MINNEAPOLIS/SAINT PAUL
2006 SINGLE FAMILY HOUSING FINANCE PROGRAM

The City of Minneapolis, Minnesota ("Minneapolis"), the City of Saint Paul, Minnesota ("Saint Paul") and the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "Authority"), acting individually or jointly through the Minneapolis/Saint Paul Housing Finance Board (the "Joint Board") (all together, the "Issuers") propose to issue mortgage revenue bonds and certain mortgage revenue refunding bonds under Section 103 of the Internal Revenue Code of 1986, as amended (together with regulations promulgated thereunder, the "Code"), in one or more series, in either case to finance the single family housing finance program described herein (the "Program") pursuant to authority conferred by Minnesota Statutes, Chapters 462C, 462A, 469 and 474A, all as amended, (and any predecessor provisions of State law or other general or special law authority for the issuance of obligations to finance a single family housing finance program or development) (all together, the "Act"). Any action specified herein to be made by the Issuers may be made by one or more of them acting in concert or individually.

In creating this Program, the Issuers find and determine:

- that the preservation of the quality of life in Minneapolis and Saint Paul (the "Cities") is dependent upon maintaining an adequate, decent, safe and sanitary housing stock;

- that maintaining such housing stock is a public purpose and will benefit the residents of the Cities;

- that a need exists within the Cities to provide additional affordable owner-occupied housing for low and moderate income persons and families and for other persons and families to the extent necessary to promote economic integration as provided in the Act; and

- that a need exists for mortgage credit to be made available for both existing and new owner-occupied housing, for rehabilitation of existing single family housing and for home improvements.

To meet such needs, the Issuers intend to issue one or more series of single family mortgage revenue bonds and single family mortgage revenue refunding bonds ("Bonds") to cause the origination of mortgage loans to finance the acquisition, construction, rehabilitation or improvement of single family housing in the Cities (or either of them). The Issuers may issue Bonds in an aggregate principal amount of approximately (a) $45,000,000 for Minneapolis and $35,000,000 for Saint Paul, representing certain carryforward 2005 allocation and certain 2006 entitlement bond allocation of Minneapolis and Saint Paul; (b) draw down bonds in the amount of $13,000,000; and (c) up to approximately $100,000,000 of refunding bonds to fund the acquisition of mortgage loans, but which in any event shall be an amount sufficient to refund outstanding mortgage revenue bonds and; and (d) such principal amount of taxable bonds as may be necessary or convenient to further the purposes of this Program.

Mortgage loans financed through the issuance of the Bonds will be subject to the following terms (or, for Bonds as to which these requirements do not apply as a matter of law, to such other terms approved by the Board):

purchase price - the maximum purchase price for financed homes shall not exceed the lesser of (a) 90% (110% in "targeted areas" or areas treated as targeted areas) of the applicable "average area purchase price" determined by the United States Department of the Treasury or by the Issuers on the basis of more complete information, or (b) 3 times the applicable income limit for the Program imposed by Minnesota law (except that in certain areas the purchase price shall not exceed 4 times the applicable income limit to the extent consistent with applicable federal law);

income limits - the maximum income of the mortgagors shall be the lower of (a) the income restrictions imposed by federal tax law or (b) the income restrictions imposed by Minnesota Statutes, Section 462C.03, Subd. 2, including the restriction of Subd. 7 that for the first six months of the Program, 50% of the money available to make mortgage loans or the "non-issued bond amount" of MCCs must be reserved for persons and families with adjusted incomes not greater than 90% of the general Program income limits. Income limits under Section 462C.03, Subd. 2 shall be adjusted for family size by deducting $1,000 per adult and $1,200 per child in the family.

In connection with this Program:

(i) (a) in connection with any mortgage loans financed with the proceeds of mortgage revenue bonds, any financial institutions described in Section 462C.03, Subd. 4, and other mortgage lenders with offices located in the Cities and which are FHA/VA approved sellers of mortgage loans as well as other financial institutions and mortgage lenders which are FHA/VA, or FNMA/FHLMC approved sellers of mortgage loans and are reasonably acceptable to any master servicer acting on behalf of the Issuers, will be eligible for consideration for origination of such loans; the Cities will not limit participation in the Program to a single lender unless other lenders are not willing to participate for the consideration offered; the Authority shall be eligible for consideration for origination of loans;

(b) in connection with issuance of MCCs, MCCs will not be limited to loans originated by particular lenders but will be available with respect to the origination of qualifying mortgage loans by any participating lender;

(ii) loans will not be made available or set aside for the exclusive use of developers or builders except, in the case of mortgage loans financed with the proceeds of mortgage revenue bonds, for new housing described in Section 462C.071, Subd. 2;

(iii) the Issuers expect to act as, or to contract with, a program administrator and a servicer to provide services to ensure that the Program will be consistent with this Program, the Act and applicable federal law;

(iv) as indicated above, the Cities respective 2006 entitlement allocations may be used in the Program, provided, however, that no provision of this Program shall in any way prevent either Minneapolis or Saint Paul from using all or a portion of its respective entitlement allocation(s) for multifamily housing or any other authorized purpose. In addition, any election made by the Cities to issue Mortgage Credit Certificates ("MCCs") in lieu of Bonds may be revoked in whole or in part, at any time during the calendar year in which the election was made as permitted by Section 25 of the Internal Revenue Code and Section 1.25-4T(c)(3) of the Treasury Regulations. The resulting unused entitlement allocation may be used to issue bonds for single family housing or other authorized purposes;

(v) the Program will meet the needs of low and moderate income families by providing below-market rate financing for the acquisition or rehabilitation of single family homes or by providing a tax credit for mortgage interest paid, thereby enabling such persons to qualify for mortgages which would be unavailable at market rates;

(vi) no homes which are located in previously unincorporated real property annexed by the Cities within one year prior to the date of adoption of this Program will be financed under this Program;

(vii) prohibitions or limitations on assumption will be imposed to the extent required by federal law relating to the tax exempt status of Bonds issued pursuant to the Program; provided that the Issuers may impose more stringent limitations at their discretion;

(viii) the estimated amount of mortgage loans to be made or purchased pursuant to this Program is approximately equal to the aggregate principal amount of Bonds issued;

(ix) the estimated aggregate principal amount of the Bonds is set forth above;

(x) the Bonds, if issued, may be issued in one or more series timed for sale consistent with the needs of the Cities in 2006 and the duration of any origination period provided in connection with the Bonds, or, if any bond allocation is carried forward for single family purposes, in 2007;

(xi) refinancing of existing indebtedness will be permitted only where the mortgage loan also finances substantial "rehabilitation" as that term is defined under Minnesota Statutes, Section 462C.01 and Section 462C.03, Subd. 11 and under Section 143 of the Code;

(xii) to the extent required by the Act, during the first ten (10) months of the origination period, loans financed by the Bonds (but not mortgage loans assisted by MCCs) will be made for existing housing;