STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed
Rules Relating to Eligibility for
the Homeownership Assistance Fund

Statement of Need and Reasonableness

Minnesota Rules 4900.1330

Minnesota Statutes Section 462A.21, Subdivision 8, authorizes the Minnesota Housing Finance Agency (MHFA) to establish a homeownership assistance fund (HAF) on terms and conditions it deems advisable, to assist persons and families of low and moderate income in paying installments of eligible loans for affordable housing and in providing the required equity investment enabling such persons to purchase an affordable home.

The present annual adjusted income limits and initial maximum monthly assistance were established in 1984. At the time that rule was promulgated, annual adjusted income limits and initial maximum monthly assistance were established only for the "Metropolitan area" as defined in Minnesota Statutes Section 473.121, Subdivision 2, and the nonmetropolitan area of the state. Pursuant to an analysis of individual real estate markets of the state performed pursuant to Minnesota Statutes 462A.05, Subdivision 3, the Agency proposes to increase to three the number of geographic areas for which there is a set of income limits. These geographic areas are specified in the rule as "designated central counties," which are Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Washington and Wright counties; "designated outstate counties," which are Benton, Blue Earth, Clay, Nicollet, Olmsted, St. Louis, Sherburne and Stearns counties, and "all other counties." Three distinct geographic areas are necessary to address the differences between the real estate markets of various counties of higher population, in which metropolitan centers are located and in which house prices are increasing, and other counties of the state in which there are no metropolitan centers and where house prices are stable or decreasing.

Under the proposed rule, MHFA continues to provide a set of income limits based on the Agency's cost of obtaining money, rather than one income limit. Uncertain bond market conditions make it difficult to implement a program based on one income limit, since income limits are a function of what interest rates must be charged to the mortgagor to meet MHFA's cost of money, as determined in each bond sale.

Under the proposed rule, the set of income limits and initial maximum monthly assistance levels in "designated central counties" are the same as the set of income limits and initial maximum monthly assistance levels established for the "Metropolitan area" under the previous rule. The only change is that Chisago, Isanti and Wright counties are now eligible under these income limits and initial maximum monthly assistance levels. Similarly, the set of income limits and initial maximum monthly assistance levels in "all other counties" are the same as the set of income limits and initial maximum assistance levels for the nonmetropolitan areas under the previous rule. A new set of income limits is proposed for "designated outstate counties" under the proposed rule; initial maximum monthly assistance levels are identical to those in "designated central counties" and "all other counties."

The adjusted income limits and initial maximum monthly assistance levels will allow a household to purchase a $60,000 home in the "designated central counties," a $45,600 home in the "designated outstate counties," and a $40,000 home in all other counties. These home purchase price levels are substantially below the purchase price limits established for the Single Family Mortgage Loan Program by the Agency ($83,000 in the "designated central counties," $67,000 in "designated outstate counties," and $63,000 in "all other counties," because the Agency believe that (a) households requiring a homeownership assistance fund subsidy need not purchase the highest priced house the Single Family Mortgage Loan Program would allow, and (b) the additional amount of subsidy needed to reach higher priced homes would be cost prohibitive and an ineffective use of public funds.

The Agency is cognizant of the provisions of Section 14.115 of Minnesota Statutes, entitled Small Business Considerations in Rulemaking, but since the direct recipients of the subsidy payments under the proposed regulation must be persons and families of low and moderate income, the regulation does not affect small businesses directly, and the said law, by its terms, is inapplicable to this proposed regulation. Further, to the extent that the subsidy payments which are the subject of this regulation may have an indirect effect on small businesses, the effect of the proposed rule is to make Agency loans more capable of feasible underwriting, and, consequently, more obtainable; and, as a result, the proposed rule has no negative effect on small businesses.