

LSC Redbook

Analysis of the Executive Budget Proposal

Ohio Housing Finance Agency

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TABLE OF CONTENTS

OVERVIEW	1
Agency Overview	1
Staffing.....	1
Appropriation Overview	2
Payroll Appropriations	2
Ohio Housing Trust Fund	4
Major Initiatives	4
Federal Hardest Hit Fund – Restoring Stability Program.....	4
Grants for Grads Program	5
New Home Sweet Home Program.....	5
Housing Investment Fund.....	6
Office of Affordable Housing Research.....	6
ANALYSIS OF EXECUTIVE PROPOSAL	7
Housing Finance Agency Personal Services (997601)	7
Homeownership.....	7
Planning, Preservation, and Development	8
Program Compliance.....	8
Program Support	9

ATTACHMENTS:

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

Ohio Housing Finance Agency

- The executive recommends \$12.6 million in FY 2012 and \$12.4 million in FY 2013
- Appropriations are for payroll only
- Includes approximately \$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 administers its 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.

Staffing

As of FY 2011, OHFA currently has a staff of approximately 157 full-time equivalent (FTE) employees, including 25 limited-term project staff funded by federal dollars from the U.S. Department of the Treasury's Housing Finance Agency Hardest Hit Fund (HHF). The approximately 132 regular OHFA employees are split about evenly, with approximately 66 FTEs each assigned to programs and program support. Program staff in the Office of Homeownership; the Office of Planning, Preservation, and Development; and the Office of Program Compliance work directly with recipients of OHFA financial assistance to ensure that programs are being conducted in

compliance with state and federal housing and finance regulations. Program support staff conduct the administrative business of the agency, service and monitor loans, supervise the agency's mortgage bonds, and coordinate with the mortgage lending industry and investment banks.

In FY 2012 and FY 2013, OHFA is expecting to reduce its program staff by one FTE and keep program support staff constant. It will also hire another 25 staff in FY 2012 using HHF money, who will remain employed with the agency for a period of three to five years as those programs run their course. Table 1 below shows the expected changes in FTE levels from FY 2011 through FY 2013. Note that the table does not include OHFA's nine board members who represent the public, and who are compensated out of OHFA funds.

Table 1. Ohio Housing Finance Agency Full-Time Equivalent Staff			
		Estimated	
	FY 2011	FY 2012	FY 2013
Non-HHF Programs	65.54	64.54	64.54
Program Support	66.29	66.27	66.27
Subtotal: Non-HHF Staff	131.83	130.81	130.81
HHF-Funded Staff	25.00	50.00	50.00
Total: All OHFA Staff	156.83	180.81	180.81

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 OHFA's state budget recommendation, but are supported through other nonappropriated agency accounts.

OHFA is funded at about \$12.6 million in FY 2012 and \$12.4 million in FY 2013 under the executive proposal. As shown in Table 2, the funding recommended for FY 2012 is 10.8% above estimated FY 2011 spending of \$11.4 million, while the FY 2013 appropriation is 1.8% below the FY 2012 amount.

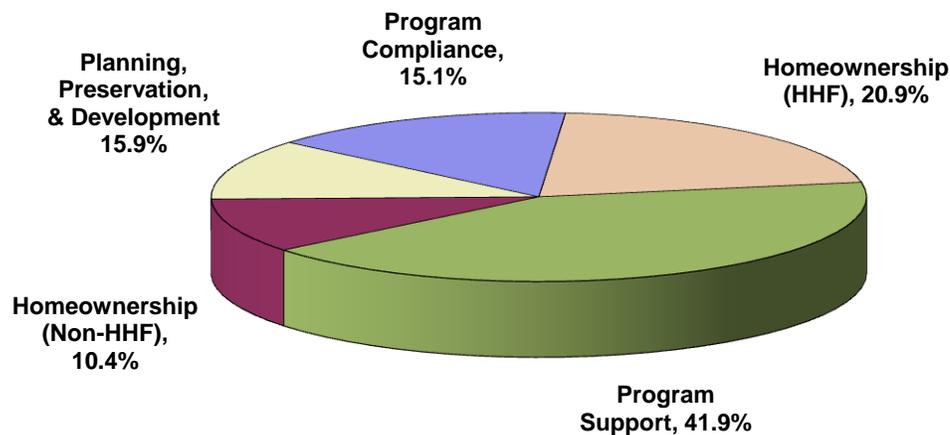
Table 2. Executive Budget Recommendations by Fund Group, FY 2012-FY 2013

Fund Group	FY 2011*	FY 2012	% change, FY 2011-FY 2012	FY 2013	% change, FY 2012-FY 2013
Agency Fund Group	\$11,406,647	\$12,636,646	10.8%	\$12,405,084	-1.8%
TOTAL	\$11,406,647	\$12,636,646	10.8%	\$12,405,084	-1.8%

*FY 2011 figures represent estimated expenditures.

Chart 1 illustrates how OHFA's payroll appropriations would be allocated between program and program support functions under the executive proposal. About half would cover program support staff, while the agency's three program areas are funded approximately in proportion to the number of employees that staff each office. Further discussion of the functions of each program within OHFA's single payroll line item can be found in the **Analysis of Executive Proposal** section.

**Chart 1: Proposed Allocation of Payroll by Program,
FY 2012-FY 2013**



Federal Hardest Hit Fund

In FY 2011, OHFA received the first of three expected allocations it is expecting from the U.S. Department of the Treasury's Hardest Hit Fund (see "Major Initiatives" below for further discussion of the services being funded from this source). 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. In FY 2012, OHFA 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.

Table 3 displays the expected allocation of HHF dollars compared with other OHFA dollars that will provide payroll from Fund 5AZ0 in the FY 2012-FY 2013 biennium. HHF-supported funding of about \$2.7 million in FY 2012 and \$2.6 million in FY 2013 represents about 21% of OHFA's total payroll appropriations in each fiscal year under the executive recommendation, with the remaining 79% being supported from other OHFA fees and charges deposited into Fund 5AZ0.

Source	FY 2012	FY 2013
OHFA Sources	\$9,981,618	\$9,814,635
Federal Hardest Hit Fund	\$2,655,028	\$2,590,449
TOTAL	\$12,636,646	\$12,405,084

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 direct OHTF funding in the executive proposal, it typically receives an allocation from the fund each year that is transferred from ODOD. OHFA uses dollars from the OHTF 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 the Department of Development's FY 2010 Housing Trust Fund Annual Report, OHFA used approximately \$8.9 million from the 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 executive proposal for FY 2012 and FY 2013, the OHTF receives appropriations of \$53 million in each fiscal year through ODOD.

Major Initiatives

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). The 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 executive proposal and will 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 would 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 EXECUTIVE PROPOSAL

Appropriations made in the main operating budget fund only OHFA's payroll and fringe benefits for a total staff of approximately 181 FTEs, including 50 funded by the federal Hardest Hit Fund. OHFA's staff works in three program areas as well as program support offices to provide affordable housing assistance and services to qualifying Ohioans.

Governor's Recommended Amounts for the Ohio Housing Finance Agency				
Fund	ALI and Name		FY 2012	FY 2013
Agency Fund Group				
5AZ0	997601	Housing Finance Agency Personal Services	\$12,636,646	\$12,405,084
Total Funding: Ohio Housing Finance Agency			\$12,636,646	\$12,405,084

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 executive recommends approximately \$12.6 million in FY 2012 and \$12.4 million in FY 2013.

Program	FY 2012	FY 2013
Homeownership (Non-HHF)	\$1,321,537	\$1,293,885
Homeownership (HHF-funded)	\$2,655,028	\$2,590,449
Planning, Preservation, and Development	\$1,465,931	\$1,445,799
Program Compliance	\$1,899,099	\$1,877,847
Program Support	\$5,295,051	\$5,197,104
Total	\$12,636,646	\$12,405,084

Homeownership

Under the executive proposal, OHFA's Homeownership Office has a staff of 19 regular OHFA staff with payroll of approximately \$1.3 million in each fiscal year, and 50 HHF-funded staff with payroll of about \$2.7 million in FY 2012 and \$2.6 million in FY 2013. The 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 has about 21 FTEs with a total projected payroll of approximately \$1.5 million in FY 2012 and \$1.4 million in FY 2013 under the Governor's funding proposal. The Office 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 the U.S. Department of Housing and Urban Development (HUD), the Ohio Housing Trust Fund, 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 Ohio Housing Trust Fund dollars. HOME funds and OHTF funds are both transferred to OHFA via the Ohio Department of Development. 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 has approximately 25 FTEs and a payroll of approximately \$1.9 million in each fiscal year. Program Compliance is responsible for monitoring properties under various state and federal housing regulations, including units under the Housing Tax Credit Program, Housing Development Assistance Program, 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 about 66 FTEs with a combined projected payroll of approximately \$5.3 million in FY 2012 and \$5.2 million in FY 2013 under the executive proposal. Program Support consists 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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Ohio Housing Finance Agency

Agency Fund Group

5AZ0 997601 Housing Finance Agency Personal Services

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$8,614,627	\$9,408,208	\$9,465,581	\$11,406,647	\$12,636,646	\$12,405,084
	9.2%	0.6%	20.5%	10.8%	-1.8%

Source: Agency Fund Group: Moneys within the control of the Ohio Housing Finance Agency that are periodically deposited to the fund for payroll expenses for the agency, including program fees, administrative fees, and fees on the application, reservation, and servicing of loans

Legal Basis: ORC 175.051; Section 303.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established in Am. Sub. H.B. 431 of the 125th G.A.)

Purpose: Moneys in this line item cover payroll and fringe benefit expenses for employees of the Ohio Housing Finance Agency. Other agency operating expenses, such as equipment costs and rental payments, and all program subsidy expenditures are not expended from this line item, but are supported through other agency accounts that are not appropriated by the General Assembly.

FY 2012 - FY 2013 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency	FY 2010	Estimate FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill		Version: As Introduced				
HFA Ohio Housing Finance Agency						
5AZ0 997601 Housing Finance Agency Personal Services	\$ 9,465,581	\$ 11,406,647	\$ 12,636,646	10.78%	\$ 12,405,084	-1.83%
Agency Fund Group Total	\$ 9,465,581	\$ 11,406,647	\$ 12,636,646	10.78%	\$ 12,405,084	-1.83%
Ohio Housing Finance Agency Total	\$ 9,465,581	\$ 11,406,647	\$ 12,636,646	10.78%	\$ 12,405,084	-1.83%