HCR ACCOMPLISHMENTS

New York State Homes and Community Renewal (HCR) serves New Yorkers by fostering the creation and preservation of affordable housing in accordance with the vision of Governor Andrew M. Cuomo and under the leadership of Commissioner/CEO James S. Rubin. HCR works strategically to revitalize neighborhoods and communities, and brings the State's housing and community renewal agencies under a single banner and leadership. As a result, New York's finance and development, community reinvestment, and fair housing efforts are better aligned and working together, coordinating their efforts, and reducing costs, red tape, and duplicative efforts while increasing the effectiveness of the state's housing and community renewal programs. Amongst the agencies that fall under the HCR umbrella are the New York State Housing Finance Agency (HFA), the State of New York Mortgage Agency (SONYMA), and the New York State Affordable Housing Corporation (AHC).

New York State Housing Finance Agency (HFA)

HFA finances new construction of multifamily rental housing, and the preservation and rehabilitation of existing affordable multifamily rental housing through tax-exempt, taxable and 501(c) (3) bond proceeds. HFA offers financing to for-profit and not-for-profit developers to build affordable housing and preserve existing affordable housing, including Mitchell-Lama developments.

In 2015, HFA bonds financed a total of 36 projects with 7,324 total units and 4,206 affordable units. This included 2,032 affordable new construction or adaptive reuse units and 2,174 affordable preservation units. In addition, HFA preserved 335 units in 2 projects by providing subsidy funds to address capital needs that did not otherwise warrant a more comprehensive refinancing.

Among the 4,206 HFA bond-financed affordable units:

- 2,272 (54%) were located in New York City;
- 211 (5%) were in Westchester and Long Island; and,
- 1,723 (41%) were in the remainder of New York State.

HFA continued to increase its programmatic reach with a number of new programs and the expansion of existing programs, including:

- Two new financing programs -- the Middle Income Program and the Mitchell Lama Loan Program. Projects in each were closed by year end.
- Closed on four Community Development Block Grant Disaster Recovery (CDBG-DR) funded developments in cooperation with the Governor's Office of Storm Recovery (GOSR), meeting the goal of stimulating the development of new rental housing in storm impacted areas throughout the State.
- Closed on 4 Medicaid Redesign Team (MRT) developments outside New York City as the result of newly expanded statewide geographic reach.

To expand flexibility and ease of use HFA continued to adjust the Multi-family Volume Cap Preservation (MVP) structure launched in 2014. Using this facility and HFA's collaborative relationship with the New York City Housing Development Corporation (HDC), HFA refunded over $275 million of recycled Private Activity Bond Cap into ten projects.

HFA also expanded the number of institutions with which it participates in private placement transactions, closing on transactions with six new private placement investors.

Finally, HFA and SONYMA underwriter appointments resulted in approximately 23% of total 2015 underwriter compensation paid to MWBE firms.

State of New York Mortgage Agency (SONYMA)

The State of New York Mortgage Agency offers mortgage programs that assist first-time homebuyers with the purchase of a home in New York State. SONYMA offers five mortgages: the Low Interest Rate Program, the Construction Incentive Program, Achieving the Dream, the Homes for Veterans Program, and Remodel New York. All SONYMA loans are financed through the sale of tax exempt bonds.

SONYMA's Single Family program purchased $239.3 million in mortgages, assisting 1,417 homebuyers, and serving the following incomes: 16.1% served families earning incomes at or above 100% of the AMI; 25.1% served families earning incomes from 80.1% to 100% of AMI; 32.5% served families earning incomes from 60.1% to 80% of AMI; 14.6% served families earning incomes from 50.1% to 60% of AMI; and 11.8% of loans served families earning incomes at or below 50% of AMI. 99.6% of these loans were made to first-time homebuyers.

The loan portfolio performed with delinquencies as of November 30, 2015 at 4.64% of loans, which was significantly better than the state average of 7.90%, and close to the national average of 4.46%.

Through the "Achieving the Dream" Program, SONYMA continued to direct its energies in 2015 toward providing mortgage loans to individuals and families for whom SONYMA mortgages make the difference in achieving sustainable homeownership. This was accomplished by continuing to target mortgage financing activities on the Achieving the Dream Program, which assists lower-income homebuyers Overall, 834 of mortgages were issued to low-income homebuyers (80% of Area Median Income or less), up from 552 in 2014; 367 loans purchased statewide that were made to minority households, up from 327 in 2014.

The SONYMA Express® automated system was developed to provide participating lenders with expedited electronic decisions regarding the eligibility of SONYMA loans they are underwriting and conform with industry standards permitting electronic delivery of loan files. In 2015, SONYMA's two largest lenders (originating approximately 30% of total volume) went from the pilot/test phase to live loan production using SONYMA Express®.

The SONYMA Express® system has streamlined SONYMA's loan origination process, dramatically reduced the time it takes participating lenders to originate SONYMA loans, eliminated uncertainty of borrower eligibility early in the mortgage application process, lowered overall lender costs, and provided lenders with the ability to submit electronic loan files (saving

the expense associated with submitting paper files). 1,181 loans were reserved through SONYMA Express® ($212.6 million), and 536 loans purchased ($91.4 million).

In order to maximize system effectiveness, ensure sustainability and minimize expense, the decision was made to purchase the software for SONYMA Express® and administer the program internally. This provided a level of accountability and control over system functionality and eliminated additional costs associated with future enhancements. The purchase transaction was consummated in October 2015. SONYMA simultaneously hired Software Development Consultants to administer the system. Since then, the time to clear tickets went from 69 to 13 days and functionality has improved such that the Agency will be capable of launching the system with 7 new lenders by 2nd quarter 2016.

In addition, a list of enhancements has been developed and prioritized, with a plan to incorporate all of them by October 2018. Ultimately, the system is expected to increase loan production and improve profitability.

In order to fully participate in the MBS market, SONYMA is pursuing a path to become an approved Fannie Mae Seller/Servicer. This will enable the direct purchase of loans from lenders, improving loan pricing and execution. In 2015, SONYMA developed the requisite Quality Control plan, and revised that plan to incorporate new TILA-RESPA Integrated Disclosure (TRID) guidelines mandated by the CFPB. In the meantime, SONYMA continued to promote and expand our MBS program offerings through our current delivery channel with M&T Bank.

- FHA Plus enables state housing finance agencies to offer down payment assistance on FHA-insured mortgages that offer underwriting advantages and have slightly more lenient credit standards than conventional loans. Under this program, 165 mortgages of $42.5 million in total principal and $1.4 million in Down Payment Assistance were originated in 2015. In addition, the SONYMA had 37 mortgages of $7.9 million in total principal and $236,000 in Down Payment Assistance in its pipeline.
- Conventional Plus is designed to take advantage of certain pricing and underwriting benefits afforded to SONYMA by Fannie Mae. Among other benefits, Conventional Plus is available for home purchases and for limited cash-out refinances. Under Conventional Plus, 76 mortgages of $11.0 million in total principal and $95,000 in Down Payment Assistance were originated in 2015. In addition, SONYMA had 10 mortgages of $1.2 million in total principal and $8,250 in Down Payment Assistance in its pipeline.

SONYMA received $22.6 million in Chase Settlement funds to establish a new program to address the issue of vacant and abandoned homes in communities hard-hit by the foreclosure crisis. In response, SONYMA developed the Neighborhood Revitalization program, which is anticipated to be available for origination in late Spring 2016.

In February 2014 SONYMA began offering SONYMA University webinars on a twice per month basis. Content has been developed and presented to lender partners, realtors, and homeownership counselors with topics coming from attendee feedback and the SONYMA Advisory Council. While developing new classes for 2015, course content evolved from higher level trainings, to sessions that covered more granular topics. To date, more than 1,500 attendees have participated in web-based training on SONYMA programs.

Working in collaboration with the SONYMA Advisory Council, SONYMA:

- Completed our first-ever lender roundtable discussion with council members, additional key operations staff invited by council members, and SONYMA staff. This discussion was beneficial as a training tool, to introduce SONYMA staff to key partners, to identify best practices, and provide a forum to communicate ideas for future improvement.
- Obtained approval on a SONYMA for Realtors Continuing Education course through the New York State Association of Realtors.
- Restructured council to adapt to changing needs, creating a Product & Promotion Committee and a Process and Policy Committee.

As existing housing stock continues to age, many homebuyers are faced with the need to complete renovations to properties they are purchasing. This can be burdensome to first-time homebuyers adjusting to homeownership, and can keep homebuyers from being able to purchase properties in need of significant repair. In order to address this increasing need, SONYMA launched an enhanced RemodelNY program in May 2015. This program improved upon the previous program in a number of ways:

- SONYMA transitioned the RemodelNY to an add-on program, so that borrowers who meet the income requirements for Achieving the Dream, can utilize the program and obtain the same low interest rate they would receive if they were not financing property improvements.
- SONYMA built the infrastructure to service the renovation escrow accounts internally. This enables SONYMA lender partners without the servicing capability to administer renovation draws the ability to offer the program. This is anticipated to increase homebuyer access to the program through a larger lender network.
- Consolidation of Remodel New York and Own It Fix It, NY programs and elimination of caps on repair amounts based on total dollars and percentage of after-improved value.
- Expansion of eligible improvements to include necessities for first-time homebuyers, such as appliances, when after-improved value permits.
- Alignment with HUD and Fannie Mae renovation guidelines and form usage for work write-up preparation. This enables lenders already offering the FHA 203(k) and Fannie Mae HomeStyle to transition to originating SONYMA RemodelNY with minimal additional technology modifications and training resources needed.
- Implementation of mandatory certification for Loan Originators taking RemodelNY applications. To ensure borrowers receive proper counseling from their originator, it was important to require that there be a minimum amount of training and education provided prior to an originator taking an application for a RemodelNY loan.

The New RemodelNY program was embraced by lenders, with 6 new lenders originating RemodelNY loans, several of whom offer no other purchase-renovation products. We have also had two RemodelNY loans that incorporated financed repairs with AHC grant funded improvements offered through our non-profit partners.

To take advantage of market opportunities, SONYMA issued economic refunding bonds in the approximate amount of $338 million which generated savings of approximately $26.5 million.

SONYMA has deepened its partnership with non-profit housing counseling agencies, actively participating on the HomeSmartNY Advisory Council, sponsoring and participating in panels at their annual conference as well as many regional and local conferences.

State of New York Mortgage Insurance Fund (MIF)

The Mortgage Insurance Fund insured 170 single family mortgage loans with 192 units for a total of $33,423,326 in loan amount. The Mortgage Insurance Fund also insured 84 multi-family project loans with 7,602 units for a total of $414,419,210 in loan amount.

The Mortgage Insurance Fund provided pool insurance for all of the loans purchased by SONYMA Single Family and provided primary insurance for loans that were rejected by Genworth and other PMI companies generally due to low FICO scores.

New York State Affordable Housing Corporation (AHC)

AHC creates homeownership opportunities for low- and moderate-income families by providing grants to local governments, non-profits and charitable organizations to subsidize the cost of new construction and the renovation of existing owner-occupied housing.

- AHC awarded $32.3 million to create or preserve a total of 1,642 low to moderate income ownership units, achieving a diverse regional representation that included 46 of New York State's 62 counties.
- AHC funded 10 New Construction, 41 Home Improvement, and 13 Acquisition Rehabilitation projects. AHC awarded approximately $27.0 million to projects outside New York City, and $5.3 million to projects within New York City.
- AHC disbursed in excess of $20.5 million in previously awarded grant funds.

Highlights from Other HCR Offices

- **Treasury and Accounting Highlights**
    - Treasury and Accounting terminated one liquidity facility due to SONYMA refunding a variable rate bond into a fixed rate series. This generated savings in both liquidity and remarketing fees. As a result of this refunding and other variable rate bond redemptions, SONYMA reallocated $30.3 million in aggregate notional amount of swaps to other unhedged bond series, removing the need for market termination and potential termination payments due from SONYMA.
    - 29.3% ($3.09 billion) of Treasury and Accounting's $10.5 billion investment trades were processed by MWBE firms.

- **HCR's Fair and Equitable Housing Office**
    - In January 2015, HCR established a new Fair and Equitable Housing Office (FEHO). FEHO's mission is to ensure New Yorkers have an equal opportunity to live in housing they desire and can afford regardless of race, color, familial status, religion, sex, disabilities, national origin, marital status, age, military status or sexual orientation.

FEHO works to remove barriers to fair housing at the state level and to affirmatively further fair housing; analyzes HCR's public investments and their effect on the larger housing market; engages HCR's partners to ensure affordable housing is available in all areas of the State; and provides education, outreach, and technical assistance on fair housing issues and compliance. FEHO also oversees compliance with Section 3 (a provision of the Housing and Urban Development Act of 1968 that helps foster local economic development, neighborhood economic improvement and individual self-sufficiency) by grantees/subgrantees to ensure that economic opportunities generated by HUD financial assistance are, to the greatest extent feasible, directed to low- and very low- income persons.

- As a recipient of Federal funding, HCR is required to affirmatively further fair housing (AFFH). In 2015, HCR completed its first comprehensive Analysis of Impediments to Fair Housing Choice (AI) that was prepared to satisfy said requirements. The AI is an assessment of the laws, regulations, administrative policies, procedures, and practices in New York State that affect the ability of individuals to live where they choose free from discrimination on account of their personal attributes which are protected under the Fair Housing Act and/or New York Human Rights Law. Information was gathered through public meetings, stakeholder interviews, data analysis and policy review. The public engagement process solicited multiple perspectives including those of government agencies, fair housing advocates, housing developers and the general public.
- FEHO issued an RFP for the completion of a Section 3 Compliance Plan. . The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment and contracting opportunities for low- and very low- income residents in connection with projects and activities in their neighborhoods.
- FEHO staff presented on fair housing and Section 3 at numerous events across the State, including the annual conferences of the Rural and Neighborhood Preservation Coalitions, NYSAFAH's annual upstate conference, and the NYS Minority and Women-Owned Business Enterprise Conference. FEHO staff and HCR Executives met with fair housing advocacy organizations from across the State on fair housing issues.

- **<u>Office of Economic Opportunity and Partnership Development (OEOPD)</u>**

  - OEOPD provides technical training to HCRs Finance and Development units on compliance with State goals for partnering with Minority and Women-owned Business Enterprises (MWBEs). OEOPD analyzes agency expenditures, identifies areas for MWBE opportunity, works with HCR's various units on procurement strategies, and identifies obstacles that may be faced to achieve overall MWBE participation goals. OEOPD is also responsible for monitoring and quarterly reporting on MWBE compliance, and participates in pilot programs created for the Empire State Development

Corporation and the Executive Chamber.

- In January 2015, two critical information technology contracts were awarded to two MBEs: Systems Application Information Network and Infopeople Corporation. The overall MWBE participation goal for each contract is 100%.
- In February 2015, HFA issued an RFP for an appraisal and market study consultant. An MBE firm was selected to provide the services to the Agency. The overall MWBE participation goal in this contract is 100%.
- In March 2015, an RFP was issued by HFA, SONYMA, AHC, MBBA and TSFC for an Independent Auditor. The selected Independent Auditor will meet the Agencies' 30% overall MWBE participation goal by partnering with both a MBE and a WBE.
- In April 2015, an RFP was issued by HFA, SONYMA, MBBA and TSFC for financial printing services. In September 2015 an MBE was selected to provide these services. The overall MWBE participation goal for this contract is 100%.
- In July 2015, an RFB was issued by HFA for insurance consulting services to establish a new prequalified panel of insurance consulting firms. The Agency received two responses, one of which was from an MWBE. In September 2015 both firms were added to the panel. The Agency will meet its overall 30% MWBE participation goal by directly contracting with the MWBE.
- In August 2015, an RFP was issued by HFA, SONYMA, MBBA and TSFC to establish a new prequalified panel of firms to serve as financial advisors. Of the seven firms anticipated to be added to the panel, two are WBEs and one is an MWBE. The agencies will meet their overall 30% MWBE participation goal for financial advisory services by directly contracting with MWBEs.
- OEOPD established an MWBE Corner on its website to help MWBEs find opportunities within HCR, and links to NYS Empire State Development's website for certification information.
- In Calendar Year 2015, the Agencies achieved a total MWBE utilization goal of 15.0%:
    - Procurement – 27.4%;
    - Construction – 15.0%; and,
    - Bond-Related – 11.1%.