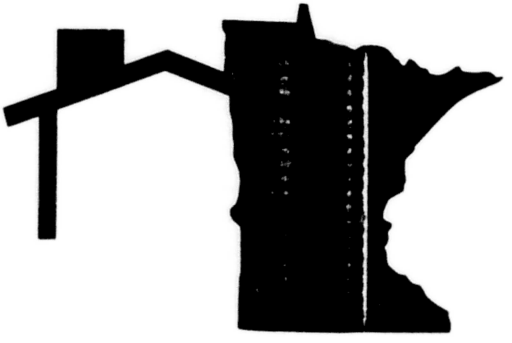
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ORIENTATION MANUAL

Minnesota Housing Finance Agency



state govt - dept. agency

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MINNESOTA HOUSING FINANCE AGENCY

The Challenge and the Opportunity

In beginning your career with the Minnesota Housing Finance Agency, you are an important member of a team. As a part of that team, you have responsibilities and obligations as an employee of the people of Minnesota whom you serve.

A new position always represents a challenge, to you as well as to your new associates, and whether this challenge develops into an opportunity as a truly rewarding experience depends upon a number of important factors. The object of this Orientation Manual is to try to explain these factors in relationship to you and your position and in relationship to you and your future with the Minnesota Housing Finance Agency.

We believe the Minnesota Housing Finance Agency can provide you with the most interesting, creative, and challenging position in State Government. To serve an expanding need for an effective housing delivery system with devoted attention to supplementing the mortgage needs of Minnesota will continue to be the Agency's goal. Progress toward that goal, in large measure, will depend upon the attitudes we apply to the job at hand. When our attitude toward our work and our fellow workers continues at a high level, there is no limit to our future. We are and will continue to be an important agency in molding public and private sector housing policies and developing an efficient housing delivery system for Minnesota, a resource that will provide financing for decent, safe and sanitary housing for low and moderate income persons and families.

We have designed this manual specifically for you. Read it carefully. It can be a key to a rich, satisfying time in your life and the challenge and opportunity you've been waiting for. In addition, this manual has been prepared as a guide for you as an explanation of the rules, regulations and procedures which govern both Agency and State employment practices. Retain this manual as a handy reference. Seek the advice of your supervisor or other designated Agency personnel when you have questions beyond the scope of this manual.

We hope this manual symbolizes for you the role you will play in housing and the growth of a dynamic agency, the Minnesota Housing Finance Agency.

Welcome aboard!

I. STATE HOUSING AGENCY'S PLACE IN THE HOUSING AND MORTGAGE MARKET

1.1 Introduction

The type, quality and quantity of housing annually produced in the United States is directly affected by two dependent variables. The primary variable that affects the housing industry and the production of housing in the country is the supply of mortgage credit at reasonable rates. The second variable that affects the production of housing is federal housing policies.

Historically, the nation's major suppliers of residential mortgage credit have been financial institutions such as savings and loan associations, savings banks, and commercial banks. When credit supply and demand are in good balance and when savings deposits are plentiful, residential mortgage funds are plentiful. However, during periods of a credit shortage, when interest rates rise substantially, primary mortgage lenders usually sharply reduce the volume of their mortgage lending activities.

Significant differences also exist in the supply of mortgage money relative to demand in various parts of the country. This is true even within a state or a major metropolitan area or local community. This on-again, off-again flow of funds of the housing industry is considered to be one of the main reasons for the housing industry's general instability. Consequently, a substantial rise in interest rates tends to result in a substantial reduction in the supply and demand for mortgage credit, especially for persons and families of low and moderate income.

State housing finance agencies in the past 15 years have been able to some degree to stabilize the availability and distribution of below market interest rate mortgage credit for low and moderate income families. State housing finance agencies have earned the reputation of providing high quality, efficient processing. During HUD's 236 Subsidized Program, state agencies financed 25% of all 236 projects. State agencies have taken a very active role in the development process, resulting in quality construction and effective public sector housing policies. Through a combination of federal and state resources, regional planning, and local community practices, state housing finance agencies have developed a viable mortgage financing resource that has effectively produced economies of scale on a state and local basis. The state housing agencies tend to help stabilize the wide fluctuations in the availability of mortgage credit and thereby assist in decreased unemployment and restoration of consumer confidence.

1.2 Council of State Housing Agencies

In 1973, the Council of State Housing Agencies (CSHA) was formed during an annual conference hosted by the Minnesota Housing Finance Agency. The purpose of the CSHA is to promote the common interests of state

housing finance agencies, business firms, and individuals who are concerned with state housing programs and activities. The Council of State Housing Agencies is limited to state housing finance or development agencies and at this time virtually all of the 33 state agencies belong. The Council also offers associate membership to investment banking and financial service firms, bond counsels, developers, and investors in private and public organizations involved in state housing programs.

The CSHA's activities include the dissemination of information on pertinent developments in Congress and the administration, a forum for the exchange and formulation of views by its membership, representation of those views before appropriate legislative and administrative bodies, basic data collection, a library of state housing agency documents and publications, program information, and direct technical assistance.

1.3 History: State Housing Finance Agencies

In the past fifteen years, phenomenal growth has occurred in the number of state housing finance agencies actively involved in mortgage financing and development of housing for low and moderate income persons and families across the country. At the beginning of 1970, only 11 states had operating agencies; by the end of 1974, 23 agencies were in operation. These were:

	Established	First Bond Issue
1. New York Housing Finance Agency	1960	1961
2. Michigan State Housing Development Authority	1966	1971
3. Massachusetts Housing Finance Agency	1966	1972
4. Illinois Housing Development Authority	1967	1972
5. New Jersey Housing Finance Agency	1967	1970
6. New York State Urban Development Corporation	1968	1971
7. West Virginia Housing Development Fund	1968	1971
8. Maine State Housing Authority	1969	1972
9. Missouri Housing Development Commission	1969	1971
10. New Jersey Mortgage Finance Agency	1970	1971
11. State of New York Mortgage Agency	1970	1970
12. MINNESOTA HOUSING FINANCE AGENCY	1971	1973
13. Alaska Housing Finance Corporation	1971	1972
14. Connecticut Housing Finance Authority	1971	1971
15. New York City Housing Development Corporation	1971	1972
16. Virginia Housing Development Authority	1972	1973
17. Kentucky Housing Corporation	1972	1973
18. Wisconsin Housing Finance Authority	1972	1974
19. Pennsylvania Housing Finance Agency	1973	1973
20. Rhode Island Housing & Mortgage Finance Corp.	1973	1974
21. South Dakota Housing Development Authority	1973	1974
22. Tennessee Housing Development Agency	1974	1974
23. Vermont Housing Finance Agency	1974	1974

In addition, under the impetus provided by the 1974 Housing and Community Development Act, 11 previously inactive agencies are involved in the implementation of their programs; these are Colorado, Delaware, Georgia, Hawaii, Idaho, Louisiana, Maryland, North Carolina, Ohio, Oregon, South Carolina.

The phenomenal growth of state agencies in the first half of this decade demonstrates the interest of state government to increase a previously passive state role in public sector housing policy. In addition, state government now recognizes that housing is fundamental to an individual's quality of life and represents an important sector of a state's social and economic system. The general health and welfare of communities depend on the availability of decent, safe and sanitary housing for all people. Better housing is fundamental to the solution of urban problems, industrial growth, and the conservation of land and energy.

1.4 General Administrative and Financing Structure of State Housing Agencies

The state housing agencies generally have been created as independent state agencies, able to operate with some administrative flexibility. At the same time, state agencies have almost universally been structured to be financially self-supporting. Normally they issue bonds to finance single and multi-family housing. While state governments have shown their willingness to support state agency programs, it has been necessary for each agency to maintain the ability to repay its bond holders from the revenues generated by its mortgage finance operations. This combination of administrative independence and financial responsibility has given state agencies a chance to innovate while, at the same time, requiring them to invest their funds carefully in revenue producing mortgages. In this sense the state housing agencies have some of the constraints and some of the strengths of private business operations.

1.5 Apartment Development

The core of the operations of state housing agencies involved in direct financing is bond-financed mortgage lending for construction of privately owned and operated multi-family developments.

Typically, state housing agencies invite development proposals from prospective developers, evaluate the proposals, agree to finance some of the proposed developments, and sell short-term tax exempt notes to finance construction and long term tax exempt bonds to finance the full term of the mortgage. Throughout this process, the state housing agency's central role is that of a mortgage lender but with additional concerns relating to project quality and operation. In other words, state housing agencies select and monitor their projects to assure the financial security of their bonds and foster the social interests of their state.

In this selection and monitoring process, many state housing agencies assume tasks normally associated with the developer as well as the mortgage lender. Most play an important role in reviewing or recommending sites while a few are even involved directly in site selection and acquisition. A review role is often played by state housing agencies in the selection of architects and builders and direct selection is carried out by a few agencies. Most state housing agencies are also involved in determining the unit distribution of projects and selecting non-housing ancillary facilities. Some state agencies have provided pre-closing financial assistance and others have obtained or helped obtain private equity investors for projects. Agencies have also obtained or helped sponsors obtain government approvals. During this process, most state housing agencies work closely with community leaders and groups in various aspects of planning, management, or sponsorship.

State housing agencies have been concerned with more than just producing a large volume of housing units. They have made a particular effort to produce developments of high quality and design. In part, the frequent emphasis on design is attributable to state agency concern about one basic fact of project economics: as the income of each project occupant rises, so does his rent. Consequently, unless a project offers particular attractions for persons with the economic means to select their housing freely, such people will tend to leave the project as their economic conditions improve, thus depriving the project and its neighborhood of valuable social stability and the federal government of an opportunity to reduce its subsidy burdens. For both of these reasons, state agencies facing the pressures of financial self-sufficiency have found good design and attractive projects essential elements of their programs.

Economic integration has been achieved in a vast number of projects. A mixture of market rate units, 236 subsidized, and public housing income levels has been achieved in state agency apartment developments. This directly contrasts with the typically 100% federally subsidized development.

1.6 Homeownership Mortgage Purchase

An increasing number of state agencies are making use of their tax exempt borrowing power to carry out indirect financing programs. The two major programs in use, mortgage purchase and loans to lenders, are designed to increase the amount of mortgage capital in the market and enable states to provide an inflow of funds in tight credit periods. Under both of these programs, the relatively lower interest rate achieved through tax exempt financing is passed on to the primary lender and ultimately to the borrower. These programs have special advantages for new state agencies since they can be implemented in a short time with only a small staff.

The Minnesota Housing Finance Agency pioneered a mortgage purchase program. Under the terms of a Mortgage Purchase Agreement, the Agency purchases from lenders below market interest rate FHA insured or VA guaranteed mortgages.

Under the loans to lenders program, a state finance agency may provide loans to mortgage lending institutions which, in turn, make residential loans, generally for single family housing. The interest rates are set by the state housing finance agency to cover the costs incurred so that an agency may be self-sustaining.

Controls over the lending institutions are also exercised in the program. For example, the state housing finance agency determines the type of housing (1 to 4 families), qualifications or characteristics of the residents who are recipients of the loans, the interest rate that lending institutions can charge, and the general location of the financed housing.

1.7 Other Programs and Characteristics of State Housing Agencies

Following are a few observations about the ways in which the past experiences of state housing agencies might be used in future federal programs. It is our feeling that the existing base of state expertise will be useful as one element of the new federal approach to housing assistance.

State housing agencies can be looked to for an important role in the new federal housing and community development programs because they have proven they can work effectively and creatively with both the federal and local governments. In the past, the expertise of the state housing agencies has proven of value in improving the efficiency of both the federal and local governments. The involvement of many state housing agencies in various aspects of the development process has enabled local HUD offices to spend less time on detailed processing and monitoring of individual projects. Some state housing agencies have also served as a vehicle for coordinating other federal and local effort by lending their expertise to local agencies attempting to utilize federal programs. In general local governments have received assistance from state housing agencies in planning, financing, research, and technical assistance. Other efficiencies have been achieved through a close coordination of state housing agency programs with state and regional agencies involved in planning, transportation, conservation, health, parks and recreation, welfare, etc.

II. MINNESOTA HOUSING FINANCE AGENCY HISTORY

2.1 Introduction

The Minnesota Housing Finance Agency was established by the 1971 session of the State Legislature with the capacity to issue up to $150 million in tax exempt agency revenue bonds for the purpose of financing housing intended for occupancy for persons and families of low and moderate income. In establishing the Agency, Minnesota became the 12th state in the country to take similar measures to increase the State's previously passive role in housing.

Interest in increasing the State's role in housing emanated primarily from the federal government which had sought and encouraged increased state roles in the financing of federally assisted housing programs. By combining federal subsidies with lower interest rates resulting from the tax exempt nature of the state housing agency bonds, more subsidized units could be developed with a fixed amount of subsidy dollars.

In June, 1973, the Minnesota Supreme Court opinion presented the Agency with a declaratory judgment stating that the Minnesota Housing Finance Agency Law 702 was constitutional and valid.

2.2 MHFA Program Activity Summary

MHFA is engaged in providing construction and/or permanent mortgage financing for the development of apartments to be occupied by persons and families of low and moderate income. The Agency is also engaged in providing mortgage financing to low and moderate income families to purchase new and existing single family homes.

The Agency's Home Improvement Loan Program is another source of capital. Basically, the Agency provides the financing on FHA Title I insured home improvement loans for upgrading and rehabilitating existing housing.

Finally, the Agency also administers three special programs in its housing production services. The first is the Basic Homes Program which is a research project on the design and a delivery system to provide low cost housing for low income rural families. The second program is the Developmentally Disabled Housing Program to assist disabled and handicapped individuals to obtain decent, safe and sanitary housing at reasonable prices. Under the third program, the Agency has also provided indirect apartment development construction loans. The Agency finances 90% of a construction loan with a private lender providing the remaining 10%. The Agency requires that the project must have a permanent financing commitment from the Government National Mortgage Association (GNMA) and the terms of the Agency's participation agreement are met.

2.3 Minnesota Housing Finance Agency Act

The Agency's Act is the legislation that empowers the Agency to initiate its responsibilities and authorities as a public agency with a public purpose. The Act provides for the appointment of a Board and the Executive Director and, among other things, further grants powers necessary for the continued operation of the Agency.

The Agency's Act details 24 major sections which are listed below For additional information, see "State Housing Finance Agency Act", Law 1971, Chapter 702, and Minnesota Housing Finance Agency Rules and Regulations.

1. Citation
2. Policy
3. Definitions
4. Housing Finance Agency
5. Specific Powers of the Agency
6. General Powers of the Agency
7. Additional Powers and Duties of the Agency
8. Bonds and Notes: Purposes, Terms, Approval
9. Bonds and Notes: Resolution Authorizing, Additional Terms, Sale
10. Bonds and Notes: Optional Resolution and Contract Provisions
11. Pledges
12. Bonds and Notes: Non-Liability of Individuals
13. Bonds and Notes: Purchase and Cancellation
14. Bonds and Notes: Non-Liability of State
15. State Pledge Against Impairment of Contracts
16. Default in Payments: Appointment of Trustee
17. Powers and Duties of Trustee
18. Monies of Agency, Functions of State Treasurer
19. Exemption from Taxes
20. Housing Development Fund: Creation, Sources
21. Housing Development Fund: Advances, Use, Repayment
22. Bond Fund
23. Construction of Act
24. Authorization of Appropriation

2.4 Rules and Regulations

The Rules and Regulations of the Agency complement the Act by providing specific instructions, policies, procedures, and requirements that must be met in relation to the Act.

2.5 MHFA Board

The policy making authority of the Agency is vested in the Board members in accordance with the provisions of the Act. The members of the Board are the State Planning Director, State Auditor, and five public members appointed by the Governor with the advice and consent of the Senate to four year terms. No more than two public

members shall reside in the area of jurisdiction of the Metropolitan Council, and no more than one public member shall reside in any one of the Regional Development Areas of the State. The chairman of the Board shall be designated by the Governor from among the public members appointed.

2.6 MHFA Homeownership Program

The Agency's Homeownership Loan Program is a single family mortgage purchase program. Basically, the Agency provides financing for FHA insured and VA guaranteed mortgage loans on new and existing single family residences to eligible citizens of the State of Minnesota at below market interest rates.

Financing is provided by the Agency through participating private lending institutions such as commercial banks, savings and loans, and mortgage bankers throughout the State. The Agency issues invitations to eligible mortgage lending institutions in the State to apply for mortgage commitments from MHFA. The Agency agreed to purchase from the lending institutions below market interest rate mortgages of eligible borrowers in accordance with its Homeownership Loan Program. Each lending institution was requested to submit a proposal for participation, stating the total dollar amount of commitment desired and the geographic area in which eligible loans would be made. Each proposal received by the Agency was reviewed and adjusted by the Agency and each lending institution was informed by the Agency of the acceptance of its proposal.

The lending institutions thereafter purchased the mortgage commitment from the Agency and executed the Homeownership Mortgage Purchase Agreement and Servicing Agreement to originate and service eligible mortgage loans to be purchased by the Agency. Each eligible mortgage was subject to Agency eligibility requirements as to borrower's adjusted gross income, interest rate, sale price, etc. The lending institution was required to originate eligible mortgage loans and deliver them to the Agency within a 12-month period. The Agency purchases the loans from the participating lenders at a predetermined purchase price.

The Agency's Homeownership Mortgage Purchase Program required the lending institution to originate single family loans to eligible individuals who had an adjusted gross income of not more than $16,000 and the sale price or appraised value of the property (whichever is greater) could not exceed $36,000 in any metropolitan county and $34,000 if located in a non-metropolitan county. The Agency's Homeownership Program will not refinance existing loans.

To date, 91 lenders throughout the State have participated in the program. The Agency has purchased or committed to purchase a total of $83.9 million in mortgage loans which represents 3,550 single family home loans.

2.7 MHFA Home Improvement Loan Program

The Agency's Home Improvement Loan Program is structured very similar to the Homeownership Loan Program. The program provides financing for the conservation and improvement of existing housing. The goal of the program is to provide below market interest rate loans to homeowners interested in improving the quality of their residences and encourage the stabilization and upgrading of existing neighborhoods. Home Improvement Loans are insured under Title I of the Department of Housing and Urban Development's FHA Insuring Program.

Homeowners will be able to make a broad range of eligible improvements including additions, interior remodeling, exterior work, plumbing, heating, electrical, and many other permanent improvements. All applications will be encouraged to consider energy saving items such as insulation, caulking and storm windows. Improvements must be basic and necessary items which make the home more habitable, general permanent improvements which increase the market value of the property or are directed at energy conservation in the home. Loan proceeds cannot be used to refinance existing mortgages or debts.

To qualify for a Home Improvement Loan, an applicant must be the owner of the property to be improved. Occupancy by the applicant is not required. The owner must have an annual adjusted gross income of not more than $16,000 and must be a reasonable credit risk with the ability to repay the loan obligation as determined by the lending institution. All properties to be improved shall be at least 15 years old or contain items which are hazardous to health and safety, be used primarily for residential purposes, contain no more than four dwelling units, and comply with all local zoning ordinances or other land use guides.

Maximum loan amount is $10,000 for property containing one dwelling unit and $5,000 per dwelling unit for property with two or four individual units. In Phase I of the Program from August, 1975, through February, 1976, 73 lenders are participating in the program with a total of over $8 million in funds committed.

2.8 MHFA Apartment Development Program

The major activity of the Apartment Development Program is the provision of construction and/or permanent financing for the development of apartments. Basically the Program is a direct loan program whereby the Agency directly provides a developer/sponsor (limited dividend partnership or non-profit corporation) construction and permanent financing for the construction of privately owned and operated multi-family apartment developments. The Agency generally will provide a 40-year mortgage on each project financed. The mortgage loan for a limited dividend partnership usually is based on 90%

of the total development costs. Non-profit corporations can obtain a 100% mortgage. In addition, the Apartment Development Program can provide financing for the rehabilitation of existing multi-family structures.

The primary thrust of the Program is the delivery of construction and permanent financing to stimulate the construction of housing for low and moderate income persons and families and provide the efficient delivery of Section 8 Contract Authority subsidies to tenants. Under Section 8, "Assisted Housing", of the 1974 Housing and Community Act, the MHFA receives housing subsidy set-asides and is able to contract directly with the Department of Housing and Urban Development for use in connection with Agency financed developments. The Agency's F.Y. 75 set-aside of $6 million of Section 8 Contract Authority will provide subsidy funds for approximately 1,800 to 2,000 rental units. The Agency allocation of these dollars is based on demand; however, we have set the following goal for the distribution of the funds:



$3 million, or 50% of the Contract Authority, will be reserved for the Twin Cities Metropolitan Area. $1 million will be reserved for the outstate SMSA's of Duluth, Moorhead, St. Cloud, and Rochester. The final $2 million will be for outstate non-metropolitan areas.

III. WORKING FOR THE MINNESOTA HOUSING FINANCE AGENCY

3.1 Introduction to Your Position

Your position is an essential link in a chain of jobs, duties, and responsibilities that make up the Minnesota Housing Finance Agency. Each position, each responsibility, is interrelated with all the others so the ultimate success of our Agency depends, to a certain extent, upon how well you get along on your position.

You have been carefully selected for your skills and personal characteristics that equip you to handle the position to which you have been assigned. As you move into the first few months in your position, you will receive on-the-job training. Your supervisor or department head will acquaint you with the Agency's way of doing business and will provide you with individual instruction, sometimes using prepared training materials. Your supervisor will be anxious to help you succeed and prepare you for a better position with the Agency in the future. Take your supervisor into your confidence and discuss your interests, goals, and problems. Every assistance and encouragement will be given to you to demonstrate your qualifications and abilities during this period.

Your work will be appraised regularly, not only as to the skill and efficiency you apply to your work, but also your attitude, how well you work with others, the amount of ingenuity you display, and the amount of responsibility you are willing to assume. All of these are taken into consideration in regular progress reviews upon which salary increases and promotions will be based.

The first four to six months of your employment, and when advancing to new positions by promotion, is an on-the-job "probationary period". This probationary period is, in fact, the final phase of the competitive examination process to prove through actual performance your capability indicated by the results of your examination. Interruption of the probationary period, such as for sickness or absence for other reasons, postpones the completion of the probationary period. Your supervisor's responsibility is to help you adjust as needed.

By the same token, it is a period for you to put your new position on trial, to decide whether the work is as you anticipated and if it suits your abilities and interests. It is a time to allow you to seek and get the assistance of your supervisor and analyze your reactions to the position. It is not a time to be apprehensive but rather a time to apply yourself and learn. A mutual period is common for everyone in a new employment situation, both in and out of State employment.

Upon satisfactory completion of probation, you are appointed to "permanent status" by your supervisor.

3.2 Benefits for You

We believe there is more to your position than just a day's work and the salary you receive from it. After all, we spend more time at work than anywhere else. It is the Agency's intent that your position is a rewarding, progressive experience containing the elements necessary to satisfy human needs and goals. The Minnesota Housing Finance Agency has been chosen as a place in which to build your career.

The economic rewards of your position can best be classified into two categories: Direct Benefits and Indirect Benefits.

The most obvious direct benefit is your salary. It is considered direct compensation because it is directly dependent upon your performance.

Indirect compensation involves economic rewards for membership in the organization rather than rewards for the performance of the work. It represents the non-monetary payments of benefits to employees ("fringe benefits"). We prefer not to use the term fringe benefits to describe these additional employee benefits because they now represent approximately 30% of each employee's base salary. As an MHFA employee, you receive the following indirect benefits:

Annual Leave	Workmen's Compensation
Sick Leave	Health & Hospitalization Insurance
Paid Holidays	Retirement Benefits
Employee Services	Deferred Compensation

Among the most often thought of indirect benefits are annual leave and sick leave. Accrual of both of these kinds of leave depends upon your length of service with the Agency.

3.3 Annual Leave

Your accrual rate of annual leave is pro-rated according to the number of hours you work. Annual leave is earned by regular employees from the date of employment but not credited until after the completion of the probationary period. The amount of vacation leave earned is tied to the length of your employment with the Agency. In other words, as a new employee, you are not eligible to take annual leave until you have satisfactorily completed your probationary period but you will be credited with the annual leave you earned during your probationary period. A new employee earns 4 hours of vacation leave each payroll period; an employee with 25 years of service earns 8 hours of annual leave per payroll period.

Annual leave may be accumulated up to a limit of 208 hours. This represents five weeks and one day of annual leave. Any leave earned after 208 hours has been reached will be cancelled and lost if not used. Employees who leave State service after completing six months of satisfactory service are paid in cash for unused annual leave.

Annual leave must be used in half hour increments and must be scheduled and approved by your supervisor. Remember, his responsibility and yours is to anticipate peak work loads and assure that vacation scheduling is compatible with insuring adequate staff for production functions.

Above all, it should be remembered that the employee has earned and is entitled to use annual leave.

3.4 Sick Leave

Unlike vacation leave, sick leave is a privilege and not a right. Sick leave is intended to be used when you are unable to work due to illness or disability. This includes illness or death in your immediate family and temporary disability due to pregnancy. Sick leave cannot be used for other purposes in lieu of vacation leave or leave without pay. All use of sick leave must be approved by your supervisor who may require a doctor's statement justifying extended periods of sick leave.

If you are employed full time, you accumulate sick leave at the rate of 4 hours per payroll period. Sick leave may be accumulated up to 800 hours. After 800 hours, you receive 2 hours per payroll period and this is placed in a lapsed sick leave bank to be used in case of extended illness. Unlike annual leave, unused sick leave is not paid for when you leave the Agency. This is because sick leave comes under the category of a privilege. Sick leave is a form of insurance against loss of pay for illness while you remain a member of the Agency staff. It is an important benefit that should not be abused.

3.5 Other Leaves

3.5.1 Leaves of absence with pay:

Jury Duty: If you are called for jury duty, to bear witness, in a court case involving the local, state or federal government, or are to appear in court in connection with your duties, you will receive a leave of absence with your regular pay for the time you are required to be absent. However, you are expected to report to work when not required in court.

Military Reserve Training: All State employees are eligible for military leaves of absence. If you are a member of a military service unit or the National Guard and are called to active duty, you are entitled to pay for up to 15 working days per year.

3.5.2 Leaves of absence without pay:

Extended illness: If you suffer a long illness, the Agency may grant you a leave of absence without pay until you have recovered.

Maternity leave: Maternity leave without pay will be granted upon request to a pregnant probationary or permanent classified employee for up to six months.

Military leave: If you are called into service in the armed forces, you can be given a military leave without pay not to exceed four years whil are are on active duty. While on duty, you will continue to earn seniority, annual leave, and sick leave. In order to return to your previous employee status, an application for reinstatement to your position must be made within 90 days of an honorable discharge. Upon reinstatement, you have the right to take any promotional examination you missed while on military leave.

3.6 Holidays

In addition to leave of absence, all State employees are entitled to nine paid holidays per year. Legal holidays and the days on which they will be observed are set by the Legislature. The most recent legislation provides the following specified holidays:

New Year's Day	January 1
Presidents' Birthdays	Third Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4
Labor Day	First Monday in September
Columbus Day	Second Monday in October
Veterans' Day	November 11
Thanksgiving	Fourth Thursday in November
Christmas	December 25

3.7 Life Insurance

As a new Agency employee, you will receive $5,000 worth of term life insurance at no cost to you. This coverage is yours as long as you are a State employee. After five years of State service, your coverage increases to $10,000. You also have the option to add up to $40,000 worth of additional life insurance. You may also purchase $2,000 worth of protection for each of your dependents and your spouse is eligible for additional coverage up to half the amount you carry. For additional details on employee life insurance programs, please contact the Employee Insurance Office.

3.8 Health Insurance

The rising costs of medical care make health insurance an increasingly valuable benefit. As a full time employee, you receive hospitalization and major medical insurance through group coverage at no cost. Dependent coverage can also be added optionally at reduced group rates payable through payroll deduction. As an Agency employee, you may choose between two prepaid medical plans: Blue Cross/Blue Shield of Minnesota or Group Health Plan, Inc. The major difference between the two plans is that Blue Cross/Blue Shield provides coverage for doctors and hospitals of your own choice while Group Health supplies services through participating medical centers and associated physicians.

Should you terminate employment, you may continue your health care coverage at your own expense for a period of six months or until re-employed, whichever occurs first. After six months, you may convert your group contract to an individual contract. You may also keep and convert your life insurance policy at your own cost should you terminate employment. Your life insurance continues without payment of premium if you must leave your job because of total and permanent disability while under the age of 60.

Life insurance and health care coverage are two basic insurance benefits you receive. The State provides three types of optional protection that you may purchase; these are short term salary continuance disability, long term salary continuance disability, and accidental death and dismemberment coverage.

For additional information and details on the health insurance plan, see your supervisor, the Agency's personnel officer, or the Employee Insurance Office.

3.9 Social Security and Minnesota State Retirement System

As required by law, you are automatically enrolled in the national Social Security Program with contributions deducted from each paycheck. The Agency matches your payments to the Program, dollar for dollar. In addition, you are a member of the Minnesota State Retirement System which augments your Social Security retirement income. Your contribution is matched by a like payment by the Agency to the Retirement Fund.

3.10 Deferred Compensation Plan

Establishment of a Deferred Compensation Plan for officers and employees of the State of Minnesota was authorized by the 1971 Legislature. The original plan had to be modified to meet IRS requirements, and approval of the modified plan was received from the IRS on August 18, 1972. A few modifications meeting IRS requirements were added for 1974. For additional information, contact your supervisor or the Agency Office Manager.

3.11 Workmen's Compensation

As an employee of the State, if you are injured on the job or suffer from an occupational disease that prevents you from working, you are entitled to Workmen's Compensation. Agency employees are eligible for Workmen's Compensation if they submit a claim within 90 days of the job-related injury. Benefits will include all reasonable and necessary medical expenses including doctor and hospital bills and rehabilitation therapy. Benefits fall into four categories: partial temporary disability, total temporary disability, permanent partial disability, and total permanent disability. Benefits are also available for retraining and in the case of death.

3.12 Job Classification

When we say "job classification", we mean groupings of basically similar positions. A job classification insures that equal pay scales exist for similar positions. It also provides that knowledge, skills, and abilities necessary to perform a particular type of work are known and understood. This information is also important because it serves as the basis for determining appropriate examinations for State positions. Additionally, a job classification system provides an orderly and consistent process for dealing fairly with the common personnel needs of State employees.

3.13 Classification Plan

The State's Classification Plan has been developed and maintained so that:

1. All positions substantially alike with respect to type, difficulty, and responsibility are inclueed in the same class compared with other positions in the State Government, if any.

2. The same means of recruitment may be used in filling all positions within a class.

3. The same schedule of pay may be applied with equity to all positions within a class.

Pursuant to Minnesota Statutes, the objective of the State's Compensation Plan is to adopt a salary schedule that constitutes an official wage and salary plan for all positions in the classified service. The Compensation Plan governs beginning salary, salary on promotion, salary on re-employment or reinstatement, salary increases. achievement awards, salary decreases, salary on transfer, salary on demotion, total remuneration, hourly rates, project employment, overtime pay, and severance pay.

3.14 Salary Compensation

For compensation purposes, the State assigns most of its job classifications into five salary schedules. Each schedule has a different method of salary increases and is made up of several salary ranges. All classifications fit into a specific salary range within the pay schedule. The schedules are:

Professional and Administrative Schedule (Schedule A)
Maintenance and Trades Schedule (Schedule B)
Clerical, Service and Technical Schedule (Schedule C)
Managerial Schedule
Special Teacher Schedule

3.14.1 Professional and Administrative Schedule (Schedule A)

There are from seven to nine steps in each salary range with progression through the ranges tied to satisfactory job performance. Progression increases are granted after each year of service until the midpoint of the range is reached. At that time, increases can be granted every other year. One step achievement awards based on above average performance are available to 30% of all employees in Schedule A.

3.14.2 Maintenance and Trades Schedule (Schedule B)

(Not applicable to MHFA employees.)

3.14.3 Clerical, Service and Technical Schedule (Schedule C)

Shorter ranges and more rapid progression characterize this schedule. With satisfactory performance, employees move into the second step after four months, to the third step on their anniversary date, and one step annually until the top of the range is reached.

3.14.4 Managerial Schedule

(Not applicable to MHFA employees.)

3.14.5 Special Teacher Schedule

(Not applicable to MHFA employees.)

3.15 Position Description

The Position Description maps out your territory in the overall picture of State service--your responsibilities, authority, and professional activities. Your Position Description is your personal contract with your supervisor in which you agree to assume certain responsibilities for which he delegates to you the authority. The Position Description consists of five basic parts: Position Purpose, Reportability and Dimension, Principal Responsibilities, Authority, and Nature and Scope.

Once a Position Description has been completed and approved, both you and your supervisor should retain a copy. The original and a carbon copy will be submitted to the Agency's Department of Personnel. The Personnel Department will retain the original and forward a copy to the State Department of Personnel.

Position Descriptions should reflect changes in the job. When duties are altered or the organization is restructured or simply in the course of the appraisal process, it may be obvious that the Position Description requires change. Also, new employees should rewrite existing Position Descriptions once they become acquainted with their work. This can readily be incorporated into the regular appraisal interview.

Remember, Position Descriptions are primarily used to review the request for job reallocation, promotability review, and the successful completion of a probationary period.

3.16 Performance Indicators

As the Position Description is the key to the performance appraisal system, Performance Indicators are the heart of the performance appraisal process.

A Performance Indicator is a measurable statement of a specific condition which will prevail, at a designated time in the future, if the responsibility is properly carried out. Performance Indicators are the heart of the appraisal process since they are completed by the employee and generate employee planning, lead to objective appraisal, and pinpoint areas in which employees could benefit from a development plan.

After the supervisor and employee have reviewed and approved the final draft of the Position Description, the employee will complete the Performance Indicators. Once these are finalized and reviewed with the supervisor, the Performance Indicators are entered on the appropriate Performance Appraisal form to be completed at the end of the appraisal period. The appraisal interview at the completion of the appraisal period will review the employee's accomplishments, strengths and weaknesses in relation to the Position Description and Performance Indicators. The employee and the supervisor will then revise the Position Description and Performance Indicators.

3.17 Performance Appraisals

The State's Performance Appraisal System is based on the Position Description and result-oriented performance standards. The system is designed to assist the employee to reach maximum potential and enhance the services provided by the State. The system requires:

1. A minimum annual performance appraisal between supervisor and employee.

2. Performance appraisals shall be made in writing, and both the employee and the supervisor shall retain a copy.

3. An official copy of the most recent performance appraisal shall be kept in your personnel file by the Agency.

4. Performance evaluation shall be based on the Position Description and result-oriented performance standards.

5. All salary increases, promotions, achievement awards, and demotions are based primarily on performance evaluations.

3.18 Examining and Recruiting

If you were an employer with over 23,000 employees, how would you go about putting together a system to help your employees advance? The State of Minnesota is that employer, and it is important to be aware of these systems so you are able to plan your career development and take advantage of opportunities for advancement.

Positions with the Agency or other types of State service are divided into classifications based on the level and nature of work plus the knowledge, skills and abilities necessary to perform the assigned duties.

Employees can be promoted to a new position only if they have passed the examination for the promotional class. Listings of examinations that are open for application are available in a number of places. It is to your advantage to check these listings regularly to insure you will be able to be considered for the positions that are of interest to you. Where can you find this information? "Minnesota Career Opportunities and State Promotional Opportunities" is published weekly by the Department of Personnel. State employees may apply for either competitive exams, which are open to anyone who wishes to apply, or for promotional exams, which are open only to current Agency or State employees.

IV. MHFA PERSONNEL RULES AND REGULATIONS

4.1 Rules of Conduct

4.1.1 Declaration of Policy

Integrity in State Government is not only the responsibility of executive officers, commissioners, and heads of State agencies but is also a responsibility of every employee. Standards contained herein set forth to be observed by State employees in the performance of their official duties are intended to eliminate conflicts of interest in public office, improve standards of public service, and promote and strengthen the faith and confidence of the people of Minnesota in their government. It is further intended this code shall serve not only as a guide for official conduct of the State's employees but also as a basis for disciplinary action.

4.1.2 Standards of Conduct for MHFA Employees

Except as otherwise authorized or provided by law, no officer or employee of the Agency should have any substantial interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligations of any nature which are in conflict with the proper discharge of his duties in the public interest.

Employees shall not use their positions with the Agency to secure any special privileges or exemptions for themselves.

Outside employment or business activities which may influence or impair the employee's judgment or quality of work are discouraged. Employees are obligated to advise their supervisors of actual or potential conflicts in this regard.

Employees shall not engage in business or professional activities which might require them to disclose confidential information.

Employees are encouraged to serve as members of boards of agencies or businesses. Any such appointment, however, should be reported to the employee's supervisor.

All employees are obligated to disclose to the Agency any acts which might constitute a conflict of interest or have an appearance of a conflict of interest.

Employees shall not directly or indirectly receive or agree to receive compensation, gifts, rewards, or other gratuities for any matter or proceeding conducted in their positions at the Agency. This would include meals, lodging, travel expenses, and Christmas or other seasonal gifts.

The rules of conduct herein above set forth shall be deemed conditions of employment with the Agency. Violations of these rules of conduct may constitute just cause for disciplinary action.

4.2 MHFA Office Management Policy

All Agency employees are expected to assure that all files and desks are locked at the end of each day.

Each employee is responsible to insure that his or her work product is secure at the end of each day.

All employees should make an effort to keep their work areas and conference rooms cleared and as neat as possible.

Employee questions or information with respect to personnel matters such as annual leave, sick leave, and overtime should be directed to your supervisor or the Agency's Office Manager.

All employee inquiries regarding the requisition of equipment, furniture, and other services should be directed to your immediate supervisor or the Agency's Office Manager.

4.3 MHFA Purchasing and Financial Control Policy

All contracts for outside professional services must be approved by the Executive Director, the Attorney General's office, and the Department of Administration.

All contracts, after approval, must be submitted to the Department of Finance with the proper encumbering documents and funds encumbered prior to the services being ordered and initiated as covered by the contract.

All purchases which are charged to the Agency must be supported by purchase orders.

All purchase orders must be approved in advance by your supervisor or the Office Manager and signed by the Executive Director.

All adjustments on any items ordered, including returned damaged items, must be handled by the Agency's Accounting Division. Under no circumstances should any staff member make adjustments.

4.4 The Work Week

An 8-hour day, 40-hour week is the regular schedule for all full time employees in classified positions at the Agency. Most employees work from 8:00 a.m. to 4:30 p.m. with one-half hour for lunch, Monday through Friday. However, work shifts sometimes vary depending on your individual position and the needs of the Agency. Whatever your schedule, it is based on a 40-hour work week and is established by your supervisor.

4.5 Overtime

Overtime is defined as all hours worked by eligible employees in excess of the established work day, before or after an employee's regularly scheduled shift, or on any regularly scheduled day of rest. All overtime to be compensable must be given and approved in advance by your immediate supervisor.

Overtime earned by eligible employees must be paid in cash no later than the payroll period next subsequent to the time when the overtime was worked. At the discretion of the Agency, overtime may be liquidated in the payroll period in which it is earned in the form of compensatory time at the rate of time and one-half hours for each hour of overtime worked.

For those employees who are in travel status away from MHFA offices and who are eligible for overtime compensation, time spent in travel outside regular working hours shall be compensable as overtime worked subject to a limitation of four hours per day after deducting normal home to work travel time.

4.6 MHFA Travel Policy

4.6.1 The Agency's policies relating to travel expenses of employees on State business are pursuant to Minnesota Statutes Section 43.8327, Subdivision 2 (see State of Minnesota Department of Personnel Travel and Relocation Policies).

4.6.2 All travel for the effective conduct of the Agency's business must be authorized. Such authorization shall be granted prior to the incurrence of the actual expense by an employee's immediate supervisor. If prior advance approval is not requested, the employee's expenses will not be reimbursed.

4.6.3 State-owned vehicles: The Agency encourages and recommends that employees use State-owned vehicles when on official Agency business. Privately owned vehicles may be used in situations where State-owned vehicles are not available or when the use of a State-owned vehicle would result in a greater cost to the State.

4.6.4 Commercial Transportation: State employees may travel instate and outstate by commercial transportation when authorized. All transportation shall be by coach class except where such space is not available. When an employee has a reservation and that reservation is not used, the employee shall be accountable for the cancellation of the reservation. Chartered transportation may be used when such charter service is more practical than commercial transportation.

4.6.5 Meals: Agency employees shall claim reimbursement only for the amount actually paid for meals and lodging when in travel status. The maximum allowable reimbursement amounts for meals is listed in the State of Minnesota Travel and Relocation Policies.

Reimbursement for meals may be made under the following circumstances:

1. Breakfast, provided that the employee leaves home before 6:00 a.m. and is away from his permanent or temporary station.
2. Dinner, provided such employee returns home after 7:00 p.m. and is away from his permanent or temporary station.
3. Employees may be reimbursed for noon meals if the employee is in a travel status. However, employees stationed in the seven county metropolitan area shall not be reimbursed for meals obtained in the seven county area except when properly authorized as a special expense. In other areas, the cost of the noon meal shall be reimbursed when the employee would not ordinarily have incurred such a cost if the employee is considered in travel status.

4.6.6 Lodging: The State has not fixed a specific amount for lodging. It is the responsibility of each employee to use good judgment in incurring lodging expenses. Charges must be reasonable and consistent with the facilities available.

4.6.7 Other Fees and Expenses:

Parking Fees: Employees shall be reimbursed on an actual expense basis for parking charges. Charges shall be necessary and reasonable and consistent with the facilities available. Each request for reimbursement shall include a receipt.

Telephone: Telephone calls between State offices and cities shall be made using the State telephone network if at all possible. When the State telephone is not available, employees should use the WATS lines if available. In cases where it is necessary to place long distance telephone calls, the employee should request the operator to bill the call to the home office telephone number. If an employee pays for a long distance call, reimbursement shall be obtained by using the employee's expense report.

Personal Expenses: Employees continuing in travel status in excess of one week may claim reimbursement for laundry or dry cleaning if the employee does not return home during the week. See Travel and Relocation Policies for allowable amounts.

Special Expenses: Any expenses not listed above are "special expenses". Special expenses require prior approval of the Executive Director or Deputy Director of the Agency.

4.6.8 Advances: The Agency may advance an estimated amount for meals, lodging, and registration fees to an employee who will be traveling on State business either instate or outstate. The advance of travel expenses may not exceed the maximum allowance permitted under State travel regulations.

4.7 Insurance

The Agency shall require proof of automobile insurance before approving private automobile mileage allowance. This coverage shall be in an amount not less than $50,000 for any one person and $100,000 for any one accident for personal injury and $10,000 for property damage. If the insurance provides a single sum limit for both injury and property damage, such coverage shall be in an amount not less than $100,000. It shall be the responsibility of the employee to immediately notify the Agency of any changes in insurance coverage on such employee's automobile liability coverage. Insurance coverage for personal aircraft is $50,000 for each passenger seat, $50,000 per person, and $150,000 per accident of public liability and bodily injury and $50,000 property damage.

4.8 Employee Expense Reports

For reimbursement of travel expenses, all employees must submit an Employee Expense Report (Form FIN 21, Rev. 7-75) by the first or the fifteenth of each month. If that day falls on a weekend or holiday, the first business day thereafter is the deadline to assure expeditious processing of expense reports.

Employee Expense Reports should be completed according to the instructions on the back of the form and must be submitted in triplicate. Each copy must be signed by the employee and include all receipts. It must be signed also by the employee's immediate supervisor.

4.9 Central Motor Pool

The Agency staff must conform to the policies and procedures of the State's Central Motor Pool when using State-owned vehicles.

All Motor Pool automobile requisitions must be ordered 24 hours prior to use. All expenditures incurred by the Agency for State-owned vehicles ordered and not cancelled or not returned on schedule will be the liability of the individual staff member.

All traffic summonses for violations incurred while using a State-owned vehicle are the responsibility of the staff member involved. An employee using a State-owned vehicle must not travel in excess of established speed limits.

An employee must use a State-owned vehicle for official business only. Use of State-owned vehicles for personal business or errands is strictly prohibited.

V. PUBLIC AND PRIVATE SECTOR RELATIONS

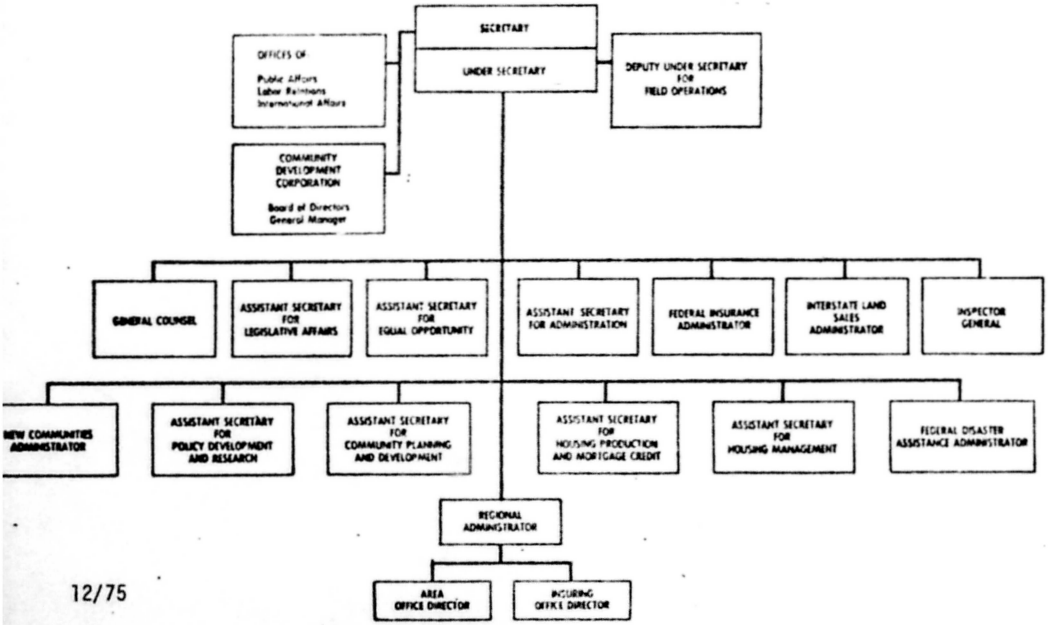
5.1 Introduction

The major feature of a state agency's operation is its ability to combine federal and state resources, regional planning, and local participation in the initiation of housing. In developing housing production to meet our public purpose, the Agency is involved with a number of federal, state, regional and local departments, agencies and offices as well as private industry. A brief description of the various departments and agencies that the MHFA deals with from day to day is contained herein.

5.2 Department of Housing and Urban Development

The overall purpose of the Department of Housing and Urban Development is to assist in providing the sound development of the nation's communities and metropolitan areas. HUD was created to administer principal programs which provide assistance for housing and the development of the nation's communities by assisting the President in achieving maximum coordination of the various federal activities which have a major impact on urban or suburban communities or metropolitan development.

HUD was established by the Department of Housing and Urban Development Act of 1965. However, the Department's origin dates to 1934 under the Federal Housing Administration (FHA). HUD is administered under the supervision of the Secretary who is responsible for the administration of all programs, functions, and authorities of the Department and advising the President on federal policy, programs and activities relating to housing and urban development.



The Department of Housing and Urban Development administers five basic programs including New Communities, Housing Production and Mortgage Credit, Housing Management, Policy Development and Research, and Federal Disasters. Although the MHFA operates directly with the HUD area office within the five pragmatic areas, we basically rely on HUD for mortgage insurance underwriting. Consequently, the Agency basically deals with Housing Production and Mortgage Credit and the Housing Management staff of the area office.

5.2.1 New Communities: The Community Development Corporation (CDC) was established within HUD to administer the New Communities Program. The CDC guarantees the obligation bonds or debentures that a developer issues to raise capital to acquire and develop land for a new community. This federal guarantee has the result of allowing developers to obtain financing on more favorable terms.

5.2.2 Housing Production and Mortgage Credit: The Assistant Secretary for Housing Production and Mortgage Credit, who is also the Federal Housing Commissioner, administers the programs and functions which assist in production and financing of housing and the conservation and rehabilitation of the housing stock. These programs include the insurance under the National Housing Act of mortgages and loans made by private lending institutions for the purchase, construction, rehabilitation, repair and improvement of single family and multi-family housing; the Low Rent Public Housing Program; and the Housing Ownership Assistance, Interest Reduction, Rent Supplement, and College Housing Programs. With respect to these programs, the functions assigned to the Assistant Secretary for Housing Production and Mortgage Credit are those required from pre-application through completion of construction and the execution and closing of the contract or mortgage or other credit financing instruments as well as actions which are a direct extension of the construction and production phases which may occur after final endorsement.

5.2.3 FHA Insurance: Mortgages and loans are insured under the terms of the National Housing Act on the purchase of single family housing, private residences, rental housing, cooperative housing, condominiums, and mobile homes. Mortgage insurance is also provided for housing for the elderly, nursing homes and intermediate care facilities, non-profit hospitals, and group medical facilities. Special programs are provided for loan and mortgage insurance for land development, mobile home parks, experimental housing, housing in urban renewal areas, armed services housing, single family housing for homeownership subsidized by interest assistance payments, and multi-family housing subsidized through interest assistance payments and rent supplements.

5.2.4 Mortgage Credit: The Assistant Secretary for Housing Production and Mortgage Credit also directs the administration of the Government National Mortgage Association (GNMA). The Association carries out the following programs of the Department in accordance with the general policies of the Secretary and Title III of the National Housing Act: Provsion of special assistance in the financing of eligible types of federally underwritten mortgages; mortgage backed security programs; the management and liquidation of the portfolio of mortgages held by GNMA; the management of the government mortgage liquidation trust, small business obligations trust, federal asset liquidation trust, and federal asset financing trust; and the guarantee of timely payments of principal and interest on such trust certificates or other securities as shall be backed by trusts or pools composed of mortgages insured by HUD or guaranteed by the Veterans Administration.

5.2.5 Housing Management: The Assistant Secretary for Housing Management administers the activities in the areas of assistance to local housing authorities in the management and modernization of low rent housing projects including support of resident and community services in these projects. Housing Management supervises HUD-insured and government-held mortgages for all mortgage insurance programs under the National Housing Act including nursing homes, intermediate care facilities, mobile homes and mobile home courts, hospitals, group practice facilities, and land development. In addition, Housing Management administers contracts for interest reduction and rent supplement, homeownership for low and moderate income families, operations and forebearance agreements, and the assignment of mortgages. Loans are serviced and managed for housing assisted by the Department's lending and granting programs; real and related property conveyed to or in the custody of the Secretary is managed, rehabilitated, rented, and disposed of through this division. Homeownership counseling is given to low and middle income families.

5.2.6 Field Offices: Field operations of the Department are carried out through a series of regional, area and insuring offices. The regional offices of the Department have boundaries and headquarters locations prescribed by the Secretary. Each regional office is headed by a regional administrator who is responsible to the Secretary or Under Secretary for the execution of the Department's programs assigned to his region and the overall management of the regional office.

Minnesota is in the jurisdiction of the Department's Region 5. The regional office is located at 300 South Wacker Drive, Chicago, Illinois. The regional office is responsible for administering six area offices and three insuring offices. Minneapolis-St. Paul area office is located at 1821 University Avenue, St. Paul, Minnesota 55104.

5.3 Veterans Administration

The Veterans Administration was established as an independent agency under the President by Executive Order 5398 on July 31, 1930. The Act authorized the President to consolidate and coordinate the U.S. Veterans Bureau, the Bureau of Pensions, and the National Home for Volunteer Soldiers. The new administration was granted the authority to administer laws governing a wide range of benefits to former members, dependents and beneficiaries of deceased members of the armed forces.

MHFA deals with the Veterans Administration's Benefits Division through the veterans loan guarantee program. The objective of the program is to provide credit assistance whereby the housing credit needs of eligible veterans and active duty service personnel may be satisfied by private capital on more liberal terms than generally available for non-veterans. Assistance is provided chiefly through substituting the government guarantee on loans made by private lenders in lieu of the down payment, shorter terms, and other requirements generally necessary in conventional home mortgage transactions. In addition, a system of direct financial grants is operated to help certain permanently disabled veterans acquire specially adapted housing.

The veterans loan guarantee program activities including appraising properties to establish their values, supervising the construction of new residential properties, passing on the ability of a veteran to repay a loan and his credit risk, servicing and liquidating defaulted loans, and disposing of real estate acquired as a consequence of defaulted loans. The Benefits Division also is substantially involved in management and realizing loan assets. The counseling service is conducted to aid potential minority home buyers, both in obtaining housing credit and discharging their obligations as homeowners and mortgagors.

5.4 Farmers Home Administration

The Farmers Home Administration (FmHA), an agency within the Department of Agriculture, provides credit for those citizens in rural America who are unable to get credit from other sources at reasonable rates and terms. FmHA operates principally under the Consolidated Farm and Rural Development Act and Title V of the Housing Act of 1949. FmHA initiates financing for youth projects, emergency loans, farm ownership, soil and water conservation, recreation, rural housing, and Indian tribe loans. Under the FmHA's Rural Housing Program, loans can be made to families for the construction and rehabilitation of housing located in open country or small rural communities with populations of not more than 10,000.

FmHA makes loans with funds borrowed from the U.S. Treasury. Certificates of beneficial ownership, representing actual loans made to borrowers, are sold to private investors under insurance agreements and the Treasury is repaid.

To date the Minnesota Housing Finance Agency does not directly work with the FmHA. However, in 1974, the Housing and Community Development Act established a means by which state housing agencies can work directly with FmHA.

5.5 Federal Home Loan Mortgage Corporation (FHLMC)

The Federal Home Loan Mortgage Corporation, commonly referred to as "Freddie Mac", was created on July 24, 1970, by Title III of the Emergency Home Finance Act of 1970. FHLMC was established to help expand the availability of mortgage credit primarily by establishing a viable second market for conventional residential mortgages and improving existing secondary markets for residential mortgages insured under FHA or VA. Freddie Mac generally purchases residential mortgages from members of the Federal Home Loan Banks (savings and loans).

The Federal Home Loan Bank System was established pursuant to the Federal Home Loan Bank Act approved July 22, 1932. The system consists of 12 regional offices located throughout the United States whose membership includes savings and loan associations and other financial institutions. As an independent agency in the Executive branch of the government, the Federal Home Loan Bank Board administers the Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation.

5.6 Federal National Mortgage Association (FNMA)

The Federal National Mortgage Association is popularly referred to as "FNMA" or "Fannie Mae". FNMA was organized in 1938 as a corporation wholly owned and administered by the federal government. It was originally created on February 10, 1938, as the National Mortgage Association of Washington, pursuant to Title III of the 1938 Housing Act. On April 11, 1938, the corporate name was changed to its current title. In 1954, FNMA was rechartered by Congress into a mixed ownership corporation. Pursuant to the Housing and Urban Development Act of 1968, FNMA was partitioned into two separate corporate entities, each of which had continuity as a successor to a portion of the original FNMA. One of these corporations, the Government National Mortgage Association (GNMA), a federal agency, remained in the Department of Housing and Urban Development. The other corporation, the present FNMA, changed into the privately owned and managed corporation it is today, completing its transition in 1970. The corporation is entirely owned by private stockholders. FNMA stock is listed on the New York, Midwest, and Pacific Coast Stock Exchanges.

FNMA basically purchases home mortgages from private lending institutions throughout the nation. It is the nation's largest single supplier of funds for homes and apartments and during most years is the nation's largest borrower except for the U.S. Treasury.

The major purpose is to supplement the secondary market for residential mortgages by investment in mortgages originated by others, thereby providing an added degree of liquidity to the mortgage market and improving the distribution of investment capital available for financing the construction and sale of housing. As an investor in mortgages, FNMA derives its earnings from two principal sources: (1) income from its portfolio of mortgages, and (2) income from fees.

5.7 Government National Mortgage Association (GNMA)

The Government National Mortgage Association (GNMA) originated from the National Mortgage Association and the Federal Mortgage Association. When the Federal National Mortgage Association was split into two separate entities, GNMA assumed responsibility for those mortgage purchasing functions which could not economically be carried out in the private sector. Generally GNMA operates under a "tandem plan" under which GNMA commits to buy or buys mortgages from private lenders at a more favorable price than the market in order to stimulate housing production. In other words, GNMA works "in tandem" with FNMA or other investors by selling mortgages or commitments at prevailing market prices but absorbing the difference between the GNMA price and the market price, thus providing a form of interest subsidy.

Pursuant to the Housing and Urban Development Act of 1968, GNMA was also authorized to administer a mortgage-backed security program which channels new sources of funds into residential financing through the sale of privately issued securities carrying a GNMA guarantee backed by the full faith and credit of the United States. MHFA's first $30 million bond issue in Single Family was a GNMA mortgage-backed securities program.

5.8 Regional Development Commissions

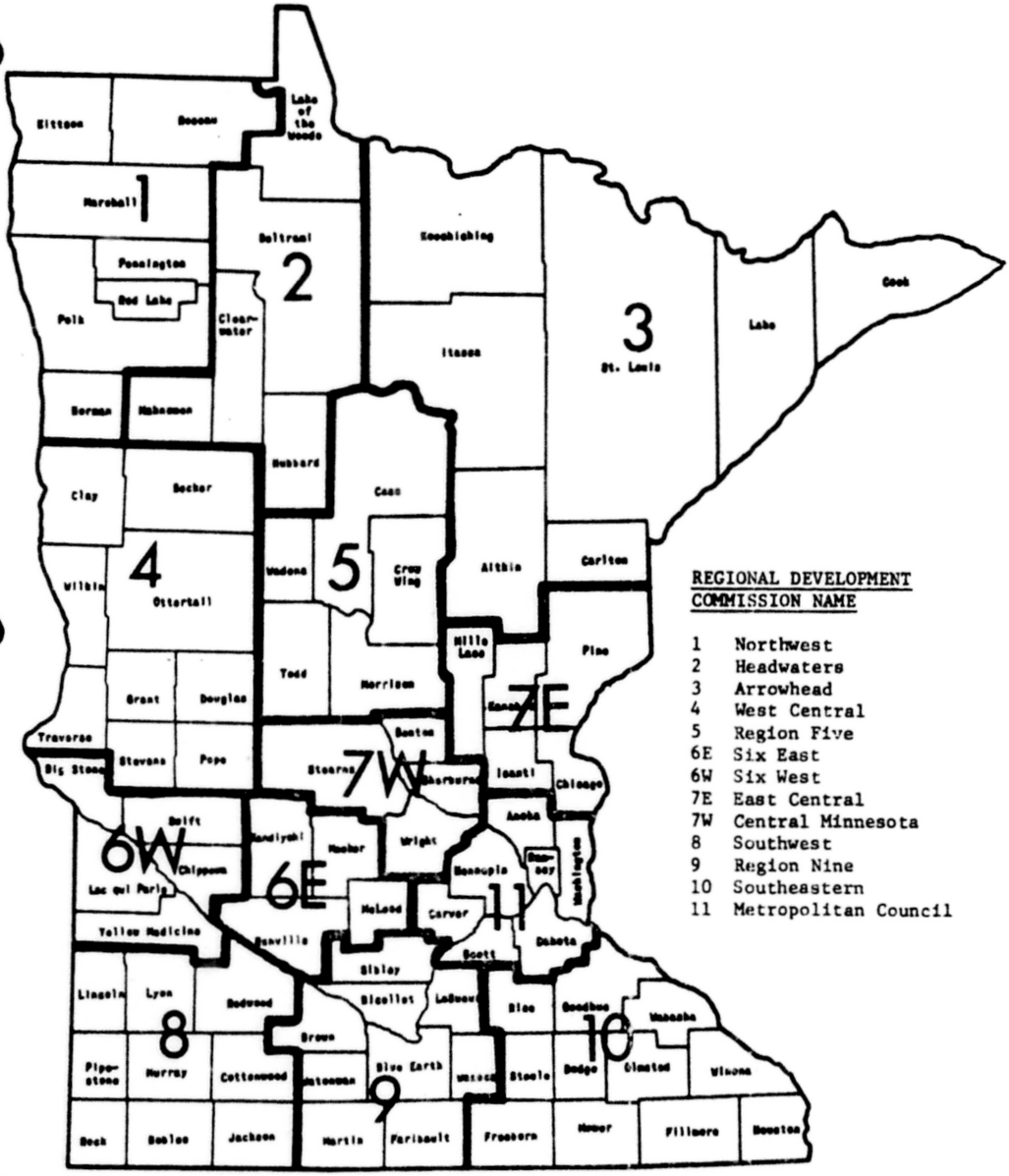
Regional Development Commissions were created by the Minnesota Legislature to better coordinate and maximize the impact of federal and state programs on counties, towns, villages, and other local and private entities. There are 13 Regional Development Commissions throughout the State of Minnesota. (See map on page 33.)

One example of a Regional Development Commission is the Metropolitan Council, a regional planning and coordinating agency of the government for the Twin City metropolitan area. The Council was created by the Legislature in 1967 and reports to it frequently, making recommendations on ways to insure that metropolitan growth is rational, orderly, and economic. (See map on page 34.)

In essence, the Metropolitan Council's job is to take on the physical and social problems that have regional impact and plan or coordinate programs designed to solve the problems. At the same time, the Council's job is to establish guidelines for the orderly and economic growth of the seven county metropolitan area and synchronize public and private development efforts.

The Council also has the responsibility to produce the Metropolitan Development Guide which delineates the policies, plans, and programs that give direction to the orderly and economic development of the metropolitan area. The Guide provides leadership and direction to develop a metropolitan framework of community facilities, one in which communities can urbanize in a way that maintains and enhances our individual quality of life.

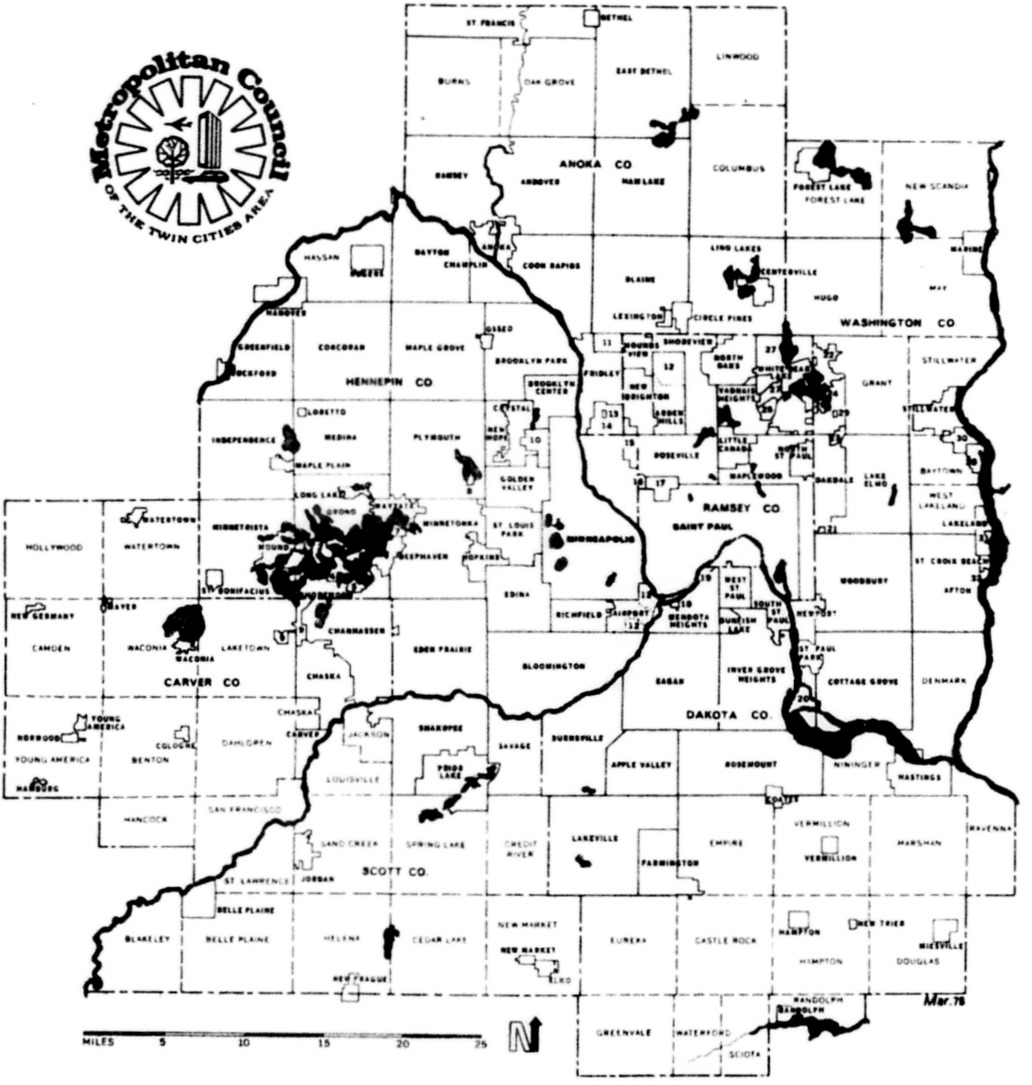
Minnesota Development Regions



REGIONAL DEVELOPMENT COMMISSION NAME

1	Northwest
2	Headwaters
3	Arrowhead
4	West Central
5	Region Five
6E	Six East
6W	Six West
7E	East Central
7W	Central Minnesota
8	Southwest
9	Region Nine
10	Southeastern
11	Metropolitan Council

State Planning Agency
Office of Local & Urban Affairs
June 1975



TWIN CITIES METROPOLITAN AREA
Political Boundaries, 1975

1 SPRING PARK
2 ORONO
3 MINNETONKA BEACH
4 TONKA BAY
5 EXCELSIOR
6 GREENWOOD
7 WOODLAND
8 MEDICINE LAKE
9 VICTORIA
10 ROBBINSDALE
11 SPRING LAKE PARK
12 U. S. GOVT
13 HILLTOP
14 COLUMBIA HEIGHTS
15 ST. ANTHONY
16 LAUDERDALE
17 FALCON HEIGHTS
18 MENDOTA
19 LILYDALE
20 GREY CLOUD
21 LANDFALL
22 DELLWOOD
23 PINE SPRINGS
24 MAHTOMEDI
25 GEM LAKE
26 BIRCHWOOD
27 WHITE BEAR
28 BAYPORT
29 WILLERNIE
30 OAK PARK HEIGHTS
31 LAKELAND SHORES
32 ST. MARY'S POINT

ANOKA — County Boundary
ORONO — Municipal Boundary
CAMDEN — Township Boundary

VI. THE PRIVATE SECTOR

6.1 Introduction

State housing finance agencies actively deal in a number of private sector institutions in their day-to-day activities. The list of private sector clientele includes mortgage bankers, commercial banks, savings and loans, developers, and housing managers. However, perhaps the segment of the private sector that directly affects the activities of state agencies more than any other institution is the private sector capital market.

6.2 The Bond Market

The state housing finance agencies, in the past fifteen years, have been able to some degree to stabilize the availability and distribution of below market interest rate mortgage credit. The ability of state agencies to provide an effective housing delivery system and viable mortgage financing resources at a below market interest rate is dependent on how and when state housing agencies obtain their investment capital.

Normally state housing agencies obtain their investment capital for mortgage financing through the sale of bonds and notes on the national and regional security markets. The security market is the primary source for the nation's investment capital. It is where the borrower seeks the lender (investor) who has money to invest. MHFA must be willing to pay an interest rate sufficiently high to attract money from would-be investors. In this free market system, MHFA and investors negotiate prices and reach agreement on the cost of money.

In contrast, the stock market provides the investor with the opportunity to purchase ownership status in a corporation. As an owner, the investor has the right to share in the profit or the loss (limited to his equity) of the corporation. The stock market can be a short or long term investment opportunity depending upon the flexibility of the investor. Stocks provide a speculative rate of return.

The bond market, on the other hand, provides an investor with the opportunity to loan a corporation or the MHFA money. The Agency agrees to pay the principal sum and interest for the use of the money. The bond is a debt of the Agency. Bonds usually imply long term obligations for both investor and borrower and provide a fixed rate of return.

State housing agencies operate in the nation's capital market through what is typically referred to as fixed income investment securities. This includes four distinct types of investments. Each type is distinguished by the nature of the security, risk, and rate of return it offers. Fixed income investment include the following types; however, the Agency issues municipal revenue bonds.

1. Municipal bonds: General obligation, revenue, and special tax bonds.
2. Corporate bonds: Straight corporate and convertible corporate bonds.
3. U.S. Government obligations: Treasury bills, Treasury notes, Treasury bonds, and federal agency obligations.
4. Short term obligations: Passbook savings, certificates of deposit, and commercial paper.

6.3 Characteristics of Municipal Bonds

A bond, "municipal" or otherwise, is a promise to pay back the investors money on a specified date or under other specified conditions, plus the promise to pay interest at specified times and in a specified manner as long as the bond is outstanding. The term "municipal bond" refers to obligations sold by local governments, states, state agencies, incorporated villages, or special purpose districts.

An important feature of municipal bonds is that they are tax exempt. Investors in municipal bonds can receive interest income that is free from federal and state income tax. For example, a yield of 6.70% on a tax exempt bond is equivalent to 8.93% for an individual in the 25% income tax bracket and 11.55% in the 40% tax bracket.

Tax exempt municipal bonds provide the Agency with below market interest rates on the money it borrows. Therefore, the Agency passes the below market interest rate on to the home buyer/renter by providing below market interest rate mortgages. This results in lower mortgage payments and rents.

6.4 Types of Tax Exempt Bonds

There are three basic types of tax exempt bonds: (1) Agency revenue bonds which are generally payable from mortgage payments made from mortgages financed by the proceeds of the bond sale, (2) general obligation bonds which is secured by the issuer's pledge of the full faith, credit, and taxing power for the payment of the bond, and (3) special tax exempt bonds payable from the proceeds of a special tax like a gasoline tax or special assessment. The special tax bond becomes a general obligation bond when it is, in addition, secured by the full faith, credit, and taxing power of the issuer.

6.5 Maturity Date

It is generally accepted practice, in order to repay money borrowed for a public purpose on the installment plan, to issue serial bonds. In this method, bonds mature serially, over a number of years, with a specific number of bonds maturing each year until the entire issue is redeemed. In addition, this type of issue provides the investor

with a selection as to 5, 10, 15, 20, 25, or 30 year maturity dates. The following provides an example of a serial bond. An issue with only one maturity date is referred to as a term bond.

Maturities, Amounts, Rates, Yields, and Prices

Due Feb. 1	Principal Amount	Interest Rate	Price
1977	$ 515,000	7.50%	5.00%
1978	630,000	7.50%	5.20%
1979	725,000	7.50%	5.40%
1980	770,000	7.50%	5.60%
1981	795,000	7.20%	5.80%
1982	800,000	6.00%	100

6.6 Interest, Yield, Par, Premium, and Discount

Let us assume that we are the owner of a $1,000 bond. We look at it and notice that unlike a stock certificate, it is a definite promise to pay a stated amount on a specific date or, in effect, a promissory note. The face value of the bond (denomination) is called "par value", and this is $1,000. We also notice that the bond pays a 6% annual interest rate and the interest is represented by the coupons attached to the bond. It is important to remember that this interest rate was set when the bond was issued and will not be changed at any time during the life of the bond. Consequently, any sale, negotiation or transfer of the bond will have to be affected by changing the market price of the bond (and not the denomination or par value). In other words, the market price may be increased or decreased from the par value. A bond may sell for more than $1,000, such as $1,050. When this occurs, the bond has been sold at a premium, thus decreasing the yield. On the other hand, when a bond sells for $950, it is said that the bond is sold at a discount, thereby increasing the yield over the face rate of 6%.

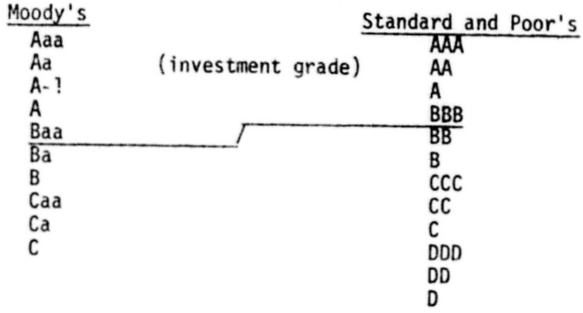
6.7 Yield

Yield is probably the most important factor to the investor in bonds, and this represents the return on his dollars invested. Yield is generally expressed as a percentage. If the bond is purchased at par ($1,000), the yield is exactly the same as the interest rate. A 5% bond purchased at par has a yield of 5% and is both current yield and yield to maturity. On the other hand, if this bond is purchased at a premium, in figuring yield to maturity it is necessary to amortize this premium until the maturity date. In the case of the bond purchased at a premium, yield to maturity will be less than the interest rate. If the bond has been purchased for $950, or at a discount, the yield to maturity will be the interest rate of 5% plus the additional $50 the holder will receive when the bond matures; in this case, the yield to maturity will be greater than 5%.

Current yield merely refers to the current rate on the money invested. This is easily determined by dividing the interest rate by the price paid for the bond. A 5% bond purchased at $950 (dollar price of 95) would have a current yield of 5.26%. A 5% bond that was bought for $1,050 (dollar price of 105) would have a current yield of 4.76%.

6.8 Rating of Municipal Bonds

As an investor, one of the first things you will want to know about a specific bond is the ability of the issuer to meet its obligations. The investment quality of a bond is determined to some degree from publications by two rating services--Moody's and Standard and Poor's. These companies issue ratings on bond issues as to the credit worthiness and quality of each issue. Bond ratings are used by the municipal bond profession, government and industry regulatory agencies, and the investing public as a guide to an issue's relative security and value. The ratings measure the issuer's ability to make principal and interest payments under adverse economic conditions. Two measures of this ability are the amount by which the earnings exceed the interest payments over a period of years and the amount of stock equity in a corporation in relationship to borrowed funds. The ratings are not used as an absolute factor in determining the strength of the pledge securing a particular issue. In fact, many non-rated bonds are sound investments. The following table reflects comparative Moody's and Standard and Poor's ratings:



Obligations which merit one of the top ratings are considered to be of investment grade by the rating agency. To merit the very top rating, the speculative element is considered to be almost non-existent. By the 5th rating, the speculative element has become quite significant; by the 7th rating, the speculative element predominates. For example, a Standard and Poor's AA rated bond would bring a 7-1/2% interest rate to the borrower. On the other hand, a Standard and Poor's A rating would bring the same issue an 8% interest rate.

The new bond issue is rated, and that rating is generally recognized as an index of an issue's quality. For example, "Aa" rated issues are considered less risky for investors than "A" rated bonds (Moody's designation). Rated issues also carry a qualitative variable with values of 1, 2, and 3 assigned to Aa, A, and Baa respectively. Accordingly, higher net interest cost and underwriting spread are associated with a lower bond rating.

6.9 Market Analysis

The level of net interest cost is materially affected by several factors: (1) the average maturity of the issue, (2) the quality of the issue, (3) money market conditions, and (4) the principal amount of the issue.

6.10 Market Index

Different market indexes, such as the Bond Buyer's 20-Bond Index and the Dow-Jones 40-Bonds, are measures of the impact of the money market conditions on municipal bond markets. A level of net interest cost can be expected to vary directly with the money market conditions as indicated by the market indexes.

6.11 Bond Underwriting

In general, state housing agencies' securities are bought and sold in the financial market by negotiation through dealers and brokers located across the nation. These agents are usually referred to as underwriters (syndicates). They purchase the new issues from the issuing agency and offer them for resale to the general public.

Bond underwriters work with the state agency, its legal counsel, bond counsel, underwriters' council, and other advisers in analyzing the financial requirements of an agency's operation. Underwriters also assist in preparing the supporting documents necessary for the issuance of bonds and bond anticipation notes. Documentation includes schedule of investment maturity dates, bond resolution, financial data for rating agencies, official statement, and the offer to purchase.

In addition, underwriters select the members of the syndicate that will purchase and resell the bonds, advise an agency in the selection of a paying agent, and assist in signing, delivering, and closing a bond issue. The underwriters listed below are an example of a few of the firms syndicating state agency bond issues:

Paine, Webber, Jackson & Curtis, Inc.
Blyth, Eastman, Dillon & Co., Inc.
Halsey, Stuart & Co., Inc.
Salomon Brothers

Smith, Moore & Co.
Piper, Jaffray & Hopwood, Inc.
Kidder, Peabody and Co., Inc.
Merrill, Lynch, Pierce, Fenner & Smith
Goldman, Sachs & Co.
F. E. Hutton & Co., Inc.
The First Boston Corporation
The First of Michigan Corporation

6.12 Short Term Notes

In addition to the long term bond financing, state housing agencies also use a basic investment vehicle known as the note market to provide their short term financial needs.

In recent years, state housing agencies have become large issuers of notes. These are primarily bond anticipation notes, usually backed by the full faith and credit obligations of the agency, and are normally paid off from the sale of long term bonds or refinanced by another note issue.

6.13 Denomination of Short Term Notes

Notes are issued in bearer form in denominations ranging from $5,000 to $1,000,000.

6.14 Interest and Yield on Short Term Notes

Interest on tax exempt notes is paid at maturity on a yield basis figured on a 30-day month in a 360-day year. However, there are some exceptions where interest is figured on an actual day basis for a 365-day year. The yield on notes, in many instances, is much higher than that available on other short term investments. The risk element may be higher depending on the credit rating of the issuer. However, many note issues are the highest quality short term investments.

6.15 Maturity of Short Term Notes

The primary new issue market varies in maturity from an occasional two month offering to the more prevalent six month to two year maturities.

6.16 Note Ratings

Moody's Investor Services, Inc. started rating tax exempt notes in 1973 but Standard and Poor's does not rate notes. Moody's ratings for notes and other short term loans are designated as "Moody's

Investment Grade" (MIG) and is more commonly referred to as a MIG Rating. This distinction is in recognition of the differences in short term and long term risk. Factors affecting the liquidity of the borrower are of the utmost importance in short term borrowing, while long term trends are of first importance in bond risk but of little significance in the short run. Moody's Investment Grades are rated in accordance with the following symbols:

MIG-1: The best quality, carrying the least degree of short term risk.
MIG-2: High quality, bearing little risk, and all terms as to time and amount will be met.
MIG-3: Favorable quality with all security elements accounted for but lacking the strength of the preceding grades.
MIG-4: Adequate quality, carrying specific risk but generally protected into investment status.

6.17 Bond and Note Rating Relationships

In the past, investors have interpreted ratings to notes from the bond rating. For example, if the issuer's bonds are rated A, it is assumed that the notes would be also rated A. This is not necessarily true, however, because of the differences of factors affecting bonds and notes. There is no conceptual difficulty in the case in which the issuer's bonds are rated Baa and his notes are rated MIG-2, or when his bonds are rated A and his notes are rated MIG-4.

VII. MINNESOTA HOUSING FINANCE AGENCY FINANCING TECHNIQUES

7.1 Introduction

A major function of the Minnesota Housing Finance Agency is to provide a financial resource of mortgage credit. A general understanding of the method the MHFA uses in obtaining its investment capital and the structure of the Agency's investment portfolio is of prime importance to understanding the operation of the Agency.

7.2 MHFA Investment Portfolio

The intent of this section is to develop a basic understanding of the allocation of funds and provide an introduction to the investment portfolio operations of the MHFA. The basic use of the Agency's debt financing (bonds and notes) provides an opportunity for the Agency to deliver mortgage resources to the citizens of Minnesota at below market interest rates. The rate of return on these mortgages (income producing) enables the Agency to repay bonds sold and the cost of defraying the operating costs of the Agency.

7.3 MHFA Investment Program

The formation of an investment program and the development of a balanced portfolio require careful planning based on the consideration of a number of factors. The Agency's investment program is an expression of its goals and objectives based on a logical assessment of production goals. The extension of the investment program results in the establishment of an investment policy and the subsequent creation of an investment portfolio which includes, among other things, the selection of securities, timing of purchases, retention of securities, and the liquidation of securities.

7.4 Default Risk

Default risk means the risk of default on the part of the borrower in the payment of principal or interest or both. A primary base for judging default risk is Treasury securities since they are usually regarded as default-free (guaranteed by the full faith and credit of the United States government) and other securities are judged in relation to them. For example, U.S. Government Agency issues might be rated next to Treasury bills in credit worthiness. However, for all practical purposes, both these securities are default-free. In investing in riskier securities, the Agency can achieve a higher return, but it faces the trade-off between expected higher return and higher risk of non-payment.

7.5 Marketability

Marketability of a security relates to the ability of the owner to convert the security into cash (liquidity). There are two dimensions to marketability: (1) the price realized, and (2) the amount of time required to sell the asset. However, the two are interrelated since it is possible to sell an asset in a short period of time if enough price concession is provided. Marketability is judged in relation to the ability to sell a significant volume of securities in a short period of time without significant price concessions. Generally, the lower the marketability of a security, the greater the yield necessary to attract investors. Thus, the yield differential is caused not only by differences in default risk but also by differences in marketability.

7.6 Maturity of Securities

The types of marketable securities play an important role in the Agency's short term investment program. The important money market instruments that serve the short term investment needs of the Agency are:

Treasury Securities: U.S. Treasury obligations constitute the largest segment of the money market. Principal securities issued are Treasury bills, tax anticipation bills, notes, and bonds. Treasury bills are auctioned weekly by the Treasury with maturities of 91 or 182 days. In addition, one year bills are sold periodically. Treasury bills carry no coupons but are sold and traded on a discount basis in the secondary market. They are quoted on a yield basis. For example, a 90 day bill might be quoted at a bid price of 4.50; asked 4.45. These securities are extremely popular as a short term investment, in part because of the large outstanding amount. The market is very active, and the transaction cost involved in the sale of Treasury bills in the secondary market is relatively small. On occasion the Treasury also offers tax anticipation bills. These bills usually mature about one week after the quarterly tax due dates. The advantage is that they may be used to pay taxes on those dates at full face value, thereby giving the holder about one week's extra interest.

Treasury Notes: Treasury notes, on the other hand, are sold at a specific or set price. New issues may be offered at par or at a premium or a discount. The original maturity on Treasury notes is 1 to 7 years whereas the original maturity on Treasury bonds is over 7 years. A number of these securities have maturities of less than one year and serve the needs of the short term investors. Notes and bonds are coupon issues, and there is an active market for them. Overall, Treasury securities are the safest and most marketable investment. Therefore they provide the lowest yield for a given maturity of the various instruments for consideration.

Federal Agency Issues: Obligations of various agencies of the federal government are guaranteed by the agency issuing the security and not usually the U.S. government as such. Principal agencies issuing securities are the Federal Land Bank, the Federal Housing and Loan Bank, Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and bank cooperatives. Although agency issues are being increasingly used, they still provide a yield advantage over Treasury securities of the same maturity. These securities have a fairly high degree of marketability; they are sold in the secondary market through the same securities dealers as are Treasury securities. Maturities range from one month up to approximately 15 years. However, about 2/3 of the securities outstanding mature in less than one year.

A review of the Wall Street Journal on Wednesday, September 10, 1975, (see following page) under Government, Agency, and Miscellaneous Securities, indicates the type of short term investments available to MHFA.

7.7 Repurchase Agreement ("Repo")

In an effort to tap new sources of financing, government security issuers offer repurchase agreements. A "repo" is the sale of short term securities by the dealer to the investor whereby the dealer agrees to repurchase the security at a specified future time. The investor receives a given yield while he holds the security. Thus, repurchase agreements give the investor a great deal of flexibility with respect to maturity. Rates on repurchase agreements are related to the rates on Treasury bills and federal agency funds.

7.8 Financial Planning and Control

In allocating and raising funds, the MHFA Director of Finance uses certain tools to analyze, plan and control the Agency's financial and investment programs, future cash flows, and adequate liquidity to pay bills and other obligations as they come due. The additional obligations make it necessary to raise additional funds. These are only a few considerations that the Director of Finance must undertake in establishing an Agency investment portfolio.

7.9 Portfolio Management

The decision to invest excess cash in marketable securities involves not only the amount to be invested but also the type of security in which to invest. To some extent, the two decisions are independent. Both should be based upon an evaluation of the expected net cash flows and the certainty of these cash flows. However, the Agency

Government, Agency and Miscellaneous Securities

Wednesday, Sept. 10, 1975
Over-the-Counter Quotations, Source on request.
Decimals in bid-and-asked and bid changes represent 32nds; 101.1 means 101 1/32. a-Plus 1/64. b-Yield to call date. d-Minus 1/64.

Treasury Bonds and Notes

Rate	Mat. date		Bid	Asked	Bid Chg.	Yld.
8¼s,	1975 Sep	n	100.2	100.6	.....	4.39
7s,	1975 Nov	n	100.0	100.4	.....	6.13
7s,	1975 Dec	n	100.0	100.4	.....	6.48
5¾s,	1976 Feb	n	99.11	99.15	– .1	7.13
6¼s,	1976 Feb	n	99.18	99.22	–1.0	6.98
6s,	1976 Mar	n	100.12	100.16	.....	7.06
5¾s,	1976 May	n	99.28	99.0	+ .1	7.29
6¼s,	1976 May	n	99.11	99.14	.....	7.32
6s,	1976 May	n	99.31	99.3	.....	7.31
6¾s,	1976 Jun	n	101.0	101.4	.....	7.38
6¼s,	1976 Aug	n	99.4	99.8	.....	7.35
7½s,	1976 Aug	n	100.1	100.5	– .1	7.33
7¾s,	1976 Aug	n	98.15	98.19	– .1	7.41
8¼s,	1976 Sep	n	100.20	100.24	– .2	7.49
6¼s,	1976 Oct	n	98.22	98.26	.....	7.61
6¼s,	1976 Nov	n	98.12	98.16	.....	7.61
7¼s,	1976 Nov	n	99.10	99.14	.....	7.62
7¼s,	1976 Dec	n	99.13	99.17	– .1	7.64
8s,	1977 Feb	n	100.15	100.19	– .1	7.55
4s,	1977 Feb	n	97.14	97.18	– .1	7.79

U.S. Treas. Bills

Mat	Bid Discount	Ask Discount	Mat	Bid Discount	Ask Discount
9-11	6.37	6.49	1-8	6.36	6.50
9-18	6.36	5.78	1-15	6.46	6.50
9-25	6.36	5.72	1-15	6....	6.54
9-25	6.35	5.79	1-22	6....	6.53
10- 2	6.37	5.75	1-29	6....	6.61
10- 9	6.12	5.54	1-31	6.47	6.73
10-16	6.16	5.56	2-5	6....	6.68
10-21	6.18	5.90	2-12	6.53	6.73
10-23	6.18	5.96	2-13	6....	6.74
10-30	6.25	6.04	2-19	6....	6.75
11- 6	6.28	6.16	2-26	6....	6.79
11-13	6.33	6.17	3-4	6....	6.78
11-15	6.34	6.16	3-5	6....	6.78
11-20	6.36	6.22	3-11	6....	6.77
11-29	6.45	6.25	4-8	6....	6.81
12- 4	6.42	6.32	5-6	7....	6.81
12-11	6.42	6.34	6-3	7....	6.87
12-16	6.41	6....	7-...	7....	6.93
12-18	6.42	6.24	7-31	7....	6.95
12-26	6.44	6.32	8-14	7.09	7.01

Federal Land Bank

Rate	Mat	Bid	Asked	Yld
7.20	10-75	100.1	100.4	5.84
7.40	10-75	100.	100.4	6.03
6¼	1-76	99.20	99.28	6.55
9.20	1-76	100.16	100.24	6.95
5	2-76a	98.20	99.4	6.99
6¼	4-76	99.0	99.16	7.29
8¼	4-76	100.8	100.20	7.16
5½	7-76	97.16	98.16	7.20
7.05	7-76	99.8	99.24	7.34
7.15	10-76	99.0	99.16	7.62
7.20	10-76	99.8	99.20	7.51
7.45	1-77	99.8	99.16	7.83
8¼	4-77	100.0	100.16	7.90
7½	7-77	98.26	99.12	7.96
6.35	10-77	96.16	97.0	7.92
8.70	1-78	100.24	101.8	8.10
4½	2-78-73	92.12	93.12	6.24
5¼	4-78	93.8	93.8	8.04
7.60	4-78	99.12	99.28	8.08
6.40	7-78	94.24	95.24	8.04
9.15	7-78	101.28	102.12	8.19

Fed. Home Loan Bk.

Rate	Mat	Bid	Asked	Yld
6½	11-75	99.28	100.0	6.37
7.05	11-75	99.24	100.0	6.44
9.10	11-75	100.12	100.16	6.42
7¾	2-76	99.28	100.2	7.21
8.70	2-76	100.14	100.22	7.10
8¼	2-76	100.14	100.22	7.19
9.20	2-76	100.22	100.28	7.17
7.25	5-76	99.16	99.24	7.36
7.45	5-76	99.24	100.4	7.34
7.80	8-76	99.24	99.28	7.52
9.55	8-76	101.12	101.20	7.47
8.60	11-76	100.24	101.4	7.59
9.55	11-76	101.32	102.4	7.65
7.20	2-77	99.24	99.8	7.75
8.05	2-77	99.28	100.12	7.77
6.95	5-77	99.4	99.20	7.82
8.78	5-77	100.24	101.8	7.89
7.15	8-77	99.4	99.20	7.92
8.80	8-77	101.0	101.16	7.95
6.75	11-77	97.4	97.20	7.94
7.45	11-77	99.16	99.0	7.94
9.15	11-77	101.24	102.8	8.00
9½	2-78	102.8	102.24	8.12
7.60	5-78	99.0	99.8	8....
9.10	11-78	101.22	102.6	8.23
8.65	2-79	100.16	101.0	8.31
9.45	2-79	102.24	103.8	8.35
8....	4-79	100.16	101.0	8.32

PNMA Issues

Rate	Mat	Bid	Asked	Yld
5.70	12-75	99.16	99.24	6.64
8¼	12-75	100.8	100.12	6.55
5.65	3-76	99.2	99.10	7.09
7¼	3-76	99.26	100.2	6.99
5.85	6-76	98.12	98.28	7.41
6.70	6-76	99.0	99.16	7.28
10	6-76	101.12	101.28	7.33
5.85	9-76	97.28	98.12	7.58
6½	9-76	98.4	98.20	7.59
7½	9-76	99.16	100.0	7.50
6¼	12-76	97.28	98.12	7.63
7.45	12-76	99.8	99.24	7.65
8.45	12-76	100.12	100.28	7.68
4½	3-77	94.24	95.16	7.93
6.30	3-77	97.8	97.24	7.92
7.05	3-77	99.8	98.24	7.95
8.30	3-77	100.8	101.12	8.03
6½	6-77	96.28	97.12	8.01

Inter Amer. Devel. Bk.

Rate	Mat	Bid	Asked	Yld
4¼s	12-82	80.16	81.16	7.62
4½	4-84	76.0	77.0	6.31
4½	11-84	75.0	e76.0	8.33
8¼s	1-85	95.24	96.8	8.95
8	3-85	94.8	94.24	8.63
5.20	1-92	68.0	69.0	8.12
4½	11-92	78.16	79.16	8.64
6¼	11-93	79.0	80.0	8.86
8¼	10-95	94.16	95.16	9.12

GNMA Issues

Rate	Bid	Asked	Yld
6½	82.16	83.8	8.87
8	92.16	93.8	8.92
8½	95.8	95.0	9.02
9	99.16	100.0	8.95

Postal Service

Rate	Mat	Bid	Asked	Yld
6¾	2-97	80.12	81.12	8.83

FIC Bank Debs.

Rate	Mat	Bid	Asked	Yld
7.35	10-75	100.0	100.2	5.86
7.05	11-75	99.28	100.0	6.32
6.15	12-75	99.20	99.28	6.37
6.05	1-76	99.16	99.24	6.43
6.65	2-76	99.28	100.0	6.57
6.60	2-76	99.28	100.0	6.59
6.15	3-76	99.20	99.28	6.70
5.80	4-76	99.12	99.20	6.80
7	5-76	99.24	100.0	6.92
7.60	6-76	100.8	100.16	7.03
7.10	1-77	99.16	99.24	7.39
8.70	4-77	102.24	103.0	7.63
7.10	1-78	99.12	99.20	8.00
7.40	1-79	97.8	97.24	8.18
7.40	1-80	96.4	96.20	8.34

Bank for Coops

Rate	Mat	Bid	Asked	Yld
5.95	11-75	99.30	100.0	5.93
6.15	11-75	99.27	99.31	6.23
5.80	12-75	99.23	99.27	6.42
5.65	1-76	99.15	99.19	6.89
6.80	2-76	99.24	99.28	7.06
7.40	2-76	100.0	100.2	7.23
7.70	4-77	99.8	99.24	7.87
8	10-79	98.28	99.12	8.18

Act specifies the type of securities that the Agency can invest in. If future cash flow patterns are known with reasonable certainty, the portfolio may be arranged so the securities will be maturing approximately on the dates when the funds will be needed.

In raising and allocating funds for MHFA's Home Improvement, Apartment Development, and Homeownership Loan Programs, it is necessary to invest bond sale proceeds on a short term basis until a long term mortgage investment can be made by the Agency. In other words, funds generated through debt financing for long term investment (when not in use) are immediately re-employed in the short term investment market to guarantee the maximum use and return on our money. Generally excess cash above a minimum level is invested in marketable securities. Depending on the type of debt financing (bonds or notes), the short term investments are handled through two distinct dealers representing the Agency. In the case of bond debt financing, the dealer is the bond issue trustee. Note issues are handled by the State Board of Investment for the State of Minnesota.

Depending on future flow of MHFA funds and the anticipated financial needs of the Agency, the strategy for financial flexibility is determined. The Agency maintains a systematic inventory of its needs and continuously reappraises its holdings and weekly realigns and adjusts the investment strategy, depending upon market conditions. The Director of Finance then instructs the dealers to re-invest short term securities based on the Agency's current or new financial policy.

The Agency's bond trustee or Director of Finance then purchases U.S. Treasury bills, notes and bonds, FNMA and GNMA issues, and Federal Land Bank of Federal Home Loan Bank market securities that meet the needs of the Agency.

A composite of both the Agency's long and short term investments comprise the Agency's investment portfolio. A hypothetical investment portfolio as of June 30 (see following page) is an example of the Agency's short term security investment portfolio.

The ability of the Agency to use long term debt financing as an integral part in funding our capital requirements is directly related to (1) the fixed costs of our debt financing, (2) the net operating costs of the Agency, (3) the financial leverage of our short term investment portfolio, and (4) the rate of delivery and the financial soundness of our long term investments.

MINNESOTA HOUSING FINANCE AGENCY
INVESTMENT PORTFOLIO
June 30, 1975

		INVESTMENT	COST	PURCHASE DATE	MATURITY DATE	YIELD
I.	HOUSING DEVELOPMENT FUND	Repo	$ 712,000.00	6/30	7/7	5.80%
		Repo	6,162,000.00	3/17	7/7	5.80
		Farm Credit (N)	785,561.11	5/2	7/10	5.65%
		FNMA (N)	97,279.44	5/15	10/15	5.90%
		Treasury (B)	88,710.00	2/11	7/15	6.67%
II.	DEBT RESERVE	FNMA (N)	$ 999,526.00	3/31	7/8	5.60%
III.	MULTI-FAMILY FUND	Treasury (B)	$ 3,578,610.00	8/6	7/29	8.31%
IV.	GNMA BOND FUND	Certificate on deposit	$ 568,725.00	3/14	8/29	6.01%
V.	SINGLE FAMILY BOND FUND	FNMA (N)	$ 2,943,283.00	10/29	1/20	8.35%
		GNMA(S)	2,065,705.00	var.	var.	9.00%
		Repo	10,594,000.00	6/24	7/22	5.50%
VI.	HOME IMPROVEMENT	Treasury (B)	$ 3,500,000.00	6/24	7/22	5.50%

(N) = Note
(B) - Bills
(S) = Securities

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This Orientation Manual has briefly reviewed the Minnesota Housing Finance Agency's role in the marketplace, the history of the MHFA, the essentials of your position, public and private sector relations, and MHFA financing and inventory techniques.

We hope that this summary will assist you in your position with the Minnesota Housing Finance Agency.