MaineHousing

Maine State Housing Authority

2012 ANNUAL REPORT

The mission of the
Maine State Housing Authority
is to assist Maine people to obtain and maintain
decent, safe, affordable housing and services
suitable to their unique housing needs.

In carrying out this mission,
MaineHousing will provide leadership,
maximize resources, and promote partnerships
to develop and implement sound housing policy.

Message from Board Chairman & Director

To Governor LePage and Banking Superintendent LaFountain

Director John Gallagher and Board of Commissioners Chairman Peter Anastos.

"Transformation" is the word that best describes MaineHousing in 2012.

MaineHousing welcomed five new members to its Board of Commissioners in the last months of 2011, and their hands-on approach to find efficiencies and streamline operations was met with kudos from partner organizations and brought headlines from Maine to Wall Street.

For six months, MaineHousing was led by Acting Director Peter Merrill while a search was underway for a permanent director. Former Westbrook Housing Authority Director John Gallagher was named to the post in September 2012, and his extensive knowledge of the authority's financial, housing, and energy programs along with his ability to rally staff behind the agency's mission made for a smooth transition.

The end of American Reinvestment and Recovery Act (ARRA) funding came with mixed emotions. While we celebrated our successes for ranking in the top 15 of all states in utilizing the funds to spur economic growth, we recognized that the financial boost was no longer available to help our partners and customers whose needs were many.

MaineHousing made the necessary adjustments. Working with our Board of Commissioners, we engaged our affordable housing partners to develop standards to reduce the cost of affordable housing projects. We brought the Section 8 program in-house to ensure the rules were being uniformly applied. And we provided "life skills" education to chronically homeless individuals to help them transition into a home of their own.

Recognizing that we'll be asked to do more with reductions in federal and state funding in 2013, our goal is to be innovative with the funds that we have so that we can help more people. We'll look at different approaches to housing development and to providing shelter to individuals who are homeless, victims of domestic violence, or veterans. Also, we'll adjust our fixed rates on First Home mortgages to encourage prospective buyers to become homeowners.

The numbers tell only part of the story. The real impact is how housing assistance affects lives. In 2013, we intend to do more of that.

Board of Commissioners & Partners

2012 Board of Commissioners

Peter Anastos
Co-founder and Principal
of Maine Course Hospitality Group

Donald F. Capoldo, Jr.
Executive Director of Plant Memorial Home

Donald H. Gean
Executive Director of
York County Shelter Programs, Inc.

Sheryl Gregory
Real Estate Broker with Homestead Realty

Nikki McLean
Board member of the Maine People's Alliance

Lincoln J. Merrill, Jr.
President and Chief Executive Officer
of Patriot Insurance Co.

John Gallagher
Director of MaineHousing

Bruce Poliquin
Maine State Treasurer

Mark Samson
Vice President, Senior Retail
& Mortgage Banking Officer
for Mechanics Savings Bank

John C. Turner
U.S. Bankruptcy Court Trustee

Business Partners

Lead Underwriters (rotating):
Bank of America Merrill Lynch
Citigroup

Co-Managers:
J.P. Morgan
Raymond James
Morgan Stanley
RBC Capital Markets

Bond Counsel:
Kutak Rock, LLP

Trustee:
U.S. Bank National Association

Independent Auditors:
Baker, Newman & Noyes, LLC

Program Partners

MaineHousing partners with hundreds of private, non-profit, and public organizations to deliver programs and services to Maine people. Without their support and cooperation, we would not be able to reach the more than 100,000 Maine households that benefit from our programs and services each year.

Our program partners include community action agencies, mortgage lenders, real estate professionals, developers, property owners and managers, homeless and supportive housing and service providers, fuel dealers, federal housing, energy, and human services departments, Maine state government partners, and all the other organizations and people who help us to deliver affordable housing to Maine people.

Administration & Operations

Senior Management

John Gallagher, Director

Margaret Bean, Deputy Director

Peter Merrill, Deputy Director

Tom Cary, Treasurer

Norm Breitner, Director of Information Services

Dan Brennan, Director of Development

Darren Brown, Controller

Bob Conroy, Director of Asset Management

Kirsten Figueroa, Director of Energy and Housing Services

Linda Grotton, Internal Auditor

Cindy Namer, Director of Homeless Initiatives

Craig Reynolds, Director of Homeownership

Jody Rollins, Office Administrator

Linda Uhl, Legal Services Chief Counsel

Jane Whitney, Human Resources Manager

Operations

High bond rating for our revenue bonds: Higher ratings mean lower interest rates for borrowers. MaineHousing's bonds are rated AA+, one of the highest ratings possible.

Economic impact: MaineHousing programs invest more than $1 million a day in Maine's economy, most of it through private capital generated by the sale of our revenue bonds or federal grant funds.

Private investment, public purpose: MaineHousing raises capital from private investors from the sale of mortgage revenue bonds and uses it to fund programs to benefit Maine people.

Financially responsible: MaineHousing is being responsible with its own debt and financial liability by repaying our bonds with income earned from mortgages.

Self-funding operating budget: MaineHousing pays for its operations through the difference between what it owes investors and what is earned on mortgages and from federal program fees.

Program efficiency: MaineHousing runs its programs efficiently through partnerships with private, non-profit, and government organizations.

Financial Summary

Statement of Net Position *(in millions of dollars)*	2011 Year End	2012 Year End	Total % Change
Cash and investments	$422.7	$384.5	(9.0%)
Mortgage and other notes receivable	1,407.5	1,322.9	(6.0%)
Other assets	44.9	37.8	(15.8%)
Total Assets	1,875.1	1,745.2	(6.9%)
Total Deferred Outflows of Resources	29.6	26.9	(9.1%)
Deferred income	32.1	31.5	(1.9%)
Mortgage and other bonds payable	1,454.7	1,333.2	(8.4%)
Other liabilities	95.7	88.5	(7.5%)
Total Liabilities	1,582.5	1,453.2	(8.2%)
Investment in capital assets	4.3	2.3	(46.5%)
Restricted	303.8	292.3	(3.8%)
Unrestricted	14.1	24.3	72.3%
Total Net Position	$322.2	$318.9	(1.0%)

Financial Highlights

By Baker, Newman & Noyes, LLC

- As a result of program operations and financing activities, MaineHousing's net position decreased by $3.3 million or 1.0% to $318.9 million.
- Profitability was again negatively impacted in 2012 by volatile financial and mortgage loan markets and depressed short-term interest rates.
- Mortgage loan prepayments totaled $91.6 million and increased significantly in 2012 due to low market mortgage rates.
- Short-term interest rates continued to be near historically low levels throughout 2012 resulting in a further reduction in non-mortgage investment earnings.
- Debt retirements totaled $272.4 million, which resulted in substantial savings in interest expense.
- Total federal program revenues decreased by $30.2 million or 16.7% to $150.5 million due principally to the completion of programs associated with the American Recovery and Reinvesment Act (ARRA) and lower grant income for the Low Income Home Energy Assistance Program.

Constituent Services

MaineHousing.org

Website visits: 231,475
Top 3 page views:
First Home Program, subsidized housing, rental programs

Energy and Home Improvement

(Households assisted)

Central Heating Improvement Program: 699

Elderly hardship grants: 49

Home repairs: 26

Homes weatherized: 963

Homeless Initiatives

(Individuals/families assisted)

Stability Through Engagement Program (STEP): 290

Stable Lives: 409

Homeless Prevention and Rapid Re-Housing: 2,058

Homeless advocacy: 315

Eviction prevention: 92

Shelters assisted: 42

Homeownership

First Home mortgages:
318/$32.5 million

Homebuyer education classes/ attendees: 72/1,502

Housing Choice Voucher Program

Average number of households served each month: 3,976

Federal Fiscal Year 2012 County	Households Receiving LIHEAP Benefits	Total Households	Percent Receiving Benefit
Androscoggin	4,760	44,998	11%
Aroostook	5,431	31,153	17%
Cumberland	4,719	119,608	4%
Franklin	2,130	13,332	16%
Hancock	2,163	24,868	9%
Kennebec	5,034	51,986	10%
Knox	1,651	17,594	9%
Lincoln	1,322	15,440	9%
Oxford	3,653	24,821	15%
Penobscot	7,739	64,098	12%
Piscataquis	1,347	7,995	17%
Sagadahoc	946	15,274	6%
Somerset	3,764	22,428	17%
Waldo	2,485	16,893	15%
Washington	2,716	14,443	19%
York	4,798	82,149	6%
Total	**54,658**	**567,080**	**10%**

Housing Referral Helpline

Total calls: 4,966
Top 3 information requests:
Subsidized housing, homeless assistance, landlord-tenant issue

Low Income Assistance Plan

(Households assisted)

Electricity subsidy: 26,188
Oxygen/ventilation subsidy: 3,985

Low-Income Home Energy Assistance Program

(Households assisted/average benefit)

Fuel: 54,614/$458
Emergency fuel: 3,884/$361

MaineHousingSearch.org

Website visits: 58,452
Page views: 337, 226

Overview

Asset Management

MaineHousing's Asset Management activities ensure continued affordability of subsidized apartments with more than 18,127 affordable rental units in 786 properties in 2012.

Development

MaineHousing finances the development of new affordable rental housing for working families, seniors, people who are homeless, and people with special needs using federal Low Income Housing Tax Credits and other funding.

How the Low Income Housing Tax Credits are disbursed was the focus of a year-long effort to rework the Qualified Allocation Plan (QAP), the system by which projects vying for the tax credits are scored. The new QAP awards points for demonstrated cost containment measures. MaineHousing proactively worked with stakeholders to identify these opportunities, and the result was a 36 percent reduction in the total cost of developing or rehabilitating affordable housing units in the projects awarded tax credits.

Also, more than 400 new or substantially rehabilitated affordable rental units were added to the market in Maine during 2012 with help from MaineHousing, and by the end of the year an additional 422 units were committed to be built or rehabilitated.

Energy and Housing Services

Energy and Housing Services in 2012 included fuel assistance and emergency fuel assistance through the Low Income Home Energy Assistance Program (LIHEAP), and Home Weatherization and Home Repair programs.

More than 54,600 low-income families received fuel assistance, down from 63,808 in 2011. The decrease was due to a reduction in federal funds and a change in eligibility standards. Also down was the average fuel assistance benefit, from $784 in 2011 to $458 in 2012, an unwelcome result at a time when Maine experienced a harsh winter and an increase in heating oil prices, the primary fuel used to heat Maine homes.

To improve home energy efficiency and reduce dependence on fuel assistance, MaineHousing invests in home weatherization. That, too, took a hit because of the end of the American Recovery and Reinvestment Act (ARRA) and its additional program funds. In 2011, nearly 2,800 low-income homes and apartments were weatherized using a combination of funds from the U.S. Department of Energy, U.S. Department of Health and Human Services, and ARRA. In 2012, the number was 963. Weatherization of low-income homes is estimated to save 20-24% in annual fuel costs or $500 per home per year.

Homeless Initiatives

Homelessness is on the rise in Maine, and it is no longer uncommon for shelters to turn away people who are homeless. Average shelter stays are getting longer. With this in mind, MaineHousing invests not only in the operation of emergency shelters, but also in mobilizing resources to help homeless clients rapidly achieve housing stability, and in preventing homelessness before it occurs.

During 2012, MaineHousing provided $3,469,205 in Emergency Shelter Grant funds and other assistance, down slightly from $3,496,660 provided in 2011, to more than 40 emergency and domestic violence shelters throughout Maine. The shelters served 7,725 unique individuals and provided a total of 304,524 bed-nights.

Another 296 individuals or families who were homeless were provided short-term rental and other assistance to help achieve housing stability.

John Gallagher recites oath to become director of MaineHousing as administered by Acting Director Peter Merrill in October 2012. Gallagher formerly was director of Westbrook Housing Authority.

Support provided to those who received short-term rental assistance included: connections to employment and training opportunities, assistance to access medical services, information and support for applying for General Assistance, longer-term rental subsidies, and other state and federal support services.

In addition, an eviction prevention project with Pine Tree Legal Assistance provided legal assistance to 921 low-income clients at risk of homelessness, up from 764 low-income clients in 2011.

Homeownership

Maine home sales rebounded in 2012, up slightly more than 17% over the number sold in 2011, with more than 11,500 existing, single-family homes sold. The median home sales price also increased by 3 percent, from $165,000 in 2011 to $170,000.

MaineHousing captured a portion of those sales in its First Home Mortgage Program. Using investor-financed mortgage revenue bonds, MaineHousing made possible $32.5 million in First Home mortgages to 318 Maine families, down from 795 First Home mortgages totaling $96.6 million in 2011. The reduction was due to a highly competitive mortgage interest rate market in which MaineHousing could not adequately compete.

MaineHousing encourages homebuyer education as an easy and inexpensive way to help first-time homebuyers succeed at homeownership. In 2012, MaineHousing participated in programs that provided information and counseling to more than 1,500 prospective homebuyers.

To help MaineHousing borrowers succeed at homeownership, MaineHousing mortgages come with payment protection for unemployment. Payment protection helped 49 MaineHousing borrowers who lost their jobs in 2011, and helped MaineHousing keep its foreclosure rate below the state average.

Maine's home mortgages in foreclosure declined from 5.92% at year-end in 2011 to 5.58% in 2012.

In comparison, MaineHousing's own mortgage portfolio had 3.14% in foreclosure at year end 2012, down slightly from 3.25% at year-end 2011.

Housing Choice Vouchers

MaineHousing offers a Section 8 Housing Choice Voucher (HCV) Program to help low-income renters to afford market rate units. On a monthly average, 3,976 vouchers were in use in 2012, providing $25,641,789 in rental assistance for the year.

To improve HCV program control, administrative efficiency, and customer service, MaineHousing brought the program in-house in 2012. Historically, MaineHousing offered the HCV program through local agents.

Asset Management

	2011 Year End	2012 Year End
Properties/units in portfolio	810/18,239	786/18,127
Project Based Section 8 (PBCA) Portfolio		
HUD PBCA Portfolio Units	4,324	5,053
HUD PBCA Portfolio Subsidy Disbursed	$35,819,440	$40,906,320
MaineHousing PBCA Portfolio Units	3,605	3,036
MaineHousing PBCA Portfolio Subsidy Disbursed	$29,608,847	$23,903,046

Homeownership

	2011 Year End	2012 Year End
MaineHousing Mortgages	795/ $96.6 million	318/ $32.5 million
Average loan amount	$121,526	$102,358
Loans in pipeline	79/ $7.4 million	93/ $9.4 million
Types of Mortgages		
Mobile Home Self-insured	45/ $2.98 million	53/ $3.74 million
Purchase Plus Improvement	91/ $9.61 million	39/ $4.03 million
Types of Mortgage Insurance		
Federal Housing Administration	150/ $18.33 million	45/ $4.85 million
Rural Economic & Community Development	513/ $64.48 million	173/ $19.24 million
Self-insured	45/ $2.98 million	53/3.74 million
Uninsured	51/ $5.97 million	32/ $2.98 million
Veterans Administration	36/ $4.86 million	15/ $1.74 million
Homebuyer Education		
Classes/attendees	112/ 2,312	72/ 1,502

Development

	2011 Year End	2012 Year End
Projects/units completed		
Family projects/units	5/263	7/160
Family projects total cost per unit	$176,150	$155,574
Senior projects/units	4/138	8/257
Senior projects total cost per unit	$155,767	$209,529
Supportive projects/units	7/44	3/18
Total complete projects/units	16/445	18/435
Projects/units committed		
Family projects/units	3/26	9/257
Senior projects/units	5/148	6/165
Supportive projects/units	0	0
Total committed projects/units	8/174	15/422
Projects/units in pipeline (excluding those committed in 2012)		
Family projects/units	13/374	16/381
Senior projects/units	7/217	11/312
Supportive Housing projects/units	16/69	12/87

Energy and Housing Services

Low-Income Home Energy Assistance Program (LIHEAP) (October 1 - September 30)	**FFY 2011**	**FFY 2012**
Fuel assistance (includes $5 benefits)		
Households assisted/average benefit	63,808/$784	54,614/$458
Funds paid out	$49,670,028	$24,994,752
Emergency fuel assistance		
Households assisted/average benefit	4,946/$327	3,884/$361
Funds paid out	$1,616,878	$1,402,860
Fuel Assistance and ECIP Admin (both MH/CAAs)	$4,650,687	$3,519,267
Low Income Assistance Plan (electricity, other) (October 1 - September 30)		
Households assisted - electricity subsidy	29,917	26,188
Households assisted - oxygen/ventilation subsidy	included in above	3,985
Expenses	$7,743,914	$8,367,357
Weatherization (unduplicated, excluding CHIP/CTE)	**2011 Year End**	**2012 Year End**
Households assisted	2,799	963
Weatherization expenses	$18,099,708	$6,336,553
Central Heating Improvement Program (CHIP)		
Households assisted	1,137	699
CHIP expenses (includes MH/CAAs Admin)	$2,677,560	$1,555,046

Home Repair Program (January 1 - December 31)	**2011 Year End**	**2012 Year End**
Home repairs	18	26
Program Dollars/Fees	$284,255/ $46,260	$385,037/$49,075
Average project cost/average MaineHousing cost	$16,988/ $15,792	$14,820/ $14,809
Home Retro (Alpha One)	28	0
Program Dollars/Fees	$290,992/ $67,200	$0
Average project cost/average MaineHousing cost	$10,382/ $10,382	$0
Elderly hardship grants	30	49
Program Dollars/Fees	$134,127/ $24,000	$204,248/
Average project cost/average MaineHousing cost	$5,397/ $4,471	$4,205/ $4,168
Septic Repair and Replacement Program		
Households assisted	3	4
Program Dollars/Fees	$19,860/ $1,500	$24,757/ $2,000

Homeless Initiatives

	2011 Year End	2012 Year End
Financial support for shelters	$3,496,660	$3,469,205
Shelters assisted	43	42
Shelter beds/total bednights	911/ 305,236	962/318,808
Rental Assistance Coupon Plus (RAC +)		
New households assisted/total households assisted	6/ 174	0/38
Average cost per coupon	$5,300	$3,400
Stability Through Engagement Program (STEP)		
New households assisted/total households assisted	112/112	223/290
Average cost per coupon	$2,300	$3,000
Stable Lives		
Households assisted/average cost	Program new in 2012	409/$147
Homeless Advocacy		
Households assisted/average cost	Program new in 2012 - replaces HPRP advocacy	315/$238
Homeless Prev. & Rapid Re-Housing (HPRP)	$1,741,742	$281,439
Households screened for assistance	2,547	2,058
Homeless advocacy (eviction prevention)	764	921

Housing Choice Voucher

	2011 Year End	2012 Year End
HCV subsidy disbursed	$25,504,069	$25,641,789
Average households served per month	3,952	3,976
MaineHousing vouchers as % of total ME vouchers	33%	33%
Housing Assistance Payment (HAP) per voucher	$538	$537
Family Self Sufficiency Program Participants	63	54

Loan Servicing

	2011 Year End	2012 Year End
Single Family		
Single family loan portfolio	$980,259,797	$899,788,247
Number of single family loans	12,639	11,935
Home improvement loan portfolio	$3,776,627	$2,803,309
Number of home improvement loans	852	601
Delinquency rate (60+ days) single family loans	9.28%	11.20%
Delinquency rate (60+ days) home improvement loans	15.29%	18.88%
Foreclosures approved	115	60
Foreclosures prevented	50	16
Average loss on defaulted single family loans	$31,783	$24,869
Average loss on REO disposals	$28,861	$28,490
Maine HOPE Program (households/benefits)	71/ $221,873	47/$146,192
Multifamily		
Multifamily loan portfolio	$486,421,972	$487,638,082
Number of multifamily loans	1,019	1,009
Delinquency rate (60+ days) multifamily loans	1.21%	1.65%

MaineHousing
Maine State Housing Authority
353 Water Street, Augusta, Maine 04330
1-800-452-4668, Maine Relay 711
www.mainehousing.org
For more information,
contact Director John Gallagher
or Deputy Director Peter Merrill
at 207-626-4608

Maine State Housing Authority ("MaineHousing") does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, physical or mental disability, age, familial status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age, physical or mental disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Louise Patenaude, Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.

EQUAL HOUSING OPPORTUNITY