

LSC Greenbook

Analysis of the Enacted Budget

Ohio Housing Finance Agency

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ATTACHMENT:

Budget Spreadsheet By Line Item

Ohio Housing Finance Agency

- Appropriations of \$9.8 million in each fiscal year of the FY 2012-FY 2013 biennium to cover payroll
- Housing assistance program funding not subject to appropriation by the General Assembly
- Agency anticipates receiving a further \$2.7 million in FY 2012 and \$2.6 million in FY 2013 in federal Hardest Hit Fund dollars

OVERVIEW

Agency Overview

The mission of the Ohio Housing Finance Agency (OHFA) is to offer affordable housing opportunities by providing financing for the acquisition, construction, and rehabilitation of owner-occupied single-family homes and multi-family rental housing projects. The agency's programs serve low and moderate-income 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 mortgage revenue bonds, 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 support from the GRF.

OHFA and its staff of over 150 employees administer housing programs through three program divisions and several administrative offices comprising program support functions. Program functions are executed through the Office of Homeownership; the Office of Planning, Preservation, and Development; and the Office of Program Compliance. Program support includes the Legal, Administration, Communications and Marketing, Finance, Information Technology, Internal Audit, and Executive Offices. The agency is overseen by an 11-member board consisting of the directors of Commerce and Development or their designees and nine compensated public members appointed by the Governor.

Appropriation Overview

Payroll Appropriations

All OHFA appropriations are made from the Ohio Housing Finance Agency Operating Expenses Fund (Fund 5AZ0). Revenues to the fund are primarily generated from program fees, administrative fees, and loan application, reservation, and servicing fees. These appropriations cover payroll and fringe benefit expenses only. Other agency operating expenses, such as equipment costs and rental payments, and all

housing loans and program subsidy expenditures are not reflected in the appropriations for OHFA in H.B. 153. Rather, these costs are paid from other funds that are not subject to appropriation by the General Assembly.

H.B. 153 provides OHFA with funding of \$9.8 million in each fiscal year of the FY 2012-FY 2013 biennium. As shown in Table 1, these amounts are 6.1% under FY 2011 spending of approximately \$10.4 million.

Fund Group	FY 2011*	FY 2012	% change, FY 2011-FY 2012	FY 2013	% change, FY 2012-FY 2013
Agency Fund Group	\$10,436,197	\$9,800,000	-6.1%	\$9,800,000	0.0%
TOTAL	\$10,436,197	\$9,800,000	-6.1%	\$9,800,000	0.0%

*FY 2011 figures represent actual expenditures.

Federal Hardest Hit Fund

In FY 2011, OHFA received the first of three expected allocations from the U.S. Department of the Treasury's Hardest Hit Fund (HHF). This first round of \$172 million includes an allowance for OHFA to spend up to 2.8% on administration. During FY 2011, two Controlling Board actions increased OHFA's payroll appropriation by about \$1.5 million to fund the hiring of 25 limited-term employees to provide services under HHF-funded programs. If OHFA uses the full amount of its HHF allocation in FY 2012, the agency expects to hire 25 more employees for a total of 50.

The HHF funds allocated for OHFA administration are deposited into Fund 5AZ0 and appropriated to line item 997601, Housing Finance Agency Personal Services. The expected level of HHF-supported funding is about \$2.7 million in FY 2012 and \$2.6 million in FY 2013, representing about 27% of OHFA's total payroll appropriations in each fiscal year if the full HHF allocation is used. The remainder will be supported from other OHFA fees and charges deposited into Fund 5AZ0.

Ohio Housing Trust Fund

The Ohio Housing Trust Fund (OHTF) is administered by the Ohio Department of Development (ODOD) and funded through county recordation fees. While OHFA does not receive OHTF funding directly, it typically receives an annual transfer of OHTF dollars from ODOD. OHFA uses its OHTF allocation for the Housing Development Assistance Program (HDAP), which 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. According to ODOD's FY 2010 Housing Trust Fund Annual Report,

the most recent year for which data have been published, OHFA used approximately \$8.9 million from OHTF to fund 16 HDAP projects. This constituted 28.7% of OHTF spending in FY 2010, which totaled just under \$31.0 million. Under the budget for FY 2012 and FY 2013, OHTF receives appropriations of \$53 million in each fiscal year through ODOD.

Major Initiatives

Ohio Housing Study Committee

H.B. 153 creates the Ohio Housing Study Committee to review OHFA's policies, programs, and partnerships. Subjects to be considered by the Committee include (1) the Ohio Revised Code statutes pertaining to OHFA, (2) OHFA's relationships with its partner organizations, (3) the measurable economic impact of OHFA's programs, (4) the policy and processes behind OHFA's Qualified Allocation Plan, and (5) the feasibility of combining housing programs currently overseen by the Department of Development with those of OHFA. The Committee will consist of the Auditor of State, the Director of Commerce, and the Director of Development, or their designees, as well as two members from each chamber of the General Assembly. OHFA is required to provide operating funds and support to the Committee, and the budget also authorizes up to \$200,000 to be used for audit services of the Auditor of State, an independent auditor, or other outside entities. Finally, the budget requires the Committee to submit a final report on its findings and recommendations to the Governor, the Speaker of the House of Representatives, and the President of the Senate by March 31, 2012.

Federal Hardest Hit Fund – Restoring Stability Program

In 2010, Ohio was awarded a total of \$570.4 million from the U.S. Treasury's Housing Finance Agency Hardest Hit Fund, an extension of the Troubled Asset Relief Program (TARP). HHF is intended to provide emergency funding for housing finance agencies in states experiencing high levels of economic distress to engage in housing counseling and foreclosure prevention measures. Ohio's initial award, received in FY 2011, totaled \$172 million, with additional awards of \$148.7 million and \$249.7 million expected in the coming years. As noted above, OHFA is permitted to use up to 2.8% of its award for administrative costs, which is accounted for in the agency's payroll appropriations and is expected to be used to hire up to 50 employees for a term of three to five years.

OHFA is using its HHF money to operate the Restoring Stability Program through the Office of Homeownership. Under the program, OHFA is working with HUD-approved housing counseling agencies in assisting homeowners who owe more in mortgage payments than their property is worth or are in financial hardship as a result of unemployment, underemployment, or other economic conditions. Through the Restoring Stability Program, HHF money will be used to train and provide technical

assistance to third-party housing counselors, provide some direct counseling assistance, and directly assist homeowners with compliance with the terms of their participation. Housing counselors would help homeowners develop Homeowner Action Plans with the goal of averting foreclosure through rescue payment assistance, partial mortgage payment assistance, loan modifications and principal reductions, and transitional assistance for homeowners who are unable to remain in their homes.

Grants for Grads Program

H.B. 1 of the 128th General Assembly, the main operating budget for FY 2010 and FY 2011, created the Grants for Grads Program to provide down payment assistance to college graduates who stay in Ohio and purchase their first home. In order to be eligible, an applicant must (1) be an Ohio resident who earned a degree from any college or university in Ohio, or any out-of-state college or university recognized by the Ohio Board of Regents, (2) purchase a home within 18 months of graduating, (3) meet income requirements, (4) qualify for a mortgage from a participating lender under OHFA's First-Time Homebuyer Program, and (5) complete a qualifying homebuyer education course offered by OHFA or a HUD-approved housing counseling agency. The Grants for Grads Program offers a reduced interest rate on an OHFA First-Time Homebuyer Loan and down payment assistance in the form of a zero interest second mortgage of 2.5% of the purchase price of the home, forgivable after five years unless the purchaser moves out of the state or otherwise fails to meet the program's requirements. In calendar year (CY) 2010, the first full year of the program's operation, there were 164 down payment assistance second mortgages issued under the program, totaling about \$505,000 against \$19.8 million in First-Time Homebuyer loans, accounting for about 5% of OHFA's total loan volume.

New Home Sweet Home Program

In November 2010, OHFA created the New Home Sweet Home Program to provide conditional locked interest rates for eligible first-time buyers who purchase a newly constructed home. Interest rates under the program are 0.25% higher than OHFA's standard First-Time Homebuyer rate. The same eligibility requirements apply for the New Home Sweet Home Program as for OHFA's regular First-Time Homebuyer Program.

Housing Investment Fund

Created in 2008, the Housing Investment Fund provides financial support for affordable housing projects with special attributes that are different from those funded under OHFA's current programs, such as creative strategies for vacant property development or energy efficient housing. In 2010, OHFA issued the second round of awards under this program, totaling approximately \$2.9 million across nine local housing agencies and nonprofit organizations. These awards are being used for

activities such as a housing revolving loan program in Cleveland, homelessness prevention and mediation services in Columbus and Central Ohio, revolving loans for emergency home repairs in Toledo, and an operating subsidy for community housing in the Over-the-Rhine neighborhood of Cincinnati.

Office of Affordable Housing Research

In 2009, OHFA created the Office of Affordable Housing Research in partnership with the John Glenn School of Public Affairs at The Ohio State University. The Office is conducting research on problems and issues facing housing policy in Ohio, with a focus on three major research themes. These are: (1) at-risk populations, (2) low and moderate-income homeownership, and (3) affordable housing development and management. To date, the Office has published papers on homeownership by minorities in Ohio, foreclosures, and home values in Ohio. Subjects currently being researched include low-income tax credit housing for seniors, foreclosure mitigation counseling, and Appalachian housing issues.

ANALYSIS OF ENACTED BUDGET

Appropriations made in the main operating budget fund only wages and fringe benefits for OHFA's staff. Employees work in three program areas as well as program support offices to provide affordable housing assistance and services to qualifying Ohioans.

Appropriations for the Ohio Housing Finance Agency				
Fund	ALI and Name		FY 2012	FY 2013
Agency Fund Group				
5AZ0	997601	Housing Finance Agency Personal Services	\$9,800,000	\$9,800,000
Total Funding: Ohio Housing Finance Agency			\$9,800,000	\$9,800,000

Housing Finance Agency Personal Services (997601)

This line item covers the costs of payroll and fringe benefits for the staff of the Ohio Housing Finance Agency. These costs are spread across three program areas and the agency's program support offices. The budget appropriates \$9.8 million in each fiscal year of the FY 2012-FY 2013 biennium for these purposes.

Homeownership

The staff of the Homeownership Office is responsible for managing programs that provide homeownership opportunities to low and moderate-income Ohioans, including the First-Time Homebuyer Program, which offers low-interest, fixed-rate mortgages to qualifying buyers through partnerships with over 160 Ohio financial institutions. These loans may be supplemented with down payment assistance grants. OHFA offers programs targeted to specific populations, such as the Ohio Heroes Program, which offers reduced fixed-rate mortgages for teachers, active and retired military personnel, first responders, and health care workers, and the Grants for Grads Program, which offers down payment assistance to eligible college graduates. The loans and down payment assistance grants under the First-Time Homebuyer Program rely on the proceeds of housing revenue bonds issued by OHFA. The Homeownership Office also provides services such as homeownership counseling, foreclosure mitigation counseling, rescue loans, and Target Area Loans to homebuyers in distressed areas of the state. The Office also runs the Mortgage Credit Certificate Program, which offers tax credits to qualifying first-time homebuyers based on the amount of mortgage interest that must be paid.

In CY 2010, OHFA closed over 3,200 First-Time Homebuyer and Target Area loans, assisted over 2,200 homeowners with housing counseling services, issued Mortgage Credit Certificates to 250 homebuyers, and referred over 20,000 homeowners to housing counseling agencies through the HHF-funded Restoring Stability Program.

Planning, Preservation, and Development

The Office of Planning, Preservation, and Development is charged with increasing the number of affordable multi-family rental housing units in Ohio through a variety of funding sources including tax credits, tax-exempt bond revenue, federal HOME Investment Partnership funds from HUD, OHTF, and other sources. Programs in the Office of Planning, Preservation, and Development include the Community Housing Development Organization grant program, funded by federal HOME dollars, and the Housing Development Assistance Program, which is funded by OHTF dollars. HOME funds and OHTF funds are both transferred to OHFA via ODOD. The Office also makes the federal Housing Tax Credit available to developers who develop properties containing affordable units.

Program Compliance

OHFA's Program Compliance Office is responsible for monitoring properties under various state and federal housing regulations, including units under the Housing Tax Credit Program, HDAP, multi-family bond-financed units, and HUD Section 8 projects. Program Compliance Office staff are organized into teams based on regions in order to provide more effective service based on the needs of constituents.

Program Support

Program Support encompasses OHFA's central administrative and program management functions, consisting of the Executive Director's Office, the Office of Administration, the Office of Information Technology, the Office of Communications and Marketing, the Legal Office, the Office of Internal Audit, and the Office of Finance. The Office of Finance has the largest staff out of all Program Support offices and is responsible for monitoring the agency's outstanding bonds, managing relationships with lending institutions, and servicing loans.

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FY 2012 - FY 2013 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill			Version: Enacted					
HFA Ohio Housing Finance Agency								
5AZ0	997601	Housing Finance Agency Personal Services	\$ 9,465,581	\$ 10,436,197	\$ 9,800,000	-6.10%	\$ 9,800,000	0.00%
Agency Fund Group Total			\$ 9,465,581	\$ 10,436,197	\$ 9,800,000	-6.10%	\$ 9,800,000	0.00%
Ohio Housing Finance Agency Total			\$ 9,465,581	\$ 10,436,197	\$ 9,800,000	-6.10%	\$ 9,800,000	0.00%