FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
December 8, 2017
Information Items

I. 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 September 30, 2017, the program had expended $2,008,875 and reserved more than $6.2 million (including expended funds) through non-profit counseling agencies. Since inception, 6,957 households have received some form of foreclosure counseling.

b) On May 6, 2016, the Board approved up to $3 million of FCP funds to be disbursed to SHIP local governments that certified the funds would be used for housing counseling activities including foreclosure counseling and first-time homebuyer education. To date, more than $2.3 million has been disbursed to eligible local governments. In total, more than $4.3 million has been disbursed out of FCP funds through housing counseling agencies and to SHIP local governments.

c) Exhibit A provides information on the status of the program over the third quarter of 2017 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.

II. FISCAL

A. Operating Budget Analysis for October 31, 2017

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

a) The Financial Analysis for October 31, 2017, is attached as Exhibit A.

b) The Operating Budget for the period ending October 31, 2017, is attached as Exhibit B.

III. GUARANTEE PROGRAM

A. Status of the Guarantee Program portfolio

1. Background

a) Since the implementation of the Guarantee Program in 1993, it has guaranteed 120 transactions, facilitating the construction of over 28,000 housing units in Florida. 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 9/30/17, 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, representing the total (and only) multifamily claims incurred in its 24-year history. Currently, there are no foreclosures in inventory and no developments in monetary default in the portfolio.

B. Corpus and Portfolio Risk Exposure

1. Background

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 10/31/17	**12/31/16**	**12/31/15**	**12/31/14**	**12/31/13**	**12/31/12**	**12/31/11**	**12/31/10**
$20.4M	**$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:

Refinancing Activity

	As of 10/31/17	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Loans (#):	**1**	**5**	**17**	**22**	**22**	**9**	**12**	**2**
Risk ceded ($):	**$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 $132 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. Guarantee Program Portfolio (Exhibit A)

D. FHFC actions to effectively manage the Guarantee Program (Exhibit B)

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 and the EUA from their Application since the last Board meeting:

(1) Whistler's Park at Lakeside (00HR-088 and 2000-088CH) has requested the existing Land Use Restriction Agreement ("LURA") and Extended Use Agreement ("EUA") language, which states that the development will have a "Resident Assurance Check-In Program be swapped with language stating the development will have a "Manager On-Call for 24 hours a day."

b) Staff will amend the LURA and EUA for the development as appropriate.

V. HOUSING CREDITS

A. Housing Credits

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

a) The developments listed below requested and staff approved changes to the Extended Use Agreements:

(1) Washington Square Apartments (2011-208C/2012-004C) is a 9% Housing Credit Development. The Extended Low-Income Housing Agreement was recorded in Miami-Dade County on May 23, 2016. This development consists of three buildings. The first building contains 67 units, the second building contains 21 units, and the single family home contains 1 unit. The Extended Low-Income Housing Agreement will be modified to show the single family home as a separate building with 1 unit:

(a) Section 2(e): That the Development shall consist of one (1) or more discrete edifices or other man-made construction, each consisting of an independent foundation, outer walls and roof, containing a minimum of four (4) or more Residential Rental Units per building for two buildings, and, in the case of one building which is a single family home, a minimum of one Residential Rental unit per building, and functionally-related facilities, all of which shall be: (x) owned by the same person for federal tax purposes; *provided, however*, that in the case of a building having four (4) or fewer units neither such person nor any Related Person of such person occupies a unit in such building except as provided in Section (42)(i)(3)(E); (y) located on a common tract of land or two (2) or more contiguous tracts of land; *provided, however,* that separate tracts of land that are separated only by a road, street, stream or similar property shall for purposes hereof be deemed to be contiguous; and (z) financed pursuant to a common plan of financing, and shall provide, at a minimum, the features, amenities and programs described in **Exhibit "B"** attached hereto; and

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

HOUSING CREDITS

Information

B. Housing Credits

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

a) The development listed below has requested changes to the Extended Use Agreements:

(1) Valencia Grove (2015-523C) is a 4% Housing Credit Development. The Extended Low-Income Housing Agreement was recorded in Lake County on September 2, 2016.

(2) On November 14, 2017, staff received a letter from the Applicant requesting a revision to the number of residential buildings from seven to six provided in Exhibit B of the executed Extended Low-Income Housing Agreement.

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

VI. 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 We also offer a 3% grant program as part of the HFA Preferred PLUS Conventional Loan Program. The grant program offers borrowers 3% of the purchase price in non-repayable assistance to help with downpayment and closing costs. The HFA Preferred PLUS, like the HFA Preferred, offers 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.

c) 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.

d) 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.

e) 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.

f) On July 13, 2015, we launched a DPA Program that utilizes Hardest Hit Fund (HHF) resources. The HHF DPA Loan Program was initially being offered as a pilot program in Brevard, Duval, Hillsborough, Orange and Volusia counties. On August 31, 2016, the HHF DPA Loan Program expanded into an additional six counties; Clay, Osceola, Pasco, Pinellas, Polk and St. Lucie. This Program can serve borrowers with incomes up to 140% AMI. The Program offers the following benefits to qualified borrower(s):

(1) Borrower(s) qualifying for eligible Homebuyer Loan Programs automatically qualify.

(2) A five-year loan that is forgiven at the rate of 20% per year, provided the borrower is not in default.

(3) 0% interest rate.

(4) Up to $15,000 in assistance.

g) Our Mortgage Credit Certificate ("MCC") Program provides qualified first time homebuyers with a non-refundable federal tax credit. Our 2016 MCC Program uses a 50% credit rate that provides the homeowner with a maximum $2000 annual tax credit used to offset any 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 146 approved lenders participating in the MCC Program compared with 194 in our loan programs. We charge a $500 issuance fee for each MCC to cover administration and support of the program. The creation of the 2017 MCC Program was approved by the Board at the May 5th Board Meeting and launched on June 1, 2017. The Program utilizes a multi-credit structure, ranging from a 20% to 50% credit rate, which will be dependent upon the dollar amount of the underlying first mortgage. By adopting this structure, we should be able to extend the life of the program while also providing the federal tax credit benefit to more borrowers.

h) 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. On October 10, 2017, Single Family Program Staff attended the Mortgage Bankers Association of Tampa Bay and presented the HHF DPA Loan Program, Homebuyer Loan Program and MCC Program to over 75 lenders as well as conducted an on-site lender training to processors, underwriters, closers, and post-closers with Regions Mortgage.

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i) 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.

j) 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 First Time Homebuyer Wizard tool, which is located on our website. Those callers that have additional questions are transferred to Single Family Staff for assistance.

SINGLE FAMILY HOMEUBYER PROGRAMS

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HOMEBUYER LOAN PROGRAMS SUMMARY

	2016 FTHB Program Totals	2017 YTD FTHB Program Totals	2017 Government Loan Program	2017 HFA Preferred Conventional Loan Program	2017 Mortgage Credit Certificate (MCC) Program
Average Loan Amount	**$134,213**	**$145,662**	**$140,015**	**$148,223**	**$171,399**
Average Acquisition Price	**$143,790**	**$157,190**	**$148,010**	**$161,354**	**$179,197**
Average Compliance Income	**$47,217**	**$48,691**	**$47,590**	**$49,188**	**$46,959**
County Area Median Income %	**62%**	**62%**	**71%**	**59%**	**80%***
Total Purchased Loan Amounts	**$965,797,360**	**$1,588,010,342**	**$476,332,354**	**$1,111,677,987**	**NA**
Total # of Units	**7,196**	**10,902**	**3,402**	**7,500**	**1,920**

*uses 2017 statewide AMI of $59,000

2017 TOP 10 COUNTIES FOR HOMEBUYER LOAN PROGRAMS ORIGINATIONS

	Loan Count	Loan Amount
Duval	2,119	$297,617,225
Hillsborough	1,975	$301,044,915
Pinellas	1,034	$150,818,896
Brevard	997	$140,828,837
Orange	789	$127,591,666
Pasco	737	$99,539,441
Polk	659	$93,887,443
Volusia	614	$82,515,342
Osceola	376	$63,117,714
Clay	345	$48,813,941

VII. SUBORDINATED MORTGAGE INITIATIVE (SMI)

A. Program Update

1. Background/Present Situation

a) Between April 2009 and September 2010, the Board approved funding for a total of thirty-two (32) Subordinated Mortgage Initiative (SMI) loans to developments determined to be in financial distress within the Guarantee Program portfolio. The loans provided properties with temporary assistance in funding their first mortgage debt service for a period of up to twenty-four (24) months. To that extent, Florida Housing provided up to one (1) mortgage payment per quarter, with the developer making the remaining payments. Over the twenty-four (24) month disbursement period, Florida Housing could fund up to eight (8) mortgage payments and the developer the other sixteen (16) mortgage payments.

b) Pursuant to SMI loan terms, no payments were due during the first 48 months (inclusive of the first 24-month disbursement period). However, interest accrues and is payable in full at the end of the 48-month period, followed by monthly principal-and-interest payments based on a twenty (20) year amortization and a balloon (payment in full) due at the end of year ten.

c) Exhibit A (attached) reflects the status of the SMI loans as of October 31, 2017, highlighted as follows:

(1) The Board originally approved thirty-two (32) SMI loans totaling up to $19,120,000 in aggregate.

(2) Thirty (30) SMI loans were closed totaling approximately $17.8 million, of which approximately $17.6 million was disbursed.

(3) To date, twenty nine (29) loans totaling approximately $17.1 million have been paid in full.

(4) No SMI loans have been foreclosed or resulted in a loss.

Information

VIII. STRATEGIC PLAN PERFORMANCE MEASURES AND INFORMATIONAL INDICATORS

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 3 - 2017 are attached as Exhibit A. Quarterly Informational Indicators for Quarter 3 - 2017 are attached as Exhibit B.

FHFC Performance Dashboard

November 2017

Green = Good to Go
Orange = Merits additional Monitoring
Red = A Concern to Address

HOMEOWNERSHIP

Performance Measures	Data		Informational Indicators	Data
Number of Participating First Mortgage Lenders*	**End of Q3/2017** 231 active and approved lenders. (Target: 50)		**Homebuyer Loan Programs:** Average Acquisition Price Average Homebuyer Income	**To date in 2017** Price: $157,190 (+9.3% from 2016 Avg.) Homebuyer Income: $48,691 (+3.1% from 2016 Avg.)
Hardest Hit Fund (HHF): Total Quarterly Funding Assistance Disbursed	**Q2/2017: Most Recent Treasury Report** $58.9 million		**Mortgage Credit Certificate:** Average Acquisition Price Average Homebuyer Income	**To date in 2017** Price: $179,197 (+5.5 % from 2016 Avg.) Homebuyer Income: $46,959 (-1.6% from 2016 Avg.)
Homebuyer Loan Programs First Mortgage Loan and Down Payment Assistance (DPA): Purchase Totals	**First Mortgages** End of Q3/2017: $1,270,938,441 (132% of 2016 Total) **DPA** End of Q3/2017: $125,138,433 (131% of 2016 Total)		**Homebuyer Loan Programs Top 5 Counties for Originations** (*county with access to HHF DPA program introduced in July 2015)	**To date in 2017 (# of Loans: $ Total)** **Duval*** (2,119 Loans: $297,617,225) **Hillsborough*** (1,975 Loans: $301,044,915) **Pinellas*** (1,034 Loans: $150,818,896) **Brevard*** (997 Loans: $140,828,837) **Orange*** (789 Loans: $127,591,666)
Foreclosure Counseling Program Funding Reserved	**Q3/2017:** $705,600 **Since Inception:** $8,629,982 Expanded program activities authorized in the 2016 Session are being implemented now.			
HOME Allocation and Commitment Status	On pace for all commitments and disbursements.			
Number of Hardest Hit Fund Mortgage Loan Servicers*	**End of Q3/2017** 477 active and approved servicers. (Target: 100)			

RENTAL

Performance Measures	Data		Informational Indicators	Data
Guarantee Fund Risk-to-Capital Ratio	**End of Q3/2017** .15:1 (Maintain no more than a 5.00:1 leverage ratio)		**FHFC Rental Portfolio Occupancy Rate Statewide**	**June 2017 - August 2017:** 96.9% (Target 93%-95%)
Guarantee Fund Insurer Ratings	**Standard & Poor's:** A+/Stable (as of 04/11/17) **Fitch:** A+/Stable (as of 03/31/16) (Rating of not less than third-highest to safeguard State Housing Trust Fund.)		**Average Tenant Income in Florida Rental Properties**	**Most recent annual figures (2014)** Public Housing: $12,418 HUD Properties: $13,475 USDA RD Properties: $16,688 FHFC Properties: $23,667 All Florida Renters: $45,805
Amount of State Appropriated Rental Funding Awarded*	**Q3/2017** Board approves plan for allocation of FY 2017/2018 at July Board Meeting. (Q3 Target: Board approves plan for allocation of current FY funding.)		**Average Tenant-Paid Gross Rent at Florida Rental Properties**	**Most recent annual figures (2014)** Public Housing: $277 HUD Properties: $256 USDA RD Properties: Unavailable FHFC Properties (All): $718 FHFC Properties (w/Rental Assist): $294 FHFC Properties (w/o Rental Assist): $817 All Florida Renters: $1,087
Eligibility for National Pool of Low Income Housing Tax Credits	**Most recent eligibility period** Received 2017 National Pool Housing Credits.		**Maturing Loans Data**	2016 3 SAIL Loans: 396 Units 2 HOME Loans: 105 Units 2017 Anticipated 9 SAIL Loans: 806 Units 4 HOME Loans: 245 Units
Percentage of SAIL Funds Awarded across each Demographic Group Compared to Reserved Allocation Percentages	**FY 2017-18 Funds Allocation Reserved compared to Actual Awarded (as of Q3/2017)** Farm/fishworkers (5% - 0%) Homeless (10% - 0%) Special Needs (14% - 0%) Elderly (21% - 0%) Families (50% - 0%)		**Searches for Affordable Rentals on Housing Locator Website**	**Q3/2017:** 168,872 searches conducted.
Percentage of SAIL Funds Awarded across Small, Medium and Large Counties	**FY 2017-18 Funds Allocation Reserved compared to Actual Awarded (as of Q3/2017)** Small Counties (10% - 0%) Medium Counties (37% - 0%) Large Counties (53% - 0%)			
Total/Affordable Units in FHFC Portfolio	**End of Q3/2017** Total: 197,190 Affordable: 184,405 ELI: 14,322 Homeless/Special Needs: 6,743 (includes 2,604 Link units)			

OPERATIONS

Performance Measures	Data		Informational Indicators	Data
Budgeted Total Operating Expenses to Actual Total Operating Expenses*	**Period Ending 10/31/17** Under budget (Target: Not too exceed budget by more than 10%.)			
Board Engagement: Attendance & Attainment of Quorum*	**Most recent Board Meeting** October 2017: 7 of 8 seated members present. (Target: Quorum - five members present.)			

***DEO/FHFC Contract Measure**