

FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
December 14, 2018
Information Items



FISCAL

Information

I. FISCAL

A. Operating Budget Analysis for October 31, 2018

1. Background/Present Situation

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

GUARANTEE PROGRAM

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II. GUARANTEE PROGRAM

A. Status of the Guarantee Program portfolio

1. Background/Present Situation

- 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 10/31/18, 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 10/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11	12/31/10
\$20.0M	\$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

¹ Real Capital Analytics, April 2011

GUARANTEE PROGRAM

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behind the reduction in Total Commitments reflected above. Refinancing activity is reflected in the following chart:

Refinancing Activity

	As of 10/31/18	2017	2016	2015	2014	2013	2012	2011	2010
Loans (#):	0	1	5	17	22	22	9	12	2
Risk ceded (\$):	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 \$134.9 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]

^[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.

GUARANTEE PROGRAM

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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 10/31/18. 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](#))

HOUSING CREDITS

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III. HOUSING CREDITS

A. The developments listed below requested and staff approved, changes to the Extended Use Agreements

1. Background/Present Situation

- a) Sweetwater Villas (2015-564C) is a 4% Housing Credit Development. The Extended Low-Income Housing Agreement was recorded in Hillsborough County on October 2, 2018.
 - (1) On November 1, 2018, staff received a request from the Owner to correct the set-aside commitment recorded within the Extended Low-Income Housing Agreement. Florida Housing previously approved a request to change the set-aside from 40% @ 60% AMI to 100% @ 60% AMI. This needs to be corrected within the Extended Low-Income Housing Agreement in order to accurately depict the current set-aside commitment.
 - (2) Staff will make corrections as appropriate.
- b) The following developments are all 4% Housing Credit Developments that were part of the Hallmark Florida Portfolio:
 - (1) Colony Court's (2015-541C) Extended Low-Income Housing Agreement was recorded in Lake County on July 31, 2017. DeBary Villas' (2015-553C) Extended Low-Income Housing Agreement was recorded in Volusia County on July 31, 2018. Greenleaf Village's (2015-542C) Extended Low-Income Housing Agreement was recorded in Lake County on August 4, 2017. Greenwood Terrace's (2015-554C) Extended Low-Income Housing Agreement was recorded in Gadsden County on January 19, 2018. Inglewood Meadows' (2015-543C) Extended Low-Income Housing Agreement was recorded in Osceola County on August 25, 2017. Jefferson Place's (2015-555C) Extended Low-Income Housing Agreement was recorded in Jefferson County on December 27, 2017. Kissimmee Homes' (2015-544C) Extended Low-Income Housing Agreement was recorded in Osceola County on March 27, 2018. Oakwood Village's (2015-556C) Extended Low-Income Housing Agreement was recorded in Escambia County on December 28, 2017. Oranewood Villas' (2015-545C) Extended Low-Income Housing Agreement was recorded in Lake County on October 18, 2017. Park Place's (2015-557C) Extended Low-Income Housing Agreement was recorded in Pasco County on March 6, 2018. Pine Ridge's (2015-558C) Extended Low-Income Housing Agreement was recorded in Gulf County on January 19, 2018. Rosemont Manor's (2015-560C) Extended Low-Income Housing Agreement was recorded in Lake County on March 14, 2018. Village Chase's (2015-549C) Extended Low-Income Housing Agreement was recorded in Pasco County on March 6, 2018. Village Walk's (2015-561C) Extended Low-Income Housing Agreement was recorded in Pasco County on March 26, 2018. Wildwood Terrace's (2015-550C) Extended Low-Income Housing Agreement was recorded in Sumter County on April 4, 2018. Woodland Terrace's (2015-562C) Extended Low-Income

HOUSING CREDITS

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Housing Agreement was recorded in Osceola County on March 23, 2018.

- (2) Staff found a discrepancy in the number of buildings that had been reported when reviewing the cost certifications. Therefore, the Owner has requested to amend the number of residential buildings in each of the above-referenced Extended Low-Income Housing Agreements.
 - (3) Staff will amend the Extended Low-Income Housing Agreements as appropriate.
- c) Trinity Towers South (2015-527C) is a 4% Housing Credit Development. The Extended Low-Income Housing Agreement was recorded in Brevard County on July 2, 2018.
- (1) On September 21, 2018, Florida Housing received a request from the Applicant to amend an error in Section 3(a) of the Extended Low-Income Housing Agreement which reflects an incorrect set-aside percentage of Residential Rental Units in the development.
 - (2) Staff will amend the Extended Low-Income Housing Agreement as appropriate.

LEGAL

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IV. LEGAL

A. 2018 Litigation Summary

1. Background/Present Situation

- a) [Exhibit A](#) contains a summary of the litigation initiated in 2018. The Office of the General Counsel handled 24 cases this year, with two additional cases on appeal from previous years.*
- b) Highlights Include:
 - One case (2018-031BP) challenged the terms of a Request for Application (RFA). This case was dismissed with prejudice by Florida Housing prior to referral to DOAH.
 - Approximately half of the cases were voluntarily dismissed by their respective petitioners. Of these, six were successful applicants wanting to reserve their rights to dispute any protests to their applications.
 - Four cases were resolved prior to hearing with consent agreements approved by the Board.
- c) Pending Cases – Division of Administrative Hearings (DOAH):
 - Florida Housing has no cases currently pending before DOAH.
- d) Pending Cases – District Court of Appeals (DCA):
 - Madison Point – FHFC Case No. 2017-031BP*
 - 1st DCA
 - Oral argument denied
 - Madison Highlands – FHFC Case No. 2016-006BP*
 - 5th DCA
 - FHFC Motion to Change Venue Pending
 - Madison Oaks, LLC – FHFC Case No. 2018-039BP
 - (a) 5th DCA
 - Sterling Terrace, Ltd. – FHFC Case No. 2018-040BP
 - (b) 5th DCA
 - HTG Village View, LLC – FHFC Case No. 2018-017BP
 - (c) 1st DCA

MULTIFAMILY BONDS

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V. MULTIFAMILY BONDS

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

1. Background/Present Situation

- a) The following development has requested, and staff has approved, changes to the Construction Features & Amenities and/or Resident Programs in their Application since the last Board meeting:
 - (1) River Trace Apartments (2000 Series V/2000-547C/2016-518C) MMRB Land Use Restriction Agreement and Housing Credits Extended Low-Income Housing Agreement requires “security system with emergency pull cords.” The Borrower received approval to switch from an Elderly demographic to a Family demographic, therefore, they are requesting to remove this unit amenity. The Development will still provide a security system. Scoring of the Application remains unaffected.
 - (2) Grande Court at Boggy Creek (2002 Series G/2002-521C) MMRB Land Use Restriction Agreement requires “interior floor coverings will be ceramic tile in the foyer, kitchen, laundry, and baths with carpet throughout the remaining living areas.” The Borrower has requested to allow vinyl, ceramic tile, or carpet. However, staff approved this selection to be removed as it was not part of their application and no points were awarded. 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.

MULTIFAMILY PROGRAMS – ALLOCATIONS

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VI. MULTIFAMILY PROGRAMS – ALLOCATIONS

A. Present Situation of Multifamily Allocations

1. Background/Present Situation

- a) RFA Updates
 - (1) RFA 2018-110 Housing Credit Financing for Affordable Housing Developments Located in Medium Counties
 - (a) Application Deadline is Tuesday, December 4, 2018
 - (2) RFA 2018-111 Housing Credit Financing for Affordable Housing Developments Located in Miami-Dade County
 - (a) Application Deadline was Friday, November 9, 2018
 - (b) 67 Applications were received
 - (3) RFA 2018-112 Housing Credit Financing for Affordable Housing Developments Located in Broward, Duval, Hillsborough, Orange, Palm Beach, and Pinellas Counties
 - (a) Application Deadline was Tuesday, November 13, 2018
 - (b) 24 Applications were received
 - (4) RFA 2018-113 Housing Credit Financing for the Preservation of Existing Affordable Multifamily Housing Developments
 - (a) Application Deadline was Thursday, November 15, 2018
 - (b) 10 Applications were received
 - (5) RFA 2018-116 Sail Financing of Affordable Multifamily Housing Developments to be Used in Conjunction with Tax-Exempt Bond Financing and Non-Competitive Housing Credits
 - (a) Application Deadline was Tuesday, November 27, 2018
 - (b) 45 Applications were received
 - (6) RFA 2018-117 Elderly Housing Community Loan
 - (a) Due to limited interest in this funding in recent years, we are soliciting feedback regarding this program and its requirements prior to issuing this RFA.
 - (b) A second RFA workshop was held on Thursday, December 6, 2018 and staff intends to issue the RFA on Tuesday, December 18, 2018.

MULTIFAMILY PROGRAMS – ALLOCATIONS

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- (7) RFA 2019-105 Housing Credit Financing to Provide Affordable Multifamily Rental Housing that is a Part of Local Revitalization Initiatives
 - (a) A workshop will be held on Tuesday, December 18, 2018
- (8) RFA 2019-106 Housing Credit and SAIL Financing to Develop Housing for Homeless Persons
 - (a) A workshop will be held on Wednesday, December 19, 2018
- b) CDBG-DR Update
 - (1) The first general workshop was held on September 24, 2018 and over 150 participants attended.
 - (2) A workshop regarding RFA 2019-101 “Community Development Block Grant – Disaster Recover in Monroe County” was held on November 2, 2018.

SINGLE FAMILY HOMEBUYER PROGRAMS

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VII. 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% 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 down payment and closing costs. The HFA Preferred PLUS, like the HFA Preferred, offers daily

SINGLE FAMILY HOMEBUYER PROGRAMS

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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 also rolled out a 4% grant option for both the Florida First (FL First) Government Loan Program and the HFA Preferred PLUS Conventional Program. Additionally, 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 July 13, 2015, we launched a DPA Program that utilized Hardest Hit Fund (HHF) resources. All Program Loans have now been purchased by US Bank. These funds helped over 20,000 homebuyers purchase their homes while helping stabilize housing prices in the 11 targeted hardest hit counties most negatively impacted by the foreclosure crisis.
- 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 170 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.
- 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. On October 3, 2018, Single Family Program Staff conducted the class at the Orlando Regional REALTOR® Association (ORRA), with over 40 Realtors in attendance.
- 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

SINGLE FAMILY HOMEBUYER PROGRAMS

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better assist with the origination, delivery and purchase of first and second mortgages originated through our Homebuyer Loan Program. On November 15, 2018, Single Family Staff attended a Realtor “Lunch and Learn” sponsored by one of our Participating Lenders, Movement Mortgage in Tampa. Over 75 local Realtors and lenders from the Tampa and Hillsborough County area attended this event. This forum offers Realtors, and lenders, an opportunity to discuss concerns first time buyers face in their markets while learning the benefits of the Homebuyer Loan Program as well as other local affording housing programs.

- 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 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.

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HOMEBUYER LOAN PROGRAMS SUMMARY

	2017 HLP Program Totals	2018 YTD HLP Totals	2018 YTD Government Loan Program	2018 YTD HFA Preferred Conventional Loan Program	2018 Mortgage Credit Certificate (MCC) Program
Average 1 st Mortgage Loan Amount	\$146,496	\$151,322	\$149,017	\$152,440	\$175,336
Average Acquisition Price	\$158,007	\$159,198	\$154,179	\$161,632	\$183,701
Average Compliance Income	\$48,597	\$48,474	\$48,791	\$48,325	\$47,798
County Area Median Income %	62.16%	64.94%	71.37%	61.82%	76%
Total Purchased 1st Mortgage Loan Amounts	\$1,889,515,508	\$861,175,759	\$277,023,790	\$584,151,969	N/A
Total # of Units	\$12,898	5,691	1,859	3,832	1696

*uses 2018 statewide AMI of \$62,500

2018 YTD TOP 10 COUNTIES FOR HOMEBUYER LOAN PROGRAMS ORIGINATIONS

County	Loan Count	1 st Mortgage Loan Amount
Duval	903	\$131,471,024.38
Hillsborough	786	\$123,968,925.81
Brevard	427	\$63,969,487.38
Pinellas	427	\$63,439,641.65
Orange	405	\$67,300,395.34
Polk	395	\$59,677,934.53
Pasco	363	\$47,008,240.81
Volusia	326	\$46,911,181.80
Osceola	207	\$36,739,951.48
St Lucie	175	\$28,228,851.47

STRATEGIC PLAN AND PERFORMANCE MEASURES

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VIII. 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 3 - 2018 are attached as [Exhibit A](#). Quarterly Informational Indicators for Quarter 3 - 2018 are attached as [Exhibit B](#).