

▶ Finance Committee Meeting

June 4, 2024





SUBJECT: Meeting of the Finance Committee - Non-Emergency All-Virtual Public Meeting

PLACE: Webex

<https://virginiahousing.webex.com/virginiahousing/j.php?MTID=mab029800b1659d515d2686551d375321>

DATE: June 4, 2024

TIME: 2:30 p.m. - 4:30 p.m.

FOR TECHNICAL ISSUES WITH WEBEX LINK, CONTACT:

Bryce Dort – Phone: 774-203-8359

If unable to reach that contact person, Virginia Housing staff at 804-584-4597.

Per Virginia Housing's Policy Governing All-Virtual Public Board Meetings dated October 19, 2022, the meeting will be an all-virtual public meeting as permitted by Virginia law.

AGENDA

- I.** Call meeting to order and roll call.
- II.** Presentation, review, and adoption of minutes of the Finance Committee meeting on December 13, 2023.
- III.** FY2025 Budget Presentation
- IV.** Adjournment

Call meeting to order and Roll Call

Presentation, Review, and Adoption of minutes of the Finance Committee meeting on December 13, 2023

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE FINANCE COMMITTEE
HELD ON DECEMBER 13, 2023

Pursuant to the call of the Committee Chair and notice duly given, the meeting of the Finance Committee of the Board of Commissioners of the Virginia Housing Development Authority (“Virginia Housing”) was held on December 13, 2023, at the offices of Virginia Housing, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

David Richardson, Chair
Thomas A. Gibson, IV
Carlos Larrazabal
William C. Shelton

COMMITTEE MEMBERS ABSENT:

Abigail Johnson
Bryan Horn

OTHER COMMISSIONERS PRESENT:

Nathalia Artus
Davon Gray
Donald E. Scoggins
Sarah B. Stedfast
Dominique Hicks-Whitaker

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Fred W. Bryant, Chief Counsel
Tammy Neale, Chief of Programs
Hil Richardson, Chief Financial Officer
Janet Wigglesworth, Chief of Operations
Llewellyn C. Anderson, Managing Director of Federal Programs
Herman Aparicio, Managing Director of Information Technology
David Henderson, Managing Director of Finance and Administration
Monique Johnson, Managing Director of Community Outreach
Janet Little, Acting Managing Director of Capital Markets
Steve Mintz, Deputy Chief Counsel
Mike Urban, Managing Director of Homeownership
Lisa Watson, Managing Director of Human Resources
Bill Corcoran, Special Advisor to Capital Markets
Shannon Cribbs, Enterprise Portfolio Management Director
Bryce Dort, Audio Visual Technician
Sandy Edwards, Assistant to the Chief Executive Officer
Candice Evans, Finance Associate
Fabrizio Fasulo, Director of Policy and Planning
Joe Feaser, Director of Homeownership Finance
Alex Gambale, Finance Associate

David Glassman, Assistant Director Rental Housing Development
Cindy Hii, Internal Audit Director
Michelle Jackson, Senior Executive Assistant
Tara Jenkins, Director of Executive Services
Chamara McCray, Senior Executive Assistant
Sandy Redd, Senior Finance Manager
Heather Richey, Director of Rental Housing Finance
Mindy Sanders, Lead Internal Auditor
Keyron Scott, Internal Staff Auditor
Jason Thompson, Associate Chief
David Jones, CSG Advisors
Kathleen Orlandi, Hawkins, Delafield & Wood LLP

The meeting of the Finance Committee was called to order by Chair Richardson at approximately 9:30 AM on December 13, 2023. The members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

On a motion duly made and seconded, the minutes of the Committee meetings held on June 6, 2023, in the form attached hereto, were approved by the affirmative vote of the Committee members present, other than Commissioner Gibson who abstained because he was not on the Committee as of June 6th.

Mr. Richardson and Mr. Jones gave a report on the Enterprise-Wide Economic Model. The two key objectives of the model are to (1) forecast financial resources, and (2) evaluate future REACH allocations in relation to financial position. Limitations of the exercise were described including the inability to predict the timing and magnitude of future economic and environmental events. Metrics evaluated included profitability, balance sheet impact, and funds available for REACH. The Model projects a range of financial outcomes under Base Case, Optimistic and Pessimistic scenarios. The takeaways from profitability review are that: (1) there is a wide range of potential results, (2) recurring revenues from the Authority's sizeable mortgage loan portfolio provide stability, (3) grants and expenses to increase but, in the Base Case scenario, are offset by increased revenues, and (4) continued active management is key. Annual REACH allocations are assumed to be 75% of a 3-year average of adjusted net income beginning in FY25 and are projected to remain stable or slightly increase in the Optimistic and Base Case scenarios but decline in the Pessimistic scenario. The balance sheet is likely to continue its growth and Net Position is likely to increase marginally and (3) future REACH allocations are quite stable. Additional observations include: (1) stable and growing net position is key, (ii) the revised REACH formula based on 3-year average of net income before grants (compared to prior 5-year avg) adjusts REACH allocations more quickly, and (3) the impact of REACH loan interest rate reduction subsidies on future net income and the volume of future loan production required to deploy such subsidy should continue to be evaluated.

There being no further business, the meeting was adjourned at approximately 10:35 AM.

FY2025 Budget Presentation



Budget Briefing

Fiscal Year 2025 Proposed Budget

June 4, 2024



Budget Development

A Proposed Budget is developed to provide for our core mission and strategic goals.

To do this:

- All levels of Virginia Housing participate in the budget development ranging from individual Cost Center Managers up through Board Members.
- Production estimates, staffing & technology needs, and project requests are all considered.
- The Budget Review and Capital Markets Teams analyze the numbers.
- Budget planning, drafting, and finally review span several months.

Factors Considered

Some of the **economic factors** considered in budget development include:

- Inflation
- Interest Rates
- Median Home Prices & Rent Rates
- Unemployment

Some of the **Virginia Housing factors** considered include:

- Fewer loans securitized with GSEs
- Continuing to utilize Mortgage Revenue Bonds (MRB)
 - Strong Bond Issuance to support the programs
- Loan Prepayment speeds

Economic Indicators

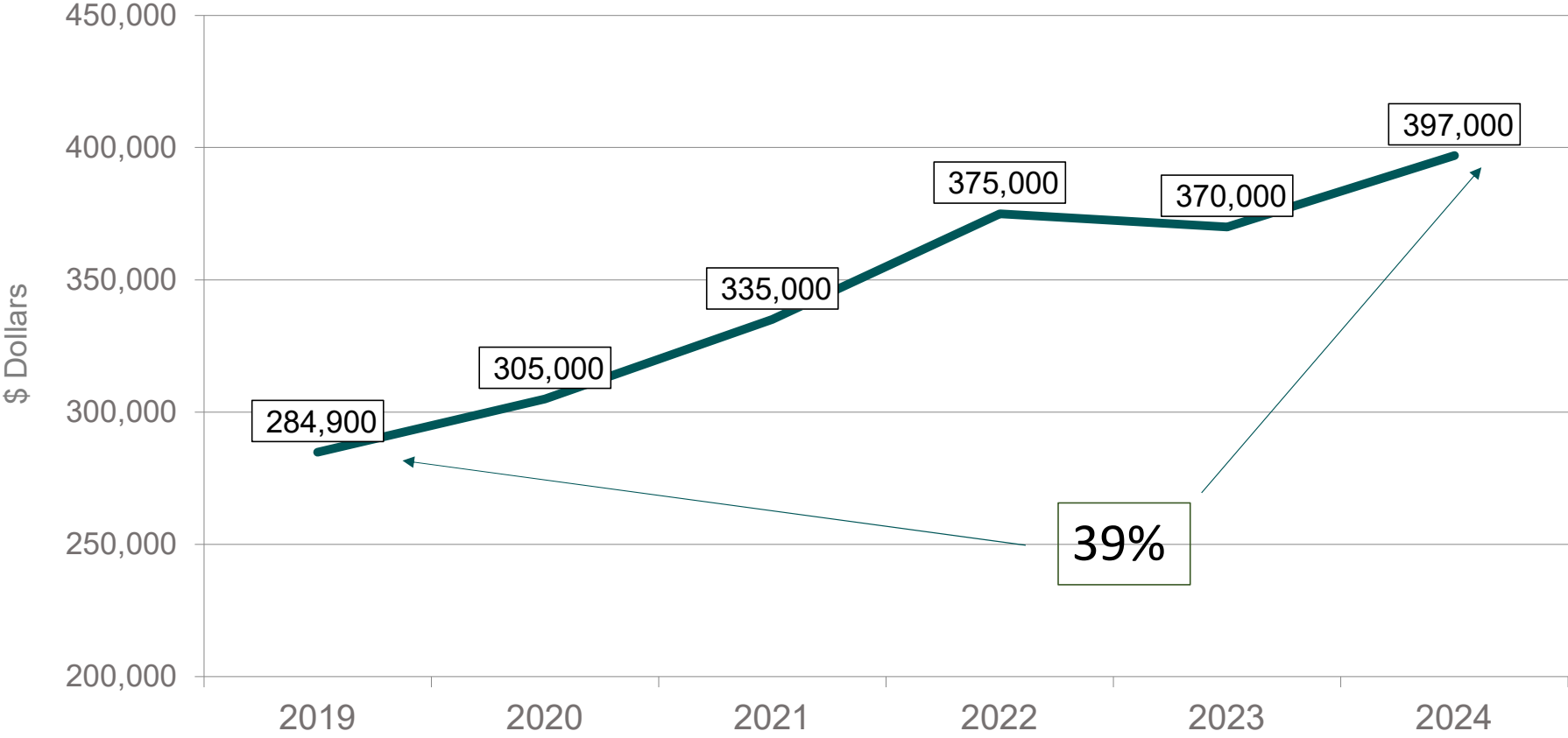
U.S. Inflation Rates



Mortgage Interest Rates (Homeownership)

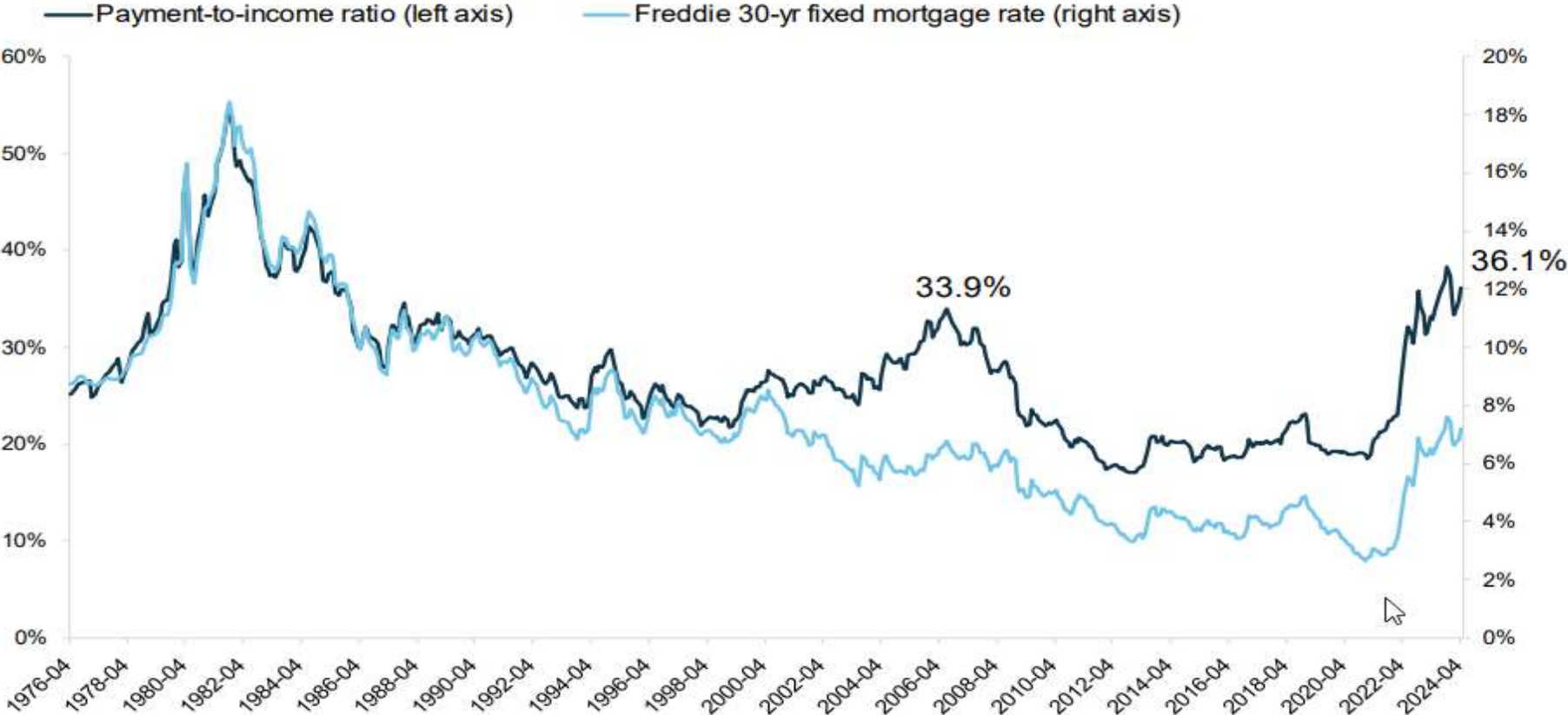


Median Virginia Home Prices



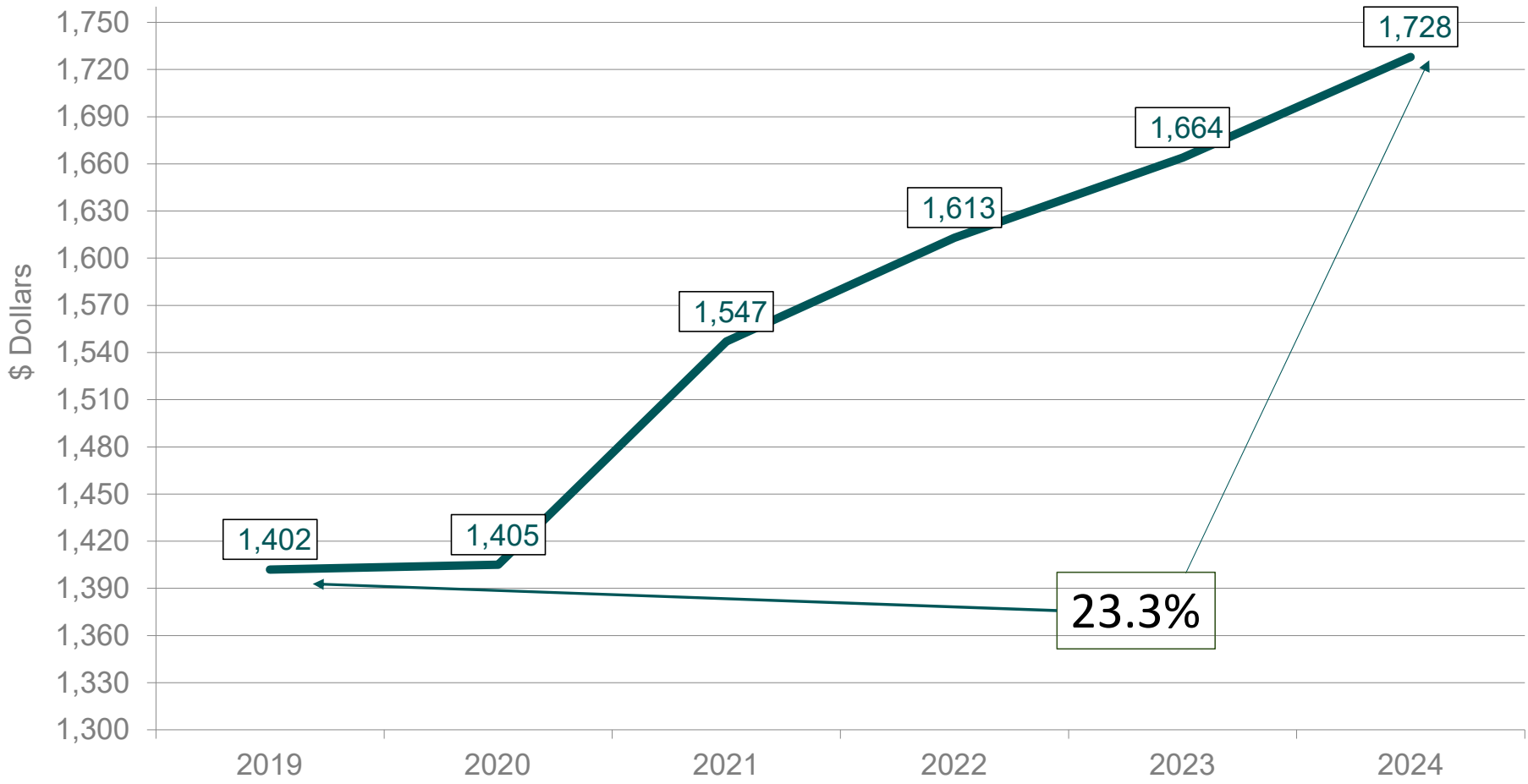
*Virginia Association of Realtors

National payment-to-income ratio*



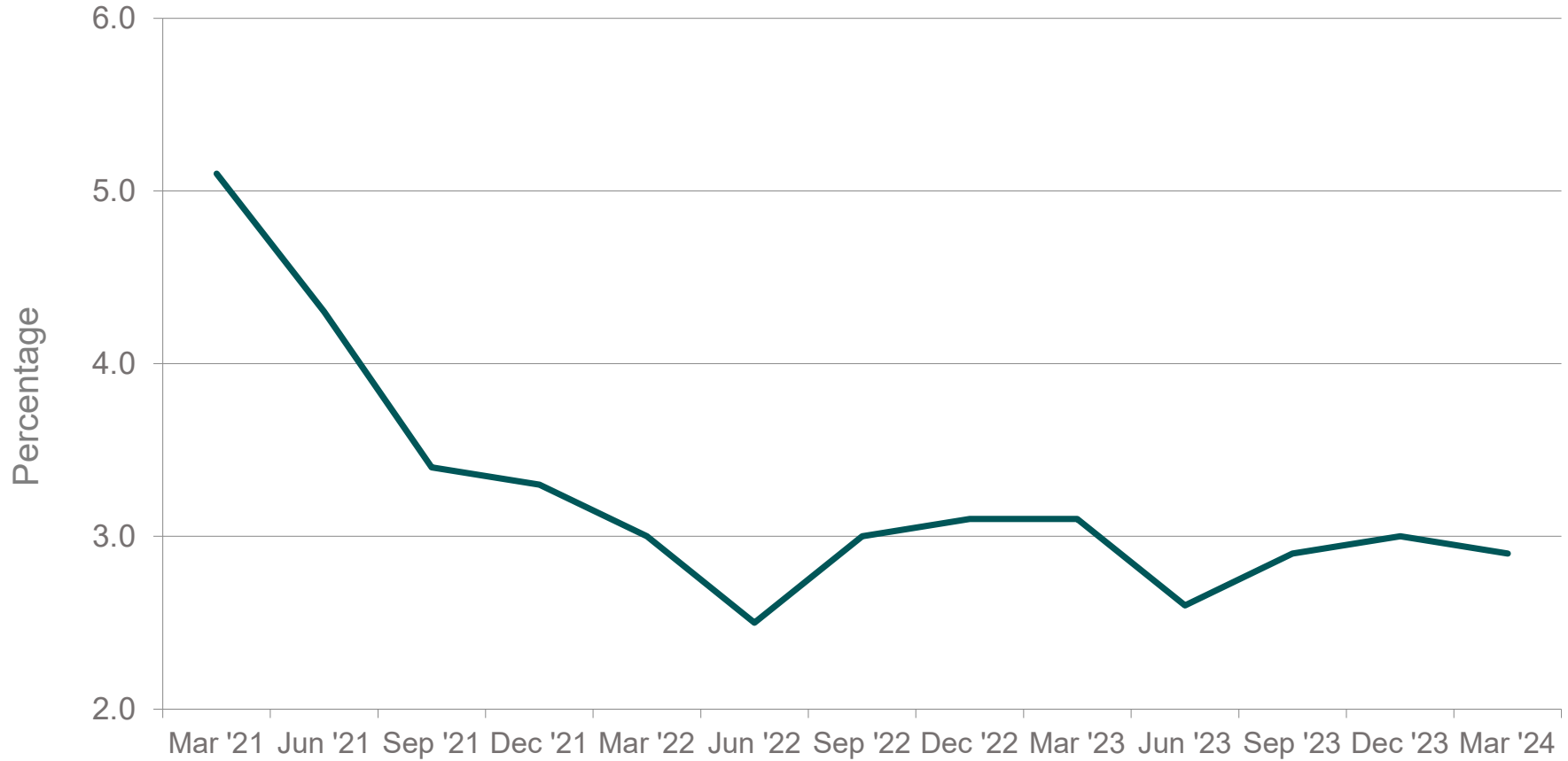
*The national payment-to-income ratio is the share of median income needed to make the monthly principal and interest payment on the purchase of the average-priced home using a 20% down 30-year fixed rate mortgage at the prevailing interest rate

Median Virginia Rent Rates



*CoStar

Virginia Unemployment Rate

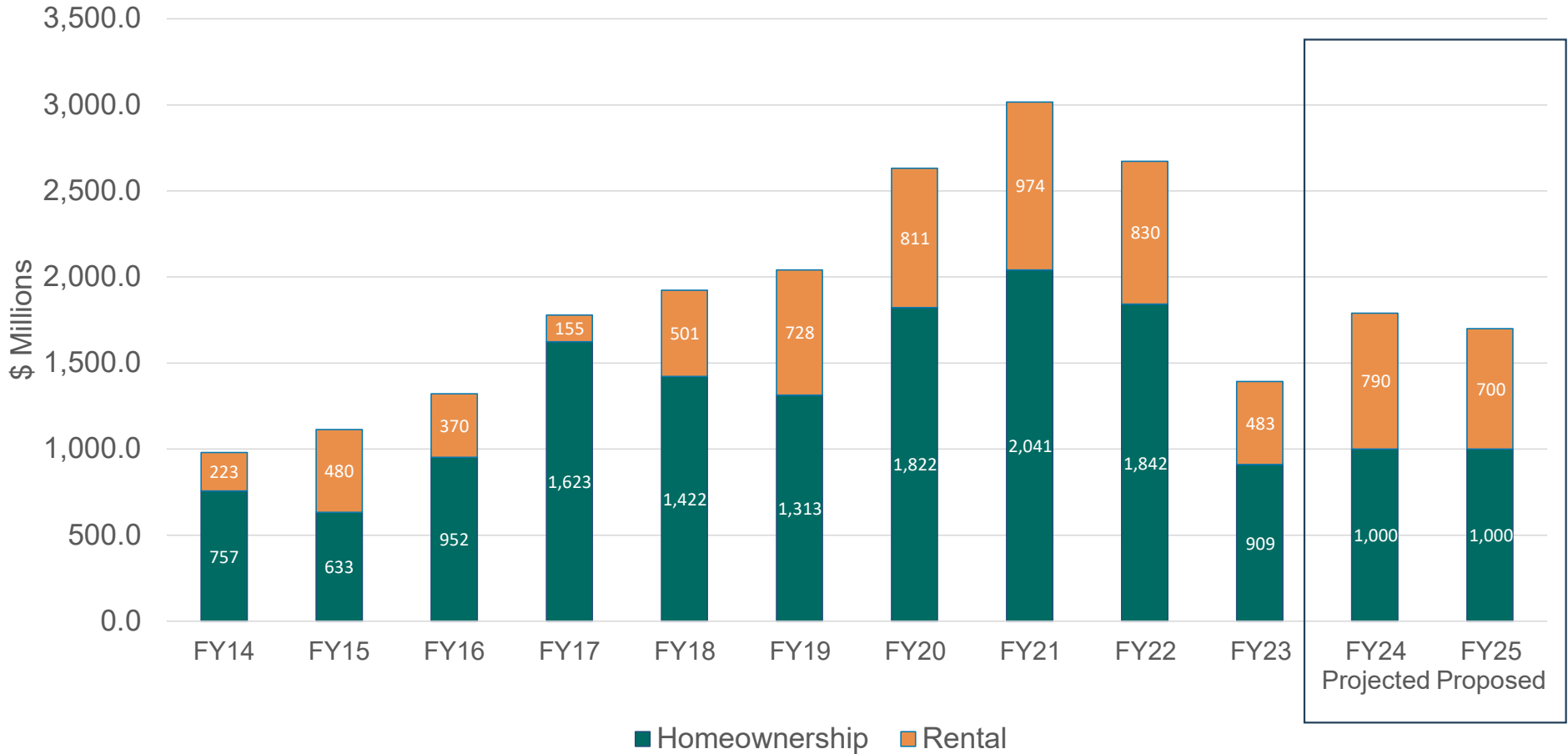


*US Bureau of Labor Statistics

Loan Production & Portfolio

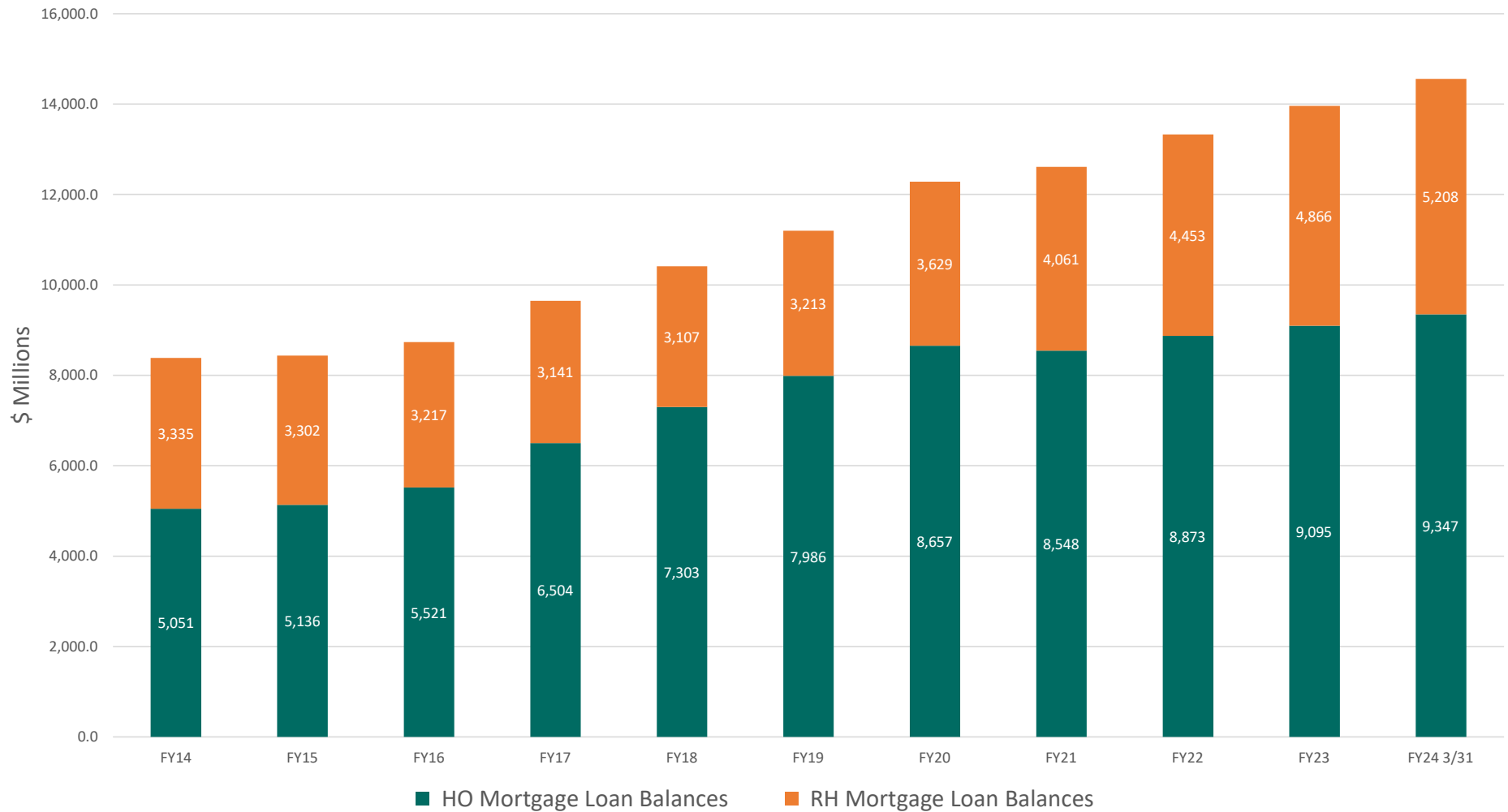
Loan Production History

Past 10 Years of Production



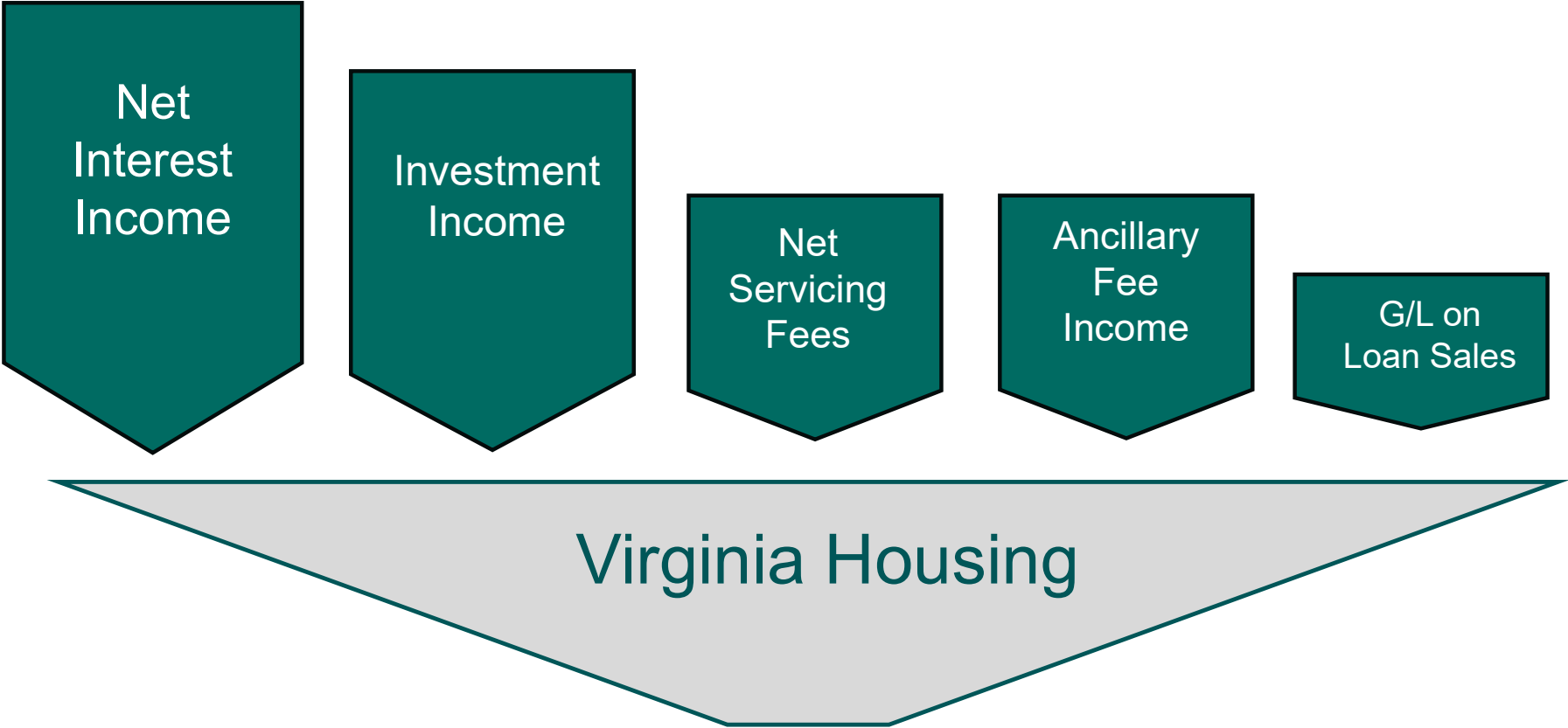
Loan Portfolio History

Mortgage Servicing Portfolio

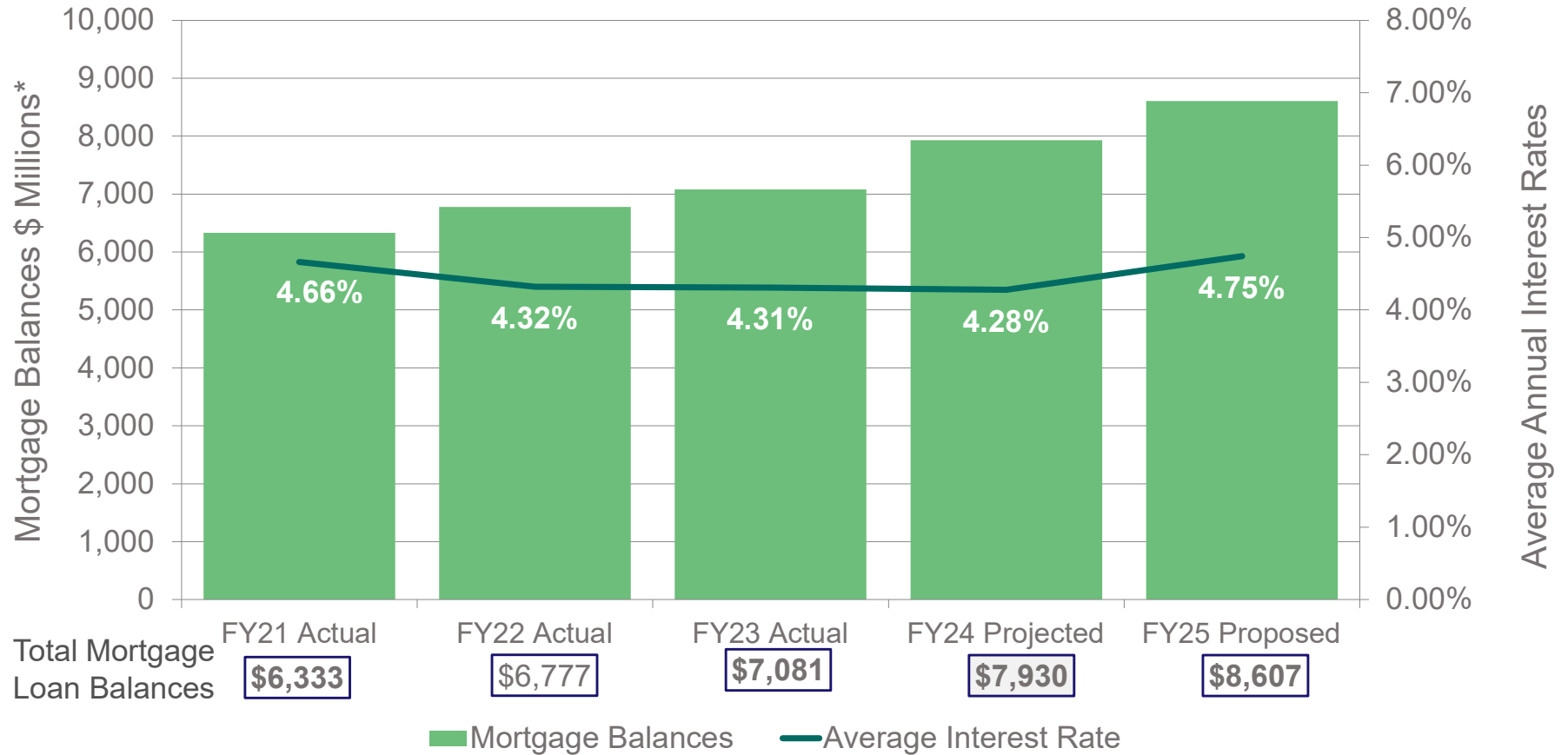


Revenues

Inflows to Virginia Housing

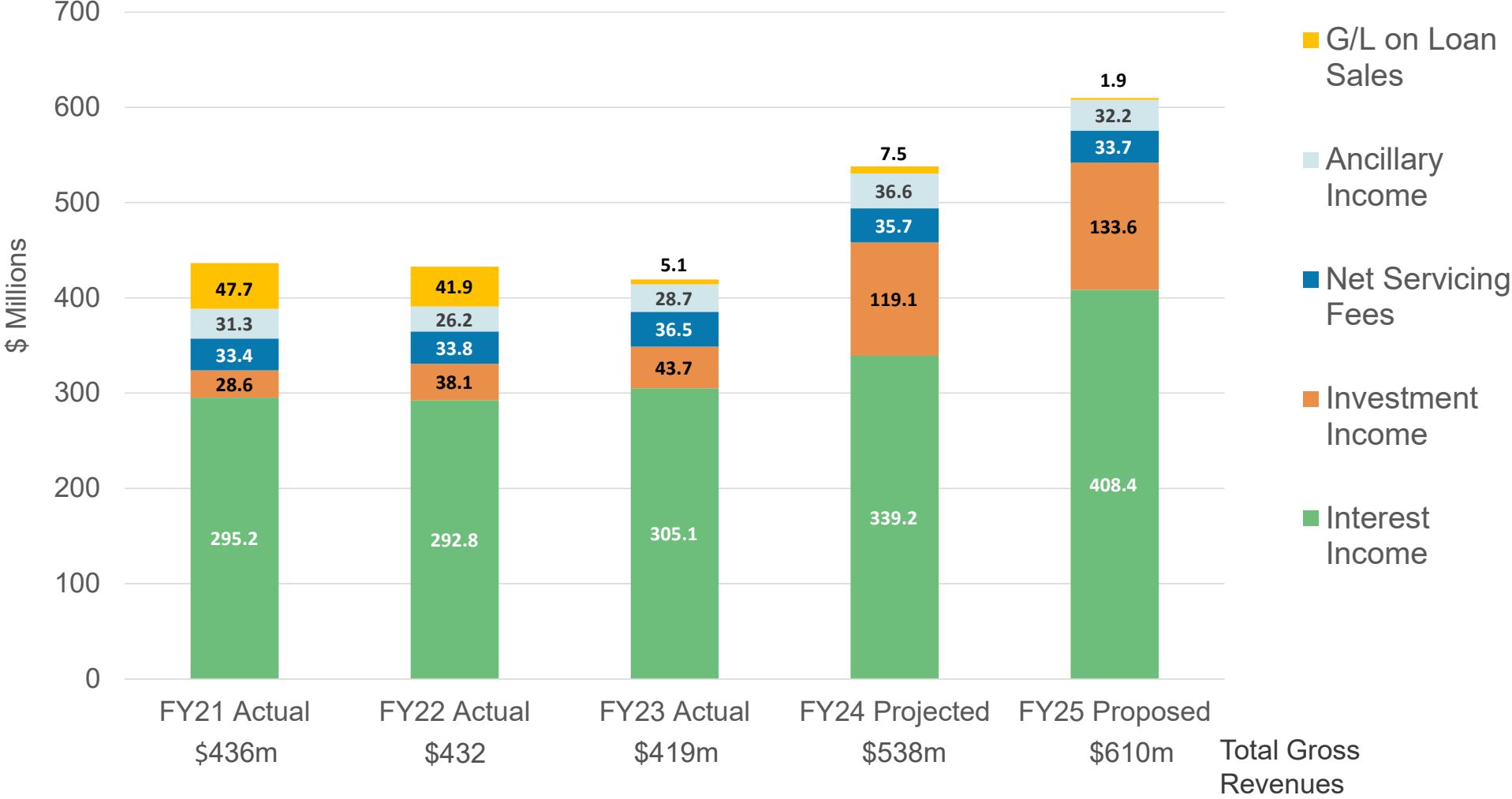


Mortgage Balances & Interest Rates

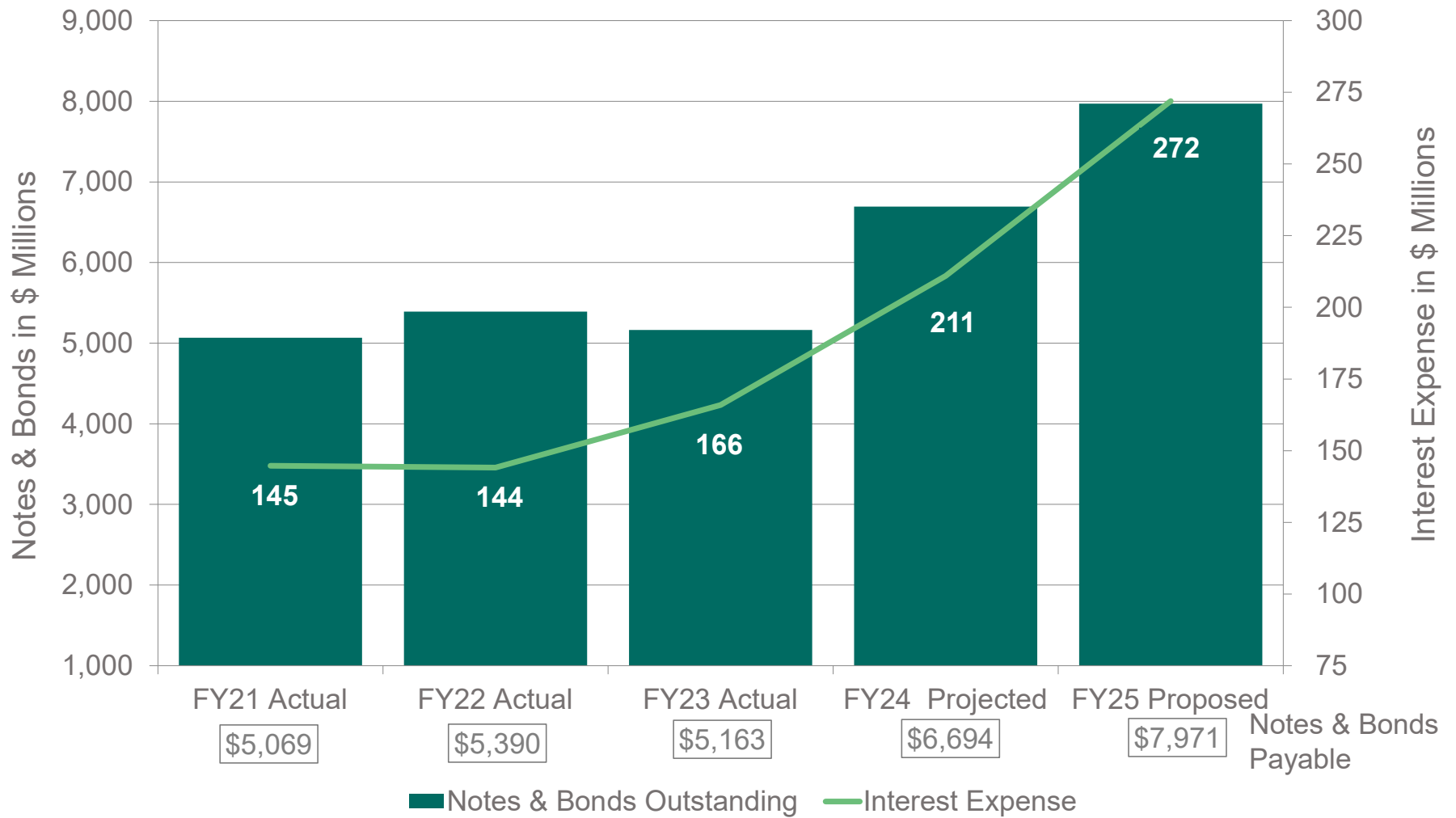


*Loan balances exclude loans serviced but not owned by Virginia Housing.

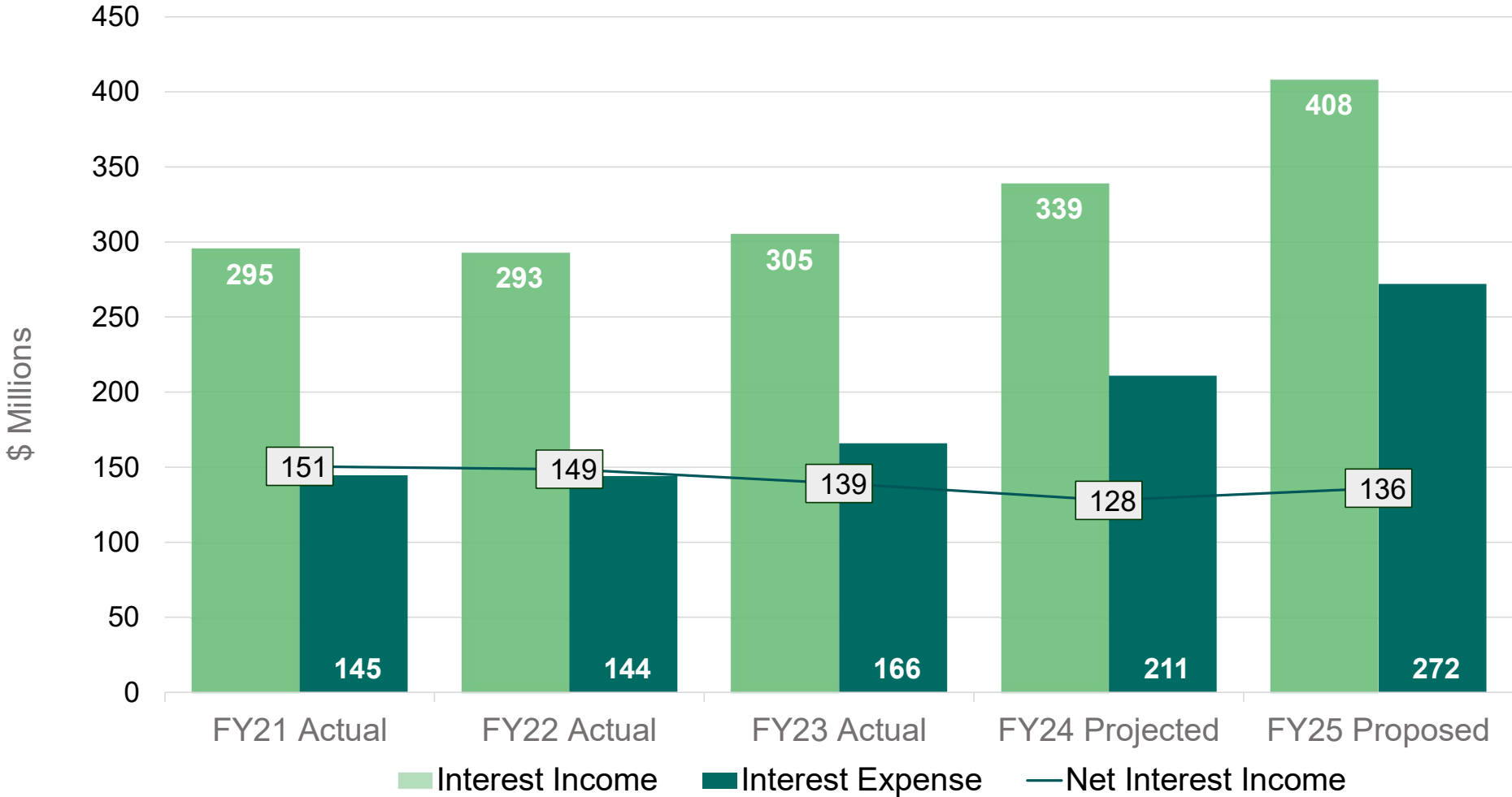
Gross Revenues



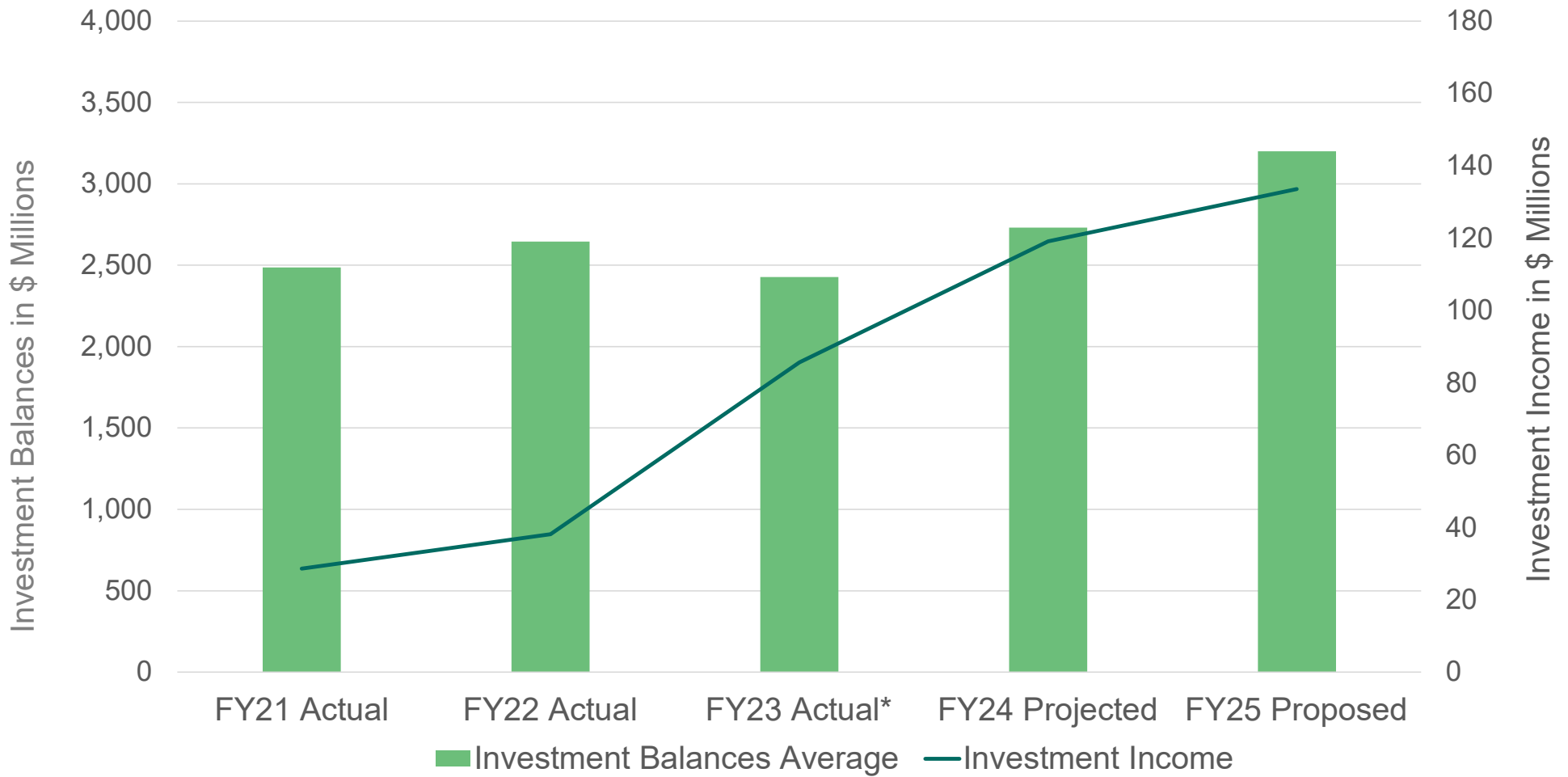
Debt & Interest Expense



Net Interest Income



Investment Income



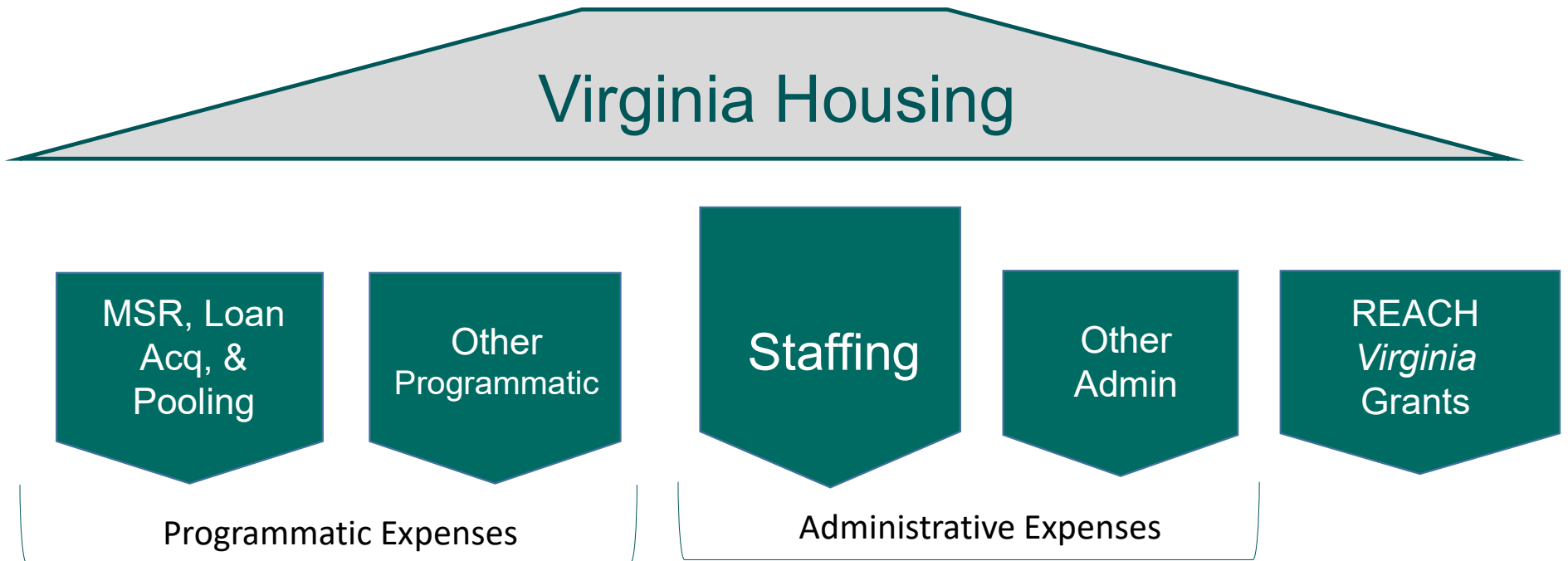
* FY23 Income is without the realized loss on MBS sale

Total Net Revenues

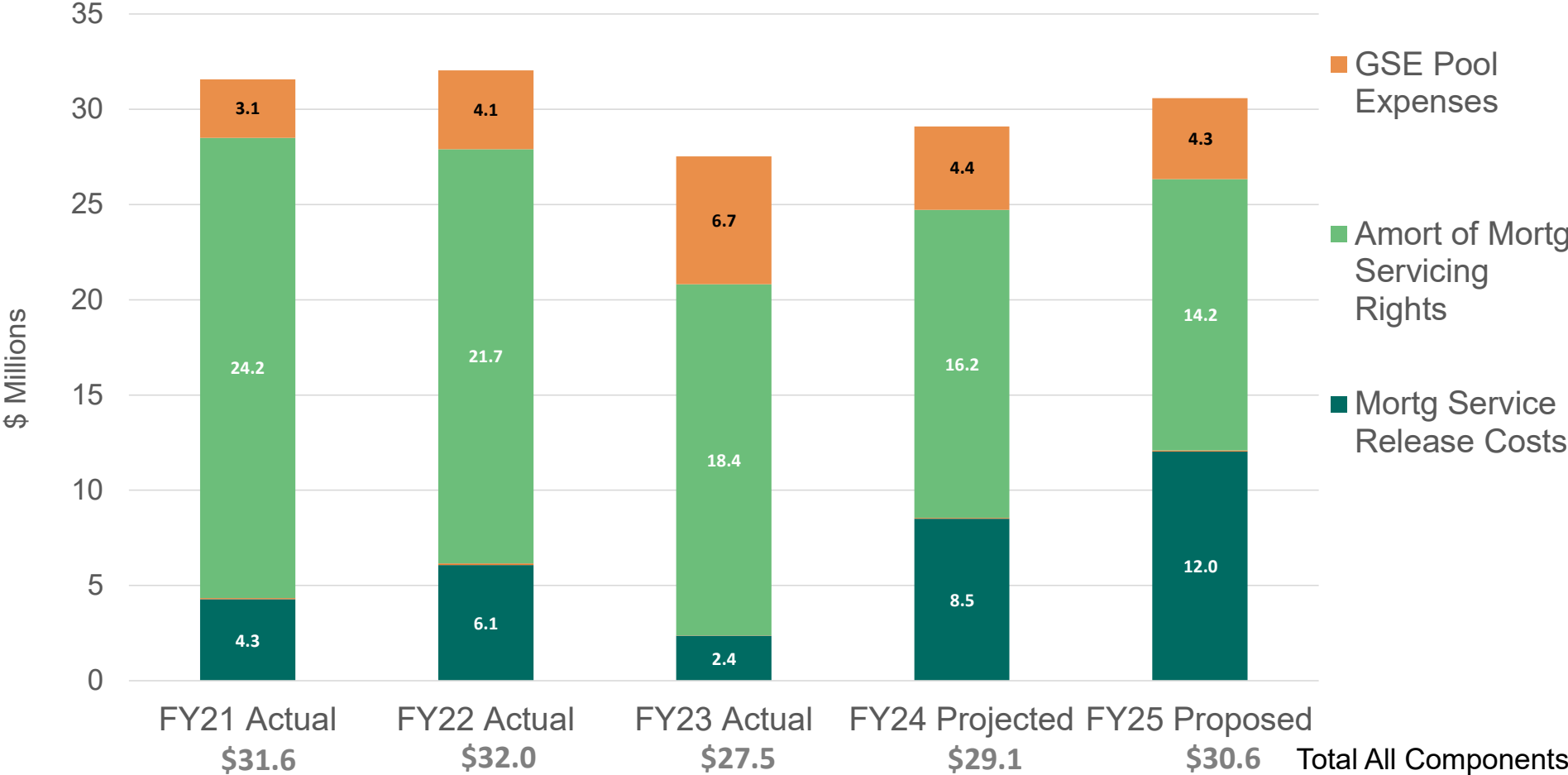
	FY21	FY22	FY23	FY24	FY25
	Actual	Actual	Actual	Projected	Proposed
Interest and Investments					
Interest income	295,244,143	292,785,880	305,138,974	339,191,447	408,431,835
Investment Income	28,631,340	38,135,576	43,717,518	119,110,449	133,570,879
Net GNMA/FNMA Servicing Income	33,446,609	33,821,626	36,546,493	35,717,802	33,673,537
Less: Interest Expense on Bonds&Notes	(144,686,755)	(144,108,919)	(165,978,940)	(211,338,614)	(272,376,958)
Net Interest Margin	212,635,337	220,634,163	219,424,046	282,681,084	303,299,293
G/L on SF Mtg Loan Sales	47,726,925	41,899,003	5,101,992	7,466,509	1,920,000
Ancillary Fees	31,332,472	26,197,495	28,727,186	36,574,759	32,213,797
Total Net Revenues	291,694,734	288,730,661	253,253,223	326,722,352	337,433,090

Expenses

Outflows (Expenses) from Virginia Housing



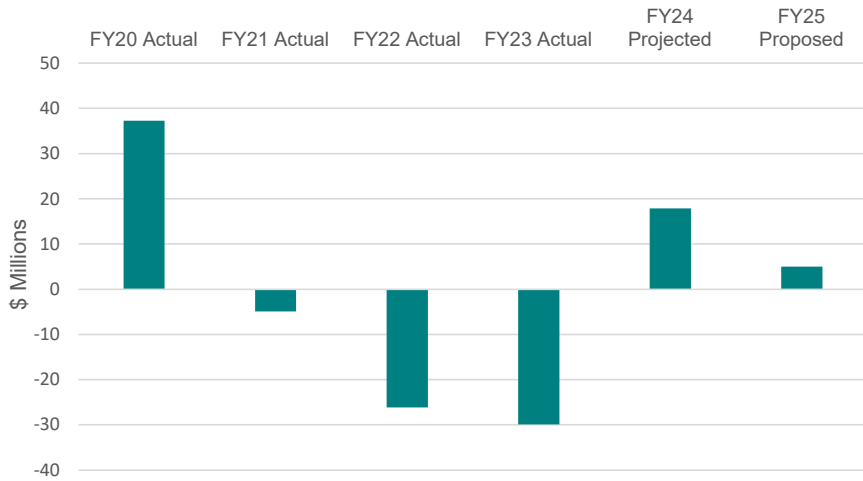
MSR, Loan Acquisitions, Pooling Expense



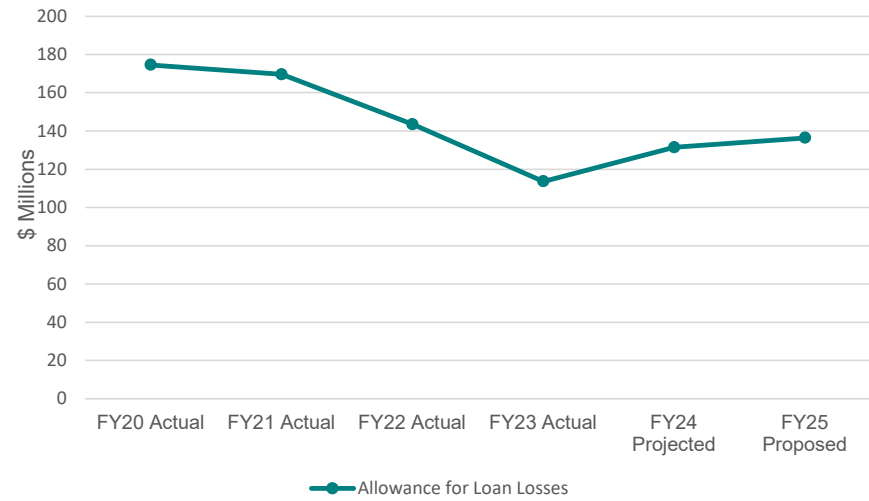
Other Programmatic Expenses

	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Projected	FY25 Proposed
Housing Relief Program	(3,135,000)	(15,256,458)	(3,515,520)	-	-
Loan Loss Provision & Expense	(3,762,808)	(24,848,756)	(27,588,743)	19,050,487	6,668,000
Financing (Cost of Issuance)	7,162,505	7,491,581	3,563,345	11,473,274	12,757,070
Programs & Partners	12,407,430	14,865,761	14,091,968	13,242,190	14,280,136
Total Programmatic Expenses	12,672,127	(17,747,872)	(13,448,949)	43,765,951	33,705,206

Provision for Loan Losses



Allowance for Loan Losses

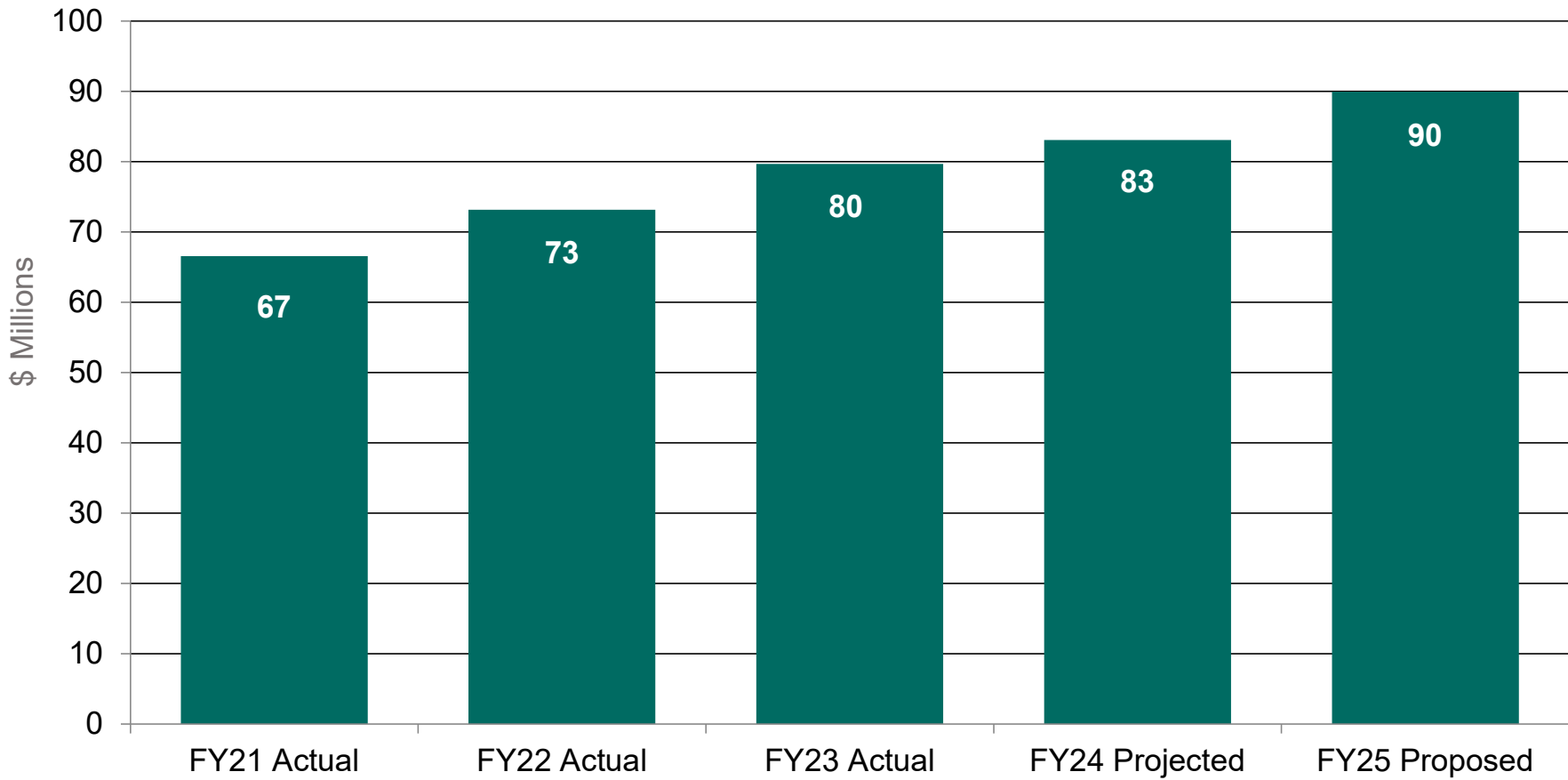


	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Projected	FY25 Proposed
Total Mortgage Loans	6,107,822,955	6,309,726,831	6,749,349,209	7,019,442,286	7,996,006,937	8,606,763,607
Allowance for Loan Loss	174,496,556	169,582,599	143,455,103	113,557,568	131,403,816	136,376,816
Provision for Loan Losses	37,258,673	(4,913,957)	(26,127,496)	(29,897,535)	17,846,248	4,973,000
Allowance Percentage	2.9%	2.7%	2.1%	1.6%	1.6%	1.6%

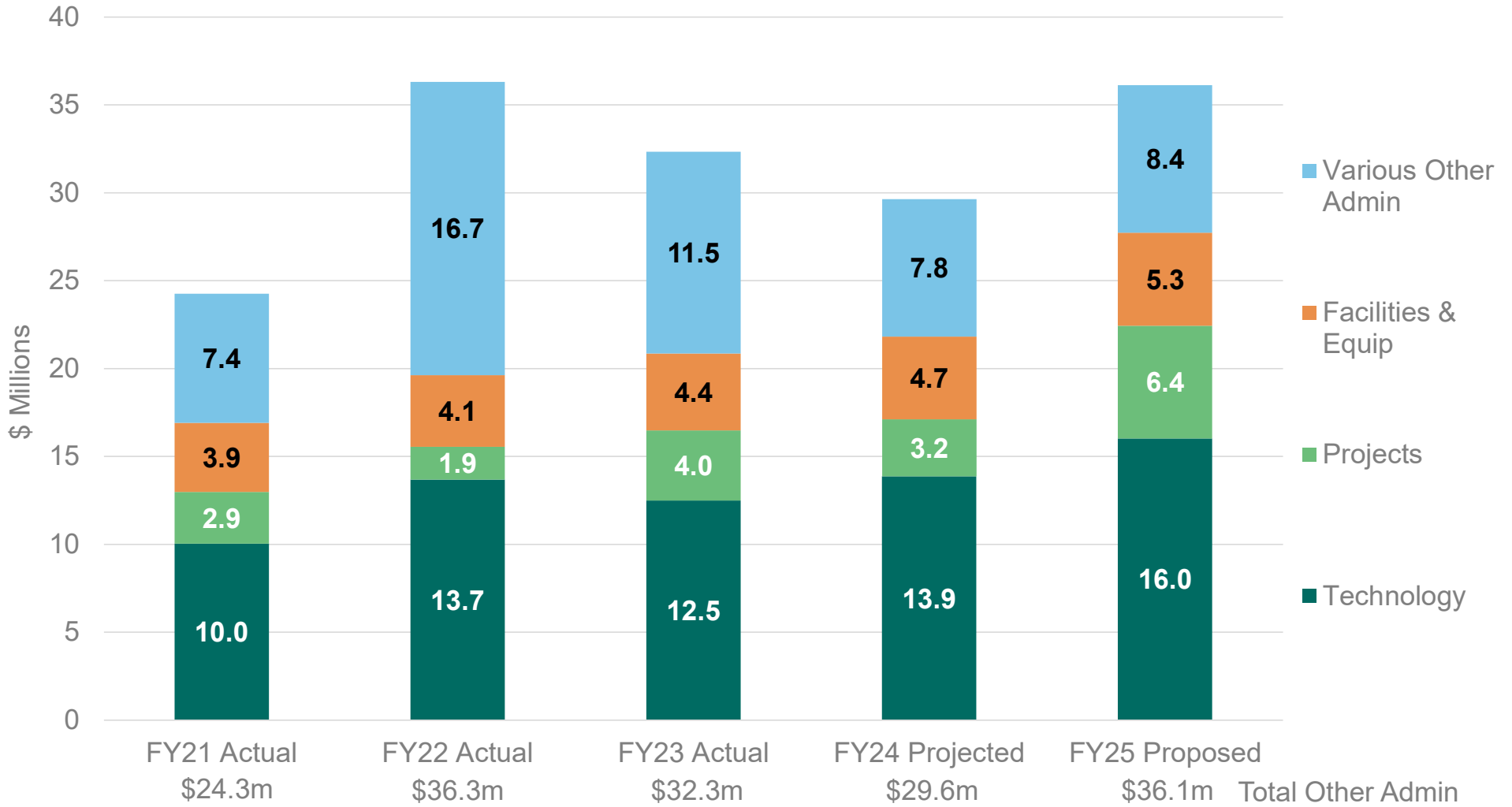
Total Programmatic Expenses

	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Projected	FY25 Proposed
MSR Amort, Loan Acq & Pooling	31,574,641	32,043,827	27,531,011	29,101,341	30,577,143
Housing Relief Program	(3,135,000)	(15,256,458)	(3,515,520)	-	-
Loan Loss Provision & Expense	(3,762,808)	(24,848,756)	(27,588,743)	19,050,487	6,668,000
Financing (Cost of Issuance)	7,162,505	7,491,581	3,563,345	11,473,274	12,757,070
Programs & Partners	12,407,430	14,865,761	14,091,968	13,242,190	14,280,136
Total Programmatic Expenses	44,246,768	14,295,955	14,082,062	72,867,292	64,282,349

All Staffing Costs



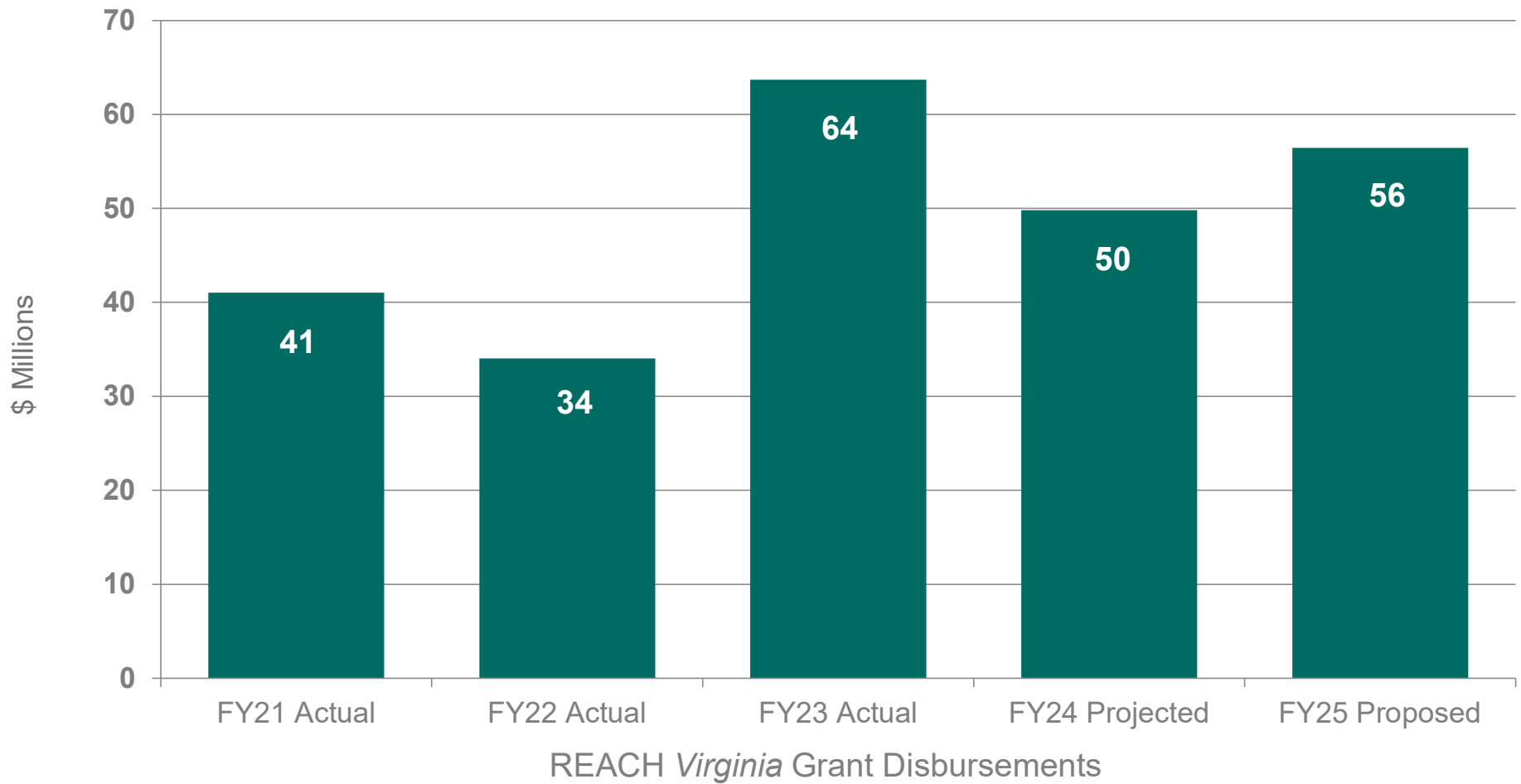
Other Administrative Costs



Total Administrative Expenses

	FY21	FY22	FY23	FY24	FY25
	Actual	Actual	Actual	Projected	Proposed
Staffing Costs	66,563,822	73,152,302	79,692,934	83,080,677	89,955,462
Facilities & Equipment	3,931,796	4,069,785	4,385,878	4,707,250	5,285,665
Project Expense	2,946,910	1,870,459	3,982,385	3,242,580	6,410,115
Technology	10,033,094	13,678,579	12,491,391	13,871,644	16,027,777
Professional Development & Business Travel	604,132	781,208	1,332,934	1,397,909	1,842,507
Services, Insurance & Other	2,906,664	12,218,494	6,459,663	3,866,956	4,657,443
Depreciation	3,838,816	3,689,674	3,674,026	2,553,705	1,896,784
Total Administrative Expenses	90,825,234	109,460,501	112,019,211	112,720,721	126,075,753

REACH Virginia Grant Expense



REACH *Virginia* Grant Components for FY25 Budget

REACH Category	Disbursements from FY21&22 Commitments	Disbursements from FY23 Commitments	Disbursements from FY24 Commitments	Disbursements from FY25 Commitments	Total Budgeted REACH Disbursements
Homeownership	\$0	\$0	\$2,150,000	\$10,650,000	\$12,800,000
Rental	\$0	\$0	\$750,000	\$250,000	\$1,000,000
Community Outreach	\$374,270	\$1,203,997	\$4,449,743	\$6,437,500	\$12,465,510
Econ Devel/Amazon	\$0	\$4,159,906	\$0	\$0	\$4,159,906
Planning District Comm	\$14,000,000	\$0	\$0	\$0	\$14,000,000
Public Housing	\$12,000,000	\$0	\$0	\$0	\$12,000,000
Total	\$30,534,176	\$1,203,997	\$7,349,743	\$17,337,500	\$56,425,416

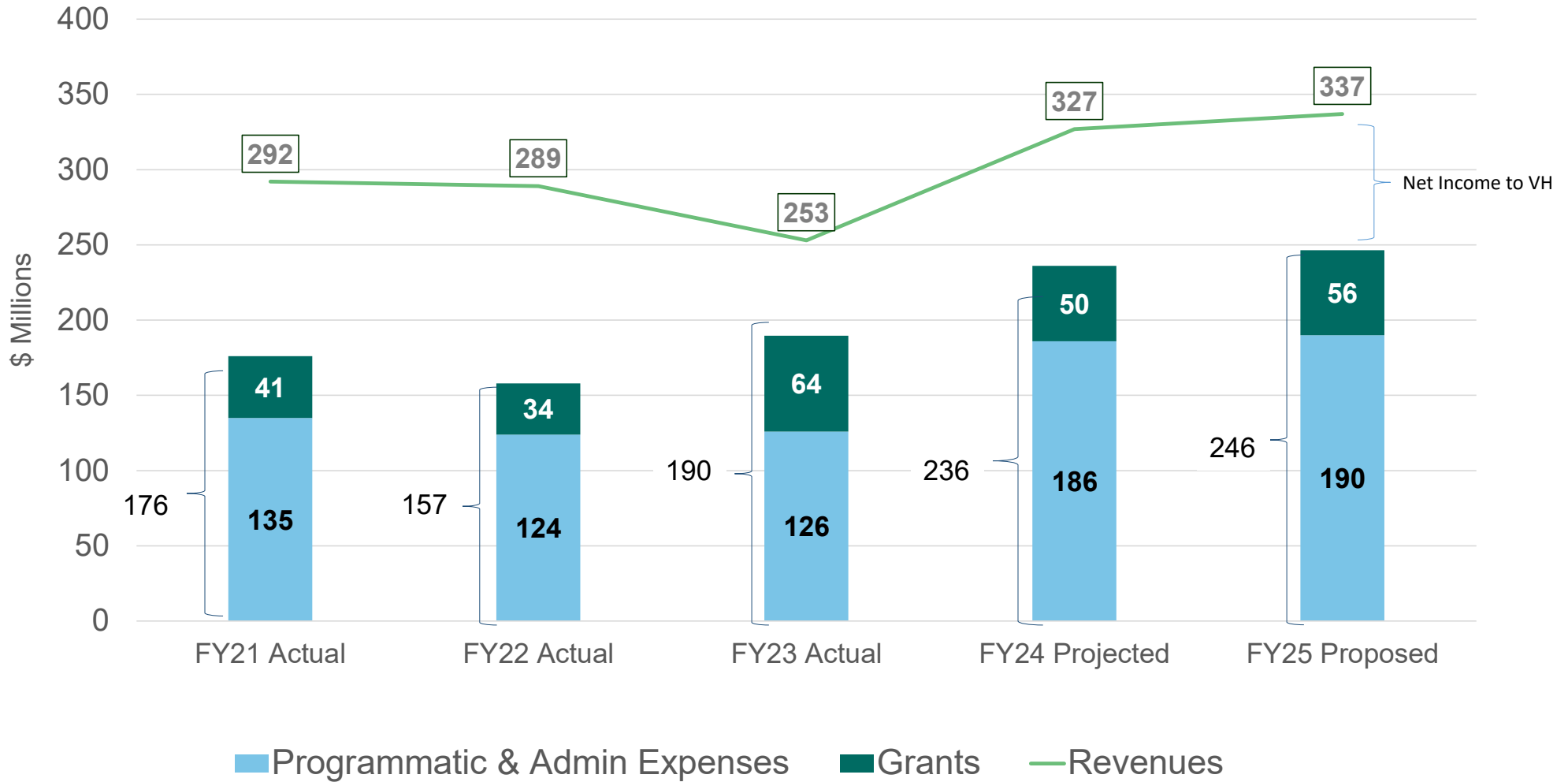
Total Outflows

	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Projected	FY25 Proposed
Total Programmatic Expenses	44,246,768	14,295,955	14,082,062	72,867,292	64,282,349
Total Administrative Expenses	90,825,234	109,460,501	112,019,211	112,720,721	126,072,181
Total Expenses	135,072,001	123,756,457	126,101,273	185,588,013	190,354,530
Grant Disbursements	40,570,873	34,021,786	63,696,631	49,801,501	56,425,416
Total Outflows	175,642,874	157,778,243	189,797,904	235,389,514	246,779,946

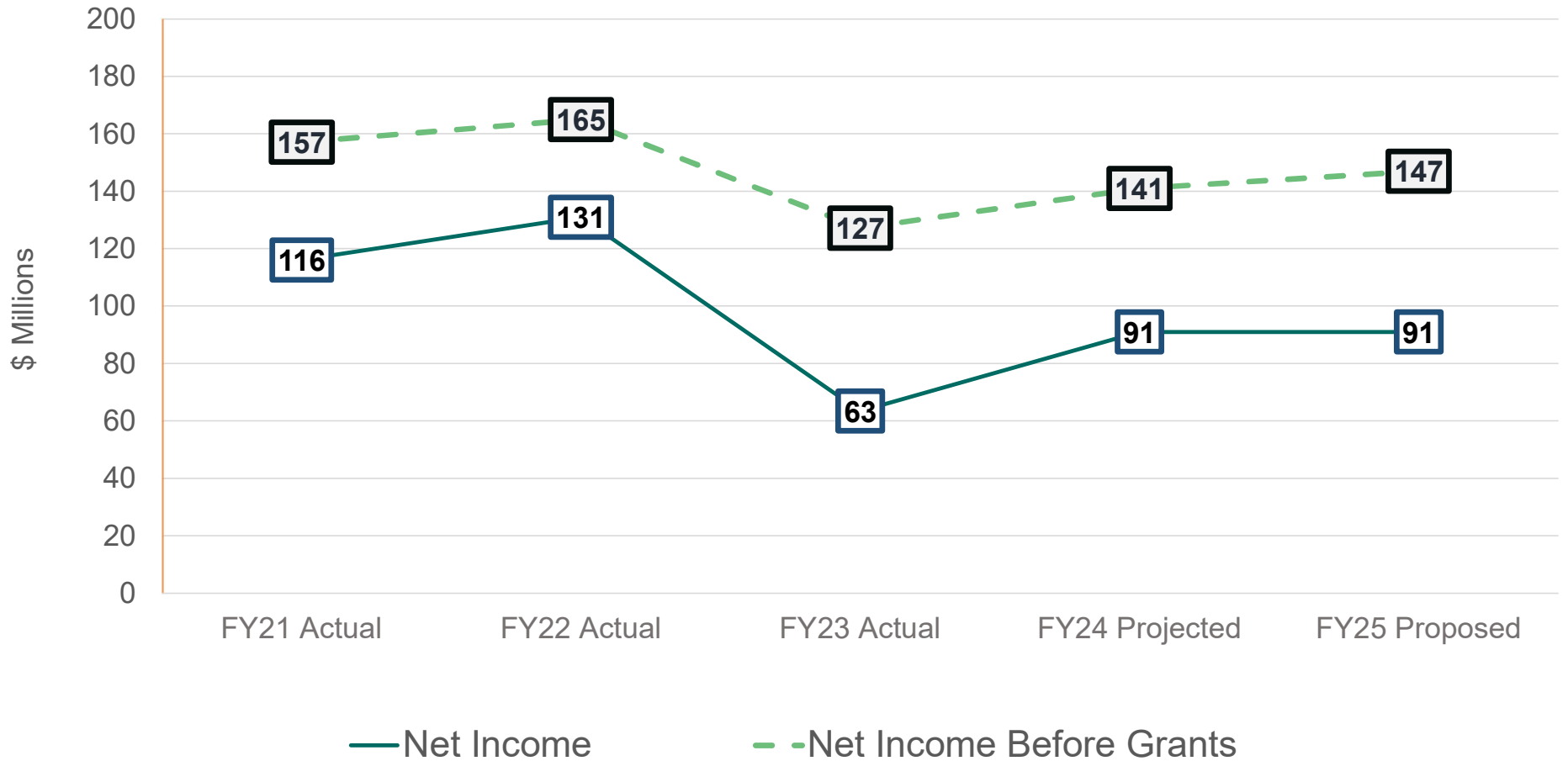
Bottom Line



Summary of Revenues and Expenses



Bottom Line



Proposed Budget

	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Projected	FY25 Proposed
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Interest income	295,244,143	292,785,880	305,138,974	339,191,447	408,431,835
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Prof'l Development & Business Travel	604,132	781,208	1,332,934	1,397,909	1,842,507
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Depreciation	3,838,816	3,689,674	3,674,026	2,553,705	1,896,784
Total Administrative Expenses	90,825,234	109,460,501	112,019,211	112,720,721	126,072,181
Total Expenses	135,072,001	123,756,457	126,101,273	185,588,013	190,354,530
Excess Revenues Before Grants	156,622,733	164,974,204	127,151,950	141,134,340	147,078,560
Grant Disbursements	40,570,873	34,021,786	63,696,631	49,801,501	56,425,416
Excess Revenues After Grants	116,051,860	130,952,418	63,455,319	91,332,839	90,653,144

Budget Briefing Summary

The FY25 Proposed Budget

is a tool that enables Virginia Housing to establish quantifiable financial targets, to prioritize tasks, and to allocate resources wisely to meet the challenge of providing Virginians a home.

THANK
YOU

Happy to take any questions



Adjournment
