

5/14/90



**MINNESOTA
HOUSING
FINANCE
AGENCY**



May 10, 1990

Maryanne Hruby, Director
Legislative Commission to Reviw Administrative Rules
55 State Office Bldg.
100 Constitution Ave.
St. Paul, MN 55155

Dear Ms. Hruby:

I have enclosed a copy of the Statement of Need and Reasonableness on the proposed rules relating to Receivership Revolving Loan Program for your files.

If you have any questions call me at 296-9794.

Sincerely,

A handwritten signature in cursive script that reads "Susan K. Noren".

Susan K. Noren
Legal Secretary

SKN
Enc.

RECEIVERSHIP REVOLVING LOAN FUND PROGRAM STATEMENT OF NEED AND REASONABLENESS

Minnesota Statutes (1989) Section 566.291 provided that the Minnesota Housing Finance Agency (Agency) may establish a revolving loan fund to pay the administrative expenses of receivership administrators under Section 566.29 for properties for occupancy by low and moderate income persons or families. Property owners are responsible for repaying administrative expense payments made from the fund. The statute was passed to provide administrative funding for receivers appointed by the court to oversee the restoration of required services or the completion of emergency repairs. The Agency has committed \$250,000 from its reserves to fund this program. The proposed rule has been developed under the above referenced statute.

Proposed Minnesota Rules Part 4900.2900 (Scope) describes the scope of Part 4900.2900 to Part 4900.2907.

Proposed Minnesota Rules Part 4900.0010 Subpart 23 H and Subpart 24 and Part 4900.2901 (Definitions) provide definitions under these rules.

Proposed Minnesota Rules Part 4900.2902 (Eligibility Requirements) defines what entities are eligible to apply for loan funds as specified under the statute and existing Agency regulations applicable to it.

Proposed Minnesota Rules Part 4900.2903 (Application Process) outlines the application process and the information which must be on the application. The requested information is reasonable and necessary to determine loan eligibility and provide loan security.

Proposed Minnesota Rules Part 4900.2904 (Fees) provides a schedule of maximum allowable fees under this program. It is reasonable and necessary to establish a maximum fee schedule to attract qualified receivers and at the same time provide a means of cost control for the program.

Proposed Minnesota Rules Part 4900.2905 (Administrative Expenses) outlines expenses which are eligible for payment out of loan proceeds. It is reasonable and necessary to delineate eligible expenses to insure that loan proceeds will be expanded in accordance with the statute.

Proposed Minnesota Rules Part 4900.2906 (Disbursement of Funds) specifies the timing of the disbursement of loan proceeds.

Proposed Minnesota Rules Part 4900.2907 (Repayment) outlines the maximum term within which repayment must occur and the security interest options available to the Agency. It is reasonable and necessary to specify the term and security interest of the loan to secure repayment of these limited revolving funds in order to facilitate the making of future loans to provide for emergency repairs to other low income housing.

Receivership Statement

Page 2.

The Agency is cognizant of Section 14,115 of Minnesota Statutes entitled "Small Business Considerations in Rulemaking" and consulted with small businesses and nonprofit organizations in the drafting of the rule. The reporting requirements and deadlines are designed to encourage participation by small businesses. It is envisioned that the recipients of these loan funds will be small businesses or nonprofit entities.