$81,417,905**	**$9,129,752**	**$49,479,760**	**$366,017,495**	**$247,348,399**

Continued

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

Minnesota Housing Finance Agency

Balance Sheet

June 30, 1977 with comparative combined total as of June 30, 1976, Continued

Liabilities and fund balances	Housing Development Fund: Appropriated Accounts	Housing Development Fund: General Reserve Account	Housing Development Fund: Construction Loan	Housing Development Fund: Multi-Family Housing	Housing Development Bonds
Liabilities payable from unrestricted assets:					
Bonds payable, less reserves funded from bond proceeds				$27,340,697	$42,704,323
Notes payable			$7,240,000		
Interest payable			186,278	971,814	1,658,718
Deferred income		$ 728,753			
Accounts payable		118,067			
		846,820	7,426,278	28,312,511	44,363,041
Liabilities payable from restricted assets:					
Bonds payable, debt service reserve				2,484,303	3,525,677
Bonds payable, other reserves					
Notes payable					
Escrow reserve accounts		2,446,511			
		2,446,511		2,484,303	3,525,677
Total liabilities		3,293,331	7,426,278	30,796,814	47,888,718
Fund balances:					
Unrestricted	$ 84,831	783,731	394,205	232,424	(206,761)
Restricted:					
Reserve for debt service and bond redemption premiums:					
Home improvement	301,874				
Multi-family and single family	3,190,939				
Home improvement loans	3,795,388				
Home improvement grants	1,417,632				
Native American Program	2,926,561				
Basic Homes	5,059,962				
Research	121,423				
	16,813,779				
Total fund balances	16,898,610	783,731	394,205	232,424	(206,761)
Total liabilities and fund balances	**$16,898,610**	**$4,077,062**	**$7,820,483**	**$31,029,238**	**$47,681,957**



1977

Program Funds

Housing Development Notes	GNMA	Single Family Housing	Home Mortgage	Home Improvement	State Assisted Home Improvement	Combined Total - Memorandum Only	1976 Combined Total - Memorandum Only
	$27,368,275	$49,445,058	$74,400,000	$7,795,000	$35,608,000	$264,661,353	$114,258,972
$33,000,000						40,240,000	57,040,903
177,237	535,288	1,384,016	1,508,907	240,864	659,140	7,322,262	5,084,585
						728,753	69,672
	3,136				28,484	149,687	44,473
33,177,237	27,906,699	50,829,074	75,908,907	8,035,864	36,295,624	313,102,055	176,498,605
	556,725	3,919,942	5,600,000	675,000	3,522,000	20,283,647	7,676,028
					435,000	435,000	
							24,309,097
						2,446,511	906,259
	556,725	3,919,942	5,600,000	675,000	3,957,000	23,165,158	32,891,384
33,177,237	28,463,424	54,749,016	81,508,907	8,710,864	40,252,624	336,267,213	209,389,989
179,663	1,114,895	259,493	(91,002)	155,762	167,136	3,074,377	2,247,387
				263,126	435,000	1,000,000	1,000,000
		539,000				3,729,939	3,227,346
					8,625,000	12,420,388	12,107,619
						1,417,632	9,083,322
						2,926,561	5,045,477
						5,059,962	5,045,442
						121,423	201,817
		539,000		263,126	9,060,000	26,675,905	35,711,023
179,663	1,114,895	798,493	(91,002)	418,888	9,227,136	29,750,282	37,958,410
$33,356,900	**$29,578,319**	**$55,547,509**	**$81,417,905**	**$9,129,752**	**$49,479,760**	**$366,017,495**	**$247,348,399**

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, 1977 with comparative combined total for the year ended June 30, 1976

	Housing Development Fund				
	Appropriated Accounts	General Reserve Account	Construction Loan	Multi-Family Housing	Housing Development Bonds
Revenues					
Interest income on GNMA securities and mortgage and construction loans		$ 15,411	$369,781	$2,267,220	$ 941,688
Mortgage loan discounts					
Fee income		854,609		566	255
Income (interest and gains and losses, net) on temporary investments	$1,332,805	53,012	444,139	1,369,550	1,422,777
Miscellaneous income		3,530		175	
Total revenues	1,332,805	926,562	813,920	3,637,511	2,364,720
Expenses					
Interest			570,898	3,344,662	2,557,925
Amortization of deferred financing costs				25,948	20,781
Amortization of deferred loan origination costs					
Professional and other contracted services		381,858			
Salaries		975,793			
General and administrative		282,887		6,322	
Provision for loan losses					
Total expenses		1,640,538	570,898	3,376,932	2,578,706
Revenues over (under) expenses	**$1,332,805**	**$ (713,976)**	**$243,022**	**$ 260,579**	**$ (213,986)**



1977

Program Funds

Housing Development Notes	GNMA	Single Family Housing	Home Mortgage	Home Improvement	State Assisted Home Improvement	Combined Total - Memorandum Only	1976 Combined Total - Memorandum Only
	$1,701,490	$3,833,566	$ 3,942	$548,556	$ 810,368	$10,492,022	$ 7,280,622
		141,955	492			142,447	140,432
						855,430	512,033
$1,066,400	139,149	548,497	1,304,006	101,980	555,684	8,337,999	4,037,817
					13,392	17,097	41,056
1,066,400	1,840,639	4,524,018	1,308,440	650,536	1,379,444	19,844,995	12,011,960
886,737	1,564,020	3,932,611	1,368,593	545,431	1,031,842	15,802,719	10,421,767
	26,048	57,982	30,849	28,746		190,354	126,078
				32,956	43,823	76,779	9,300
	7,634	171,743		66,550	126,643	754,428	374,056
						975,793	614,265
				1,111		290,320	185,499
		12,000		16,000	10,000	38,000	
886,737	1,597,702	4,174,336	1,399,442	690,794	1,212,308	18,128,393	11,730,965
$ 179,663	**$ 242,937**	**$ 349,682**	**$ (91,002)**	**$(40,258)**	**$ 167,136**	**$ 1,716,602**	**$ 280,995**

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, 1977 with comparative combined total for the year ended June 30, 1976

	Housing Development Fund				
	Appropriated Accounts	**General Reserve Account**	**Construction Loan**	**Multi-Family Housing**	**Housing Development Bonds**
Unrestricted fund balances beginning of year	$ 50,677	$ 368,177	$151,183	$ 159,203	
Revenues over (under) expenses	1,332,805	(713,976)	243,022	260,579	$(213,986)
Inter-fund transfers:					
Transfer of surplus amounts of investment earnings to Housing Development Fund		381,491		(180,133)	
To (from) multi-family funds				(7,225)	7,225
Transfer of earnings on 1976 appropriation from State of Minnesota to restricted fund balance	(1,298,651)				
Transfer from Appropriated Accounts		748,039			
Transfer (to) from restricted fund balance					
Unrestricted fund balances, end of year	84,831	783,731	394,205	232,424	(206,761)
Restricted fund balances, beginning of year	35,247,897				
Appropriation from State of Minnesota					
Transfer of earnings on 1976 state appropriation from unrestricted fund balances	1,298,651				
Inter-fund transfer to State Assisted Home Improvement Program Funds	(9,060,000)				
Native American disbursements	(2,342,362)				
Home improvement grants	(7,582,368)				
Transfer (to) General Reserve Account	(748,039)				
Transfer to (from) unrestricted fund balance					
Restricted fund balance, end of year	16,813,779				
Total fund balances, end of year	**$16,898,610**	**$ 783,731**	**$394,205**	**$ 232,424**	**$(206,761)**



1977

Program Funds

Housing Development Notes	GNMA	Single Family Housing	Home Mortgage	Home Improvement	State Assisted Home Improvement	Combined Total - Memorandum Only	1976 Combined Total - Memorandum Only
	$1,073,316	$ 248,811		$196,020		$ 2,247,387	$ 1,908,690
$179,663	242,937	349,682	$(91,002)	(40,258)	$ 167,136	1,716,602	280,995
	(201,358)						
						(1,298,651)	(311,023)
						748,039	
		(339,000)				(339,000)	368,725
179,663	1,114,895	259,493	(91,002)	155,762	167,136	3,074,377	2,247,387
		200,000		263,126		35,711,023	1,568,725
							34,200,000
						1,298,651	311,023
					9,060,000		
						(2,342,362)	
						(7,582,368)	
						(748,039)	
		339,000				339,000	(368,725)
		539,000		263,126	9,060,000	26,675,905	35,711,023
$179,663	**$1,114,895**	**$ 798,493**	**$(91,002)**	**$418,888**	**$9,227,136**	**$29,750,282**	**$37,958,410**

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, 1977 with comparative combined total for the year ended June 30, 1976

	Housing Development Fund				
Sources	**Appropriated Accounts**	**General Reserve Account**	**Construction Loan**	**Multi-Family Housing**	**Housing Development Bonds**
From operations:					
Revenues over (under) expenses	$ 1,332,805	$ (713,976)	$ 243,022	$ 260,579	$ (213,986)
Amortization of loan discounts, bond premiums and issuance costs, net				2,363	20,781
Depreciation		6,562			
Changes in accounts:					
Receivables, interest and other	(45,648)	(77,602)	(3,424)	189,342	(465,992)
Allowance for loan losses					
Deferred loan origination costs					
Interest payable			(371,527)	(200,915)	533,724
Deferred income		659,081			
Accounts payable		73,594			
Cash and temporary investments provided from operations	1,287,157	(52,341)	(131,929)	251,369	(125,473)
Transfers from (to) other funds	(9,890,200)	1,211,691		(24,589,172)	24,409,039
Principal repayments on loans	5,070	431	8,361,428	24,047	204
Increase in escrow reserve accounts		2,242,149		(701,897)	
Proceeds from sale of bonds and notes			10,465,000		45,043,850
Appropriation, State of Minnesota					
Total	(8,597,973)	3,401,930	18,694,499	(25,015,653)	69,327,620
Uses					
Purchase of loans	4,210,347		3,593,943	15,822,851	18,832,940
Repayments of bonds and notes payable			26,225,000	24,970,752	33,379,248
Purchase of furniture and fixtures		28,933			
Native American disbursements	2,342,362				
Home improvement grants	7,582,368				
Total	14,135,077	28,933	29,818,943	40,793,603	52,212,188
Increase (decrease) in cash and temporary investments	(22,733,050)	3,372,997	(11,124,444)	(65,809,256)	17,115,432
Cash and temporary investments, beginning of year	35,078,137	556,775	14,894,732	69,919,647	
Cash and temporary investments, end of year	$ 12,345,087	$3,929,772	$ 3,770,288	$ 4,110,391	$17,115,432
Cash and temporary investments consist of:					
Unrestricted	73,456	1,483,261	3,770,288	1,626,088	13,589,755
Restricted	12,271,631	2,446,511		2,484,303	3,525,677
	$ 12,345,087	**$3,929,772**	**$ 3,770,288**	**$ 4,110,391**	**$17,115,432**



1977

Program Funds

Housing Development Notes	GNMA	Single Family Housing	Home Mortgage	Home Improvement	State Assisted Home Improvement	Combined Total - Memorandum Only	1976 Combined Total - Memorandum Only
$ 179,663	$ 242,937	$ 349,682	$ (91,002)	$ (40,258)	$ 167,136	$ 1,716,602	$ 280,995
	(55,546)	(285,485)	(69,051)	(26,429)		(413,367)	(440,701)
						6,562	4,565
(363,568)	(3,170)	(245,379)	(397,854)	(13,736)	(324,341)	(1,751,372)	(434,642)
		12,000		16,000	10,000	38,000	
				32,730	(437,527)	(404,797)	(162,874)
177,237	(28,151)		1,508,907	(16,724)	659,140	2,261,691	1,534,058
						659,081	69,672
	3,136	(24,014)			28,484	81,200	5,499
(6,668)	159,206	(193,196)	951,000	(48,417)	102,892	2,193,600	856,572
	(201,358)				9,060,000		
	2,119,954	3,365,077	478	1,028,985	1,476,304	16,381,978	20,565,822
						1,540,252	906,259
33,000,000			79,124,593		39,565,000	207,198,443	89,375,348
							34,200,000
32,993,332	2,077,802	3,171,881	80,076,071	980,568	50,204,196	227,314,273	145,904,001
		1,084,835	1,838,903	7,927	28,224,495	73,616,241	53,635,627
	1,230,000	605,000		515,000		86,925,000	15,550,000
						28,933	17,848
						2,342,362	
						7,582,368	
	1,230,000	1,689,835	1,838,903	522,927	28,224,495	170,494,904	69,203,475
32,993,332	847,802	1,482,046	78,237,168	457,641	21,979,701	56,819,369	76,700,526
	2,083,854	8,728,197		1,808,709		133,070,051	56,369,525
$32,993,332	$2,931,656	$10,210,243	$78,237,168	$2,266,350	$21,979,701	$189,889,420	$133,070,051
32,993,332	2,374,931	5,751,301	72,637,168	1,328,224	17,587,701	153,215,505	64,679,534
	556,725	4,458,942	5,600,000	938,126	4,392,000	36,673,915	68,390,517
$32,993,332	**$2,931,656**	**$10,210,243**	**$78,237,168**	**$2,266,350**	**$21,979,701**	**$189,889,420**	**$133,070,051**

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

Notes to Financial Statements

1/Authorizing Legislation and Funds:

Authorizing legislation:

The Minnesota Housing Finance Agency was 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 $900,000,000. 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:

General Reserve Account

This account, 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.

Appropriated Accounts

These accounts are established to account for appropriations from the state legislature which are to be used for specified purposes. The Agency has received the following appropriations:

1974 - $1,000,000 to establish a debt service reserve fund for the security of home improvement bonds and notes.

1976 - $34,200,000 to be used for the following purposes:

- $21,000,000 for rehabilitation grants and low interest rehabilitation loans.
- $5,000,000 for establishing a revolving loan fund to develop housing for occupancy by Native Americans.
- $5,000,000 for establishing a revolving loan fund for financing low income purchases of low cost basic homes.
- $3,000,000 for deposit in a debt service account to be allocated by the Agency as security for bonds and notes.
- $200,000 for various research projects requested by the legislature.

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 construction loans disbursed from such proceeds. Loans must be insured by the Federal Housing Administration.

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, the debt service requirements of the bond and note indebtedness, and for construction and permanent mortgage loans on eligible multi-family developments being financed from the bond and note proceeds.

Housing Development Program Funds (Bonds and Notes):

These funds, established under the Housing Development Bond Resolution adopted September 30, 1976, are prescribed for accounting for the proceeds from the sale of Housing Development Bonds and Housing Development Bond Anticipation Notes, the debt service requirements of the bond and note indebtedness, and for construction and permanent mortgage loans on eligible multi-family developments being financed from the bond and note proceeds.

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, the reserve for possible bond redemption premiums, and Government National Mortgage Association (GNMA) mortgage-backed securities purchased with the bond proceeds.

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, the debt service requirements of the bond indebtedness, and for mortgage loans on eligible single family housing being financed from bond proceeds. Loans must be insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

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, the debt service requirements of the bond indebtedness, and for eligible loans (insured by the Federal Housing Administration under Title I of the National Housing Act) for the rehabilitation of existing residential housing financed from bond proceeds.

State Assisted Home Improvement Program Funds:

These funds, established under the State Assisted Home Improvement Bond Resolution adopted July 27, 1976, are prescribed for accounting for the proceeds from the sale of the State Assisted Home Improvement Bonds, the debt service requirements of the bond indebtedness, and for eligible loans insured by the Federal Housing Administration under Title I of the National Housing Act for the rehabilitation of existing residential housing financed from bond proceeds.

Home Mortgage Program Funds:

These funds, established under the Home Mortgage Bond Resolution adopted February 17, 1977, are prescribed for accounting for the proceeds from the sale of the Home Mortgage Bonds, the debt service requirements of the bond indebtedness, and for mortgage loans on eligible single family housing being financed from bond proceeds.

Continued

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 amortized cost or market. At June 30, 1977, the cost of temporary investments approximated quoted market values. Permanent investments in GNMA securities are carried at cost. Construction and permanent loans are recorded as amounts are disbursed.

Mortgage loan discounts and premiums:

Discounts or premiums from the purchase of mortgages at other 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 in which the related loans are processed. 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:

Issuance costs, premiums and discounts on bonds and other obligations 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:

Provisions for possible loan losses are made through charges against operations based on a periodic evaluation of the loan portfolios. Actual losses that may occur will be charged against such valuation reserves.

Grants:

Grants made under appropriations from the state legislature for home improvements and the Native American program are charged directly to the applicable restricted fund balance.

Interfund transfers:

The Agency may transfer surplus amounts of investment earnings from Program Funds (except State Assisted Home Improvement Program Funds) to the General Reserve Account in the Housing Development Fund. To the extent of available funds, the Agency may transfer to the General Reserve Account from the State Assisted Home Improvement Program Funds an annual amount not to exceed ½% of the bonds outstanding as reimbursement for the costs of administering the program. All interfund transfers are approved by the Board of Directors.

Transfers from appropriated accounts:

The Agency may charge the State Appropriation Accounts for the direct and indirect costs of administering the programs funded by the appropriations. Amounts covering such charges are regularly transferred from the State Appropriated Accounts to the General Reserve Account as interfund transfers.



3/Bonds Payable:

Bonds payable consist of

	Aggregate Principal Amount	
Multi-Family Housing Program Funds:		
1975 Series A, 7% to 9% interest, maturing in scheduled annual installments from February 1, 1978 to February 1, 1998 and on February 1, 2017, subject to redemption after various dates at prices ranging from 103 to 100	$18,640,000	
1976 Series A, 5.7% to 7% interest, maturing in scheduled annual installments from February 1, 1979 to February 1, 1998 and on February 1, 2018, subject to redemption after various dates at prices ranging from 103 to 100	11,185,000	
	$29,825,000	
Housing Development Program Funds:		
1976 Series A, 4.2% to 7.25% interest, maturing in scheduled annual installments from February 1, 1979 to February 1, 1999 and on February 1, 2006 and February 1, 2018, subject to redemption after various dates at prices ranging from 103 to 100	18,700,000	
1976 Series B, 4.1% to 7.25% interest, maturing in scheduled annual installments from February 1, 1979 to February 1, 1996 and on February 1, 2019, subject to redemption after various dates at prices ranging from 103 to 100	27,530,000	
	$46,230,000	
GNMA Program Funds:		
1973 Series A, 5.25% to 8% interest, maturing in scheduled semiannual installments from September 1, 1977 to September 1, 1983 and on September 1, 2004, subject to redemption after various dates at prices ranging from 102 to 100	**$27,925,000**	
Single Family Housing Program Funds:		
1974 Series A, 7% to 10% interest, maturing in scheduled annual installments from September 1, 1977 to September 1, 1984 and on September 1, 1989, September 1, 1994 and September 1, 2006, subject to redemption after various dates at prices ranging from 103 to 100		**$53,365,000**
Home Mortgage Program Funds:		
1977 Series A, 4.6% to 8% interest, maturing in scheduled annual installments from January 1, 1979 to January 1, 1997 and on January 1, 2008, subject to redemption after various dates at prices ranging from 103 to 100		**$80,000,000**
Home Improvement Program Funds:		
1975 Series A, 6% to 7.5% interest, maturing in scheduled annual installments from February 1, 1978 to February 1, 1988, subject to redemption after various dates at prices ranging from 101¼ to 100		**$ 8,470,000**
State Assisted Home Improvement Program Funds:		
1976 Series A, 4.9% to 7% interest, maturing in scheduled annual installments from February 1, 1978 to February 1, 1989, subject to redemption after various dates at prices ranging from 101¼ to 100		15,895,000
1977 Series A, 3.5% to 6.5% interest, maturing in scheduled annual installments from February 1, 1979 to February 1, 1990, subject to redemption after various dates at prices ranging from 101¼ to 100		23,670,000
		$39,565,000

Continued

Bonds Payable, continued

The income and assets of each of the groups of program funds listed above are pledged for the payment of principal and interest on the bonds issued and to be issued by the respective programs. Interest on all outstanding bonds is payable semiannually.

Amounts of bonds maturing in the five years subsequent to June 30, 1977 are as follows:

Program Funds	1978	1979	1980	1981	1982
Multi-Family Housing	$ 70,000	$ 140,000	$ 150,000	$ 155,000	$ 170,000
Housing Development		240,000	655,000	755,000	795,000
GNMA	1,035,000	1,155,000	1,220,000	1,240,000	1,165,000
Single Family Housing	1,190,000	1,675,000	1,930,000	2,095,000	2,125,000
Home Mortgage		1,270,000	1,665,000	2,750,000	3,955,000
Home Improvement	630,000	725,000	770,000	795,000	800,000
State Assisted Home Improvement	1,490,000	3,790,000	4,155,000	4,380,000	4,465,000

4/Notes Payable:

Notes payable consist of:

	Interest Rates	Maturity Date	Aggregate Principal Amount
Construction Loan Program Funds: Series 5	3.25%	Sep 15, 1977	**$ 7,240,000**
Housing Development Program Funds: Series 1	4.30%	May 15, 1978	**$33,000,000**

The assets of the funds are pledged as collateral for the payment of principal and interest on the notes. Interest on the Series 5 notes is payable at maturity. Interest on the Series 1 notes is payable semiannually.



5/Commitments:

At June 30, 1977, the Agency was committed to (a) provide the remaining balance on interim construction mortgage loans aggregating approximately $550,000; (b) provide mortgage financing on multi-family mortgage loans aggregating approximately $66,000,000; (c) purchase single family mortgage loans under the affordable homes program aggregating approximately $250,000; (d) purchase single family mortgage loans under the Home Mortgage Program aggregating approximately $70,000,000; (e) make home improvements grants aggregating approximately $1,000,000; and, (f) pay from the Housing Development Fund $35,000 for the rental of office space.

6/Subsequent Events:

In July 1977, the Agency issued $59,590,000 of Housing Development Bonds, 1977 Series A, the proceeds of which will be used to finance the construction of 30 apartment developments. The bonds bear interest at rates ranging from 3.75% to 6.25% payable semiannually, and mature in scheduled annual installments from February 1, 1980 to February 1, 1997 and on February 1, 2020.

In July 1977 the Agency received a $40,000,000 appropriation from the state legislature to be used for the following purposes:

- $21,500,000 for rehabilitation grants.
- $10,000,000 for low interest rehabilitation loans.
- $7,500,000 for interest-free loans to persons purchasing homes.
- $1,000,000 for innovative development and rehabilitation loans.

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, 1977 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, 1977 and the results of their operations and changes in their 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.

Coopers & Lybrand
Certified Public Accountants

St. Paul, Minnesota
August 12, 1977



Board Members

Demetrius G. Jelatis, Chairman - Term expires January 1, 1981 -
Vice President & Technical Director of Research, Central Research Laboratories, Inc., Red Wing

Peter L. Vanderpoel, Vice Chairman - State Planning Director, St. Paul

Robert W. Mattson, Secretary - State Auditor, St. Paul

Carmen Del Castillo, Member - Term expires January 1, 1979
Para-Legal, Ramsey County Legal Assistance

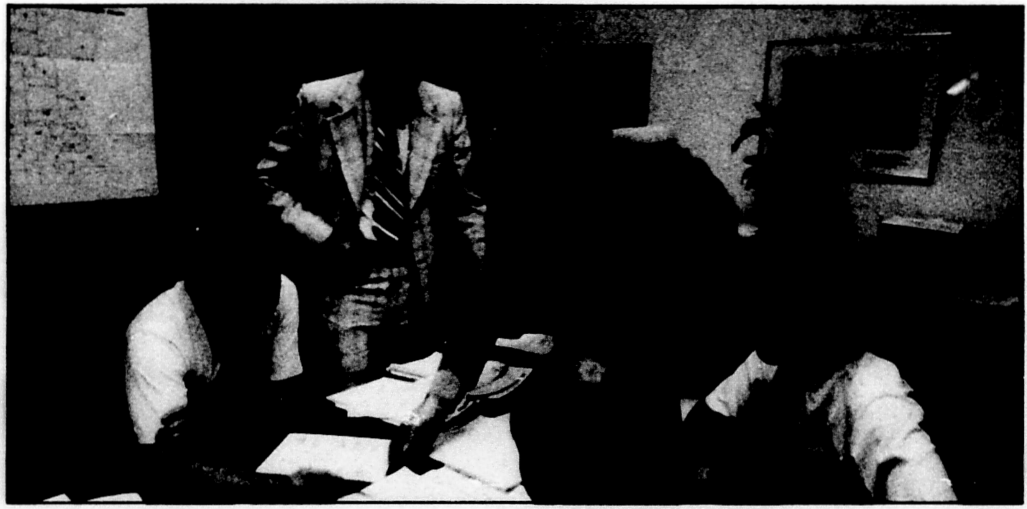
Reverend Lawrence C. Gavin, Member - Term expires January 1, 1980
Pastor, Church of St. Edward, Austin

Mark Kaplan, Member - Term expires January 1, 1982
Alderman, City of Minneapolis

James C. Price, Member - Term expires January 1, 1981
Director of Office of Career Development, University of Minnesota, Duluth

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