

VHDA Report to the Virginia Housing Commission

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Last May, we identified two key program challenges that since then have not materially changed:

1. Accessing adequate capital at a cost sufficient to maintain program activity and support the recovery of Virginia's housing market
2. Ensuring—under difficult market conditions—that available resources are used prudently and equitably to address Virginia's home purchase and rental housing needs

CHALLENGE #1: Accessing Adequate Loan Capital

Currently, we remain able to capitalize our affordable lending programs.

- VHDA remains able to access the tax-exempt bond market at interest rates that support the feasibility of our multifamily lending programs.
- The same is not true for single family lending. Therefore, VHDA is using the U.S. Treasury's New Issue Bond Purchase Program to capitalize our home purchase loan programs.
- The Treasury program will expire later this year and is unlikely to be renewed.

VHDA is exploring alternative sources of home loan capital

- VHDA is analyzing the most cost-effective means of funding home purchase loans once the Treasury bond program expires and pending the recovery of the tax-exempt housing bond market.
- Those options include expanded use of Ginnie Mae securitization of loans made through VHDA's "FHA Plus" program, as well as loan securitization through a new program being developed by Fannie Mae for state housing finance agencies.

**CHALLENGE #2:
Addressing Housing Needs
in a Difficult Market
Environment**

VHDA continues to provide capital for affordable rental housing.

- Year-to-date in FY11, VHDA has provided \$201 mil. in new financing for 44 multifamily developments serving 3,072 renter households.
- There is increased demand for tax-exempt bond financing and strengthening investor interest in the federal Low-Income Housing Tax Credit program.
- Currently, we face challenges in rural areas where investor demand remains weak and in Northern Virginia where affordable development opportunities remain constrained.
- VHDA continues to work with local communities to create mixed income, mixed use developments as part of their community revitalization plans.

Our greatest challenge is serving renters with extremely low incomes.

- Federal funds for deep rental subsidies continue to substantially lag the needs generated by:
 1. Increasing numbers of extremely low-income households
 2. The subsidy costs of recapitalizing HUD's aging inventory of assisted rental developments
- The current federal focus on substantially reducing discretionary spending and containing Medicaid and other entitlement costs, will make it extremely difficult to provide community housing and services for people with disabilities and those in need of permanent supportive housing.

We are supporting the home purchase market while managing lending risks.

- VHDA remains a primary source of financing for first-time homebuyers due to the absence of down payment assistance from other sources.
- Year-to-date in FY11, VHDA has provided \$283.5 mil. in mortgage loans to 1,908 first-time buyers.
- VHDA is able to continue this critical lending role by carefully managing risk.
 - We require homebuyer education for all loan recipients.
 - We service all of our loans in-house.
 - We continue to review and adjust underwriting standards based on market conditions and loan performance.

VHDA is prudently managing portfolio risks in a difficult market environment.

- Due to high unemployment, we continue to have borrowers who struggle to make their payments.
- A majority of our home loan portfolio is insured by federal agencies (FHA, VA, RHS) or private mortgage insurers. For these loans, servicing and loss mitigation are carried out in conformance with insurer standards and requirements, and losses are mainly borne by the insuring agency.
- For our loan portfolio that is self-insured, we maintain proactive loss mitigation practices focused on achieving sustainable outcomes.

VHDA is committed to sustainable homeownership.

- We are proactively assisting all borrowers who have the ability to sustain long-term homeownership.
- Loss mitigation starts with a borrower's willingness to work with VHDA.
- VHDA offers an array of workout strategies flexibly tailored to fit a borrower's situation and need.
- Not all borrowers can be helped—nearly a third of those seeking assistance have too much overall debt.
- Those qualifying for assistance have had successful outcomes.

VHDA is serving Virginia's housing needs and supporting the recovery.

- We are maintaining a critical flow of affordable capital to meet the needs of low- and moderate-income renters and first-time homebuyers, and support the recovery of Virginia's still struggling housing industry.
- We are supporting homebuyer education for all first-time buyers regardless of whether or not they choose a VHDA loan, and continue to provide funding to foreclosure prevention counseling agencies.
- We are providing significant capacity building training to nonprofits and local governments to further affordable housing development and the use of best practices.

VHDA is supporting state housing policy priorities.

- We are promoting and funding accessible rental housing and the incorporation of Universal Design features in new construction.
- We are supporting sustainable communities through Green Building incentives in the federal Low Income Housing Tax Credit program. This year, we initiated tiered scoring to reward developers that achieve silver, gold and platinum levels.
- We are analyzing ways to best align our funding for affordable housing development with economic development, land use and transportation strategies.

VHDA is providing support to the Administration's Housing Policy Initiative.

- Together with DHCD, we have supported the convening of stakeholder meetings, solicitation of public input, and development of an interim policy report. VHDA also developed and maintains the policy initiative's website — www.virginiahousingpolicy.com
- VHDA has provided support to the Virginia Foreclosure Task Force, including the development and maintenance of its website — www.virginiaforeclosureinfo.com — and the tracking of foreclosure trends in Virginia.
- We have organized monthly work sessions for the Task Force to review proposed foreclosure-related legislation referred to it by the 2011 General Assembly.

The Task Force's initial work sessions are organized by foreclosure issue.

April 19 - Foreclosure Process

- Notice to Mortgagor

May 17 - Documentation and Recordation

- Recordation of assignments
- Authority of nominees
- Lost note affidavit

June 21 - Rights, Duties and Remedies

- Duty to respond to inquiries
- Right to cure
- Remedies for fraud

In conclusion:

- VHDA is continuing to address Virginia's diverse affordable housing needs under difficult market conditions.
- We are balancing prudent management of our short-term capital, underwriting and portfolio risks with continued focus on our long-term strategic goals.
- We look forward to ongoing collaboration with the Housing Commission to increase quality, affordable opportunities for all Virginians.