

SUMMARY REPORT MINNEAPOLIS MF HUB PRODUCTION, FY 2005

In FY05, the Minneapolis MF Hub (“Mpls Hub”) experienced a moderate increase in loan production from FY04 – reversing a one-year downturn in production – but continued a trend in insuring smaller-sized loans. However, FY05’s loan production remained significantly less than in FY03.¹

- In FY05, Mpls Hub issued 49 Commitments on 3,838 units, for a combined loan value of \$161.7M
- In FY04, Mpls Hub issued 42 Commitments on 3,309 units, for a combined loan value of \$193.7M
- In FY03, Mpls Hub issued 72 Commitments on 6,411 units, for a combined loan value of \$387.0M

Overview of HUB Production, Nationally

FY05 marked the 3rd straight year in which HUD’s overall MF Production was down, nationally.

- In FY05 HUD issued 1,011 Commitments on 120,434 units, for a combined loan value of \$5.5B
- In FY04 HUD issued 1,168 Commitments on 146,464 units, for a combined loan value of \$6.8B
- In FY03 HUD issued 1,246 Commitments on 188,015 units, for a combined loan value of \$8.6B

The trend in HUD MF Production is smaller-sized projects and loans. In FY05 the average HUD MF project had a \$5.44M loan Commitment on 119 units. This represents a 15% reduction in loan size over 3 years (FY03 average project had a \$6.9 mortgage; \$5.86M in FY04) and a 21% reduction in project size (# of units) over the same period.

Of HUD’s eighteen Hubs, six issued more Commitments in FY05 than in FY04 (Baltimore, Buffalo, Detroit, Mpls, Philadelphia, and San Francisco) and five of these Hubs insured more units than in the previous year (Buffalo, Detroit, Mpls, Philadelphia, San Francisco) in addition to the NYC Hub. Four Hubs insured more units in FY05 than in FY03 (LA, Philadelphia, NYC and Buffalo). It should be noted that in most cases (with the exception of Baltimore) production increases occurred at HUD’s “smaller” Hubs.

Alternately, twelve Hubs issued fewer Commitments in FY05 than in FY04, primarily grouped in HUD’s largest Hubs (in terms of Production). Nine of HUD’s 10 largest Hubs experienced reductions in Commitments issued, and all 10 HUBs issued commitments on fewer units in FY05. HUD’s three largest offices experienced some of the largest reductions in productivity.² For instance:

- Ft. Worth issued 67 fewer Commitments, on 10,691 fewer units and insured \$358M less in FY05
- Boston issued 30 fewer Commitments on 3,282 fewer units and insured \$227M less in FY05
- Chicago issued 19 fewer Commitments on 6,108 units and insured \$240.8M less in FY05

Cumulatively, these Hubs accounted for 116 fewer projects, 19,000 fewer units, and \$800M less insured by HUD in FY05. The Chicago and Boston Hubs (which accounted for over \$1B in activity) made Commitments on just 11 New Construction (NC) projects; the Mpls Hub issued Commitments on 11 NC projects in FY05. Large reductions in productivity were also experienced in the Jacksonville, Greensboro, and Kansas City Hubs (ranked 8-10) with -14, -27, and -29 Commitments in FY05 (respectively) on -3217, -2654, and -988 units.

These findings mirror FY04, in which fourteen Hubs issued fewer commitments than in FY03. Last year Columbus was the only Midwest Hub showing an increase in productivity (from the previous year). This year Columbus issued 3 fewer Commitments on 1,392 fewer units and insured \$56.5M less than in FY04.

Generally, the Mpls Hub produces modest-sized projects, both in terms of project size (i.e. average Mpls Hub project had 78 units, the lowest average among all Hubs and less than half the national average of 151 units) and mortgage amount (\$3.3M average is lowest, nationally). For a further discussion of this issue, please see the section “Projects / loan sizes continued to decrease this year for most Hubs” on the next page. On a per capita basis, the Mpls Hub produces as many, or more units than 6 other Hubs nationally, and mortgages more dollars than 7 other Hubs. Please see tables 1 and 2 for further information on national Hub data.

Overall, in FY05, the **Mpls Hub was ranked 12th**, out of 18 Hubs, in the number of Commitments issued. In FY04, the Minneapolis HUB was ranked 11th, and in FY03 Minneapolis ranked 10th. Table 1 provides the rankings of all Hubs.

¹ This report utilizes Firm Commitment data, which may be a better indicator, or snapshot, of current Production activity than Endorsement data (e.g. Delayed closing, Insurance Upon Completion can close over a year after completed processing). Typically HUD utilizes Endorsement data for Management Goals.

² Comparing FY05 with FY04

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 comparison, mirroring Minneapolis in population and market demographics (e.g. two primary metropolitan areas). Additional information on each of these Hubs is included in Table 3.

Overview of Similar-HUBs (Commitments issued)

HUB (Stated covered)	Population (Millions)	# Of Commitments			# Of Units			Mortgage Amt (Millions)		
		FY03	FY04	FY05	FY03	FY04	FY05	FY03	FY04	FY05
Columbus (OH)	11.4	63	70	67	9,623	8,149	6,588	\$313.6	\$296.9	\$240.0
Kansas City (MO, IA, NE, OK)	16.3	102	83	54	12,325	7,711	6,723	\$475.5	\$298.8	\$277.8
Minneapolis (MN, WI)	10.3	72	42	49	6,411	3,102	3,838	\$387.0	\$193.3	\$161.7
Detroit (MI)	9.9	49	33	36	6,162	4,597	4,722	\$312.1	\$204.5	\$152.1
Seattle (WA, OR, AK)	11.2	43	35	34	4,405	3,742	3,243	\$202.6	\$199.5	\$188.9
Denver (CO, MT, ND, SD, UT, WY)	9.3	56	36	29	5,757	3,527	2,893	\$320.9	\$191.8	\$136.6

Trends and Analysis with Similar Hubs

Most HUBs experienced somewhat comparable, or reduced production in FY05 vs. FY04: Columbus, Denver, KC, and Seattle experienced reductions in productivity. Seattle and Columbus insured smaller projects (i.e. fewer units in each project) but issued commitments on a comparable number of projects. Alternately, KC issued significantly fewer Commitments, but insured a comparable number of units as in FY04. Denver saw a significant reduction in productivity FY05, in terms of Commitments issued, # of units, and mortgaged amount.

While Mpls Hub 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) last FY (in FY04), the Mpls Hub saw small increases in productivity in FY05 (+7,+736 units). KC had the largest drop in the number of units produced in FY04 (4,614 fewer units) in FY04, while Columbus experienced the largest drop in the number of units produced in FY05 (1,561 fewer units).

Projects / loan sizes continued to decrease this year for most Hubs: This trend in these Hubs continues to be smaller projects with smaller-sized loans. Four of six Hubs in this grouping saw reductions in their average project size (# of units and mortgage amount). In the Mpls Hub, the average project had 3 fewer units and mortgage \$0.9M less in FY05 (than in FY04).

The average Mpls Hub project has fewer units and a smaller sized mortgage than projects in other “similar Hub”. However this calculation might be skewed by the Mpls Hub’s New Construction/Substantial Rehab/Coop projects (NC/ SR/Coop). The average Mpls Hub NC/SR/Coop project has only 69 units. The average NC/SR/Coop project in the four other Hubs projects has 172 units. This difference may be due to the number Coop projects our office insures, along with a range of other local factors (e.g. local zoning ordinances, market appeal).

	FY03	FY04	FY05
Columbus			
Avg. Project Size	153	116	98
Avg. Mortgage	\$5.0M	\$4.2M	\$3.6M
Denver			
Avg. Project Size	102	98	100
Avg. Mortgage	\$5.7M	\$5.3M	\$4.7M
Detroit			
Avg. Project Size	126	139	131
Avg. Mortgage	\$6.4M	\$6.2M	\$4.2M
Kansas City			
Avg. Project Size	120	92	125
Avg. Mortgage	\$4.7M	\$3.6M	\$5.1M
Minneapolis			
Avg. Project Size	89	81	78
Avg. Mortgage	\$5.4M	\$4.6M	\$3.3M
Seattle			
Avg. Project Size	102	107	95
Avg. Mortgage	\$4.7M	\$5.7M	\$5.6M

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 \$42K per unit in FY05 (\$58K/unit in FY04, \$60K/unit in FY03.), which shows a two year trend of reductions in the amount mortgaged, per unit. Additionally, this calculation also places the Mpls Hub in the median of this category. Similar-Hubs in FY05 range from: \$32K/unit (Detroit), \$36K/unit (Columbus) \$41K/unit (KC), \$47K/Unit (Denver), \$58K/Unit (Seattle).

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. Almost one-half (5f’s and 19 a7’s) of our FY05 projects are refinanced mortgages (45% of all mortgaged dollars), placing our office on the “high end” of this category, as compared to the other Hubs.

Our office also issued Commitments on 9 Risk Share projects, which accounted for 10% of the total dollars mortgaged, and 15% of the units in the Mpls Hub. This productivity accounts for more Risk-Share Commitments than in the Columbus (0), Denver (3), Detroit (1), and Seattle (2) Hubs combined, while the KC Hub issued 8 Risk Share loans in FY05. Our office mortgaged just \$28,328 per unit on Risk Share projects. Considering that the Risk Share program shares the risk equally with the Minnesota Housing Finance Agency with these projects, our effective insurance commitment is just over \$14,000 per Risk Share unit.

TABLE 1: HUB PRODUCTION NUMBERS, FY 03-05

FY 05 RANK	EST. POPULATION	COMMITMENTS ISSUED			AMOUNT MORTGAGED (millions)			NUMBER OF UNITS			
		FY05	FY04	FY03	FY05	FY04	FY03	FY05	FY04	FY03	
1	Ft. Worth	29,813,242	100	167	124	\$667	\$1,025	\$926	13,793	24,484	19,915
2	Boston	10,516,952	95	125	95	\$538	\$764	\$659	10,273	13,555	11,224
3	Chicago	18,499,778	93	112	187	\$488	\$729	\$1,071	11,705	17,813	29,300
4	Baltimore	12,947,060	71	66		\$607	\$608	\$932	10,125	10,216	17,088
5	Columbus	11,353,140	67	70	63	\$240	\$297	\$314	6,588	8,149	9,623
6	Atlanta	17,917,505	65	71	120	\$234	\$323	\$421	6,711	8,613	14,147
7	Los Angeles	20,668,310	62	70	39	\$318	\$443	\$181	5,645	8,401	5,190
8	Jacksonville	23,274,136	58	72	76	\$296	\$498	\$649	7,311	10,528	13,166
9	Greensboro	12,061,325	57	84	81	\$240	\$356	\$339	5,742	8,396	8,961
10	Kansas City	16,371,870	54	83	102	\$278	\$299	\$476	6,723	7,711	12,325
11	Philadelphia	23,287,348	50	30	34	\$177	\$190	\$258	5,221	3,925	5,165
12	Minneapolis	10,283,154	49	42	72	\$162	\$184	\$387	3,838	3,309	6,411
13	San Francisco	21,543,764	39	30	79	\$316	\$190	\$789	6,579	3,925	13,494
14	Detroit	9,938,444	36	33	49	\$152	\$205	\$312	4,722	4,597	6,162
15	Seattle	11,236,405	34	35	43	\$189	\$200	\$203	3,243	3,742	4,405
16	Denver	9,327,451	29	36	56	\$137	\$192	\$321	2,893	3,527	5,757
17	New York	11,677,372	26	33	12	\$305	\$250	\$266	5,878	4,233	3,301
17	Buffalo	7,299,085	26	9	14	\$154	\$50	\$94	3,444	1,340	2,381
NATIONAL		278,016,341	1,011	1,168	1,246	\$5,497	\$6,801	\$8,598	120,434	146,464	188,015

TABLE 2: AVERAGE PRODUCTION NUMBERS, BY HUB, FY 03-05

	Population	THE AVERAGE PROJECT IN FY05, LOOKED LIKE:		# OF UNITS, PER 10,000 PERSONS			AMOUNT MORTGAGED, PER PERSON		
		AMT *	#UNITS	FY05	FY04	FY03	FY05	FY04	FY03
Ft. Worth	29,813,242	\$6.7	138	4.6	8.2	6.7	\$ 22.37	\$34.39	\$31.05
Boston	10,516,952	\$5.7	108	9.8	12.9	10.7	\$ 51.12	\$72.67	\$62.69
Chicago	18,499,778	\$5.2	126	6.3	9.6	15.8	\$ 26.36	\$39.38	\$57.91
Baltimore	12,947,060	\$8.5	143	7.8	7.9	13.2	\$ 46.84	\$46.99	\$72.01
Columbus	11,353,140	\$3.6	98	5.8	7.2	8.5	\$ 21.15	\$26.15	\$27.62
Atlanta	17,917,505	\$3.6	103	3.7	4.8	7.9	\$ 13.07	\$18.00	\$23.47
Los Angeles	20,668,310	\$5.1	91	2.7	4.1	2.5	\$ 15.36	\$21.44	\$8.75
Jacksonville	23,274,136	\$5.1	126	3.1	4.5	5.7	\$ 12.71	\$21.41	\$27.90
Greensboro	12,061,325	\$4.2	101	4.8	7.0	7.4	\$ 19.92	\$29.47	\$28.11
Kansas City	16,371,870	\$5.1	125	4.1	4.7	7.5	\$ 16.97	\$18.25	\$29.04
Philadelphia	23,287,348	\$3.5	104	2.2	1.7	2.2	\$ 7.62	\$8.15	\$11.09
Minneapolis	10,283,154	\$3.3	78	3.7	3.2	6.2	\$ 15.72	\$17.93	\$37.63
San Francisco	21,543,764	\$8.1	169	3.1	1.8	6.3	\$ 14.68	\$8.81	\$36.63
Detroit	9,938,444	\$4.2	131	4.8	4.6	6.2	\$ 15.30	\$20.58	\$31.40
Seattle	11,236,405	\$5.6	95	2.9	3.3	3.9	\$ 16.81	\$17.75	\$18.03
Denver	9,327,451	\$4.7	100	3.1	3.8	6.2	\$ 14.64	\$20.56	\$34.40
New York	11,677,372	\$11.7	226	5.0	3.6	2.8	\$ 26.11	\$21.44	\$22.80
Buffalo	7,299,085	\$5.9	132	4.7	1.8	3.3	\$ 21.14	\$6.82	\$12.86
NATIONAL AVERAGE		\$5.4	119	4.3	5.3	6.8	\$ 19.77	\$24.46	\$30.93

* AMOUNT MORTGAGED, IN MILLIONS

TABLE 3: SIMILAR HUB FIRM COMMITMENT ACTIVITY, BY PROGRAM TYPE, FY04-05

	FISCAL YEAR 2005						FISCAL YEAR 2004					
	MPLS	Columbus	Denver	Detroit	KC	Seattle	MPLS	Columbus	Denver	Detroit	KC	Seattle
NC/SR APTS & COOPS												
Total # of projects *	11	8	4	3	9	6	14	8	8	9	11	5
# Units	757	1,010	592	438	2,022	933	939	1,179	1,097	1,842	1,463	750
Total Amount \$ *	\$54.4	\$43.8	\$47.8	\$22.6	\$105.0	\$74.1	\$117.0	\$43.8	\$83.7	\$93.3	\$96.7	\$59.9
Units per project	69	126	148	205	225	156	67	147	137	205	133	150
Avg Loan Amt	\$4.9	\$5.5	\$12.0	\$7.5	\$11.7	\$12.4	\$8.4	\$5.5	\$10.5	\$10.4	\$8.8	\$12.0
Section 232												
Total # of projects *	5	28	5	10	7	13	4	19	6	9	14	15
# Units	441	2,582	412	1,296	751	1,140	198	2,038	455	937	1,340	1,645
Total Amount \$ *	\$17.7	\$119.5	\$26.4	\$38.4	\$41.6	\$63.1	\$4.8	\$108.4	\$15.6	\$35.7	\$67.7	\$85.9
Units per project	88	92	82	130	107	88	50	107	76	104	96	110
Avg Loan Amt	\$3.5	\$4.3	\$5.3	\$3.8	\$5.9	\$4.9	\$1.2	\$5.7	\$2.6	\$4.0	\$4.8	\$5.7
Section 223 F												
Total # of projects *	5	1	3	8	4	7	6	5	5	9	9	7
# Units	321	150	215	1,006	413	427	369	1,084	402	1,042	698	665
Total Amount \$ *	\$16.3	\$5.3	\$5.0	\$33.3	\$15.1	\$16.8	\$16.4	\$23.9	\$21.5	\$34.5	\$17.2	\$31.6
Units per project	64	150	72	126	103	61	62	217	80	116	78	95
Avg Loan Amt	\$3.3	\$5.3	\$1.7	\$4.2	\$3.8	\$2.4	\$2.7	\$4.8	\$4.3	\$3.8	\$1.9	\$4.5
Section 223(a)(7)												
Total # of projects *	19	30	14	14	26	6	9	36	10	2	29	6
# Units	1,733	2,846	1,428	1,893	2,344	653	1,097	3,560	1,076	440	2,991	441
Total Amount \$ *	\$56.7	\$71.4	\$44.7	\$54.1	\$70.8	\$30.1	\$35.7	\$118.7	\$68.8	\$17.7	\$67.4	\$11.6
Units per project	91	95	102	135	90	109	122	99	108	220	103	74
Avg Loan Amt	\$3.0	\$2.4	\$3.2	\$3.9	\$2.7	\$5.0	\$4.0	\$3.3	\$6.9	\$8.9	\$2.3	\$1.9
Section 542 Risk Share (RS)												
Total # of projects *	9	0	3	1	8	2	9	2	7	4	20	2
# Units	586	0	246	89	1,193	90	706	288	497	336	1,219	241
Total Amount \$ *	\$16.6	\$0.0	\$12.7	\$3.7	\$45.3	\$4.8	\$19.8	\$2.1	\$26.7	\$26.9	\$49.8	\$10.5
Units per project	65	0	82	89	149	45	78	144	71	84	61	121
Avg Loan Amt	\$1.8	\$0.0	\$4.2	\$3.7	\$5.7	\$2.4	\$2.2	\$1.1	\$3.8	\$6.7	\$2.5	\$5.3
Percent of all Mortgaged, that is:												
NC/SR/Coop	33.6%	18.3%	35.0%	14.9%	37.8%	39.2%	60.4%	14.8%	38.7%	44.8%	32.4%	30.0%
Section 232	10.9%	49.8%	19.3%	25.2%	15.0%	33.4%	2.5%	36.5%	7.2%	17.2%	22.7%	43.1%
Section 223(f)	10.1%	2.2%	3.7%	21.9%	5.4%	8.9%	8.5%	8.0%	9.9%	16.6%	5.8%	15.8%
Section 223(a)(7)	35.1%	29.8%	32.7%	35.6%	25.5%	15.9%	18.4%	40.0%	31.8%	8.5%	22.6%	5.8%
Risk Share (RS)	10.3%	0.0%	9.3%	2.4%	16.3%	2.5%	10.2%	0.7%	12.3%	12.9%	16.7%	5.3%
# of FHA Projects												
# of FHA Projects	40	67	26	35	46	32	33	68	29	29	63	33
# of FHA Units	3,252	6,588	2,647	4,633	5,530	3,153	2,603	7,861	3,030	4,261	6,492	3,501
FHA Mortgaged	\$145.1	\$240.0	\$123.9	\$148.4	\$232.5	\$184.1	\$173.9	\$294.8	\$189.6	\$181.2	\$249.0	\$189.0
# of projects, all projects (FHA+RS)												
# of projects, all projects (FHA+RS)	49	67	29	36	54	34	42	70	36	33	83	35
# of Units, all projects (FHA+RS)	3,838	6,588	2,893	4,722	6,723	3,243	3,309	8,149	3,527	4,597	7,711	3,742
Amt. Mortgaged, all projects (FHA+RS)	\$161.7	\$240.0	\$136.6	\$152.1	\$277.8	\$188.9	\$193.7	\$296.9	\$216.3	\$208.1	\$298.8	\$199.5

* In millions of dollars

