

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
March 22, 2019
Information Items



FORECLOSURE COUNSELING PROGRAM

Information

II. FORECLOSURE COUNSELING PROGRAM

A. Foreclosure Counseling Program

1. Background

- a) In September 2013, the Foreclosure Counseling Program (FCP) was launched to help at-risk homeowners avoid foreclosure by providing foreclosure counseling and financial management education to help them better manage their money and assist them in resolving credit problems to become more financially stable.
- b) The program was appropriated funding by the state Legislative Budget Commission which approved \$10 million from the National Mortgage Settlement funds to provide foreclosure counseling services to be administered by Florida Housing.
- c) The program objectives are met by providing funding on a fee-for-service basis to non-profit HUD approved housing counseling agencies and SHIP eligible local governments to carry out foreclosure counseling services and financial management education.

2. Present Situation

- a) As of December 31, 2018, the program had expended \$3,878,725 through non-profit counseling agencies. The average cost of each applicant proceeding through FCP is \$603.17. In addition, \$2.3 million has been disbursed to SHIP eligible local governments.
- b) Since inception, 11,565 households have received some form of foreclosure counseling.
- c) [Exhibit A](#) provides information on the status of the program over the fourth quarter of 2018 and since program inception for the portion of funding going directly to housing counseling agencies. This report details the number of households that have entered the program and the progress and outcomes that have resulted since inception. The outcomes data will lag behind the number of participants in the program, as the typical time for a homeowner to get through this process is 12-24 months.

FISCAL
Information

III. FISCAL

A. Operating Budget Analysis for December 31, 2018

1. Background/Present Situation

- a) The Financial Analysis for December 31, 2018, is attached as [Exhibit A](#).
- b) The Operating Budget for the period ending December 31, 2018, is attached as [Exhibit B](#).

B. Operating Budget Analysis for January 31, 2019

1. Background/Present Situation

- a) The Financial Analysis for January 31, 2019, is attached as [Exhibit C](#).
- b) The Operating Budget for the period ending January 31, 2019, is attached as [Exhibit D](#).

GUARANTEE FUND

Information

IV. GUARANTEE FUND

A. Status of the Guarantee Program Portfolio

1. Background/Present Situation

- a) Since the implementation of the Guarantee Program in 1993, 120 transactions facilitating the construction of over 28,000 housing units in Florida were guaranteed. In November 1994, the Guarantee Program entered into an agreement with HUD to participate in the Risk-Sharing Program; characterized by a 50/50 sharing of default risk in connection with the mortgage guarantee. As of 2/28/19, three (3) multifamily developments remain in the Guarantee Program portfolio; one (1) is a Risk-Sharing transaction.
- b) Between November 2008 and April 2010, eight (8) multifamily claims were filed on the Guarantee Program portfolio, representing the total (and only) multifamily claims incurred in its 24-year history. The Guarantee Program experienced a strong 87% foreclosure recovery rate, compared to the 64% national average at that time.¹ Currently, there are no foreclosures in inventory and no developments in monetary default in the portfolio.

B. Corpus and Portfolio Risk Exposure

1. Background/Present Situation

- a) The global liquidity crisis of 2008 collapsed the market for the variable rate bonds capitalizing the Guarantee Program corpus, ultimately leading staff to restructure the debt, paying off approximately \$89 million and refinancing the remaining \$156.2 million in variable rate bonds to a 5-year term loan with Citibank, closing on December 31, 2009.
- b) At that time, the Guarantee Program's total risk exposure was \$754.5 million. Since then, in keeping with the Board's mandate to cede risk from the portfolio, total risk exposure has been reduced over 97%, as reflected below:

Portfolio Risk Exposure

As of 2/28/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11	12/31/10
\$19.9M	\$19.9M	\$20.4	\$30.9M	\$59.4M	\$158.9M	\$306.5M	\$468.5M	\$578.8M	\$728.3M

- c) The continued low interest rate environment has prompted many Developers to refinance their properties, paying-off their guaranteed mortgages and removing them from the Guarantee Program portfolio, representing the primary driver behind the reduction in Total Commitments reflected above. Refinancing activity is reflected in the following chart:

¹ Real Capital Analytics, April 2011

GUARANTEE FUND

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Refinancing Activity

	As of 2/28/19	2018	2017	2016	2015	2014	2013	2012	2011	2010
Loans (#):	0	0	1	5	17	22	22	9	12	2
Risk ceded (\$):	n/a	n/a	\$10.2M	\$27.6M	\$100M	\$136.8M	\$149.4M	\$84M	\$117.9M	\$9.9M

- d) Contributing to the reduction in Total Commitments was approximately \$115 million in partial prepayments (of mortgages) from SAIL ELI proceeds, funded prior to or at the time of closing, helping facilitate refinancing activity.
- e) Furthermore, Management aggressively reduced the Guarantee Program capitalizing debt, paying off \$90.2 million on April 20, 2011, another \$15 million on July 29, 2011, and the remaining \$51.0 million on December 21, 2012, reducing the Guarantee Fund's capitalizing debt to zero (\$0).
- f) The Guarantee Fund corpus contains approximately \$135.7 million in capital invested in the Florida Treasury, Special Purpose Investment Account (SPIA), rated "A+F" by Standard & Poor's as of September 30, 2017.

C. Current Ratings (Insurer Financial Strength)

1. Background/Present Situation

Standard & Poor's: April 2017 A+ / Stable outlook
 Cited strengths: "Strong state financial support...Strong asset quality...Strong asset management policies"^[1]

Fitch: March 2018 A+ / Stable outlook
 Cited strengths: "Low Risk-to-Capital Ratio... Limited State support ...Minimal Multifamily Losses"^[2]

D. Risk-to-Capital Ratio

1. Background/Present Situation

- a) Authorized Maximum Ratio = 5:1. Peaking in 1999 at 4.95:1, subsequent management efforts resulted in a more conservative downward trend to the vastly improved ratio of .15:1 as of 2/28/19. Capital not needed to support the outstanding Guarantees has been made available to the SAIL program for use in the 2016-2018 competitive solicitations. Specifically, \$40 million was made available to workforce housing and the remaining \$73 million to SAIL.

E. Guarantee Program Portfolio ([Exhibit A](#))

^[1] Standard & Poor's, "Florida Affordable Housing Guarantee Fund", April 11, 2017, www.standardandpoors.com/ratingsdirect.

^[2] Fitch Ratings, "Fitch Affirms Florida Housing Finance Corp's Guarantee Fund at 'A+'; Outlook Stable", March 28, 2018, www.fitchratings.com.

HOUSING CREDITS

Information

V. HOUSING CREDITS

A. The developments listed below have requested changes to the Extended Use Agreement

1. Background/Present Situation

- a) Silver Palm Place (2014-201C/2016-420C) is a 9% Housing Credit Development. The Extended Low-Income Housing Agreement (EUA) was recorded in Palm Beach County on April 5, 2018.

On February 4, 2019, staff received a letter from the Applicant requesting to revise the minimum number of Residential Rental Units required per building within Section 2(e) of the executed Extended Low-Income Housing Agreement (EUA).

Staff will amend the Extended Low-Income Housing Agreement (EUA) as appropriate.

- b) Stanley Terrace Apartments (2013-531C) is a 4% Housing Credit Development. The Extended Low-Income Housing Agreement (EUA) was recorded in Broward County on December 19, 2018

On January 30, 2019, staff received a letter from the Applicant requesting to amend the Extended Low-Income Housing Agreement (EUA) to include a necessary HUD Rider. The United States Department of Housing and Urban Development requires all restrictive covenants, including those executed in connection with low-income housing tax credits, to include a HUD Rider, which subordinates the Extended Low-Income Housing Agreement (EUA) to the HUD-insured loan.

Staff will amend the Extended Low-Income Housing Agreement (EUA) as appropriate.

MULTIFAMILY BONDS

Information

VI. MULTIFAMILY BONDS

A. Changes to Construction Features and Amenities

1. Background/Present Information

- a) The following developments listed below have requested, and staff has approved, a change to the Construction Features & Amenities in their Application since the last Board meeting:
- (1) Douglas Gardens V (2017 Series G / RFA 2015-112 / 2016-177BS / 2016-541C) - The Borrower has requested to replace “Energy Star water heater” with “Water heaters with a minimum energy factor of .95EF”. Scoring of the Application will remain unaffected.
 - (2) Pelican Pointe (2017 Series A / RFA 2015-112 / 2016-181BS / 2016-522C) - The Borrower has requested to replace “Energy Star water heater” with “Water heaters with a minimum energy factor of .95EF”. Scoring of the Application will remain unaffected.
 - (3) Park at Wellington II (2016 Series J / RFA 2015-112 / 2016-182BS / 2016-508C) - The Borrower has requested to replace “Energy Star water heater” with “Water heaters with a minimum energy factor of .95EF”. Scoring of the Application will remain unaffected.
 - (4) Banyan Court (2018 Series D / RFA 2016-109 / 2016-379BS / 2016-550C) - The Borrower has requested to replace “Energy efficient windows in each unit” with “Energy Star roofing materials (metal, shingles, thermoplastic polyolefin (TPO), or tiles)”. Scoring of the Application will remain unaffected.
 - (5) Centerra (2017 Series E-1 and E-2 / RFA 2015-110 / 2016-104H / 2016-539C) – The Borrower has requested a Unit Mix Change from 55 Two bedroom/two bath units and 49 Three bedroom/two bath units to 52 Two bedroom/two and half bath units, 3 Two bedroom/three bath units, and 49 Three bedroom/three bath units. Scoring of the Application will remain unaffected.
 - (6) Lake Forrest (2001 Series G) – The Borrower has requested to replace the following three amenities:
 - (a) “Fitness center with two racquetball courts and laundry facility” with a “Fitness center with yoga room, group training room, and cardio area;”
 - (b) “Two laundry facilities (one in fitness center and one in clubhouse) with a “Full size washer and dryer in each unit;”
 - (c) “One heated spa” with an “Outdoor kitchen with grills and counter space”Scoring of the Application will remain unaffected.

MULTIFAMILY BONDS

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- b) Staff will amend the Land Use Restriction Agreements and/or Extended Use Agreements for the developments as appropriate.

MULTIFAMILY PROGRAMS – ALLOCATIONS

Information

VII. MULTIFAMILY PROGRAMS – ALLOCATIONS

A. Present Situation of Multifamily Allocations

1. Background/Present Situation

- a) RFA Updates
 - (1) RFA 2019-104 SAIL Financing for Smaller Permanent Supportive Housing Developments for Persons with Special Needs
 - (a) The RFA was issued on February 26, 2019
 - (b) The Application Deadline is March 28, 2019
 - (2) RFA 2019-107 Financing to Develop Housing for Persons with Disabling Conditions or Developmental Disabilities
 - (a) The RFA was issued on February 26, 2019
 - (b) The Application Deadline is April 3, 2019
 - (3) RFA 2019-109 HOME Financing to be used for Rental Developments for Hurricane Michael Recovery and in Rural Areas
 - (a) The RFA was issued on February 21, 2019
 - (b) The Application Deadline is March 26, 2019
- b) 2019/2020 General RFA Workshop
 - (1) The Corporation will hold a general workshop regarding the 2019/2020 RFA cycle on Tuesday, April 2, 2019, beginning at 10:00 a.m., in Tallahassee.

MULTIFAMILY PROGRAMS

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VIII. MULTIFAMILY PROGRAMS

A. The developments listed below have requested changes to the Extended Use Agreement and Land Use Restriction Agreement

1. Background/Present Situation

- a) Clear Pond Estates (2016-524C) is a 4% Housing Credit Development. The Extended Low-Income Housing Agreement (EUA) was recorded in Brevard County on December 3, 2018.
- b) On January 29, 2019, staff received a letter from the Applicant requesting to amend the Extended Low-Income Housing Agreement (EUA) to include a necessary HUD Rider. The United States Department of Housing and Urban Development requires all restrictive covenants, including those executed in connection with low-income housing tax credits, to include a HUD Rider, subordinating the Extended Low-Income Housing Agreement (EUA) to the HUD-insured loan.
- c) Staff will amend the Extended Low-Income Housing Agreement (EUA) as appropriate.

STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

Information

IX. STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

A. Changes to Construction Features and Amenities and/or Resident Programs

1. Background/Present Situation

- a) The following developments have requested, and staff approved, changes to the Construction Features & Amenities and/or Resident Programs in their application since the last Board Meeting:
 - (1) Tall Pines Subdivision / SAIL Cycle 2000 (2000-079S) – The Land Use Restriction Agreement states “Interior floor coverings will be vinyl in the foyer, kitchen, bathroom, and dining area, with carpet throughout the remaining living areas”. The Borrower received approval to remove ‘carpet throughout the remaining living areas’, as it was not a scored point item in the original application. Scoring of the Application remains unaffected.
 - (2) Pasco Woods Apartments / SAIL Cycle 1999 (1999-086S) – The Land Use Restriction Agreement states “Interior floor covering will be vinyl in the kitchen, foyer, baths, and carpet throughout the remaining living areas”. The Borrower received approval to remove ‘carpet throughout the remaining living areas’, as it was not a scored point item in the original application. Scoring of the Application remains unaffected.
- b) Staff will amend the Land Use Restriction Agreement(s) and/or Extended Use Agreement(s) for the development as appropriate.

SINGLE FAMILY HOMEBUYER PROGRAMS

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X. SINGLE FAMILY HOMEBUYER PROGRAMS

A. Single Family Homebuyer Programs

1. Background/Present Situation

- a) Florida Housing continues to have funds continuously available for qualifying homebuyers through FHFC Homebuyer Loan Programs. Florida Housing's Programs provide assistance to eligible homebuyers by offering low-cost, 30-year, fixed-rate mortgages together with down payment and closing cost assistance (DPA). Currently, we have two Homebuyer Loan Programs; the Florida First Government Loan Program (Government Loan Program) and the Florida HFA Preferred Conventional Loan Program (HFA Preferred). We also offer a Mortgage Credit Certificate Program for qualified homebuyers who may benefit from additional annual federal tax savings offered through this program.
- b) The Government Loan Program offers borrowers a 30-year, fixed-rate mortgage using all approved government-insured loan types. These include Federal Housing Administration (FHA) loans, U.S. Department of Veteran Affairs (VA) loans, and United States Department of Agriculture-Rural Development (RD) loans. This program is funded through both traditional mortgage revenue bond sales as well as by the sale of Mortgage Backed Securities (MBS) into the secondary markets. Included in this program is the Military Heroes Program, which offers both honorably discharged veterans and active duty military personnel the benefit of a lower first mortgage interest rate.
- c) The HFA Preferred Program uses a loan product developed by Fannie Mae specifically for state housing finance agencies. Rather than selling bonds as a funding source, this program is structured as a forward delivery "To Be Announced" (TBA) Program in conjunction with one of our contracted investment bankers, Raymond James. Single Family Program staff sets a daily mortgage rate based upon prevailing market rates and predetermined profitability goals. The conventional loans, originated by participating lenders, offer borrowers a 30-year, fixed-rate mortgage. Borrowers benefit from lower mortgage insurance costs on these loans when compared to other Fannie Mae mortgage products, as well as similar government-insured loans such as FHA.
- d) Florida Housing primarily offers qualified homebuyers DPA in the form of a second mortgage loan on both the Government Loan Program and HFA Preferred loans. Our Florida Assist loan is a 0% deferred payment loan of \$7,500. This second mortgage program serves homebuyers with an area median income (AMI) of up to 120%, adjusted for household size. It is repayable upon sale of the property, refinance of the first mortgage, at the end of the first mortgage term, or if the homeowner no longer occupies the property as his/her primary residence.
- e) We also offer a 3% or 4% grant program as part of the HFA Preferred PLUS Conventional Loan Program. The grant program offers borrowers either 3% or 4% of the purchase price in non-repayable assistance to help with down payment and closing costs. The HFA Preferred PLUS, like the HFA Preferred, offers

SINGLE FAMILY HOMEBUYER PROGRAMS

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daily pricing. Our HFA Preferred PLUS grant provides assistance to borrowers with an area median income (AMI) of up to 140%, adjusted for household size.

- f) We have reintroduced an amortizing second mortgage product, the Homebuyer Loan Program (HLP) Second Mortgage. This is offered across all of our first mortgage programs and provides up to \$10,000 of assistance at a 3% fixed rate and is repaid in monthly payments over 15 years.

- g) On March 4, 2019, we relaunched the Hardest Hit Fund (HHF) DPA Program that utilizes repayments collected from previous HHF-funded Programs. We expect to allocate approximately \$20 million to this DPA Program. For the relaunch, Florida Housing used the latest market data to conduct a Treasury-mandated assessment of lingering negative effects in local housing markets. Of the previous 11 eligible counties, 5 met this requirement. They are; Clay, Duval, Osceola, Hillsborough and Pasco Counties. This Program can serve borrowers with incomes up to 140% AMI and offers the following benefits to qualified borrower(s):
 - (1) Up to \$15,000 in assistance.
 - (2) 0% interest rate.
 - (3) A five-year, deferred loan that is forgiven at the rate of 20% per year, provided the borrower is not in default.
 - (4) Borrower(s) qualifying for an eligible FHFC Homebuyer Program Loan in Clay, Duval, Hillsborough, Osceola and Pasco counties automatically qualify.

- h) Our Mortgage Credit Certificate (“MCC”) Program provides qualified first-time homebuyers with a non-refundable federal tax credit used to offset a portion of their federal tax liability. The homeowner can claim this credit each year they occupy the home as a primary residence, pay mortgage interest, and have a tax liability to offset. We currently have 177 approved Participating Lenders in the MCC Program compared with 234 in our Homebuyer Loan Program. The current 2018 MCC Program utilizes a multi-credit structure, ranging from a 10% to 30% credit rate, which is dependent upon the dollar amount of the underlying first mortgage. Homeowners receiving a credit in excess of 20% may claim a credit up to \$2000 annually while those at 20% and below are not capped. By adopting this structure, we have been able to extend the life of the program while also providing the federal tax credit benefit to more borrowers. The outsourcing of Compliance Administration duties to Hilltop Securities, Inc. was completed on November 1, 2018. As part of the negotiated services provided, Hilltop has made available a new reservation system for our MCC Program that allows for the electronic upload of files. This is saving Participating Lenders the cost of overnighting paper files and makes compliance review by Hilltop more efficient. Because of this and other efficiencies, the cost of compliance review was reduced from \$500 to \$450 for our MCC borrowers.

SINGLE FAMILY HOMEBUYER PROGRAMS

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- i) Single Family Program Staff continually offers a three hour, Department of Business and Professional Regulation (DBPR)-approved continuing education (“CE”) course for Realtors, which is coordinated through local Realtor boards throughout the state. Realtors who attend these classes receive a general 3 hour CE credit while learning about our Homebuyer Loan Programs, our Mortgage Credit Certificate Program, and other affordable housing programs available to their potential homebuyers. We strive to market to large groups such as Realtors and lenders statewide to maximize the benefit of our time and travel and to help others learn about the resources available through our programs.

- j) Single Family Program Staff also conducts telephonic, webinar and face-to-face trainings for lender partners throughout the state. Training consists of program requirements and recent updates, system training offered in conjunction with eHousing and first mortgage and servicer requirements and updates offered in conjunction with US Bank Home Mortgage. Together, Florida Housing, eHousing and US Bank Home Mortgage provide lenders with information to better assist with the origination, delivery and purchase of first and second mortgages originated through our Homebuyer Loan Program. Homeownership Staff recently conducted two training calls with over 1500 registered participants for the relaunch of the HHF DPA Program.

- k) Florida Housing sponsors a toll-free telephone line (800-814-HOME), for first time homebuyers to call for information about our program. Callers are able to receive information through pre-recorded information that directs them to our Homebuyer Loan Program Wizard tool, which is located on our website. Those callers that have additional questions are transferred to Single Family Staff for assistance.

SINGLE FAMILY HOMEBUYER PROGRAMS

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HOMEBUYER LOAN PROGRAMS SUMMARY

	2018 HLP Program Totals	2019 YTD HLP Totals	2019 YTD Bond Loan Programs	2019 YTD HFA TBA Preferred Conventional Loan Program	2019 Mortgage Credit Certificate (MCC) Program
Average 1 st Mortgage Loan Amount	\$159,500	\$153,879	\$155,423	\$152,806	\$179,973
Average Acquisition Price	\$158,007	\$159,757	\$159,159	\$160,173	\$188,274
Average Compliance Income	\$48,696	\$50,339	\$50,797	\$50,021	\$49,132
County Area Median Income %	65%	68%	71%	66%	79%
Total Purchased 1st Mortgage Loan Amounts	\$944,971,833	\$117,871,489	\$48,803,124	\$69,068,364	NA
Total # of Units	6,207	766	314	452	236

*uses 2018 statewide AMI of \$62,500

2019 YTD TOP 10 COUNTIES FOR HOMEBUYER LOAN PROGRAMS ORIGINATIONS

County	Loan Count	1 st Mortgage Loan Amount
Duval	134	\$19,591,662.08
Hillsborough	95	\$15,381,518.56
Polk	68	\$10,790,708.75
Pinellas	46	\$6,772,391.97
Pasco	40	\$5,114,789.65
Volusia	39	\$5,738,428.54
Brevard	38	\$5,379,473.56
Orange	37	\$6,356,454.23
Lee	27	\$4,258,785.24
Manatee	24	\$3,936,867.03

STRATEGIC PLAN AND PERFORMANCE MEASURES

Information

XI. STRATEGIC PLAN AND PERFORMANCE MEASURES

A. Strategic Plan Performance Measures and Informational Indicators

1. Background

- a) Sections 420.0006 and 420.504(1), Florida Statutes, direct the Executive Director of the Department of Economic Opportunity (DEO) to contract with Florida Housing on a multi-year basis to address the affordable housing needs of the state. The contract must include the performance measures adopted by the Board as part of and consistent with Florida Housing's Strategic Plan, pursuant to section 420.511(1), F.S.
- b) The Affordable Housing Services contract requires Florida Housing to report to DEO quarterly on the performance measures and targets. Section 420.0005, F.S., requires the DEO Director to certify to the state's Chief Financial Officer that Florida Housing is in compliance with the performance measure targets. This is required to give Florida Housing access to appropriated state funding. These reports are provided to DEO within 30 days of the end of each quarter.

2. Present Situation

- a) Quarterly Performance Measures and Targets for Quarter 4 – 2018 are attached as [Exhibit A](#). Quarterly Informational Indicators for Quarter 4 – 2018 are attached as [Exhibit B](#).