

# Ohio Housing Finance Agency

*Brian Hoffmeister, Budget Analyst*

- OHFA has successfully transitioned into a fully independent agency
- The budget provides funding of \$9.75 million in FY 2008 and \$10.24 million in FY 2009 (payroll expenses only)

## OVERVIEW

### Duties and Responsibilities

The Ohio Housing Finance Agency (OHFA) was established in 1983 as an agency within the Department of Development. Under Am. Sub. H.B. 431 of the 125th General Assembly, the Ohio Housing Finance Agency became an independent state agency effective July 1, 2005.

The Ohio Housing Finance Agency offers affordable housing opportunities for Ohioans by providing financing for the acquisition, construction, and rehabilitation of owner-occupied single-family housing and multifamily rental housing projects for low- and moderate-income individuals and families. The agency's programs serve first-time homebuyers, renters, senior citizens, and other populations with special needs who otherwise might not be able to afford quality housing. The agency's programs are made possible through coordination with private industry and local communities, and are supported primarily by revenues raised through the issuance, private sale, and repayment of tax-exempt mortgage revenue bonds allocated through Ohio's federal Volume Cap program, as well as contract fees received from the U.S. Department of Housing and Urban Development (HUD) for the administration of housing assistance payments. The agency receives no General Revenue Funding.

OHFA is governed by an eleven-member Board, consisting of the Directors of the Department of Commerce and the Department of Development, who serve as ex-officio members, and nine public members. The public members are appointed by the Governor for six-year terms and represent the public as well as various housing sectors, such as lenders, homebuilders, and other stakeholders.

The agency administers its housing programs through its Executive Office and seven divisions, split between the categories of Program Support and Programs. In addition to the Executive Office, Program Support includes Administration; Communications, Marketing, and Legislative Affairs; Finance; and Information Technology. Programs encompass Homeownership; Planning, Preservation, and Development (PP&D); and Program Compliance.

The OHFA budget totals \$9,750,953 in FY 2008, a 6.3% increase over the adjusted FY 2007 appropriation of \$9,173,332, and \$10,237,491 in FY 2009, an increase of 5.0% over FY 2008. These appropriations cover payroll and fringe benefit expenses only. Other agency operating expenses, such as equipment costs and rental payments, and all program subsidy expenditures are not reflected in OHFA's budget, but are supported through other nonappropriated agency accounts.

## Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2008	2009	2008	2009	
127	\$9.75 million	\$10.24 million	\$0	\$0	Am. Sub. H.B. 119

\*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2007. This total does not include employees identified by DAS as "fixed term per diem."

## Agency Highlights

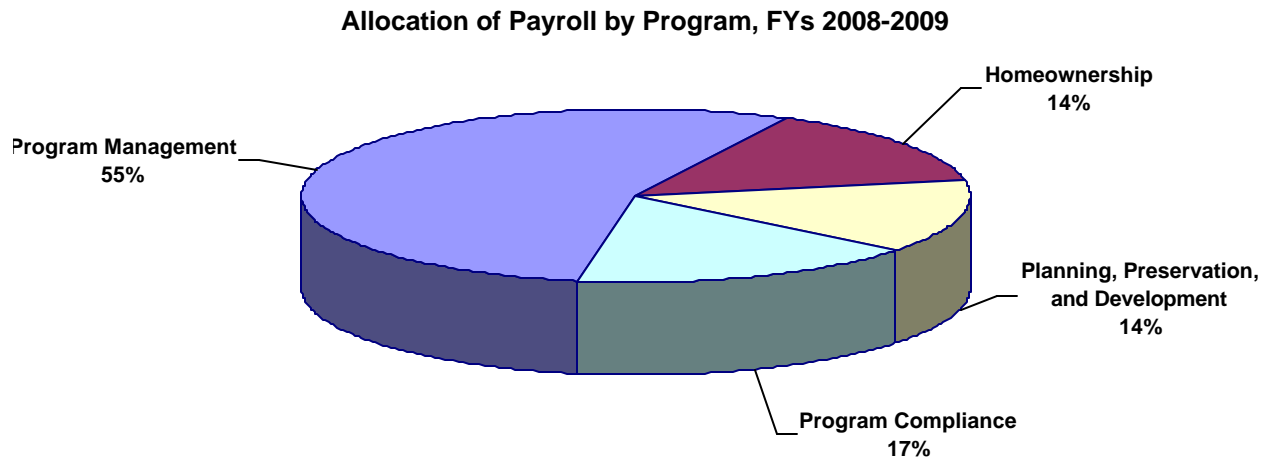
Since OHFA became independent, it has expanded its services and taken on tasks with autonomy not available to it in the Department of Development, including assisting over 7,000 evacuees from Hurricane Katrina in 2005. Its overall program growth has been significant; out of a total of approximately 100,000 homeowners served by OHFA's First-Time Homebuyer (FTHB) Program since the agency's inception in 1983, approximately 10,000 were served in 2006.

OHFA also moved to streamline its operations by beginning implementation of two major technological initiatives to promote a fully electronic workflow process. The E-Mortgage loan product includes a paperless FTHB loan application for participating lenders, and the Housing Registry Portal is designed to assist low- to moderate-income individuals locate affordable rental housing.

Additionally, OHFA committed up to \$3 million in the 2006 - 2007 biennium for a pilot project in Summit County to provide low-interest home equity loans to qualified owners of historic homes that will allow them to preserve the homes' "historic character." OHFA has also committed \$250,000 annually for six years to assist in the Columbus vacant property initiative Home Again, which seeks to eliminate and rehabilitate blighted properties.

In the new biennium, OHFA is taking on a role in the Strickland Administration's Foreclosure Prevention Task Force, alongside the Departments of Development and Commerce and representatives from the state, local governments, lenders, and the nonprofit and private sectors. The Task Force was established in order to provide a cohesive response to increasing foreclosures in Ohio as a result of predatory lending practices. The group will work on developing a model for foreclosure prevention and intervention and will create strategies for assisting distressed mortgages.

Additionally, to supplement OHFA's homeownership program, the agency began a refinancing assistance program in April of 2007 that will use taxable bonds alongside the tax-exempt bonds already used for the FTHB program in an effort to leverage OHFA's volume cap allocation. The program, called the Opportunity Loan Program, makes available affordable, fixed-rate financing for qualifying homeowners who may be having difficulties with their existing mortgages.



### Ohio Housing Trust Fund

The Ohio Housing Trust Fund (OHTF) is administered by the Department of Development and funded through county recordation fees. OHFA receives dollars from this fund for two of its programs. The Housing Development Assistance Program (HDAP) provides financing for eligible housing projects to expand, improve, and preserve the supply of quality, low-cost housing for low- and moderate-income renters. OHTF moneys fund projects that serve households with incomes less than 50% of the median income of the project area, with a preference given to projects serving those with incomes less than 35% of the median per HUD guidelines. OHTF funds also support a portion of the Community Housing Development Organizations (CHDO) Competitive Operating Grant program, which provides a source of operating funds for eligible state-certified CHDOs with service areas in urban or rural locations.

Spending by OHFA from the OHTF in FYs 2006 and 2007 was \$39.5 million. The Housing Trust Fund is appropriated \$53 million in each of FYs 2008 and 2009 under the budget for the Department of Development, of which OHFA will again receive an allocation.

## ANALYSIS OF THE BUDGET

### Single Program Series

### Affordable Housing

**Purpose:** This program series offers affordable housing opportunities for Ohioans.

The following table shows the line item that is used to fund the Affordable Housing program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2008	FY 2009
<b>General Services Fund</b>				
5AZ	997-601	Housing Finance Agency Personal Services	\$9,750,953	\$10,237,491
<b>General Services Fund Subtotal</b>			<b>\$9,750,953</b>	<b>\$10,237,491</b>
<b>Total Funding: Affordable Housing</b>			<b>\$9,750,953</b>	<b>\$10,237,491</b>

The program series consists of the following programs:

- **Program 01.01: Program Management**
- **Program 01.02: Homeownership**
- **Program 01.03: Planning, Preservation, and Development**
- **Program 01.04: Program Compliance**

### Program 1.01: Program Management

**Program Description:** The Executive Office directs and oversees all functions performed by the agency's administrative and programmatic divisions. The office is responsible for all aspects of the agency's programmatic and operational policies, objectives, and initiatives. The office reports to the Board and represents the agency and the state to federal, state, and local elected officials, the housing industry, the mortgage lending community, the investment banking community, and the public concerning affordable housing activities of the state and the agency.

The Administration Division provides centralized services and specialized support to the agency. The office is responsible for recruiting and training personnel, processing payroll, procuring goods and services, providing telephone and mail service, overseeing facilities management and building security, and performing a variety of other services to expedite the effective operation of the agency.

The Information Technology Division designs, acquires, and implements all aspects of OHFA's computer operations. Additionally, the office provides strategic direction for long-range planning, develops and implements network security policies, and establishes hardware and software standards for the agency.

The Communications, Marketing, and Legislative Affairs Division leads all of OHFA's communications and marketing initiatives. The office coordinates the Ohio Housing Conference and other special events and handles all media and legislative relations, as well as all marketing and advertising campaigns in support of OHFA's programs.

The Finance Division provides fiscal management and accounting for the agency and all of its programs. The office currently manages more than \$2 billion in combined mortgage bonds payable and

represents the agency with bond counsel, bond trustees, and investment bankers. Additionally, the office administers over \$45 million annually in housing assistance payments for HUD Section 8 housing projects, and acts as loan servicer for affordable housing loans and down payment assistance loans, which currently total approximately \$230 million.

**Funding Source:** User fees and administrative reimbursement for services provided, including program fees from single- and multi-family bond programs; administrative fees from Section 8, HDAP, and HOME; tax credit application and reservation fees; compliance monitoring fees; and application, closing, and loan servicing fees on Housing Development loans

**Implication of the Budget:** Funding of \$5,336,902 in FY 2008 and \$5,628,261 in FY 2009 will support this program's oversight of all agency activities, including centralized information technology and finance services.

## **Program 1.02: Homeownership**

**Program Description:** The Homeownership Office works to ensure safe, structurally sound, and sanitary homeownership opportunities for low- to moderate-income individuals and families by providing low-interest loans and down payment assistance. The primary function of the office is to oversee the operations of the First-Time Homebuyer Program.

The FTHB program is the largest program operated by OHFA. The program offers a 30-year, fixed-rate mortgage at a below-market interest rate to first-time homebuyers or persons purchasing homes in economically distressed areas. In partnership with more than 160 Ohio financial institutions, OHFA has used the low interest rate and fixed term under this program to create homeownership opportunities for those who could not otherwise afford to purchase a home. Since the inception of the program in 1983, OHFA has helped over 100,000 Ohioans become homeowners.

Under current program rates, prospective homeowners not using down payment assistance can qualify for mortgage rates starting at 6.00%, and buyers using down payment assistance can qualify for rates starting at 6.40%. Down payment assistance is offered through OHFA's Single-Family Mortgage Revenue Bond Program in the form of a grant of up to 2% of the home's purchase price, or a second mortgage in an amount up to 4% of the purchase price of the home secured by the first mortgage single-family bond loan. Historically, more than one-third of the mortgages funded through this program include down payment assistance.

In the FY 2008 - 2009 biennium, OHFA expects to issue \$300 million per year in mortgage revenue bonds to fund some 10,000 mortgages statewide.

**Funding Source:** Agency program fees from single-family bond programs

**Implication of the Budget:** Funding of \$1,405,098 in FY 2008 and \$1,469,421 in FY 2009 will support the operations of the First-Time Homebuyer Program.

## **Program 1.03: Planning, Preservation, and Development**

**Program Description:** Programs administered by the Planning, Preservation, and Development Office provide financial assistance to developers for all stages of the development process, including pre-development, construction, and post-construction permanent financing. All programs are accessed through a one-stop application approach, intended to encourage nonprofit and for-profit developers to

increase affordable housing stock targeted to Ohio's low and moderate-income individuals and families. The following programs are administered by the Planning, Preservation, and Development Office:

### **Housing Credit Program**

The Housing Credit Program is designed to increase the supply of quality affordable rental housing for low-income families. These federal income tax credits, authorized by Internal Revenue Code Section 42, provide the private and nonprofit housing development community with incentives to develop affordable housing by offsetting building acquisition, new construction, or substantial rehabilitation costs. Housing credits are used to offset federal income tax liability, either individual or corporate. The housing tax credit is subtracted on a dollar-for-dollar basis from the federal income tax liability and can be received each year for up to 10 years, provided proper compliance is followed for 15 years, with the affordability component enduring for a total of 30 years.

Through the Housing Credit Program, OHFA has awarded over \$260 million in housing credits resulting in the creation of more than 70,000 affordable housing units. In the new biennium, the agency expects to allocate \$26.5 million in annual credits, resulting in the development of 60 properties consisting of 3,900 affordable housing units.

### **Housing Development Loan Program**

The Housing Development Loan Program provides seed, construction, and bridge loan assistance through the use of five funding mechanisms: seed money loan, compensating balance loans, equity bridge loans, direct loans, and loan guarantees. Moneys for loans under this program are provided through Unclaimed Funds that are collected by the Department of Commerce. In the FY 2008 - 2009 biennium, OHFA expects to approve approximately \$35 million per year in loans to enhance the financing of 1,700 affordable housing credit rental units. OHFA also operates a Loan Guarantee program that makes Unclaimed Funds Moneys available for lending institutions in the event of default or emergency during the construction or rehabilitation process.

### **Housing Development Assistance Program**

The Housing Development Assistance Program (HDAP) provides financing for housing projects to expand, preserve, and improve the supply of decent, safe, and affordable housing for very low-income individuals and households. The Housing Trust Fund (Fund 646) provides funding to HDAP projects that predominantly serve low-income households at or below 50% of the Area Median Income (AMI); preference is given to households at or below 35% of the AMI. Additionally, funding for HDAP projects derives from federal HOME Investment Partnership funds. In FY 2006, OHFA utilized \$6.6 million from the Housing Trust Fund to create an additional 183 housing units in 18 rental and homeownership projects under HDAP. In the new biennium, OHFA expects to award \$29 million per year in HDAP loans.

### **CHDO Competitive Operating Grants**

The Community Housing Development Organizations Competitive Operating Grant Program provides CHDOs with assistance for their daily operating financial needs. State-certified CHDOs may be eligible to receive funding for a 24-month period based on annual performance benchmarks and milestones. OHFA bases awards on competitive criteria established to determine the eligible applicants who have the strongest ability to produce affordable housing. This program awards approximately \$1 million annually in grants funded by a combination of federal HOME dollars supplemented by the

OHTF. The HOME set-aside is allocated to CHDOs based on their location and participation in the program. Approximately 13% of HOME funds are allocated to continued funding of current “grandfathered” CHDOs, approximately 33% goes to urban CHDOs, approximately 49% to rural CHDOs, and the remaining 5% for CHDOs new to the program.

### **Multi-family Bond Program**

This program is focused on financing multi-family housing through the issuance and sale of tax-exempt development bonds. Revenues produced by bonds issued under the state’s Volume Cap allocation support this program, which in turn, supports low-interest mortgages for projects that involve new construction or rehabilitation. Assistance is usually provided in conjunction with the Housing Credit Program. Approximately \$120 million in Ohio’s Volume Cap allocation is currently used for multi-family bonds.

**Funding Source:** Administrative fees from the Ohio Housing Trust Fund and HOME Program; tax credit application and reservation fees; application, closing, and loan servicing fees on Housing Development loans

**Implication of the Budget:** Funding of \$1,343,717 in FY 2008 and \$1,401,331 in FY 2009 will support the staffing needs for all of the programs administered by the Planning, Preservation, and Development Office.

### **Program 1.04: Program Compliance**

**Program Description:** The Program Compliance Office monitors more than 71,000 rental units in over 1,300 rental properties statewide to ensure that properties are being maintained in a satisfactory manner and that properties are in compliance with Internal Revenue Service, HUD, and state regulations. In addition, the office monitors approximately 30 multi-family bond-financed properties consisting of 3,500 units, five Federal Deposit Insurance Corporation properties consisting of 202 units, and acts as contract administrator for privately owned HUD Section 8 properties. As contract administrator, OHFA is responsible for disbursing subsidy payments each month on behalf of the lower income residents and for performing site reviews of all properties to ensure compliance with federal and state regulations.

### **Section 8 Rental Assistance Program**

The U.S. Department of Housing and Urban Development (HUD) funds the Section 8 Project-Based program, which provides rental subsidies, determined by tenant incomes, directly to private owners of Section 8 apartment developments. The tenant pays approximately 30% of his or her income toward rent and utilities, and HUD pays the remainder of the rent as agreed upon by HUD and the private owner. Additionally, HUD provides subsidies to local public housing authorities that administer the Tenant-Based program, in which rental subsidies are paid to private owners of tenant selected rental units.

The Ohio Housing Finance Agency currently serves as contract administrator for 106 projects with over 8,000 units under the Owner-Based program, representing approximately 10% of the total Section 8 properties in Ohio. In the Section 8 Owner-Based program HUD provides loans to landlords that rent to low-income persons. In its role as contract administrator for HUD, OHFA performs site inspections and distributes rental assistance payments from HUD to the project owners.

**Funding Source:** Administrative fees from the Section 8 subsidy program, HDAP program, and HOME program; and tax credit compliance monitoring fees

***Implication of the Budget:*** Funding of \$1,665,236 in FY 2008 and \$1,738,478 in FY 2009 will support the staffing needs of the Program Compliance Office.



**FY 2008 - 2009 Final Appropriation Amounts**

**All Fund Groups**

<i>Line Item Detail by Agency</i>	<i>FY 2005:</i>	<i>FY 2007 Adj.</i>	<i>FY 2008</i>	<i>% Change</i>	<i>FY 2009</i>	<i>% Change</i>
		<i>FY 2006: Appropriations:</i>	<i>Appropriations:</i>	<i>2007 to 2008:</i>	<i>Appropriations:</i>	<i>2008 to 2009:</i>
<b>Report For: Main Operating Appropriations Bill</b>		<b>Version: Enacted</b>				
<b>HFA Housing Finance Agency, Ohio</b>						
5AZ 997-601 Housing Finance Agency Personal Services	----	\$ 7,572,518	\$ 9,173,332	\$ 9,750,953	6.30%	\$ 10,237,491
Agency Fund Group Total	----	<b>\$ 7,572,518</b>	<b>\$ 9,173,332</b>	<b>\$ 9,750,953</b>	<b>6.30%</b>	<b>\$ 10,237,491</b>
<b>Housing Finance Agency, Ohio Total</b>	----	<b>\$ 7,572,518</b>	<b>\$ 9,173,332</b>	<b>\$ 9,750,953</b>	<b>6.30%</b>	<b>\$ 10,237,491</b>