

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Adoption of Rules
Amending Provisions Relating to Down-
payments Under the Homeownership Assis-
tance Fund Without a Public Hearing

STATEMENT OF
NEED AND REASONABLENESS

The proposed amendment to 12 MCAR §3.134 increases the permitted amount of a downpayment assistance loan pursuant to the Homeownership Assistance Fund from \$1,000 to \$1,500. The rule permits the Agency to provide interest-free downpayment assistance loans to eligible recipients who are determined, on the basis of normal credit procedures, to lack the cash or land equity necessary to pay the required downpayment, plus closing costs, expenses, and origination fees on the dwelling to be purchased. It is necessary to increase the amount of downpayment assistance permitted because of the increase in the selling price of housing. The Housing Assistance Fund rule was adopted in 1978. Since 1978 house prices have risen almost 12 percent a year. Figure 1 shows a projected percent change in house prices from 1978 to 1982.

Figure 1

	<u>1978</u>	<u>1982</u>	<u>Percent Change</u>
Twin Cities Seven County Metro Area	\$51,000	\$79,000	55%
Remainder of State	\$37,000	\$53,000	43%

NOTE: House prices for the years 1978 to 1980 are based on certificates of real estate value filed with the Department of Revenue. House prices for the years 1981 to 1982 were projected using actual sales price data from 1980. The 12 percent inflation rate for the homeownership component of the consumer price index from 1975 to 1980 was assumed to continue through 1982. New distributions of sales prices were generated and then the median prices were calculated.

The Housing Assistance Fund Downpayment Assistance can be used to pay the required downpayment, plus closing costs, expenses and origination fees on the dwelling purchased by eligible borrower. These costs generally are a fixed percentage of the selling price of the house. The 50 percent increase in the amount of the downpayment assistance permitted under the rule is reasonable because it is approximately the same percentage increase that has occurred in house prices since the \$1,000 limit was established in 1978.