SUMMARY REPORT
MINNEAPOLIS MF HUB PRODUCTION, FY 2004

Overview of HUB Production, Nationally

In FY 2004, the Minneapolis MF Hub experienced a reduction in loan production. In FY04, our office issued 42 Commitments on 3,309 units, for a combined loan value of $193.7M. In FY03, our HUB issued 72 Commitments on $387 million of loans. This represents 30 fewer commitments, 3,102 fewer units, and $193.3M less in total mortgaged loans this year.[1]

These reductions are similar to the experiences in other HUBs. Fourteen HUBs issued fewer commitments in FY04 than in FY03. Examples include the **Chicago HUB,** which issued 75 fewer Commitments in FY 2004 (-11,487 units, -$342.8M), **Atlanta** issued 49 fewer Commitments (-5,534 units, -$98.1M), **San Francisco** also issued 49 fewer Commitments (-9,569 units, -$599.0M), and **Baltimore** issued 34 fewer Commitments (-6,872 units, -$323.9M).

Six offices issued more Commitments in FY04 than in FY03. **Ft. Worth** issued 43 more Commitments (+4,569 units, +$99.7M), finishing the year with 167 commitments, the most nationally. **Los Angeles** issued 31 more Commitments (+3,211 units, +$262.2M), **Boston** issued 30 more Commitments (+2331, +$105M), **New York** issued 21 more Commitments (932 units, -15.9 units), **Columbus** issued 7 more Commitments (-1,474 units, -$16.7M), and **Greensboro** issued 3 more Commitments (-565 units, +$16.4M).

Of these six offices, Columbus is the only office located in the Midwest, and is discussed more fully below. Risk Share loans account for a large share of the increased production in Fort Worth and Boston. Fort Worth issued 45 more Risk Share Commitments in FY04; Boston issued 22 more Risk Share Commitments. Los Angeles expanded the number of 223(f) loans, issuing 18 more Commitments than in FY03. Greensboro's increased productivity is more surprising, especially considering Atlanta's reduced productivity.

Overall, in FY04, the **Minneapolis HUB is ranked 11th**, out of 18 HUBs, in the number of Commitments issued in FY. In FY03, Minneapolis ranked 10th. See attachment 1 for the rankings of all HUBs.

Minneapolis HUB production vs. similar HUBS

Kansas City (KC), Columbus, Detroit, and Denver oversee production in the remainder of the midwestern states and make good comparisons with Minneapolis (e.g. same region, similar population base). The **Seattle HUB** is also good HUB for, mirroring Minneapolis in population and market demographics (e.g. two primary metropolitan areas). Additional information on each of these HUBs is included in attachment 2.

Overview of Similar-HUBs (Firm Commitments issued)

HUB (States Covered)	**Population** (Millions)	**# Of Commitments** FY03	**FY04**	**# Of Units** FY03	**FY04**	**Mortgage Amt** (Millions) FY03	**FY04**
Kansas City (MO, IA, NE, OK)	13.9	102	**83**	12,325	**7,711**	$475.5	**$298.8**
Columbus (OH)	11.4	63	**70**	9,623	**8,149**	$313.6	**$296.9**
Minneapolis (MN, WI)	10.5	72	**42**	6,411	**3,102**	$387.0	**$193.3**
Denver (CO, MT, ND, SD, UT, WY)	7.4	56	**36**	5,757	**3,527**	$320.9	**$191.8**
Seattle (WA, OR, AK)	10.3	43	**35**	4,405	**3,742**	$202.6	**$199.5**
Detroit (MI)	10.1	49	**33**	6,162	**4,597**	$312.1	**$204.5**

Trends and Analysis

Most HUBs experienced similar reductions in production: With the exception of Columbus, every similar-HUB issued fewer Firm Commitments in FY04. Minneapolis experienced the largest reduction in the number of Commitments issued (-30), and the second largest reduction in the number of units produced (-3,309 units) among the similar-HUBs identified above. KC had a largest drop in the number of units produced (-4,614 units).
Project and loan sizes also decreased this year: Columbus, Denver, and KC saw reductions in the number of units and average loan amount per Commitment over the past two years. In these offices, the average New

[1] This report only uses Firm Commitment data, which seems to be a better indicator of Production activity than Endorsements (e.g. Delayed closing, Insurance Upon Completion can close over a year after completed processing).

Construction / Substantial Rehab (NC/SR) project had 40-60 fewer units in FY04, with loans $3M - $11.7M smaller in size. Our office's average NC/SR loan had 6 fewer units and a mortgage that $700,000 less than in FY03, marginally smaller than the previous year, but less significantly reduced as in other HUBs.

Seattle is the only similar-HUB that produced significantly larger NC/SR projects in FY04, seeing its average project grow from 66 to 150 units. Detroit's experience was mixed. The average NC/SR project in Detroit was 12 units larger, but their average mortgage was $11M less in FY04.

While we experienced marginal reductions in the size of NC/SR projects, our office saw much greater reductions in the size of our 232 projects. In FY03, the average 232 Commitment had 55 units and a $7M mortgage. In FY04, our 232 projects had 5 fewer units, but an average mortgage of just $1.2M (-$5.8M). This represents a significant risk reduction in what has recently been one of our more problematic program areas. 232s grew in Detroit and Seattle, and decreased in all other HUBs.

Projects tend to be smaller in the Minneapolis HUB: Projects in Minneapolis HUB tend to be smaller than in similar-HUBs. This is not a new trend. Our average NC/SR project has 72 units and a $5.8M mortgage. NC/SR projects in similar-HUBS are typically twice the size as projects, ranging from 133 units (KC) to 205 units (Detroit). With the exception of Columbus (where NC/SR mortgages decreased by $5.6M in FY04), average NC/SR loans in similar-HUBs range from $8.8M (KC) to $12M (Seattle).

Our 232 projects are typically 50-75% the size (# of units) as in similar-HUBs. Our average 232 mortgage risk has dropped significantly (see above) and our average 223(f) Commitment is marginally smaller than in other offices. Our 223(a)(7) and Risk Share Commitments fall right in the "middle of the pack".

Our proportion of Refinances/Risk Share project is in line with similar-HUBs: Refinance programs are typically viewed as "risk-reduction" programs, along with Risk Share loans. Approximately one fourth (14 f's and 12 a7's) of our FY04 mortgaged amount is tied to refinanced mortgages. Risk Share projects accounted for another ten percent (10%) of our total mortgaged amount.

The share of refinanced loans (amount mortgaged) in similar-HUBs ranges from 22% (Seattle) to 48% (Columbus). About one-half of the production in Columbus was 223(a)(7) commitments (36 projects or 40% of total amount mortgaged). Denver also saw increases their 223(a)(7) production, committing on 247 more units in FY04. Risk Shares range from 1% (Columbus) to 17% (KC) of the total mortgaged amount in other HUBs.

Over sixty percent (60%) of our mortgaged dollars are in NC/SR projects, which is significantly higher than all other similar-HUB offices. However, this number is skewed by our Coop projects (five Commitments with a mortgage amount of $27.9M, or over 1/3 of our NC/SR production) and the Grand Itasca Hospital ($42.1M). Coops may be considered "lower risk" with significant equity contributions from unit down payments and full occupancy before endorsement. Removing the mortgaged value of Coops and the Hospital from our portfolio drops the NC/SR percentage to just under one-quarter (24%) of our total mortgaged amount in FY04.

Mortgaged amounts, per unit are in line with similar-HUBs: The amount mortgaged, per unit, may be a good indicator of risk (i.e. significantly larger mortgages, per unit, may be riskier). Construction costs are difficult to consider across HUBs, but locally an office can reduce mortgaged amounts, per unit, by insuring projects significant equity contributions (e.g. Coop down payments, developer cash, public subsidy) and managing project costs. Each of these strategies can reduce the risk of a loan, or the Department's responsibility in the case of a foreclosure.

Our office insured approximately $58,537 per unit in FY04. The amount mortgaged, per unit drops to $46,718 when the Grand Itasca Hospital is excluded. Similar-Hubs range from $36,434 (Columbus, with a significant number of refinanced projects) to $54,390 (Denver). Our office is in line with other HUBs.

Summary: While production decreased this past year, our office has continued to produce new units, and refinance existing units, in a fashion that is consistent than other offices. It appears that we undertook a conservative approach to production, insuring projects that were marginally smaller than in FY03 (i.e. "right-sizing"), reducing production in "problem areas" (e.g. Section 232 projects), and refinancing a number of projects, while meeting our established Production goals this year.

Attachment 1 **HUB Rankings (Commitments Issued)**

	Commitments FY 2004	Commitments FY 2003	FY 03 Rank	# Of units (FY04-FY03)	Mortgaged amt (FY04-FY03)
Ft. Worth	167	124	2	4569	$ 99.7
Boston	125	95	6	2331	$ 105.0
Chicago	112	187	1	-11,487	$ (342.8)
Greensboro	84	81	7	-565	$ 16.4
Kansas City	83	102	4	-4614	$ (176.7)
Jacksonville	72	76	9	-2328	$ (151.1)
Atlanta	71	120	3	-5534	$ (98.1)
Columbus	70	63	11	-1474	$ (16.7)
Los Angeles	70	39	15	3211	$ 262.2
Baltimore	66	100	5	-6872	$ (323.9)
Minneapolis	42	72	10	-3567	$ (202.6)
Denver	36	56	12	-2230	$ (129.1)
Seattle	35	43	14	-663	$ (3.1)
Detroit	33	49	13	-1565	$ (107.6)
New York	33	12	18	932	$ (15.9)
San Francisco	30	79	8	-9569	$ (599.0)
Philadelphia	30	34	16	-1240	$ (68.6)
Buffalo	9	14	17	-1041	$ (44.1)

Attachment 2 **Similar-HUB Firm Commitment Activity, FY04**

	Minneapolis	Columbus	Denver	Detroit	Kansas City	Seattle
NC/SR Apartments + Coop projects						
Total # of projects	**14**	8	8	9	11	5
# Units	**939**	1,179	1,097	1,842	1,463	750
Total Amount $ (milions)	**$117.0**	$43.1	$83.7	$93.3	$96.7	$59.9
Avg units per project	**67**	147	137	205	133	150
Avg Loan Amt (millions)	**$8.4**	$5.4	$10.5	$10.4	$8.8	$12.0
Section 232						
Total # of projects	**4**	19	6	9	14	15
# Units	**198**	2,038	455	937	1,340	1,645
Total Amount $ (milions)	**$4.8**	$108.4	$15.6	$35.7	$67.7	$85.9
Avg units per projects	**50**	107	76	104	96	110
Avg Loan Amt (millions)	**$1.2**	$5.7	$2.6	$4.0	$4.8	$5.7
Section 223 F						
Total # of projects	**6**	5	5	9	9	7
# Units	**369**	1,084	402	1,042	698	665
Total Amount $ (milions)	**$16.4**	$23.9	$21.5	$34.5	$17.2	$31.6
Avg units per projects	**62**	217	80	116	78	95
Avg Loan Amt (millions)	**$2.7**	$4.8	$4.3	$3.8	$1.9	$4.5
Section 223(a)(7)						
Total # of projects	**9**	36	10	2	29	6
# Units	**1,097**	3,560	1,076	440	2,991	441
Total Amount $ (milions)	**$35.7**	$118.7	$68.8	$17.7	$67.4	$11.6
Avg units per projects	**122**	99	108	220	103	74
Avg Loan Amt (millions)	**$4.0**	$3.3	$6.9	$8.9	$2.3	$1.9
Section 542 (Risk Share)						
Total # of projects	**9**	2	7	4	20	2
# Units	**706**	288	497	336	1,219	241
Total Amount $ (milions)	**$19.8**	$2.1	$26.7	$26.9	$49.8	$10.5
Avg units per projects	**78**	144	71	84	61	121
Avg Loan Amt (millions)	**$2.2**	$1.1	$3.8	$6.7	$2.5	$5.3

Percent of Mortgaged Amount that is:						
NC/SR Apartments + Coop projects	**60.4%**	**14.6%**	**38.7%**	**44.8%**	**32.4%**	**30.0%**
Section 232	**2.5%**	**36.6%**	**7.2%**	**17.2%**	**22.7%**	**43.1%**
Section 223(f)	**8.5%**	**8.1%**	**9.9%**	**16.6%**	**5.8%**	**15.8%**
Section 223(a)(7)	**18.4%**	**40.1%**	**31.8%**	**8.5%**	**22.6%**	**5.8%**
Section 542 (Risk Share)	**10.2%**	**0.7%**	**12.3%**	**12.9%**	**16.7%**	**5.3%**

Total # of Projects (FHA Only)	**33**	68	29	29	63	33
Total # of Units (FHA only)	**2,603**	7,861	3,030	4,261	6,492	3,501
Total FHA Amount Mortgaged (FHA only	**$173.9**	$294.1	$189.6	$181.2	$249.0	$189.0

Total # of Projects (FHA + RS)	**42**	**70**	**36**	**33**	**83**	**35**
Total # of Units (FHA + RS)	**3,309**	**8,149**	**3,527**	**4,597**	**7,711**	**3,742**
Total Mortgaged (FHA + RS)	**$193.7**	**$296.2**	**$216.3**	**$208.1**	**$298.8**	**$199.5**