



## Overview of Florida Housing Finance Corporation

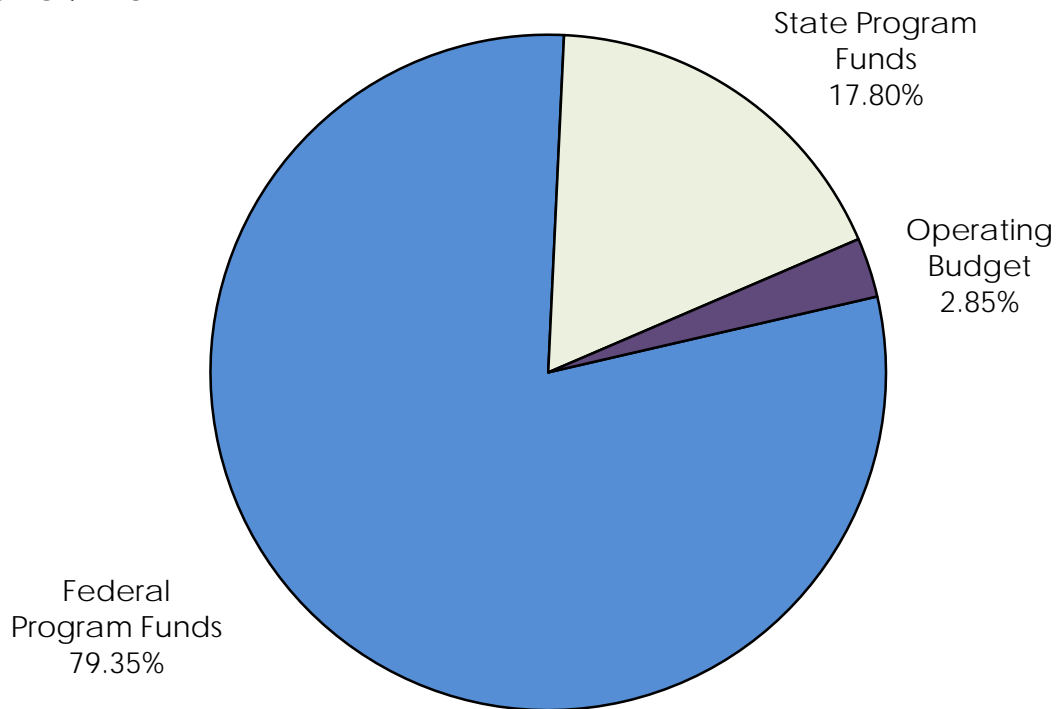


## Quick Facts

- **Florida Housing Finance Corporation** (Florida Housing) is a public corporation of the State of Florida. As a financial institution, Florida Housing administers federal and state resources to provide financing to homebuyers and to finance the development and preservation of affordable homeowner and rental housing.
- Florida Housing is not a department of the executive branch of state government but is an instrumentality of the State.
- Amount of state General Revenue appropriated to Florida Housing annually: None.
- Number of state employees working at Florida Housing: None.

### Program Funding vs. Administrative Expenses

2016 / 2017



## Introduction

Florida Housing Finance Corporation is a public corporation of the State of Florida and is considered to be a financial institution. Florida Housing administers federal and state resources to finance the development and preservation of affordable homeowner and rental housing and assist homebuyers with financing and down payment assistance. When the 1980 Legislature created Florida Housing Finance Corporation's precursor, Florida Housing Finance Agency, the Agency was an arm of the Florida Department of Community Affairs (DCA). In the 2011 legislative session, statutory changes moved Florida Housing's functional relationship from

DCA to the Florida Department of Economic Opportunity (DEO). Florida Housing's purpose as outlined in Section 420.502, F.S., is to:

- Provide access to federal housing resources;
- Stabilize the flow of funds for affordable housing;
- Promote affordable housing; and
- Boost Florida's construction industry.

As a result of revisions made by the 1997 Legislature, on January 1, 1998, Florida Housing became a public-private entity to reduce bureaucracy, streamline many administrative processes and operate more effectively within the real estate and financial markets. Two changes were particularly important in this regard: accelerated disbursement of trust fund dollars to the private sector and local governments, and elimination of duplicative services in the issuance of bonds. Funds disbursed by Florida Housing in loan closings for developments and homeowner mortgages, which took up to six weeks before Florida Housing became a public corporation, were processed through both DCA (now the Department of Economic Opportunity) and the Comptroller (now the Chief Financial Officer). The lengthy process was costly to private sector partners, created construction delays and slowed down implementation of local housing programs. The 1997 legislative changes authorized Florida Housing to disburse funds directly, typically within five business days. The bond issuance process also was streamlined by authorizing Florida Housing to issue bonds directly. Prior to this change, the Division of Bond Finance issued these bonds, requiring both agencies to provide staff for this purpose. The statute still requires the State Board of Administration to approve a fiscal determination for each bond issue carried out by Florida Housing.

Florida Housing is also subject to the Government-in-the-Sunshine Law, the Public Records Act, the Administrative Procedure Act, audits by the Chief Financial Officer for the State of Florida and the State Auditor General, and various other state and federal entities. Florida Housing is not a department of the executive branch of state government within the scope and meaning of Section 6, Article IV of the State Constitution, but is an instrumentality of the State. Sections 420.0006 and 420.504, F.S., require Florida Housing and DEO to sign a performance contract outlining the conduct of business by Florida Housing.

### **Statutory Responsibilities**

Section 420.507, F.S., assigns responsibilities to Florida Housing, which are summarized below:

- To carry out analyses of housing needs within the state and ways of meeting those needs;
- To participate in federal housing programs and federal community development, insurance and guarantee programs;
- To develop and administer the state rental and homeownership programs as outlined by statute;
- To designate and administer private activity tax exempt bond allocation received by Florida Housing pursuant to Part VI of Chapter 159 between the single family and multifamily programs;
- To set standards for and monitor compliance of residential housing financed by Florida Housing; and
- To conduct demonstration programs and projects which further the statutory purposes of Florida Housing.

## **Governance**

Florida Housing is governed by a Board of Directors, with eight members appointed by the Governor and subject to Senate confirmation, and the executive director of the Department of Economic Opportunity as an ex officio, voting member, or their designee. The following interests must be represented on the Board, pursuant to Section 420.504 (3), F.S.:

- Residential home building industry;
- Commercial building industry;
- Banking or mortgage banking industry;
- Home building labor representative;
- Low income advocate with experience in housing development;
- Former local government elected official;
- Two Florida citizens who are none of the above; and
- The Executive Director of the Florida Department of Economic Opportunity or a designee (ex officio voting).

Each member of Florida Housing's board of directors must file full and public disclosure of financial interests at the times and places and in the same manner required of elected constitutional officers under s. 8, Art. II of the State Constitution and any law implementing s. 8, Art. II of the State Constitution.<sup>1</sup>

The Board typically meets eight times per year. Day-to-day operations are managed by Florida Housing's executive director, who is appointed by the DEO Executive Director with the advice and consent of the Board, and a staff of about 125.

## **Financial Role**

As a financial institution, Florida Housing works with a variety of entities to finance affordable housing: private lenders and investors, mortgage and bond insurers, the Federal Home Loan Banks, liquidity facility providers, government sponsored enterprises (GSEs), federal agencies, for profit and nonprofit developers and property managers, local governments, public housing authorities and local housing finance authorities. In developing and implementing program priorities, the Florida Housing Board and staff must balance financial and market forces with our mission of serving Floridians who need well maintained, affordable housing. With approximately 190,000 rental units currently financed and on the ground or in the construction pipeline, Florida Housing has approximately \$4.5 billion in assets. These assets are primarily in the form of loans receivable and securities resulting from single and multifamily loan transactions and are restricted by various bond indentures or by statute.

## **What Is Affordable Housing?**

Affordable housing is defined in terms of the income of the household living in the housing. Housing is generally said to be affordable when a family is spending no more than 30 percent of its income on housing. On the rental side, this includes utilities, while on the homeownership side, principal, interest, taxes and insurance are all part of the equation. A household is said to be severely cost burdened if it is paying more

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<sup>1</sup> Section 420.504(7), F.S.

than 50 percent of its income for housing. Households at the lower end of the income spectrum are more likely to be cost burdened.

Resident eligibility for Florida Housing programs is typically governed by area median income (AMI) levels. AMI data is published by the U.S. Department of Housing and Urban Development (HUD) for every county and metropolitan area. While Florida's 2017 state median income was \$59,000 for a family of four, the AMI eligibility for a particular program is determined by the county or group of counties in which the property is located as well as family size. The following are standard household income level definitions and, for perspective, their relationship to the state median for a family of four (as a family's size increases or decreases, these income ranges also increase or decrease; the average household size in Florida is just above two persons):

- Extremely low income – earning up to 30 percent AMI (at or below \$17,700);
- Very low income – earning from 30.01 to 50 percent AMI (\$17,701 to \$29,500);
- Low income – earning from 50.01 to 80 percent of AMI (\$29,501 to \$47,200); and
- Moderate income – earning from 80.01 to 120 percent of AMI (\$47,201 to \$70,800).

## **Florida Housing Finance Corporation's Role in the Financial Market**

Florida Housing uses federal and state resources to make loans and guarantees of loans to further our mission, including private activity tax exempt bonds. Each resource for financing brings with it certain financial risks. Every bond transaction is structured to provide an array of protections to assure that the mortgage and the bonds will be paid. Credit enhancement is the primary means of protection.

As an issuer of tax exempt bonds, Florida Housing understands the necessity of effecting efficient transactions in the bond market to achieve the best interest rate for the bonds sold. These transactions require Florida Housing to establish and maintain good working relationships with the following:

- The State Board of Administration;
- The Division of Bond Finance;
- The three major rating agencies;
- Credit enhancers;
- Investment bankers;
- Tax credit syndicators; and
- Bond investors.

Each one of these parties plays a pivotal role in financing affordable housing and bringing tax exempt bond transactions to completion.

Private activity tax exempt bonds are allocated to Florida Housing pursuant to the calculation in Part VI of Chapter 159 performed by the Division of Bond Finance on an annual basis. Florida Housing receives approximately 25 percent of the annual state private activity bond volume. In 2017, the allocation to Florida Housing was \$490.9 million.

These are revenue bonds; they are a not general obligation debt of the State of Florida, nor is the State liable for the debt in any way. Florida Housing Statutes clarify the revenue bond issuance process:

- **Section 420.51, F.S., State and local government not liable on bonds or notes** – The bonds of the corporation shall not be a debt of the state or of any local government, and neither the state nor any local government shall be liable thereon. The corporation shall not have the power to pledge the credit, the revenues, nor the taxing power of the state or of any local government shall be, or shall be deemed to be, pledged to the payment of any bonds of the corporation; and
- **Section 420.509(2), F.S., Revenue Bonds** – The State Board of Administration is designated as the state fiscal agency to make the determinations required by s. 16, Art. VII of the State Constitution in connection with the issuance of such bonds that in no state fiscal year will the debt service requirements of the bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for such debt service requirements.

The cash flow documents created for each issue and submitted to the State Board of Administration must demonstrate that it is in compliance with the above statutory and Constitutional requirement. For multifamily issues (each issue is a standalone indenture), revenues of the individual issue must meet these criteria. For single family issues which reside in a master indenture, the individual issue and the master indenture must both meet these criteria.

### **Who is responsible for the debt service payments on the revenue bonds?**

For **multifamily rental**, it is the indenture trust estate; the development (borrower) which is funded by the bonds. For **single family homeownership**, it is the indenture trust estate; for securitized loans in the indenture, the timely loan payment guarantees by Fannie Mae, Freddie Mac and Ginnie Mae (this is approximately 84 percent of the 1995 single family bond indenture and 100 percent of the 2009 New Issue Bond Program single family indenture<sup>2</sup>); or for the whole loans in the 1995 master indenture, the borrower along with a primary mortgage insurer and a pool insurer.

### **How Mortgage Revenue Bonds Work at Florida Housing**

**Multifamily Rental** – Florida Housing facilitates the issuance of bonds by serving in a conduit capacity to lend bond proceeds to multifamily developers to construct/rehabilitate rental housing serving low income households. Each bond indenture is for a single purpose entity, i.e., each development that is financed. Only the development funded by the bonds supports the debt service of that indenture.

**Homeownership** – Single family bonds are part of one of two master indentures with all issuance of bonds (supplements to the master indenture) incorporated into one indenture. The indenture is the legal mechanism created to establish the trust estate related to the issued bonds and governs the assets and liabilities accumulated in the indenture.

In 2002, Florida Housing changed its homeownership program from a whole loan program in which Florida Housing took all financial responsibility for payment of the debt service on the bonds to a mortgage backed securities (MBS) program in which there is a guarantee as to the timely payment of loan principal and interest by Fannie Mae, Freddie Mac, or Ginnie Mae. This change further insulated Florida Housing’s financial risk related to debt service on the bonds. The 2009 indenture, created solely to cover single family bonds issued

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<sup>2</sup> The New Issue Bond Program was a short term response to the national credit and liquidity crisis which created extremely high interest rates on tax exempt bonds making them difficult to use for affordable housing programs.

under the authority of the New Issue Bond Program, is 100 percent MBS, resulting in no financial risk to Florida Housing related to debt service on the bonds.

To achieve the most advantageous pricing for program loans, Florida Housing settles MBS in various ways. As an alternative to selling tax exempt mortgage revenue bonds into the market, Florida Housing sells a portion of its securitized loans as specified pools in the secondary market. Depending on market conditions having both options available provides the best outcome for generating ongoing program resources. When sold, these securitized loans are no longer a part of Florida Housing's single family bond indentures. In February of 2013, in response to the continuously changing financial markets, Florida Housing added the To Be Announced (TBA) forward delivery market for selling conventional loans. The market products for selling securitized single family loan pools continues to evolve and Florida Housing will utilize the market products that are deemed most beneficial for homeownership including but not limited to tax exempt bonds, the specified pool market, and the TBA market.

In addition, Florida Housing also allocates Mortgage Credit Certificates to homebuyers. These certificates, which are made available from single family mortgage revenue bond volume cap, are tax credits which can be applied against a home buyer's annual federal tax liability each year the homeowner uses the home as their primary residence, increasing the homebuyer's after-tax wages and thus increasing their ability to afford a home.

Both the securities, as indenture assets, and the bonds, as indenture liabilities, are included on Florida Housing's balance sheet. The trust estate of the indenture, which is comprised of the indenture assets and liabilities, financially stands on its own. Neither the State of Florida nor Florida Housing general operations are responsible for the debt of the indenture.

While Florida Housing provides financing for homebuyer mortgages, we have never participated in subprime lending. Florida Housing reviews the performance of its homebuyer mortgages on a regular basis. At the end of the first quarter of 2017, 1.53 percent of the active loans originated by Florida Housing were in foreclosure, compared to the 2.07 percent of all loans statewide in foreclosure at that time.

## **Summary of Key Affordable Housing Programs Administered by Florida Housing Finance Corporation**

Florida Housing recognizes that not all Floridians are candidates for homeownership. Our affordable housing programs provide a range of housing types, both rental and homeowner, to ensure that residents have decent, affordable housing options that are appropriate for them.

### **Homebuyer Loan Programs**

**Objective:** To originate 30-year, fixed-rate, high loan-to-value mortgage loans for eligible first-time homebuyers who meet credit worthiness tests, have incomes within federal program limits and receive homebuyer education. For homeownership, the proceeds from tax exempt mortgage revenue bonds issued by Florida Housing are used by participating private lenders to originate 30-year, fixed-rate mortgage loans through this program; we have never participated in subprime lending. Florida Housing generally pairs some type of second mortgage purchase assistance with these mortgages to assist homebuyers, either through state

or federal funding, if available. The average sales price for 2016 was \$143,790; the average loan amount was \$134,213; and the average purchase assistance amount was \$13,286.

**Source of Financing:** Primarily federal private activity bond volume allocated to states and secondary securities markets such as TBA and specified pool

### **Homeownership Assistance Program/Florida Assist 2<sup>nd</sup> Mortgage**

**Objective:** In conjunction with Homebuyer Loan Programs, to assist eligible homebuyers in purchasing their home, primarily by providing up to \$7,500 of down payment assistance in the form of a 0-percent interest, non-amortizing second mortgage loan that runs concurrently with the first mortgage, which means the homebuyer does not make any monthly payments. Instead, the loan is repaid when the homebuyer sells the home, transfers ownership, satisfies or refinances the first mortgage, or ceases to occupy the home.

**Source of Financing:** Appropriations from the State Housing Trust Fund

### **Mortgage Credit Certificates**

**Objective:** To provide eligible homebuyers with an annual federal tax credit that can be applied against their federal tax liability each year as long as the home is the primary residence, thus increasing the homebuyer's after-tax income and thereby increasing their ability to afford a home.

**Source of Financing:** Federal private activity bond volume allocated to states

### **Multifamily Mortgage Revenue Bonds**

**Objective:** To finance the development and preservation of rental apartments through proceeds from taxable and tax exempt bonds issued to provide below market rate loans to developers who set aside a certain percentage of their apartments for low income families.

**Source of Financing:** Federal private activity bond volume allocated to states

### **Low Income Housing Tax Credits**

**Objective:** To provide equity to developers through private sector investment by providing a dollar-for-dollar reduction in federal tax liability in exchange for the acquisition/substantial rehabilitation and new construction of affordable rental housing for low income households. Affordable housing developers sell these tax credits to large, private investors and use the cash from the sale to infuse equity into the construction of the property, lessening the need for additional debt.

**Source of Financing:** Federal population-based allocation to states

### **HOME Investment Partnership Program**

**Objective:** Provides low-interest or zero-interest loans to developers to finance the construction and rehabilitation of homes and rental apartments. Additionally, HOME funds may be used for Tenant Based Rental Assistance to provide rent subsidy and security deposit assistance for very low- to moderate income households.

**Source of Financing:** Federal funding



### **State Apartment Incentive Loan Program (SAIL)**

**Objective:** To provide gap financing through non-amortizing, low-interest loans to developers to leverage mortgage revenue bonds or competitive Low Income Housing Tax Credit resources and obtain the full financing needed to construct affordable rental units for very low income families.

**Source of Financing:** The state affordable housing trust funds and unobligated Florida Affordable Housing Guarantee funds

### **Florida Affordable Housing Guarantee Program**

**Objective:** While this program has not provided any new guarantees since early 2005, it primarily provided credit enhancement (i.e., mortgage repayment guarantees) on bond-financed multifamily developments in Florida Housing's portfolio, lowering overall borrowing costs and improving the economic viability of the transactions. The program was authorized by the Legislature in 1992, at a time when credit enhancement products for bond transactions were mostly unavailable in the private market.

During its active phase, the program guaranteed 120 multifamily transactions, representing \$1.4 billion for the construction of over 28,000 affordable rental units. The program partners with HUD's Risk Sharing program, with HUD assuming 50 percent of the default risk on about three quarters of the multifamily mortgages in the Guarantee Fund portfolio. In March 2009, the Florida Housing Board of Directors officially confirmed the suspension of new guarantees from this program because of extraordinarily adverse market conditions, as well as the financial capacity and condition of the Guarantee Fund and the availability of similar guarantee instruments in the marketplace. As of December 31, 2016, the program guarantees covered 1,009 units in 4 multifamily transactions, representing approximately \$31 million risk in force.

Capitalization of the Guarantee Fund occurred through the issuance of debt secured by Guarantee Fund income and documentary stamp tax revenues under terms specified in statute. Documentary stamp taxes distributed to the State Housing Trust Fund are the foundation of the Guarantee Fund's credit rating and the essential element for maintaining an acceptable insurer financial strength (IFS) rating.

In the event that the Guarantee Fund is rated less than in the top three claims paying ratings by any of the rating agencies or there is a projected deficiency in the debt service reserve, the state would be required to use documentary stamp collections distributed to the State Housing Trust Fund to replenish the Guarantee Fund at the amount necessary to maintain the minimum claims paying rating or to pay the fund's debt service. There has been no capitalizing debt outstanding since December 21, 2012, when the remaining balance was paid in full. The Guarantee Fund is currently rated A+/Stable by both Standard & Poor's and Fitch. Proviso in the 2016/17 and 2017/18 state budgets provide that unobligated funds in the Guarantee Program be used by Florida Housing as State Apartment Incentive Loan Program funding.

### **State Housing Initiatives Partnership Program (SHIP)**

**Objective:** To provide funds to all 67 county local governments and Florida's larger cities on a population-based formula to finance and preserve affordable housing for very low, low, and moderate income families based on locally adopted housing plans. A minimum of 20% of funds must be used to serve persons with special needs. At least 65 percent of funds must be used for homeownership, although on average 85 percent

of the funds have gone for this purpose annually. Funding is routinely used for such strategies as rehabilitation, emergency repairs, down payment assistance and homeownership counseling.

**Source of Funding:** Local Government Housing Trust Fund

### **Hardest-Hit Fund**

In 2010, U.S. Treasury provided funds to states with housing markets that were hardest hit with foreclosures, housing price declines, and unemployment. There are 18 states and the District of Columbia participating in the Hardest-Hit Fund (HHF) Program. Florida's total allocation has equaled more than \$1.1 billion. From program inception through the end of 2016, a total of \$811,568,947 in HHF funds was reserved to assist 33,948 homeowners and \$724,439,380 was disbursed. A number of strategies are funded through the HHF.

- **Unemployment Mortgage Assistance Program (UMAP)** - The UMAP provides up to \$24,000 for up to 12 months (whichever comes first) in monthly first mortgage payment assistance on behalf of qualified unemployed or underemployed borrowers.
- **Mortgage Loan Reinstatement Program (MLRP)** - MLRP funds (when used in conjunction with UMAP) are available in the amount of \$18,000 to help satisfy all or some of the arrearages on the first mortgage prior to UMAP payments commencing. MLRP-Only funds are available in the amount of \$25,000 as a one-time payment to assist in bringing a delinquent first mortgage current for a homeowner who has returned to work or recovered from unemployment or underemployment.
- **Principal Reduction (PR)** - The HHF-PR program is designed to assist eligible homeowners by providing up to \$50,000 applied to the principal balance of the first mortgage, to reduce the loan-to-value to no less than 100 percent.
- **Modification Enabling Pilot (MEP) Program** - The MEP program is designed to provide assistance to eligible borrowers with the intent to permanently modify and reduce the borrower's loan amount to an affordable level.
- **Elderly Mortgage Assistance Program (ELMORE)** - The ELMORE program pays up to \$50,000 to assist seniors who are in default on their reverse mortgage because of their inability to pay their taxes, insurance and other property charges.
- **Down Payment Assistance (DPA) Program** - The DPA Program provides eligible borrowers with up to \$15,000 in the form of a 0-percent, forgivable second mortgage, which can be used for down payment, closing costs, prepaid expenses, mortgage insurance premiums, or as a principal reduction to the first mortgage. There are eleven counties currently approved by Treasury where this program may be used.

**Source of Funding:** Federal Troubled Asset Relief Program (TARP)

### **Foreclosure Counseling Program**

**Objective:** To provide counseling services throughout the state to help homeowners avoid foreclosure; provide good financial management education to help families better manage their money; provide extended financial coaching; and assist families with credit problems to become financially stable. Foreclosure counseling services are provided through a network of U.S. Department of Housing and Urban Development-approved nonprofit housing counseling agencies throughout the state through fee-for-service contracts with Florida Housing. In 2016, funding was also made available to SHIP local governments to provide these services directly or through a community partner. These SHIP funds began to flow in 2017.

**Source of Funding:** National Mortgage Settlement funds appropriated by the 2013 Legislature

## **National Housing Trust Fund (NHTF)**

**Objective:** Federal program to increase and preserve the supply of rental housing for ELI households and Very Low Income (VLI) households. Up to 10% of NHTF is available for homeownership activities. Florida's funding preferences are for rental developments that set aside a very small portion of units to serve ELI populations with incomes at or near the Supplemental Security Income levels (about 22% of AMI), targeted to homeless persons, those at risk of homelessness, or persons with special needs. NHTF funds may be used for development hard costs, demolition, acquisition of real property, related soft costs and operating cost reserves.

**Source of Funding:** Federal block grant to the states from HUD with exact amounts determined by a need based formula

## **Financing Initiatives Targeting Persons with a Disabling Condition**

**Objective:** To provide financing for affordable rental housing developments targeting persons with developmental disabilities. Developments may include new construction or renovation of existing units. 2016 funding is provided as grants which are competitively offered to nonprofit organizations.

**Source of Funding:** State Housing Trust Fund (Legislation in 2016 requires Florida Housing to annually reserve a minimum of 5% of its SHTF appropriation for such initiatives going forward)

## **Funding Affordable Housing Leads to Economic Benefits for Florida**

Construction and development are important job and economic generators for local communities and states. In carrying out its mission to provide a range of affordable housing opportunities for residents that help make Florida communities great places to live, work and do business, Florida Housing provides financing through a range of federal and state programs that provide important economic benefits for the state.

To assist us in estimating the economic impact of Florida Housing's programs, we have worked with Florida State University to develop an analysis. The most recent information available showing Florida Housing's economic impact to the state is for program activity in 2015. In 2015, Florida Housing leveraged funding sources totaling just over one billion dollars to create a total of \$4.74 billion in economic activity. The total annual economic impact as a result of the development activities resulting from Florida Housing's programs, as well as operations, is estimated to be:

- \$4.74 billion in economic output,
- \$1.53 billion in income,
- \$2.50 billion in value added, and
- 34,213 full and part-time jobs.

In addition, researchers at Florida State University analyzed the on-going economic impact created each year for the first 15 years of each rental property based on their projected operations. The additional average annual economic impact over this period of operations is projected to be:

- \$445 million in economic output (equal to \$6.68 billion over 15 years),
- \$155 million in personal income (equal to \$2.33 billion over 15 years),
- 2,072 full and part-time jobs (equal to 31,080 over 15 years).

Florida Housing's objective is to carefully target any new rental construction to those areas of the state where there is a defined need for such housing. The data show us there is currently a need for new affordable rental units in many markets in Florida, particularly because of rent increases as urban markets strengthen. In areas where new construction is not currently needed, economic benefit results when we finance rehabilitation of older, existing affordable apartments (generally 20+ years old) to extend affordability and ensure that they remain in good condition.

## **Florida Housing Finance Corporation's Role in the State's Housing Delivery System**

In the first years of its operation, Florida Housing accessed only federal resources to finance housing, but these funds proved difficult to use on their own. To leverage and augment these programs, the Florida Legislature began appropriating some funding for state programs in the late 1980s. However, it was the enactment of the William E. Sadowski Affordable Housing Act in 1992 that created a dedicated source of revenue for affordable housing from a portion of documentary stamp taxes on the transfer of real estate. This legislation provided both the funding mechanism for state and local programs, as well as a flexible, but accountable framework for local programs to operate. The dedicated revenue comes from:

- A ten-cent increase to the documentary stamp tax paid on the transfer of real estate, which began in August 1992; and
- A re-allocation of ten cents of existing documentary stamp tax revenues from general revenue to the affordable housing trust funds, which began in July 1995.

Charts showing the history of trust fund appropriations and allocations are provided on the next pages.

The 2005 Legislature adopted a cap restricting the amount of revenue that may flow into the housing trust funds to \$243 million per year, with a mechanism for a small increase over time. The cap went into effect July 1, 2007. The 2011 Legislature removed the cap, but created a new annual requirement starting July 1, 2012, which provides that the first \$75 million in documentary stamp tax collections credited to the housing trust funds is automatically transferred to the State Economic Enhancement and Development (SEED) Trust Fund within DEO. The statutory change maintains the priority of payments for the Guarantee Fund as needed. The SEED fund gives the Governor a certain level of flexibility to create economic development opportunities. Florida Housing has the ability to compete for funding from the SEED trust fund. At this time, all of Florida Housing's state funds are appropriated through the housing trust funds created by the Sadowski Act or through one-time initiatives such as the National Mortgage Settlement; no appropriations are made to us from general revenue.

Florida Housing Documentary Stamp Tax Appropriations		1992/1993	1993/1994	1994/1995	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
PROGRAM NAME																
State Housing Trust Fund																
State Apartment Incentive Loan (SAIL)	\$	11,500,000	14,800,000	15,200,000	23,323,350	26,600,000	24,220,629	30,783,734	30,085,000	36,470,000	48,308,010	66,048,812	43,978,169	46,638,090	48,411,461	55,102,200
Homeownership Assistance (HAP)		2,000,000	3,000,000	3,000,000	3,588,400	4,000,000	3,000,000	6,221,600	5,000,000	6,000,000	5,000,000	-	3,000,000	3,000,000	-	8,000,000
HOME Investment Partnerships (HOME)		2,000,000	2,950,000	2,000,000	746,200	2,000,000	1,300,000	2,488,800	2,000,000	2,000,000	2,000,000	-	-	-	-	-
Preadevelopment Loan (PLP)		750,000	500,000	500,000	1,794,200	2,000,000	1,000,000	1,244,000	1,000,000	1,500,000	2,000,000	4,000,000	2,000,000	-	-	-
Guarantee Fund Debt Service		1,100,000	750,000	2,292,430	2,132,839	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	3,865,000	5,400,000	5,400,000	5,400,000	6,400,000	6,400,000
Affordable Housing Study Commission/ Task Force														48,100	280,000	175,000
Cablest Program														672,800	672,800	672,800
Housing Data Clearinghouse											221,990	126,455	129,498	127,633	142,362	150,000
Hurricane Funding															74,500,000	17,000,000
Farmworker & Special Needs (SHADP)																15,000,000
EUI & Special Needs																30,000,000
Technical Assistance																100,000
Transfer to Community Contribution Tax Credit																-
SHIP																-
Project Independence					750,000											-
Soldiers to Scholars					300,000											-
Guarantee Program Feasibility Study	100,000															-
SHIP Compliance Monitoring																-
Administration				1,174,008	1,283,279	1,538,279	1,503,001	1,351,276	1,501,276	1,501,276	1,426,212	1,354,901	677,450			-
TOTAL SHIF Appropriations	\$	17,450,000	22,000,000	24,166,438	33,916,468	38,138,279	33,433,630	44,089,410	41,586,276	49,471,276	62,821,212	76,930,168	55,185,171	55,906,623	130,406,623	132,600,000
Sweep SHIF	\$	-	-	-	-	-	-	-	-	-	12,000,000	-	37,282,837	67,800,000	-	-
Local Government Housing Trust Fund																
SHIP	\$	18,750,000	25,000,000	26,500,000	79,000,000	86,581,488	86,700,000	124,200,000	143,890,000	136,100,000	126,600,000	163,443,545	130,756,501	130,758,367	130,726,637	166,250,000
Homeless Programs - DCF & DEO						900,000	900,000	900,000	900,000	900,000	5,900,000	5,900,000	5,900,000	5,900,000	5,900,000	7,900,000
SHIP Compliance Monitoring								200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Cablest Program																-
Housing Data Clearinghouse																-
Hurricane Funding						1,750,000						126,455	129,499	127,633	159,363	150,000
Community Workforce Housing Innovation Pilot (CWHP)															175,500,000	75,900,000
Presentation Pilot Program																50,000,000
State Apartment Incentive Loan (SAIL)																-
Public Housing Mitigation Initiative																-
Florida Supportive Housing Coalition																-
TOTAL LGHIF Appropriations	\$	18,750,000	25,000,000	26,500,000	79,000,000	89,231,488	87,600,000	125,300,000	144,990,000	137,200,000	132,700,000	169,670,000	136,986,000	136,986,000	312,486,000	300,400,000
Sweep LGHIF	\$	-	-	-	-	-	-	-	-	-	-	-	83,614,000	153,000,000	-	-
Total SHIF & LGHIF Appropriations	\$	36,200,000	47,000,000	50,666,438	112,916,468	127,369,767	121,033,630	169,389,410	186,576,276	186,671,276	195,521,212	246,600,168	192,171,171	192,892,623	442,892,623	453,000,000
Total Sweep SHIF & LGHIF	\$	-	-	-	-	-	-	-	-	-	12,000,000	-	120,896,837	220,800,000	-	-

Florida Housing Documentary Stamp Tax Appropriations											
PROGRAM NAME	2007 / 2008	2008 / 2009 (incl. SB 2A & shortfall)	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
<b>State Housing Trust Fund</b>											
State Apartment Incentive Loan (SAIL)	\$ 115,000,000	\$ (101,500,900)									
Homeownership Assistance (HAP)	18,087,200	88,500,900		37,500,000							
HOME Investment Partnerships (HOME)											
Predevelopment Loan (PLP)											
Guarantee Fund Debt Service	6,400,000										
Affordable Housing Study/Commission / Task Force	175,000										
Catalyst Program	672,800								400,000		
Housing Data Clearinghouse	165,000								300,000	285,000	315,000
Hurricane Funding											
Farmworker & Special Needs (SHADP)											
ELI & Special Needs	15,000,000	13,000,000				10,000,000		10,000,000	10,000,000	10,000,000	10,000,000
Technical Assistance											
Transfer to Community Contribution Tax Credit			169,989								
SHIP											
Project Independence											
Soldiers to Scholars											
Guarantee Program Feasibility Study											
SHIP Compliance Monitoring											
Administration											
<b>TOTAL SHITF Appropriations</b>	<b>\$ 155,500,000</b>	<b>\$ (15,149,077)</b>	<b>\$ 169,989</b>	<b>\$ 37,500,000</b>	<b>\$ 56,343,754</b>	<b>\$ 10,000,000</b>	<b>\$ 52,730,000</b>	<b>\$ 67,660,000</b>	<b>\$ 70,000,000</b>	<b>\$ 64,600,000</b>	<b>\$ 28,000,000</b>
<b>Sweep SHITF</b>	<b>\$ -</b>	<b>\$ 120,528,723</b>	<b>\$ 36,830,000</b>	<b>\$ 25,921,198</b>	<b>\$ -</b>	<b>\$ 29,815,000</b>	<b>\$ -</b>	<b>\$ 14,298,030</b>	<b>\$ 6,000,000</b>	<b>\$ 30,414,438</b>	<b>\$ 99,270,000</b>
<b>Local Government Housing Trust Fund</b>											
SHIP	\$ 166,018,500	\$ -	\$ 158,040,024	\$ 30,110,000	\$ -	\$ -	\$ -	\$ 96,000,000	\$ 101,000,000	\$ 129,800,000	\$ 94,225,000
Homeless Programs - DCF & DEO	5,900,000		5,436,805					4,000,000	4,000,000	5,200,000	5,200,000
SHIP Compliance Monitoring	416,500		383,802								
Catalyst Program											
Housing Data Clearinghouse	165,000		165,000							500,000	500,000
Hurricane Funding											
Community Workforce Housing Innovation											
Pilot (CWHIP)	62,400,000										
Preservation Pilot Program											
State Apartment Incentive Loan (SAIL)											9,000,000
Public Housing Mitigation Initiative											
Florida Supportive Housing Coalition			1,000,000								
<b>TOTAL LGHTF Appropriations</b>	<b>\$ 234,900,000</b>	<b>\$ 84,453,654</b>	<b>\$ 31,279,989</b>	<b>\$ 148,388,802</b>	<b>\$ 133,187,355</b>	<b>\$ 66,845,000</b>	<b>\$ 151,400,000</b>	<b>\$ 91,853,337</b>	<b>\$ 105,000,000</b>	<b>\$ 135,500,000</b>	<b>\$ 109,000,000</b>
<b>Sweep LGHTF</b>	<b>\$ -</b>	<b>\$ 319,471,877</b>	<b>\$ 55,070,000</b>	<b>\$ 174,310,000</b>	<b>\$ 189,531,109</b>	<b>\$ 96,660,000</b>	<b>\$ 204,130,000</b>	<b>\$ 106,151,367</b>	<b>\$ 81,000,000</b>	<b>\$ 116,914,438</b>	<b>\$ 154,400,000</b>
<b>Total SHITF &amp; LGHTF Appropriations</b>	<b>\$ 390,400,000</b>	<b>\$ 69,304,577</b>	<b>\$ 31,279,989</b>	<b>\$ 37,500,000</b>	<b>\$ -</b>	<b>\$ 10,000,000</b>	<b>\$ -</b>	<b>\$ 167,660,000</b>	<b>\$ 175,000,000</b>	<b>\$ 200,100,000</b>	<b>\$ 137,000,000</b>
<b>Total Sweep SHITF &amp; LGHTF</b>	<b>\$ -</b>	<b>\$ 440,000,000</b>	<b>\$ 91,900,000</b>	<b>\$ 174,310,000</b>	<b>\$ 189,531,109</b>	<b>\$ 96,660,000</b>	<b>\$ 204,130,000</b>	<b>\$ 106,151,367</b>	<b>\$ 81,000,000</b>	<b>\$ 116,914,438</b>	<b>\$ 154,400,000</b>

## **How Florida Housing Finance Corporation Makes Resource Allocation Decisions**

Florida Housing targets funding to specific populations and geographic areas of the state based on a number of factors. Federal and state programs target all or a portion of funds to households at or below income levels set by each program.

On the homeownership side, Florida Housing follows federal income targeting requirements, allowing us to provide financing to households with incomes as high as 115 percent of AMI in the government loan program or 140 percent of AMI for the conventional TBA program. On the rental side, targeted program incomes are generally lower to assist families that are unlikely to be able to afford homeownership. For example, the federal Low Income Housing Tax Credit Program requires that a portion of rental units in an apartment complex be set aside for families with incomes at or below 50-60 percent of area median income. Other federal rental programs are similar. As specified in s. 420.507, F.S., Florida Housing undertakes and uses studies and analyses of housing needs within the state, along with regular input from stakeholders and current market conditions to target program resources. Continuing input from stakeholders provides context and direction to Florida Housing's Board and staff. Interested parties are encouraged to provide comments and critiques of our programs by mail, phone, personal contact and public meetings that are held regularly each year as we modify programs to respond to changing policies and market conditions.

Florida Housing's Board and staff are constantly analyzing data, seeking input on financial and economic conditions and trends, and weighing this information with the range of changing housing needs to provide a set of balanced programs to finance affordable housing in an economically feasible manner. The Florida Housing Board and staff strive to allocate resources in a fair, open and rational way that is stable, predictable and user-friendly for the many participants in our programs and processes.

On the rental side, Florida Housing allocates program resources, such as federal Low Income Housing Tax Credits, through a competitive solicitation process whereby a series of approximately 15 "Requests for Applications" (RFAs) are issued each year to focus on various geographic areas of the state and offer funding for different types of housing and to serve different populations in need. For each RFA issued, a draft is circulated for public comment and one or more public workshops are held to seek input. Stakeholders may submit comments at these meetings or via phone, email or letter. This allocation process maintains a balanced, open, and transparent process that is flexible and is capable of reacting to changing markets and needs.

On the homeownership side, participating private lenders throughout the state originate mortgages through the Homebuyer Loan Programs to homebuyers on a first come, first served basis according to federal and state regulations and indenture criteria. Through Florida Housing's Home Ownership Pool Program, builders may apply to reserve down payment assistance on a first come, first served basis for their homebuyers when funding is available.

According to statute, SHIP funds are distributed to counties and eligible cities on a population-based formula. Local governments must follow statutory and administrative rule requirements in the disbursement of funds, but the program's premise is to allow them to set their own priorities within these guidelines according to local need as outlined in a locally adopted plan.

## **Accountability – How Florida Housing Finance Corporation Ensures Program Resources Are Appropriately Used**

### **Multifamily Rental Process**

The rental funding process begins with rule making and development of one or more Requests for Applications. Applications are submitted, scored independently by each member of a staff review committee, discussed and ranked by the full committee and the final recommendation is sent to Florida Housing's Board of Directors for approval. Applicants have the right to contest the findings through an administrative hearing process.

Once recommended orders are issued through the hearing process and brought back to the Board for final action, developments awarded financing are invited to enter the credit underwriting process. Developments are assigned to one of three independent credit underwriters under contract with Florida Housing. Independent professionals approved by the credit underwriter complete necessary evaluations, such as appraisals and market studies. Credit underwriting reports are reviewed and approved by Florida Housing staff and the Board of Directors before loan closing may proceed. At loan closing, Florida Housing receives construction completion guarantees and operating deficit guarantees as applicable. The developer signs personal guarantees for these.

Throughout the construction process, Florida Housing's servicers manage the draw process, construction inspections and other duties to ensure commitments. Once the development is completed, Florida Housing's compliance monitoring agents visit every development at least every year for the portion of our portfolio with state funds, and at least once every three years (as required by federal regulations) for those properties with Low Income Housing Tax Credits only that are in their first 15 years of their federal compliance period. For the remaining affordability period, these properties are monitored annually. The monitors ensure compliance with applicable federal and state statutes and rules, and with the loan closing documents. Florida Housing's staff and servicers also receive and review audited financial statements for each property annually as a part of our permanent loan servicing and asset management processes.

### **Single Family Homeownership Process**

In Florida Housing's Single Family construction programs, the process for credit underwriting and construction loan servicing works in the same way that it does for our multifamily process. Applications for Florida Housing's down payment assistance loans by builders on behalf of homebuyers are also reviewed by our servicers who verify income and purchase price limits. Funds are not released until Florida Housing has sign-off from the servicer. In Florida Housing's down payment assistance programs, which are coupled with our Homebuyer Loan Programs, our Compliance servicer provides our "bond compliance" function. They review each loan made by participating lenders to make sure that it complies with federal and state income and purchase price limits.



## **State Housing Initiatives Partnership Program**

SHIP eligible local jurisdictions submit their Local Housing Assistance Plans (LHAPs) to Florida Housing for review to ensure that they meet the broad statutory guidelines and requirements of the program rules. Florida Housing must approve an LHAP before a local government may receive SHIP funding. Florida Housing reviews each local jurisdiction's annual report which details how they have spent or encumbered their SHIP funds. Local jurisdictions are also required to send Florida Housing their annual audited financial statements and their Florida Single Audit Act reports for review.

Compliance monitoring is performed using a risk based approach with the amount of SHIP dollars received by the local government as one of the risk factors considered. Florida Housing's Inspector General may also audit local governments at any time. If problems are found, follow-up and annual reviews are scheduled, and Florida Housing may assign technical assistance providers to assist the local jurisdiction with formulating and implementing a corrective action plan. When funds have been found to have been misused, the local jurisdiction has reimbursed that amount of funds. If technical assistance and/or training fail to correct the problems and a pattern of violations is established, Florida Housing has statutory authority to suspend or possibly terminate disbursement of funds to the local jurisdiction.

## **Other Accountability Measures**

Quality Assurance Reviews are performed by Florida Housing to determine compliance with external contract requirements for such areas as: credit underwriting, loan servicing, compliance monitoring and bond trustee services. Internally, Florida Housing's Inspector General oversees the audit and investigative functions for all aspects of the Corporation's programs and operations. Audits or other engagements can be initiated by internal audit risk assessments, the Board, Executive Director and internal or external complaints. Florida Housing contracts with an independent audit firm to carry out annual audits of the financial statements. The independent auditor opines on the financial statements, internal control over financial reporting and on compliance and other matters, and compliance and internal controls applicable to each major federal award program. Florida Housing is also subject to audits by the Auditor General, the State of Florida Chief Financial Officer, DEO, the Office of Program Policy Analysis and Government Accountability (OPPAGA), HUD, U.S. Treasury, the Internal Revenue Service and other state and federal entities at their discretion.

In addition, the following best business practices and financial transparency information is readily available on Florida Housing's website:

- Reports that include metrics and return on investment calculations;
- All relevant audits, tax returns, financial reports and summaries;
- All statutorily required reports;
- All vendor contracts;
- External reports detailing Corporation spending; and
- An organizational chart, and employee position and salary information.

## **Background Materials**

The following linked materials provide more information about Florida Housing Finance Corporation and its programs. All materials are also available on the Florida Housing website or by accessing the State of Florida Auditor General website.

[2016 Audited Financial Statements](#)

[2016 Annual Report](#)

[Florida Housing Finance Corporation's Strategic Plan adopted September 19, 2014](#)

[Chapter 420, Part V, Florida Statutes \[pertaining to Florida Housing Finance Corporation\]](#)

[Florida Administrative Code Rules that Apply to Florida Housing Programs](#)

[Affordable Housing Services Contract with DEO](#)