

IOWA FINANCE AUTHORITY

PERFORMANCE REPORT

Performance Results Achieved
for Fiscal Year 2005

TABLE OF CONTENTS

<i>SECTION</i>	<i>PAGE</i>
INTRODUCTION	3
AGENCY OVERVIEW	4
IFA ISSUER CREDIT RATING	8
STRATEGIC PLAN RESULTS	15
PERFORMANCE PLAN RESULTS	
Core Function: Housing, Home Ownership – Single Family Loan Portfolio.....	16
Core Function: Housing, Home Ownership	17
Core Function: Housing, Affordable Rental – Housing Wage.....	19
Core Function: Housing, Affordable Rental – MultiFamily Loan Portfolio	20
Services/Products/Activities	21
Core Function: Community and Economic Development – Main Street Loans	33
Core Function: Community and Economic Development – Community Development Lending	34
Core Function: Title Guaranty	35
Services/Products/Activities	36
Core Function: Resource Management.....	37
Services/Products/Activities	38
Core Function: State Revolving Fund.....	44
Services/Products/Activities	45
AGENCY CONTACTS	47
APPENDIX	48



The board and staff of the Iowa Finance Authority (IFA) are pleased to present this fiscal year 2005 Performance Report. This report is intended to satisfy the requirements of both Iowa Code 8E.210 (Accountable Government Act reporting) and Iowa Code 16.7 (Iowa Finance Authority annual report).

What started in 1975 as a small three-person shop has grown into a self-funding entity with more than 80 employees who deliver on programs and initiatives important to the daily lives and well-being of Iowans.

As an instrumentality of the state with separate and distinct powers, IFA manages \$1.5 billion in assets related to home ownership, affordable rental housing and water quality infrastructure.

IFA attained an important milestone in September 2004 when Standard and Poor's Rating Services (S&P) assigned the organization an Issuer Credit Rating of AA-. According to S&P, "this high rating reflects IFA's sound fiscal operations, stable management, and a high quality/low-risk composition of assets." IFA is the smallest housing finance agency in the nation to earn such a high rating, as only eight other state housing finance agencies are rated higher.

Thanks to the commitment and efforts of current and former employees and board members, IFA is well positioned to maintain and strengthen its efforts on behalf of Iowa communities and citizens.

Sincerely,

Bret L. Mills
Executive Director

Thomas J. Vilsack
Governor

Sally J. Pederson
Lt. Governor

Bret L. Mills
Executive Director

BOARD MEMBERS

Vincent Lintz
Chair

Steven Adams

Kay Anderson

Virginia Bordwell

Carmela Brown

Roger Caudron

Heather Kramer

Richard Wright

Douglas Walter

**100 East Grand Avenue
Suite 250
Des Moines, Iowa 50309**

MAIN OFFICE

**515.242.4990
800.432.7230
fax 515.242.4957**

SECTION 8 OFFICE

**515.242.0259
877.428.0634
fax 515-242-0217**

TTY

515.242.4864

www.ifahome.com

AGENCY OVERVIEW

The Iowa Finance Authority was established in 1975 with the purpose of advancing affordable housing in the state. Since then, IFA's role has expanded considerably. In addition to funding and administering housing programs that address a range of housing needs, IFA also issues tax-exempt bonds to finance a variety of economic development activities and infrastructure projects. In 1985, IFA's Title Guaranty Division was established.

Vision: IFA will improve the quality of life for Iowans by providing affordable housing opportunities and financing community and economic development.

Mission: To finance, administer, advance and preserve affordable housing and to promote community and economic development for Iowans.

Guiding Principles: These core values describe how IFA conducts itself in carrying out its mission:

- Customer Focus
- Results Orientation
- Long-range Thinking
- Data-based Decisions
- Continuous Improvement
- Collaborative Leadership
- Employee Participation
- Financial Responsibility and Integrity

Core Functions: IFA performs its mission through the following activities:

Housing – Provide opportunities for Iowans to obtain and maintain safe, affordable and accessible housing.

Community and Economic Development – Provide low-cost financing for community and economic development projects.

Title Guaranty – Offer a low-cost mechanism to guarantee title to real property in Iowa, working with attorneys and lenders throughout the state to ensure the integrity of the land title transfer system and facilitate transactions in the secondary mortgage market.

Resource Management – Provide timely and accurate services and infrastructural needs to agency staff, housing partners, and other state agencies economically.

State Revolving Fund – Provide financing for loans to Iowa communities for clean water and drinking water projects.

Programs: IFA executed its core functions through the following programs and services in FY05:

FirstHome provides affordable mortgage financing to qualified homebuyers. IFA issues tax-exempt mortgage revenue bonds to fund the program, and mortgage loans are provided to borrowers through more than 400 participating lenders across the state. In FY05, IFA purchased 2202 *FirstHome* loans totaling \$167.7 million.

In April 2005, IFA revamped its *FirstHome Plus* program to provide cash assistance of up to 3 percent of the mortgage amount for down payment and closing costs. In FY05, IFA provided

FirstHome Plus assistance totaling more than \$3.0 million to 1,686 homebuyers.

Through the *Low-Income Housing Tax Credit Program*, IFA allocates federal tax credits to developers of affordable housing. These credits provide a dollar-for-dollar reduction to an investor's federal tax liability on ordinary income. The credits are awarded annually on a competitive basis. Tax credit interest is sold to investors to generate equity for the housing developments. The Internal Revenue Service annually allocates tax credits to states based on their populations.

In FY05, more than \$4.75 million in Low-Income Housing Tax Credits will result in the production of 642 units, including 87 for people with disabilities and 132 for older Iowans.

The *Multifamily Loan Program* seeks to preserve the existing supply of affordable rental units at risk of being lost, and to foster the production of new affordable rental units in Iowa. In FY05, IFA closed two loans totaling \$490,000.

The *Single Family Construction Loan Program* provides low-interest loans for new construction or acquisition/rehabilitation of affordable owner-occupied, single-family homes. It also provides incentives for sale to low-income households and targets hard-to-develop rural communities and the inner city. In FY05, IFA advanced \$852,657 to construct 14 homes in five communities.

The *State Housing Trust Fund* is held at IFA, with 60 percent of available funds allocated to local housing trust funds and 40 percent of funds allocated to project-based housing programs. In FY05, IFA awarded \$1.05 million to local housing trust funds and project-based housing programs.

Governor Vilsack created the *Iowa Council on Homelessness* in 2003, naming IFA as the lead agency for coordinating the Council's activities. In FY05, the 30-member group took on two major projects. First, it participated in a national Point-In-Time Homeless Count on January 25, 2005. Taking part in this important study meant the Council was able to apply for nearly \$5 million in funds on behalf of local homeless service providers from the U.S. Department of Housing and Urban Development. Also in FY05, the Council commissioned the Mt. Vernon, Iowa-based Iowa Policy Project to conduct a "Multi-Staged Enumeration of and Analysis of Iowa's Homeless Population." Supported by various agencies, this study is a first-time attempt to thoroughly inventory the demographics of Iowa's homeless population.

The *Main Street Mortgage Loan Program* provides low-interest loans to borrowers in Iowa Main Street Communities for downtown infill and upper-story rehabilitation, in cooperation with the Iowa Department of Economic Development. In FY05, IFA advanced \$79,420 for rehabilitation projects in Spencer and Elkader.

IFA holds a performance-based *Section 8 Program* contract with the U.S. Department of Housing and Urban Development to provide oversight of select Section 8 properties in Iowa. The contract covers 239 properties providing affordable housing to 12,058 low-income Iowans in 75 counties. In FY05, IFA earned \$1.54 million in administrative fees and \$770,474 in incentive fees from HUD.

The *Guard and Reserve Homebuyer Benefit Program* was launched in March 2005 with a \$1.05 million state allocation with administration by IFA and the Iowa

National Guard. This program provided dollar-for-dollar matching grants up to \$5,000 toward the purchase of a home to military personnel who served or serve on active duty between September 11, 2001 and June 30, 2006. Members of the National Guard, Reserve or Active Duty Components of the Armed Forces were eligible for funds. In little more than eight months, the program had allocated its final dollars, helping 237 service members buy homes in 108 Iowa communities. Iowa is the only state that has offered this type of program for its military personnel.

The *Senior Living Revolving Loan Fund* provides first mortgage financing to recipients of Low-Income Housing Tax Credits for the construction of affordable assisted living facilities and service-enriched housing for low-income people with disabilities. In FY05, IFA approved three loans for a total of almost \$2.6 million.

In FY05, IFA made its first awards from the *Home and Community-Based Services Revolving Loan Fund* that was created in 2004. The loans are meant to develop and expand facilities and infrastructure that provide adult day services, respite services, and congregate meal sites for low-income Iowans. Two loans were approved in FY05 totaling \$1.4 million.

Since 1996, the Home and Community Based Rent Subsidy Program has provided temporary rental assistance to people who receive medically necessary services through Medicaid waivers until the person becomes eligible for a Housing Choice voucher from the U.S. Department of Housing and Urban Development or any other kind of private or public rent subsidy.

In 2005, IFA took over the administration of the program through a 28E agreement with the Iowa Department of Human Services. This program provided \$686,787 in rent subsidy to 446 people during FY05.

The Aftercare Rent Subsidy Program provides financial assistance for youth who are aging out of foster care and are participants in the Aftercare Services Program. The program's goal is to teach Iowa youth independence, life skills, and renter rights and responsibilities. In 2004, IFA began administering this program through a 28E agreement with the Iowa Department of Human Services.

Other Housing Assistance Programs
In FY05, IFA provided financing for a variety of local housing development activities:

- \$300,000 in loans to 12 Habitat for Humanity of Iowa affiliates.
- \$2,000 grant for Habitat for Humanity of Iowa to hire an intern.
- \$50,000 in capacity building grants to the Tri-County Housing Trust Fund in Stratford and the Dallas County Board of Supervisors.
- \$25,000 to support the mission of the Iowa Homeownership Education Project.

The *Economic Development Loan Program* furthers the development and expansion of business, nonprofit organizations and housing within Iowa. Since 1982, IFA has issued more than \$2 billion in tax-exempt bonds, the proceeds of which are loaned to borrowers to finance qualified projects. In FY05, IFA provided \$63,660,000 to four projects in various locations around the state.

A Division of IFA, *Title Guaranty (TGD)* is the state's low-cost mechanism for guaranteeing title to real property. In FY05, *Title Guaranty* enjoyed another successful year, as it transferred \$2.8 million in surplus revenues to IFA in support of affordable home ownership programs, primarily, the *FirstHome* and *FirstHome Plus* programs. Title Guaranty also issued 43,120 certificates, covering nearly \$5 billion worth of Iowa real estate. Since its inception, TGD has transferred more than \$32 million to IFA to supplement affordable housing programs.

IFA and the Iowa Department of Natural Resources jointly administer the *State Revolving Fund* for clean water, introduced in 1996. The fund, capitalized by the U.S. Environmental Protection Agency grants, provides low-cost financing for community drinking water and wastewater improvement projects. In FY05, IFA issued 32 new clean water loans for \$43.6 million and 29 new drinking water loans for \$33.8 million.

Organizational Structure: IFA is governed by a 9-member board. The Title Guaranty Division has a separate 5-member board. Members of both boards serve staggered 6-year terms. Board members and IFA's executive director are appointed by the Governor and confirmed by the Iowa Senate:

IFA Board

Vincent Lintz (Chair), Windsor Heights
Steve Adams, Red Oak
Kay Anderson, LeMars
Virginia Bordwell, Washington
Carmela Brown, Urbandale
Roger Caudron, Sioux City
Heather Kramer, Marion
Douglas Walter, Bettendorf
Richard Wright, Des Moines

TGD Board

Mitchell Taylor (Chair), Burlington
Catherine Hult, Bettendorf
Walter Murphy, New Hampton
Berneil Preul, Denison
Surasee Rodari, Des Moines
The agency has 87 employees organized in three divisions: IFA general (programs and administration) Section 8 and TGD.

Publication date: 03-Jan-2006
Reprinted from RatingsDirect

Iowa Finance Authority; Housing, General Obligation

Primary Credit Analyst: Karen Flores, San Francisco (1) 415-371-5018; karen_flores@standardandpoors.com
Secondary Credit Analyst: Jeanie Yarbrough, Dallas (1) 214-871-1420; jeanie_yarbrough@standardandpoors.com

Credit Profile

AFFIRMED

Iowa Fin Auth ICR
AA-

OUTLOOK:
STABLE

Rationale

Standard & Poor's Ratings Services affirmed its 'AA-' issuer credit rating (ICR) on Iowa Finance Authority (IFA). The rating is based on the following strengths:

- The very high quality and very low-risk profile of IFA's asset base;
- Improving financial performance;
- High debt rating (around 96% rated 'AAA') and minimal GO debt exposure;
- Stable and strong management team;
- Strong legislative support; and
- Rebounding state economy.

IFA's asset base of \$755 million as of June 30, 2005, is the smallest among all housing finance agencies (HFAs) with ICRs rated by Standard & Poor's. Nonetheless, IFA's asset base is of very high credit quality and low risk. The single-family program's assets are predominantly in the form of Ginnie Mae and Fannie Mae MBS, and its multifamily loan issuance is minimal. IFA's strong asset portfolio is complemented by its sound equity position (more than 19% of assets) and improving financial performance (see Table 3). IFA has a strong management team that has repeatedly proven to be proactive and successful in meeting its mission of financing affordable housing for residents of the state of Iowa. In addition, the management team has a strong and mutually beneficial working relationship with the state Legislature.

The authority also administers, in partnership with the Iowa Department of Natural Resources, the State Revolving Fund (SRF), which issues tax-exempt bonds to finance wastewater and drinking water facilities. The SRF bonds are rated 'AAA' based on the large size and diversity of the SRF program's loan portfolios, program coverage and reserve levels, structural features, and a management team with a proven track record. Standard & Poor's analysis of the authority's ICR excludes the activities of SRF, as its funds are legally obligated to the program and hence do not contribute to IFA's finances.

IFA's title guaranty division (TGD) was established in 1985 to guarantee title to real property in Iowa. The TGD is considered when evaluating IFA's ICR, as surplus funds from TGD, in accordance with state code, are available to support IFA's affordable housing activities. In fiscal 2005, TGD transferred \$2.8 million to IFA's housing assistance program funds. The risk associated with title guaranty to IFA's ICR is viewed as minimal, as adequate reserves and reinsurance are in place to cover potential claims.

Outlook

The stable outlook reflects IFA's improving financial performance given the authority's

aggressive five-year strategic plan, which involves increasing its asset base to 140% of fiscal year-end 2003 levels. As expected, rapid growth in assets has led to declining leverage ratios, but Standard & Poor's does not view this as a concern given the authority's low-risk profile. Furthermore, the authority's strong relationship with state government, combined with the state's rebounding economy, should provide an environment that will enable IFA to carry out its mission and achieve its goals. The outlook reflects Standard & Poor's expectation of sustained financial performance and strong management, positioning the authority for an upward rating action should positive trends continue.

Asset Quality

IFA's asset base, the smallest of all rated HFAs, has grown by a considerable margin of about 68% over the past five years, and by about 10% in fiscal 2005 alone. As of June 30, 2005, IFA had a strong asset base totaling \$755 million, consisting of single-family MBS (68%), investments (28%), and other loans receivable. The proportion of MBS and other mortgage loans in the asset portfolio has risen to 71% in 2005 from 48% of total assets in 2000, largely due to the authority's strategic plans to expand its asset base and increase profitability. At the end of fiscal 2005, IFA's loan portfolio consisted of single-family Ginnie Mae and Fannie Mae MBS (96%), and single-family whole loans and multi-family loans (4%). IFA's single-family MBS portfolio has more than doubled in size since 2001 and has increased by around 28% over 2004, due to an increase in loan origination and thus the amount of MBS purchased.

IFA's loan portfolio is extremely low risk due to the authority's conservative approach to collateral. As of June 30, 2005, more than 98% of IFA's single-family loans were backed by Ginnie Mae and Fannie Mae MBS. As expected, delinquencies and non-performing assets as of June 30, 2005 were negligible, given the low risk associated with IFA's loans. Since MBS guarantee payment on the underlying loans, no reserves are required. However, for the remaining loans, IFA has provided reserves to cover potential credit losses on the portfolio. These loans are performing well and have sufficient excess assets that cover any credit shortfall or liquidity issues.

IFA's investments as of June 30, 2005 were of sound credit quality, primarily consisting of government securities and investment agreements with 'AA-' or higher rated providers. Management takes a conservative approach to the oversight and monitoring of the authority's investments. IFA's investment income has steadily declined to just 15% of total revenues in 2005 from 35% in 2001, mainly due to low interest rates and the reduction in the percentage of investments to total assets to 28% in 2005 from 45% in 2001. Despite these drops, the authority's investments are sufficiently liquid, with more than 75% of them maturing in one year or less.

Earnings Quality And Financial Strength

Total revenues have increased steadily since 2000, with an upsurge of 21% in fiscal 2005. However, net income has fluctuated due to lower yields on loans and investments, higher operating expenses, and increasing interest expenses for bonds as IFA implements its strategic plan for growth. In addition, there have been fluctuations in the figures of grants received and disbursed over the past few years. In 2005, net income more than doubled from the previous year's level to \$9.7 million, the highest since 1997. IFA's core business of issuing bonds to finance below-market rate, single-family mortgages continues to generate stable revenues. IFA also administers the private activity volume cap allocated to certain private activity bonds, and therefore acts as a conduit bond issuer for various types of financing within the state, but does not report this function in its financial statements. These activities enable the authority

to earn fee-based revenue without adding to its risk profile as a housing agency.

After a two-year decline, IFA's profitability as measured by return on assets (ROA) improved to 1.35% in 2005 from 0.68 in 2004. This is mainly attributed to an increase in receipts received from state appropriations, a significant proportion of which is held in revolving loan funds. Furthermore, IFA's net interest margin (NIM) strengthened to 1.22% in 2005 from 0.98% in 2004. However, though its NIM is lower than in previous years, it is not an area of concern given the limited risk profile of the authority's existing asset base. As detailed in Table 2, the five-year average of the authority's profitability ratios are higher than those of its 'AA-' rated peers, exhibiting its strong financial performance.

IFA's equity position has increased by approximately 7% over the past year to \$145 million in 2005, representing 19.27% of total assets. However, unlike other HFAs, this ratio has declined steadily from 26.61% in 2000 as a result of the rapid increase in assets in accordance with the authority's strategic plan. The authority's equity base is adequate, however, to support its low-risk profile, and reflects the authority's significant financial strength. After adjusting for potential losses, the division's sound unrestricted equity as a percentage of debt far exceeds Standard & Poor's threshold of 4% and its liquid assets are also well in excess of 2% of mortgage loans outstanding. IFA's sound capital adequacy ratios continue to indicate good management and a prudent use of authority resources.

Debt

As of June 30, 2005, IFA's debt outstanding totaled \$583 million, up 11% over the preceding year and the highest level since the 1990s. Of the total, around 96% are single-family bonds with the remainder in multifamily bonds. IFA has \$125 million variable-rate, single-family bonds outstanding, representing more than 21% of total debt. The use of variable-rate debt has allowed the authority to reduce its cost of debt and originate mortgage loans at competitive interest rates. The authority has utilized interest rate swaps and interest rate caps to hedge most of its floating-rate exposure. All single-family bonds issued since 1991 under the single-family MBS resolution, constituting more than 99% of the total single-family bonds and around 96% of total debt, are rated 'AAA', reflecting the extremely high quality of pledged collaterals consisting of Ginnie Mae and Fannie Mae MBS, the strong credit quality of investments, and cash-flow sufficiency. The remaining single-family bonds that are backed by single-family whole loans and the multifamily bonds (series 1978A) are rated 'AA' based on the strength of the excesses under the separate indentures. Under the series 1978A bond issue, loans are no longer outstanding and the bonds are solely secured by government obligations escrowed through bond maturity in 2021. Although IFA's GO is pledged to four out of the six parity resolutions outstanding, 96% of the bonds are held under the single-family MBS resolution, and therefore pose minimal risk to the authority's ICR. The authority's GO debt exposure ratio is 3.5%, ranking "low" on Standard & Poor's leverage scale for state HFAs.

Approximately 33% of the total debt was issued at variable interest rates. IFA has partially hedged its variable-rate risk exposure on the bonds through floating-to-fixed rate swaps and interest rate caps with providers rated at least 'A+'. IFA currently has 8 swaps and 2 caps outstanding to hedge the variable-rate debt associated with single-family bonds. Following a review of IFA's swaps and caps, Standard & Poor's assigned the agency a debt derivative profile (DDP) of '2' on a five-point scale, where '1' represents the lowest risk.

The overall score of '2' reflects:

- Two highly rated swap counterparties;
- Average economic viability of the swap due to the hedge rate being 68% of LIBOR;
- Low termination risk; and
- Good management oversight.

Standard & Poor's is not factoring in the value at risk as a contingent liability at this time due to the remoteness of involuntary termination.

Management

The authority is governed by a nine-member board appointed by the governor with the approval of two-thirds of the members of the state senate. The board is backed by an experienced professional staff consisting of 87 full-time employees, headed by an executive director who assumed office in 2005. The executive director had served as the chief financial officer of the authority since 2003 when appointed, and was involved in the initial implementation of the authority's strategic plan. The succeeding chief financial officer had served as general counsel for the authority since 2001 before being appointed to his new position. Senior management has an average tenure of five years. IFA's strong and capable management actively seeks to improve financial performance and programmatic operations.

Management is currently in the middle of increasing the scope of its mission to provide affordable housing within the state. The authority's five-year strategic plan calls for rapid growth by increasing the size of its single-family program, implementing a new multifamily program that would add a goal of \$40 million in new production, increasing profitability while expanding the size of the authority, and developing other sources of revenue that will continue to keep IFA on track with its mission. Standard & Poor's views the strategic planning and its capital adequacy study as evidence of strong management. It is expected that IFA's management will be capable of balancing growth while maintaining its overall strength.

Standard & Poor's views IFA's relationship with the state as highly positive and expects this relationship to continue. The state recently approved about \$10 million in appropriations for various programs run by IFA: senior living revolving loan fund, home- and community-based revolving loan fund, transitional housing for substance abuse revolving loan fund, entrepreneurs with disabilities program, and a guard/reserve homebuyer assistance program. In addition, the state approved a change to Iowa law concerning property taxes to allow the authority to refinance section 202 multifamily loans, thereby increasing IFA's flexibility, which is necessary to expanding its scope of business.

The current governor is a strong proponent of IFA and has demonstrated support for the authority. This is evidenced by his vetoes of attempts by the state Legislature in 2001 and 2003 to require IFA to contribute funds from its general fund balances to help the state handle budgetary stress. Fund balance raids weaken an HFA's financial strength and represent a risk that is largely out of the control of agency management. They also can represent dissatisfaction at the state level with the performance of the HFA. While it must be recognized that the state's financial condition can affect IFA, or any HFA, IFA has taken steps over the last few years to cultivate relationships with state legislators and increase awareness of IFA's programs and mission.

IFA has been engaged by the state over the years to take on non-housing related activities, including serving as one of the state's primary bond issuing authorities. IFA's close relationship with the state is also evident through its role as administrator for the SRF, in partnership with the Iowa Department of Natural Resources, and its role as the state's allocating agency for low-income tax credits. In addition to its active single-family program, IFA manages a number of housing development and rehabilitation programs designed to provide affordable housing and improve existing housing stock.

Economy

Iowa's economy is gradually rebounding from the national recession of 2001. Strong growth in most of the state's industries has accelerated employment expansion. Consequently, the current employment rate is higher than the previous year's level and just 1% below its pre-recession peak, while the unemployment rate at 4.5% is well below the averages for both the Midwest and the U.S. Robust industrial performance and employment growth have helped improve personal incomes and household finances. However, the rate of personal bankruptcy filings in Iowa is rising, albeit the incidence of bankruptcy in the state is still much lower than in the Midwest or U.S.

Iowa's housing affordability index is the second highest in the U.S., indicating that the housing boom that resulted in sharp house price appreciation in most areas of the country has largely evaded the state's housing market. In the first quarter of 2005, single-family house prices appreciated 5.3% compared with the same period in 2004, which is less than half of the rate of house-price growth nationwide. Neither single-family nor multifamily markets performed well in 2004, as the number of residential permits declined over the previous year, and are forecasted to decline through 2009. Furthermore, the number of mortgage originations declined by 30% in 2004 to 11,550, and are forecasted to continue declining significantly over the next four years. Housing prices also increased over the past year and are forecasted to continue to grow through 2008, despite the slowdown of originations. This appreciation, combined with the stable economy, should continue to create a need for affordable housing in the state.

Table 1 Iowa Finance Authority Financial Ratio Analysis

	2001	2002	2003	2004	2005	5-Year Average
Profitability (%)						
Return on average assets	(0.05)	1.42	0.95	0.68	1.35	0.87
Return on assets before loan loss provision and extraordinary item	0.13	1.34	1.00	0.67	1.45	0.92
Net interest margin	1.82	1.50	1.20	0.98	1.22	1.34
Asset Quality (%)						
Nonperforming assets/total loans and real estate owned	0.00	0.00	0.00	0.05	0.08	0.03
Loan loss reserves/total loans and MBS	0.00	0.00	0.75	0.45	0.42	0.32
Loan loss reserves/nonperforming assets	0.00	0.00	0.00	1,000.63	520.13	304.15
Leverage (%)						
Total equity/total assets	24.93	22.18	19.63	19.84	19.27	21.17
Total equity and reserves/total loans and MBS	45.16	37.89	32.87	31.11	26.87	34.78

Liquidity (%)

Total loans and MBS/total assets	55.19	58.52	58.38	62.84	70.63	61.11
----------------------------------	-------	-------	-------	-------	-------	-------

Table 2 Five-Year Average Financial Ratios (2000-2004)

	IFA	All 'AA-' HFAs	All 'AA' HFAs	All 'A+' HFAs	All HFAs
Profitability (%)					
Return on average assets	0.87	0.71	1.08	0.53	0.85
Return on assets before loan loss provision and extraordinary item	0.92	0.81	1.18	0.58	0.99
Net interest margin	1.34	1.31	1.70	0.78	1.37
Asset Quality (%)					
Nonperforming assets/total loans and real estate owned	0.03	1.89	2.36	2.56	2.09
Loan loss reserves/total loans	0.32	1.19	2.43	0.84	1.53
Loan loss reserves/nonperforming assets	304.15	82.04	103.10	28.28	194.04
Leverage (%)					
Total equity/total assets	21.17	13.78	19.01	9.21	14.84
Total equity and reserves/total loans	34.78	23.39	30.21	14.56	23.87
Liquidity (%)					
Total loans/total assets	61.11	64.84	69.70	68.85	67.75

Table 3 Iowa Finance Authority Trend Analysis

	2001	2002	2003	2004	2005
Total assets (\$000s)	449,921	563,855	667,798	684,461	754,715
% change	5.64	25.32	18.43	2.50	10.26
Total debt (\$000s)	315,663	414,019	511,552	522,321	583,944
% change	7.50	31.16	23.56	2.11	11.80
Total equity (\$000s)	112,148	125,046	131,074	135,727	145,435
% change	(1.04)	11.50	4.82	3.55	7.15
Revenues (\$000s)	34,351	38,556	41,160	46,454	55,826
% change	9.64	12.24	6.75	12.86	20.17
Net income (\$000s)	(225)	7,214	5,836	4,605	9,708
% change	(104.51)	3,106.87	(19.10)	(21.10)	110.81
Total loans and MBS (\$000s)	248,319	329,987	389,849	429,948	533,060
% change	22.09	32.89	18.14	10.29	23.98
Nonperforming assets (\$000s)	-	-	-	195	426
% change	-	-	-	-	117.93

Loan loss reserves (\$000s)	-	-	2,911	1,956	2,215
% change	-	-	-	(32.81)	13.24

This report was reproduced from Standard & Poor's RatingsDirect, the premier source of real-time, Web-based credit ratings and research from an organization that has been a leader in objective credit analysis for more than 140 years. To preview this dynamic on-line product, visit our RatingsDirect Web site at www.standardandpoors.com/ratingsdirect.

Published by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. Executive offices: 1221 Avenue of the Americas, New York, NY 10020. Editorial offices: 55 Water Street, New York, NY 10041. Subscriber services: (1) 212-438-7280. Copyright 2006 by The McGraw-Hill Companies, Inc. Reproduction in whole or in part prohibited except by permission. All rights reserved. Information has been obtained by Standard & Poor's from sources believed to be reliable. However, because of the possibility of human or mechanical error by our sources, Standard & Poor's or others, Standard & Poor's does not guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold, or sell any securities.

The McGraw-Hill Companies

STRATEGIC PLAN RESULTS

STRATEGIC PLAN

Key Strategic Challenges and Opportunities: The key challenges IFA faces result from the agency's rapid growth throughout the past five years. The addition of new programs and new employees requires continuous assessment of and improvement to internal procedures, and better communication with agency customers, stakeholders and partners. The key opportunities for IFA include leveraging and attracting more financial resources and increasing outreach to underserved Iowans.

Through its strategic planning process, IFA identified objectives to achieve its mission and fulfill its vision in the next three to five years. The strategies and activities related to these goals are addressed in the Performance Plan Results section of this report.

Goal #1: Develop and implement a multifamily lending program for construction of new and preservation of existing rental units with the goal of \$40 million in total loans over four years.

Goal #2: Profitably grow IFA's financial assets (net of fair market value) to 140 percent of FY03 level and achieve and maintain an AA rating.

Goal #3: Increase housing opportunities for underserved populations and those most in need by doubling the number of minority homeowners served by *FirstHome* and by developing or preserving 1,000 units of housing for people with disabilities.

Goal #4: Review all business processes over the next four years.

Goal #5: Maintain an AAA rating for the State Revolving Fund for Clean Water and Drinking Water, maintain an interest rate at no higher than 3 percent and maximize earnings.

Goal #6: Develop, operate and administer a statewide Housing Trust Fund.

Goal #7: Establish accountability for all programs including budgets, performance measures, return on investment, needs, etc.

Goal #8: Increase Title Guaranty Division revenues through enhanced customer service and improved promotional efforts.

PERFORMANCE PLAN RESULTS

CORE FUNCTION Housing – Home Ownership

Name: Single Family Loan Portfolio

Description: The Single Family Loan Portfolio consists of assets purchased under the *FirstHome* and *FirstHome Plus* Programs and other single family programs. The *FirstHome* program helps qualified first-time homebuyers obtain a below-market interest rate on mortgage loans. The *FirstHome Plus* program provides cash assistance to qualified borrowers to assist with down payment and closing costs and is partially funded through surplus revenue from the Title Guaranty Division.

Why we are doing this: To provide opportunities for lowans to purchase safe, affordable, and accessible housing.

What we are doing to achieve results:

- Increased *FirstHome* advertising through participating lender cooperative advertising program.
- Partnered with the Iowa Civil Rights Commission to provide home buyer education.
- Published *FirstHome* marketing materials in seven different languages.
- Increase outreach efforts to minorities by participating in community events.
- Expand uses of Single Family Endowment Fund.
- Improved *FirstHome Plus* by providing 3 percent cash assistance.
- Maintain below-market interest rate and low costs to borrowers.

Results

Performance Measure:

Single Family Loan
Portfolio

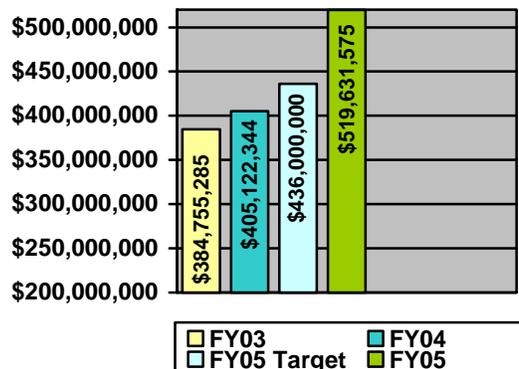
Performance Target:

\$436 million

Data Source:

Iowa Finance Authority

Single Family Loan Portfolio



Data reliability: IFA's Single Family Loan portfolio is maintained by IFA's accounting division and included in the agency's annual financial statements, which have been

audited by KPMG LLP, an independent auditor.

Why we are using this measure: This measure tracks IFA's progress in its single family housing programs.

What was achieved: The portfolio increased to \$519.6 million.

Analysis of results: The FY05 target was exceeded by \$83.6 million.

Factors affecting results: Markets, the economy, interest rates, marketing, ease of program use, and the relationship with lenders can affect results.

CORE FUNCTION Housing – Home Ownership

Name: Home Ownership

Description: Through its home ownership and rehabilitation programs, IFA promotes homeownership for all lowans.

Why we are doing this: To provide opportunities for lowans to purchase safe, affordable, and accessible housing or fund home rehabilitation efforts in Iowa communities.

What we are doing to achieve results:

- Continue competitive rates and availability of funds for lenders.
- Continued work with organizations within the affordable housing industry to provide affordable home ownership options.
- Work to coordinate with Iowa Department of Economic Development's federal funds in the OurHome Rehabilitation Program in FY06.

Results

Performance Measure:

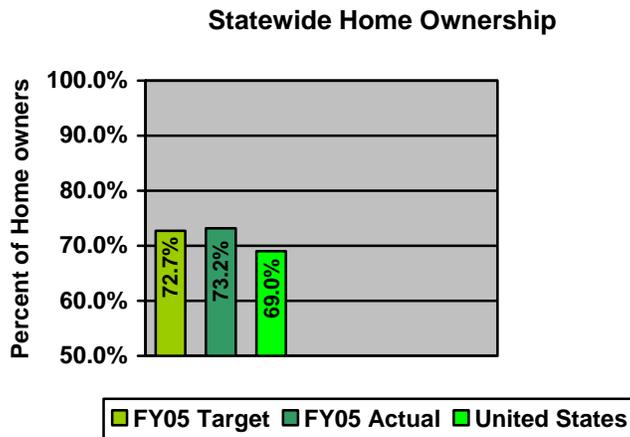
Iowa home ownership percentage

Performance Target:

Maintain a 72.7 home ownership percentage statewide

Data Source:

U.S. Census Bureau, 2004



Data reliability: The U.S. Census obtains specific housing statistics from sampling. The degree of uncertainty for an estimate arising from sampling variability is represented through the use of a confidence interval. The interval shown here is a 90 percent confidence interval.

Why we are using this measure: This measure shows the percent of lowans who have achieved home ownership and the success of home ownership programs in Iowa.

What was achieved: 73.2 percent of lowans are home owners.

Analysis of results: The FY05 target was exceeded by .5 percent.

Factors affecting results: Housing affordability, interest rates, housing supply, and the economy can affect results.

CORE FUNCTION Housing – Affordable Rental

Name: Housing Wage

Description: The housing wage is the amount a person working full-time must earn to afford the fair-market rent on a two-bedroom unit without paying more than 30 percent of his or her income in rent.

Why we are doing this: Iowa ranks in the top 25 percent of all states for the lowest housing wage. The housing wage is a reflection of how effectively affordable housing programs help maintain the housing wage in Iowa.

Results

Performance Measure:

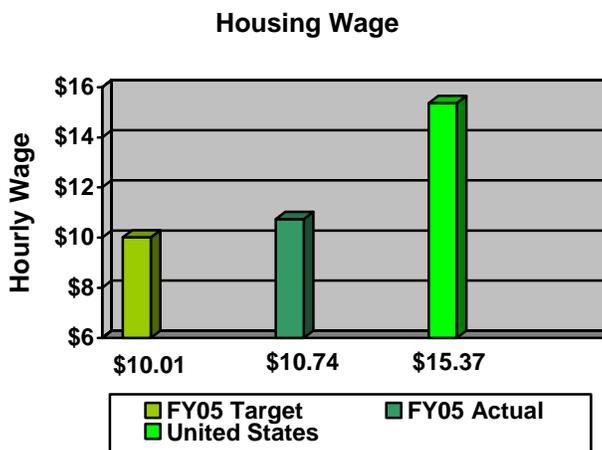
Housing Wage

Performance Target:

Maintain \$10.01 per hour housing wage

Data Source:

National Low Income Housing Coalition, *Out of Reach 2004*



Data reliability: *Out of Reach* provides a comparison of rental housing costs in all 50 states, the District of Columbia, and Puerto Rico to people's ability to afford rental housing by utilizing information from the U.S. Census Bureau and the U.S. Department of Housing and Urban Development.

Why we are using this measure: This measure provides data on the affordability of rental housing in Iowa.

What was achieved: A housing wage of \$10.74.

Analysis of results: The housing wage in Iowa has increased \$.73 from the performance target of \$10.01. However, Iowa remains relatively low compared to the U.S. average of \$15.37.

Factors affecting results: The housing wage is affected by the State's wages and the Fair Market Rents (FMR) determined annually by HUD. If HUD changes its methodologies in determining the FMR's then the resulting changes will affect the stability of thousands of tenants and the ability to do business with landlords and developers.

CORE FUNCTION Housing – Affordable Rental

Name: MultiFamily Loan Portfolio

Description: The MultiFamily Loan Program is designed to preserve the supply of and foster the production of new affordable rental units. Projects must have been developed using at least one of the following programs: Low-Income Housing Tax Credits (LIHTC), State or local HOME funding, tax-exempt bonds, HUD or USDA Rural Development programs, IFA Housing Assistance Fund, the former Iowa Housing Corporation (IHC), or substantial rehabilitation of projects that have no affordability restrictions that agree that at least 40 percent of the units are at HUD Fair Market Rents or below. Units must, at a minimum, be affordable to tenants with incomes at or below 80 percent of area median income (AMI), and in most cases, must be affordable to tenants with incomes at or below 50 percent AMI. Mixed-income projects are also considered.

Why we are doing this: There is an identified need for low-cost alternative financing to foster the preservation and development of affordable multifamily housing for low- and moderate-income families in Iowa. Since this program began in FY03, IFA has closed \$10.1 million in loans to 13 developments.

What we are doing to achieve results:

- Seeking HUD Section 202 refunding opportunities for several properties.
- Actively marketing the program for use with 9 and 4 percent LIHTC.
- Revised underwriting criteria and administrative rules for the MultiFamily Loan Program.
- Experience will help achieve HUD Riskshare designation.
- Some results will be achieved by using HUD's Multifamily Accelerated Processing Program (MAP).

Results

Performance Measure:

Multi-Family Loan Portfolio

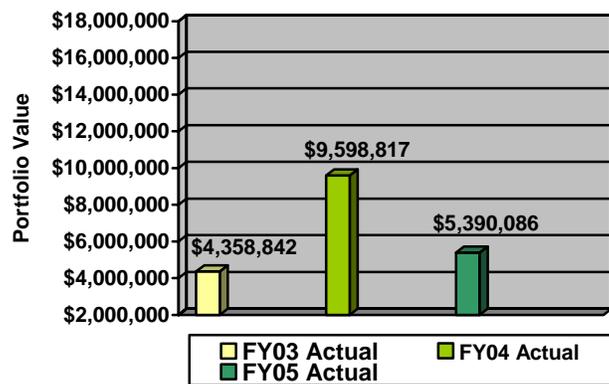
Performance Target:

\$18 million

Data Source:

Iowa Finance Authority

Multi-Family Loan Portfolio



Data reliability: IFA's MultiFamily Loan Program portfolio is maintained by IFA's accounting division and included in the agency's annual financial statements, which have been audited by KPMG LLP, an independent auditor.

Why we are using this measure: This measure tracks IFA's progress toward its strategic goal of \$40 million in total loans over four years.

What was achieved: The portfolio value at the end of FY05 was \$5,390,086.

Analysis of results: This program is relatively new. It was originally funded by assets recovered from the now-defunct Iowa Housing Corporation and initially focused only on preservation of affordable rental units. In FY04, the program rules were amended to allow new construction. In FY05, the program rules were amended again to enhance program participation and allow more projects to be eligible using HUD programs. In addition, two loans originally financed with the multifamily 1995 A bond issue were prepaid, reducing the multifamily assets by \$4 million.

Factors affecting results: Program staff is still exploring the possibility of refinancing HUD Section 202 projects, and IFA has not yet secured HUD Riskshare approval which will be essential to program expansion.

SERVICES/PRODUCTS/ACTIVITIES

Housing – Affordable Rental

Name: MultiFamily Loans

Description: IFA provides low-cost loans to eligible developers to preserve the existing supply of rental units at risk of being lost, and to foster the production of new affordable rental units in Iowa.

Why we are doing this: There is an identified need for low-cost alternative financing to foster the preservation and development of affordable multifamily housing units.

What we are doing to achieve results:

- Revised underwriting criteria and administrative rules for the MultiFamily Loan Program.
- Refinance of HUD Section 202 properties.
- Actively marketing the MultiFamily Loan Program for use with 9 and 4 percent Low-Income Housing Tax Credit projects.

Results

Performance Measure:

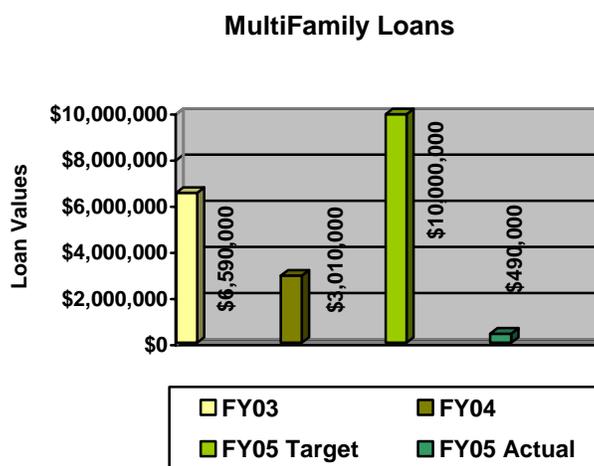
New Loans

Performance Target:

\$10 million in new loans

Data Source:

Iowa Finance Authority



Data reliability: IFA’s MultiFamily Loan Program portfolio is maintained by IFA’s accounting division and included in the agency’s annual financial statements, which have been audited by KPMG LLP, an independent auditor.

Why we are using this measure: This measure tracks IFA’s new loans to develop or preserve affordable multifamily rental units.

What was achieved: A loan of \$275,000 and one for \$215,000 closed in two Iowa communities.

Analysis of results: IFA didn’t meet its performance target of \$10 million in new loans. However, IFA has \$1.5 million in loans approved and \$8.8 million in additional loans under review with possible closure by the end of FY06.

Factors affecting results: Program staff is still exploring the possibility of refinancing HUD Section 202 projects, and IFA has not yet secured HUD Riskshare approval which will be essential to program expansion.

SERVICES/PRODUCTS/ACTIVITIES Housing – Affordable Rental

Name: MultiFamily Affordable Rental Units

Description: IFA can develop or preserve the supply of restricted affordable units statewide or provide funding for substantial rehabilitation of existing stock of market rate housing.

Why we are doing this: To ensure Iowa has a sufficient supply of affordable rental units statewide.

What we are doing to achieve results:

- Revised underwriting criteria and administrative rules for the MultiFamily Loan Program.

- Actively marketing program for use with 9 and 4 percent tax credits.
- Seeking HUD Section 202 refunding opportunities for several properties.

Results

Performance Measure:

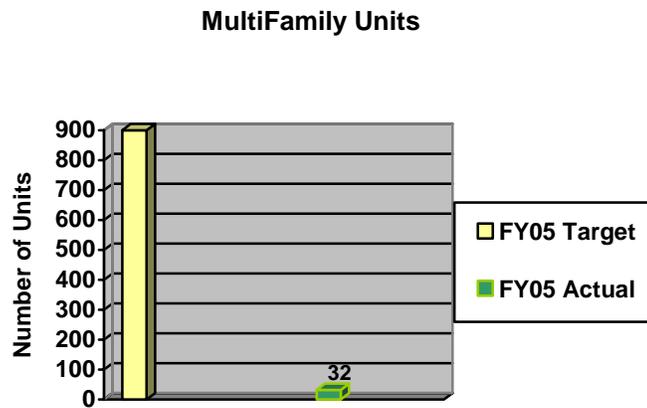
Number of multifamily units

Performance Target:

900 units

Data Source:

Iowa Finance Authority



Data reliability: IFA’s MultiFamily Program staff maintains data on the number of units for the multifamily loans.

Why we are using this measure: This measure tracks the number of multifamily units preserved or developed.

What was achieved: Thirty-two affordable housing units were preserved in two communities in FY05. However, additional loans are pending or under review that would create 217 units.

Analysis of results: IFA fell short on units preserved/produced as only two loans were closed in FY05.

Factors affecting results: Program staff is still exploring the possibility of refinancing HUD Section 202 projects, and IFA has not yet secured HUD Riskshare approval which will be essential to program expansion.

SERVICES/PRODUCTS/ACTIVITIES

Housing – Affordable Rental

Name: HUD Section 8 Contract Administration

Description: IFA holds a performance-based contract with HUD to provide oversight of select Section 8 properties in Iowa.

Why we are doing this: State oversight of federal Section 8 properties helps ensure program compliance and provides a revenue opportunity for IFA.

What we are doing to achieve results: Performed all HUD core functions.

Results

Performance Measures:

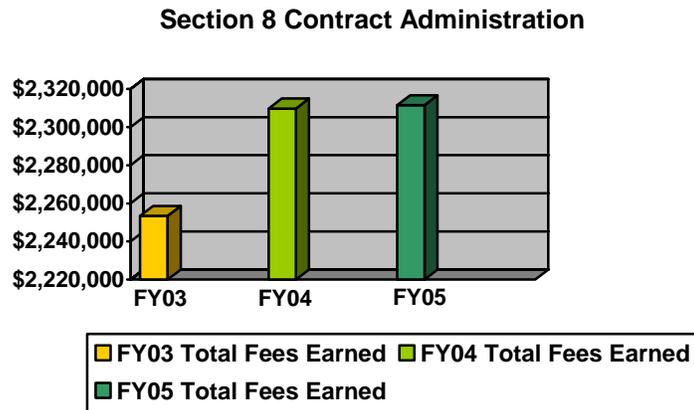
Percentage of HUD
Section 8 Contract
Administration
administrative and
incentive fees earned

Performance Targets:

100 percent

Data Source:

Iowa Finance Authority
and the U.S. Department
of Housing & Urban
Development



Data reliability: Data reflects the amount of invoices to HUD and payments from HUD.

Why we are using this measure: IFA receives an administrative base fee for complying with its HUD contract. IFA receives incentive fees for meeting certain acceptable quality levels.

What was achieved: IFA received 100 percent of the allowed base and incentive fees, earning \$1,540,948 in base fees and \$770,474 in incentive fees for a total of \$2,311,422 in FY05.

Analysis of results: IFA met its goals of 100 percent.

Factors affecting results: None.

SERVICES/PRODUCTS/ACTIVITIES Housing – Affordable Rental

Name: Low-Income Housing Tax Credit Program

Description: The Iowa Finance Authority has been the tax credit allocating agency for the state of Iowa since 1986 and monitors low-income housing tax credit providers for compliance with IRS regulations.

Why we are doing this: To ensure low-income housing tax credit providers are complying with IRS regulations.

What we are doing to achieve results: Performed all scheduled compliance visits.

Performance Measures:

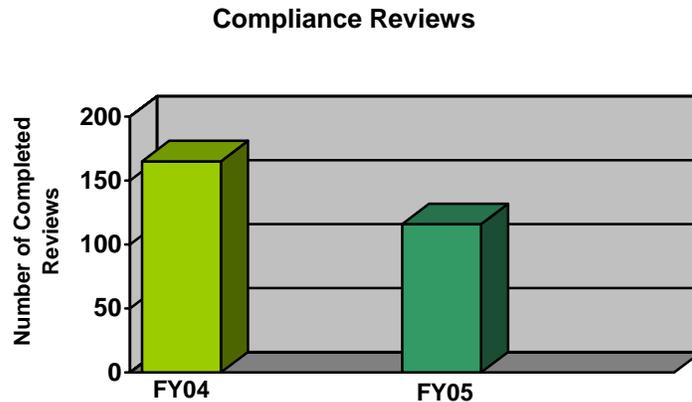
Percentage of compliance reviews completed

Performance Targets:

100 percent

Data Source:

Iowa Finance Authority



Data reliability: The data reflects the records of reviews completed.

Why we are using this measure: This measure demonstrates IFA's ability to complete scheduled compliance reviews for monitoring compliance with IRS regulations.

What was achieved: 100 percent of the 116 scheduled compliance reviews were conducted by tax credit staff.

Analysis of results: IFA met its goals of 100 percent. In FY04, 165 compliance visits were completed.

Factors affecting results: None.

SERVICES/PRODUCTS/ACTIVITIES Housing – Affordable Rental

Name: Housing for persons with disabilities

Description: Provide technical assistance and/or financing to develop or preserve affordable apartments for persons with disabilities, or elderly in need of assisted living and to provide referrals to tenants who need such units.

Why we are doing this: In response to the U.S. Supreme Court ruling on the Olmstead Case, Governor Vilsack issued Executive Order 27, directing state agencies to identify barriers to community living for people with disabilities, and to create a plan to address those barriers. IFA is the lead agency for this effort.

What we are doing to achieve results:

- Held two Lt. Governor's summits on housing with people with disabilities. The second summit was held in September 2004.
- Implemented the State Housing Trust Fund.
- Provided funding for lowAble Foundation home modification loan program.

- Established affordable assisted living and service-enriched housing set-asides in the Low-Income Housing Tax Credit program and allocated credits for development of 295 units.
- Administered the Home and Community-Based Rent Subsidy Program under 28E agreement with DHS.
- Administered the federally funded Housing Opportunities for Persons with AIDS/HIC (HOPWA) Program.

Results

Performance Measures:

Number of apartments created or preserved for persons with disabilities or very low income

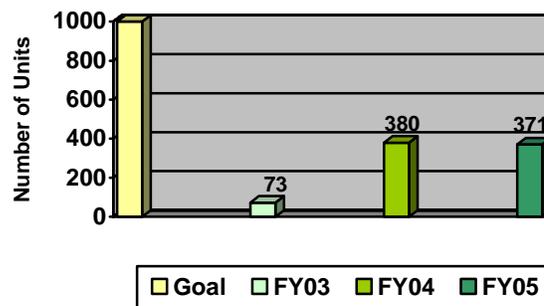
Performance Target:

1,000 units

Data Source:

Iowa Finance Authority

Housing for People with Disabilities



Data reliability: The administrative assistant to IFA’s Director of Housing maintains a spreadsheet of housing units created or preserved for people with disabilities through various programs operated by state and non-profit agencies. IFA requires agencies to report the units, but because this is a new process, actual numbers may be higher or lower.

Why we are using this measure: The Vilsack-Pederson administration set a goal of creating or preserving 1,000 units of housing for people with disabilities by the end of their second term.

What was achieved: IFA helped create or preserve 371 units in FY05. Since 2003, 824 housing units have been created or preserved.

Analysis of results: IFA and partner agencies are on target to achieve the administration goal of 1,000 new or preserved units. Only 176 units are needed to meet the performance target.

Factors affecting results: Since 1992, the federal government has required all new rental properties with five or more units to have accessible features in 5 percent of the units. It has been difficult to determine if consumers that desire accessible features are renting these units. It’s also difficult for consumers to locate accessible units available in the marketplace.

SERVICES/PRODUCTS/ACTIVITIES Housing – Affordable Rental

Name: Rental Assistance Program

Description: This rent subsidy program is for persons who receive services under a federal Medicaid waiver program called Home and Community-Based Service (HCBS) and who are at risk of being placed in a nursing facility. The program provides a monthly rent assistance payment to these persons to help them live successfully in their home and community.

Why we are doing this: Persons with disabilities often face an economic disadvantages because they are unable to work, are underemployed, or have limits placed on their income in order to remain qualified for other government programs, such as Medicaid. Because of these factors, the cost of housing often exceeds 30 percent of income.

What we are doing to achieve results:

- Provided training through the Iowa Communications Network (ICN) on program eligibility and application process to Department of Human Services (DHS) case managers.
- Provided information, application and policy clarifications on IFA website.
- Initiated an automated process to simplify the approval and payment process.

Results

Performance

Measures:

Average number of tenants served by the State Rental Assistance Program

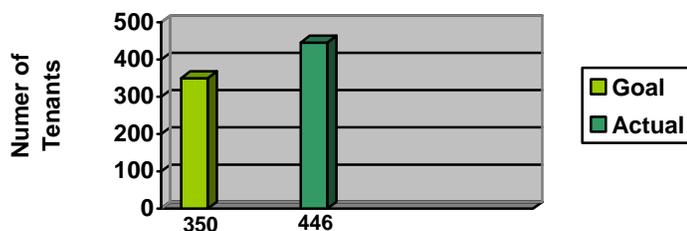
Performance Target:

350 tenants

Data Source:

Iowa Finance Authority

Number of Tenants Served by Rental Assistance Program



Data reliability: The accounting department and program staff maintain data on the number of persons receiving assistance from the program.

Why we are using this measure: The measure demonstrates the number of tenants benefiting from this rental assistance program.

What was achieved: In FY05, the State Rental Assistance Program served 446 tenants.

Analysis of results: IFA exceeded its performance target by 96 tenants.

Factors affecting results: Amount of persons served is limited by the annual appropriation from the Legislature.

SERVICES/PRODUCTS/ACTIVITIES Housing – Affordable Rental

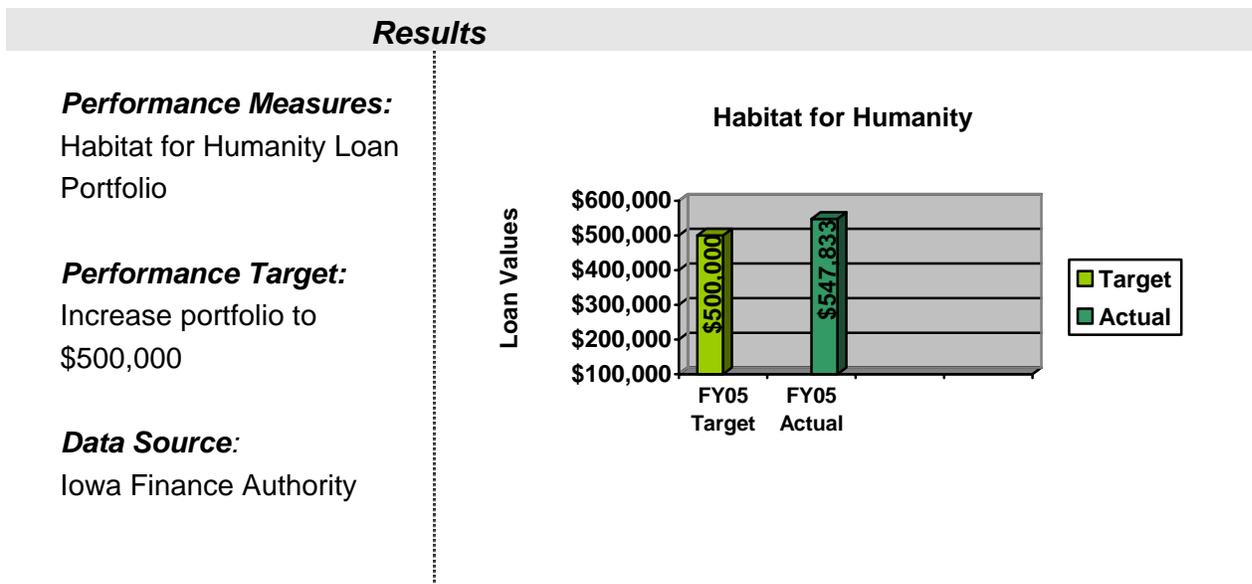
Name: Habitat for Humanity Loan Portfolio

Description: This program provides a secondary market for organizations such as Habitat for Humanity, allowing them to turn their mortgages into cash and build additional homes.

Why we are doing this: To provide a loan product to organizations such as Habitat for Humanity to assist them in building homes.

What we are doing to achieve results:

- Providing a guide and easy-to-use loan product with attractive terms.



Data reliability: IFA’s financial statements have been audited by KPMG LLP, an independent auditor.

Why we are using this measure: It has proven to be effective and has been identified as the measure necessary to monitor program effectiveness.

What was achieved: The \$500,000 performance target was exceeded.

Analysis of results: The \$500,000 portfolio performance target was exceeded by \$47,833.

Factors affecting results: The loans terms and the demand by Habitat for Humanity affiliates helped IFA exceed its performance target. Results could have

been greater if IFA had more funding available. There is an identified need for \$2 million in FY06.

SERVICES/PRODUCTS/ACTIVITIES Housing – Affordable Rental

Name: State Housing Trust Fund Loan Portfolio

Description: The portfolio consists of seasoned loans made in the initial stages of the MultiFamily Loan Program and loans transferred from the now-defunct Iowa Housing Corporation. Their principal and interest payments provide a funding source to the State Housing Trust Fund and generate approximately \$200,000 to \$300,000 annually.

Why we are doing this: The loan and interest payments provide a funding source for future State Housing Trust Fund awards.

What we are doing to achieve results:

- The Iowa Housing Trust Fund Advocates Network is working to establish additional Local Housing Trust Funds in an effort to achieve an allocation from the Legislature or a dedicated funding stream.
- IFA will provide Capacity Building Grants in FY06 to increase the number of Local Housing Trust Funds and assist with capacity for those already established.

Results

Performance Measures:

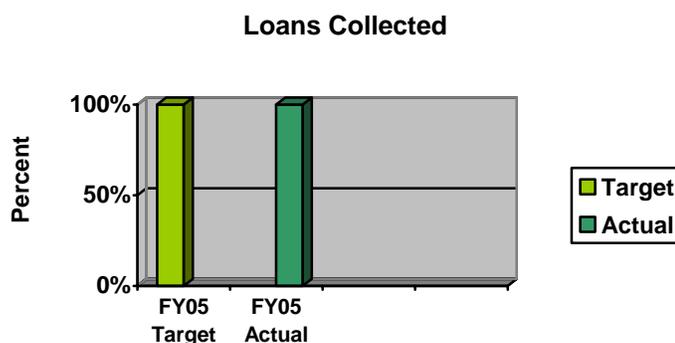
Loan Payment Collections

Performance Target:

Collect 100 percent of loan payments due

Data Source:

Iowa Finance Authority



Data reliability: IFA's financial statements have been audited by KPMG LLP, an independent auditor.

Why we are using this measure: The loan payment collections provide the most accurate information to plan for future State Housing Trust Fund awards.

What was achieved: 100 percent of loan payments were collected.

Analysis of results: IFA met its performance target of 100 percent collection of State Housing Trust Fund loan payments.

Factors affecting results: None.

SERVICES/PRODUCTS/ACTIVITIES Housing – Affordable Rental

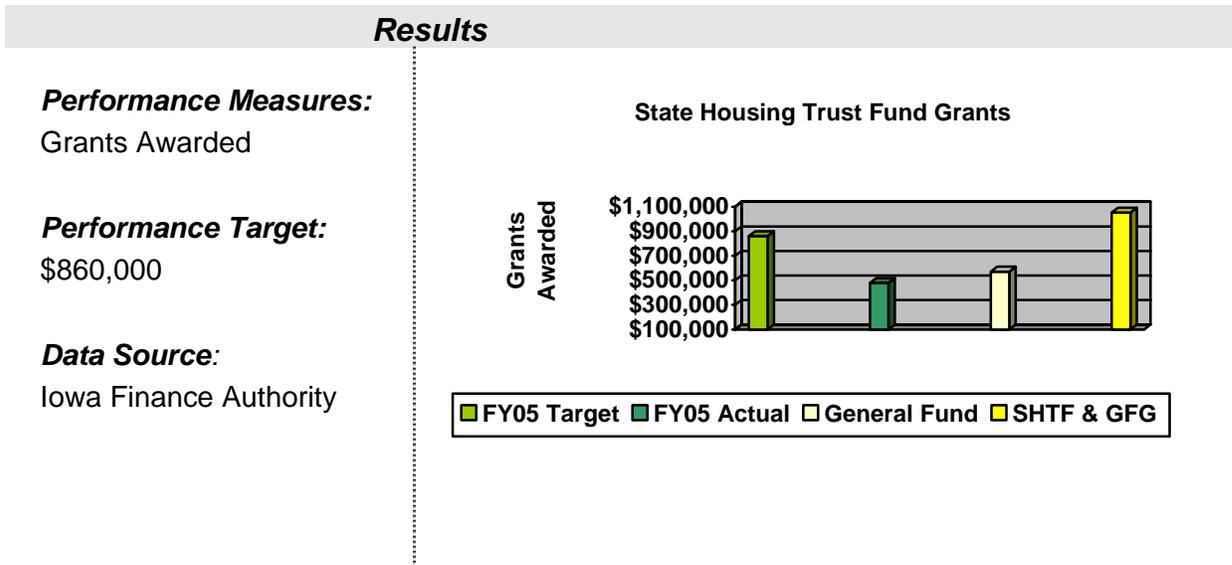
Name: State Housing Trust Fund Grants

Description: In accordance with Iowa Code Section 16.181, a housing trust fund is held within the Iowa Finance Authority (IFA). The moneys in the Fund are to be used for the development and preservation of affordable housing for low-income people in the state. The two programs operated under the Fund are the Local Housing Trust Fund Program and the Project-Based Housing Program.

Why we are doing this: It is a part of IFA’s mission to preserve and provide opportunities for affordable housing units.

What we are doing to achieve results:

- The Iowa Housing Trust Fund Advocates Network is working to establish additional Local Housing Trust Funds in an effort to achieve an allocation from the Legislature or a dedicated funding stream.
- IFA will provide Capacity Building Grants in FY06 to increase the number of Local Housing Trust Funds and assist with capacity for those already established.



Data reliability: IFA’s financial statements have been audited by KPMG LLP, an independent auditor.

Why we are using this measure: Demand for future awards can be determined, and it provides the challenge of how to get the necessary funds to meet future funding needs.

What was achieved: IFA awarded \$200,000 in Local Housing Trust Fund Grants from the State Housing Trust Fund and \$280,000 in Project-Based Grants in

FY05. \$571,668 was funded from the general fund. A total of \$1,051,668 was granted to project-based housing and local housing trust funds.

Analysis of results: Because IFA received \$571,668 from the general fund, IFA exceeded the performance target of \$860,000.

Factors affecting results: State appropriations.

SERVICES/PRODUCTS/ACTIVITIES Housing – Affordable Rental

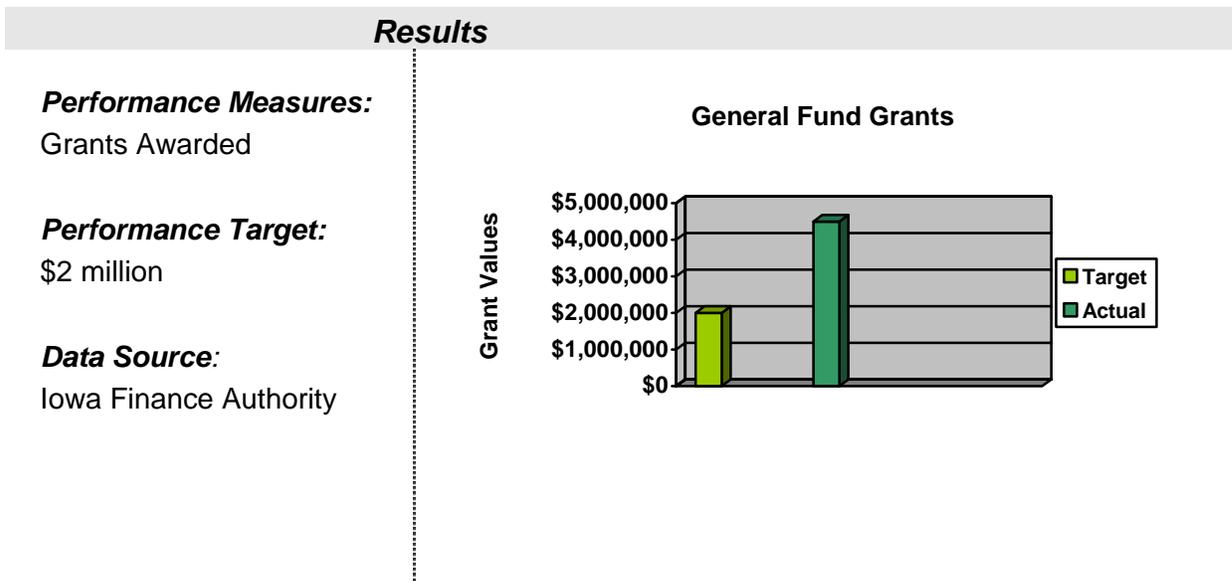
Name: General Fund Grants

Description: Grants are provided for various housing activities such as transitional housing, the Guard and Reserve Homebuyer Benefit Program, capacity building, lowAble, Housing for Persons With AIDS, RCDI and internships.

Why we are doing this: To provide grants for various housing activities by seeking alternate funding sources.

What we are doing to achieve results:

- IFA will apply directly or join with other agencies or non-profits when funding sources are available.
- IFA acts as a pass through agency and provides matching funds so the applicants can be competitive in applying for grants.



Data reliability: IFA's financial statements have been audited by KPMG LLP, an independent auditor.

Why we are using this measure: By increasing the capacity of non-profits, they can help those with the greatest financial need.

What was achieved: \$4,492,605 in general fund grants were paid in FY05.

Analysis of results: IFA exceeded its \$2 million performance target by \$2.49 million.

Factors affecting results: Because of IFA's expertise in many of these areas and our willingness to provide matching funds, most applicants are successful in achieving their goals.

SERVICES/PRODUCTS/ACTIVITIES

Housing – Affordable Rental

Name: Emergency Homeless Shelter Funding

Description: Funding is received as a formula grant from HUD in the amount of \$1.5 million combined with 5 percent of real estate transfer tax for a total of \$2.8 million.

Why we are doing this: This provides operating assistance and homeless prevention funding for more than 125 agencies across the state.

What we are doing to achieve results:

- IFA provides an administrative system to distribute the funds where they are most needed.
- IFA administers a competitive grant process and insures projects are monitored for compliance.

There are no performance measures to report, as IFA did not take over this program from the Iowa Department of Economic Development until 7-1-05.

CORE FUNCTION
Community and Economic Development

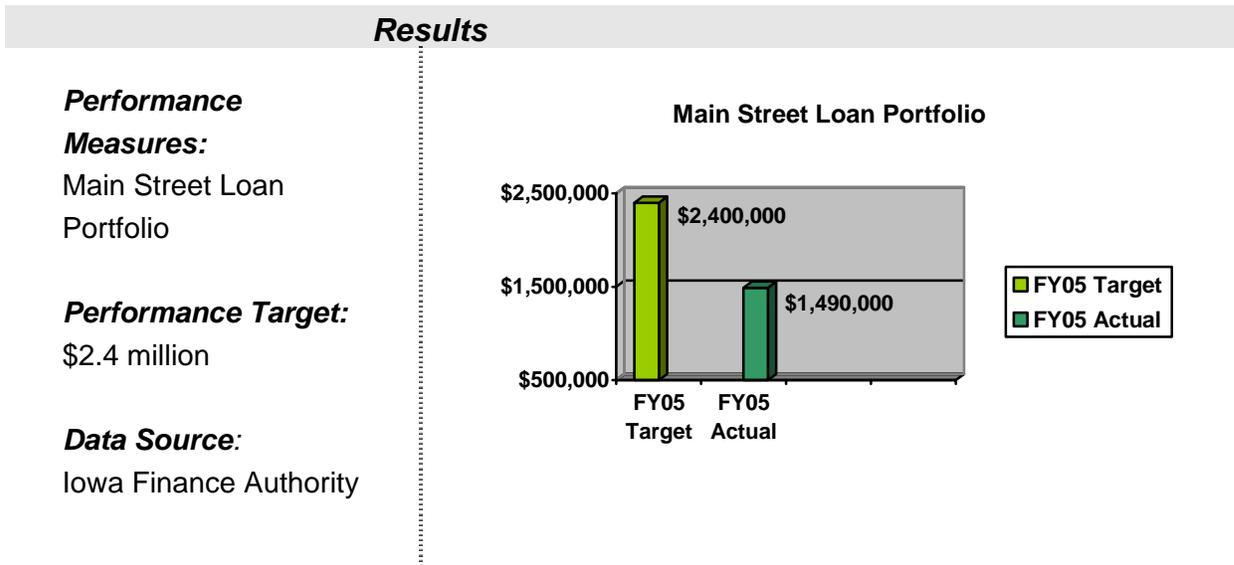
Name: Main Street Loan Program

Description: IFA provides financial assistance to property owners at Main Street communities to further revitalization of their downtown areas.

Why we are doing this: Main Street Iowa is a valuable program helping preserve the downtown areas of 34 Main Street Communities. The Main Street Mortgage Loan Program provides alternative gap financing to further the development and preservations goals of Main Street communities. The program facilitates the efforts of Main Street Iowa, administered by the Iowa Department of Economic Development.

What we are doing to achieve results:

- Transferred program administration to IFA’s Housing division.
- Annually attend Main Street Communities Conference and Award Ceremony.
- Provide technical assistance to applicants.



Data reliability: IFA’s financial statements have been audited by KPMG LLP, an independent auditor.

Why we are using this measure: The volume of Main Street loans reflects IFA’s progress in providing low-cost financing to Iowa communities.

What was achieved: IFA’s Main Street Loan portfolio increased to \$1.49 million.

Analysis of results: IFA fell short of the \$2.4 million performance target. Although there were no loans approved in FY05, the portfolio increased as a result of final construction loan advances that occurred on existing loans from FY04. There are two loans totaling \$369,100 scheduled to close in FY06.

Factors affecting results: Loan activity is limited to designated Main Street Communities. The economy and loan demand from borrowers affected results.

CORE FUNCTION Community and Economic Development

Name: Community Development Financing Programs

Description: IFA issues bonds for multifamily housing developers, small businesses, and non-profit entities for eligible purposes.

Why we are doing this: Tax-exempt bonds help lower the cost of construction and rehabilitation projects for economic development. Fees generated by issuing bonds and making loans provide additional revenue for IFA.

What we are doing to achieve results:

- IFA strives to keep the process easy to use.
- IFA strives to keep fees competitive.

Results

Performance Measures:

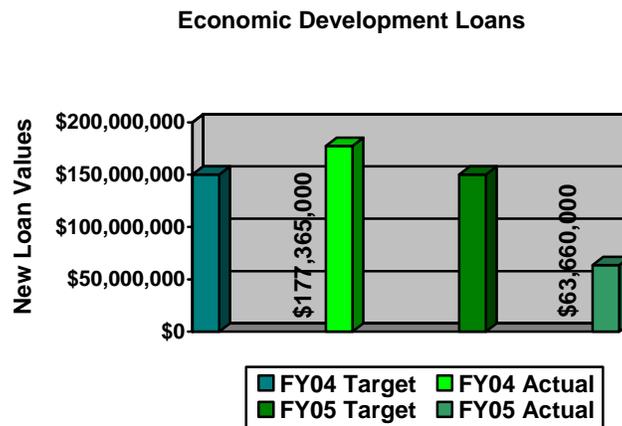
Economic Development
Loans Originated

Performance Target:

\$150 million in new loans

Data Source:

Iowa Finance Authority



Data reliability: IFA's financial statements have been audited by KPMG LLP, an independent auditor.

Why we are using this measure: Easily quantifiable and an accurate measure of the program.

What was achieved: \$63.66 million in economic development loans originated.

Analysis of results: IFA met 42 percent of the goal.

Factors affecting results: As a conduit issuer, IFA offers a service to eligible borrowers. Other factors in the general economy, including the interest rate environment, expectations for growth, and the borrower's internal financial condition affect the amount of bonds issued. In addition, there are strict IRS regulations regarding the eligible uses of tax-exempt bonds.

CORE FUNCTION Title Guaranty

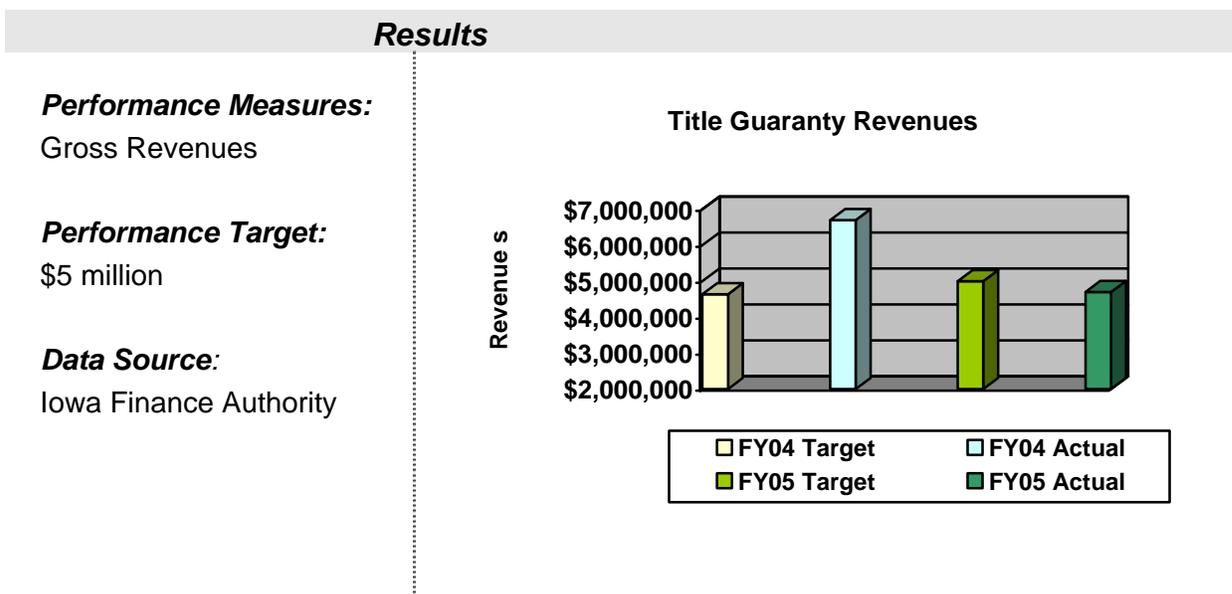
Name: Title Guaranty

Description: IFA provides a low-cost mechanism to guarantee title to real property to ensure the integrity of the land title transfer system and to facilitate transactions in the secondary mortgage market.

Why we are doing this: Title guaranty ensures the integrity of the Iowa land title transfer system and facilitates transactions in the secondary mortgage market.

What we are doing to achieve results:

- Analyzing and revising products, pricing, and marketing to achieve and maintain dominant market share in Iowa.



Data reliability: IFA's financial statements have been audited by KPMG LLP, an independent auditor.

Why we are using this measure: The revenues generated reflect Title Guaranty's productivity and availability fund for housing programs.

What was achieved: FY05 revenues equaled \$4,700,158.

Analysis of results: IFA was \$299,842 short of meeting the performance target.

Factors affecting results: Because the refinance boom has ended, IFA saw a decline in the number of real estate transactions. Competition from out-of-state title insurance companies also affected results for FY05. Additionally, an increasing number of lenders are not selling their loans on the secondary market.

SERVICES/PRODUCTS/ACTIVITIES Title Guaranty

Name: Mortgage Release

Description: Mortgage release is a mechanism to clear title issues by releasing paid off but unreleased mortgages.

Why we are doing this: This is a service to lenders, attorneys and real estate professionals in Iowa.

What we are doing to achieve results:

- Promoting the service to attorneys, abstractors, lenders and the real estate sales community.

Results

Performance Measures:

Timeliness of Mortgage Release

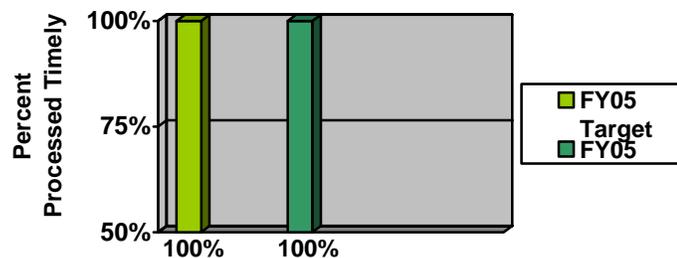
Performance Target:

100 percent processed within 45 days

Data Source:

Iowa Finance Authority

Mortgage Release Processing



Data reliability: Title Guaranty staff members maintain the data for timeliness of mortgage releases.

Why we are using this measure: The timely release of paid mortgages contributes to the integrity of the Iowa land transfer system.

What was achieved: 100 percent of the mortgage releases were processed within 45 days.

Analysis of results: IFA met its performance target of processing 100 percent of the mortgage releases within 45 days.

Factors affecting results: None.

CORE FUNCTION Resource Management

Name: Issuer Credit Rating

Description: An issuer credit rating analyzes and reflects the agency's asset base, financial performance, capital adequacy and management.

Why we are doing this: Securing a strong rating opens new doors with securities, lenders, and investors that will help the agency expand programming.

What we are doing to achieve results:

- Managing IFA to the "AA" rating category levels of Standard and Poor's (S&P).
- Monthly tracking of S&P financial ratios.

Results

Performance Measures:

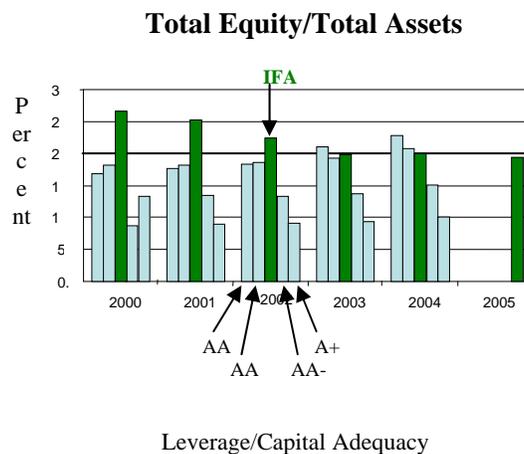
S&P Issuer Credit Rating

Performance Target:

AA rating

Data Source:

Iowa Finance Authority



Data reliability: IFA's financial statements have been audited by KPMG LLP, an independent auditor.

Why we are using this measure: Tracking IFA performance under the S&P ratios allows IFA to gauge performance.

What was achieved: IFA received a AA- rating from S & P.

Analysis of results: IFA's AA- rating is in the AA category, one notch below the goal.

Factors affecting results: Financial performance, asset base and IFA management.

SERVICES/PRODUCTS/ACTIVITIES Resource Management

Name: Financial Reporting

Description: Financial reports are prepared monthly for presentation to management and the IFA board of directors.

Why we are doing this: To provide management with the financial condition and performance of the agency.

What we are doing to achieve results:

- Continually improving accounting systems and processes.

Results

Performance Measures:

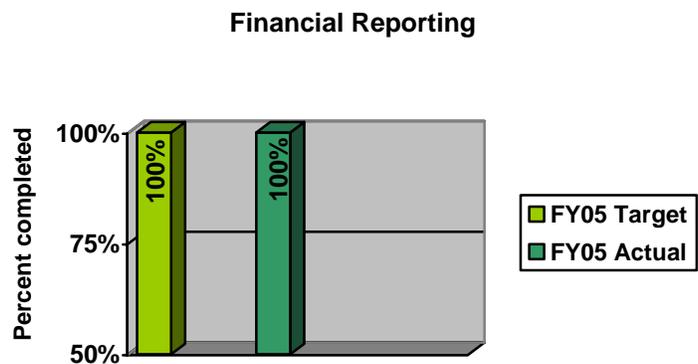
Timeliness of preparation of monthly reports.

Performance Target:

100 percent of board of directors and management financial reports completed by due dates.

Data Source:

Iowa Finance Authority



Data reliability: IFA's Accounting Department maintains data on the timeliness of financial reporting.

Why we are using this measure: Timely financial information is critical to effective management of the agency.

What was achieved: Timely financial reporting to the IFA Board was achieved.

Analysis of results: IFA met the performance target by completing all monthly financial reporting by due dates.

Factors affecting results: None.

SERVICES/PRODUCTS/ACTIVITIES Resource Management

Name: Network Devices

Description: Network resources include staff personal computers, printers, servers, routers, email and Internet access.

Why we are doing this: Information technology provides IFA staff members with the tools they need to do their jobs effectively. Network “down time” reduces productivity and impedes customer service.

What we are doing to achieve results:

- Scheduled weekend maintenance windows.
- Implemented personal computer replacement program.

Results

Performance Measures:

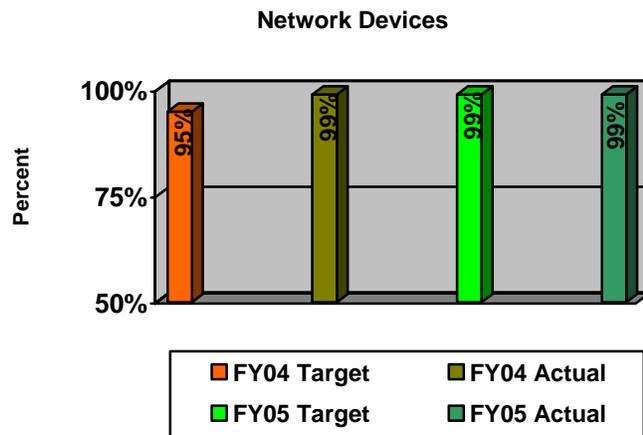
Percentage of time technology resources are available

Performance Target:

99 percent availability

Data Source:

Iowa Finance Authority



Data reliability: The Information Technology staff maintains data showing availability of network resources available and causes for network downtime. Time is rounded to the nearest hour.

Why we are using this measure: The percentage of time network resources are available reflects information technology management.

What was achieved: Ninety-nine percent of the time, technological resources were available.

Analysis of results: IFA met its goal of 99 percent.

Factors affecting results: None.

SERVICES/PRODUCTS/ACTIVITIES Resource Management

Name: Employee Performance Evaluations

Description: Annual evaluations of how employee work performance compares to employee and agency objectives.

Why we are doing this: State agencies are required to conduct annual employee performance evaluations. Performance evaluations are a good tool for helping employees understand their role in the agency and encouraging growth and development.

What we are doing to achieve results:

- Completed training on new IPP forms.
- Incorporated agency performance plan into employee performance plans.
- Scheduled PDQ and Evaluation Training from HRE.

Results

Performance Measures:

Timeliness of performance evaluations

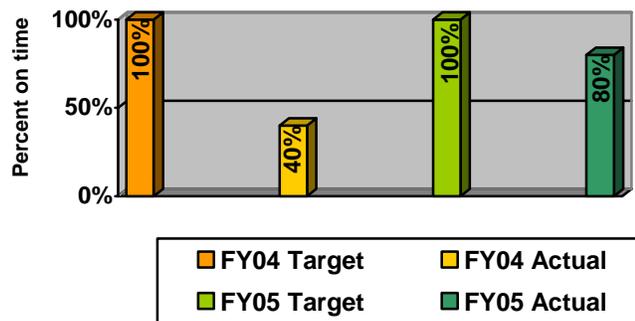
Performance Target:

100 percent

Data Source:

Iowa Finance Authority

Timeliness of Performance Evaluations



Data reliability: IFA's Human Resource Manager maintains the schedule of employee evaluations.

Why we are using this measure: Timely performance evaluations reflect a commitment to valuing employees, recognizing their accomplishments and helping them set priorities and goals for the future.

What was achieved: Eighty percent of IFA employee performance evaluations were completed on time in FY05.

Analysis of results: IFA fell short of the target of 100 percent on time completion of performance evaluations.

Factors affecting results: Changes in management personnel and work loads affected the results for FY05. However, there was a significant gain from FY04. We anticipate that FY06 results will show even greater progress towards achieving the performance target of 100 percent.

SERVICES/PRODUCTS/ACTIVITIES
Resource Management

Name: Purchasing

Description: Purchasing is the procurement of goods and supplies needed for IFA employees to do their work and deliver programs and services to IFA customers.

Why we are doing this: A centralized purchasing process helps save time and control costs.

What we are doing to achieve results:

- Routinely checking inventory of all purchased goods and services provides for more accurate records of purchasing needs.

Results

Performance Measures:

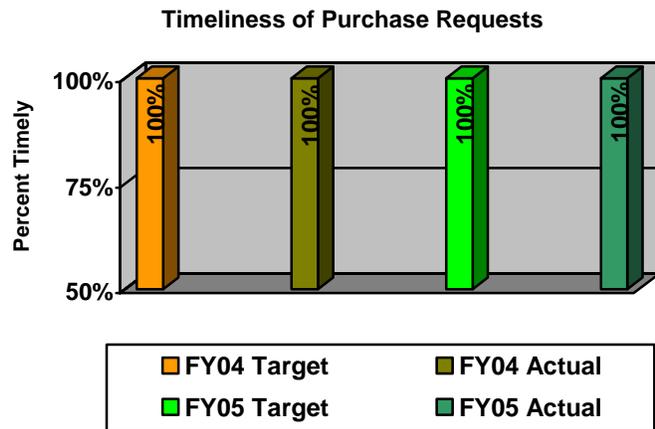
Timeliness of processing purchase requests

Performance Target:

100 percent within four business days

Data Source:

Iowa Finance Authority



Data reliability: The IFA's Purchasing Manager maintains a spreadsheet tracking the interval between purchase request receipt and approval.

Why we are using this measure: The timeliness of processing purchase requests ensures appropriate resources are available to staff.

What was achieved: 100 percent of purchase orders were processed within four business days of receipt.

Analysis of results: The new purchasing process established in FY04 has ensured timeliness and resulted in a significant reduction in the dollars spent on office supplies.

Factors affecting results: None.

SERVICES/PRODUCTS/ACTIVITIES
Resource Management

Name: Database and Automation

Description: IFA

Why we are doing this: Information technology allows IFA staff to communicate better with customers and stakeholders and deliver services and products more effectively.

What we are doing to achieve results:

- Working closer with management to prioritize project work and expanding IT resources to meet the demand.

Results

Performance Measures:

Timeliness of providing database and automation tools to agency staff

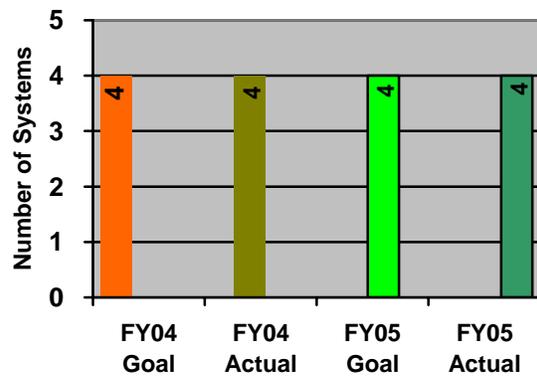
Performance Target:

Place four new or supplemental systems into production by end of FY05

Data Source:

Iowa Finance Authority

Database and Automation Tools



Data reliability: Documentation exists for each major enhancement and new project developed by the Information Technology team.

Why we are using this measure: Timeliness of providing database and automation tools to staff reflects IFA’s commitment to improving communication with customers and stakeholders and delivery of services and products.

What was achieved: Four additional systems were placed in service: MultiFamily allocation module, Home module, Contract Document Imaging module and Rent Subsidy module.

Analysis of results: IFA achieved the performance target of the four new or supplemental systems into production by the end of FY05.

Factors affecting results: None.

**SERVICES/PRODUCTS/ACTIVITIES
Resource Management**

Name: Data Availability

Description: IFA

Why we are doing this: Placing information on the IFA intranet allows all IFA staff easier access to program information, data, and forms.

What we are doing to achieve results:

- Continue working with department managers on data compilation.

Results

Performance Measures:

Amount of management data available on the IFA intranet

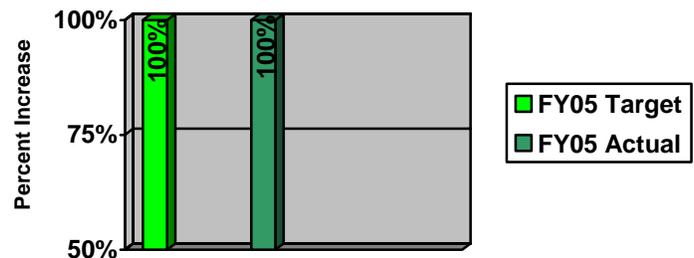
Performance Target:

100 percent increase

Data Source:

Iowa Finance Authority

Availability of Management Data



Data reliability: The amount of data tables and records in SQL server are used to determine this measurement.

Why we are using this measure: This measure indicates the growth and usage of the Internet portal as a single source of information.

What was achieved: Several new systems dictated more data centralization in our database.

Analysis of results: Employees are now authors of content on the Intranet resulting in exponential growth of available information.

Factors affecting results: None.

CORE FUNCTION State Revolving Fund

Name: State Revolving Fund

Description: The State Revolving Fund provides low-cost loans to assist with the costs of infrastructure projects for clean water and drinking water. IFA operates the program in cooperation with the Department of Natural Resources. The program is funded through capitalization grants from the U.S. Environmental Protection Agency, proceeds of bonds issued by IFA and loan repayments.

Why we are doing this: There is a critical need for low-cost funds to assist communities with financing improvements to their drinking water and wastewater infrastructure.

What we are doing to achieve results:

- IFA has been working with DNR to streamline the process for communities. The basic premise is to have IFA responsible for the financial aspects of the program and DNR responsible for permitting.
- Rules have been rewritten, application materials have been improved, and the loan process has been restructured. Improvements in the program will continue in FY06.

Results

Performance

Measures:

State Revolving Fund
(SRF) Loan Portfolio

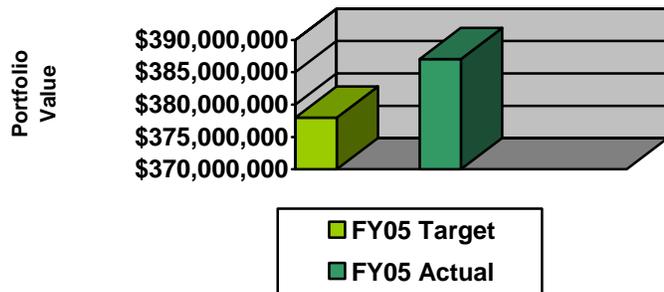
Performance Target:

5 percent increase in
portfolio to \$378 million

Data Source:

Iowa Finance Authority

State Revolving Fund Loan Portfolio



Data reliability: The SRF program is audited by KPMG LLP as part of IFA's annual audit and by the State Auditor in a separate program audit.

Why we are using this measure: It is easily quantifiable and an accurate measure of the success of the program.

What was achieved: Loan portfolio increased to \$387,027,117, a 7.5 percent jump.

Analysis of results: While the fund is under capacity, the results are better than

expected.

Factors affecting results: The SRF interest rate of 3 percent is lower than any other source of funding for communities.

SERVICES/PRODUCTS/ACTIVITIES **State Revolving Fund**

Name: State Revolving Fund Loan Application Processing

Description: The State Revolving Fund provides low-cost loans to assist with the costs of infrastructure projects for clean water and drinking water. IFA operates the program in cooperation with the Department of Natural Resources (DNR). The program is funded through capitalization grants from the U.S. Environmental Protection Agency, proceeds of bonds issued by IFA and loan repayments.

Why we are doing this: There is a critical need for low-cost financing for community projects that improve the quality of Iowa's water.

What we are doing to achieve results:

- Loan application and instructional materials will be rewritten.
- A web-based tool for applications and program management will be developed.
- Bond documents and loan documents will be rewritten to reflect the changes in responsibilities in the program.
- IFA staff has been re-assigned to manage these loans.
- Planning and Design loans are being developed to assist communities with financing during the planning stages of their project.

Performance targets were not measured during FY05, as the loan application process is still with the DNR.

SERVICES/PRODUCTS/ACTIVITIES **State Revolving Fund**

Name: Non-point Source Loans

Description: The General Non-point Source Program is a linked deposit program to provide low-cost funds to non-profit entities for projects to improve Iowa's water quality. The Local Water Protection Program is a linked deposit program to provide low cost funds to landowners for conservation improvements.

Why we are doing this: Non-point source pollution is a major cause of contamination in Iowa's rivers and streams. By providing low-cost funds to non-profit organizations for projects to address the non-point source pollution, IFA encourages practices to improve the quality of Iowa's waters.

What we are doing to achieve results:

- IFA is coordinating the development of a web-based tool for applications and data management for the Local Water Protection Program.
- IFA coordinates with the Division of Soil Conservation (DCS) at IDALS on this program. DSC approves the practice and IFA provides the funds from the SRF.
- IFA coordinates with the DNR on the Non-point Source Program. DNR approves the practices and IFA provides the funds from the SRF.
- Expand Non-Point Source Program to include direct loans in addition to the linked deposit.

Results

Performance Measures:

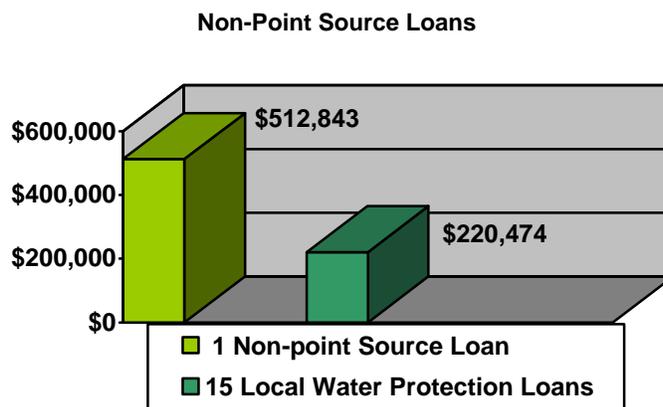
Non-point Source Loans

Performance Target:

Establish baseline in FY05

Data Source:

Iowa Finance Authority



Data reliability: IFA's State Revolving Fund staff maintains loan information, along with Wells Fargo as trustee.

Why we are using this measure: Low-cost financing is essential to improve the quality of Iowa's water quality.

What was achieved: Baseline was established in FY05.

Analysis of results: In FY05, 15 loans for \$220,474 were closed in the Local Water Protection Program and one loan closed in the Non-Point Source Program for \$512,843.

Factors affecting results: The interest for this new program is strong. The funds are deposited until the practice is constructed, so there is a lag between when practices are approved and when the loans are completed.

AGENCY CONTACTS

Copies of the Iowa Finance Authority's Annual Performance Report are available on the IFA website at www.ifahome.com. Copies of the report can also be requested through Shawna Lode at 515/242-5006 or Shawna.Lode@iowa.gov or Stacy Cunningham at 515-242-0239 or Stacy.Cunningham@iowa.gov.

Iowa Finance Authority
100 East Grand, Suite 250
Des Moines, IA 50309

515/242-4990
800/432-7230 (toll free)
515/242-4957 (fax)

www.ifahome.com

APPENDIX

Chapter 16.7 of the Iowa Code requires IFA to submit on an annual basis certain financial statements to the Governor and General Assembly. Appended to this Annual Performance Report are basic financial statements for the fiscal year ending June 30, 2005 and an independent auditor's report on the statements and information, conducted by KPMG LLP.