FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
April 17, 2020
Information Items

Florida Housing
Finance Corporation

we make housing affordable

I. FISCAL

A. Operating Budget Analysis for February 29, 2020.

1. Background/Present Situation

a) The Financial Analysis for February 29, 2020, is attached as Exhibit A.

b) The Operating Budget for the period ending February 29, 2020, is attached as Exhibit B.

II. GUARANTEE PROGRAM

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 3/31/20, one (1) multifamily development remains in the Guarantee Program portfolio.

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 99%, as reflected below:

Portfolio Risk Exposure

As of 3/31/20	**12/31/19**		**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**
$0	**$5.2M**		**$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 PROGRAM

Information

Refinancing Activity

	As of 3/31/20	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Loans (#):	**0**	**2**	**0**	**1**	**5**	**17**	**22**	**22**	**9**	**12**	**2**
Risk ceded ($):	**n/a**	**$14.4M**	**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 $140 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. <u>Background/Present Situation</u>

a) Standard & Poor's: April 2017 A+ / Stable outlook

Cited strengths: "Strong state financial support…Strong asset quality…Strong asset management policies"[1]

b) 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. <u>Background/Present Situation</u>

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 .04:1 as of 3/31/20. Capital not needed to support the outstanding Guarantees has been made available to the SAIL program for use in the 2016-2018 and 2019 competitive solicitations. Specifically, $40 million was made available to workforce housing and the remaining $78 million to SAIL.

E. Guarantee Program Portfolio (<u>Exhibit A</u>)

[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.

III. HOUSING CREDITS

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

1. Background/Present Situation

a) Regency Pointe Apartments (2013-515C) is a 4% Housing Credit Development.

b) The Extended Low-Income Housing Agreement (EUA) was recorded in Miami-Dade County on July 24, 2015.

c) On March 19, 2020, staff received a letter from the Owner requesting to amend a scrivener's error within Section 3(a) of the Extended Low-Income Housing Agreement (EUA) to correctly reflect a 100% set-aside election.

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

IV. HOME RENTAL

A. Changes to Amenities and/or Resident Programs

1. Background/Present Situation

a) The following development has requested (Exhibit A) and staff has approved the following changes to the LURA from their Application since the last Board meeting:

b) Praxis of Deerfield Beach II (93HR-008) has requested to amend the HOME LURA language to remove the transportation and special needs tenant services feature from the LURA. The van they were using for this requirement is older and is having constant repair issues. The item did not receive scoring points in the Application.

c) The LURA will be amended subject to further approvals and verifications by the Special Counsel and the appropriate Florida Housing Staff.

HURRICANE MICHAEL UPDATE

Information

V. HURRICANE MICHAEL UPDATE

A. Multifamily Rental Portfolio

1. Background/Present Situation

a) Florida Housing has 68 developments comprised of 597 buildings with 6,134 units in its portfolio located in the twelve counties declared a major disaster due to Hurricane Michael.

b) From the damage assessments, nine developments reported damage extensive enough to require displacement of some or all households. In total, 652 households have been displaced due to direct damage, unhealthy moisture content and/or the discovery of mold in the housing units. An additional 15 properties reported moderate damage, 17 reported limited damage because of the hurricane. Hatton House, a Jackson County development, was able to return all 76 households to their units once power was restored and the elevator operational.

c) The status of displaced households typically fell into one of four categories:

(1) Those that received FEMA rental assistance despite having to move 30 miles or more to find affordable housing. Many displaced from Bay County had to find housing in Destin, Fort Walton or as far west as Pensacola. FEMA was able to relocate many Jackson County families to Dothan, Alabama;

(2) Those that were staying with family or friends in the immediate area to be closer to jobs and schools;

(3) Those that were transferred to another property owned by the same landlord; and

(4) Those, especially in Bay County, that permanently relocated due to loss of employment.

d) Florida Housing continues to monitor the damaged properties for regular updates on reconstruction, damage mitigation efforts and rehousing of the displaced households. Initially, 40 units were projected to be ready for occupancy by the end of the first quarter with all units projected to be ready by year-end. As of March 31, 2020, 523 (80%) of the 652 previously uninhabitable units have been reoccupied. Those developments with units now ready for occupancy are:

(1) Andrews Place Phases I and II (Bay County) 222 units

(2) Foxwood (Bay County) 100 units

(3) Orchard Pointe (Jackson County) 48 units

(4) Panama Commons (Bay County) 66 units

(5) Pebble Hill Estates (Jackson County) 8 units

(6) Reserve at Northshore (Bay County) 4 units

(7) Pinnacle at Hammock Place (Bay County) 75 units

e) Thirty-three developments have completed all work and debris removal. A summary of the status of developments within Florida Housing's portfolio that sustained damage from Hurricane Michael is attached as Exhibit A.

f) The current status of Hurricane Michael related Requests for Applications (RFAs) and developments awarded funding through those RFAs is attached as Exhibit B.

VI. LEGAL

A. Legal

1. Background/Present Situation

a) Pursuant to Resolution No. 2018-035A, the Board of Directors of Florida Housing Finance Corporation delegated its authority under Section 120.542, Fla. Stat., to consider, grant, or deny variances to the current and prior versions of Rules 67-21.027(1), 67-21.003(1)(b), and 67-48.0023(2), Fla. Admin. Code, to the Executive Director, the General Counsel, the Director of Multifamily Development, and the Director of Multifamily Allocations of Florida Housing. These variances would allow applicants for housing tax credits that had submitted applications prior to July 8, 2018, to change their minimum set-aside election to the Average Income test. Since the October Board meeting, Florida Housing has issued such variances to the following:

Applicant	Development	County
Residences at Dr. King Boulevard, Ltd.	Residences at Dr. King Boulevard	Miami-Dade
HTG Village View, LLC	Village View	Broward
Keys Affordable II, LLC	Caya Place	Monroe
Tacolcy Edison Gardens	Edison Place f/k/a Edison Gardens	Miami-Dade
St. Andrew Towers I, Ltd.	St. Andrew Towers I	Broward

VII. MULTIFAMILY PROGRAMS

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

1. <u>Background/Present Situation</u>

a) The Villas at Carver Park (2006-249B/2008-502C) is a 4% Housing Credit Development utilized in conjunction with Tax-Exempt Multifamily Mortgage Revenue Bonds (MMRB). The Extended Low-Income Housing Agreement (EUA) was recorded in Orange County on November 6, 2009 and the Land Use Restriction Agreement (Bond LURA) was recorded on March 31, 2008.

b) On February 14, 2020, staff received a letter from the Owner requesting to amend the Resident Assurance Check-In Program provision within Exhibit B, Section G(2) of the Extended Low-Income Housing Agreement (EUA) to accurately reflect the description within the 2008 Universal Application Instructions.

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

VIII. MULTIFAMILY PROGRAMS – ALLOCATIONS

A. Present Situation of Multifamily Allocations

1. RFA Updates

a) Application Deadline for RFA 2020-106 Financing to Develop Housing for Persons with Disabling Conditions / Developmental Disabilities was March 26, 2020. Five (5) Applications were received. The Review Committee Meeting is scheduled for May 12, 2020.

b) Application Deadline for RFA 2020-208 SAIL Financing for the Construction of Workforce Housing was March 30, 2020. Twenty-two (22) Applications were received. The Review Committee Meeting is scheduled for May 12, 2020.

c) Application Deadline for RFA 2020-103 Housing Credit and SAIL Financing to Develop Housing for Homeless Persons was March 31, 2020. Four (4) Applications were received. The Review Committee Meeting is scheduled for May 13, 2020.

d) Application Deadline for RFA 2020-102 SAIL Financing for Smaller Permanent Supportive Housing Developments for Persons with Special Needs was April 1, 2020. Four (4) Applications were received. The Review Committee Meeting is scheduled for May 13, 2020.

e) RFA 2020-105 Financing to Build Smaller Permanent Supportive Housing Properties for Persons with Developmental Disabilities was issued April 13, 2020.

f) RFA 2020-104 SAIL Financing Farmworker and Commercial Fishing Worker Housing was issued April 15, 2020.

IX. STATE APARTMENT INCENTIVE LOAN PROGRAM (SAIL)

A. Changes to Construction Features and Amenities

1. <u>Background/Present Situation</u>

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) Grove Pointe Apartments / RFA 2016-104 / 2016-324S - The Land Use Restriction Agreement contains the following requirement, "In unit air conditioners must be Energy Star qualified or have a minimum SEER of 15". This was not feasible due to the system being too large to fit in the current AC closet structure, therefore air conditioners with a minimum SEER of 14 were installed. Scoring of the Application will remain unaffected.

(2) Chaves Lake Apartments / SAIL Cycle 2000 / 2000-125S – The Land Use Restriction Agreement contains the following item which was not a scored item or requirement "Interior floor coverings will be vinyl in the kitchen, and bathrooms, with carpet throughout the remaining living areas." The language is being removed and scoring of the Application remains unaffected.

(3) Evergreen Village / RFA 2018-101 / 2018-308S – The Land Use Restriction Agreement contains the following unit mix data "Eleven (11) one bedroom/one bathroom units, five (5) two bedroom/one bath units, five (5) three bedroom/two bath units. This language is being replaced with a unit mix as noted; eleven (11) one bedroom/one bath units, five (5) two bedroom/two bath units, five (5) three bedroom, two bath units. Scoring of the Application will remain unaffected.

b) Staff will amend the Land Use Restriction Agreement(s) and/or Extended Use Agreement(s) for the development as appropriate.

X. SINGLE FAMILY HOMEBUYER PROGRAMS

A. Single Family Homebuyer Programs

1. Background/Present Situation

a) Even during the extreme economic fluctuations and uncertainty caused by the global COVID-19 pandemic, 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 three Homebuyer Loan Programs; the Florida First Government Loan Program (Government Loan Program) and the Florida HFA Preferred Conventional Loan Program (HFA Preferred) and the Freddie Mac HFA Advantage Conventional Loan Program (HFA Advantage). 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 Conventional Loan Program offers a first mortgage loan product developed by Fannie Mae specifically for state housing finance agencies. This program is offered both as a bond-financed product as well 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 for the TBA loans 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 at or below 80% AMI benefit by not having to pay Loan Level Price Adjustments (LLPA) and 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) The Freddie Mac HFA Advantage Conventional Loan Program offers a first mortgage loan product developed by Freddie Mac specifically for state and local housing finance agencies. The program is offered both as a bond-financed product as well 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 for the TBA loans 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 at or below 80% AMI, benefit from lower mortgage insurance costs on these loans when compared to other Freddie Mac mortgage products and similar government-insured loans such as FHA.

Information

Effective January 2, 2020, we no longer offer any HFA Advantage Loan that exceeds 80% AMI as these loans will be assessed a 200 bps delivery fee and will be charged higher MI premiums. These changes make loans over 80% AMI too costly to continue to offer to our borrowers compared to the Fannie Mae HFA Preferred loans.

e) Florida Housing offers qualified homebuyers DPA in the form of a second mortgage loan in conjunction with all three of our first mortgage loan programs. 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.

f) The HFA Preferred PLUS Conventional Loan Program and the HFA Advantage PLUS Conventional Loan Program offer 3%, 4% and 5% of the purchase price of the home in DPA as forgivable second mortgage loans. These loans are forgiven 20% annually over a 5 year period unless the home is sold, refinanced or is no longer the borrower's primary residence. If any of these actions occur prior to the 5 year forgiveness period, any remaining balance becomes due and payable

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

h) On March 2nd we launched a new TBA first mortgage loan program named Salute Our Soldiers (S.O.S.) Military Loan Program. This loan program offers our military service personnel and veterans 30-year, fixed-rate first mortgage loans at a lower rate than our standard loan programs and with several down payment assistance options. This program is available in all 67 counties throughout the State of Florida to borrowers who are purchasing a primary residence, meet income and purchase price limits, can qualify for a first mortgage loan, and successfully complete a homebuyer education course. We have allocated $8 million dollars of DPA for this program which should help over 1000 military families acquire a home in Florida while generating over $170 million in first mortgage loan volume.

i) 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 138 approved Participating Lenders in the MCC Program compared with 270 in our Homebuyer Loan Program. The current MCC Program, available through the end of 2020, 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 MCC Program is in the wind down process and we have ceased taking new MCC Lender applications. We estimate that we currently have a remaining issuance capacity of 5-8 months. We will notify current lenders that the Program will be ending in the near future. This should ensure that lenders have adequate advanced notice of the impending Program closure and can manage their loan pipeline accordingly.

j) 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. Most recently, Program Staff conducted courses in Clearwater, Brooksville, Lecanto (Citrus County) and Tampa. Classes were conducted over four days with over 150 Realtors in attendance.

k) Single Family Program Staff also conducts telephonic, webinar and face-to-face trainings for lender partners throughout the state. Trainings consist 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.

l) 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

Information

HOMEBUYER LOAN PROGRAMS SUMMARY

	2019 HLP Program Totals	2020 HLP Program Totals	2020 HLP Government Loan Programs Totals	2020 HLP Conventional Loan Programs Totals	2020 Mortgage Credit Certificate (MCC) Program
Average 1st Mortgage Loan Amount	**$156,525**	**$162,431**	**$161,354**	**$163,836**	**$185,535**
Average Acquisition Price	**$164,068**	**$167,226**	**$164,682**	**$170,546**	**$192,289**
Average Compliance Income	**$51,640**	**$50,153**	**$50,035**	**$50,307**	**$46,306**
County Area Median Income %	**65%**	**65%**	**68%**	**62%**	**68%**
Total Purchased 1st Mortgage Loan Amounts	**$762,593,654**	**$90,661,235**	**$50,968,397**	**$39,692,839**	**NA**
Total # of Units	**4,872**	**560**	**317**	**243**	**212**

*uses 2020 statewide AMI of $68,000

2020 TOP 10 COUNTIES FOR HOMEBUYER LOAN PROGRAMS ORIGINATIONS

County	Loan Count	Loan Amount	DPA
Duval	92	$14,659,927.23	$670,177.00
Hillsborough	52	$8,770,575.44	$326,200.00
Polk	43	$6,659,036.00	$315,000.00
Pinellas	38	$5,973,153.55	$245,000.00
Orange	33	$6,000,253.13	$219,000.00
Pasco	31	$4,606,298.24	$230,000.00
Volusia	31	$5,165,639.61	$226,500.00
Brevard	29	$4,692,575.64	$173,000.00
Bay	19	$3,237,261.22	$171,854.00
Hernando	19	$2,860,031.97	$145,000.00