State of Minnesota
Minnesota Housing Finance Agency

In the Matter of the Proposed Adoption of the Minnesota Housing Finance Agency Rules Relating to Home Improvement Grant and Rehabilitation Loan Program Income Limits

Statement of Need and Reasonableness

Part 4900.0010 Definitions

Subpart 23. This Subpart sets forth definitions for the term "persons and families of low and moderate income" with respect to various programs of the Minnesota Housing Finance Agency.

Item D. This item currently defines "persons and families of low and moderate income" for purposes of home improvement grants and rehabilitation loans as those persons and families with "adjusted incomes" not exceeding $7,000.

Item D is being amended to increase the income limit to $8,500.

One purpose of the program is to provide financing to homeowners who could not afford a conventional loan to repair their homes. Since the present income limit of $7,000 was established in 1983, inflation, as measured by The Consumer Price Index, increased 18%. Therefore, persons with incomes 18% higher than $7,000 have an ability to afford a conventional loan today that is comparable to their ability to afford a loan in 1983 with an income of $7,000. The rule is necessary to permit the program to achieve its purpose of providing financial assistance to homeowners who cannot afford other financing.

The 21% increase in income limits represented by the new limit of $8,500 is reasonable given the 18% inflation rate since 1983, the prospect for continued inflation and the likelihood that the Rule will not be changed again for at least two years.

MHFA is mindful of the provisions of Section 14.115 of Minnesota Statutes, entitled "Small Business Considerations in Rulemaking," but since the recipients of HAF loans under the proposed regulation must be natural persons and families of low and moderate income who purchase a home with a first mortgage from MHFA, 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 HAF loans which are a subject of this regulation may have an indirect affect on small businesses, the affect of this 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 affect on small businesses.