

# HFA Board Members: Housing Programs 101 and Beyond

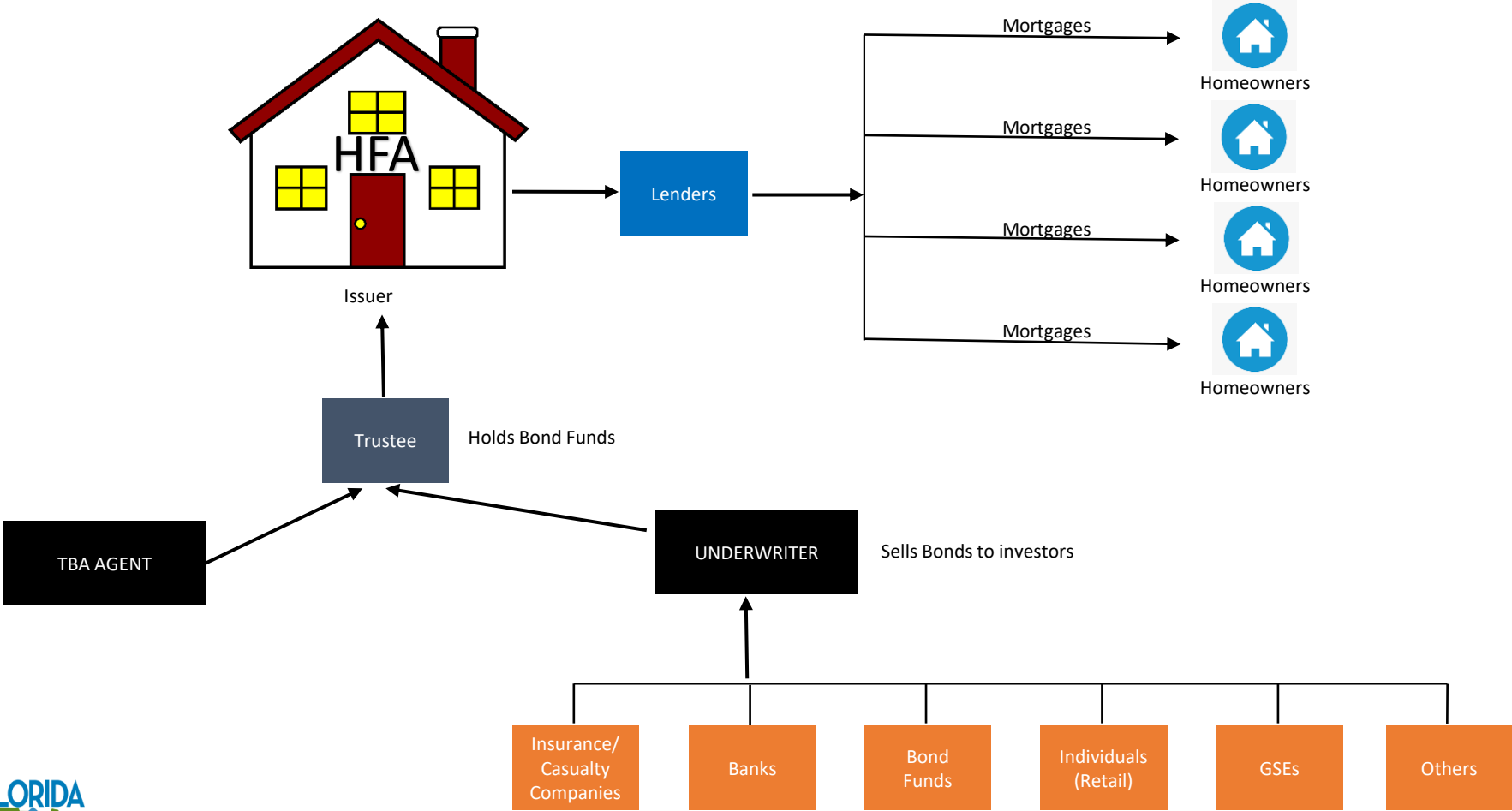
2022 Florida ALHFA Annual Educational Conference  
SERVING FLORIDIANS FOR 40 YEARS



# Single Family – Mortgage Revenue Bond Financing

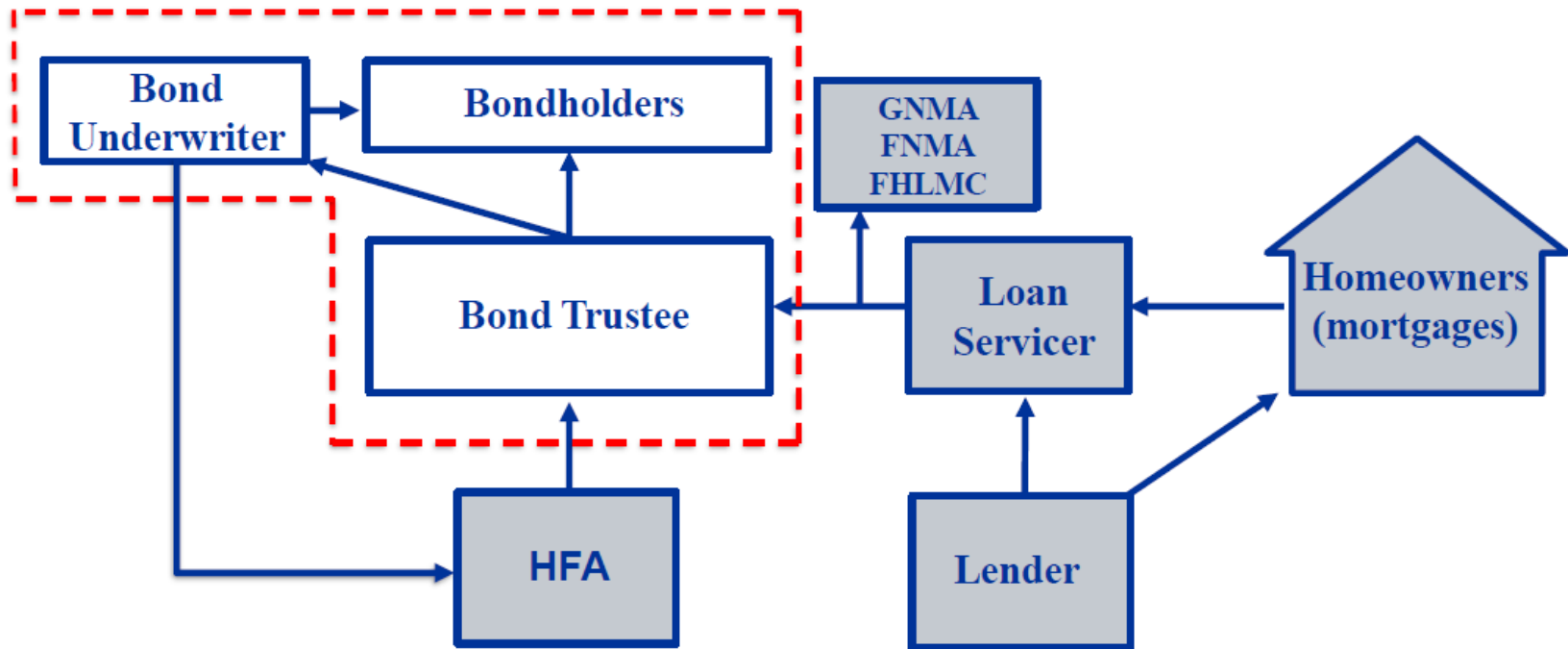
**BONDS:** Underwriter sells bonds to investors to finance HFA mortgages

**TBA:** TBA Agent purchases mortgages originated by the Lenders in the form of MBS



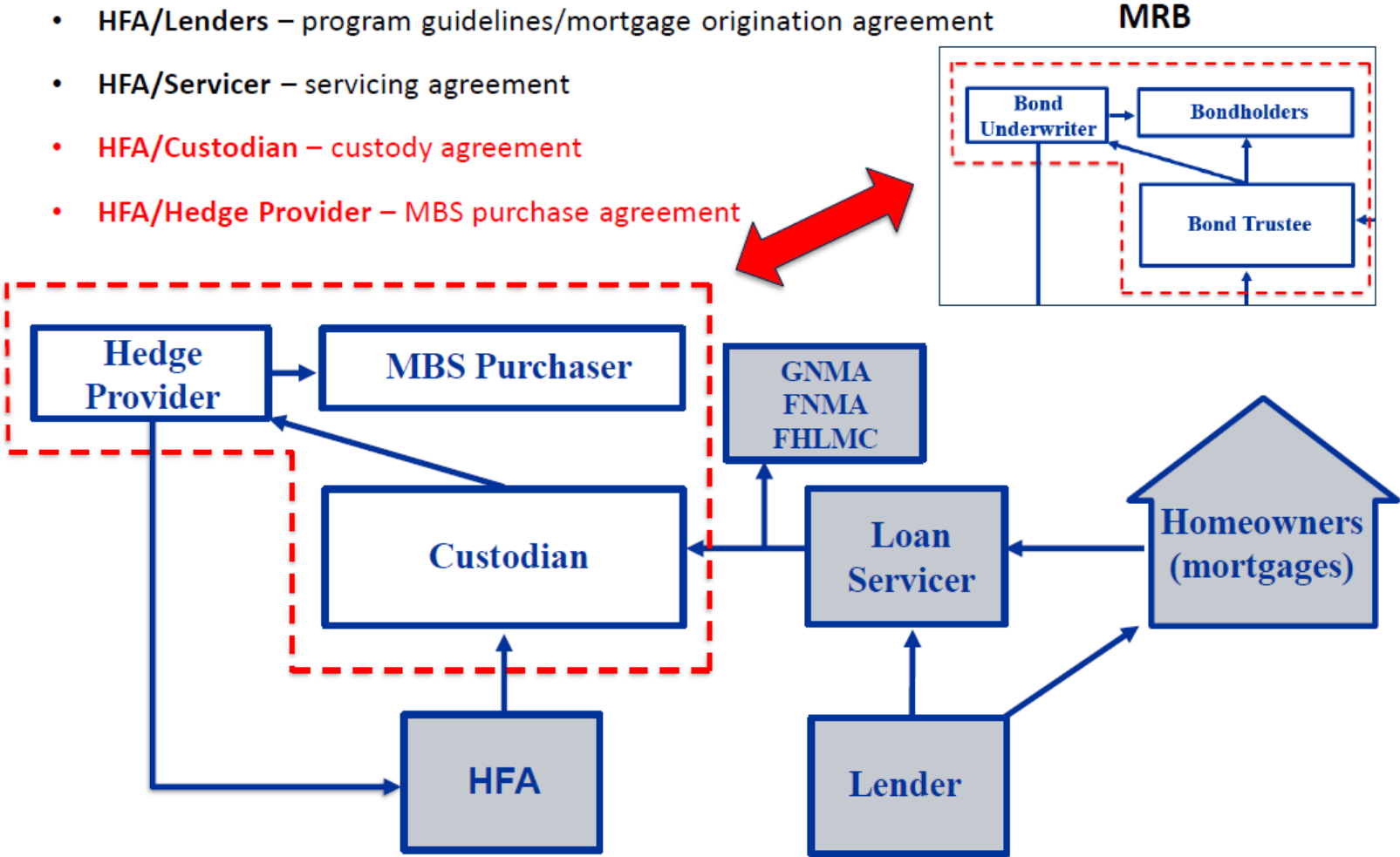
# Single Family – Mortgage Revenue Bond Program Basics

- HFA/Lenders – program guidelines/mortgage origination agreement
- HFA/Servicer – servicing agreement
- HFA/Trustee – trust indenture
- HFA/Bond Underwriter – bond purchase agreement



# Single Family – TBA Program Basics

- HFA/Lenders – program guidelines/mortgage origination agreement
- HFA/Servicer – servicing agreement
- **HFA/Custodian – custody agreement**
- **HFA/Hedge Provider – MBS purchase agreement**



# Single Family Financing

- TBA: **Profit** is locked in or capped at the time of sale.  
**Interest rate risk** can be hedged at the time a loan is reserved.  
**Prepayment risk** is eliminated.  
No volume cap needed, unless paired with MCC  
Most effective in low interest rate environment.

# Single Family Financing

Bond Issuance allows an HFA to lock in mortgage rates in a rising interest rate environment while providing a revenue stream of spread between the mortgage rate and the bond rate to the HFA.

**BONDS: Profit** earned over the life of the bond issue.

**Interest Rate Risk** – hedges against interest rate increases. However, there is risk of non origination if rates drop significantly after bond pricing.

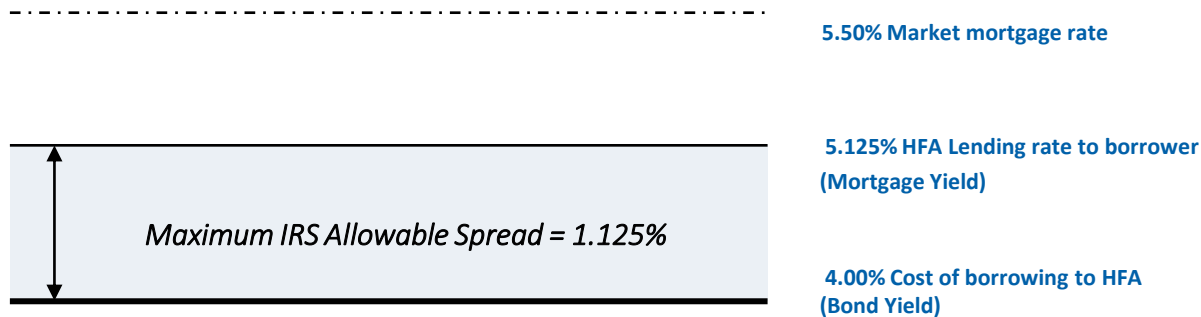
**Prepayment risk** – HFA earns higher profit with lower prepayment speeds

Volume Cap needed, cannot be paired with MCCs.

Most effective in rising interest rate environment

# Single Family Bond Issuance

*Spread between Mortgage and Bond Yields = ongoing annuity over the life of mortgage/bonds*



- ✓ To Cover Cost of Issuing Bonds
- ✓ To Cover Negative Arbitrage
  - prior to MBS purchase
  - between mortgage – bond payments
- ✓ To Pay Ongoing Bond Costs
  - Trustee Fee
  - Issuer Fee
  - Servicing and FNMA/GNMA g-fee
- ✓ To Compensate Authority For Risk

# Single Family Bond Issuance – Negative Arbitrage

Negative Arbitrage - The cost of covering the bond interest during the origination period caused by slow originations and limited reinvestment options for bond funds during the origination period.

## Causes:

- Interest Rates fall after bonds are priced
- Lack of eligible housing stock in certain markets for first time home buyers
- Rating Agency stress tests to achieve “Aaa” rating



# Multifamily – 4% and 9% LIHTC

## 9% credits

- Competitive; limited availability for each state; calculation based on state per capita formula.
- Cannot be combined with tax exempt bonds.
- May cover ~70% of capital stack
  - Low LTV ratios allow developments to obtain lender financing more easily, and gap financing is not required to achieve success.

## 4% credits

- Non-competitive\*
- Must be used in conjunction with tax-exempt bonds.
- May cover ~25% of capital stack, so deemed higher risk to lenders and are harder to finance, particularly if there are no gap funds.

\* While the 4% credits are technically non-competitive, the increased demand for affordable housing has put a recent strain on volume cap needed for such 4% deals, and in certain places the tax-exempt volume cap needed for 4% LIHTC deals has become scarce.

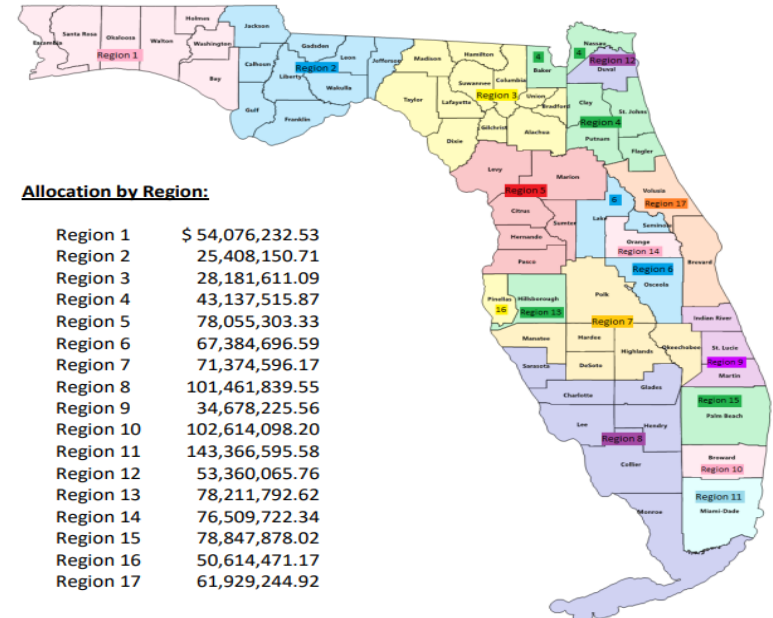
# State Volume Limitation

- Calculated each year, as provided by the U.S. Code (Title 26), by the Division of Bond Finance of the State Board of Administration (the “Division”)
  - Year 2020 Volume Cap = \$105 per capita
  - Year 2021 Volume Cap = \$110 per capita

## 2022 Private Activity Bond State Volume Cap Allocation By Pool

Manufacturing Facility Bond Pool:	\$ 97,500,000.00
Florida Housing Finance Corp. Pool:	574,606,020.00
Florida First Business Allocation Pool:	459,684,816.00
State Allocation Pool:	114,921,204.00
Regional Allocation Pools:	1,149,212,040.00
<b>Total 2022 Allocation:</b>	<b>\$ 2,395,924,080.00</b>

### Regional Pools:



### Allocation by Region:

Region 1	\$ 54,076,232.53
Region 2	25,408,150.71
Region 3	28,181,611.09
Region 4	43,137,515.87
Region 5	78,055,303.33
Region 6	67,384,696.59
Region 7	71,374,596.17
Region 8	101,461,839.55
Region 9	34,678,225.56
Region 10	102,614,098.20
Region 11	143,366,595.58
Region 12	53,360,065.76
Region 13	78,211,792.62
Region 14	76,509,722.34
Region 15	78,847,878.02
Region 16	50,614,471.17
Region 17	61,929,244.92

December 22, 2021

# Steps to Receive Allocation from the Pools



NOTICE OF INTENT TO  
ISSUE



WRITTEN CONFIRMATION  
FROM THE DIVISION

# Notice of Intent to Issue

- **When to file:**
  - Elected official or voter approval must be obtained before the filing of the Notice of Intent to Issue
- **Who may file:**
  - Agency that is proposing to issue the bonds; or
  - Agency that is required to give elected official or voter approval for the bond issuance
- **What to Include in the Notice of Intent:**
  - Certification that elected official or voter approval was obtained;
  - The amount of bonds proposed to be issued;
  - The required fee (Currently \$100.00);
  - Counsel opinion/statement that the bonds may be financed with PABs & that allocation is required for the issuance; and
  - Other information the Division deems appropriate

# Written Confirmation

- **Statutory Requirements for the Division**
  - The Division must confirm Notices of Intent to Issue in writing
  - Written confirmations must state the allocation amount
  - If sufficient allocation is available, written confirmations must match the amount requested in the Notice of Intent to Issue
  - Written confirmations may be based on availability from one or more pools

# Written Confirmation (Cont'd)

- Written confirmation is effective for 155 days or through December 29, whichever occurs first
  - Time limit does not apply to projects in an amount of \$50 Million or more
  - Time limit may be tolled while a validation proceeding is pending AND if written notice is provided to the Division before the confirmation's expiration date
    - Rule 19A-4.007, Fla. Admin. Code applies and will be discussed in a later slide
- PAB allocation confirmed by the Division is contingent on the filing of the "Issue Report" required by s. 159.805(5)(a)
- Agencies must notify the Division of their failure to use, or of their determination that allocation is no longer needed
  - Notice must be provided by the 160<sup>th</sup> day following written confirmation
  - Notice must be sent via overnight common carrier delivery service

# Issuance Notice & Report

- **Issuance Notice**

- Agencies must provide same-day telephonic notice of a bond issuance, which must include:
  - Principal amount issued; and
  - Availability of unissued allocation, if any

- **Issuance Report**

- Agencies must send an issuance report to the Division no later than the following business day
- Failure to provide an issuance report will render the written confirmation ineffective
- Issuance Report must include:
  - Name & amount of bonds issued;
  - Date of issuance & name of agency issuing the bonds;
  - Purpose of the bonds;
  - Ratings, if obtained;
  - Contact information & contact person for any project sponsor or private borrower of the bond proceeds;
  - Contact information for Bond Counsel, Underwriter, Purchaser (if no underwriter), or Placement Agency; and
  - The amount of bond proceeds disbursed at the time of issuance.

# Tolling & Carryforward s. 159.805(4) & s. 159.81(2)

- S. 159.805(4) tolls time limit on written confirmations if:
  - Validation proceeding is pending;  
AND
  - Written notice of the proceeding is provided to the Division
- Effect of Tolling
  - S. 159.805(4) effectively allows agencies to extend their written confirmations beyond the 155 days or December 29 limit
- S. 159.81(2) allows agencies apply to carry their allocation forward
  - Carryforward is valid for 3 years
  - Carryforward is available to agencies with valid written confirmation as of December 30
    - Tolling (s. 159.805(4)); or
    - \$50 Million or more project



# Rule 19A- 4.007, Fla. Admin. Code

- Timeframe to notify the Division of pending bond validation proceeding, whichever occurs first
  - On or before the 90<sup>th</sup> day following the written confirmation;
  - On or before December 29 of the year the written confirmation was issued;
  - Date of the last day on which an appeal may be taken from a bond validation final judgment; or
  - If appeal is taken, the date on which a final decision is rendered
- Pending validation proceeding does not extend tolling beyond December 29 of the year the notice is filed with the Division
  - Under the Rule, written confirmations for less than \$50 Million do not qualify for carryover, unless the confirmation was issued under FFBAP

# Unused Allocations

- On November 16 of each year, allocations for which an Issuance Report is not received by the Division before that date are added to the SAP
- After November 16 of each year, written confirmations to agencies in a Region or MFBP must be issued based on available SAPs

# When allocation is over-subscribed?

- **Issuers must consider internal policies such as:**
  - Limiting the amount of tax-exempt debt for a project (such as 55% of cost basis);
  - Using a competitive scoring system similar to 9% tax credits;
  - Allocation Recycling programs; and
  - Limiting PAB to affordable units (such as not financing market rate units).
- **External advocacy for policy changes:**
  - Lowering the percentage of required PAB for use of 4% tax credits;
  - Increasing the amount of PAB allocation per capita; and
  - Special legislative/congressional consideration for affordable housing.