STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the
Proposed Adoption of Rules
of the Minnesota Housing
Finance Agency Relating to
Local Participation Home
Improvement Loans Program

Statement of Need
and Reasonableness

4900.0550

In 4900.0550, a procedure is set forth which a local government must follow when it is requesting funds from the Agency under the Local Participation Home Improvement Loans Program. Subpart 1 sets forth a list of items which the local government must submit with its request. Subpart 2 specifies that requests for funds will be accepted only during time periods specified by the Agency.

It is necessary for the Agency to establish a list of required submission materials so that it receives sufficient information to determine whether the local government is capable of distributing the funds requested. The establishment of this list also ensures that the Agency will receive the same type of material from each local government requesting funds. The items on the list all pertain to the financial and administrative feasibility of the program which the local government proposes to finance with the requested funds. It is reasonable for the Agency to request information of this nature because the Agency sells tax-exempt bonds to fund the program. In selling such bonds the Agency must make certain representations about the use of the bond proceeds. The information provided by local governments enables the Agency to make such representations with respect to the funds requested.

It is also necessary for the Agency to establish a time period during which it will accept requests for funds because the Agency is under certain requirements of federal law and its bond resolution to expend bond funds within a specified period of time. The rule also ensures that the period will not be unreasonably short by setting a minimum period of 30 days.

4900.0560

4900.0560 states that applications for local participation home improvement loans must meet the same requirements as applications for home improvement loans as set forth in 4900.0510. It is reasonable for the Agency to make this requirement because the sources and uses of the funds are the same for the two programs. It is necessary to establish the rule in order to clarify to local governments requesting funds that requirements are the same as for the home improvement program.

4900.0570

4900.0570 states that an improvement financed with the proceeds of a local participation home improvement loan must meet the same requirements as those established for the home improvement loan program in 4900.0520. It is reasonable for the Agency to make this requirement because the sources and uses of the funds are the same for the two programs. It is necessary to establish the rule in order to clarify to local governments requesting funds that requirements are the same for the home improvement program.

4900.0580

4900.0580 establishes a definition of persons and families of low and moderate income for the local participation home improvement program. The definition allows local governments to set the income limit for the use of the funds in their project areas, based on the median income for the area as established by the United States Department of Housing and Urban Development (HUD). This is a reasonable standard to use because most of the local govenments applying for local participation home improvement funds are also using federal Community Development Block Grant funds for residential rehabilitation programs. These funds must be used to serve certain income groups, as determined by the HUD median income figures. By adopting the HUD median income figures as a standard, the Agency allows local governments to maintain consistent income guidelines for residential rehabilitation programs within their project areas.

The Agency is aware of the provisions of Section 14.115 of Minnesota Statutes, entitled Small Business Considerations in Rulemaking, but since the recipients of the local participation home improvement loans must be natural persons and families of low and moderate income who live in the structures to be improved as their principal residences, the regulation does not affect small businesses directly, and said law, by its terms, is inapplicable to this proposed regulation. Further, to the extent that the home improvement loans which are the subject of this regulation have an indirect effect on small businesses, the effect of the proposed rule is to make such loans more obtainable; and, as a result, the proposed rule has no negative effect on small businesses.