FLORIDA HOUSING FINANCE CORPORATION

Board Meeting

July 30, 2021

Information Items

Information

I. FISCAL

A. Operating Budget Analysis for May 31, 2021.

1. Background/Present Situation

a) The Financial Analysis for May 31, 2021, is attached as Exhibit A.

b) The Operating Budget for the period ending May 31, 2021, is attached as Exhibit B.

I. 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 6/30/21, 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 6/30/21	**12/31/20**	**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**
$5.1M	**$5.1M**	**$5.2M**	**$19.9M**	**$20.4**	**$30.9M**	**$59.4M**	**$158.9M**	**$306.5M**	**$468.5M**	**$578.8M**

c)

[1] Real Capital Analytics, April 2011

d) 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:

Refinancing Activity

	As of 6/30/21	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Loans (#):	**0**	**0**	**2**	**0**	**1**	**5**	**17**	**22**	**22**	**9**	**12**
Risk ceded ($):	**n/a**	**n/a**	**$14.4M**	**n/a**	**$10.2M**	**$27.6M**	**$100M**	**$136.8M**	**$149.4M**	**$84M**	**$117.9M**

e) 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.

f) 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).

g) The Guarantee Fund corpus contains approximately $142 million in capital invested in the Florida Treasury, Special Purpose Investment Account (SPIA), rated "A+f" by Standard & Poor's as of March 29, 2019.

C. Current Ratings (Insurer Financial Strength)

1. Background/Present Situation

Standard & Poor's: May 2020 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]

[1] Standard & Poor's, "Florida Affordable Housing Guarantee Fund", May 21, 2020, 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. Fitch Ratings 2020 surveillance was concluded on September 10, 2020 and resulted in Review-No Action of the rating.

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 0.04:1 as of 6/30/21. 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 (Exhibit A)

I. HOME RENTAL

A. Changes to Amenities and/or Resident Programs

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

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:

(1) Greyes Place (2019-408H) has requested to amend the HOME LURA to change the Green Building Certification from ICC 700 National Green Building Standard (NGBS) to Florida Green Building Coalition (FGBC). The FGBC was their original choice when applying and it was inadvertently changed in the credit underwriting report. This change would not have affected the scoring of the Application

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

I. HOUSING CREDITS

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

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

a) Charleston Cay (2005-084C) is a 9% Housing Credit Development. The Extended Low-Income Housing Agreement (EUA) was recorded in Charlotte County on January 30, 2008.

b) On June 23, 2021, staff received a letter from the Owner requesting a revision to Exhibit B, Section C and D of the Extended Low-Income Housing Agreement (EUA) to swap "Gated community with "carded" entry or security guard, or if 2 or more stories, "carded" secure entry to building" for "Garbage Disposal in all new construction units" and "Microwave oven in each unit."

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

B. The development listed below has requested changes to the Extended Use Agreement

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

a) Chapel Trace Apartments (2018-519C) is a 4% Housing Credit Development. The Extended Low-Income Housing Agreement (EUA) was recorded in Orange County on June 30, 2020.

b) On June 3, 2021, staff received a letter from the Owner requesting a revision to Section 2(e) of the Extended Low-Income Housing Agreement (EUA) to correct the unit mix.

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

I. MULTIFAMILY PROGRAMS

A. Allocations

1. <u>Present Situation</u>

a) General Workshops

(1) A Multifamily Development workshop for Local Governments was held on June 22, 2021.

(2) A workshop regarding the Geographic Housing Credit RFAs was held on June 24, 2021. The RFAs were issued on July 20, 2021 with the following Application Deadlines:

(a) RFA 2021-201 Housing Credit Financing for Affordable Housing Developments Located in Medium and Small Counties: August 26, 2021

(b) RFA 2021-202 Housing Credit Financing for Affordable Housing Developments Located in Broward, Duval, Hillsborough, Orange, Palm Beach, and Pinellas Counties: August 31, 2021

(c) RFA 2021-203 Housing Credit Financing for Affordable Housing Developments Located in Miami-Dade County: August 24, 2021

(3) A workshop regarding RFA 2021-205 SAIL Financing of Affordable Multifamily Housing Developments To Be Used In Conjunction With Tax-Exempt Bonds And Non-Competitive Housing Credits was held on July 13, 2021. Staff plans to issue the RFA on August 17, 2021 with an Application Deadline of September 21, 2021.

(4) A general workshop for Specialized Demographic RFAs will be held on August 10, 2021.

B. The Development Listed Below has Requested Changes to the Restrictive Covenant and Grant Agreement and the SAIL LURA

1. **Background/Present Situation**

a) Promise in Brevard (2015-002CSG) is a SAIL, Grant, and 9% Housing Credit Development. The Restrictive Covenant and Grant Agreement (RCGA) was recorded in Brevard County on April 5, 2016 and the Land Use Restriction Agreement (LURA) was recorded in Brevard County on April 5, 2016

(1) On June 17, 2021, staff received a letter from the Owner requesting a revision to Exhibit D of the Restrictive Covenant and Grant Agreement and Exhibit B to the Land Use Restriction Agreement (LURA) to change from (1) “PTAC (air conditioning) units in each bedroom and common living area (kitchen/living space) with a minimum EER of 11.7” to “Gas HVAC system with a minimum SEER of 14 and a packaged unit is allowed in the caretaker unit located in a separate building, with a minimum of 11.7 EER”, (2) from “solar panels to compliment pool and sauna heating system” to “open cell foam insulation system”, (3) from “solar film on west exposure windows” to “Energy Star, Low E windows”, (4) from “every unit will have at least one fully accessible bathroom with roll-in showers” to “roll-in showers in all of the 31 fully accessible IRO units”, and (5) from “a minimum of 25 percent of the total Units (13 units) shall be fully accessible in accordance with the 2010 ADA Standards for Accessible Design. These fully accessible Units shall provide mobility features that comply with the residential dwelling Units provision of the 2010 ADA Standards for Accessible Design” to “a minimum of 25 percent of the total Units (13 units) shall be fully accessible in accordance with the 2010 ADA Standards for Accessible Design. These fully accessible Units shall provide mobility features that comply with the residential dwelling Units provision of the 2010 ADA Standards for Accessible Design. *Corporation approved alternative for the installation of grab bars in UFAS units is as follows: Provide reinforced walls for the installation of swing up grab bars in place around each toilet. The installation of grab bars must meet or exceed the 2010 ADA Standards for Accessible Design.”

b) The changes do not impact the unit affordability restrictions. Staff will amend the Restrictive Covenant and Grant Agreement (RCGA) and the Land Use Restriction Agreement (LURA) as appropriate.

NATURAL DISASTERS UPDATE

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I. NATURAL DISASTERS UPDATE

A. Hurricane Michael Update

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. By December 31, 2020, 100% of the previously uninhabitable units were reoccupied[1].

e) Forty-one developments have completed all work and debris removal. Work on fence replacement continues at Northgate Terrace II. A summary of the status of developments within Florida Housing's portfolio that sustained damage from Hurricane Michael is attached as Exhibit A.

[1] The city of Panama City planned to purchase Independence Village (Bay County). The 24 uninhabitable units were demolished and the city plans to replace the units with affordable workforce housing. On June 2, 2021, the city advised that all communications ceased with Independence Village, LLC., whose managing member is Big Bend Community Based Care, Inc. Florida Housing has initiated foreclosure proceedings.

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

B. Hurricane Sally Update

1. Background/Present Situation

a) Florida Housing has 113 developments in its portfolio located in the 14 counties declared a major disaster due to Hurricane Sally. Of the 21 developments that reported mostly limited damage, 18 completed all repairs. A summary of the status of developments within Florida Housing's portfolio that sustained damage from Hurricane Sally is attached as Exhibit C. No households were displaced by the storm.

C. Hurricane Eta Update

1. Background/Present Situation

a) Damage reports received indicated limited to moderate damage to roofs and windows combined with limited landscape damage. Of the 34 properties that sustained damage, 31 have completed all repair work as of June 30, 2021. Thirty (30) households were displaced due to flooding at Glorieta Gardens in Opa-Locka, Miami-Dade County. As of June 30, 2021, management reported 26 households remain displaced. A summary of the status of developments within Florida Housing's portfolio that sustained damage from Hurricane ETA is attached as Exhibit D.

D. Hurricane Elsa Update

1. Background/Present Situation

a) Damage reports received indicated no damage to multifamily rental properties in Florida Housing's portfolio resulted from Hurricane Elsa.

I. SINGLE FAMILY HOMEBUYER PROGRAMS

A. Single Family Homebuyer Programs

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

a) Florida Housing's Homebuyer Loan 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 four first mortgage programs; the Florida First Government Loan Program (Government Loan Program), the Fannie Mae HFA Preferred Conventional Loan Program (HFA Preferred), the Freddie Mac HFA Advantage Conventional Loan Program (HFA Advantage), the Salute Our Soldiers (SOS) Military Loan 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 U.S. 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.

c) The HFA Preferred and HFA Advantage programs offer first mortgage loan products developed specifically for state housing finance agencies. These programs are offered both as bond-financed products as well as forward delivery "To Be Announced" (TBA) products in conjunction with our TBA Program Administrator, Hilltop Securities. Single Family Program Staff sets daily mortgage interest rates for the TBA loans based upon prevailing market rates and predetermined profitability goals. The conventional loans, originated by participating lenders, offer borrowers 30-year, fixed-rate mortgages.

d) Borrowers at or below 80% of the area median income (AMI) benefit from lower mortgage insurance costs on these loans when compared to other conventional mortgage products, as well as similar government-insured loans such as FHA.

e) The SOS program offers our military service personnel and veterans 30-year, fixed-rate first mortgage loans lower interest rates than our standard loan programs and with several down payment assistance options. This program is available in all 67 counties throughout 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 1,000 military families acquire a home in Florida while generating over $300 million in first mortgage loan volume.

f) Florida Housing offers qualified homebuyers DPA in the form of a second mortgage loan in conjunction with our first mortgage loan programs. Our Florida Assist loan is a 0% interest, non-amortizing, deferred payment loan. This second mortgage program serves homebuyers with an AMI of up to 120%, adjusted for household size. It is repayable in the event the home is sold, refinanced, deed is transferred, or the home is no longer the borrower's primary residence.

g) Beginning June 1, 2021, the amount of our Florida Assist second mortgage increased from $7,500 to $10,000 for all FHA, VA and USDA-RD loans. FHA loans continue to be the gateway to homeownership for most first-time homebuyers, especially those who come from economically disadvantaged backgrounds. With housing costs continuing to rise throughout Florida, this additional $2,500 will help fill the widening gap between what otherwise credit-qualified borrowers have in available funds and what is needed in assistance to purchase a home.

h) The HFA Preferred PLUS and the HFA Advantage PLUS programs offer 3%, 4% and 5% of the loan amount in DPA as forgivable second mortgage loans. These loans are forgiven 20% annually over a 5-year period unless the home is sold, refinanced, deed transferred, or is no longer the borrower's primary residence. If any of these actions occur prior to the 5-year forgiveness period, any unforgiven balance becomes due and payable.

i) 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.

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 three-hour CE credit while learning about our Homebuyer Loan Programs and other affordable housing programs available to their potential homebuyers. We have received permanent approval from DBPR to continue offering the class via webinar (online) format. We have found this format to be highly effective in attracting more realtors to the classes while eliminating travel costs entirely. Our most recent classes were conducted for the Lake City Board of Realtors, Venice Area Board of Realtors, Greater Tampa Realtors and Royal Palm Coast Realtor Association. Over 68 attendees joined our Single Family Staff online for these four classes. Some local realtor organizations are interested in offering in-person classes again and staff will resume in-person presentations once they are able to guarantee a minimum of 25 Realtors for each class.

k) Single Family Program Staff also conducts telephonic and webinar trainings for lender partners throughout the state. On July 14th, Single Family Staff conducted a webinar training for Watson Mortgage Corporation. This training included Watson's origination staff and support personnel. Trainings may consist of program requirements and recent updates, system training offered in conjunction with our compliance administrator, eHousingPlus, and first mortgage and servicer requirements and updates offered in conjunction with our master servicer, US Bank Home Mortgage. Together, Florida Housing, eHousingPlus and US Bank Home Mortgage provide lenders with information to better assist with the origination, delivery and purchase of first and second mortgages

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originated through our Homebuyer Loan Program. We also partner with other stakeholders such as mortgage insurance providers and the GSEs, Fannie Mae and Freddie Mac, to better educate and inform our lenders of recent industry changes. On June 9th and 21st, we partnered with Freddie Mac to conduct a symposium for lenders and also for the Florida Association of Realtors. We had over 172 participants in these two online presentations.

Information

HOMEBUYER LOAN PROGRAMS SUMMARY

	2020 HLP Program Totals	2021 HLP Program Totals	2021 HLP Government Loan Programs Totals	2021 HLP Conventional Loan Programs Totals
Average 1st Mortgage Loan Amount	$177,395.00	$193,062.00	$196,225.00	$189,226.00
Average Acquisition Price	$183,399.00	$200,385.00	$200,403.00	$200,363.00
Average Compliance Income	$51,747.00	$52,455.00	$54,114.00	$50,443.00
County Area Median Income %	66%	69%	65%	74%*
Total Purchased 1st Mortgage Loan Amounts	$612,014,086.00	$464,149,046.00	$258,402,812.00	$205,746,234.00
Total # of Units	3,450	2,414	1,323	1,091

*based on credit qualifying income, not MRB Limits

2021 TOP 10 COUNTIES FOR HOMEBUYER LOAN PROGRAMS ORIGINATIONS

County	Loan Count	Loan Amount	DPA
Duval	433	$86,912,305.18	$3,343,281.00
Bay	287	$56,959,309.38	$4,067,174.00
Hillsborough	169	$35,149,339.34	$1,436,899.00
Pinellas	131	$24,075,093.10	$1,051,716.00
Pasco	119	$20,556,386.48	$955,988.00
Polk	97	$18,363,802.84	$738,821.00
Clay	88	$18,562,083.34	$651,820.00
Volusia	83	$15,130,980.53	$662,003.00
Leon	74	$11,714,762.60	$571,284.00
Orange	71	$13,707,539.06	$580,668.00