State of Minnesota

Minnesota Housing Finance Agency

In the Matter of the Proposed Adoption
of Rules of the Minnesota Housing Finance
Agency Relating to the Income Limits
for home improvement loans and
accessibility improvement assistance

Statement of Need and Reasonableness

Part 4900.0010

Subpart 23. This subpart sets forth definitions of the term, "Persons and families of low and moderate income" with respect to each of the programs of the Minnesota Housing Finance Agency.

Paragraph E. This Paragraph defines persons and families of low and moderate income for purposes of eligibility for home improvement loans and accessibility improvement assistance.

Paragraph E is being amended to correct an erroneous reference to accessibility improvement assistance. This amendment is necessary so that programs operating under the Accessibility Improvement Assistance part of the Rules (4900.0710) have a definition of persons and families of low and moderate income.

Paragraph E defines persons and families of low and moderate income to be those persons and families with adjusted incomes of no more than $24,000. Adjusted income is defined in Part 4900.0010, Subp. 3 as gross annual income of the housing unit after deducting $1,000 for each resident of the housing unit and extraordinary expenses that the executive director approves for exclusion.

Paragraph E is being amended to increase the maximum adjusted income limit from $24,000 a year to $27,000. It is necessary to increase the income limits because of increases in incomes due to inflation, and because these increases in incomes have significantly reduced the pool of eligible applicants since the income limit was last increased in 1983.

An increase in the income limit to $27,000 is reasonable since inflation, as measured by the consumer price index, will require an income of approximately $27,000 a year during 1986 to maintain the purchasing power that $24,000 had in 1983; the last time the income limit was increased. Also, as of July, 1985, the U.S. Department of Housing and Urban Development established the median gross family income in Minnesota to be approximately $30,000 ($29,900). Since the average recipient's household size is three, families with incomes up to the median family income established by the Department of Housing and Urban Development will qualify for the programs, because their adjusted incomes will not exceed $27,000. See the following calculation of adjusted income.

$30,000	Gross family income
- 3,000	($1,000 x 3 residents)
$27,000	Adjusted income

The Agency is mindful of the provisions of Section 14.115 of Minnesota Statutes, entitled Small Business Considerations in Rulemaking, but since the recipients of loans and accessibility improvement assistance under the proposed regulation must be natural 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 loans which are the subject of this regulation may have an indirect effect on small businesses, the effect of the proposed rule is to make such loans more capable of feasible underwriting, and, consequently, more obtainable; and, as a result, the proposed rule has no negative effect on small businesses.