



Interim Executive Director's Report

January 13, 2016

Happy New Year!

Staff have been quite busy during the holiday season advancing the mission of the LHC. A few highlights of our activities are below.

Budget Update

As was projected in the last report, the operating deficit was significantly reduced during the month of December. At the end of period six (December 31, 2015), the corporation was functioning with an operating deficit of \$114,153, down from an operating deficit of \$1.3M on November 30, 2015. This is the result of the semi-annual revenue from our single family issuer fees (the majority of which is from the old MRB program), the semi-annual true up of the Permanent Supportive Housing Voucher program, and revenues from the multi-family programs. It still remains unlikely that the corporation will achieve its revenue target of \$16.7 million.

On the expense side, staff continues to closely monitor expenditures, which has allowed for the further downward projection of expenses this fiscal year. As of the end of period six, the corporation is projected to spend approximately \$13.5 million in FY 16 (\$2.3 million less than budgeted). Our largest expense, personnel, continues to decline as our headcount has been further reduced to 108 (as of January 8, 2016), down from a high of 136 in January of 2015. Our second largest expense, professional services contracts, has also reduced significantly and we are projecting to end the year more than 35% under budget in that line item. One caveat regarding the reduction in the professional services projections may be the cost of maintaining the new contracts that may be awarded at the January Board meeting.

HOME Audits

The week of December 14, 2015, staff from HUD's Departmental Enforcement Center (DEC) spent four days conducting an evaluation of LHC's use of HUD funds in administering the HOME program and reviewing documentation pertaining to several CHDOs. At the end of the on-site portion of their review, the HUD staff thanked LHC staff for our transparency and cooperation during the evaluation.

The DEC is a part of HUD's Office of General Counsel. They are often sent to evaluate programs at the request of a program/field office or if there has been an initial review by the Office of the Inspector General where it was determined that an IG audit may not be necessary. The DEC will provide information to HUD HQ staff and to the field office, but does not produce a report of findings that will be presented to the LHC.

Internally, LHC staff have been working to audit the HOME program, particularly those projects that have unresolved matters that have gone unaddressed. In September, we engaged KPMG, through the forensic auditing contract currently in place, and asked that they take a close look at the HOME program. At the time of their engagement, we expressed to them the need to move swiftly on the project and set an initial deadline of early November for their initial review and recommendations. Upon review of their initial work product and invoice, it was determined that it would be cost-prohibitive to continue in that manner. LHC's Internal Audit division continued with the review of those programs identified by HUD for review on their December site visit. Subsequently, the review was assigned to LHC's Housing Program Counsel, Foley & Judell, for thorough review. The initial analysis will be presented to LHC staff next week, at which time staff will be able to provide clarifying information about a few of the projects under review. Housing Program Counsel will then develop a list of proposed actions that can be taken to resolve the outstanding matters related to those projects. Additional information will be provided as it becomes available.

Single Family

The Single Family staff and Committee Chairman have worked aggressively since the last board meeting to advance the SF program. Mr. Spears met with LHC staff on December 9th. Mr. Airhart joined for parts of the discussions by phone.

During the 12/9 meeting, the group reviewed the three proposals submitted by the finance team for the use of any available soft funds for the single family program. After much discussion, the group began to craft a hybrid solution that would couple a 75% TBA first with a 25% amortizing second using HOME funds. Such a solution would eliminate the need for Private Mortgage Insurance (PMI) on conventional products, offer the opportunity for a lower interest rate and monthly payments for the borrower, and create recurring program income and interest income. We anticipate presenting this proposed product during the March Board meeting.

The LHC team also met with representatives from Standard Mortgage on the afternoon of 12/9 to discuss expanding our lender base and deepening our relationships with existing lenders. As a result of those discussions Standard, at our request, has scheduled a series of meetings with the leadership of the top 6 lenders in our SF program. The purpose of these discussions is to learn from them how, from their point of view, we could improve our products and our production. The meetings are tentatively scheduled as follows:

- Gulf Coast Bank – January 20, 2016
- Fidelity/NOLA – January 21, 2016
- Red River Bank – January 28, 2016
- Standard Mortgage – TBD to coincide with one of the previously scheduled meetings
- Fairway Independent – Tentatively either January 26 or 27, 2016
- Sabine State Bank – Tentatively January 28, 2016

Standard Mortgage also agreed, beyond what was reported last meeting, to broaden our lender pool to include those financial institutions that have Fannie Mae-approved DU underwriting. Efforts are already underway to conduct outreach to said institutions.

LHC staff has also been in conversation with representatives from Raymond James (RJ) and George K. Baum (GKB) regarding enhancements to their TBA products that could lower interest rates and make the products more attractive for our lenders and borrowers. Raymond James, after having agreed to lower their compensation by 10 basis points effective July 1, 2015, has agreed to lower their compensation by an additional 15 basis points, effective February 1, 2016. These savings will be passed directly to borrowers, resulting in lower interest rates on our government TBA products.

George K. Baum has also begun dialogue with LHC staff regarding restructuring aspects of our conventional TBA product that would lead to a significant reduction in compensation, improved profitability of the product for the LHC, and improve staff capacity. LHC staff is working to schedule a meeting with GKB representatives to learn how they successfully implemented a similar program with another HFA. We anticipate further discussion regarding their proposal at the March Board meeting.

LHC acquired an additional tool to assist with market analysis and strategic planning in our single family program by obtaining a license for CoreLogic. This important tool will allow us to view current market trends and data in Louisiana, conduct analysis to understand our market share and allow us to make informed projections and set strategic goals as it relates to growing our SF program.

PHAs and Over Income Families

During our last meeting, there was discussion about the HUD OIG report and subsequent news stories regarding over income families residing in public housing in Louisiana. Since the last meeting, LHC staff have conducted some analysis of PHA projects that have been funded by LHC over the past 10 years, as well as compliance activities regarding the same. The analysis is attached to this report.

In an effort to assist PHAs and the over income families, LHC Single Family staff have been conducting outreach calls to all 140 PHAs in Louisiana with a focus on the 88 PHAs that had over income tenants at the time of the HUD OIG audit. During those outreach calls, SF staff have educated PHA staff about our single family program and products, offered to provide presentations, program materials and connections to Homebuyer Counseling agencies

within their area to assist those families with transitioning into homeownership. The response, thus far, has been very positive and we look forward to continuing our outreach efforts with the PHAs.

National Housing Trust Fund

Yesterday, LHC staff forwarded a draft letter from Governor Edwards to Secretary Castro designating the Louisiana Housing Corporation the authority to administer the National Housing Trust Fund. The same letter was sent to Governor Jindal's office in October. However our request was declined and we were advised that the federal program did not align with the former Governor's policies. We received a response from Governor Edwards' office stating that the letter has been forwarded to the Governor's executive counsel for further review.

PBCA Contract and Management and Occupancy Reviews (MORs)

On December 4, 2015, HUD's Deputy Assistant Secretary for Multifamily Housing Programs, Ben Metcalf, sent a letter to all PBCA chief executive officers stating that HUD is currently considering a proposal to permit PBCAs to resume conducting Management and Occupancy Reviews (MORs). The letter requested that we respond to a few questions about our willingness, ability and approach to conducting MORs in the near future. LHC participated in conference calls hosted by HUD and NCSHA on the matter, and submitted a response to HUD on December 22, 2015.

LHC's response stated that we would be willing to assist HUD's efforts to reinstate MORs by proposing to complete the reviews on up to 35% of our portfolio in 2016. We proposed a cost per MOR equivalent to the monthly property Basic Fee. We anticipate a response from HUD in later this month.

Annual Report

Yesterday, the Corporation released its Fiscal Year 2015 Annual Report. A preview of the final report was emailed to the board of directors before the Christmas break, and a hard copy is now available in your board binders.

This past fiscal year, we awarded \$88.2 million to developers which allowed them to leverage an additional \$87.4 million from other public and private investors to finance the development of 1250 units of affordable housing across the state. The Corporation increased the number of affordable units produced during FY15 by more than 30% over the previous fiscal year, while cutting the cost to develop each unit by almost half. We financed the construction or rehabilitation of 445 more units than in FY14 and had a \$275 million impact on more than 109,000 households statewide.

The report also highlights the work of our housing authority in our effort toward the goal of eradicating homelessness and linking affordable housing to people with severe and complex disabilities. As of fiscal year 2015, the Corporation's housing authority provided grants and assistance to more than 9600 households (cumulatively).

We will continue to work with the board, our constituents and stakeholders to provide the best affordable housing services we can to the State's most vulnerable families and communities.

Staff Training and Conferences

Economic Development Finance Certification

The National Development Council began a series of four, week-long courses in economic development finance certification hosted by the LHC in conjunction with OCD. LHC staff is participating in the training, which will be spread out over several months. The Division of Administration is covering the cost of this training. The next session, Economic Development 201, will be held at LHC February 22 – 26.

The Council of State Community Development Agencies Program Managers Training Conference

LHA staff will attend the training and conference hosted by Council of State Community Development Agencies in Washington D.C. on March 14 -15. All costs for the training will be paid by the Emergency Solutions Grant and the Office of Community Development Disaster Recovery Unit.

Federal Government Updates

FY 16 Omnibus Update

On December 18th, Congress passed a combined FY 2016 omnibus spending package that restores funding to the at-risk HOME program. Congress also released the text of a tax extenders package that makes the 9 percent Low Income Housing Tax Credit permanent and extends the New Market Tax Credit. The combined bill now goes to the White House for the President's signature to become law. Additional highlights of the spending package and HUD's FY16 budget chart are attached to this report.

Calendar

- 12/04/15 - Baton Rouge Landlord Outreach for Homeless Veterans
- 12/07/15 - Nonprofit Rebuilding Pilot Program Technical Assistance Workshop
- 12/08/15 - Fair Housing Task Force Meeting held at LHC
- 12/10/15 - Homeless Working Group Quarterly Meeting
- 12/10/15 - Housing NOLA Press Conference and Panel

- 12/11/15 – Loyola Ground Breaking Ceremony
- 12/16/15 - PSH Training held at LHC
- 12/16/15 – LAAHP Monthly Meeting
- 12/17/15 – 2015 Fall CHDO NOFA Orientation at LHC
- 01/05/16 – NCHSA Federal Liaisons Conference Call
- 01/05/16 - Houma School Apartments Groundbreaking Ceremony
- 01/10/16 – NCHSA 2016 HFA Institute
- National Leased Housing Association Annual Membership Meeting
February 3-5, 2016
- NCHSA Legislative Conference – February 29 – March 2, 2016

Funding Notices

- *Project Based Rental Assistance (811 PRA) Owner Solicitation **open until all units are under contract.***
- *Project Based Voucher Program – Permanent Supportive Housing **open until all project based vouchers are allocated.***